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LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Growth)

**Consolidated Financial Results for 1Q of Fiscal 2024
Ending March 31, 2025 (IFRS)**
Comprehensive Equity as new management indicator was 161,022 million yen

TOKYO, August 14, 2024 - LIFENET INSURANCE COMPANY (TSE Growth 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses the consolidated financial results for the first quarter of fiscal 2024 ending March 31, 2025.

1. Overview of the financial results for 1Q of fiscal 2024 ended June 30, 2024

(1) Business results

Condition of policies-in-force

The Lifenet Insurance Group (the “Group”) has started group credit life insurance (“GCL”) business since July 2023 with the aim of expanding new opportunity for profit growth. Annualized premium*¹ of policies-in-force for individual life insurance and GCL combined as of the end of 1Q of fiscal 2024 stands at 29,507 million yen (102.6% of March 31, 2024). Annualized premium of policies-in-force for individual life insurance and GCL was 25,772 million yen (101.4% of March 31, 2024) and 3,735 million yen (112.3% of March 31, 2024), respectively.

The business performance of individual life insurance is as follows. The number of policies-in-force resulted in a total of 609,888 (101.5% of March 31, 2024). Annualized premium of new business for 1Q of fiscal 2024 was 734 million yen (98.2% of 1Q of fiscal 2023) and the number of new business was 18,634 (100.9% of 1Q of fiscal 2023). Surrender and lapse ratio*² for 1Q of fiscal 2024 was 6.1% (6.8% of 1Q of fiscal 2023).

*1: Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments, we calculate annualized premium as multiplying the monthly premium (for GCL, expected premium income for the next month based on the in-force business) by 12 months. Annualized premium of policies-in-force for GCL as of the end of 1Q of fiscal 2024 is calculated applying premium rate as of June 2024.

*2: The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Results of operations

(In millions of yen)

	1Q of fiscal 2023	1Q of fiscal 2024	Change
Insurance revenue	5,500	6,776	1,276
Insurance service results	2,274	2,340	66
Financial results ^{*3}	367	338	(29)
Other results ^{*4}	(120)	(57)	62
Net income (loss) before income taxes	2,521	2,621	99
Net income (loss) attributable to owners of the Company	1,765	1,887	121

Insurance revenue for 1Q of fiscal 2024 increased to 6,776 million yen (123.2% of 1Q of fiscal 2023). Insurance revenue for individual life insurance and GCL was 5,906 million yen and 870 million yen, respectively. As for individual life insurance, the main components of insurance revenue were 2,694 million yen in expected claims and maintenance costs^{*5} (“expected claims”), 391 million yen in change in risk adjustment for non-financial risks related to extinguished risks (“risk adjustment release”) and 1,864 million yen in CSM^{*6} recognized for services provided (“CSM release”). Insurance service results increased to 2,340 million yen (102.9% of 1Q of fiscal 2023) mainly due to an increase in CSM release and profit from GCL. Financial results were 338 million yen (92.0% of 1Q of fiscal 2023) due to an increase in interest income resulting from increased holdings of foreign securities, while valuation gains decreased due to reduced holdings of stock. Other results were 57 million yen loss mainly because of recording expenses not directly related to insurance services.

As a result, net income before income taxes was 2,621 million yen (103.9% of 1Q of fiscal 2023). Net income attributable to owners of the Company was 1,887 million yen (106.9% of 1Q of fiscal 2023).

With respect to expenses related to insurance contract incurred for 1Q of fiscal 2024, insurance acquisition cash flows, which are cost directly attributable to the acquisition of insurance contract groups, the sum of expenses related to marketing, underwriting and systems, etc., were 2,210 million yen (101.5% of 1Q of fiscal 2023). In addition, maintenance costs, which were not included in insurance acquisition cash flows, were 1,153 million yen (113.4% of 1Q of fiscal 2023).

*3: Financial results are mainly total of investment results from financial assets, insurance finance income or expense and reinsurance finance income or expense.

*4: Other results are the costs not directly related to insurance services and income/loss other than insurance business including product development costs and results of subsidiaries.

*5: Maintenance costs are the costs directly related to fulfilling contracts and not included in insurance acquisition cash flows. They are mainly included in costs related to maintenance of insurance contracts and overhead costs for providing insurance services.

*6: CSM stands for Contractual Service Margin, which represents the unearned profit that the company will recognize as it provides services over the coverage period.

(2) Financial condition

Assets, liabilities and equities

Total assets as of June 30, 2024 amounted to 111,774 million yen (112,417 million yen as of March 31, 2024). The major account balances were 56,859 million yen in investment securities mainly consisting of government bonds and corporate bonds with high credit ratings and 31,453 million yen in insurance contract assets. Although insurance contracts are generally recorded as liabilities, the Group records them as insurance contract assets because the insurance contract liabilities in individual life insurance are negative as shown in the table below. Breakdown of insurance contract liabilities are present value of future cash flows of minus 146,663 million yen, risk adjustment of 23,315 million yen and CSM of 91,894 million yen, which are related to individual life insurance. In addition, contracts measured under the premium allocation approach of 341 million yen, which are related to GCL, were recorded as insurance contract liabilities.

Breakdown of insurance contract liabilities

	(In millions of yen)
Present value of future cash flows (claims minus premiums)	(146,663)
Risk adjustment	23,315
CSM	91,894
Insurance contract liabilities related to individual life insurance: total	(31,453)
Insurance contract liabilities related to GCL (Contracts measured under the premium allocation approach)	341

Liabilities amounted to 20,713 million yen as of June 30, 2024 (21,535 million yen as of March 31, 2024). The major account balance was 18,679 million yen in deferred tax liabilities.

Equities amounted to 91,061 million yen as of June 30, 2024 (90,882 million yen as of March 31, 2024), due to the recording of net income for 1Q of fiscal 2024.

The consolidated solvency margin ratio, one of the indicators used in administrative supervision to determine the soundness of management, was 2,000.1% as of June 30, 2024, which indicated that an adequate level of solvency capacity is maintained.

(3) Management indicator “Comprehensive Equity”

The Group announced its new mid-term business plan from fiscal 2024 to fiscal 2028 on May 14, 2024. As the Group has applied IFRS since fiscal 2023, the plan sets Comprehensive Equity^{*7} based on IFRS as a key management indicator representing our corporate value. The management goal is to achieve Comprehensive Equity of 200 billion yen to 240 billion yen in fiscal 2028. Comprehensive Equity as of the end of 1Q of fiscal 2024 was 161,022 million yen (100.8% of March 31, 2024).

^{*7}: Comprehensive Equity is an indicator defined by the Group. It is the sum of “Equity (attributable to owners of the Company)” on the IFRS consolidated statement of financial position (B/S), “CSM”, a liability representing unearned profit that the Group expects to earn as it provides insurance services (insurance contracts and reinsurance contracts are aggregated and tax-adjusted), and “GCL contracts value”, which is the value of future IFRS earnings, including future renewals for GCL policies-in-force. We have defined it as the indicator that represents the corporate value of the Group as it includes the value of future profits of policies-in-force.

(4) Business forecasts

The consolidated business forecasts for fiscal 2024 announced on May 14, 2024 remains unchanged as shown below.

(In millions of yen)

	Annualized premium of policies-in-force	Insurance revenue	Insurance service results	Net income attributable to owners of the Company
Business forecasts (May 14, 2024)	34,000	30,000	8,900	6,200
(Reference) Business results for fiscal 2023	28,750	24,698	8,222	5,734

(Reference) Breakdown of business forecasts for annualized premium of policies-in-force

(In millions of yen)

	Individual Life Insurance	Group Credit Life Insurance	Total
Business forecasts (May 14, 2024)	27,200	6,800	34,000
(Reference) Business results for fiscal 2023	25,424	3,326	28,750

2. Consolidated Financial Statements

The following financial information was prepared in accordance with International Financial Reporting Standards (“IFRS”).

(1) Consolidated statement of financial position

	(In millions of yen)	
	March 31, 2024	June 30, 2024
ASSETS		
Cash and cash equivalents	24,423	19,167
Derivative assets	0	0
Investment securities	51,564	56,859
Other financial assets	1,073	1,126
Income tax receivable	17	22
Insurance contract assets	32,378	31,453
Reinsurance contract assets	571	626
Property and equipment	62	56
Right-of-use assets	110	82
Intangible assets	1,892	1,933
Other assets	322	446
Total assets	112,417	111,774
LIABILITIES		
Derivative liabilities	171	212
Other financial liabilities	1,485	1,165
Insurance contract liabilities	685	341
Reinsurance contract liabilities	78	16
Provisions	34	34
Lease liabilities	110	83
Deferred tax liabilities	18,610	18,679
Other liabilities	357	179
Total liabilities	21,535	20,713
EQUITY		
Share capital	26,617	26,617
Capital surplus	26,550	26,550
Retained earnings	33,481	35,369
Treasury shares	(0)	(0)
Other components of equity	4,221	2,513
Total equity attributable to owners of the Company	90,870	91,050
Non-controlling interests	11	11
Total equity	90,882	91,061
Total liabilities and equity	112,417	111,774

(2) Consolidated statement of profit or loss

	(In millions of yen)	
	Three months ended June 30	
	2023	2024
Insurance revenue	5,500	6,776
Insurance service expense	(3,068)	(4,225)
Net expenses from reinsurance contract held	(157)	(211)
Insurance service result	<u>2,274</u>	<u>2,340</u>
Interest income	72	237
Impairment losses on financial assets, net	(0)	(3)
Other financial income	320	126
Net investment income	<u>392</u>	<u>360</u>
Insurance finance income (expense)	(29)	(26)
Reinsurance finance income (expense)	4	4
Other revenue	15	57
Other expense	(134)	(115)
Other financial expense	(0)	(0)
Net income (loss) before income taxes	<u>2,521</u>	<u>2,621</u>
Income taxes expense	(758)	(733)
Net income (loss)	<u><u>1,763</u></u>	<u><u>1,887</u></u>
Net income (loss) attributable to:		
Owners of the Company	1,765	1,887
Non-controlling interests	(2)	(0)
Net income (loss)	<u><u>1,763</u></u>	<u><u>1,887</u></u>
Net income (loss) per share attributable to owners of the Company		
Basic	25.32	23.51
Diluted	—	—

(3) Consolidated statement of comprehensive income

	(In millions of yen)	
	Three months ended June 30	
	2023	2024
Net income (loss).....	1,763	1,887
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Financial assets measured at fair value through other comprehensive income	103	(582)
Insurance finance income (expense).....	442	(1,275)
Reinsurance finance income (expense).....	(14)	150
Items that may be reclassified subsequently to profit and loss	531	(1,707)
Other comprehensive income net of tax	531	(1,707)
Total comprehensive income	2,295	179
Total comprehensive income attributable to:		
Owners of the Company.....	2,297	179
Non-controlling interests.....	(2)	(0)
Total comprehensive income	2,295	179

About LIFENET URL: <https://ir.lifenet-seimei.co.jp/en/>

LIFENET INSURANCE COMPANY has developed the LIFENET Manifesto that embodies our mission of “Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services.” We have consistently delivered customer-oriented products and services since our business commencement. As the leading online life insurer, we aim to realize “a society where next generation can be nurtured with confidence in the future.”

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