

November 15, 2023
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LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Growth)

Consolidated Financial Results for 2Q of Fiscal 2023 Ending March 31, 2024 (IFRS)

Insurance service results of 4,088 million yen, up 38.8% year-on-year

TOKYO, November 15, 2023 - LIFENET INSURANCE COMPANY (TSE Growth 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses the consolidated financial results for the second quarter of fiscal 2023 ending March 31, 2024.

The Lifenet Group (the “Group”) has voluntarily adopted International Financial Reporting Standards (“IFRS”) since the first quarter of fiscal 2023 ending March 31, 2024. The figures for the second quarter of fiscal 2022 ended March 31, 2023 and for fiscal 2022 have also been restated on the IFRS basis.

1. Overview of the financial results for 2Q of fiscal 2023 ended September 30, 2023

(1) Business results

Condition of policies-in-force

The Group launched 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 2Q of fiscal 2023 stands at 27,255 million yen (113.4% of March 31, 2023). Annualized premium of policies-in-force for individual life insurance and GCL was 24,685 million yen (102.7% of March 31, 2023) and 2,570 million yen, respectively.

The business performance of individual life insurance is as follows. The number of policies-in-force resulted in a total of 582,784 (102.5% of March 31, 2023). Annualized premium of new business for the six months ended September 30, 2023 was 1,387 million yen (65.9% of the six months ended September 30, 2022) and the number of new business was 34,507 (64.1% of the six months ended September 30, 2022). Surrender and lapse ratio*² for the six months ended September 30, 2023 was 6.7% (6.3% of the six months ended September 30, 2022).

*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.

*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)

	2Q of fiscal 2022	2Q of fiscal 2023	Change
Insurance revenue	10,025	11,766	1,740
Insurance service results	2,946	4,088	1,142
Financial results ^{*3}	(423)	66	490
Other results ^{*4}	(374)	(228)	146
Net income (loss) before income taxes	2,147	3,926	1,778
Net income (loss) attributable to owners of the Company	1,437	2,759	1,321

Insurance revenue for the six months ended September 30, 2023 increased to 11,766 million yen (117.4% of the six months ended September 30, 2022). Insurance revenue for individual life insurance and GCL was 11,170 million yen and 595 million yen, respectively.

As for individual life insurance, the main components of insurance revenue were 5,177 million yen in expected claims and maintenance costs^{*5}, 872 million yen in change in risk adjustment for non-financial risks related to extinguished risks (“risk adjustment release”) and 3,435 million yen in CSM^{*6} recognized for services provided (“CSM release”). Insurance service results increased to 4,088 million yen (138.8 % of the six months ended September 30, 2022) mainly due to the recording of risk adjustment release and CSM release. Financial results were 66 million yen mainly due to an increase in valuation gains from investment trusts. Other results were 228 million yen loss mainly because of recording expenses not directly related to insurance services.

As a result, net income before income taxes was 3,926 million yen (182.8% of the six months ended September 30, 2022). Net income attributable to owners of the Company was 2,759 million yen (191.9 % of the six months ended September 30, 2022).

With respect to expenses related to insurance contract incurred for the six months ended September 30, 2023, 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 4,400 million yen (87.1% of the six months ended September 30, 2022). In addition, maintenance costs, which were not included in insurance acquisition cash flows, were 2,098 million yen (107.3% of the six months ended September 30, 2022)

*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 September 30, 2023 amounted to 105,830 million yen (93,814 million yen as of March 31, 2023). The major account balances were 48,340 million yen in investment securities mainly consisting of government bonds and corporate bonds with high credit ratings and 29,146 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 143,711 million yen, risk adjustment of 27,029 million yen and CSM of 87,535 million yen, which are related to individual life insurance. In addition, contracts measured under the premium allocation approach of 346 million yen, which are related to GCL, were recorded.

Breakdown of insurance contract liabilities

(In millions of yen)

Present value of future cash flows (claims minus premiums)	(143,711)
Risk adjustment	27,029
CSM	87,535
Insurance contract liabilities related to individual life insurance: total	(29,146)
Insurance contract liabilities related to GCL (Contracts measured under the premium allocation approach)	346

Liabilities amounted to 18,776 million yen as of September 30, 2023 (18,110 million yen as of March 31, 2023), owing to an increase in deferred tax liabilities. The major account balance was 16,921 million yen in deferred tax liabilities.

Equities amounted to 87,054 million yen as of September 30, 2023 (75,704 million yen as of March 31, 2023), due to raising new capital through public offering and third-party allotment and recording of net income for the six months ended September 30, 2023.

The consolidated solvency margin ratio, one of the indicators used in administrative supervision to determine the soundness of management, was 2,760.9% as of September 30, 2023, which indicated that an adequate level of solvency capacity is maintained.

Cash flows

For the six months ended September 30, 2023, net cash provided by operating activities amounted to 3,070 million yen (909 million yen provided for the six months ended September 30, 2022) mainly due to recording of net income before income taxes though the increase in insurance contract assets had a negative impact. Net cash used by investing activities amounted to 377 million yen (1,702 million yen used for the six months ended September 30, 2022) mainly due to purchase of property, equipment and intangible assets. Net cash provided by financing activities amounted to 9,737 million yen (54 million yen used for the six months ended September 30, 2022) due to the issuance of new shares through public offering and third-party allotment.

Based on these activities described above, cash and cash equivalents as of September 30, 2023 totaled 24,589 million yen (12,137 million yen as of March 31, 2023).

(3) Business forecasts

The consolidated business forecasts for fiscal 2023 announced on August 14, 2023 remains unchanged as shown below.

The Group has voluntarily adopted IFRS for its consolidated financial statements since the first quarter of fiscal 2023 ending March 31, 2024. The business forecasts for fiscal 2023 are prepared based on IFRS.

(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 ^{*7} (August 14, 2023)	28,200	24,900	8,600	5,800
(Reference) Business results for fiscal 2022 ^{*8}	24,033	20,732	6,618	3,562

*7: The business forecasts for fiscal 2023 include the impact of GCL business which started in July 2023.

*8: Insurance revenue, insurance service results and net income attributable to owners of the Company are accounts based on IFRS. Insurance service results and net income attributable to owners of the Company for fiscal 2022 included the impact of the COVID-19 claims (1,378 million yen).

(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 (August 14, 2023)	25,500	2,700	28,200
(Reference) Business results for fiscal 2022	24,033	-	24,033

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)		
	April 1, 2022	March 31, 2023	Sep. 30, 2023
ASSETS			
Cash and cash equivalents	8,801	12,137	24,589
Investment securities	52,839	49,318	48,340
Other financial assets	1,660	954	963
Income tax receivable	27	37	10
Insurance contract assets	21,912	28,526	29,146
Reinsurance contract assets	854	579	335
Property and equipment	90	70	84
Right-of-use assets	363	254	200
Intangible assets	1,432	1,693	1,876
Other assets	213	243	283
Total assets	88,196	93,814	105,830
LIABILITIES			
Derivative liabilities	—	—	4
Other financial liabilities	1,232	1,190	978
Insurance contract liabilities	—	—	346
Reinsurance contract liabilities	93	94	64
Provisions	34	34	34
Lease liabilities	363	255	201
Deferred tax liabilities	14,352	16,248	16,921
Other liabilities	248	287	226
Total liabilities	16,324	18,110	18,776
EQUITY			
Share capital	21,655	21,676	26,617
Capital surplus	21,655	21,663	26,552
Retained earnings	24,184	27,747	30,506
Treasury shares	(0)	(0)	(0)
Other components of equity	4,353	4,600	3,360
Total equity attributable to owners of the Company	71,848	75,687	87,036
Non-controlling interests	23	16	17
Total equity	71,871	75,704	87,054
Total liabilities and equity	88,196	93,814	105,830

(2) Consolidated statement of profit or loss

	(In millions of yen)	
	Six months ended Sep. 30	
	2022	2023
Insurance revenue	10,025	11,766
Insurance service expense	(6,941)	(7,294)
Net expenses from reinsurance contract held	(137)	(383)
Insurance service result	<u>2,946</u>	<u>4,088</u>
Interest income	150	151
Impairment losses on financial assets, net	(0)	(1)
Other financial income	(539)	(33)
Net investment income	<u>(390)</u>	<u>116</u>
Insurance finance income (expense)	(38)	(58)
Reinsurance finance income (expense)	5	7
Other revenue	33	39
Other expense	(406)	(266)
Other financial expense	(1)	(1)
Net income (loss) before income taxes	<u>2,147</u>	<u>3,926</u>
Income taxes expense	(723)	(1,172)
Net income (loss)	<u>1,424</u>	<u>2,753</u>
Net income (loss) attributable to:		
Owners of the Company	1,437	2,759
Non-controlling interests	(13)	(5)
Net income (loss)	<u>1,424</u>	<u>2,753</u>
Net income (loss) per share attributable to owners of the Company		
Basic	20.63	39.04
Diluted	—	—

	(In millions of yen)	
	Three months ended Sep. 30	
	2022	2023
Insurance revenue	5,104	6,265
Insurance service expense	(3,745)	(4,225)
Net expenses from reinsurance contract held	(63)	(225)
Insurance service result	<u>1,294</u>	<u>1,813</u>
Interest income	76	79
Impairment losses on financial assets, net	(0)	(0)
Other financial income	(202)	(354)
Net investment income	<u>(126)</u>	<u>(275)</u>
Insurance finance income (expense)	(3)	(28)
Reinsurance finance income (expense)	0	3
Other revenue	12	23
Other expense	(206)	(131)
Other financial expense	(1)	(1)
Net income (loss) before income taxes	<u>969</u>	<u>1,404</u>
Income taxes expense	(326)	(413)
Net income (loss)	<u>643</u>	<u>990</u>
Net income (loss) attributable to:		
Owners of the Company	648	993
Non-controlling interests	(5)	(2)
Net income (loss)	<u>643</u>	<u>990</u>
Net income (loss) per share attributable to owners of the Company		
Basic	9.31	13.87
Diluted	—	—

(3) Consolidated statement of comprehensive income

	(In millions of yen)	
	Six months ended Sep. 30	
	2022	2023
Net income (loss).....	1,424	2,753
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Financial assets measured at fair value through other comprehensive income	(772)	(571)
Insurance finance income (expense).....	1,586	(677)
Reinsurance finance income (expense).....	(157)	9
Items that may be reclassified subsequently to profit and loss	656	(1,239)
Other comprehensive income net of tax	656	(1,239)
Total comprehensive income	<u>2,080</u>	<u>1,514</u>
Total comprehensive income attributable to:		
Owners of the Company.....	2,094	1,519
Non-controlling interests.....	(13)	(5)
Total comprehensive income	<u>2,080</u>	<u>1,514</u>

	(In millions of yen)	
	Three months ended Sep. 30	
	2022	2023
Net income (loss).....	643	990
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Financial assets measured at fair value through other comprehensive income	(275)	(675)
Insurance finance income (expense).....	728	(1,120)
Reinsurance finance income (expense).....	(50)	23
Items that may be reclassified subsequently to profit and loss	403	(1,771)
Other comprehensive income net of tax	403	(1,771)
Total comprehensive income	<u>1,046</u>	<u>(781)</u>
Total comprehensive income attributable to:		
Owners of the Company.....	1,051	(778)
Non-controlling interests.....	(5)	(2)
Total comprehensive income	<u>1,046</u>	<u>(781)</u>

(4) Consolidated statement of changes in equity

	(In millions of yen)	
	Six months ended Sep. 30	
	2022	2023
Equity attributable to owners of the Company:		
Share capital		
Balance at the beginning of the year	21,655	21,676
Transactions with owners		
Issuance of new shares.....	—	4,918
Issuance of new shares-restricted stock.....	21	21
Total transactions with owners	21	4,940
Balance at the end of the period	21,676	26,617
Capital surplus		
Balance at the beginning of the year	21,655	21,663
Transactions with owners		
Issuance of new shares.....	—	4,873
Issuance of new shares-restricted stock.....	21	21
Changes in interests in subsidiaries	(12)	(6)
Total transactions with owners	8	4,888
Balance at the end of the period	21,663	26,552
Retained earnings		
Balance at the beginning of the year	24,184	27,747
Comprehensive income		
Net income (loss).....	1,437	2,759
Total Comprehensive income.....	1,437	2,759
Balance at the end of the period	25,622	30,506
Treasury shares		
Balance at the beginning of the year	(0)	(0)
Transactions with owners		
Purchase of treasury shares	(0)	—
Total transactions with owners.....	(0)	—
Balance at the end of the period	(0)	(0)
Other components of equity		
Financial assets measured at fair value through other comprehensive income		
Balance at the beginning of the year	926	56
Comprehensive income		
Other comprehensive income	(772)	(571)
Total Comprehensive income	(772)	(571)
Balance at the end of the period.....	154	(515)
Insurance finance expense reserve		
Balance at the beginning of the year	3,427	4,543
Comprehensive income		
Other comprehensive income.....	1,428	(667)
Total Comprehensive income	1,428	(667)
Balance at the end of the period.....	4,855	3,875

	(In millions of yen)	
	Six months ended Sep. 30	
	2022	2023
Total other components of equity		
Balance at the beginning of the year.....	4,353	4,600
Comprehensive income		
Other comprehensive income	656	(1,239)
Total Comprehensive income	656	(1,239)
Balance at the end of the period	5,010	3,360
Equity attributable to owners of the company		
Balance at the beginning of the year.....	71,848	75,687
Comprehensive income		
Net income (loss)	1,437	2,759
Other comprehensive income	656	(1,239)
Total Comprehensive income.....	2,094	1,519
Transactions with owners		
Issuance of new shares	—	9,791
Purchase of treasury shares	(0)	—
Issuance of new shares-restricted stock.....	43	43
Changes in interests in subsidiaries	(12)	(6)
Total transactions with owners	30	9,829
Balance at the end of the period	73,973	87,036
Non-controlling interests:		
Balance at the beginning of the year.....	23	16
Comprehensive income		
Net income (loss)	(13)	(5)
Total Comprehensive income.....	(13)	(5)
Transactions with owners		
Changes in interests in subsidiaries	12	6
Total transactions with owners	12	6
Balance at the end of the period	22	17
Equity:		
Balance at the beginning of the year.....	71,871	75,704
Comprehensive income		
Net income (loss).....	1,424	2,753
Other comprehensive income	656	(1,239)
Total Comprehensive income.....	2,080	1,514
Transactions with owners		
Issuance of new shares.....	—	9,791
Purchase of treasury shares	(0)	—
Issuance of new shares-restricted stock.....	43	43
Total transactions with owners	43	9,835
Balance at the end of the period.....	73,995	87,054

(5) Consolidated statement of cash flows

	(In millions of yen)	
	Six months ended Sep. 30	
	2022	2023
Cash flows from operating activities		
Net income (losses) before income taxes	2,147	3,926
Depreciation and amortization	284	289
Investment income	390	(116)
Other financial expenses	1	1
Losses (gains) related to fixed assets	1	5
Insurance and reinsurance contract	(1,908)	(987)
Decrease (increase) in other assets	(106)	(38)
Decrease (increase) related to other liabilities	(187)	(278)
Other, net	33	21
Subtotal	656	2,822
Interest received	162	145
Dividends received	89	95
Interest expenses paid	(1)	(1)
Income taxes paid	2	8
Net cash provided by (used in) operating activities	909	3,070
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(185)	(443)
Used in investment transactions	(6,646)	(4,307)
Proceeds from sales and redemption of investment	5,130	4,397
Other	—	(24)
Net cash provided by (used in) investing activities	(1,702)	(377)
Cash flows from financing activities		
Repayments of lease obligations	(54)	(54)
Issuance of new shares	—	9,791
Payments of treasury stocks	(0)	—
Net cash provided by (used in) financing activities	(54)	9,737
Net increase (decrease) in cash and cash equivalents	(847)	12,430
Cash and cash equivalents, beginning of the year	8,801	12,137
Currency exchange in cash and cash equivalents	15	22
Cash and cash equivalents, end of the period	7,969	24,589

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

Remembering the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell products and services directly to customers over the Internet. We aim to be the leading company driving the growth of the online life insurance market.

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