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

## Financial Results for 1Q of Fiscal 2016 Ending March 31, 2017 Ordinary income of 2,594 million yen, year on year 13.6% up

TOKYO, August 10, 2016 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the first quarter of fiscal 2016 ending March 31, 2017.

### 1. Overview of the financial results for 1Q of fiscal 2016

#### (1) Business results

##### Condition of policies-in-force

Annualized premium<sup>\*1</sup> of new business in 1Q ended June 30, 2016 was 341 million yen (122.1% of 1Q of fiscal 2015). The number of applications was 10,129 (129.3% of 1Q of fiscal 2015), with the number of new business at 7,307 (126.9% of 1Q of fiscal 2015). Annualized premium<sup>\*1</sup> of policies-in-force as of the end of 1Q of fiscal 2016 stands at 9,551 million yen (101.9% of March 31, 2016). The number of policies-in-force resulted in a total of 228,846 (101.5% of March 31, 2016). Surrender and lapse ratio<sup>\*2</sup> for 1Q of fiscal 2016 was 7.0% (7.0% of 1Q of fiscal 2015).

\*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 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

Insurance premiums and other for the 1Q of fiscal 2016 increased to 2,444 million yen (109.1% of 1Q of fiscal 2015) due to an increase in the number of policies-in-force. Investment income grew to 51 million yen (124.1% of 1Q of fiscal 2015). Other ordinary income was 99 million yen due to recording reversal of reserves for outstanding claims. As a result, ordinary income for 1Q of fiscal 2016 amounted to 2,594 million yen (113.6% of 1Q of fiscal 2015).

Insurance claims and other was 564 million yen (187.3% of 1Q of fiscal 2015) mainly due to the increased number of insurance claims. The ratio of insurance payment amounts to insurance premiums increased to 21.5% for 1Q of fiscal 2016, compared with 11.5% for 1Q of fiscal 2015. Provision for policy reserves and other came to 911 million yen (95.4% of 1Q of fiscal 2015). The ratio of provision for policy reserves to insurance premiums was 38.8% for 1Q of fiscal 2016, compared with 42.4% for 1Q of fiscal 2015. Operating expenses amounted to 861 million yen (114.7% of 1Q of fiscal 2015). The components of operating expenses were 339 million yen in marketing expenses including advertising (121.5% of 1Q of fiscal 2015), 134 million yen in customer service expenses (104.7% of 1Q of fiscal 2015), and 387 million yen in system and other expenses (112.9% of 1Q of fiscal 2015). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 265 million yen because the deferred assets recognized before fiscal 2012 are expected to be amortized using the straight-line method until fiscal 2017, the tenth year after commencing business operations. Consequently, ordinary expenses for 1Q of fiscal 2016 totaled 2,720 million yen (113.9% of 1Q of fiscal 2015).

As a result, ordinary loss totaled 125 million yen for 1Q of fiscal 2016, compared with 103 million yen for 1Q of fiscal 2015. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act recorded profitable of 139 million yen, compared with

ordinary profit of 161 million yen for 1Q of fiscal 2015. Net loss was 124 million yen, compared with 94 million yen for 1Q of fiscal 2015.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 100 million yen loss, compared with 81 million yen loss for 1Q of fiscal 2015. The components of fundamental profit were 549 million yen in mortality margin, 655 million yen in expense loss and 5 million yen in interest margin.

## (2) Financial condition

### Assets, liabilities and net assets

Total assets as of June 30, 2016 amounted to 31,179 million yen (30,317 million yen as of March 31, 2016). The major account balance was 24,252 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Deferred assets under Article 113 of the Insurance Business Act decreased to 1,855 million yen due to amortization.

Liabilities amounted to 15,668 million yen as of June 30, 2016 (14,893 million yen as of March 31, 2016), owing to an increase in policy reserves as a result of the increased insurance premiums. The major account balances were 14,463 million yen in policy reserves (including 1,332 million yen in contingency reserves), and 260 million yen in reserves for outstanding claims.

Net assets increased to 15,511 million yen as of June 30, 2016 (15,423 million yen as of March 31, 2016) mainly due to increased valuation difference on available-for-sale securities along with an increase in unrealized gains of government bonds and corporate bonds despite the recording of net loss for 1Q of fiscal 2016.

The solvency margin ratio as of June 30, 2016 was 2,778.7% (2,805.5% as of March 31, 2016), which indicated that an adequate level of payment capacity was maintained.

### Cash flows

For 1Q of fiscal 2016, net cash provided by operating activities amounted to 758 million yen (1,057 million yen provided for 1Q of fiscal 2015) due to an increase in insurance premiums and other despite of increased insurance claims. Net cash used by investing activities amounted to 889 million yen (2,614 million yen used for 1Q of fiscal 2015) due to acquisition of securities. Net cash used by financing activities amounted to 2 million yen (3,037 million yen provided for 1Q of fiscal 2015).

Based on these activities described above, cash and cash equivalents as of June 30, 2016 totaled 2,601 million yen (2,734 million yen as of March 31, 2016).

## (3) Business forecasts

The business forecasts for fiscal 2016 is as shown below. This will be disclosed ordinary income and ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act.

	(In millions of yen)	
	Ordinary income	Ordinary profit (loss) <sup>*1</sup>
Business forecasts (Fiscal 2016)	10,000	profitable
(Reference) Results (Fiscal 2015)	9,387	584

\*1 Based on ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

The deferred assets recognized before fiscal 2012 are to be amortized using the straight-line method until fiscal 2017, the tenth year after commencing business operations, and amortization of deferred assets will record 1,060 million yen each year onward. Accordingly, ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act, which is the effective ordinary profit, is disclosed as the business forecasts.

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

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE 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 these products and services directly to customers over the Internet. By using the Internet, we are able to offer highly cost-competitive products and accept applications from customers at any given time.

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*Disclaimer: This is a summarized translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.*

## 2. Non-consolidated Financial Statements

### (1) Balance Sheets

	(In millions of yen)	
	March 31, 2016	June 30, 2016
<b>ASSETS</b>		
Cash and deposits .....	734	1,101
Monetary claims bought .....	1,999	1,499
Money held in trust .....	1,035	999
Securities .....	23,067	24,252
Government bonds .....	10,102	10,264
Municipal bonds .....	1,521	1,566
Corporate bonds .....	10,428	10,967
Stocks .....	211	213
Foreign securities .....	804	731
Other securities .....	—	509
Tangible fixed assets .....	72	66
Intangible fixed assets .....	437	457
Agency accounts receivable .....	0	0
Reinsurance accounts receivable .....	27	97
Other assets .....	2,941	2,703
Accounts receivable .....	680	692
Deferred assets under Article 113 of the Insurance Business Act ..	2,120	1,855
Other .....	141	156
Total assets .....	<u>30,317</u>	<u>31,179</u>
<b>LIABILITIES</b>		
Policy reserves and other .....	13,908	14,723
Reserves for outstanding claims .....	357	260
Policy reserves .....	13,551	14,463
Agency accounts payable .....	8	18
Reinsurance accounts payable .....	56	59
Other liabilities .....	505	371
Reserves under the special laws .....	12	14
Reserve for price fluctuations .....	12	14
Deferred tax liabilities .....	401	481
Total liabilities .....	<u>14,893</u>	<u>15,668</u>
<b>NET ASSETS</b>		
Capital stock .....	12,020	12,020
Capital surplus .....	12,020	12,020
Retained earnings .....	(9,227)	(9,351)
Shareholders' equity .....	<u>14,813</u>	<u>14,689</u>
Valuation difference on available-for-sale securities .....	591	802
Valuation and translation adjustments .....	591	802
Subscription rights to shares .....	19	19
Total net assets .....	<u>15,423</u>	<u>15,511</u>
Total liabilities and net assets .....	<u><u>30,317</u></u>	<u><u>31,179</u></u>

## (2) Statements of Operations

(In millions of yen)

	Three months ended June 30	
	2015	2016
Ordinary income.....	2,284	2,594
Insurance premiums and other .....	2,241	2,444
Premiums income .....	2,198	2,347
Reinsurance income .....	42	97
Investment income .....	41	51
Interest, dividends and other income .....	38	51
Gains on money held in trust .....	2	—
Gains on sales of securities.....	0	—
Other ordinary income.....	1	99
Reversal of reserves for outstanding claims .....	—	96
Other.....	1	2
Ordinary expenses .....	2,387	2,720
Insurance claims and other.....	301	564
Insurance claims.....	154	375
Benefits .....	99	130
Other refunds .....	0	—
Reinsurance commissions .....	48	59
Provision for policy reserves and other.....	954	911
Provision for reserves for outstanding claims.....	23	—
Provision for policy reserves .....	931	911
Investment expenses .....	0	0
Interest expenses.....	0	0
Losses on money held in trust.....	—	0
Operating expenses.....	751	861
Other ordinary expenses.....	380	382
Ordinary profit (loss) .....	(103)	(125)
Extraordinary losses .....	0	1
Provision of reserves under the special laws .....	0	1
Provision of reserve for price fluctuations .....	0	1
Income (loss) before income taxes .....	(104)	(126)
Income taxes-current .....	11	0
Income taxes-deferred.....	(22)	(3)
Income taxes.....	(10)	(2)
Net income (loss) .....	(94)	(124)

## (3) Statements of Cash Flows

	(In millions of yen)	
	Three months ended June 30	
	2015	2016
Cash flows from operating activities		
Income (loss) before income taxes .....	(104)	(126)
Depreciation and amortization .....	54	58
Increase (decrease) in reserves for outstanding claims .....	23	(96)
Increase (decrease) in policy reserves.....	931	911
Increase (decrease) in reserve for price fluctuations .....	0	1
Interest, dividends and other income .....	(38)	(51)
Loss (gain) related to securities.....	(0)	—
Interest expenses .....	0	0
Decrease (increase) in agency accounts receivable .....	(0)	(0)
Decrease (increase) in reinsurance accounts receivable.....	(18)	(69)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	253	251
Increase (decrease) in agency accounts payable.....	0	10
Increase (decrease) in reinsurance accounts payable .....	2	2
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(77)	(146)
Other, net .....	(2)	0
Subtotal .....	<u>1,025</u>	<u>745</u>
Interest and dividends income received .....	36	87
Interest expenses paid .....	(0)	(0)
Income taxes paid .....	(4)	(73)
Net cash provided by (used in) operating activities .....	<u>1,057</u>	<u>758</u>
Cash flows from investing activities		
Purchase of securities.....	(3,179)	(1,001)
Proceeds from sales and redemption of securities .....	574	200
Total of net cash provided by (used in) investment transactions ..	<u>(2,604)</u>	<u>(801)</u>
Total of net cash provided by (used in) operating activities and investment transactions ..	<u>(1,547)</u>	<u>(42)</u>
Purchase of tangible fixed assets .....	(5)	—
Purchase of intangible fixed assets .....	(4)	(87)
Net cash provided by (used in) investing activities .....	<u>(2,614)</u>	<u>(889)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock.....	3,040	—
Repayments of lease liabilities .....	(2)	(2)
Net cash provided by (used in) financing activities .....	<u>3,037</u>	<u>(2)</u>
Net increase (decrease) in cash and cash equivalents .....	<u>1,480</u>	<u>(132)</u>
Cash and cash equivalents, beginning of the year .....	<u>731</u>	<u>2,734</u>
Cash and cash equivalents, end of the period .....	<u><u>2,212</u></u>	<u><u>2,601</u></u>