

November 10, 2016
Daisuke Iwase, President
LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

Financial Results for 2Q of Fiscal 2016 Ending March 31, 2017 **Ordinary income of 5,016 million yen, year on year 8.3% up**

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

1. Overview of the financial results for 2Q of fiscal 2016

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 2Q ended September 30, 2016 was 293 million yen (109.1% of 2Q of fiscal 2015). The number of applications was 8,366 (109.1% of 2Q of fiscal 2015), with the number of new business at 6,312 (111.8% of 2Q of fiscal 2015). Annualized premium^{*1} of new business for the six months ended September 30, 2016 was 635 million yen (115.7% of the six months ended September 30, 2015). The number of applications was 18,495 (119.4% of the six months ended September 30, 2015), with the number of new business at 13,619 (119.4% of the six months ended September 30, 2015).

Annualized premium^{*1} of policies-in-force as of the end of 2Q of fiscal 2016 stands at 9,693 million yen (103.4% of March 31, 2016). The number of policies-in-force resulted in a total of 231,538 (102.7% of March 31, 2016), exceeding 230,000 in August 2016. Surrender and lapse ratio^{*2} for the six months ended September 30, 2016 was 6.6% (6.7% of the six months ended September 30, 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 six months ended September 30, 2016 increased to 4,858 million yen (107.9% of the six months ended September 30, 2015) due to an increase in the number of policies-in-force. Investment income grew to 108 million yen (117.7% of the six months ended September 30, 2015). Other ordinary income was 50 million yen. As a result, ordinary income for the six months ended September 30, 2016 amounted to 5,016 million yen (108.3% of the six months ended September 30, 2015).

Insurance claims and other was 893 million yen (135.7% of the six months ended September 30, 2015) mainly due to the increased number of insurance claims. The ratio of insurance payment amounts to insurance premiums increased to 16.3% for the six months ended September 30, 2016, compared with 12.6% for the six months ended September 30, 2015. Provision for policy reserves and other came to 1,837 million yen (97.8% of the six months ended September 30, 2015). The ratio of provision for policy reserves to insurance premiums was 38.8% for the six months ended September 30, 2016, compared with 42.4% for the six months ended September 30, 2015. Operating expenses amounted to 1,716 million yen (117.6% of the six months ended September 30, 2015). The components of operating expenses were 662 million yen in marketing expenses including advertising (120.7% of the six months ended September 30, 2015), 273 million yen in customer service expenses (108.1% of the six months

ended September 30, 2015), and 781 million yen in system and other expenses (118.6% of the six months ended September 30, 2015). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 530 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 the six months ended September 30, 2016 totaled 5,218 million yen (110.1% of the six months ended September 30, 2015).

As a result, ordinary loss totaled 202 million yen for the six months ended September 30, 2016, compared with 111 million yen for the six months ended September 30, 2015. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act recorded profitable of 327 million yen, compared with ordinary profit of 418 million yen for the six months ended September 30, 2015. Net loss was 191 million yen, compared with 102 million yen for the six months ended September 30, 2015.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 157 million yen loss, compared with 68 million yen loss for the six months ended September 30, 2015. The components of fundamental profit were 1,139 million yen in mortality margin, 1,311 million yen in expense loss and 14 million yen in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of September 30, 2016 amounted to 31,883 million yen (30,317 million yen as of March 31, 2016). The major account balance was 25,447 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 1,590 million yen due to amortization.

Liabilities amounted to 16,573 million yen as of September 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 15,388 million yen in policy reserves (including 1,352 million yen in contingency reserves), and 314 million yen in reserves for outstanding claims.

Net assets decreased to 15,310 million yen as of September 30, 2016 (15,423 million yen as of March 31, 2016) mainly due to the recording of net loss for the six months ended September 30, 2016.

The solvency margin ratio as of September 30, 2016 was 2,809.4% (2,805.5% as of March 31, 2016), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For the six months ended September 30, 2016, net cash provided by operating activities amounted to 2,122 million yen (2,252 million yen provided for the six months ended September 30, 2015) due to an increase in insurance premiums and other despite of increased insurance claims. Net cash used by investing activities amounted to 2,467 million yen (3,839 million yen used for the six months ended September 30, 2015) due to acquisition of securities. Net cash used by financing activities amounted to 4 million yen (3,035 million yen provided for the six months ended September 30, 2015).

Based on these activities described above, cash and cash equivalents as of September 30, 2016 totaled 2,384 million yen (2,734 million yen as of March 31, 2016).

(3) Business forecasts

Lifenet aims for returning to growth in new business performance in fiscal 2016 to achieve its Management Goal of Mid-term Business Plan ending in fiscal 2018. Lifenet plans to promote investments in operating expenses such as advertising this fiscal year to ensure the return to growth in new business performance with “au Life Insurance” with Refunds to be launched on December 1, 2016 (planned) and the like. Accordingly, Lifenet revised its business forecast for the fiscal 2016 which was announced on May 12, 2016, as shown below.

(In millions of yen)

	Ordinary income	Ordinary profit (loss) ^{*1}
Previous forecast (May 12, 2016)	10,000	Profitable
Revised forecast (November 10, 2016)	10,000	(300)
(Ref.) Business results for 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.

<p>Contact: Investor Relations, Corporate Planning Department Tel: +81-3-5216-7900 e-mail: ir@lifenet-seimei.co.jp</p>

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	Sep. 30, 2016
ASSETS		
Cash and deposits.....	734	884
Monetary claims bought.....	1,999	1,499
Money held in trust	1,035	999
Securities	23,067	25,447
Government bonds.....	10,102	10,126
Municipal bonds	1,521	1,531
Corporate bonds.....	10,428	10,753
Stocks.....	211	287
Foreign securities	804	748
Other securities	—	2,000
Tangible fixed assets.....	72	102
Intangible fixed assets.....	437	484
Agency accounts receivable	0	0
Reinsurance accounts receivable.....	27	25
Other assets.....	2,941	2,439
Accounts receivable	680	702
Deferred assets under Article 113 of the Insurance Business Act.....	2,120	1,590
Other	141	147
Total assets	30,317	31,883

	(In millions of yen)	
	March 31, 2016	Sep. 30, 2016
<u>LIABILITIES</u>		
Policy reserves and other	13,908	15,703
Reserves for outstanding claims	357	314
Policy reserves	13,551	15,388
Agency accounts payable	8	23
Reinsurance accounts payable	56	62
Other liabilities	505	378
Income taxes payable	73	26
Accrued expenses	324	213
Lease liabilities	18	19
Asset retirement obligations	30	32
Other	58	86
Reserves under the special laws	12	15
Reserve for price fluctuations	12	15
Deferred tax liabilities	401	391
Total liabilities	14,893	16,573
<u>NET ASSETS</u>		
Capital stock	12,020	12,020
Capital surplus	12,020	12,020
Legal capital surplus	12,020	12,020
Retained earnings	(9,227)	(9,418)
Other retained earnings	(9,227)	(9,418)
Retained earnings brought forward	(9,227)	(9,418)
Shareholders' equity	14,813	14,622
Valuation difference on available-for-sale securities	591	668
Valuation and translation adjustments	591	668
Subscription rights to shares	19	19
Total net assets	15,423	15,310
Total liabilities and net assets	30,317	31,883

(2) Statements of Operations

	(In millions of yen)	
	Six months ended Sep. 30	
	2015	2016
Ordinary income.....	4,629	5,016
Insurance premiums and other	4,502	4,858
Premiums income.....	4,429	4,735
Reinsurance income.....	73	122
Investment income.....	91	108
Interest, dividends and other income.....	87	108
Gains on money held in trust.....	4	—
Gains on sales of securities	0	—
Other ordinary income	35	50
Reversal of reserves for outstanding claims.....	31	42
Other	4	7
Ordinary expenses	4,741	5,218
Insurance claims and other	658	893
Insurance claims	351	508
Benefits	208	264
Other refunds	0	0
Reinsurance commissions.....	98	121
Provision for policy reserves and other	1,877	1,837
Provision for policy reserves	1,877	1,837
Investment expenses.....	0	0
Interest expenses	0	0
Losses on money held in trust	—	0
Operating expenses	1,460	1,716
Other ordinary expenses	744	770
Ordinary profit (loss)	(111)	(202)
Extraordinary losses	1	2
Provision of reserves under the special laws.....	1	2
Provision of reserve for price fluctuations	1	2
Income (loss) before income taxes.....	(113)	(205)
Income taxes-current	29	26
Income taxes-deferred.....	(40)	(41)
Income taxes.....	(10)	(14)
Net income (loss)	(102)	(191)

(3) Statements of Changes in Net Assets

	(In millions of yen)	
	Six months ended Sep. 30	
	2015	2016
Shareholders' equity:		
Capital stock		
Balance at the beginning of the year.....	10,500	12,020
Changes of items during the period		
Issuance of new shares	1,520	—
Total changes of items during the period	1,520	—
Balance at the end of the period	12,020	12,020
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year.....	10,500	12,020
Changes of items during the period		
Issuance of new shares	1,520	—
Total changes of items during the period	1,520	—
Balance at the end of the period	12,020	12,020
Total capital surplus		
Balance at the beginning of the year.....	10,500	12,020
Changes of items during the period		
Issuance of new shares	1,520	—
Total changes of items during the period	1,520	—
Balance at the end of the period	12,020	12,020
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year	(8,798)	(9,227)
Changes of items during the period		
Net income (loss).....	(102)	(191)
Total changes of items during the period.....	(102)	(191)
Balance at the end of the period.....	(8,900)	(9,418)
Total retained earnings		
Balance at the beginning of the year.....	(8,798)	(9,227)
Changes of items during the period		
Net income (loss).....	(102)	(191)
Total changes of items during the period	(102)	(191)
Balance at the end of the period	(8,900)	(9,418)
Total shareholders' equity		
Balance at the beginning of the year.....	12,202	14,813
Changes of items during the period		
Issuance of new shares	3,040	—
Net income (loss)	(102)	(191)
Total changes of items during the period	2,937	(191)
Balance at the end of the period	15,139	14,622

	(In millions of yen)	
	Six months ended Sep. 30	
	2015	2016
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year.....	265	591
Changes of items during the period		
Net changes of items other than shareholders' equity	(53)	77
Total changes of items during the period	(53)	77
Balance at the end of the period	212	668
Total valuation and translation adjustments		
Balance at the beginning of the year.....	265	591
Changes of items during the period		
Net changes of items other than shareholders' equity	(53)	77
Total changes of items during the period	(53)	77
Balance at the end of the period	212	668
Subscription rights to shares:		
Balance at the beginning of the year	19	19
Changes of items during the period		
Net changes of items other than shareholders' equity	—	—
Total changes of items during the period.....	—	—
Balance at the end of the period.....	19	19
Net assets:		
Balance at the beginning of the year	12,487	15,423
Changes of items during the period		
Issuance of new shares	3,040	—
Net income (loss)	(102)	(191)
Net changes of items other than shareholders' equity	(53)	77
Total changes of items during the period.....	2,883	(113)
Balance at the end of the period.....	15,371	15,310

(4) Statements of Cash Flows

	(In millions of yen)	
	Six months ended Sep. 30	
	2015	2016
Cash flows from operating activities		
Income (loss) before income taxes	(113)	(205)
Depreciation and amortization	109	120
Increase (decrease) in reserves for outstanding claims	(31)	(42)
Increase (decrease) in policy reserves.....	1,877	1,837
Increase (decrease) in reserve for price fluctuations	1	2
Interest, dividends and other income	(87)	(108)
Loss (gain) related to securities.....	(0)	—
Interest expenses	0	0
Decrease (increase) in agency accounts receivable	(0)	(0)
Decrease (increase) in reinsurance accounts receivable.....	(7)	1
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	513	502
Increase (decrease) in agency accounts payable.....	1	15
Increase (decrease) in reinsurance accounts payable	5	5
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(121)	(109)
Other, net.....	(4)	1
Subtotal	<u>2,145</u>	<u>2,020</u>
Interest and dividends income received	111	176
Interest expenses paid	(0)	(0)
Income taxes paid.....	(3)	(74)
Net cash provided by (used in) operating activities	<u>2,252</u>	<u>2,122</u>
Cash flows from investing activities		
Purchase of securities.....	(4,897)	(3,004)
Proceeds from sales and redemption of securities	1,074	700
Total of net cash provided by (used in) investment transactions ...	<u>(3,822)</u>	<u>(2,304)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>(1,570)</u>	<u>(182)</u>
Purchase of tangible fixed assets	(5)	(8)
Purchase of intangible fixed assets	(11)	(154)
Net cash provided by (used in) investing activities	<u>(3,839)</u>	<u>(2,467)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock.....	3,040	—
Repayments of lease obligations	(4)	(4)
Net cash provided by (used in) financing activities	<u>3,035</u>	<u>(4)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,448</u>	<u>(349)</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>2,180</u></u>	<u><u>2,384</u></u>