

Securities Code:7157
TSE Mothers



LIFENET





LIFENET INSURANCE COMPANY

**Investor Meeting
Presentation
for 2Q
of Fiscal 2016**

LIFENET INSURANCE COMPANY

November 11, 2016

Key Highlight

-  Launched sales of “**au Life Insurance**”
-  Ordinary income **up 8% year on year**
-  **Bottoming out** of new business performance
-  **Continuously recorded** ordinary profit¹
-  **Promote investment in ordinary expenses**
to aim for returning to steady growth of
new business performance

Summary of 2Q for FY2016 Results



LIFENET

(JPY mn)

	2015/1H	2016/1H	Year on year
Ordinary income	4,629	5,016	108.3%
Operating expenses	1,460	1,716	117.6%
Ordinary profit ¹	418	327	78.2%
Cash flows from operating activities	2,252	2,122	94.2%
Mortality margin	1,059	1,139	107.6%
Annualized premium ² of policies-in-force	9,043	9,693	107.2%
Number of policies-in-force	219,471	231,538	105.5%
Annualized premium ² of new business	548	635	115.7%
Number of new business	11,403	13,619	119.4%

1. The ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act

2. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

Contents



1. Results for 2Q of Fiscal 2016

2. Progress of Mid-term Business Plan

Key Accomplishment in FY2016 1H



- ① Commenced sales of **“au Life Insurance”**
- ① Launched new product **“Hataraku-Hito 2”**
- ① **Improvement of customer convenience**
 - ① **Started insurance consultation service via LINE**
 - ① **More prompt payment via smartphone**
 - ① **Highest rating in the 2016 HDI Benchmarking**

Commenced Sales of “au Life Insurance”

Started sales through KDDI from April

Smartphone website

8

:

PC website

2¹



<http://au.lifenet-seimei.co.jp/>

Launched New Product “Hataraku-Hito 2”

Offer coverage to meet customer needs

to choose
elimination period,
60 days or 180 days

to choose policy term
according to purpose

就業不能状態となってから

60日

**Recommend
self-employed**



傷病手当金等の公的な保障が少ない自営業の方には、働けなくなった場合、より早く給付される**支払対象外期間60日**がおすすめです。

就業不能状態となってから

180日

**Recommend
office worker**



傷病手当金等の公的な保障がある会社員・公務員の方の場合は、保険料が割安な**支払対象外期間180日**がおすすめです。

Short-type

Until**55**y/o

Until**60**y/o

**Coverage
according to the purpose**



「子どもの独立まで」など、目的に合わせて保険期間を設定することもできます。短期タイプは保険期間が短い分、保険料は割安です。

Long-type

Until**65**y/o

Until**70**y/o

Coverage until retirement

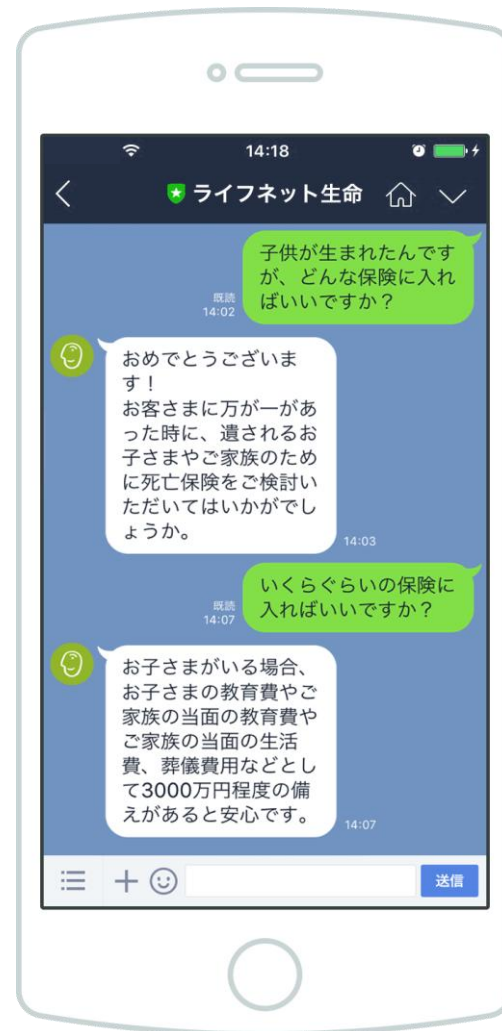


働いている期間は備えておきたい方におすすめの保険期間です。会社員の方は定年の65歳まで、自営業の方の方は70歳までなど、ご希望に合わせてお選びいただけます。

Also added options to choose the way of benefit receipt, Standard-type or Half-type

Started Insurance Consultation Service via LINE

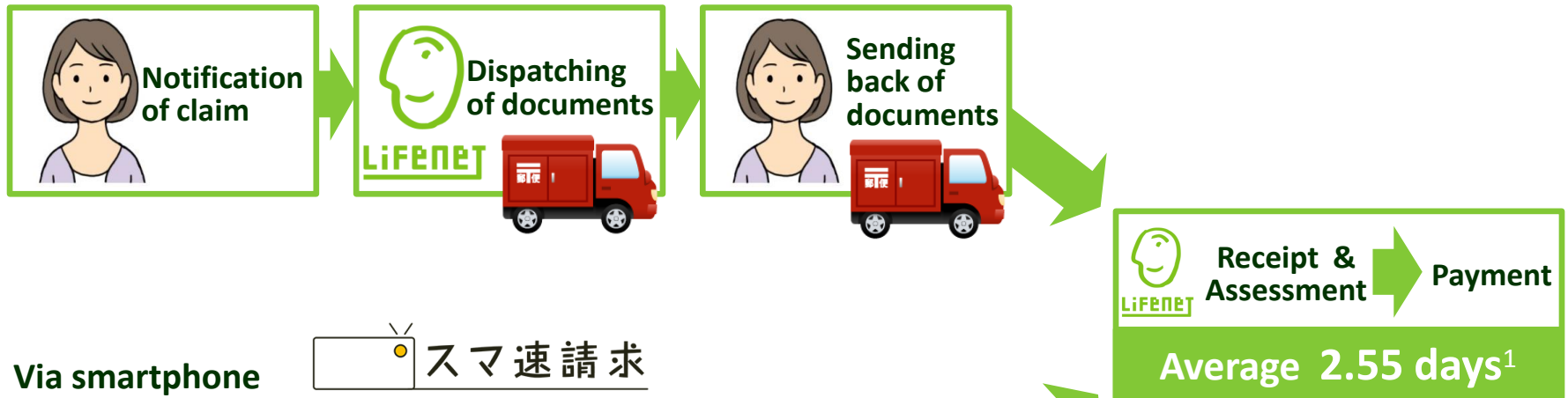
- Provide **convenient** insurance consultation service **via smartphone**



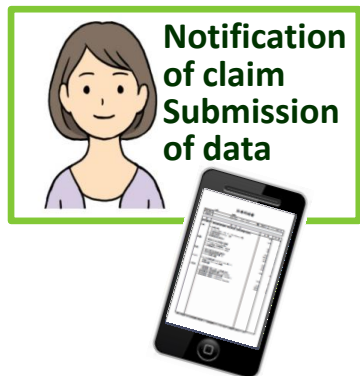
More Prompt Payment via Smartphone

■ Filing for benefit claims can be **completed via smartphone**

Previous benefit claim by mail



Via smartphone



Payment in a minimum 3 days after notification of claim

1. Number of days is business day, with the day Lifenet receives all necessary documents counted as the first day from April to September 2016. Does not include the number of days required to obtain lacking documents. Cases which required fact confirmation before insurance payments were made are not included when calculating the average number of days required for payment.

Highest Rating in the 2016 HDI Benchmarking

- Contact center and website awarded highest rating 3 stars for 5th consecutive year¹

■ Phone Support (Contact Center)

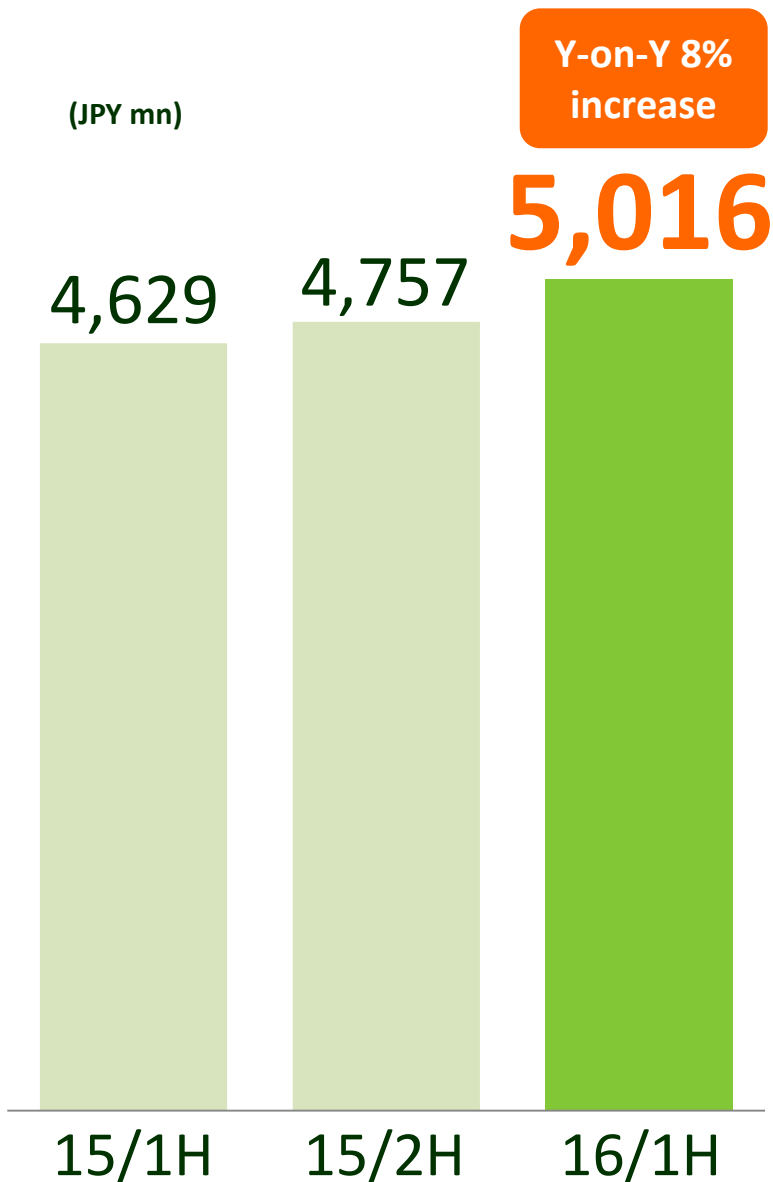


■ Web Support (Website)



1. Awarded in the 2016 Benchmarking (Life Insurance Industry) hosted by HDI-Japan

Ordinary Income

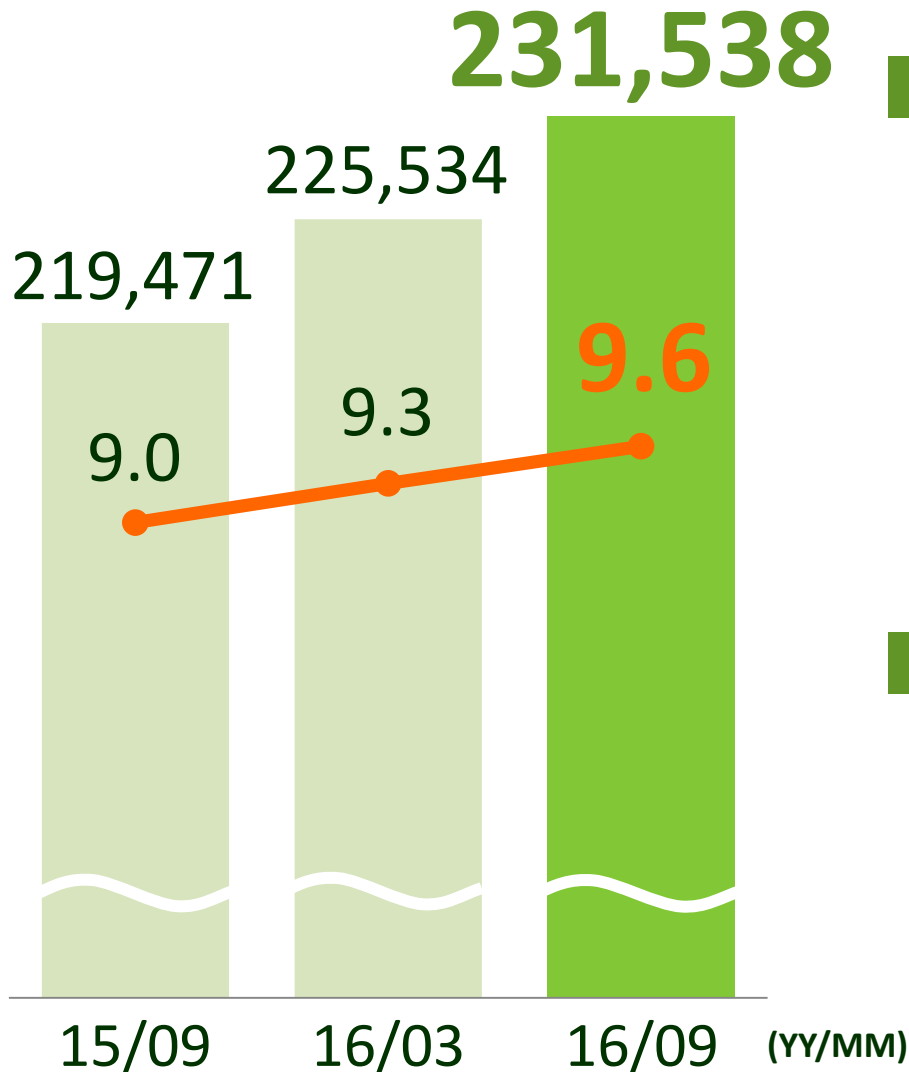


■ Steadily increased
108% Y-o-Y

■ **4,858 million yen** of insurance premiums and other

Annualized Premium / Number of Policies-in-force

■ :Number of policies-in-force
■ :Annualized premium of policies-in-force (JPY bn)



■ **9.6 billion yen**
of annualized
premium of
policies-in-force

■ **Exceeded 230,000**
of number of
policies-in-force

Breakdown of Policies-in-force

■ **145,626** in-force policyholders (as of Sep. 30)

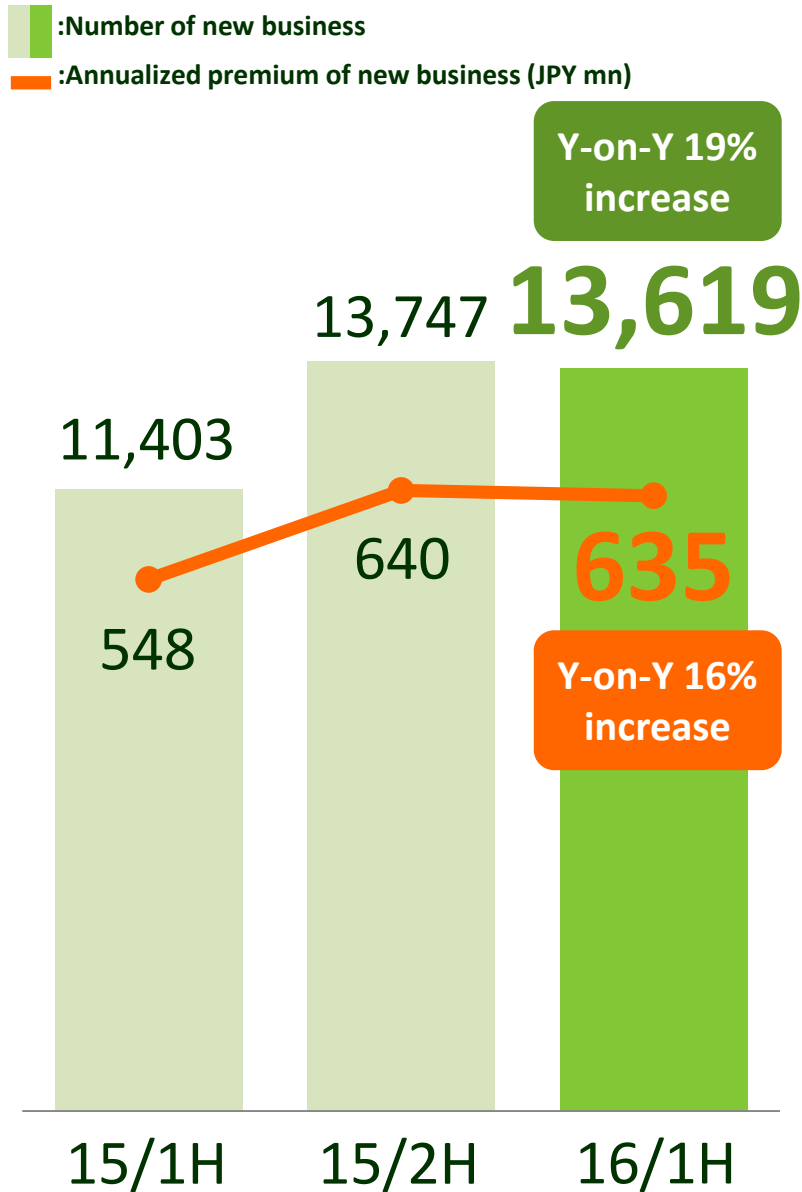
	15/09	16/09	component ratio
Number of policies-in-force	219,471	231,538	100.0%
- Term Life ¹	114,912	120,070	51.9%
- Whole-Life Medical ¹	66,623	69,441	30.0%
- Term Medical Care ¹	11,498	10,806	4.7%
- Long-term Disability ¹	26,438	31,221	13.5%
Sum insured of policies-in-force ² (JPY mn)	1,868,961	1,936,576	
Number of policyholders	135,017	145,626	
	15/1H	16/1H	
(Reference) Surrender and lapse ratio ³	6.7%	6.6%	

1. Term Life insurance: “Kazoku” and “au Term Insurance”, Whole-Life Medical insurance: “Jibun”, New “Jibun”, New “Jibun” for Women, “au Medical Insurance” and “au Medical Insurance for Women”, Term Medical Care insurance: “Jibun Plus”, Long-term Disability insurance: “Hataraku-Hito” and “Hataraku-Hito 2”.

2. Sum insured of policies-in-force is the sum of death coverage, and does not include third-sector insurance.

3. 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.

Annualized Premium / Number of New Business

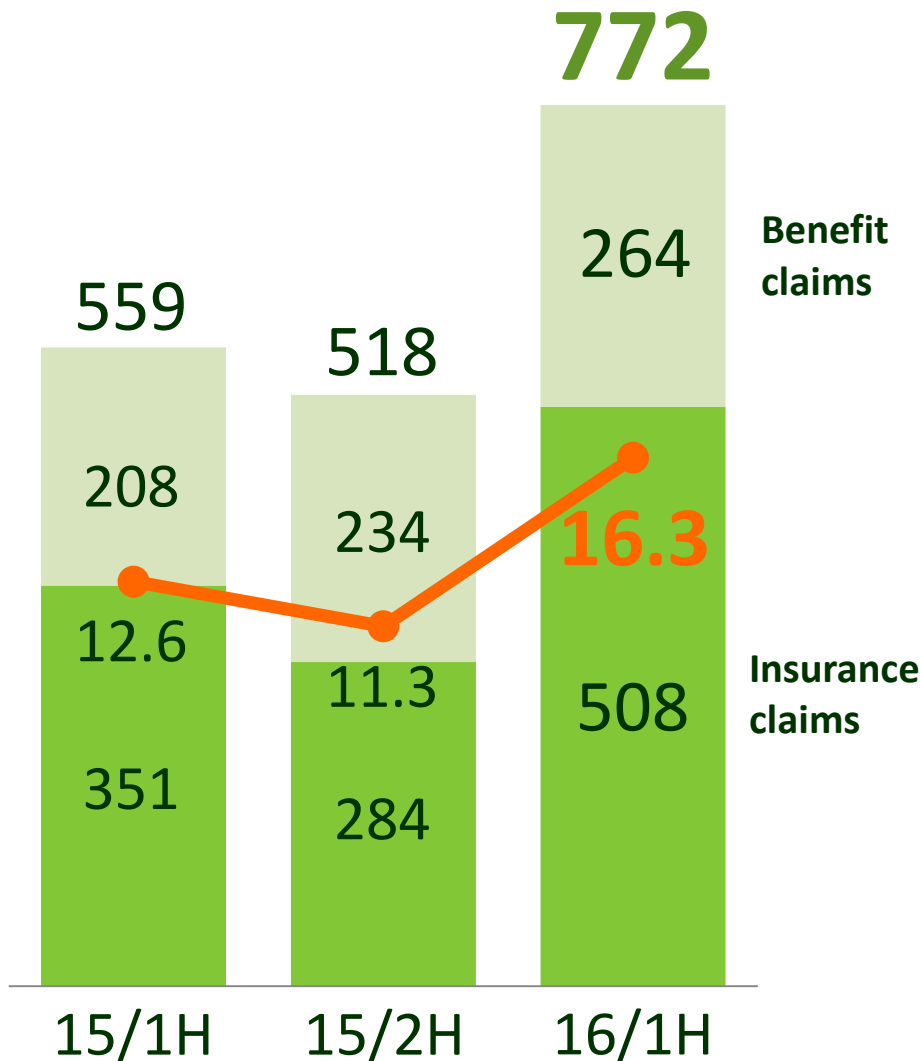


■ Annualized premium
of new business
635 million yen

■ Number of new
business **13,619**

Amount of Insurance Claims and Benefits

■ :Amount of insurance payments (JPY mn)
 ■ :Amount of insurance payments / Premiums income (%)

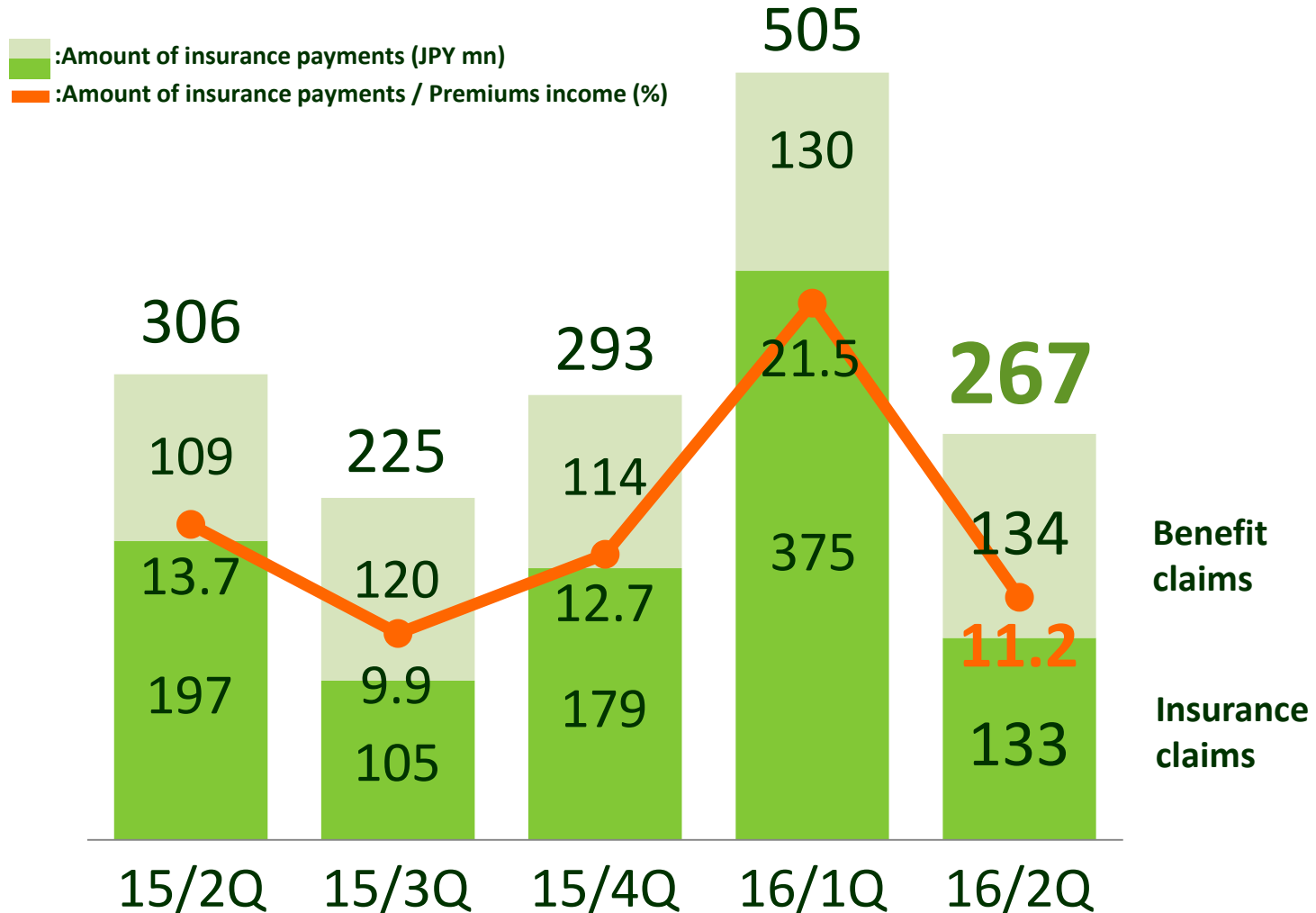


■ **33** insurance claims and **2,856** benefit claims

■ Ratio to premiums income **16%**

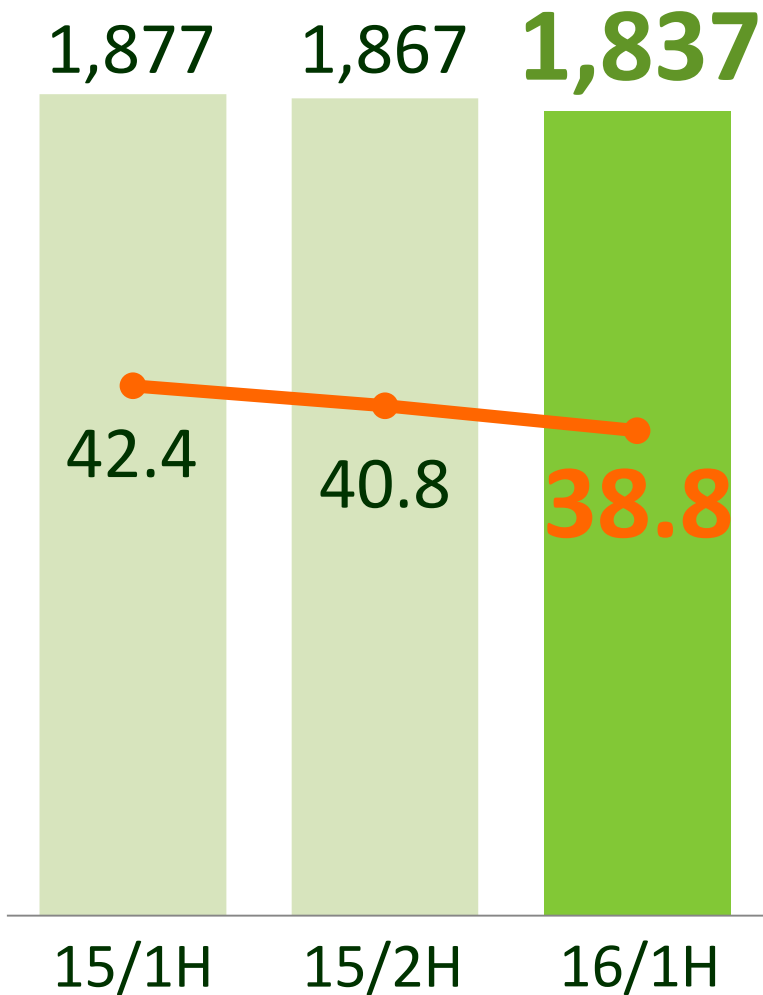
Amount of Insurance Claims and Benefits (Quarterly)

■ Payment of **267 million yen** for 2Q



Provision for Policy Reserves

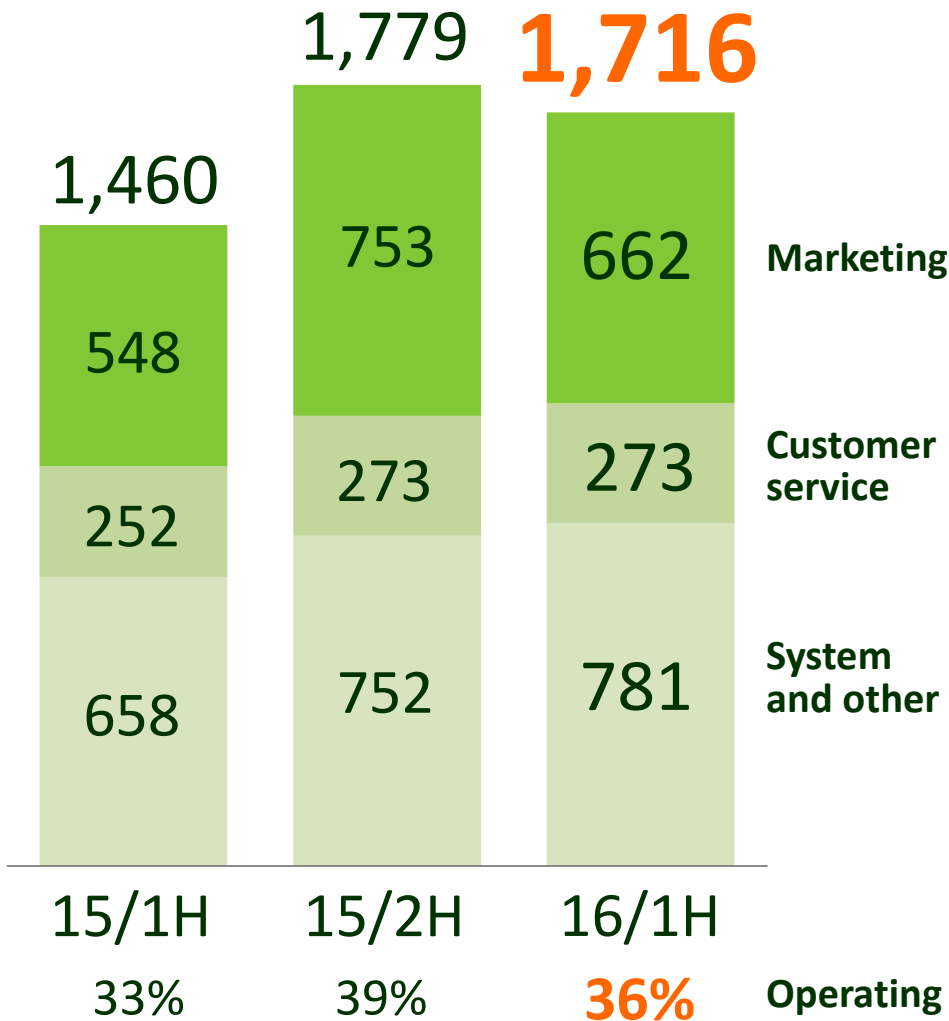
■ : Provision for policy reserves (JPY mn)
■ : Provision for policy reserves / Premiums income (%)



- Remaining at the same level
- Decreased in some in-force policies in accordance with elapsed years

Operating Expenses

(JPY mn)



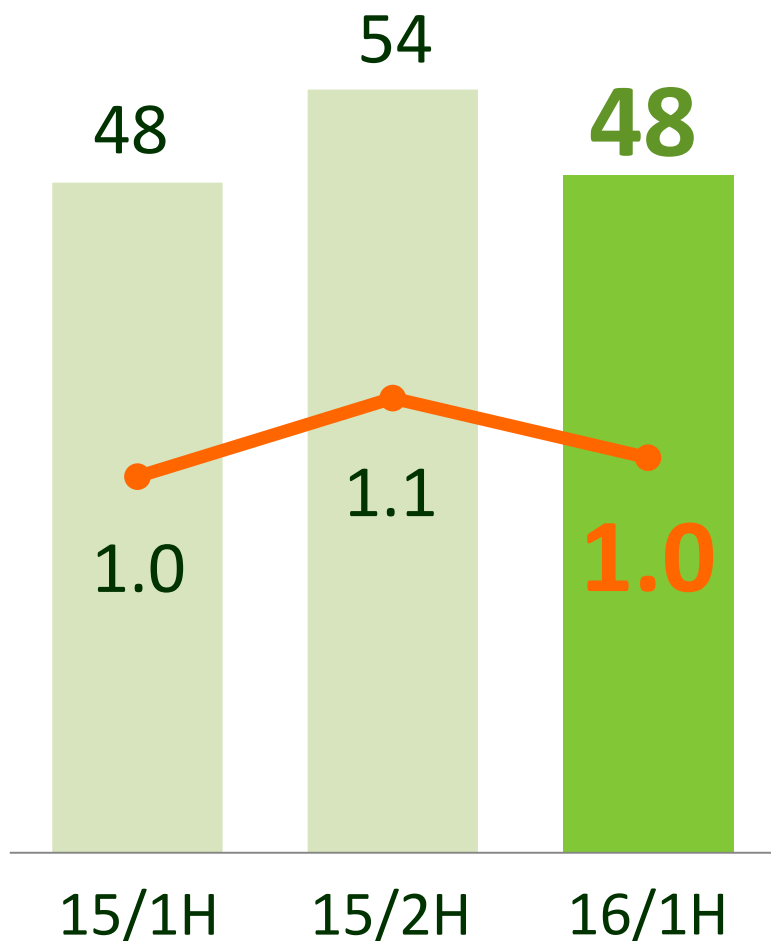
■ **Increasing** for returning to growth of new business performance

■ **Operating expenses ratio¹ 36%**

1. The ratio of operating expenses to premiums income

Marketing Expenses per New Business

■ :Marketing expenses per new business (JPY thousand)
■ :Marketing expenses / Annualized premium of new business

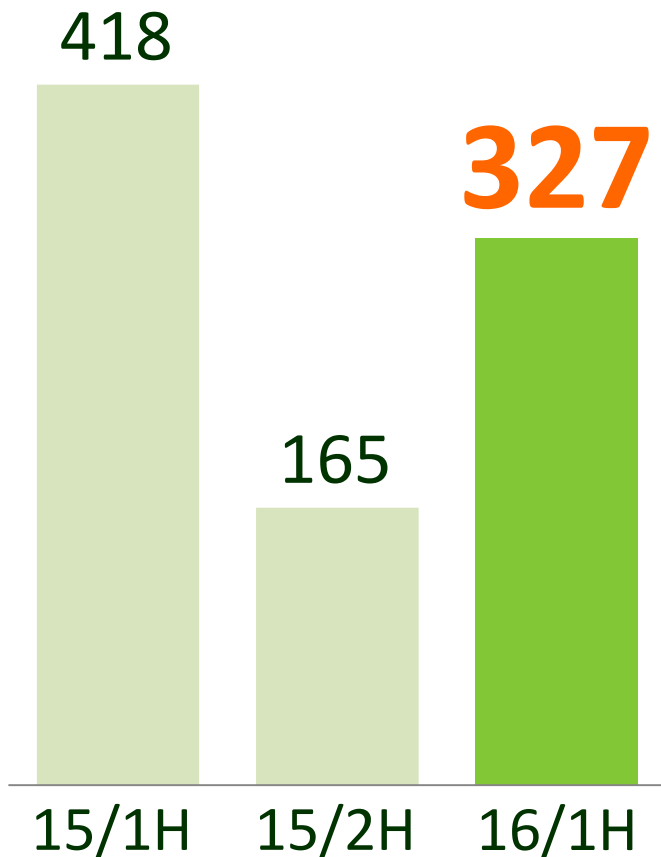


■ Remaining at the same level despite increased marketing expenses

Ordinary Profit / Loss

Recorded **positive profitability¹** continuously

(JPY mn)



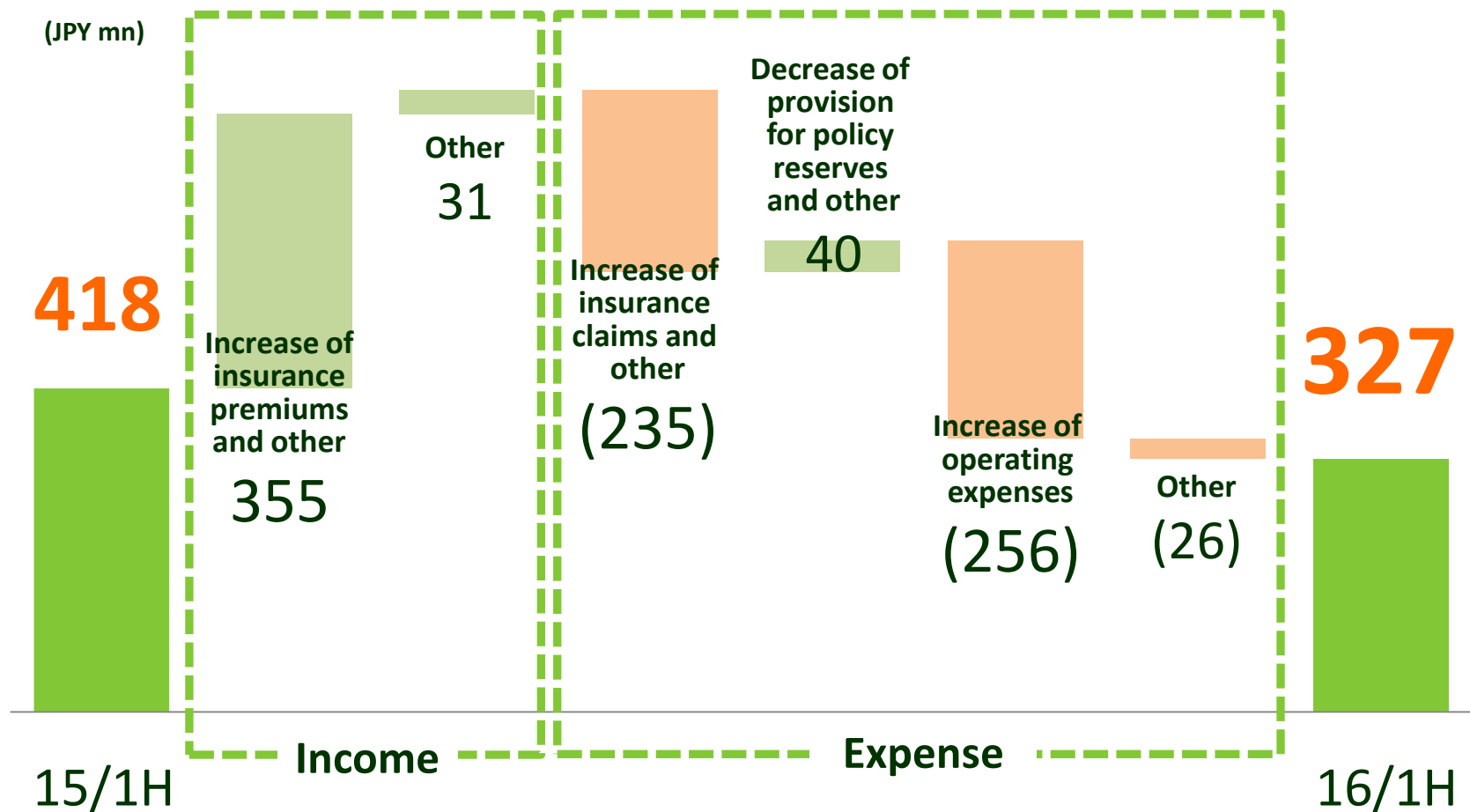
	15/1H	15/2H	16/1H
Ordinary profit before amortization of deferred assets	418	165	327
Amortization cost	(530)	(530)	(530)
Ordinary profit (loss)	(111)	(364)	(202)

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

Structure Breakdown of Ordinary Profit

■ Decreased due to increase in insurance payment and operating expenses

Transition of ordinary profit ¹



1. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act

Condensed Statements of Operation



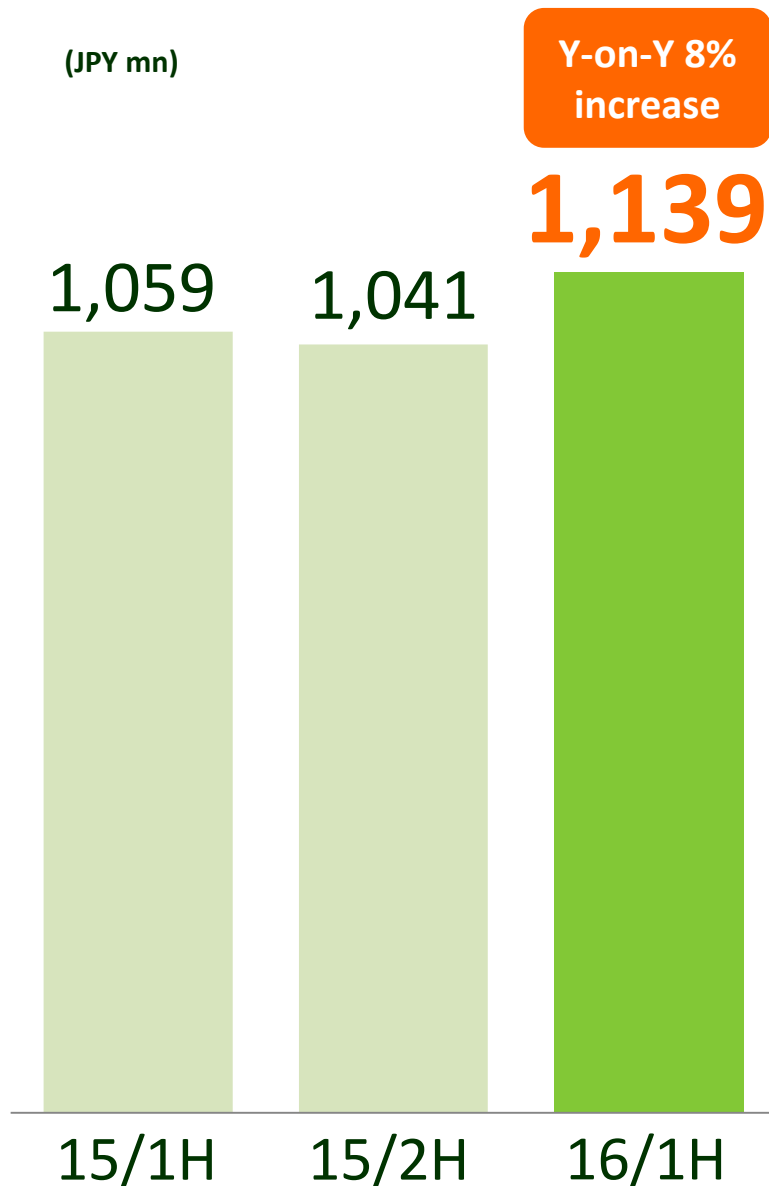
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(JPY mn)

	15/1H	16/1H	Change
Insurance premiums and other	4,502	4,858	355
Other	127	158	31
Ordinary income (A)	4,629	5,016	386
Insurance claims and other	658	893	235
Provision for policy reserves and other	1,877	1,837	(40)
Operating expenses	1,460	1,716	256
Other	214	240	26
Ordinary expenses (B)	4,211	4,688	477
Ordinary profit before amortization of deferred assets under Article 113 of IBA ¹ (A-B)	418	327	(91)
Amortization of deferred assets under Article 113 of IBA ¹ (C)	530	530	-
Ordinary loss (A-B)-(C)	(111)	(202)	(91)

1. the Insurance Business Act

Mortality Margin

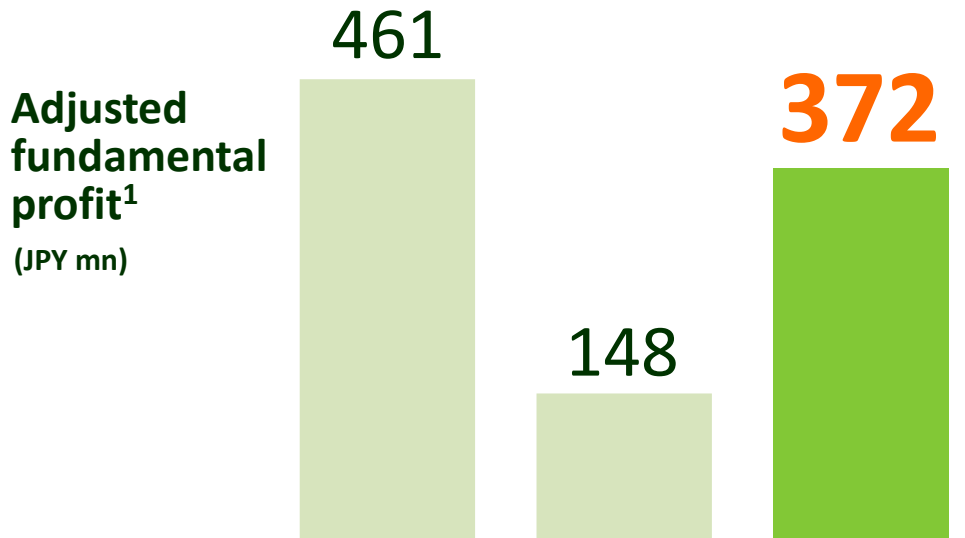


- **Steadily recorded mortality margin**
- **Increased 108% Y-o-Y due to premiums income up**

Fundamental Profit

(JPY mn)

	15/1H	15/2H	16/1H
Mortality margin	1,059	1,041	1,139
Expense margin (loss)	(1,150)	(1,444)	(1,311)
Interest margin	22	21	14
Fundamental profit	(68)	(382)	(157)
(ref.) Insurance premiums and other	4,502	4,615	4,858



■ Expense loss increased Y-o-Y due to operating expenses up

■ Adjusted fundamental profit¹ continued profitable

Operating Cash Flows

(JPY mn)



■ **Steadily recorded positive operating cash flows**

■ **Increased assets under management**

Financial Condition



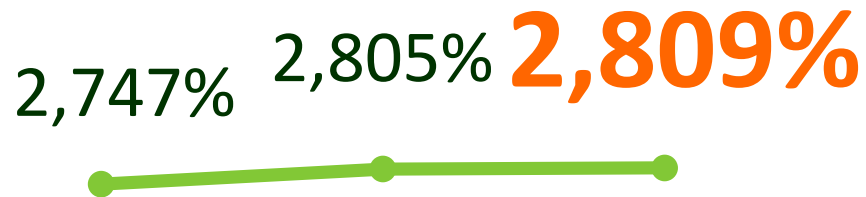
(JPY mn)	(YY/MM)	15/09	16/03	16/09
Total assets		27,972	30,317	31,883
Cash and deposits		680	734	884
Monetary claims bought		1,499	1,999	1,499
Money held in trust		1,033	1,035	999
Securities		20,804	23,067	25,447
Government bonds		9,338	10,102	10,126
Municipal bonds		1,449	1,521	1,531
Corporate bonds		8,980	10,428	10,753
Stocks ¹		210	211	287
Foreign securities ²		825	804	748
Other securities		-	-	2,000
Total liabilities		12,601	14,893	16,573
Policy reserves and other		11,930	13,908	15,703
Total net assets		15,371	15,423	15,310

■ Promote
diversification in investment assets
 with investment trust

■ Modified duration
13.6 years

1. Lifenet is holding shares of Advance Create Co., Ltd., its insurance sales agent, for the purpose of maintaining equity and business partnership.
 2. Investment in Kyobo Lifeplanet Life Insurance Company in Korea

Solvency Margin Ratio¹



Average of 4 major insurance companies² as of March 31, 2016

●
894%

■ **Maintained at high level continuously**

15/09

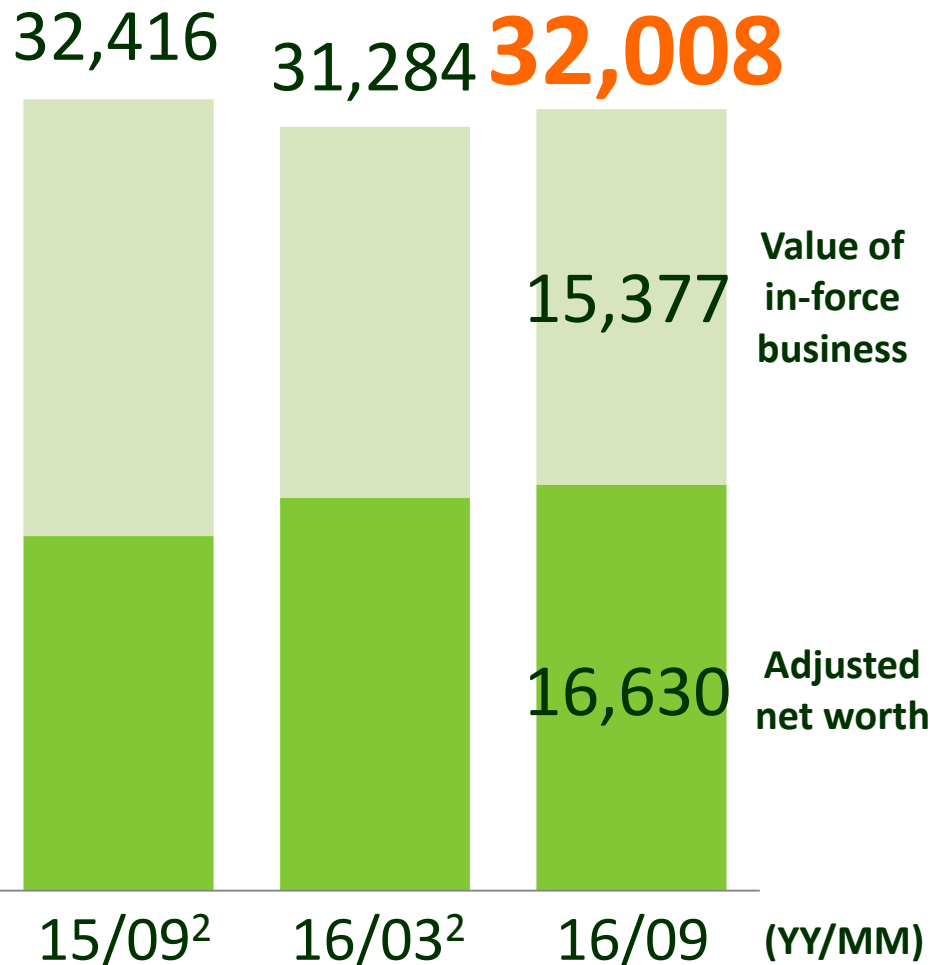
16/03

16/09

1. The solvency margin ratio measures a life insurance company's ability to pay out claims when unforeseen events occurs, such as natural disaster or a stock market collapse.
2. Simple arithmetic average

European Embedded Value (EEV)¹

(JPY mn)



■ Increased due to incorporation of payment results despite continuous impact of lower interest rates

1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred.
2. EEV of FY2015 is restated by changing extrapolation method of interest rates.

Change in Extrapolation Method of Interest Rates for EEV

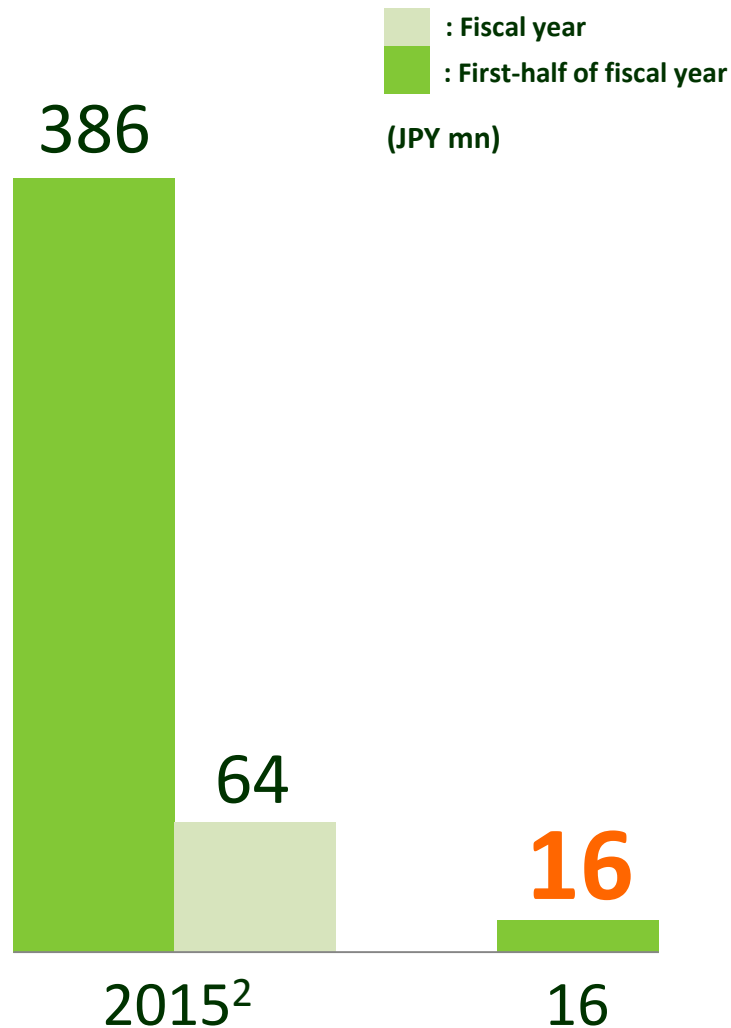
- Adopted **more stable method** for ultra-long insurance liabilities

Extrapolation method of interest rates beyond the last liquid data point (40th year)...

...assuming the forward rate at the last liquid data point to remain constant beyond this point

...using a predetermined ultimate forward rate

Value of New Business (VoNB) (Ultimate Unit Cost Base)¹



■ Decreased Y-o-Y
mainly due to
**decline of
interest rates**

1. The expense assumptions used to calculate the EEV and the value of new business are set based on the premise that unit costs decrease as the number of policies in force increases, and reach their ultimate equilibrium levels, at which income and expenses are equal, in the tenth year after the company's start-up (fiscal 2017). For reference, "Value of new business (Ultimate Unit Cost base)" shows the value of new business calculated applying the ultimate unit costs to all years.
2. VoNB of FY2015 is restated by changing extrapolation method of interest rates.

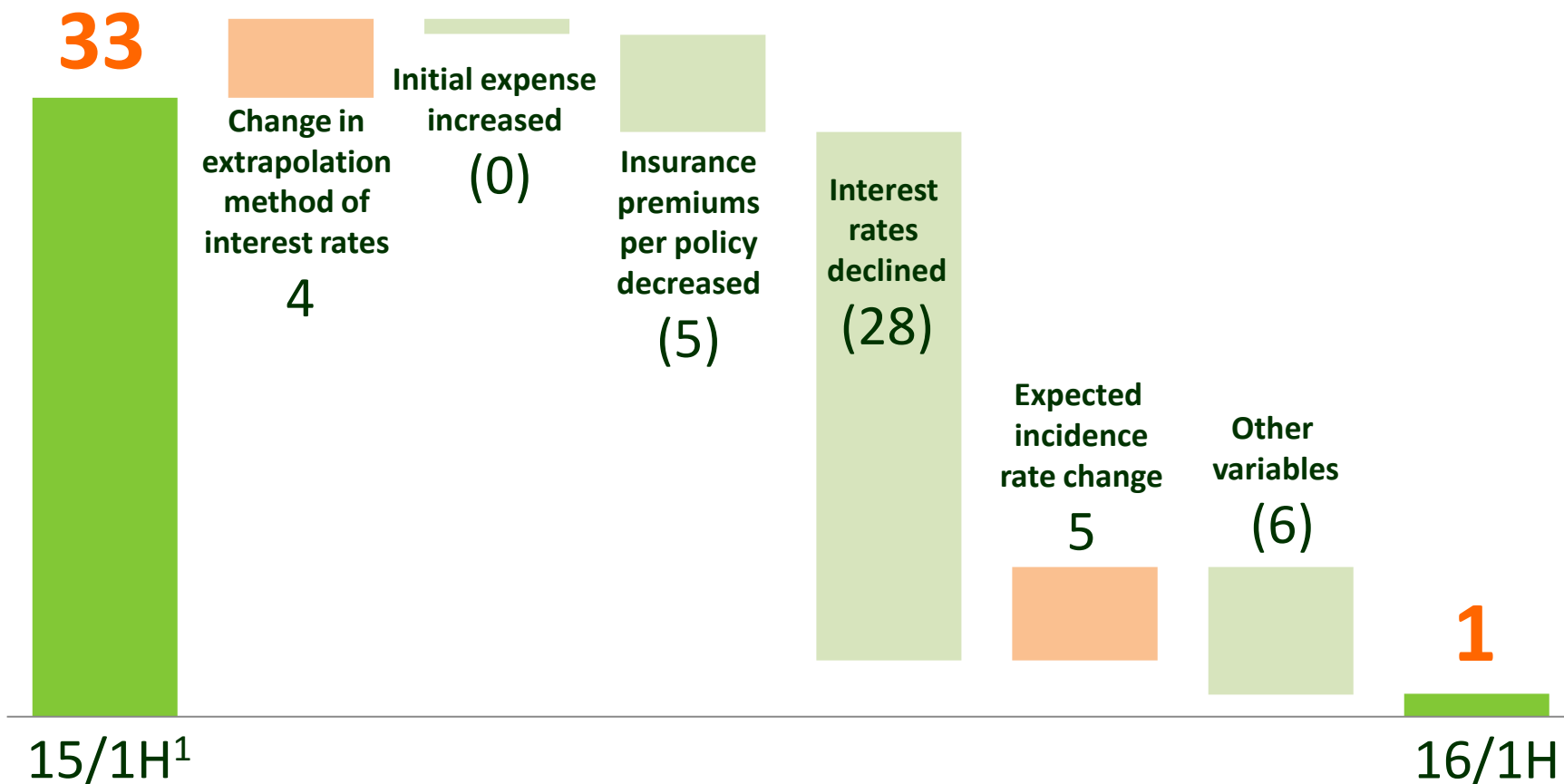
Structure Breakdown of VoNB per Policy



■ Decreased due to **decline of interest rates**

VoNB per policy (ultimate unit cost base)

(JPY thousand)



1. Restated by changing extrapolation method of interest rates.

VoNB (Ultimate Unit Cost Base)

(JPY mn)		15/1H (Restated ¹)	16/1H	Per new business for 2016 1H (JPY thousand)
Certainty equivalent present value of future profit		1,701	1,761	129
—)	Time value of financial options and guarantees	—	—	—
—)	Frictional cost of capital	(8)	(3)	(0)
—)	Allowance for non-hedgeable risk	(765)	(1,073)	(78)
Value of in-force business		927	684	50
—)	Adjusted net worth	(541)	(667)	(49)
Value of new business (Ultimate unit cost base)		386	16	1
(Ref.) Value of new business		384	14	1
(Ref.) Present value of in-force business premiums		8,178	9,824	
Number of new business		11,403	13,619	

1. Restated by changing extrapolation method of interest rates.

EV Sensitivity Analysis¹

■ Impacts of changes in assumptions (sensitivities)

(JPY mn)	Change in EEV as of Sep. 30, 2016	Change in VoNB
EEV and new business value as of September 30, 2016	32,008	14
Sensitivity 1a: 1.0% increase in risk-free rate	1,621	234
Sensitivity 1b: 1.0% decrease in risk-free rate	(3,025)	(366)
Sensitivity 1c: 0.5% increase in risk-free rate	950	130
Sensitivity 1d: 0.5% decrease in risk-free rate	(1,297)	(163)
Sensitivity 1e: Interest rates based on JGB yields	333	26
Sensitivity 2: 10% decrease in equity and real estate value	(74)	—
Sensitivity 3: 10% decrease in operating expenses	1,970	111
Sensitivity 4: 10% decrease in lapse rate	(2,172)	(138)
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,331	203
Sensitivity 6: 5% decrease in mortality for annuity business	—	—
Sensitivity 7: Change the required capital to the statutory minimum	44	2

1. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of sensitivities carried out separately. As Japanese policy reserves are calculated in accordance with the IBR, the sensitivities carried out do not affect the reserves at the valuation date. The sensitivity on the value of new business excludes the impact on the adjusted net worth.

Impact of Lower Interest Rates

■ Impact to our financial results in first-half of FY2016

Interest margin

Ensured profitability
though certain impact

EEV

Increased though impact
continued from March 31, 2016

VoNB

Drastically decreased Y-o-Y
with high impact

Contents



1. Results for 2Q of Fiscal 2016

2. Progress of Mid-term Business Plan

New Mid-term Business Plan



■ Summary of new mid-term business plan

FY2018 Management Goal	13.5 billion yen in ordinary income Positive profitability of ordinary profit (loss)
Business Strategy	1. The pillars of business : “Online direct sales”, “KDDI (exclusive alliance agent)” and “Over- the-counter agent” 2. Continuous creation of unique sales point in all channels 3. Commitment to business development for future growth
Organization	Change, Challenge and Unity

To Achieve New Mid-term Business Plan

■ Aiming for **returning to growth in new business performance** in fiscal 2016



Revised in Business Forecast for FY2016

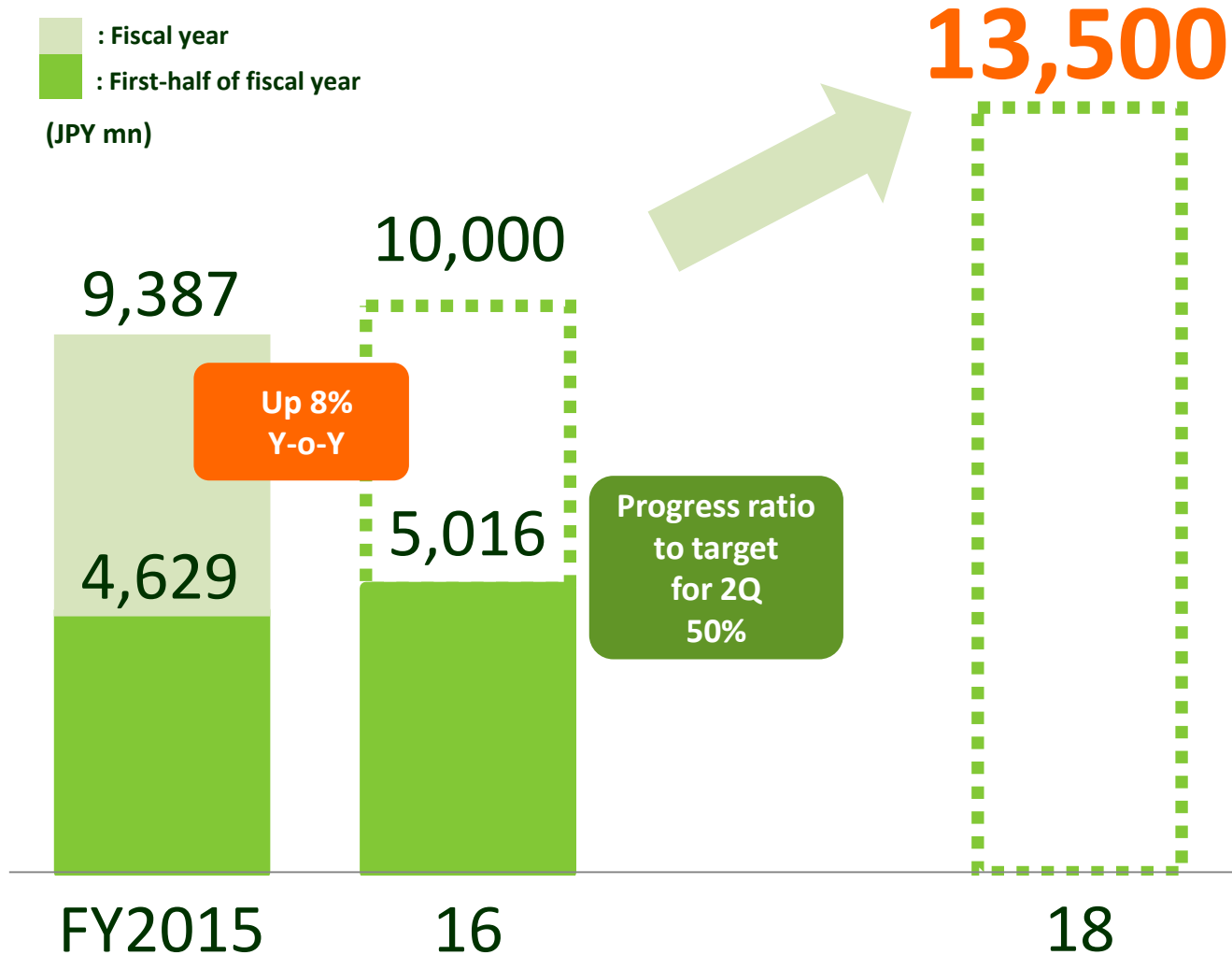
- Promote investment in ordinary expenses** to ensure returning to growth of new business performance

(JPY mn)

	Ordinary income	Ordinary profit ¹
Business forecast (Before)	10,000	<u>Profitable</u>
Business forecast (After)	10,000	<u>(300)</u>
(Ref.) Results for FY2015	9,387	584

Progress of Mid-term Business Plan (Ordinary Income)

■ **8% increase Y-o-Y**



Progress of Mid-term Business Plan (Ordinary Profit / Loss)



- Aiming for **positive ordinary profit**¹
in fiscal 2018

(JPY mn)

	Business forecast FY2016 (revised)	Management goal FY2018	Results for 16/1H
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA (A)	(300)	-	327
Amortization of deferred assets under Article 113 of IBA (B)	(1,060)	-	(530)
Ordinary Profit (Loss) (A)-(B)	(1,360)	Turn profitable	(202)

1. After completion of amortization of deferred assets under Article 113 in FY2017, management indicator for mid-term business plan ending in FY2018 is positive profitability of accounting ordinary profit (loss).

Key Initiatives

■ Strengthen product development and channel utilization



Online direct sales

→ Strengthen Smartphone optimization, the way to draw customers to the website and services for policyholders

KDDI (exclusive alliance agent)

→ Launch “au Life Insurance” with Refunds

Agent

→ Expand sales of “Hataraku-Hito 2” through face to face consultation

“au Life Insurance” with Refunds

- Start sales as new product in December 2016



**Monthly refunds of 200 yen per policy
for up to 60 months**

LIFENET is...



Comprehensible
Cost-Competitive
Convenient

- Returning to **the original purpose** of life insurance – mutual support –
- Plugged-in way to reach customers who need insurance products with necessary coverage

LIFENET Manifesto



I. Our Guiding Principles

- (1) We believe that our responsibility to society is to return life insurance to its original state. Life insurance is for the customers, not for the company. In order to achieve this goal, we will only offer products we can recommend with confidence.
- (2) We will be transparent. We will disclose information on our management, products and company as a whole on our website to actively communicate with customers and society.
- (3) We will be fair. We believe that our services will be more benevolent if the employees are free of any and all limitations they may feel in the work environment, and as such, we will not discriminate against education, gender, age, nationality, or familial situations.
- (4) We will adhere to laws protecting personal information and comply with laws, regulations, and other social standards. We pledge to be respectable global citizens, acting fairly and ethically.

III. Life Insurance will be Cost-Competitive

- (1) We believe that no one should pay premiums that are more expensive than necessary, and will be innovative and creative in order to develop and maintain the most cost-competitive products possible.
- (2) We will handle every step of the process in providing good products to our customers; from the development of the products to the sales. This allows for us to maintain our cost-competitive prices.
- (3) Our products will be cost-competitive, but the content of the products and our services will not be sacrificed. All communication with customers will be conducted accurately and quickly, including claim processes.
- (4) Life insurance is a very expensive purchase, and life is also very expensive. We want for our customers to spend less on life insurance, and more on enjoying life.

II. Life Insurance will be Comprehensive

- (1) Our products will be simple and comprehensible. There will not be complex policies with special provisions.
- (2) Life insurance is a financial product designed to mitigate risk, and we believe the customer should decide what products are necessary for them. As we feel it is critical for customers to be well informed of products and policies, we will make accessible any and all relevant information on our website for customers to make logical and rational decisions. The Customer Contact Center is also available for further clarifications and questions.
- (3) Our website will promote the understanding of not only our company's products, but of life insurance in general.
- (4) We will make life insurance products tangible via clearly written policies and comprehensible terms and conditions.

IV. Life Insurance will be Convenient

- (1) We know our customers have very busy lives. That is why our customers can apply for our life insurance policies via the internet, 24 hours a day, 7 days a week.
- (2) Our documents require only a signature. There are no other typical official items required to verify personal identification.
- (3) Our definition of "surgery" is aligned with the national healthcare insurance point table, making the claim process much more convenient and comprehensible.
- (4) We have a proxy claim system, allowing for the third party designated by the claim holder to file a claim. The appointed proxy need simply to make a phone call to our contact center for necessary documents.

**This manifesto is not simply as a declaration. This is how we do things.
Join us on our journey.**



All information on this document that is not historical fact constitutes forward-looking information and is based on assumptions and forecasts available to the company at the time of preparation. The company cannot guarantee the accuracy of these assumptions and forecasts. Earnings projections and other information on this may differ materially from actual performance due to various risks and uncertainties. This is a translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

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Appendix



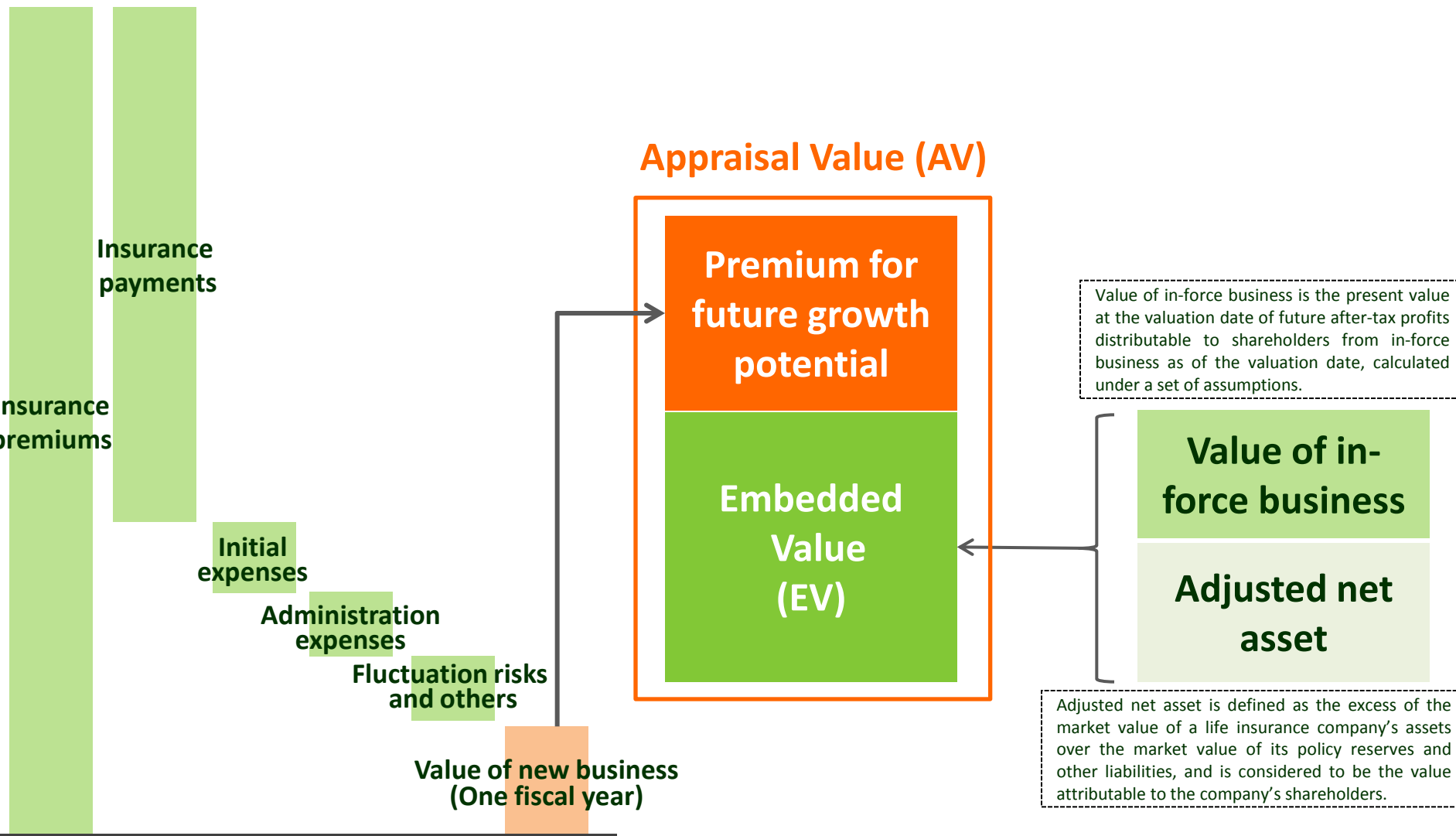
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Embedded Value and Value of New Business

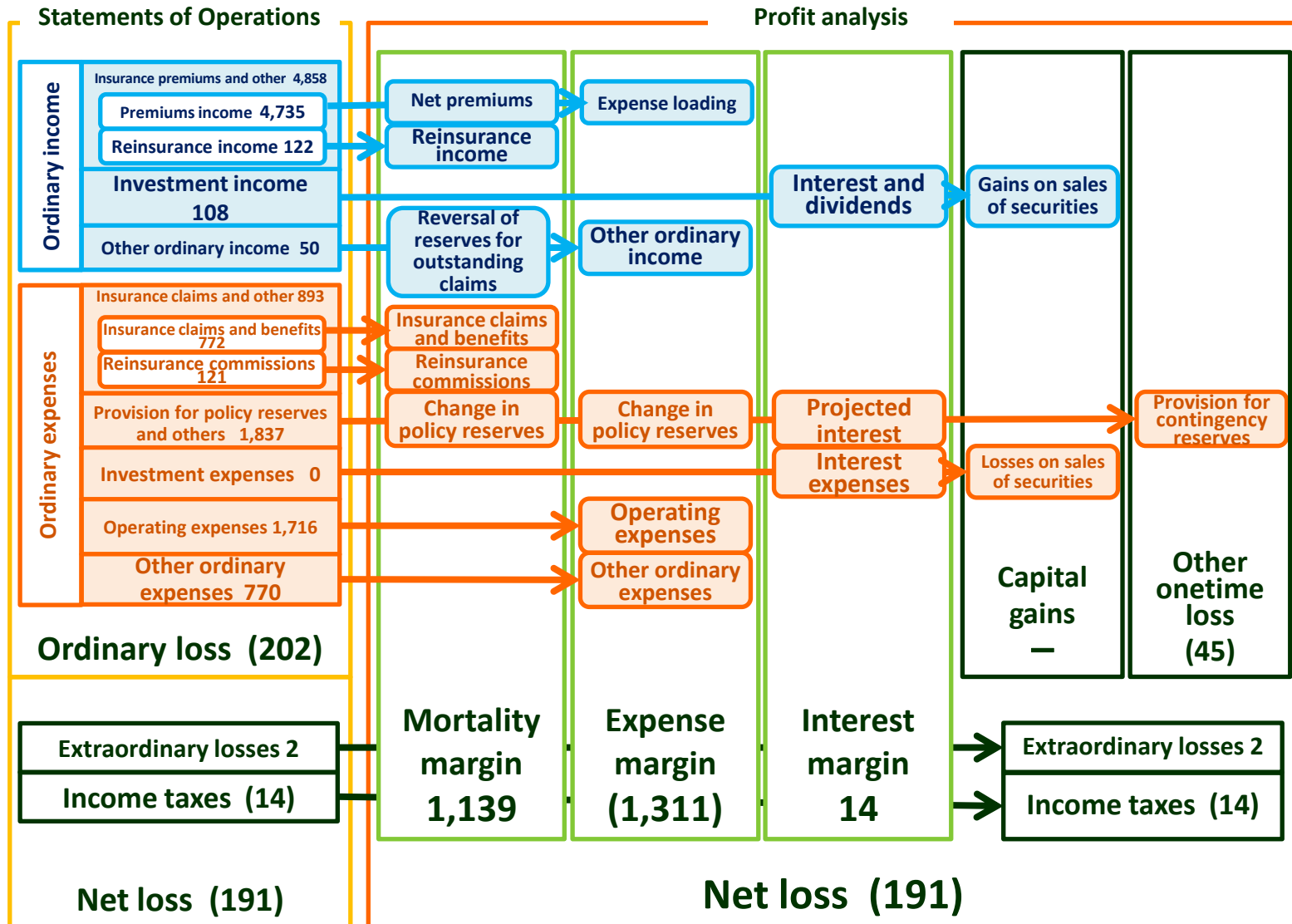


(Illustrative purpose only: Based on present value)



Three Surplus Factors of Fundamental Profit

FY2016 1H (JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of Sep. 30, 2016 (JPY mn)

Solvency margin ratio 2,809.4%	=	Total amount of solvency margin <numerator> 20,144	÷	Total amount of risk/2 < the denominator > 1,434/2
------------------------------------------	---	-----------------------------------------------------------------	---	-----------------------------------------------------------------

Cash and deposits 884	Other liabilities 463
Monetary claims bought 1,499	Deferred tax liabilities (excluding those on available-for-sale securities) 131
Money held in trust 999	Reserves for outstanding claims 314
Securities 25,447	Policy reserves 15,388
Tangible fixed assets 102	Contingency reserves 1,352
Intangible fixed assets 484	Excess over the full-Zillmerized reserve 4,889
Other assets 2,465	Price fluctuation reserves 15
Deferred assets under Article 113 of the Insurance Business Act 1,590	Deferred tax liabilities on available-for-sale securities 234 ¹
	Valuation difference on available-for-sale securities 601 ¹
	Capital stock and other assets 13,051
	Net assets 15,310

Add liabilities with strong capital characteristics such as price fluctuation reserves and contingency reserves

Subtract deferred assets under Article 113 of the Insurance Business Act from net assets

$$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4 / 2$$

- Insurance risk R₁ 1,030**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 278**
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk R₂ 2**
Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves
- [Minimum guarantee risk] R₇ -**
Risk related to products, such as variable annuities with minimum guarantees
- Asset management risk R₃ 439**
[Credit risk] Risk that asset values decline due to deterioration in financial condition of creditors
[Price fluctuation risk] Risk of incurring losses due to decline in market value of stocks and bonds, etc.
- Business management risk R₄ 52**
3% of the total of the amounts of the other 5 risks (in the Company's case)

1. 90% of the valuation difference on available-for-sale securities and deferred gains or losses on hedges (pre-tax) (if negative, 100%)
2. Items that do not apply to the Company or for which the amount is minimal have been omitted, except for certain bracketed items.