

Securities Code:7157
TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

Reference Data
for
Third Quarter
Fiscal 2016

LIFENET INSURANCE COMPANY

February 9, 2017

Contents



1. Results for 3Q of Fiscal 2016

2. Progress of Mid-term Business Plan

Summary of 3Q for FY2016 Results



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(JPY mn)

	First 9 months of FY2015	First 9 months of FY2016	Year on year
Ordinary income	6,995	7,568	108.2%
Operating expenses	2,247	2,714	120.8%
Ordinary profit / loss ¹	639	347	54.3%
Cash flows from operating activities	3,487	3,069	88.0%
Mortality margin	1,591	1,691	106.3%
Annualized premium ² of policies-in-force	9,220	9,856	106.9%
Number of policies-in-force	222,598	234,828	105.5%
Annualized premium ² of new business	872	955	109.5%
Number of new business	18,267	20,599	112.8%

1. Ordinary profit (loss) 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.

Key Highlight

-  Launched sales of “au Life Insurance” with Refunds
-  Ordinary income 108% year on year
-  Bottomed out of new business performance
-  Recorded positive ordinary profit¹

New Product Launch

- Launched sales of “au Life Insurance” with Refunds from Dec. 2016



Monthly refunds of 200 yen for up to 60 months as refunds of insurance premiums per one policy

Enhance “au Life Insurance” Lineup



■ Newly launched “au Long-term Disability Insurance”

最大60ヶ月、保険料還付金付き
万が一に備える



**au Term Insurance
with refunds**

お手頃な保険料で万が一に備えるなら、10年ごとに
見直ししやすいau定期ほけんで決まり！

最大60ヶ月、保険料還付金付き
入院・手術・がん・先進医療に備える



**au Medical Insurance
with refunds**

医療保険でもう迷わない。入院・手術・がん・先進
医療の保障が一生続くau医療ほけんで安心！

最大60ヶ月、保険料還付金付き
女性特有の病気やがんに備える



**au Medical Insurance for Women
with refunds**

女性特有の病気はもちろん、がんにも手厚いau医療
ほけんレディース。女性にやさしい保険です。

最大60ヶ月、保険料還付金付き
病気やケガで働けなくなるリスクに備える



**au Long-term Disability
Insurance with refunds**

病気やケガで働けなくなったときの生活費をサポート
します。「在宅療養」も保障の対象です。

NEW!

New Long-term Disability Product “Hataraku-Hito 2”



Offered **new product** in expanding market

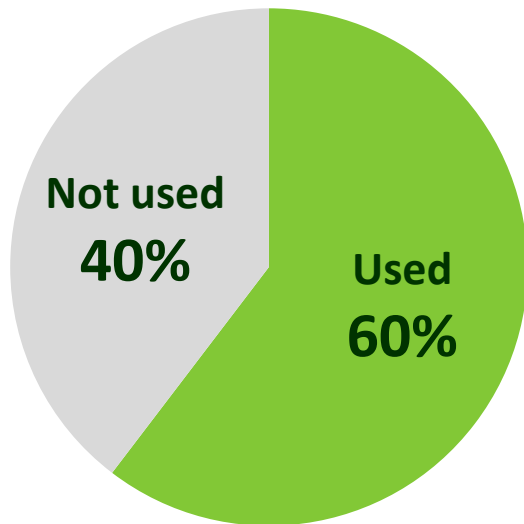
	Hataraku-Hito 2	Product X	Product Y	Product Z
Policy term	55, 60, 65, 70 y/o	60, 65 y/o	50, 55~70, 75, 80 y/o	55, 60, 65, 70 y/o
Amount of benefit	100,000~ 500,000 yen/month	50,000~ 400,000 yen/month	500,000~ 10million yen/year	100,000 yen/month
Benefit term	Until expiry	Until expiry	Until expiry	For 2, 3, 5, 10 years
When recovered	Stop payment	Stop payment	Keep payment	Keep payment
Monthly premiums¹	2,984 yen	3,680 yen	9,468 yen	3,710 yen
Coverage¹	Disability	Disability	Disability, death coverage, and benefit for hospitalization, surgery and advanced medical care	Disability and hospitalization benefit

- Under the following conditions: Male, age at issue 30 years old, policy term 65 years old, benefit 150,000 yen/month (product Z: benefit 100,000 yen/month for 5 years). The amount of benefit for a year and a half at Lifenet and product X is 75,000 yen/month and 50,000 yen/month, respectively. The definition of disability based on benefit condition differs by each company. Product Y includes death coverage and benefits for hospitalization, surgery and advanced medical care. Product Z includes hospitalization benefit (5,000 yen/day from 61st day to 180th day).
- Lifenet Insurance, based on information from Yomiuri Shimbun morning edition on October 19, 2016

Paperless Application Process

Improved customer convenience without sending application form by postal mail

Usage of paperless application process via smartphone¹



1. Calculated based on data of customers applied in December 2016

Highest Rating in the 2016 HDI Benchmarking

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

■ Phone Support (Contact Center)



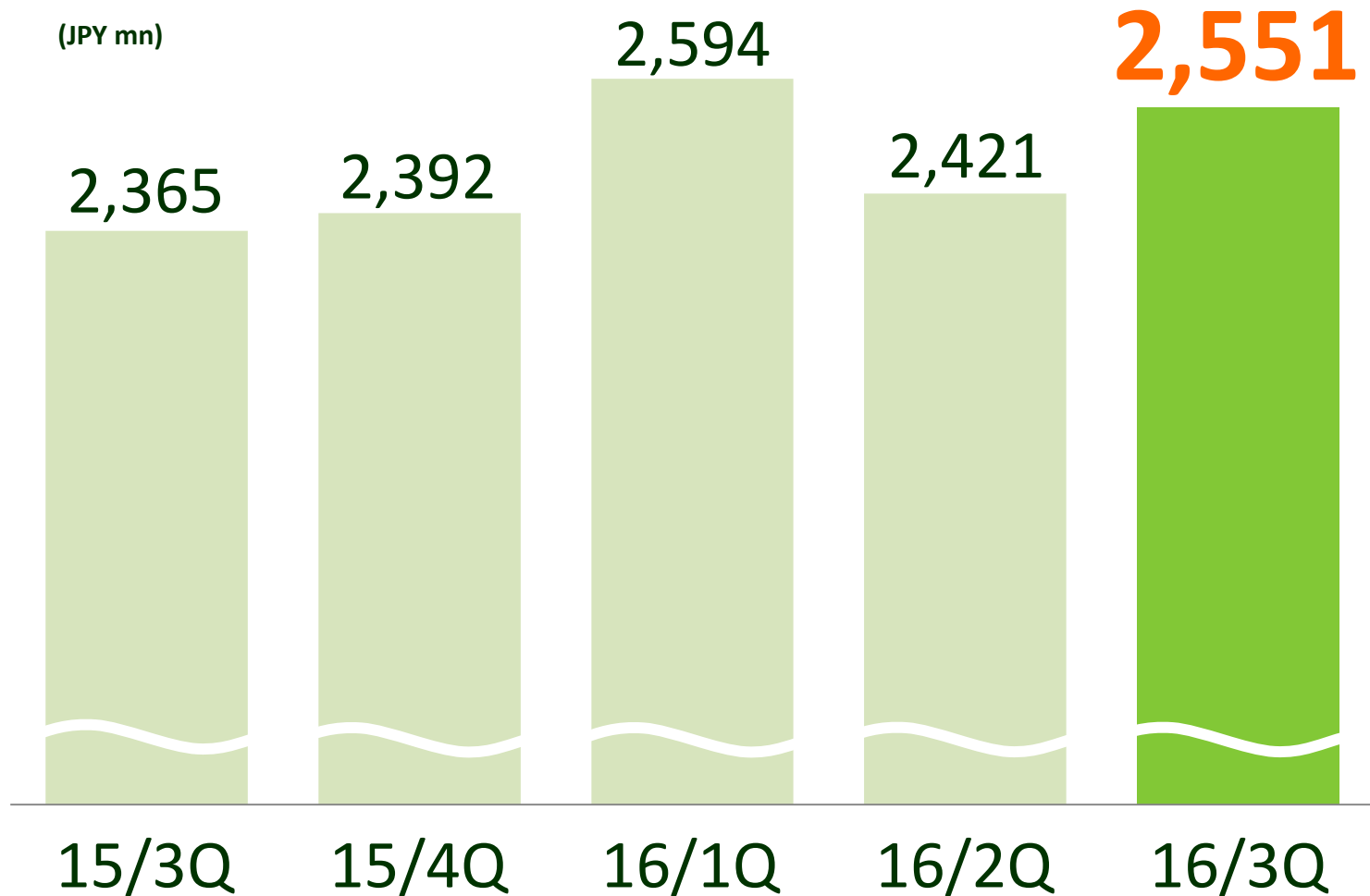
■ Web Support (Website)



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

Ordinary Income (Quarterly)

- **108%** year on year mainly by increase of insurance premiums and other



Ordinary Income (Quarterly)

- Insurance premiums and other **steadily increased**

(JPY mn)

	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q
Insurance premiums and other	2,280	2,335	2,444	2,413	2,463
Investment income	113	54	51	56	52
Reversal of reserves for outstanding claims	(31)	—	96	(53)	30
Other (excl. Reversal of reserves for outstanding claims)	3	2	2	4	5
Ordinary Income	2,365	2,392	2,594	2,421	2,551

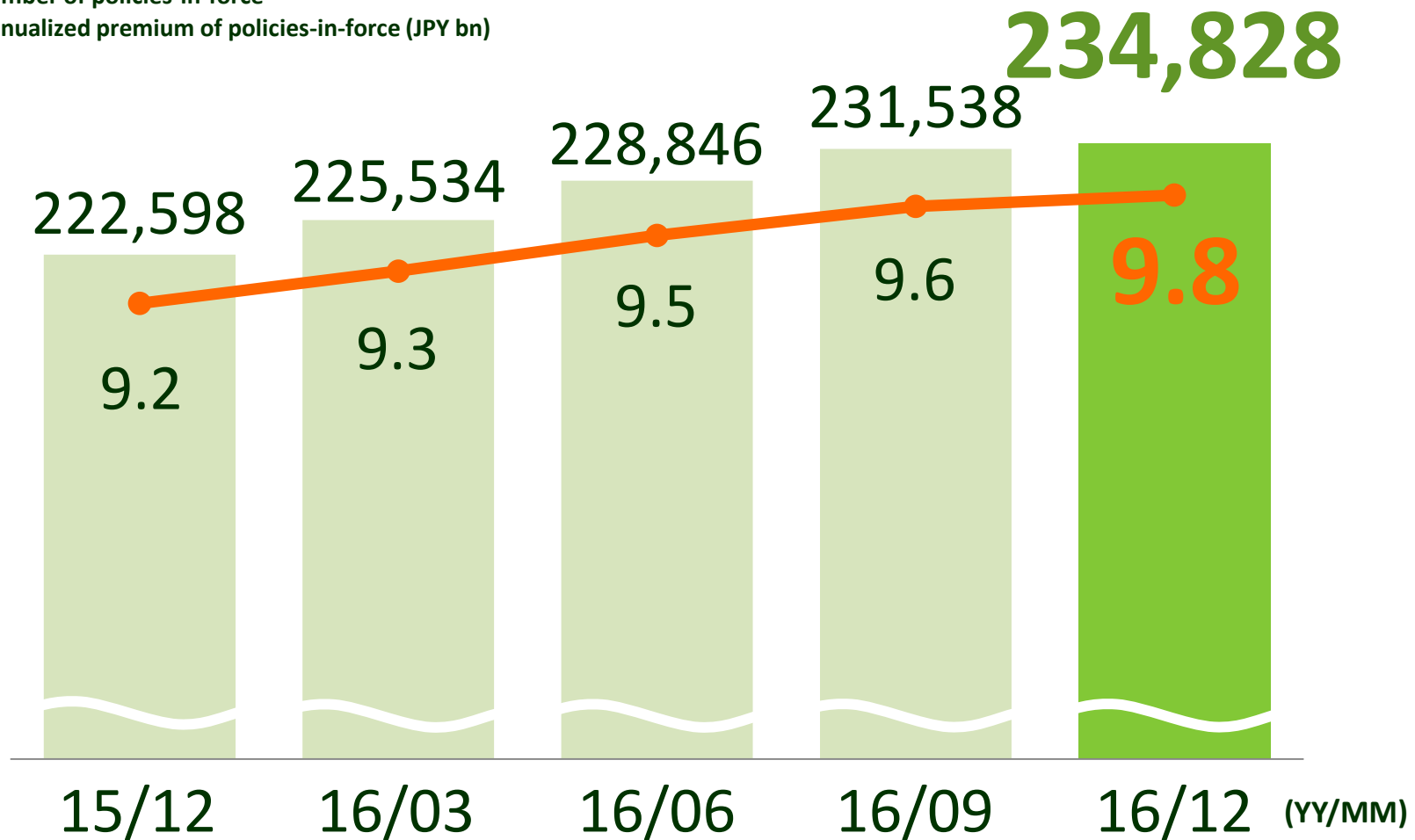
Annualized Premium / Number of Policies-in-force (Quarterly)



■ In-force business **steadily increased**

■ : Number of policies-in-force

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



Breakdown of Policies-in-force

■ **148,509** in-force policyholders (as of Dec. 31)

	15/12	16/12	Component ratio
Number of policies-in-force	222,598	234,828	100.0%
- Term Life ¹	116,338	121,208	51.6%
- Whole-Life Medical ¹	67,393	70,033	29.8%
- Term Medical Care ¹	11,304	10,645	4.5%
- Long-Term Disability ¹	27,563	32,942	14.0%
Sum insured of policies-in-force ² (JPY mn)	1,889,077	1,948,424	
Number of policyholders	137,667	148,509	
	15/3Q	16/3Q	
(Reference) Surrender and lapse ratio ³	6.7%	6.5%	

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”, “Hataraku-Hito 2” and “au Long-term Disability Insurance”

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.

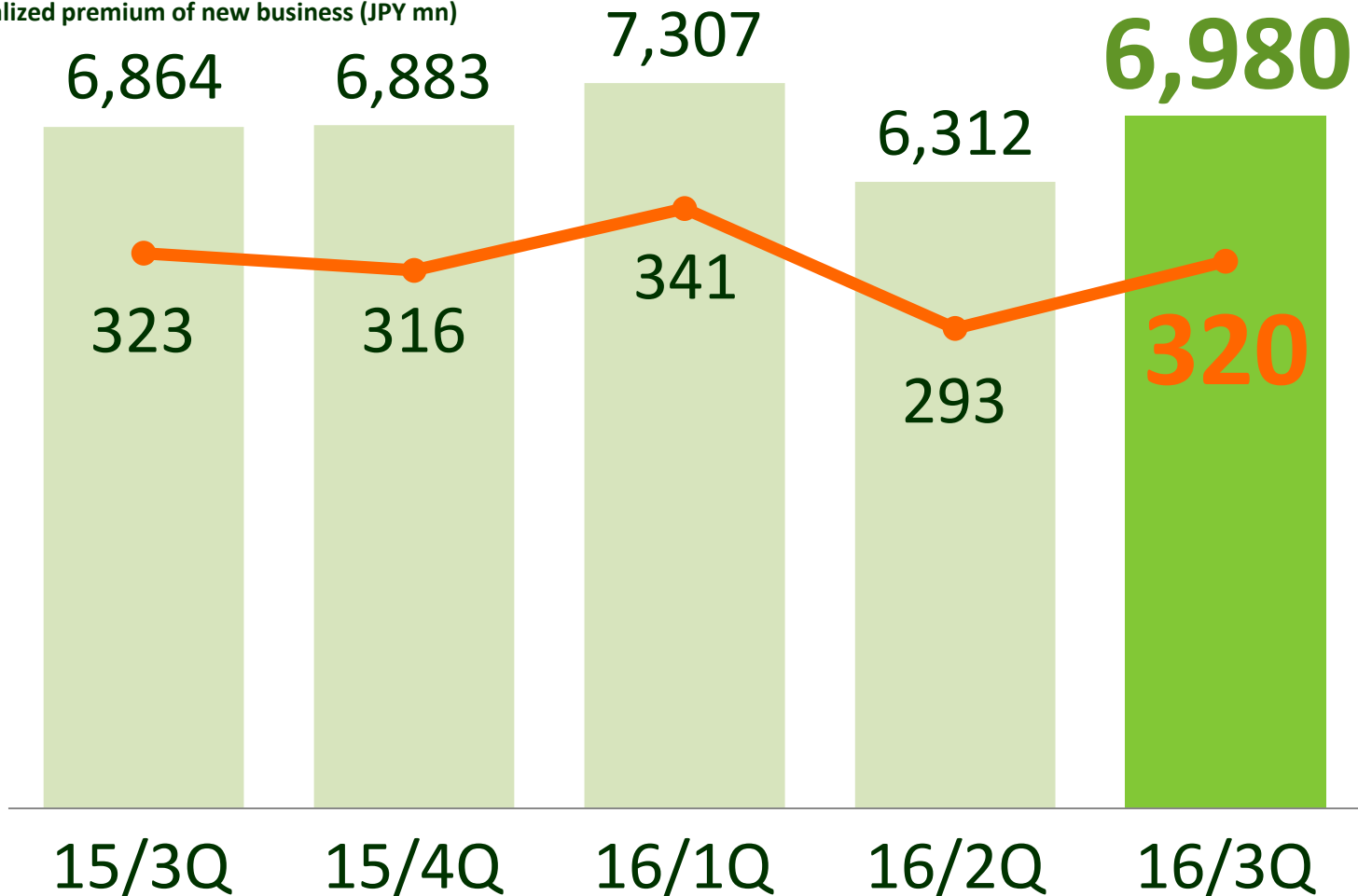
Annualized Premium / Number of New Business (Quarterly)



■ Number of new business keep **exceeding**
same period of last fiscal year

■ : Number of new business

■ : Annualized premium of new business (JPY mn)



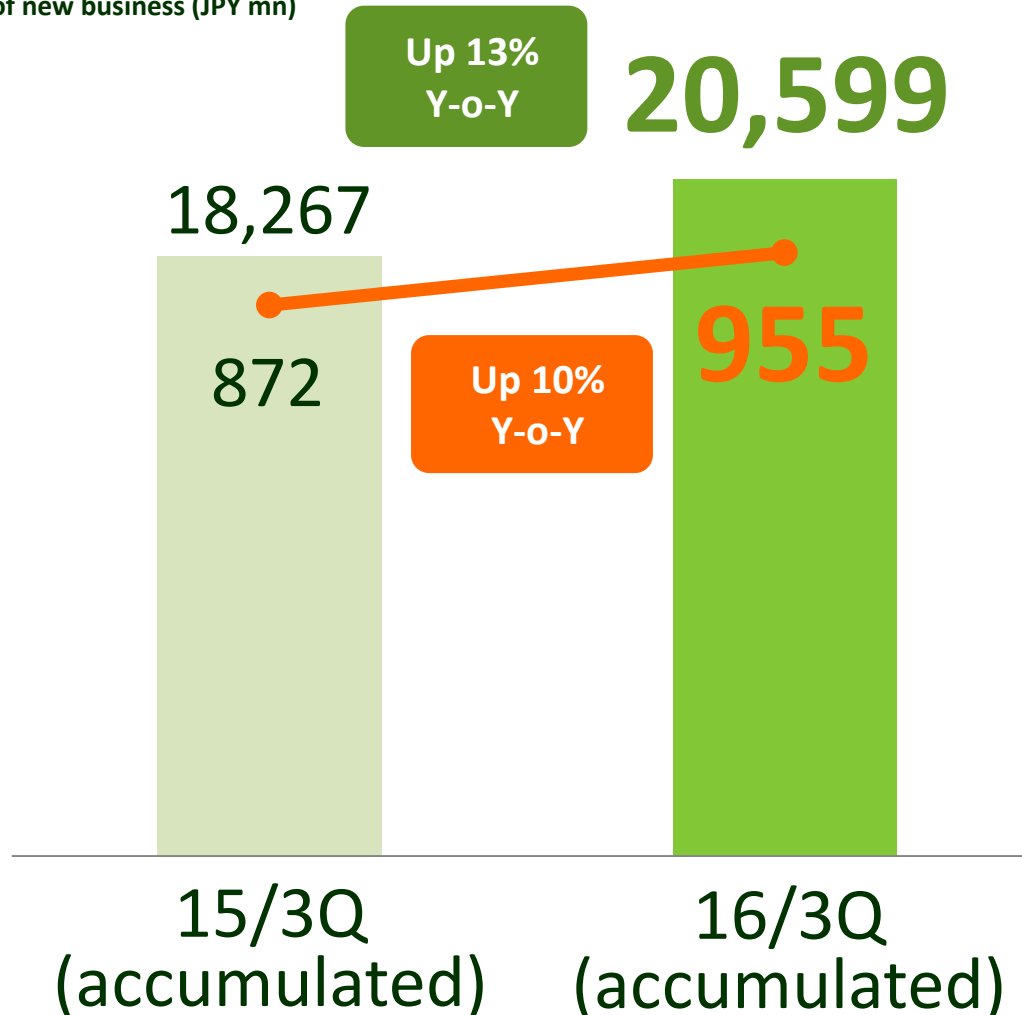
Annualized Premium / Number of New Business (First 9 months)



■ **Bottomed out** of new business performance

■ : Number of new business

■ : Annualized premium of new business (JPY mn)

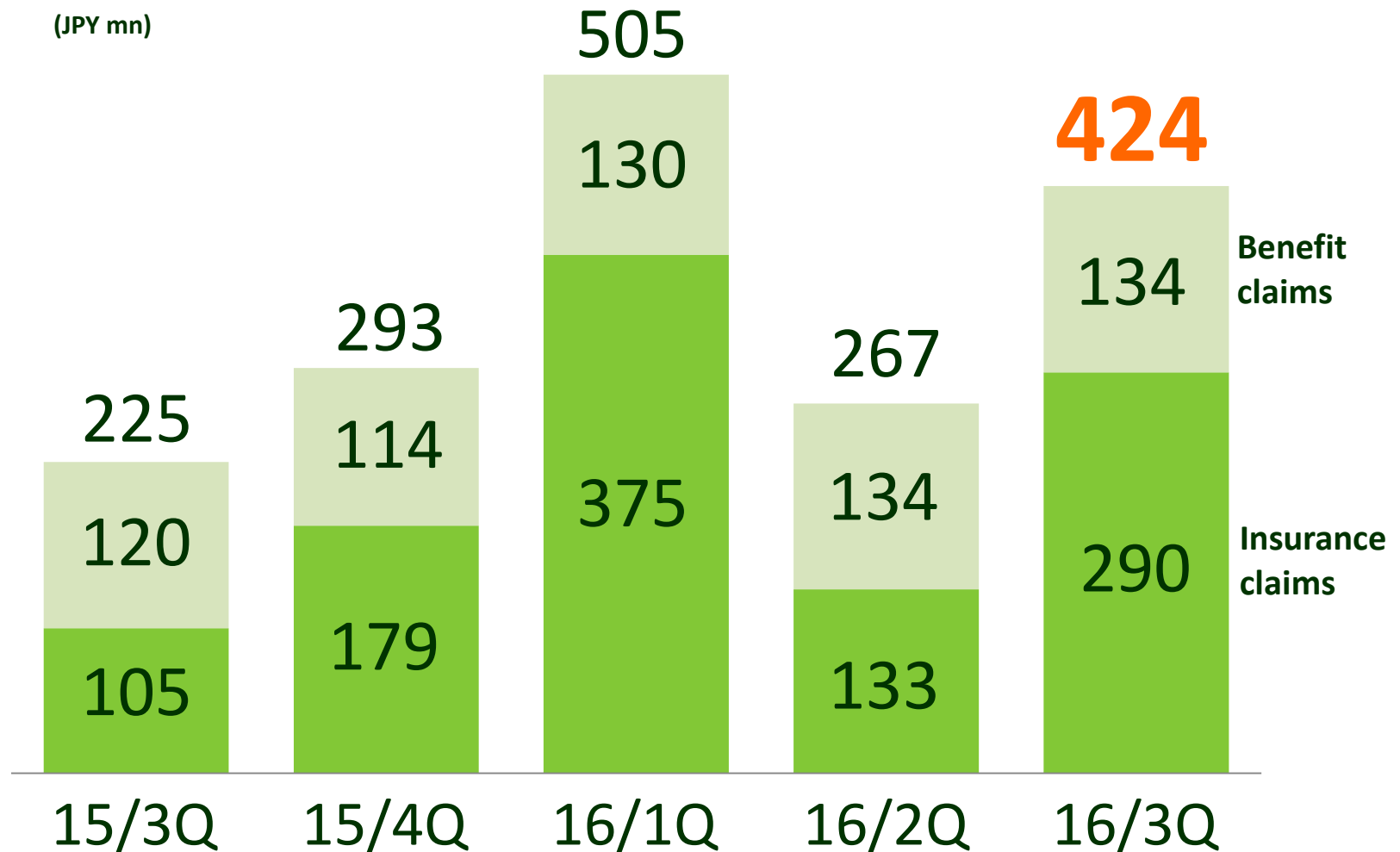


Insurance Claims and Benefits (Quarterly)



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■ 21 insurance claims, increased by 14, year on year

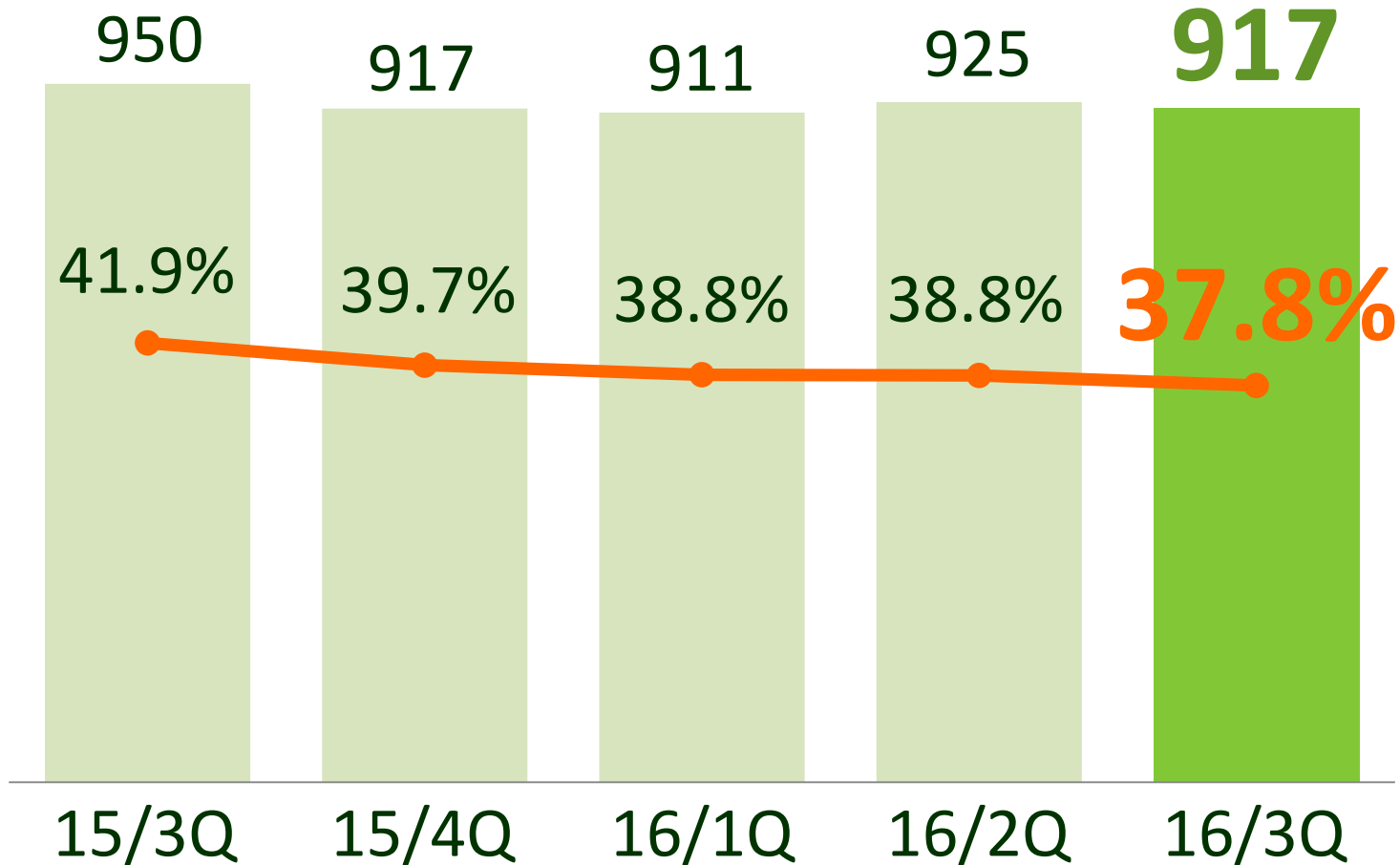


Provision for Policy Reserves (Quarterly)



■ Remaining at same level

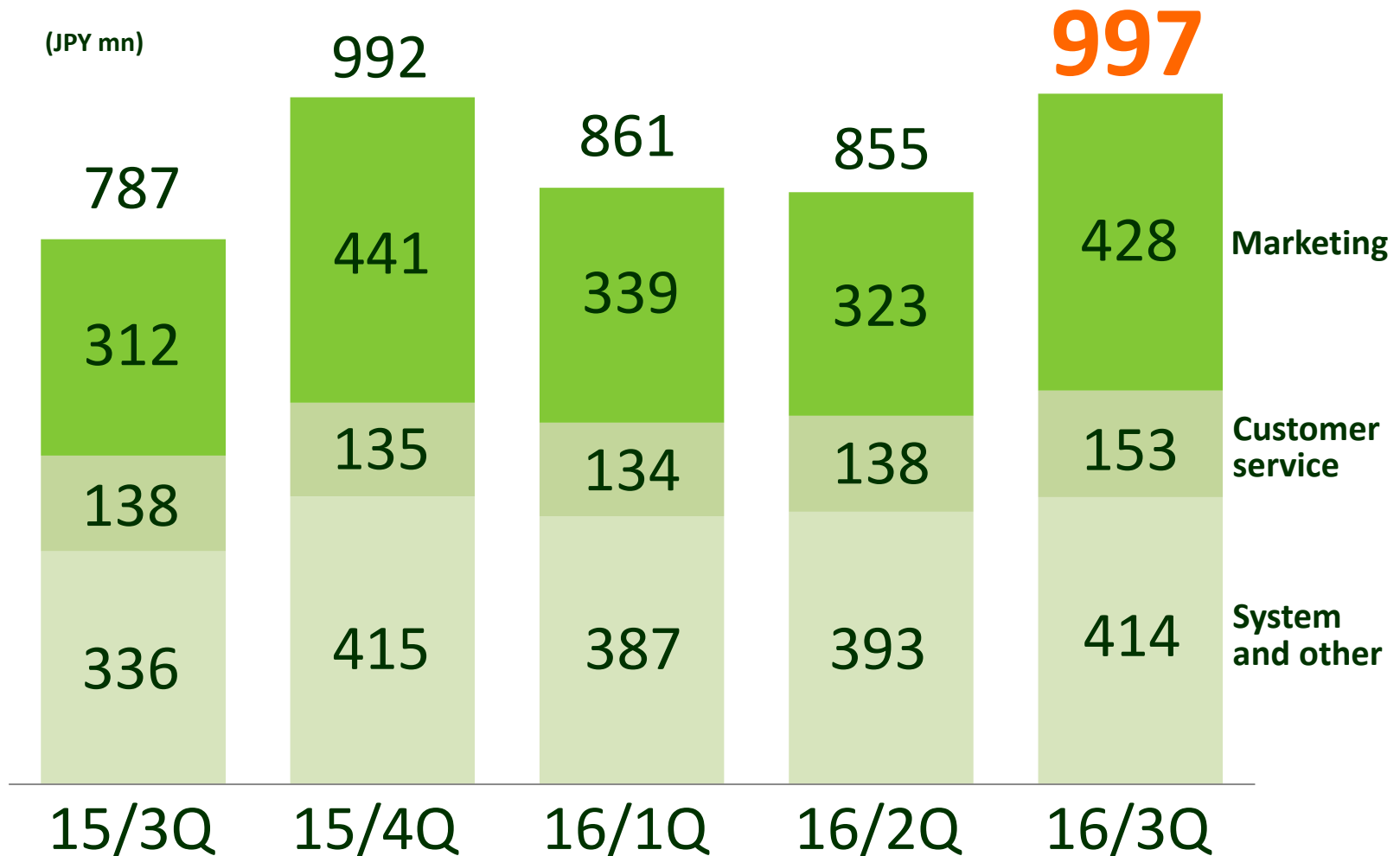
- : Provision for policy reserves (JPY mn)
- : Provision for policy reserves / Premiums income



Operating Expenses (Quarterly)



- **Increased marketing expenses** to ensure bottom out of new business performance

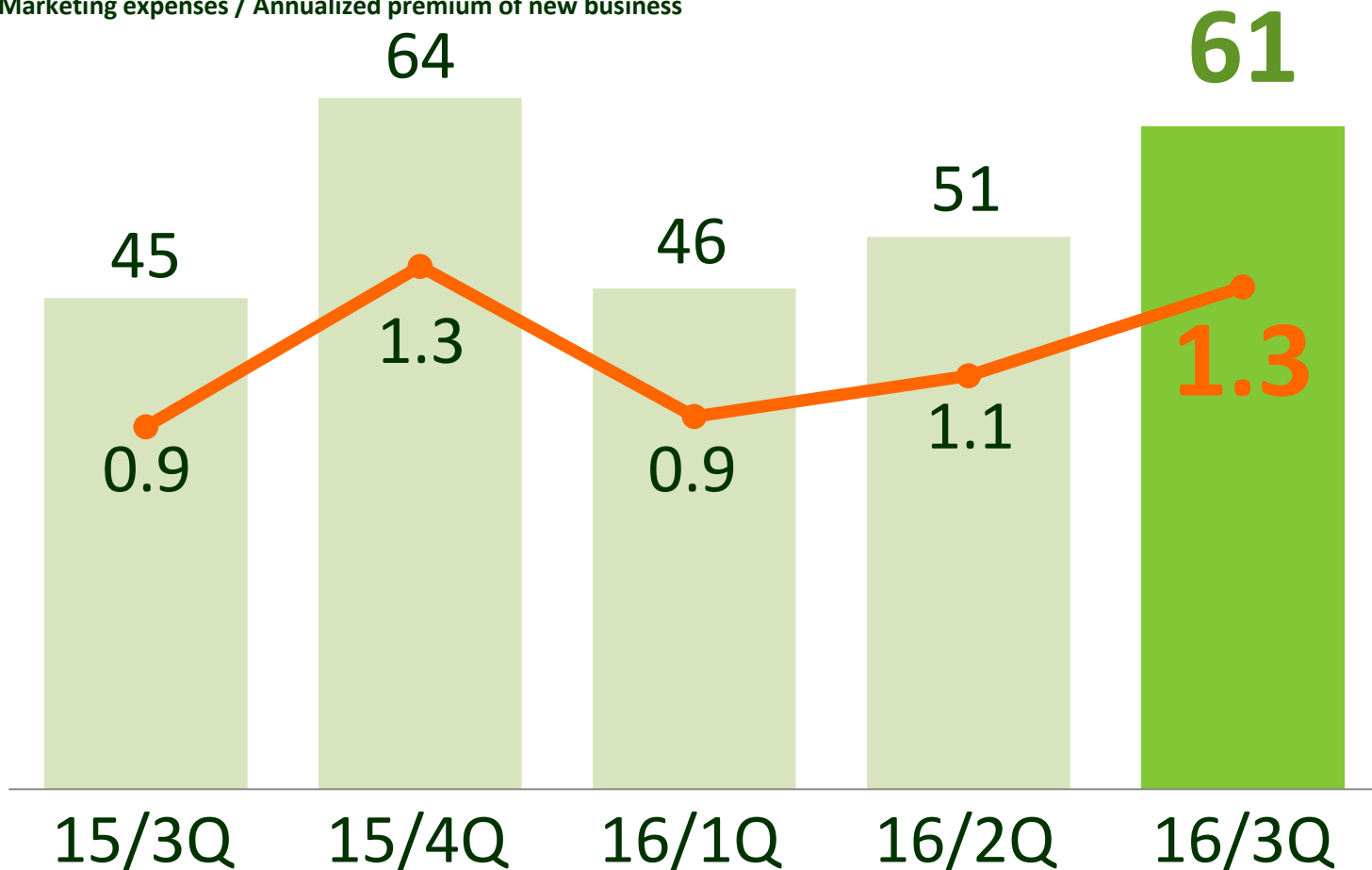


Marketing Expenses per New Business (Quarterly)

■ Declined efficiency year on year due to marketing expenses increase

■ : Marketing expenses per new business (JPY thousand)

■ : Marketing expenses / Annualized premium of new business

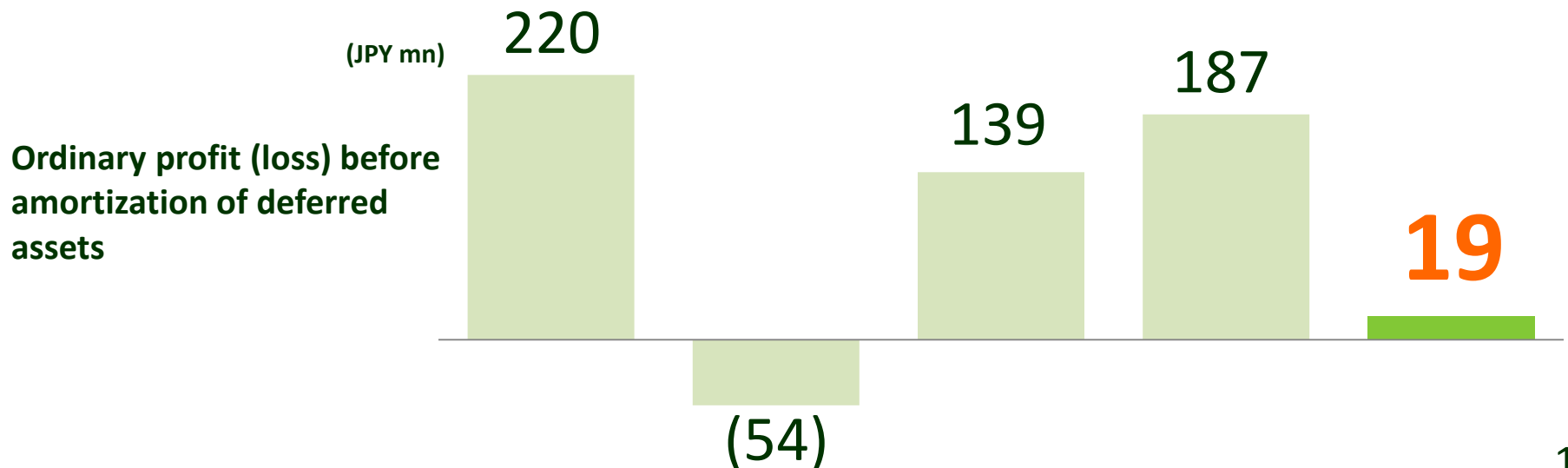


Ordinary Profit / Loss (Quarterly)



■ Decreased year on year due to **increased operating expenses**

	(JPY mn)				
	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q
Ordinary profit / loss before amortization of deferred assets	220	(54)	139	187	19
Amortization cost	(265)	(265)	(265)	(265)	(265)
Ordinary profit (loss)	(44)	(319)	(125)	(77)	(245)



Condensed Statements of Operation



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(JPY mn)

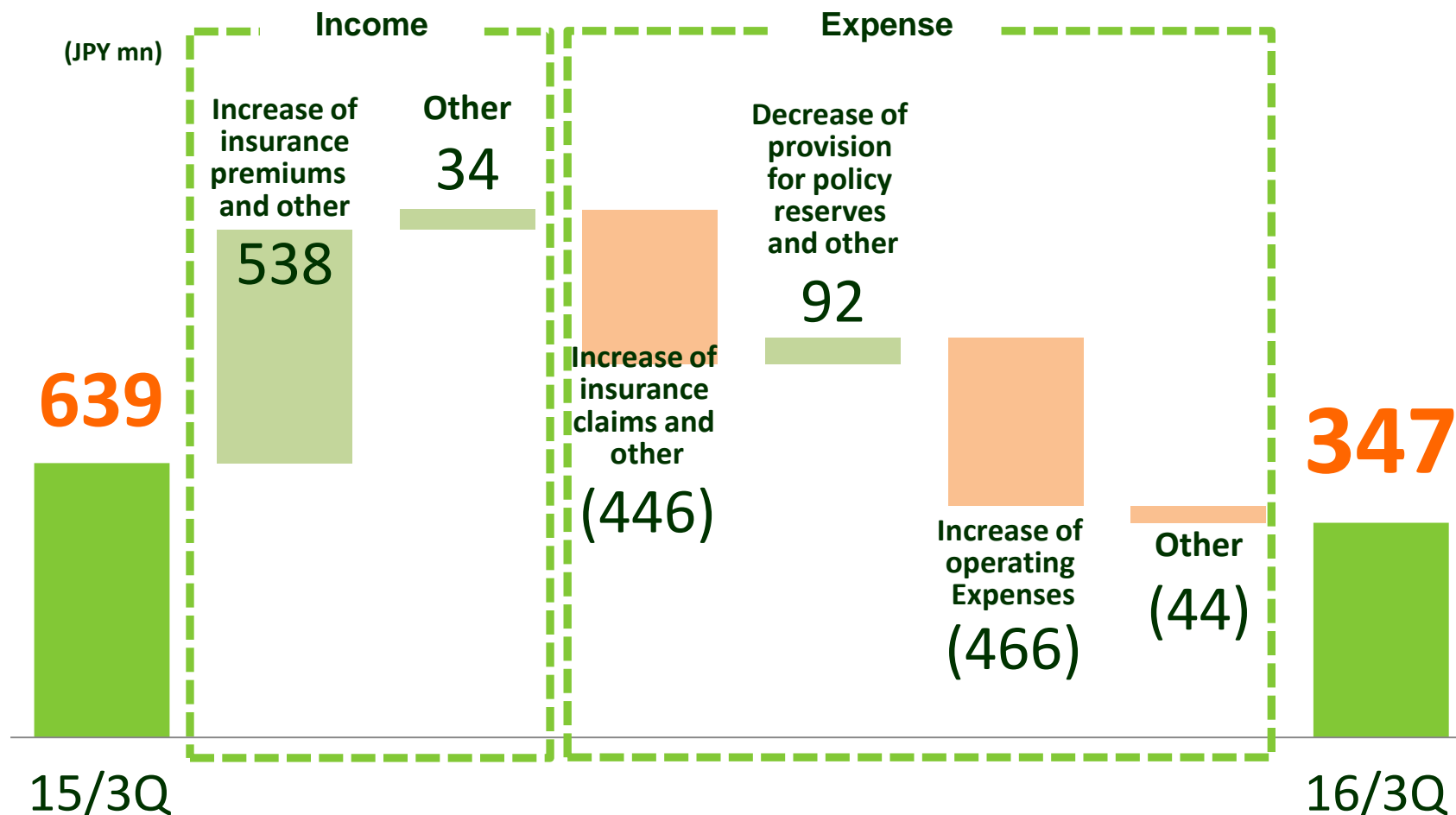
	15/3Q	16/3Q	Change
Insurance premiums and other	6,782	7,321	538
Other	212	246	34
Ordinary income (A)	6,995	7,568	573
Insurance claims and other	937	1,384	446
Provision for policy reserves and other	2,847	2,754	(92)
Operating expenses	2,247	2,714	466
Other	322	367	44
Ordinary expenses (B)	6,355	7,220	865
Ordinary profit before amortization of deferred assets under Article 113 of IBA ¹ (A-B)	639	347	(292)
Amortization of deferred assets under Article 113 of IBA ¹ (C)	795	795	—
Ordinary loss (A-B)-(C)	(155)	(447)	(292)

1. the Insurance Business Act

Structure Breakdown of Ordinary Profit

Increase of insurance claims and other and operating expenses

Transition of ordinary profit¹ (First 9 months)



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

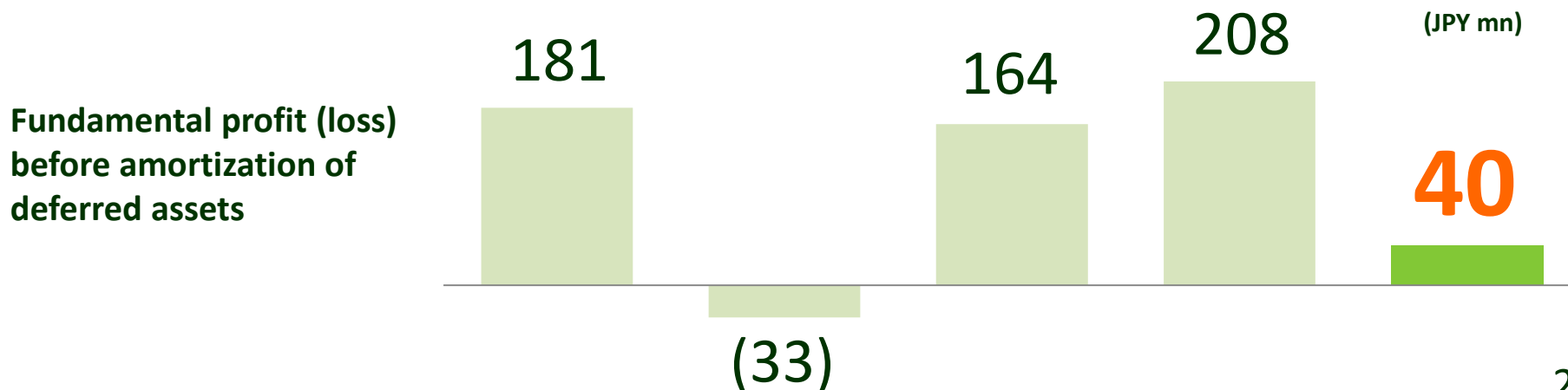
Fundamental Profit



■ Decreased year on year due to **increased expense loss**

(JPY mn)

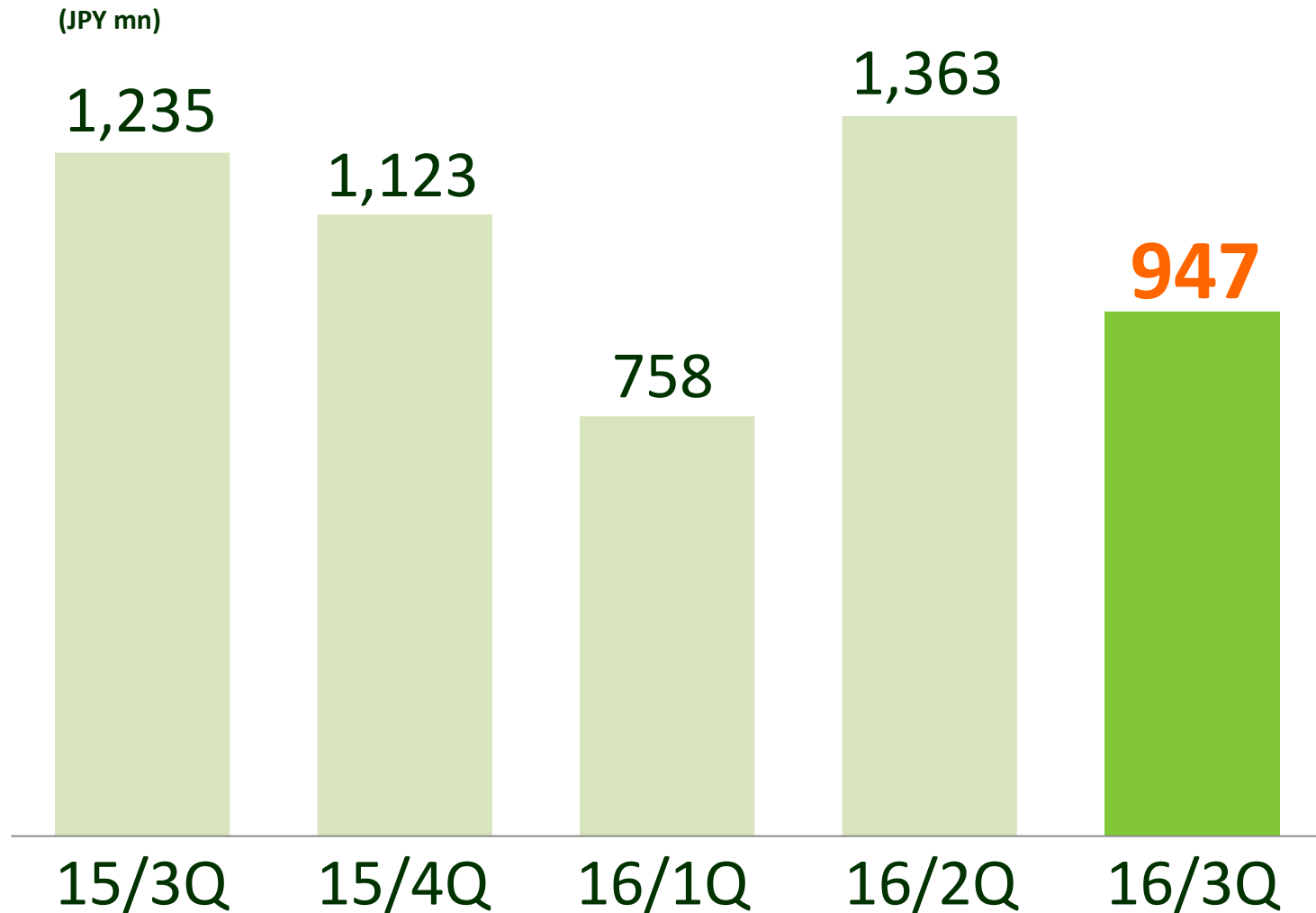
	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q
Mortality margin	532	509	549	589	552
Expense margin (loss)	(625)	(819)	(655)	(655)	(777)
Interest margin	9	11	5	8	1
Fundamental profit (loss)	(83)	(298)	(100)	(57)	(224)
(Reference) Insurance premiums and other	2,280	2,335	2,444	2,413	2,463



Operating Cash Flows (Quarterly)



■ Steadily recorded positive operating cash flows



Financial Condition



(JPY mn)	15/03	16/03	16/12
Total assets	23,387	30,317	32,505
Cash and deposits	731	734	1,123
Monetary claims bought	-	1,999	1,499
Money held in trust	1,033	1,035	1,001
Securities	17,082	23,067	26,022
Government bonds	8,227	10,102	10,024
Municipal bonds	851	1,521	1,505
Corporate bonds	6,894	10,428	11,271
Stocks ¹	222	211	310
Foreign securities ²	886	804	789
Other securities	-	-	2,120
Total liabilities	10,899	14,893	17,370
Policy reserves and other	10,084	13,908	16,590
Total net assets	12,487	15,423	15,135

■ Invested foreign bonds for investment assets diversification

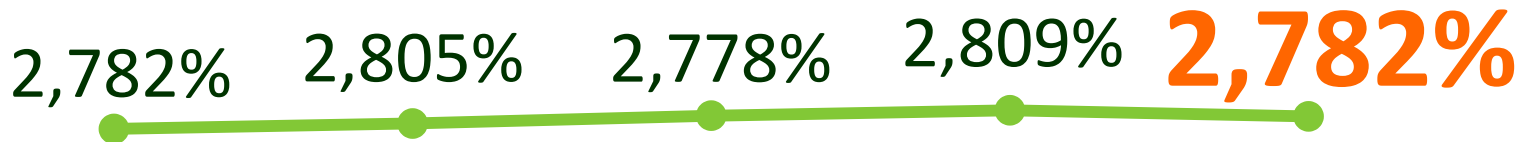
■ Modified duration 12.4 years

1. Lifenet holds 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

- Maintained at **high level** despite of increased asset management risk



Average of 4 major insurance companies²

894%

Average of 4 major insurance companies²

910%

15/12

16/03

16/06

16/09

16/12

(YY/MM)

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

Impact of Interest Rates

■ Limited impact in 3Q of fiscal 2016

Interest margin	Limited because our products are all protection type
Balance sheet	Decreased unrealized gains of government bonds and corporate bonds due to rising interest rates
Investment policy	Promote diversification in investment assets

Contents

1. Results for 3Q 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

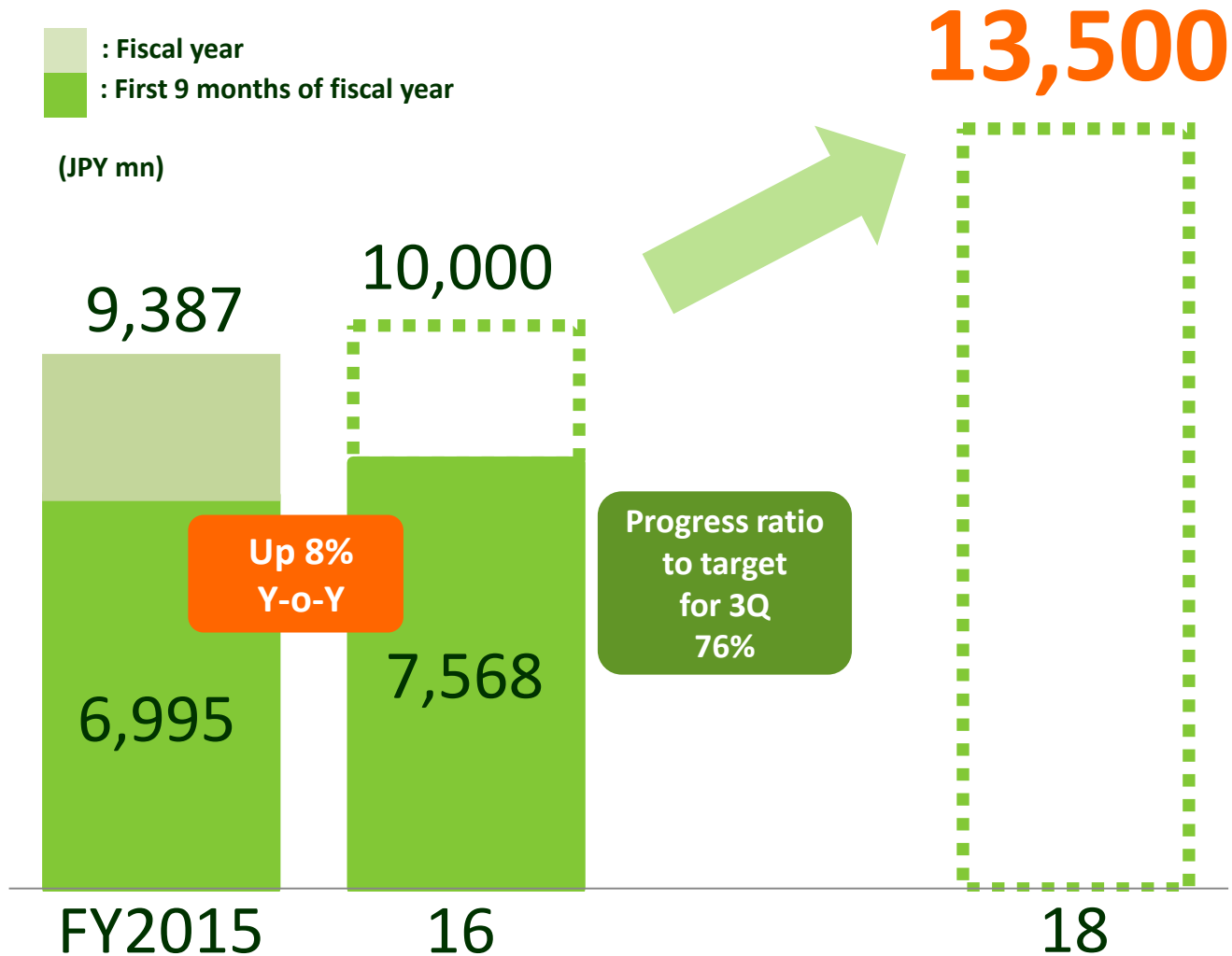
To Achieve New Mid-term Business Plan

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



Progress of Mid-term Business Plan (Ordinary Income)

■ **8% increase** year on year



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



- Aiming for **positive ordinary profit¹** in fiscal 2018

(JPY mn)

	Business forecasts FY2016	Management Goal FY2018	Results for first 9 months of FY2016
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA (A)	(300)	-	347
Amortization of deferred assets under Article 113 of IBA (B)	(1,060)	-	(795)
Ordinary profit (loss) (A)-(B)	(1,360)	Turn profitable	(447)

1. After completion of amortization of deferred assets under Article 113 in fiscal 2017, management indicator for Mid-term Business Plan ending in fiscal 2018 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)

→ Build sales system utilizing **au shops and au financial support center**

Agent

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

Enhanced Insurance Consultation Service via LINE

- Auto-reply service enables customers to **consult by Talk¹**



1. Started auto-reply services via Facebook Messenger as well as LINE in January 2017.

Number of Application in Jan. 2017

■ Contributed by “au Life Insurance” and increase of marketing expenses



Business Forecasts

- Business forecasts for fiscal 2016 announced in Nov. 2016 **remain unchanged**

(JPY mn)

	Ordinary income	Ordinary profit ¹
Business forecasts FY2016	10,000	(300)
(Reference) Results for first 9 months of FY2016	7,568	347

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.**



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Appendix

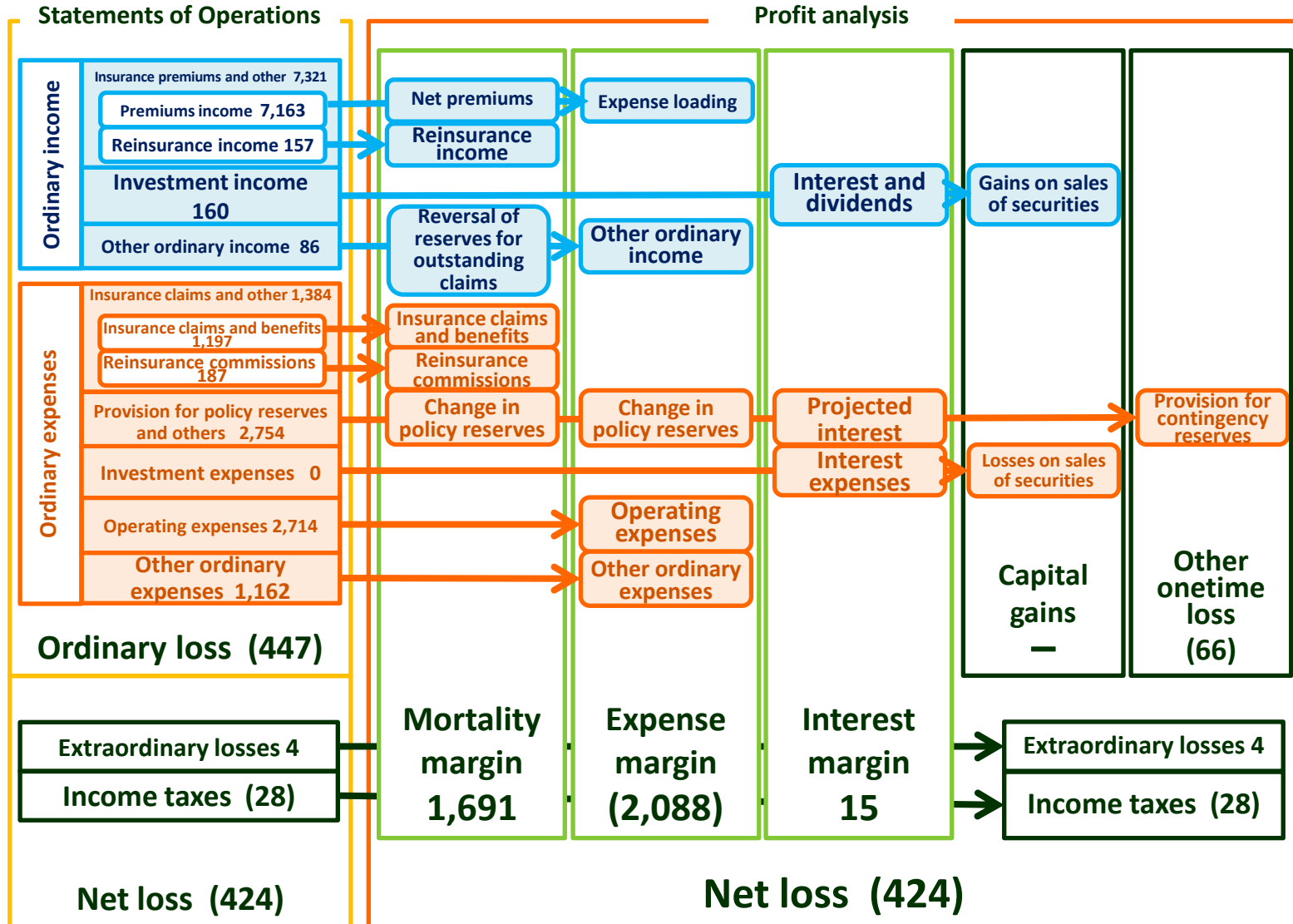


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Three Surplus Factors of Fundamental Profit

3Q of FY2016



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



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As of Dec. 31, 2016

$$\text{Solvency margin ratio } 2,782.4\% = \frac{\text{Total amount of solvency margin <numerator> } 20,370}{\text{Total amount of risk/2 <the denominator> } 1,464/2} \div \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4 / 2$$

Cash and deposits 1,123	Other liabilities 446
Monetary claims bought 1,499	Deferred tax liabilities (excluding those on available-for-sale securities) 116
Money held in trust 1,001	Reserves for outstanding claims 283
Securities 26,022	Policy reserves 16,306
Tangible fixed assets 114	Contingency reserves 1,373
Intangible fixed assets 490	Excess over the full-Zillmerized reserve 5,040
Other assets 2,253	Price fluctuation reserves 17
Deferred assets under Article 113 of the Insurance Business Act 1,325	Deferred tax liabilities on available-for-sale securities 179 ¹
	Valuation difference on available-for-sale securities 461 ¹
	Capital stock and other assets 13,296
	Net assets 15,135

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

- Insurance risk R_1 1,035
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R_8 294
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk R_2 2
Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves
- [Minimum guarantee risk] R_7 —
Risk related to products, such as variable annuities with minimum guarantees
- Asset management risk R_3 466
[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 R_4 53
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.