

May 12, 2017

Daisuke Iwase, President

LIFENET INSURANCE COMPANY

(Securities Code: 7157, TSE Mothers)

Financial Results for Fiscal 2016 Ended March 31, 2017

Ordinary income of 10,096 million yen, year on year 7.6% up

TOKYO, May 12, 2017 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for fiscal 2016 ended March 31, 2017.

1. Overview of the financial results for fiscal 2016

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 4Q ended March 31, 2017 was 406 million yen (128.2% of 4Q of fiscal 2015). The number of applications was 13,011 (143.2% of 4Q of fiscal 2015), with the number of new business at 9,142 (132.8% of 4Q of fiscal 2015). Annualized premium^{*1} of new business for fiscal 2016 was 1,361 million yen (114.5% of fiscal 2015). The number of applications was 40,742 (122.1% of fiscal 2015), with the number of new business at 29,741 (118.3% of fiscal 2015).

Annualized premium^{*1} of policies-in-force as of March 31, 2017 stands at 10,088 million yen (107.6% of March 31, 2016). Sum insured of policies-in-force was 1,966,965 million yen (103.2% of March 31, 2016). The number of policies-in-force resulted in a total of 239,800 (106.3% of March 31, 2016) and exceeded 240,000 in April 2017. The number of policyholders was 152,545, exceeding 150,000 in February 2017. Surrender and lapse ratio^{*2} for fiscal 2016 was 6.6% (6.7% for 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 fiscal 2016 increased to 9,816 million yen (107.7% of fiscal 2015) due to an increase in the number of policies-in-force. Investment income was 216 million yen (83.6% of fiscal 2015). Other ordinary income was 63 million yen. As a result, ordinary income for fiscal 2016 amounted to 10,096 million yen (107.6% of fiscal 2015).

Insurance claims and other was 1,796 million yen (139.6% of fiscal 2015) mainly due to the increased number of insurance claims. The ratio of insurance payment amounts to insurance premiums increased to 16.0% for fiscal 2016, compared with 12.0% for fiscal 2015. Provision for policy reserves and other came to 3,638 million yen (95.1% of fiscal 2015). The ratio of provision for policy reserves to insurance premiums was 37.8% for fiscal 2016, compared with 41.6% for 2015. Operating expenses amounted to 4,047 million yen (124.9% of fiscal 2015). The components of operating expenses were 1,822 million yen in marketing expenses including advertising (139.9% of fiscal 2015), 569 million yen in customer service expenses (108.2% of fiscal 2015), and 1,655 million yen in system and other expenses (117.4% of fiscal 2015). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 2,120 million yen. Although the deferred assets recognized before fiscal 2012 were intended to be amortized using the straight-line method until fiscal 2017, the tenth year after business commencement, they were written off by one-time amortization in fiscal 2016. Consequently,

ordinary expenses for fiscal 2016 totaled 12,128 million yen (123.0% of fiscal 2015).

As a result, ordinary loss totaled 2,031 million yen for fiscal 2016, compared with 475 million yen for fiscal 2015. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act recorded profitable of 88 million yen, compared with 584 million yen for fiscal 2015. Net loss was 1,889 million yen, compared with 429 million yen for fiscal 2015.

In addition, fundamental profit, which is one of the indicators for the profitability of life insurance companies, amounted to 1,936 million yen loss, compared with 450 million yen loss for fiscal 2015 mainly due to the one-time amortization of the deferred assets. The components of fundamental profit were 2,293 million yen in mortality margin, 4,247 million yen loss in expense margin and 17 million yen in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of March 31, 2017 amounted to 31,934 million yen (30,317 million yen as of March 31, 2016). The major account balance was 26,372 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Lifenet is holding shares of Advance Create Co., Ltd., an insurance sales agent for the purpose of maintaining equity and business partnerships, and Kyobo Lifeplanet Life Insurance Company, which is an online life insurer jointly established with Kyobo Life Insurance Co., Ltd in Korea. The deferred assets under Article 113 of the Insurance Business Act became zero due to the one-time amortization.

Liabilities amounted to 18,288 million yen as of March 31, 2017 (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 17,189 million yen in policy reserves (including 1,402 million yen in contingency reserves), and 311 million yen in reserves for outstanding claims.

Net assets decreased to 13,645 million yen as of March 31, 2017 (15,423 million yen as of March 31, 2016) mainly due to the recording of net loss for fiscal 2016.

Solvency margin ratio as of March 31, 2017 was 2,723.0% (2,805.5% as of March 31, 2016), which indicated that an adequate level of payment capacity was maintained.

(3) Cash flows

For fiscal 2016, net cash provided by operating activities amounted to 3,904 million yen (4,610 million yen provided for fiscal 2015) due to an increase in insurance premiums and other despite of increased insurance claims. Net cash used by investing activities amounted to 3,834 million yen (5,639 million yen used for fiscal 2015) mainly due to acquisition of securities. Net cash provided by financing activities amounted to 200 million yen (3,031 million yen provided for fiscal 2015).

Based on these activities described above, cash and cash equivalents as of March 31, 2017 totaled 3,004 million yen (2,734 million yen as of March 31, 2016).

(4) Business forecasts

Business forecasts for fiscal 2017 are as follows. Lifenet has disclosed forecasts of ordinary income and ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act as business forecast indicators. Now we disclose ordinary income, ordinary profit (loss) and net income (loss) from fiscal 2017 because the deferred assets was one-time amortized in fiscal 2016.

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts for fiscal 2017	11,000	(300)	(300)
(Ref.) Business results for fiscal 2016	10,096	(2,031) ^{*1}	(1,889) ^{*1}
Change	8.9%	-	-

Lifenet is forecasting ordinary income of 11 billion yen, ordinary loss of 300 million yen and net loss of 300 million yen for fiscal 2017. With three channels, “online direct sales”, “KDDI (exclusive alliance agent)” and “over-the-counter agent” as the pillars, Lifenet will be continuously aiming of the ordinary income growth by pursuing expansion of the new business performance. In terms of this purpose we plan to allocate our marketing expenses proactively in fiscal 2017, therefore ordinary profit (loss) and net income (loss) are expected to be negative. Actual results of ordinary profit (loss) and net income (loss) may greatly diverge from forecasts if the amount of insurance claims and benefits fluctuates beyond our expectation.

*1: Amortization of the deferred assets under Article 113 of the Insurance Business Act was 2,120 million yen due to the one-time amortization. The ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act was 88 million yen.

(5) Dividend policy

As stated in Article 17-6 of the Insurance Business Act, Lifenet was not permitted to distribute retained earnings as dividends while deferred assets under Article 113 of the Insurance Business Act were held on its balance sheet. Though the one-time amortization of the deferred assets in fiscal 2016 lifted such restrictions under the Insurance Business Act with respect to distributing retained earnings as dividends, Lifenet has yet to determine its specific dividend policies and dates for the start of distributing retained earnings as dividends because we still record cumulative loss. Lifenet will consider paying dividends in the future.

Lifenet's Articles of Incorporation stipulates that a decision on the distribution of retained earnings as specified in each Item of Paragraph 1, Article 459 of the Companies Act can be made by a resolution of the Board of Directors, except as otherwise determined by law.

2. Business policy

(1) Basic management policy

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with its manifesto 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. Through collaborations with partner companies in addition to the online direct sales, we offer life insurance products and services that match customer's values and lifestyles. Leveraging technologies, Lifenet will continue its quests for new initiatives that challenge the common sense within the life insurance industry, while pursuing the creation of the customer value that only online life insurers can offer.

(2) Target indicator

Lifenet will strive to achieve sustainable growth in insurance premium income and profitability in its business results by continual improvement of business efficiency as its key management indicators. By aiming to maintain the high-level solvency margin ratio in addition to increasing the embedded value and the value of new business, Lifenet will pursue stabilization of its management foundation and continuous improvement of its corporate value.

(3) Mid and long term business strategy and challenges

Lifenet formulated the Mid-term Business Plan through fiscal 2018 as follows, aiming to achieve its stable growth in the future.

Summary of 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
Organizational Strategy	Change, Challenge and Unity
Risk Management Area	Sophisticate systems for risk management and customer protection that support business strategy

First, as the Management Goal of fiscal 2018, we will seek to achieve 13.5 billion yen in ordinary income, pushing the company toward profitability on an ordinary profit (loss) basis in fiscal 2018. In fiscal 2016, the first year of Mid-term Business Plan, new business performance returned to growth, exceeding the performance of the previous year for the first time in five fiscal years. Lifenet establishes a system that enhances the new business performance steadily and realizes sustainable profitability in fiscal 2017. As a result of the foregoing efforts, we will endeavor to achieve the Management Goal in fiscal 2018.

Aiming to achieve its stable growth in the future, Lifenet promotes its initiatives for the following issues to be addressed based on its manifesto of “offering simple, convenient and competitively priced products and services based on the highest levels of business integrity.”

1. Stable growth of new business performance with three core channels

With three channels as the pillars, Lifenet will pursue its stable growth to achieve its Management Goal of Mid-term Business Plan.

First, in the online direct sales channel, we will strive to develop our new products and enhance our sales structure for the launch, aiming at enhanced recognition and sales of the new products. In addition, by reinforcing approaches tailored to customer’s attributes and stages of life and media utilization, we will work to increase the numbers of visitors to the website, and eventually gain new businesses with our current products. We will continuously explore efficient routes for customer inflow other than TV commercials.

Secondly, in the KDDI (exclusive alliance agent) channel, we plan to start offering “au Life Insurance” with Refunds at certain au shops on a trial basis as one of ways for sales expansion, in order to deliver the products to more customers leveraging the customer platform of KDDI CORPORATION (“KDDI”). Together with initiatives to improve a comprehensive website of “au Life Insurance” for customer with our accumulated know-how as an online life insurer, we will aim to establish a new product distribution model that mutually utilizes three sales routes of the website, au Financial Support Center (KDDI’s call center) and au shops.

Lastly, in the agent channel, we will expand sales of a long-term disability insurance product, “Hataraku-Hito 2”, released in June 2016. We strengthen our sales structure so that each agent can explain about our long-term disability insurance to customers comprehensively and enhance our competitive advantage of long-term disability insurances, for which the market is growing.

2. Improvement of operating expenses efficiency

With the aim of the further growth of the new business performance in fiscal 2017, we plan to allocate our marketing expenses proactively, continuing from fiscal 2016. Meanwhile, with aiming to achieve the positive profitability of ordinary profit (loss), one of the Management Goals of the Mid-term Business Plan, we will strive to improve our operating expenses efficiency. In the online direct sales channel, efforts to improve sales efficiency as well will be made by investing advertising expenses including TV commercial efficiently. In each of the agent channels, including KDDI, we will deliver our insurance products efficiently to the customers with different characteristics than those in the online direct sales channel by leveraging each agent’s customer platform and their brand. Furthermore, with regard to operating expenses for other purposes than the insurance policy acquisition, we will pursue improved operating expenses efficiency by means of thorough cost control and enhanced operational productivity.

3. Realization of proactive product development and enhancement of services utilizing smartphones

Lifenet remains committed to developing products and services that meet the needs of customers and the times. For that purpose, we will further strengthen our product development structure, aiming at the proactive development of new products.

In addition, as the ratio of brochure request and applications via smartphones tends to increase because we have offered services utilizing smartphone proactively. Using this feature, we will strive to enhance services utilizing smartphones to strengthen contacts with our policyholders. In particular, we will work to expand the scope of our service using LINE, commenced in fiscal 2016 for customers who consider our products, to services after the conclusion of the insurance policy. We aim to maintain and strengthen long-term relationships with trust and enhance customer satisfaction, by promoting communications with our policyholders exceeding 150,000 through smartphone utilization, and bringing them a sense that Lifenet is as close and ready to help after signing an insurance policy as ever.

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.

Contact:

Investor Relations, Corporate Planning Department

Tel: +81-3-5216-7900

e-mail: ir@lifenet-seimei.co.jp

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.

3. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31	
	2016	2017
ASSETS		
Cash and deposits.....	734	1,004
Bank deposits.....	734	1,004
Monetary claims bought.....	1,999	1,999
Money held in trust	1,035	995
Securities	23,067	26,372
Government bonds	10,102	9,876
Municipal bonds.....	1,521	1,496
Corporate bonds	10,428	11,751
Stocks	211	334
Foreign securities.....	804	819
Other securities	—	2,095
Tangible fixed assets.....	72	123
Buildings	11	16
Leased assets	2	59
Other tangible fixed assets	59	46
Intangible fixed assets.....	437	502
Software.....	317	412
Software in progress	103	54
Leased assets	15	34
Other intangible fixed assets.....	1	0
Agency accounts receivable	0	1
Reinsurance accounts receivable.....	27	30
Other assets.....	2,941	904
Accounts receivable.....	680	742
Prepaid expenses	28	45
Accrued income	39	40
Deposits.....	73	73
Suspense payments	0	2
Deferred assets under Article 113 of the Insurance Business Act ..	2,120	—
Total assets	30,317	31,934

(In millions of yen)

March 31

	2016	2017
<u>LIABILITIES</u>		
Policy reserves and other	13,908	17,501
Reserves for outstanding claims	357	311
Policy reserves	13,551	17,189
Agency accounts payable	8	39
Reinsurance accounts payable	56	68
Other liabilities	505	469
Income taxes payable	73	1
Accounts payable	46	37
Accrued expenses	324	330
Deposits received	11	13
Lease liabilities	18	51
Asset retirement obligations	30	33
Suspense receipt	1	2
Reserves under the special laws	12	19
Reserve for price fluctuations	12	19
Deferred tax liabilities	401	189
Total liabilities	14,893	18,288
<u>NET ASSETS</u>		
Capital stock	12,020	12,136
Capital surplus	12,020	12,136
Legal capital surplus	12,020	12,136
Retained earnings	(9,227)	(11,116)
Other retained earnings	(9,227)	(11,116)
Retained earnings brought forward	(9,227)	(11,116)
Shareholders' equity	14,813	13,157
Valuation difference on available-for-sale securities	591	488
Valuation and translation adjustments	591	488
Subscription rights to shares	19	—
Total net assets	15,423	13,645
Total liabilities and net assets	30,317	31,934

(2) Statements of Operations

(In millions of yen)

	Year ended March 31	
	2016	2017
Ordinary income.....	9,387	10,096
Insurance premiums and other	9,117	9,816
Premiums income	9,007	9,628
Reinsurance income	110	187
Investment income	259	216
Interest, dividends and other income	190	215
Interest from deposits	0	0
Interest and dividends from securities.....	189	215
Other interest and dividends.....	1	0
Gain on money held in trust.....	33	0
Gain on sales of securities	35	—
Other ordinary income.....	10	63
Reversal of reserves for outstanding claims	—	45
Other.....	10	18
Ordinary expenses	9,863	12,128
Insurance claims and other.....	1,287	1,796
Insurance claims.....	635	1,005
Benefits	443	535
Other refunds	0	0
Reinsurance commissions	209	256
Provision for policy reserves and other.....	3,824	3,638
Provision for reserves for outstanding claims.....	79	—
Provision for policy reserves	3,744	3,638
Investment expenses	0	0
Interest expenses.....	0	0
Other investment expenses.....	0	0
Operating expenses.....	3,239	4,047
Other ordinary expenses.....	1,510	2,646
Taxes	218	282
Depreciation	220	239
Amortization of deferred assets under Article 113 of the Insurance Business Act.....	1,060	2,120
Other.....	11	3
Ordinary profit (loss)	(475)	(2,031)
Extraordinary losses	3	6
Provision of reserves under the special laws	3	6
Provision of reserve for price fluctuations	3	6
Income (loss) before income taxes.....	(478)	(2,038)
Income taxes-current	74	22
Income taxes-deferred.....	(124)	(172)
Income taxes.....	(49)	(149)
Net income (loss)	(429)	(1,889)

(3) Statements of Changes in Net Assets

	(In millions of yen)	
	Year ended March 31	
	2016	2017
Shareholders' equity:		
Capital stock		
Capital stock	10,500	12,020
Changes of items during the period		
Issuance of new shares	1,520	—
Issuance of new shares-exercise of subscription rights to shares	—	116
Total changes of items during the period	<u>1,520</u>	<u>116</u>
Capital stock	<u>12,020</u>	<u>12,136</u>
Capital surplus		
Legal capital surplus		
Legal capital surplus	10,500	12,020
Changes of items during the period		
Issuance of new shares	1,520	—
Issuance of new shares-exercise of subscription rights to shares	—	116
Total changes of items during the period	<u>1,520</u>	<u>116</u>
Legal capital surplus	<u>12,020</u>	<u>12,136</u>
Total capital surplus		
Capital surplus	10,500	12,020
Changes of items during the period		
Issuance of new shares	1,520	—
Issuance of new shares-exercise of subscription rights to shares	—	116
Total changes of items during the period	<u>1,520</u>	<u>116</u>
Capital surplus	<u>12,020</u>	<u>12,136</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward	(8,798)	(9,227)
Total changes of items during the period		
Net income (loss)	(429)	(1,889)
Total changes of items during the period	<u>(429)</u>	<u>(1,889)</u>
Retained earnings brought forward	<u>(9,227)</u>	<u>(11,116)</u>
Total retained earnings		
Retained earnings	(8,798)	(9,227)
Changes of items during the period		
Net income (loss)	(429)	(1,889)
Total changes of items during the period	<u>(429)</u>	<u>(1,889)</u>
Retained earnings	<u>(9,227)</u>	<u>(11,116)</u>
Total shareholders' equity		
Shareholders' equity	12,202	14,813
Changes of items during the period		
Issuance of new shares	3,040	—
Issuance of new shares-exercise of subscription rights to shares	—	232
Net income (loss)	(429)	(1,889)
Total changes of items during the period	<u>2,610</u>	<u>(1,656)</u>
Shareholders' equity	<u>14,813</u>	<u>13,157</u>

(In millions of yen)

	Year ended March 31	
	2016	2017
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities ...	265	591
Changes of items during the period		
Net changes of items other than shareholders' equity	325	(102)
Total changes of items during the period	325	(102)
Valuation difference on available-for-sale securities	591	488
Total valuation and translation adjustments		
Total valuation and translation adjustments	265	591
Changes of items during the period		
Net changes of items other than shareholders' equity	325	(102)
Total changes of items during the period	325	(102)
Total valuation and translation adjustments	591	488
Subscription rights to shares:		
Subscription rights to shares	19	19
Changes of items during the period		
Net changes of items other than shareholders' equity	—	(19)
Total changes of items during the period	—	(19)
Subscription rights to shares	19	—
Net assets:		
Net assets	12,487	15,423
Changes of items during the period		
Issuance of new shares	3,040	—
Issuance of new shares-exercise of subscription rights to shares	—	232
Net income (loss)	(429)	(1,889)
Net changes of items other than shareholders' equity	325	(122)
Total changes of items during the period	2,936	(1,778)
Net assets	15,423	13,645

(4) Statements of Cash Flows

	(In millions of yen)	
	Year ended March 31	
	2016	2017
Cash flows from operating activities		
Income (loss) before income taxes	(478)	(2,038)
Depreciation and amortization	220	239
Increase (decrease) in reserves for outstanding claims	79	(45)
Increase (decrease) in policy reserves.....	3,744	3,638
Increase (decrease) in reserve for price fluctuations	3	6
Interest, dividends and other income	(190)	(215)
Loss (gain) related to securities.....	(35)	—
Interest expenses	0	1
Decrease (increase) in agency accounts receivable	(0)	(1)
Decrease (increase) in reinsurance accounts receivable.....	(3)	(3)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	1,001	2,055
Increase (decrease) in agency accounts payable.....	3	31
Increase (decrease) in reinsurance accounts payable	11	12
Increase (decrease) in other liabilities <excluding assets for investing and financing activities > ..	51	8
Other, net.....	(31)	1
Subtotal	<u>4,376</u>	<u>3,690</u>
Interest and dividends income received	238	325
Interest expenses paid	(0)	(1)
Income taxes paid	(3)	(111)
Net cash provided by (used in) operating activities	<u>4,610</u>	<u>3,904</u>
Cash flows from investing activities		
Purchase of securities.....	(8,441)	(5,217)
Proceeds from sales and redemption of securities	2,910	1,700
Total of net cash provided by (used in) investment transactions ...	<u>(5,530)</u>	<u>(3,517)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>(919)</u>	<u>386</u>
Purchase of tangible fixed assets	(6)	(39)
Purchase of intangible fixed assets	(103)	(277)
Net cash provided by (used in) investing activities	<u>(5,639)</u>	<u>(3,834)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock.....	3,040	—
Proceeds from issuance of stock resulting from exercise of subscription rights to shares ...	—	213
Repayments of lease liabilities	(8)	(13)
Net cash provided by (used in) financing activities	<u>3,031</u>	<u>200</u>
Net increase (decrease) in cash and cash equivalents	<u>2,002</u>	<u>270</u>
Cash and cash equivalents, beginning of the year	<u>731</u>	<u>2,734</u>
Cash and cash equivalents, end of the year	<u><u>2,734</u></u>	<u><u>3,004</u></u>