

November 10, 2017  
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LIFENET INSURANCE COMPANY  
(Securities Code: 7157, TSE Mothers)

## Financial Results for 2Q of Fiscal 2017 Ending March 31, 2018 15.1% increase in annualized premium of new business

TOKYO, November 10, 2017 - 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 2017 ending March 31, 2018.

### 1. Overview of the financial results for 2Q of fiscal 2017

#### (1) Business results

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

Annualized premium<sup>\*1</sup> of new business in 2Q ended September 30, 2017 was 387 million yen (132.1% of 2Q of fiscal 2016). The number of new business was 8,649 (137.0% of 2Q of fiscal 2016). Annualized premium<sup>\*1</sup> of new business for the six months ended September 30, 2017 was 730 million yen (115.1% of the six months ended September 30, 2016). The number of new business for the six months ended September 30, 2017 was 16,442 (120.7% of the six months ended September 30, 2016).

Annualized premium<sup>\*1</sup> of policies-in-force as of the end of 2Q of fiscal 2017 stands at 10,493 million yen (104.0% of March 31, 2017). The number of policies-in-force resulted in a total of 248,635 (103.7% of March 31, 2017) and exceeded 250,000 in October 2017. Surrender and lapse ratio<sup>\*2</sup> for the six months ended September 30, 2017 was 6.1% (6.6% for the six months ended months ended September 30, 2016).

\*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, 2017 increased to 5,196 million yen (107.0% of the six months ended September 30, 2016) due to an increase in the number of policies-in-force. Investment income grew to 120 million yen (111.5% of the six months ended September 30, 2016). Other ordinary income was 21 million yen. As a result, ordinary income for the six months ended September 30, 2017 amounted to 5,338 million yen (106.4% of the six months ended September 30, 2016).

Insurance claims and other was 971 million yen (108.6% of the six months ended September 30, 2016). The ratio of insurance payment amounts to insurance premiums was 16.2% for the six months ended September 30, 2017, compared with 16.3% for the six months ended September 30, 2016. Provision for policy reserves and other came to 1,786 million yen (97.3% of the six months ended September 30, 2016). The ratio of provision for policy reserves to insurance premiums decreased to 35.1% for the six months ended September 30, 2017, compared with 38.8% for the six months ended September 30, 2016. Operating expenses amounted to 2,295 million yen (133.7% of the six months ended September 30, 2016) mainly due to actively investing in marketing expenses including advertising. The components of operating expenses were 1,115 million yen in marketing expenses (168.5% of the six months ended September 30,

2016), 327 million yen in customer service expenses (119.6% of the six months ended September 30, 2016), and 852 million yen in system and other expenses (109.1% of the six months ended September 30, 2016). Other ordinary expenses was 283 million yen (36.8% of the six months ended September 30, 2016) since the amortization of deferred assets under Article 113 of the Insurance Business Act is no longer recorded by the one-time amortization in the previous fiscal year. Consequently, ordinary expenses for the six months ended September 30, 2017 totaled 5,337 million yen (102.3% of the six months ended September 30, 2016).

As a result, ordinary profit totaled 1 million yen for the six months ended September 30, 2017, compared with 202 million yen loss for the six months ended September 30, 2016. Net loss was 15 million yen, compared with 191 million yen for the six months ended September 30, 2016.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 50 million yen, compared with 157 million yen loss for the six months ended September 30, 2016. The components of fundamental profit were 1,278 million yen in mortality margin, 1,232 million yen loss in expense margin and 4 million yen in interest margin.

## **(2) Financial condition**

### **Assets, liabilities and net assets**

Total assets as of September 30, 2017 amounted to 33,706 million yen (31,934 million yen as of March 31, 2017). The major account balance was 27,666 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 20,072 million yen as of September 30, 2017 (18,288 million yen as of March 31, 2017), owing to an increase in policy reserves as a result of the increased insurance premiums. The major account balances were 18,976 million yen in policy reserves (including 1,451 million yen in contingency reserves), and 308 million yen in reserves for outstanding claims.

Net assets was 13,633 million yen as of September 30, 2017 (13,645 million yen as of March 31, 2017).

The solvency margin ratio as of September 30, 2017 was 2,599.6% (2,723.0% as of March 31, 2017), which indicated that an adequate level of payment capacity was maintained.

### **Cash flows**

For the six months ended September 30, 2017, net cash provided by operating activities amounted to 1,906 million yen (2,122 million yen provided for the six months ended September 30, 2016) due to an increase in insurance premiums and other despite increased of insurance claim. Net cash used by investing activities amounted to 2,010 million yen (2,467 million yen used for the six months ended September 30, 2016) mainly due to acquisition of securities. Net cash used by financing activities amounted to 9 million yen (4 million yen used for the six months ended September 30, 2016).

Based on these activities described above, cash and cash equivalents as of September 30, 2017 totaled 2,890 million yen (3,004 million yen as of March 31, 2017).

### (3) Business forecasts

The business forecasts for fiscal 2017 remain unchanged as shown below. This will be disclosed ordinary income, ordinary profit (loss) and net income (loss).

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts (Fiscal 2017)	11,000	(300)	(300)
(Reference) Results (Fiscal 2016)	10,096	(2,031) *1	(1,889) *1

\*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 in fiscal 2016. The ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act was 88 million yen.

### 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, 2017	Sep. 30, 2017
<b>ASSETS</b>		
Cash and deposits.....	1,004	890
Monetary claims bought.....	1,999	1,999
Money held in trust .....	995	1,507
Securities .....	26,372	27,666
Government bonds.....	9,876	8,365
Municipal bonds .....	1,496	1,497
Corporate bonds.....	11,751	13,768
Stocks.....	334	330
Foreign securities .....	819	807
Other securities .....	2,095	2,897
Tangible fixed assets.....	123	116
Intangible fixed assets.....	502	560
Agency accounts receivable .....	1	1
Reinsurance accounts receivable.....	30	46
Other assets.....	904	915
Accounts receivable .....	742	754
Other .....	161	160
Total assets .....	31,934	33,706

	(In millions of yen)	
	March 31, 2017	Sep. 30, 2017
<b><u>LIABILITIES</u></b>		
Policy reserves and other .....	17,501	19,285
Reserves for outstanding claims .....	311	308
Policy reserves .....	17,189	18,976
Agency accounts payable .....	39	37
Reinsurance accounts payable .....	68	76
Other liabilities .....	469	457
Income taxes payable .....	1	9
Accrued expenses .....	330	322
Lease liabilities .....	51	43
Asset retirement obligations .....	33	33
Other .....	53	49
Reserves under the special laws .....	19	24
Reserve for price fluctuations .....	19	24
Deferred tax liabilities .....	189	191
Total liabilities .....	18,288	20,072
<b><u>NET ASSETS</u></b>		
Capital stock .....	12,136	12,136
Capital surplus .....	12,136	12,136
Legal capital surplus .....	12,136	12,136
Retained earnings .....	(11,116)	(11,131)
Other retained earnings .....	(11,116)	(11,131)
Retained earnings brought forward .....	(11,116)	(11,131)
Shareholders' equity .....	13,157	13,141
Valuation difference on available-for-sale securities .....	488	492
Valuation and translation adjustments .....	488	492
Total net assets .....	13,645	13,633
Total liabilities and net assets .....	31,934	33,706

## (2) Statements of Operations

	(In millions of yen)	
	Six months ended Sep. 30	
	2016	2017
Ordinary income.....	5,016	5,338
Insurance premiums and other .....	4,858	5,196
Premiums income .....	4,735	5,083
Reinsurance income.....	122	112
Investment income.....	108	120
Interest, dividends and other income.....	108	114
Gains on money held in trust.....	—	6
Other ordinary income .....	50	21
Reversal of reserves for outstanding claims.....	42	3
Other .....	7	18
Ordinary expenses .....	5,218	5,337
Insurance claims and other .....	893	971
Insurance claims .....	508	533
Benefits .....	264	288
Other refunds .....	0	—
Reinsurance commissions.....	121	149
Provision for policy reserves and other .....	1,837	1,786
Provision for policy reserves .....	1,837	1,786
Investment expenses.....	0	0
Interest expenses .....	0	0
Losses on money held in trust .....	0	—
Operating expenses .....	1,716	2,295
Other ordinary expenses .....	770	283
Ordinary profit (loss) .....	(202)	1
Extraordinary losses .....	2	4
Provision of reserves under the special laws .....	2	4
Provision of reserve for price fluctuations .....	2	4
Income (loss) before income taxes .....	(205)	(3)
Income taxes-current .....	26	11
Income taxes-deferred.....	(41)	—
Income taxes.....	(14)	11
Net income (loss) .....	(191)	(15)

### (3) Statements of Changes in Net Assets

	(In millions of yen)	
	Six months ended Sep. 30	
	2016	2017
Shareholders' equity:		
Capital stock		
Balance at the beginning of the year.....	12,020	12,136
Changes of items during the period		
Total changes of items during the period .....	—	—
Balance at the end of the period .....	12,020	12,136
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year.....	12,020	12,136
Changes of items during the period		
Total changes of items during the period .....	—	—
Balance at the end of the period .....	12,020	12,136
Total capital surplus		
Balance at the beginning of the year.....	12,020	12,136
Changes of items during the period		
Total changes of items during the period .....	—	—
Balance at the end of the period .....	12,020	12,136
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year .....	(9,227)	(11,116)
Changes of items during the period		
Net income (loss).....	(191)	(15)
Total changes of items during the period.....	(191)	(15)
Balance at the end of the period.....	(9,418)	(11,131)
Total retained earnings		
Balance at the beginning of the year.....	(9,227)	(11,116)
Changes of items during the period		
Net income (loss).....	(191)	(15)
Total changes of items during the period .....	(191)	(15)
Balance at the end of the period .....	(9,418)	(11,131)
Total shareholders' equity		
Balance at the beginning of the year.....	14,813	13,157
Changes of items during the period		
Net income (loss).....	(191)	(15)
Total changes of items during the period .....	(191)	(15)
Balance at the end of the period .....	14,622	13,141

	(In millions of yen)	
	Six months ended Sep. 30	
	2016	2017
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year.....	591	488
Changes of items during the period		
Net changes of items other than shareholders' equity .....	77	3
Total changes of items during the period .....	77	3
Balance at the end of the period	668	492
Total valuation and translation adjustments		
Balance at the beginning of the year.....	591	488
Changes of items during the period		
Net changes of items other than shareholders' equity .....	77	3
Total changes of items during the period .....	77	3
Balance at the end of the period .....	668	492
Subscription rights to shares:		
Balance at the beginning of the year .....	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	—
Net assets:		
Balance at the beginning of the year .....	15,423	13,645
Changes of items during the period		
Net income (loss) .....	(191)	(15)
Net changes of items other than shareholders' equity ....	77	3
Total changes of items during the period.....	(113)	(11)
Balance at the end of the period.....	15,310	13,633



## (4) Statements of Cash Flows

	(In millions of yen)	
	Six months ended Sep. 30	
	2016	2017
Cash flows from operating activities		
Income (loss) before income taxes .....	(205)	(3)
Depreciation and amortization .....	120	122
Increase (decrease) in reserves for outstanding claims .....	(42)	(3)
Increase (decrease) in policy reserves.....	1,837	1,786
Increase (decrease) in reserve for price fluctuations .....	2	4
Interest, dividends and other income .....	(108)	(114)
Interest expenses .....	0	0
Decrease (increase) in agency accounts receivable .....	(0)	(0)
Decrease (increase) in reinsurance accounts receivable.....	1	(16)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	502	(31)
Increase (decrease) in agency accounts payable.....	15	(1)
Increase (decrease) in reinsurance accounts payable .....	5	7
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(109)	(6)
Other, net .....	1	(6)
Subtotal .....	<u>2,020</u>	<u>1,738</u>
Interest and dividends income received .....	176	156
Interest expenses paid .....	(0)	(0)
Income taxes (paid) refund.....	(74)	12
Net cash provided by (used in) operating activities .....	<u>2,122</u>	<u>1,906</u>
Cash flows from investing activities		
Purchase of money held in trust .....	—	(500)
Purchase of securities.....	(3,004)	(3,802)
Proceeds from sales and redemption of securities .....	700	2,470
Total of net cash provided by (used in) investment transactions ...	<u>(2,304)</u>	<u>(1,832)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>(182)</u>	<u>73</u>
Purchase of tangible fixed assets .....	(8)	(17)
Purchase of intangible fixed assets .....	(154)	(160)
Net cash provided by (used in) investing activities .....	<u>(2,467)</u>	<u>(2,010)</u>
Cash flows from financing activities		
Repayments of lease obligations .....	(4)	(9)
Net cash provided by (used in) financing activities .....	<u>(4)</u>	<u>(9)</u>
Net increase (decrease) in cash and cash equivalents .....	<u>(349)</u>	<u>(114)</u>
Cash and cash equivalents, beginning of the year .....	<u>2,734</u>	<u>3,004</u>
Cash and cash equivalents, end of the period .....	<u><u>2,384</u></u>	<u><u>2,890</u></u>