



**Securities Code:7157**  
**TSE Mothers**



**LIFENET**

LIFENET INSURANCE COMPANY

**Reference Data**  
**for**  
**First Quarter**  
**Fiscal 2018**

**LIFENET INSURANCE COMPANY**

**August 10, 2018**

# Contents



- 1. Results for 1Q of Fiscal 2018**
- 2. Future Initiatives**

# Key Highlight of 1Q for Fiscal 2018



- ① Achieved **significant business results**
  - Annualized premium of new business **up 67% year on year**
- ① Ordinary income **up 11% year on year**
- ① Ordinary loss 90 million yen, further investment to continue
- ① Changed into **new management team** for further business growth
- ① **Revision of business forecast for FY2018**

# Summary of 1Q for FY2018 Results



(JPY mn)

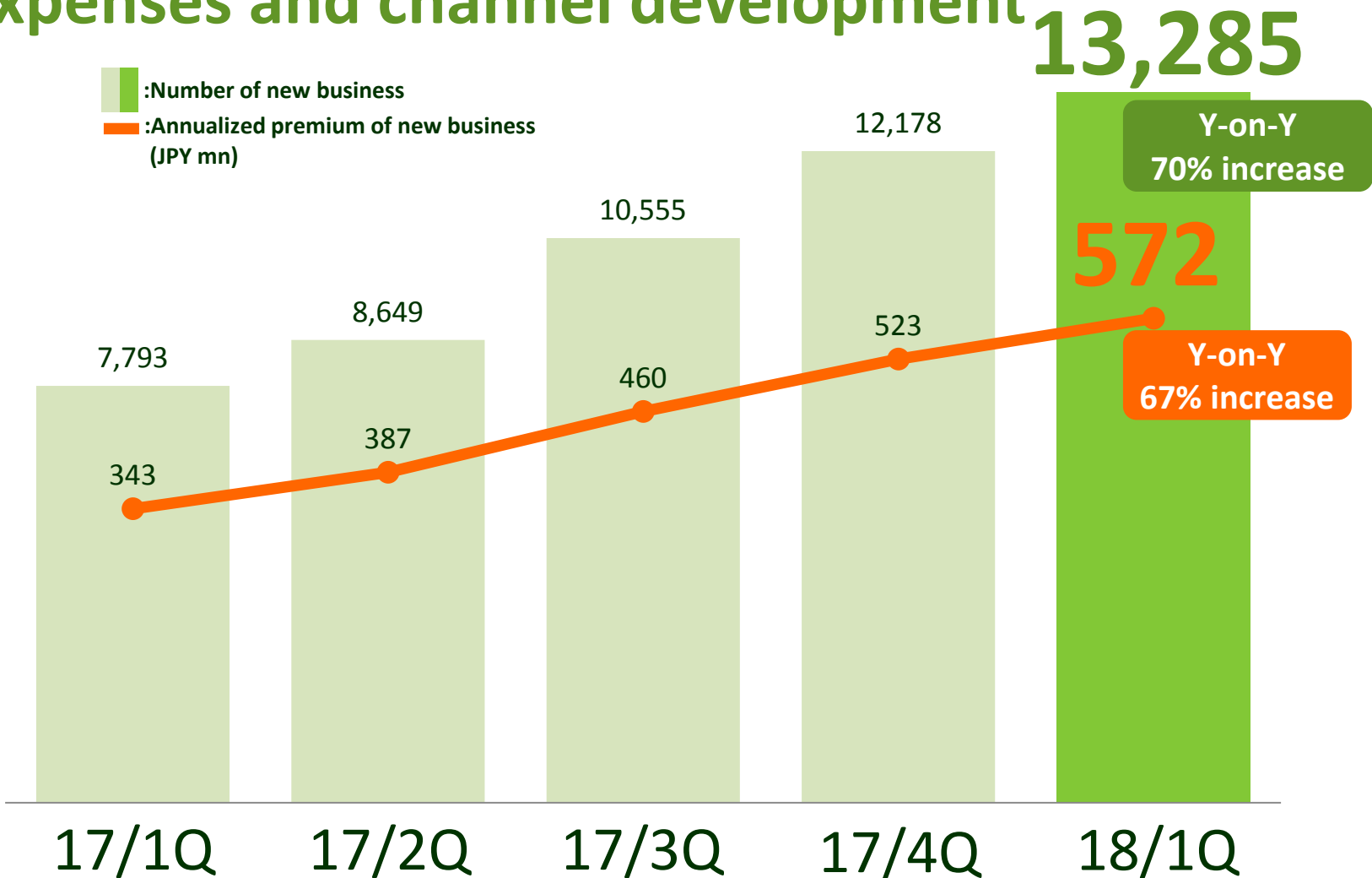
|  | 2017/1Q | 2018/1Q | Year on year |
|--|---------|---------|--------------|
| Ordinary income                                      | 2,651   | 2,954   | 111.4%       |
| Operating expenses                                   | 1,005   | 1,380   | 137.3%       |
| Ordinary profit (loss)                               | 136     | (90)    | —            |
| Net income (loss)                                    | 109     | (95)    | —            |
| Mortality margin                                     | 616     | 681     | 110.5%       |
| Annualized premium <sup>1</sup> of policies-in-force | 10,263  | 11,529  | 112.3%       |
| Number of policies-in-force                          | 243,610 | 272,830 | 112.0%       |
| Annualized premium <sup>1</sup> of new business      | 343     | 572     | 166.7%       |
| Number of new business                               | 7,793   | 13,285  | 170.5%       |

1. 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.

# Annualized Premium /Number of New Business (Quarterly)



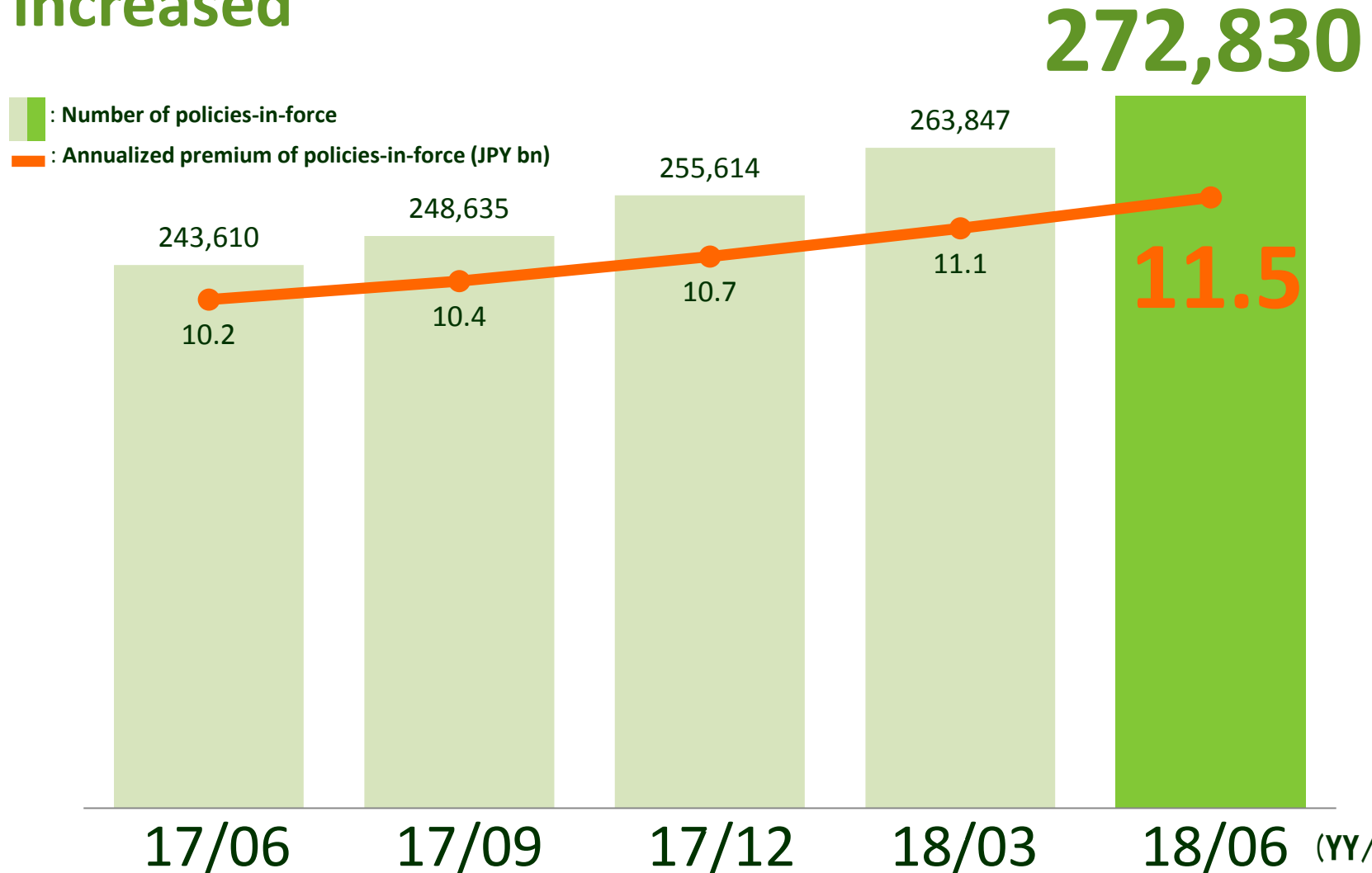
■ **Increased strongly** by investment in marketing expenses and channel development



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



■ Policies-in-force exceeded 270,000 and steadily increased



# Breakdown of Policies-in-force

■ **175,337** in-force policyholders (as of June 30)

| (YY/MM)   | 17/06        | 18/06            | Component ratio |
|---|--------------|------------------|-----------------|
| <b>Number of policies-in-force</b>                              | 243,610      | <b>272,830</b>   | <b>100%</b>     |
| - Term Life <sup>1</sup>  | 124,325      | <b>135,060</b>   | <b>50%</b>      |
| - Whole-Life Medical <sup>1</sup>                               | 72,092       | <b>78,298</b>    | <b>29%</b>      |
| - Term Medical Care <sup>1</sup>                                | 10,299       | <b>9,824</b>     | <b>4%</b>       |
| - Long-term Disability <sup>1</sup>                             | 36,894       | <b>44,280</b>    | <b>16%</b>      |
| - Cancer <sup>1</sup>   | —            | <b>5,368</b>     | <b>2%</b>       |
| <b>Sum insured of policies-in-force<sup>2</sup></b><br>(JPY mn) | 1,981,955    | <b>2,106,247</b> |                 |
| <b>Number of policyholders</b>                                  | 155,817      | <b>175,337</b>   |                 |
|   | <b>17/1Q</b> | <b>18/1Q</b>     |                 |
| <b>(Reference) Surrender and lapse ratio<sup>3</sup></b>        | 6.5%         | <b>6.3%</b>      |                 |

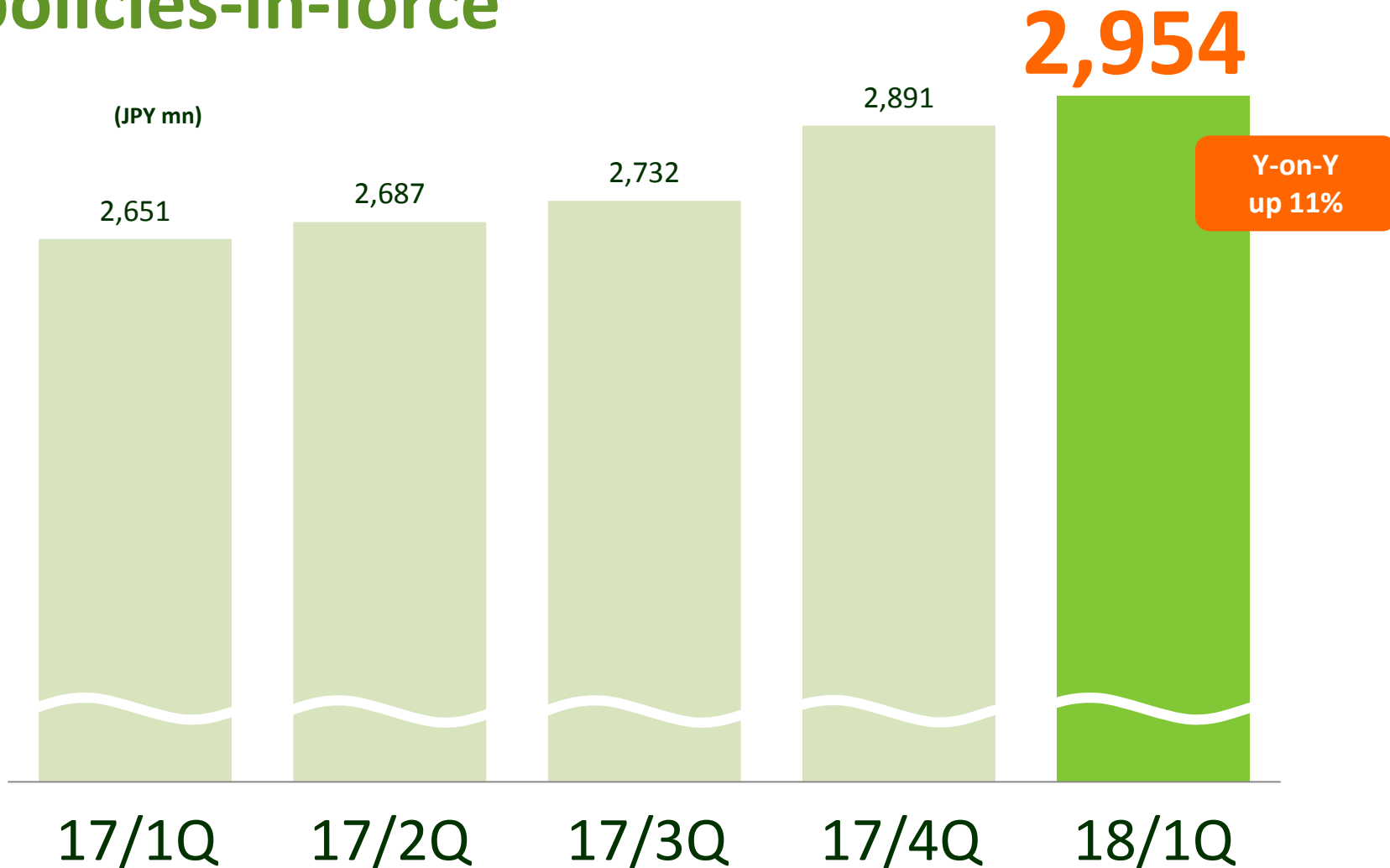
1. Term Life insurance: *Kazoku* and *au Term Insurance*, Whole-life Medical insurance: *Jibun*, *New Jibun*, *New Jibun for Women*, *au Medical Insurance* and *au Medical Insurance for Women*, Term Medical Care insurance: *Jibun Plus*, Long-term Disability insurance: *Hataraku-Hito*, *Hataraku-Hito 2* and *au Long-term Disability Insurance*, Cancer insurance: *Double Yell* and *au Cancer insurance*.

2. Sum insured of policies-in-force are the sum of death coverage, and do 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.

# Ordinary Income (Quarterly)

■ **Up 11% year on year** by steady increase of policies-in-force



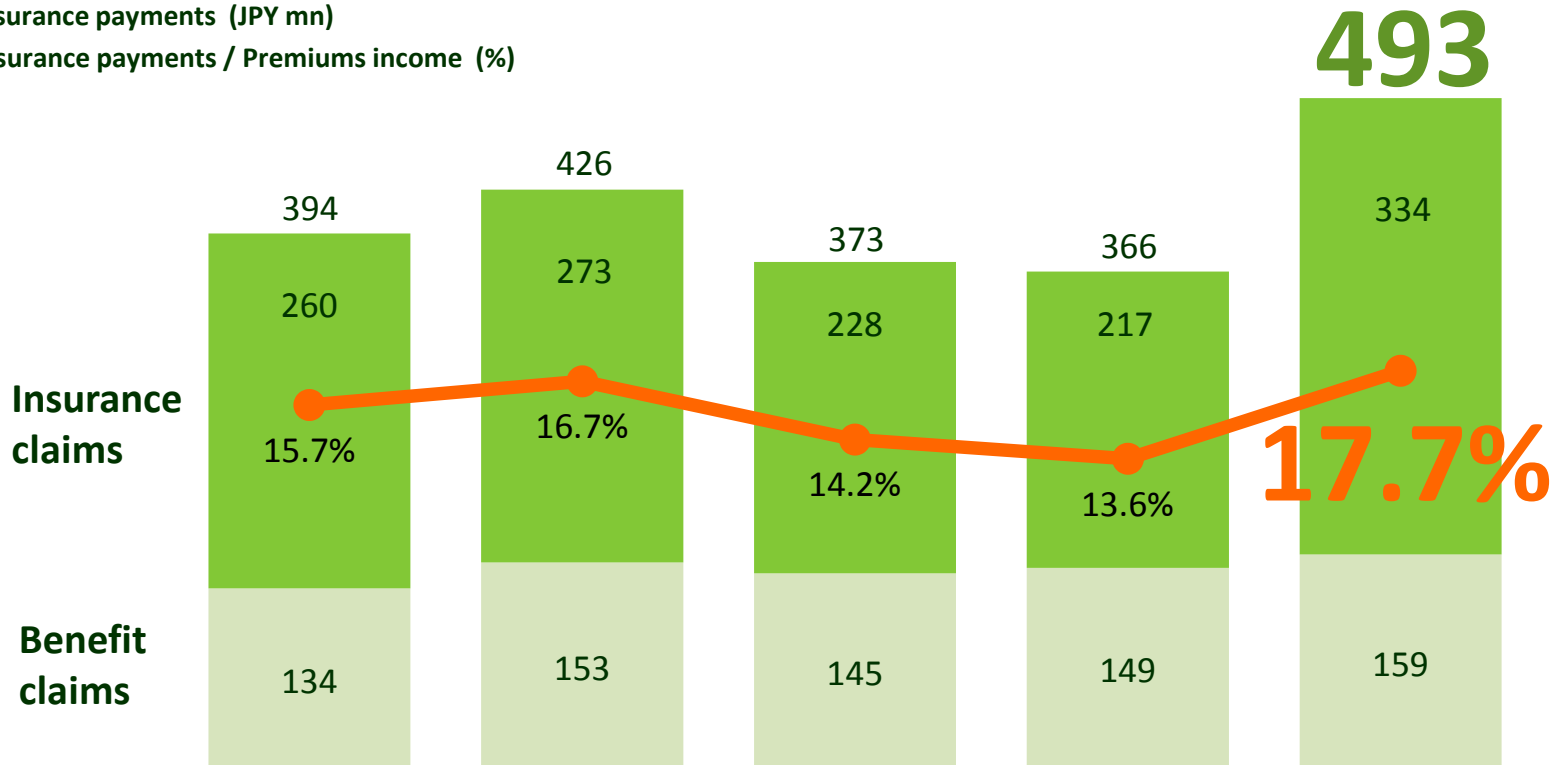


# Insurance Claims and Benefits (Quarterly)



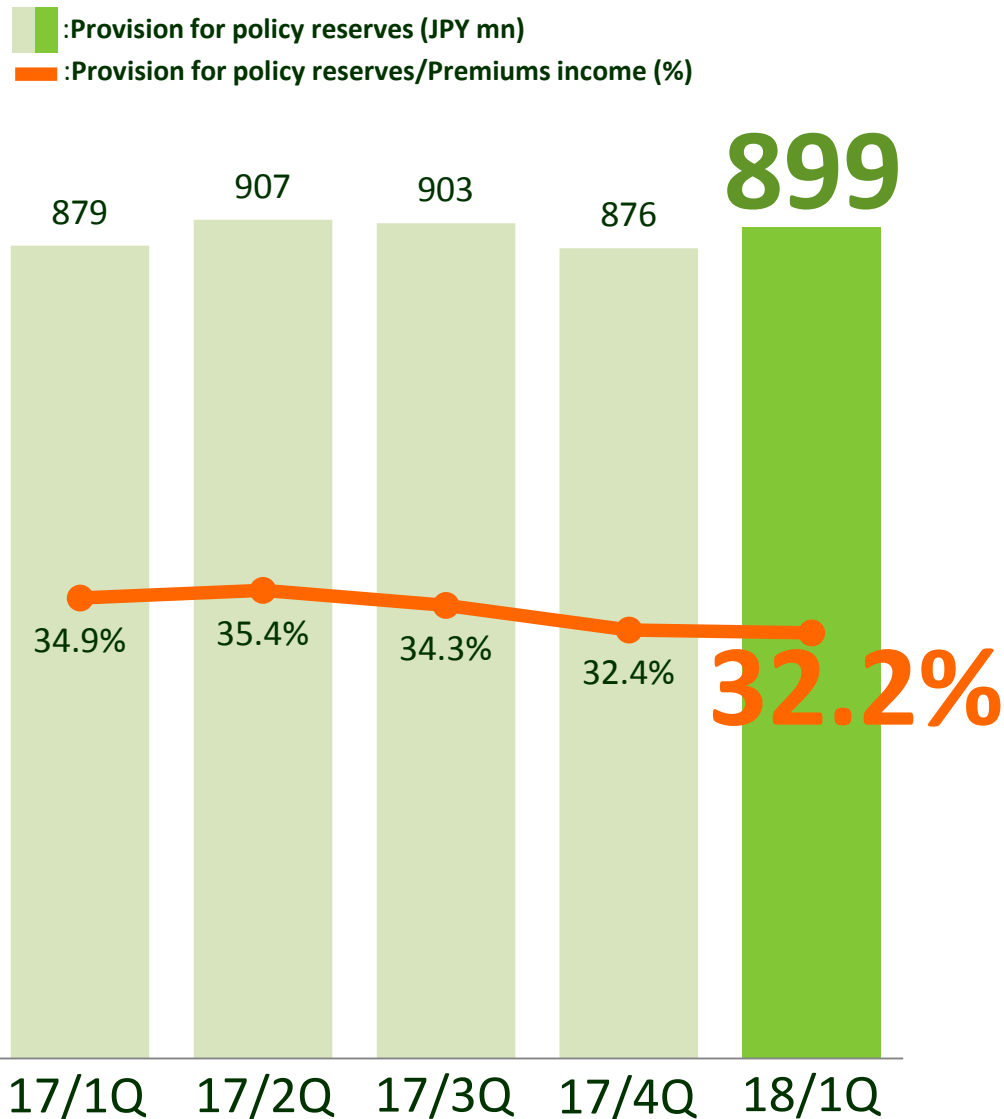
**Increased** due to growth of policies-in-force

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



|                  | 17/1Q        | 17/2Q        | 17/3Q        | 17/4Q        | 18/1Q        |
|------------------|--------------|--------------|--------------|--------------|--------------|
| Insurance claims | 20           | 15           | 20           | 20           | 22           |
| Benefit claims   | 1,445        | 1,594        | 1,565        | 1,561        | 1,606        |
| <b>Total</b>     | <b>1,465</b> | <b>1,609</b> | <b>1,585</b> | <b>1,581</b> | <b>1,628</b> |

# Provision for Policy Reserves (Quarterly)



■ **Transferred from 5-year Zillmer's method to standard policy reserves<sup>1</sup>**

■ **Limited impact for 1Q**

1. Transferred to standard policy reserves of new business including renewal insurance contracts from fiscal 2018

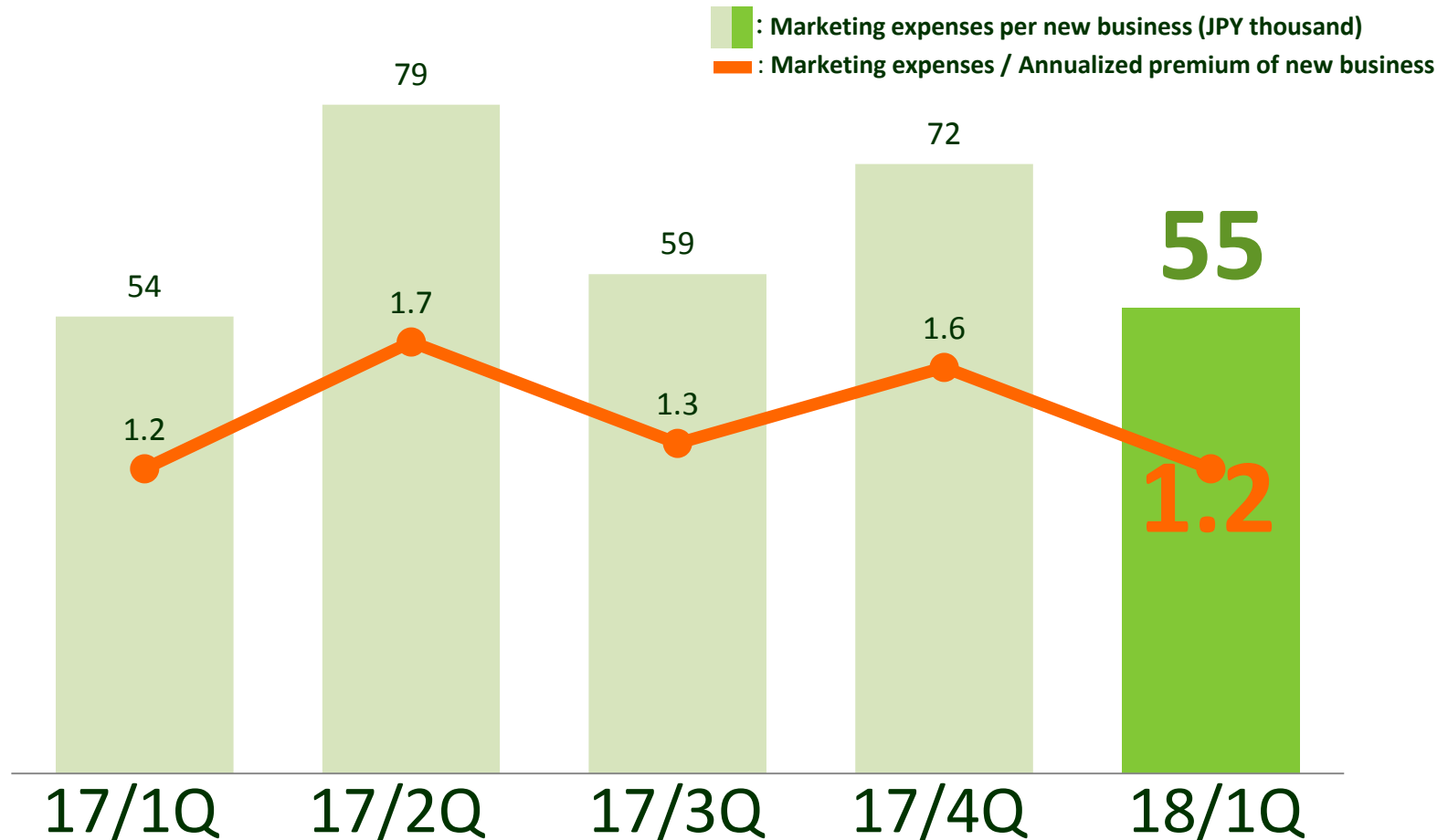
# Operating Expenses (Quarterly)

- Continued aggressive investment in marketing expenses since new product launch



# Marketing Expenses per New Business (Quarterly)

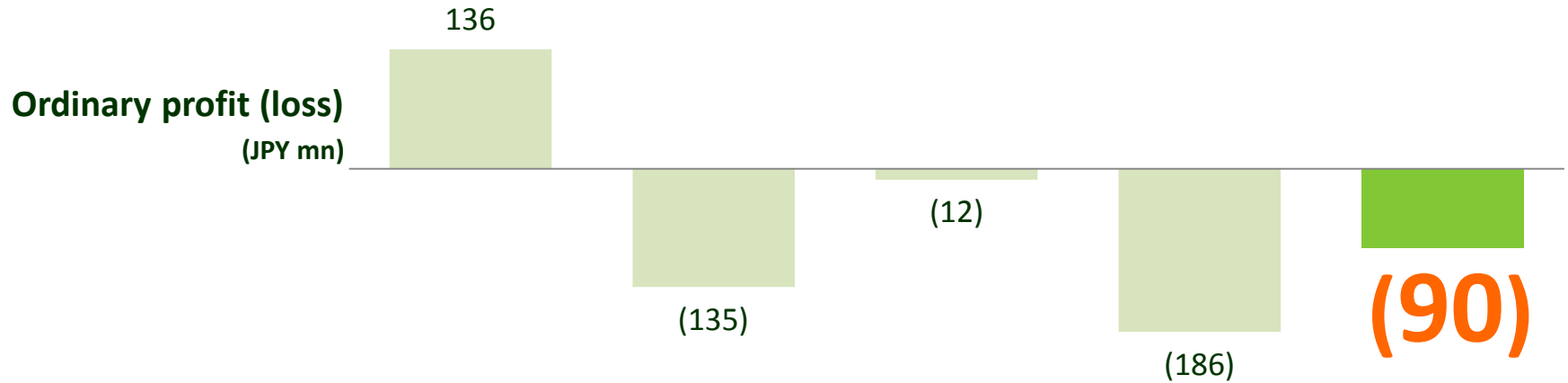
■ Kept same level year on year despite increase in marketing expenses



# Ordinary Profit/Loss (Quarterly)



- Decreased by aggressive investment in marketing expenses

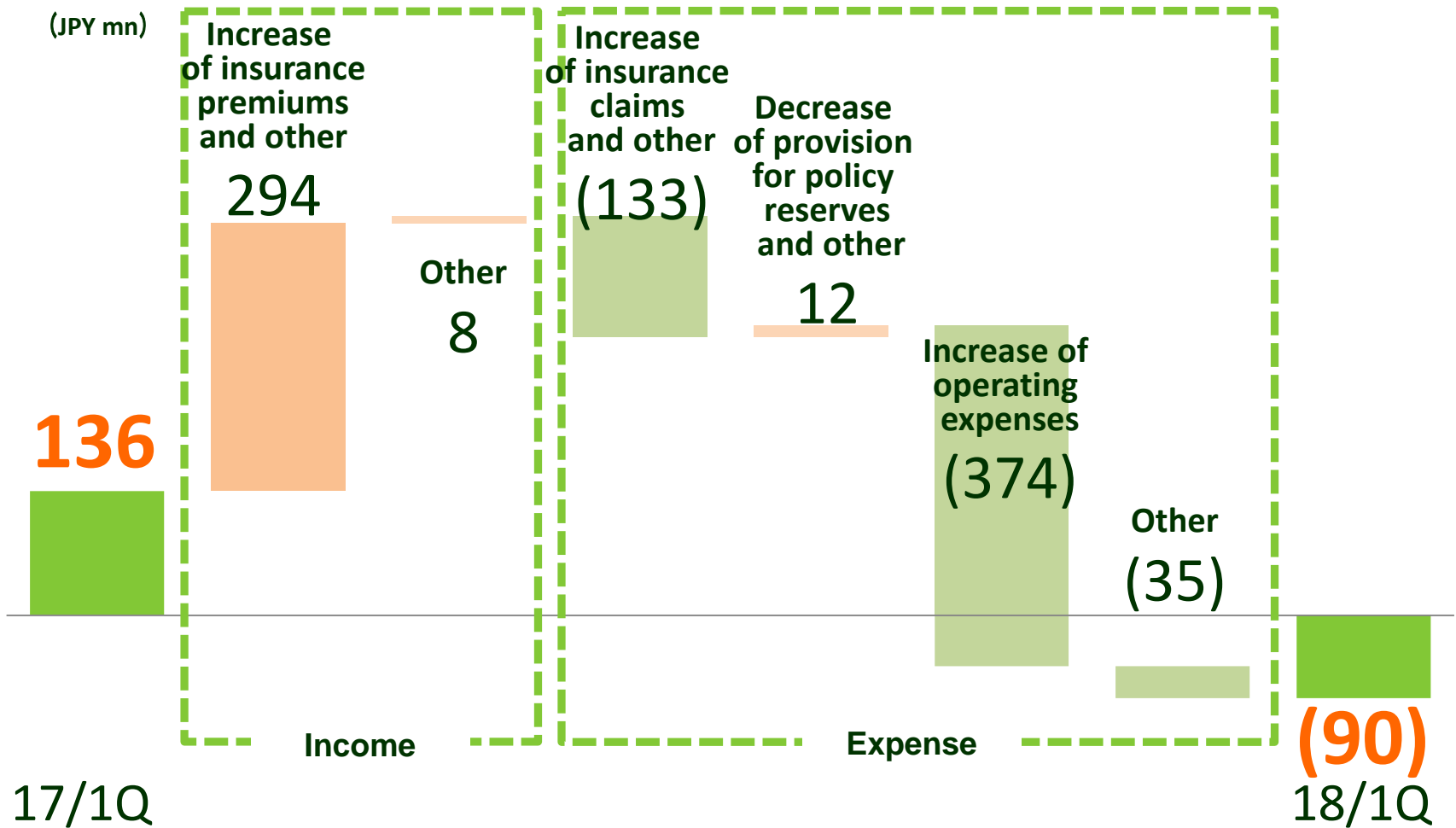


| (JPY mn)               | 17/1Q | 17/2Q | 17/3Q | 17/4Q | 18/1Q |
|------------------------|-------|-------|-------|-------|-------|
| Ordinary profit (loss) | 136   | (135) | (12)  | (186) | (90)  |
| Net income (loss)      | 109   | (124) | (27)  | (206) | (95)  |

# Structure Breakdown of Ordinary Profit/Loss

■ Decreased due to **increase of in operating expenses** by marketing investment

Transition of ordinary profit (loss)



# Condensed Statements of Operation (Quarterly)

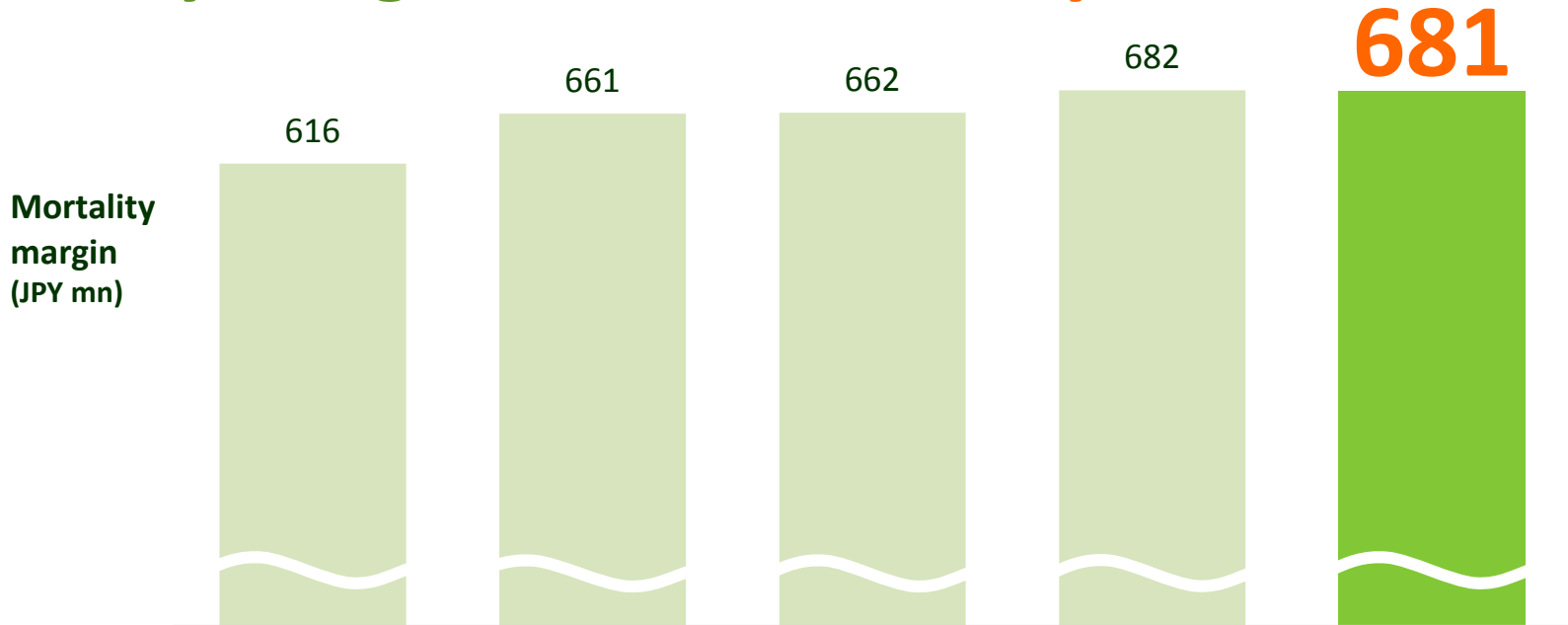


(JPY mn)

|   | 17/1Q | 18/1Q | Change |
|---|-------|-------|--------|
| Insurance premiums and other            | 2,588 | 2,882 | 294    |
| Other                                   | 63    | 71    | 8      |
| Ordinary income                         | 2,651 | 2,954 | 302    |
| Insurance claims and other              | 467   | 600   | 133    |
| Provision for policy reserves and other | 912   | 899   | (12)   |
| Operating expenses                      | 1,005 | 1,380 | 374    |
| Other                                   | 128   | 163   | 35     |
| Ordinary expenses                       | 2,514 | 3,045 | 530    |
| Ordinary profit (loss)                  | 136   | (90)  | (227)  |
| Extraordinary losses and income taxes   | 27    | 4     | (23)   |
| Net income (loss)                       | 109   | (95)  | (204)  |

# Fundamental Profit

## ■ Mortality margin recorded steadily



| (JPY mn)                  | 17/1Q | 17/2Q | 17/3Q | 17/4Q | 18/1Q        |
|---------------------------|-------|-------|-------|-------|--------------|
| Mortality margin          | 616   | 661   | 662   | 682   | <b>681</b>   |
| Expense margin (loss)     | (454) | (778) | (642) | (877) | <b>(754)</b> |
| Interest margin (loss)    | (2)   | 7     | (2)   | 6     | <b>(5)</b>   |
| Fundamental profit (loss) | 159   | (109) | 17    | (188) | <b>(77)</b>  |



# Financial Condition

| (JPY mn)                        | (YY/MM) | 17/03         | 18/03         | 18/06         |
|---------------------------------|---------|---------------|---------------|---------------|
| <b>Total assets</b>             |         | <b>31,934</b> | <b>35,541</b> | <b>36,435</b> |
| Cash and deposits               |         | 1,004         | 926           | 977           |
| Monetary claims bought          |         | 1,999         | 1,999         | 1,499         |
| Money held in trust             |         | 995           | 2,567         | 2,641         |
| Securities                      |         | 26,372        | 28,303        | 29,498        |
| Government bonds                |         | 9,876         | 8,398         | 8,402         |
| Municipal bonds                 |         | 1,496         | 1,505         | 1,506         |
| Corporate bonds                 |         | 11,751        | 13,892        | 14,997        |
| Stocks <sup>1</sup>             |         | 334           | 346           | 432           |
| Foreign securities <sup>2</sup> |         | 819           | -             | -             |
| Other securities <sup>3</sup>   |         | 2,095         | 4,161         | 4,158         |
| <b>Total liabilities</b>        |         | <b>18,288</b> | <b>22,153</b> | <b>23,044</b> |
| Policy reserves and other       |         | 17,501        | 21,186        | 22,082        |
| <b>Total net assets</b>         |         | <b>13,645</b> | <b>13,387</b> | <b>13,391</b> |
| <b>Solvency margin ratio</b>    |         | <b>2,723%</b> | <b>2,455%</b> | <b>2,402%</b> |

■ Promote  
**diversification**  
in investment  
assets

■ Modified  
duration **12.3**  
years

1. Holds shares of Advance Create Co., Ltd. and others for the purpose of business partnership etc. in online sales
2. Investment in Kyobo Lifeplanet Life Insurance Company in Korea, sold in March 2018
3. Investment trust including foreign bonds and others

# Renewal of Term Life Insurance

- Driving growth of new business performance with the lowest premium level<sup>1</sup> and coverage to meet broad age groups' needs

**NEW**  
**定期死亡保険**  
かぞくへの保険  
ますます**保険料**が  
**おトク**になって新登場!

10年(更新)



例えば

一定期間の手厚い保障が必要な方におすすめ!

20年(更新)



例えば

お子さまが独立するまで保障が必要な方におすすめ!

30年(更新)



例えば

住宅ローンが終わるまで保障が必要な方におすすめ!

65歳まで



例えば

働いている間の保障が必要な方におすすめ!

80歳まで



例えば

できるだけ長い間の保障が必要な方におすすめ!

90歳まで



例えば

できるだけ長い間の保障が必要な方におすすめ!

1. Comparison of Lifenet and 5 other online life insurance companies' Term Life insurance products (excluding risk sub-divided insurance products) under the following conditions:30, 40 and 50 years old / Male and female / Insurance coverage amount 5,000 and 10,000 thousand yen / Insurance term 10 years / Monthly installments / Riders like living benefit etc. are not considered (as of Apr. 2, 2018)

# Expanding of *au Life Insurance*



## ■ **Steady growth** with *au Cancer Insurance* newly launched



auの生命ほけん

**au 定期ほけん**

April 2018  
RENEWAL



auの生命ほけん

**au 生活ほけん**



auの生命ほけん

**au 医療ほけん**



auの生命ほけん

**au がんほけん**

April 2018  
NEW!



auの生命ほけん

**au 医療ほけんレディース**

# Evaluation for Products

## Product lineup highly evaluated



定期保険



1. The most popular insurance products in each category from January through December 2017, receiving the highest number of applications of Kakaku.com Insurance, the sales agent company of insurance products
2. The Most Chosen Insurance Ranking 2018 of HOKEN ICHIBA is based on compiled date from the number of brochure request and application from January through December 2017.
3. Lifenet Cancer Insurance Double Yell received the Grand Prize in the cancer insurance product category in the Nikkei TRENDY magazine published by Nikkei Business Publications, Inc. in May 2018

# Enhanced Survivorship Support Services



■ Introduces **necessary services** by partnering companies based on cancer survivors' voice

Remote second opinion services



New!



Appearance care

資生堂 ライフクオリティー ビューティーセンター  
SHISEIDO LIFE QUALITY BEAUTY CENTER

アデランス

New!



Housekeeping services



DUSK!N  
喜びのタネをまころう

New!



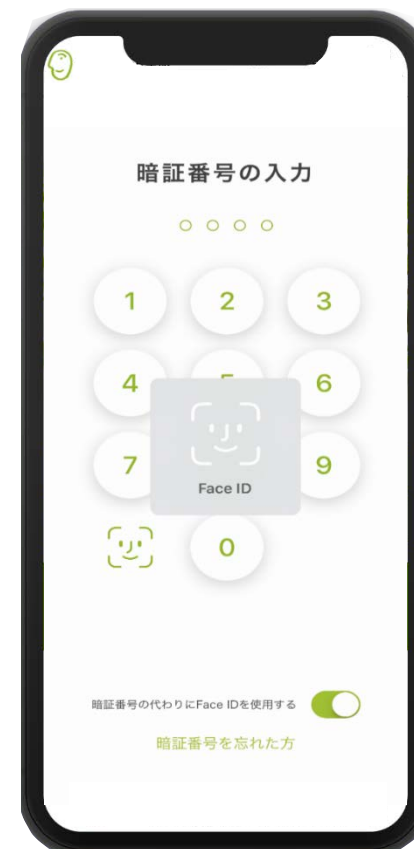
Commuting to hospital/work



# Start to Provide App for Our Customer

## ■ Aim to further improve policyholders' convenience and usability

Enable to log-in to My page, using fingerprint and face recognition technology without ID and Password<sup>1</sup>



1. Only for iPhone users (as of Aug. 2018)

# Contents



**1. Results for 1Q of Fiscal 2018**

**2. Future Initiatives**



# 10th Anniversary of Business Commencement



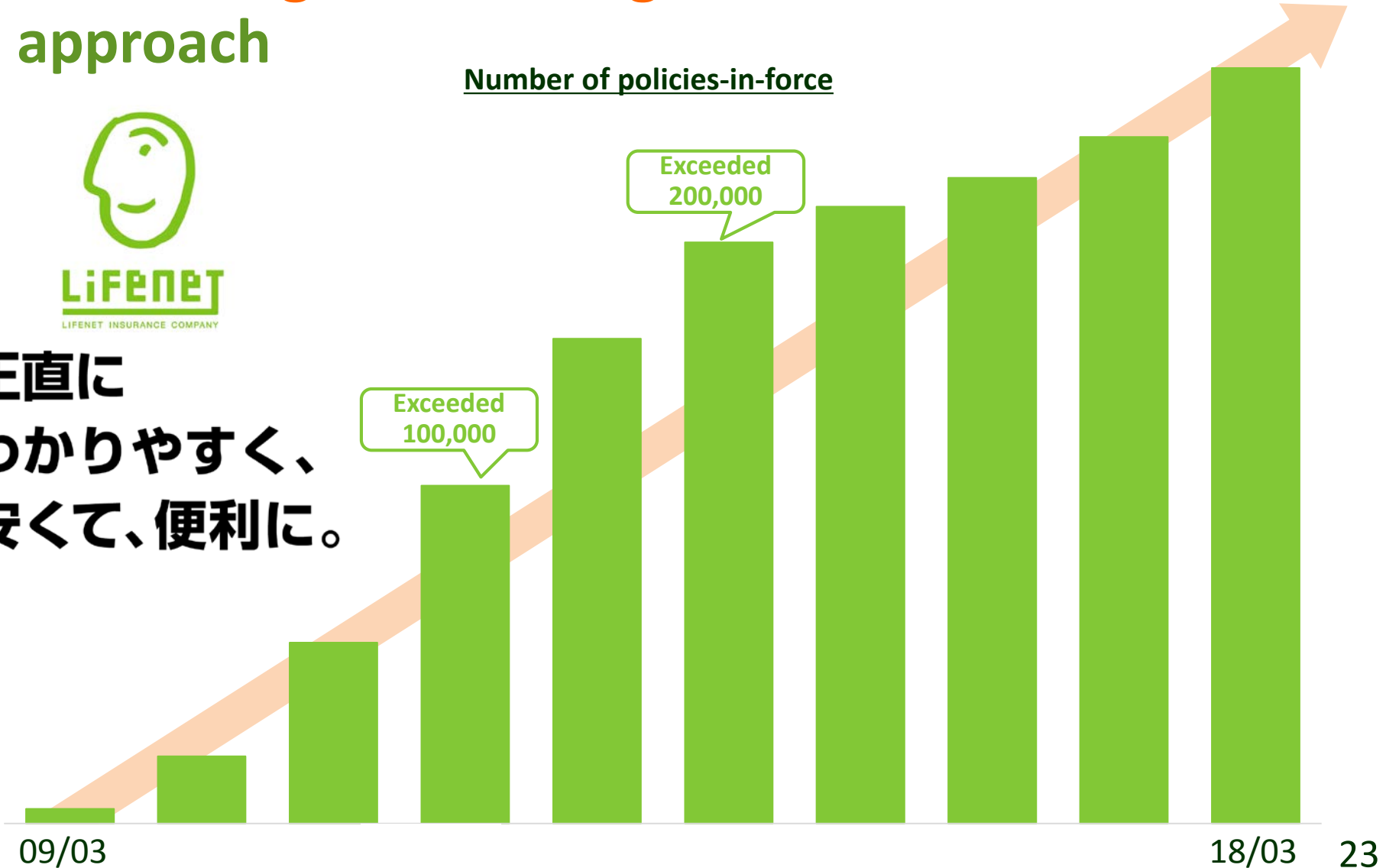
■ **Continuing our challenge** with customer-oriented approach

Number of policies-in-force



**LIFENET**  
LIFENET INSURANCE COMPANY

正直に  
わかりやすく、  
安くて、便利に。



09/03

18/03

23



# Changed into New Management Team



## Striving for significant business growth under new leadership

Daisuke Iwase  
Chairman, Director



Ryosuke Mori  
President, Representative Director



Masayuki Nishida  
Executive Vice President,  
Director

Hitoshi Hatta  
Executive Managing  
Director



Masanori Sakasai  
Executive Managing  
Director

Yasuhiro Koba  
Director



LIFENET  
LIFENET INSURANCE COMPANY

Eiko Shinotsuka  
Outside Director



Masanobu Takatani  
Outside Director



Yutaka Mizukoshi  
Outside Director






Tomohiko Katsuki  
Outside Director



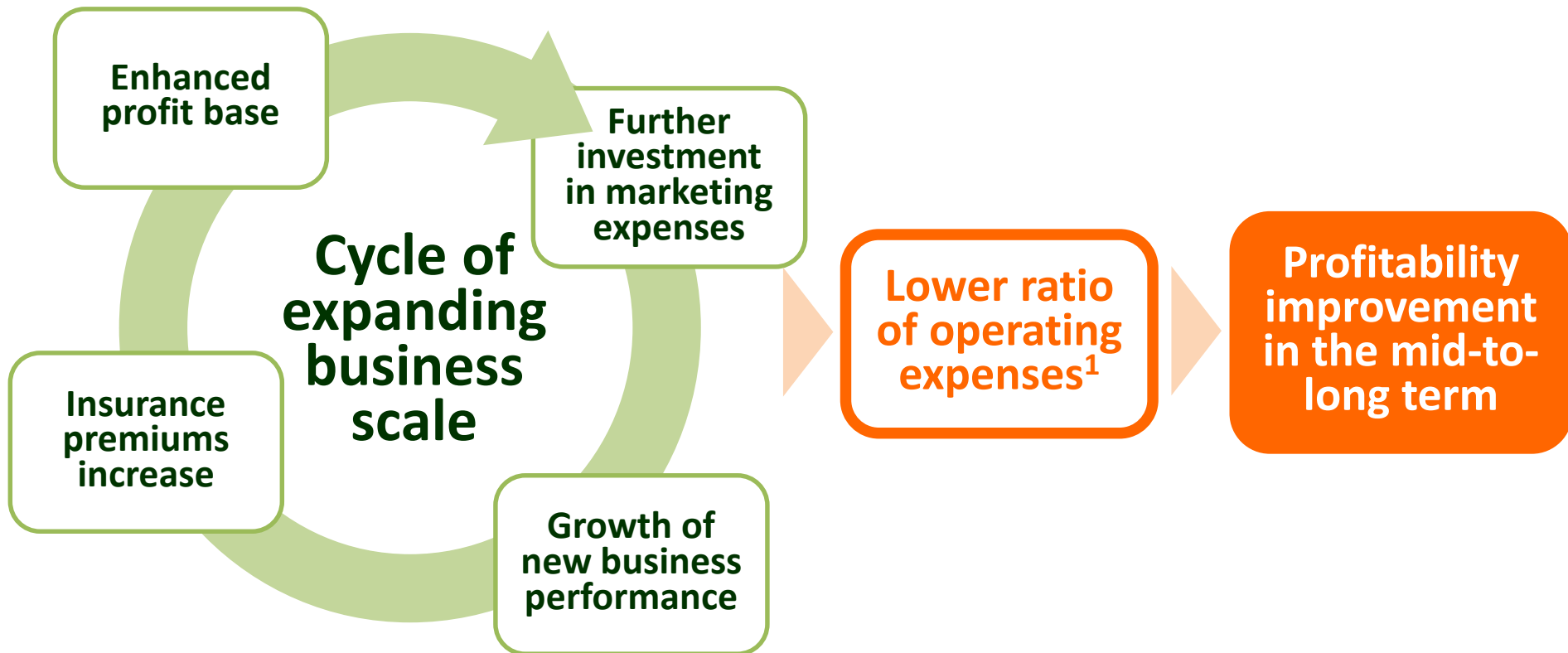
# Direction of New Management



-  Focusing on further expanding business scale by accelerating investment for growth
-  Transform to *Internet company of life insurance* from online insurer
-  Consistent principle; “Comprehensible, Cost-Competitive, Convenient”

# Focusing on Expanding Scale of Our Business

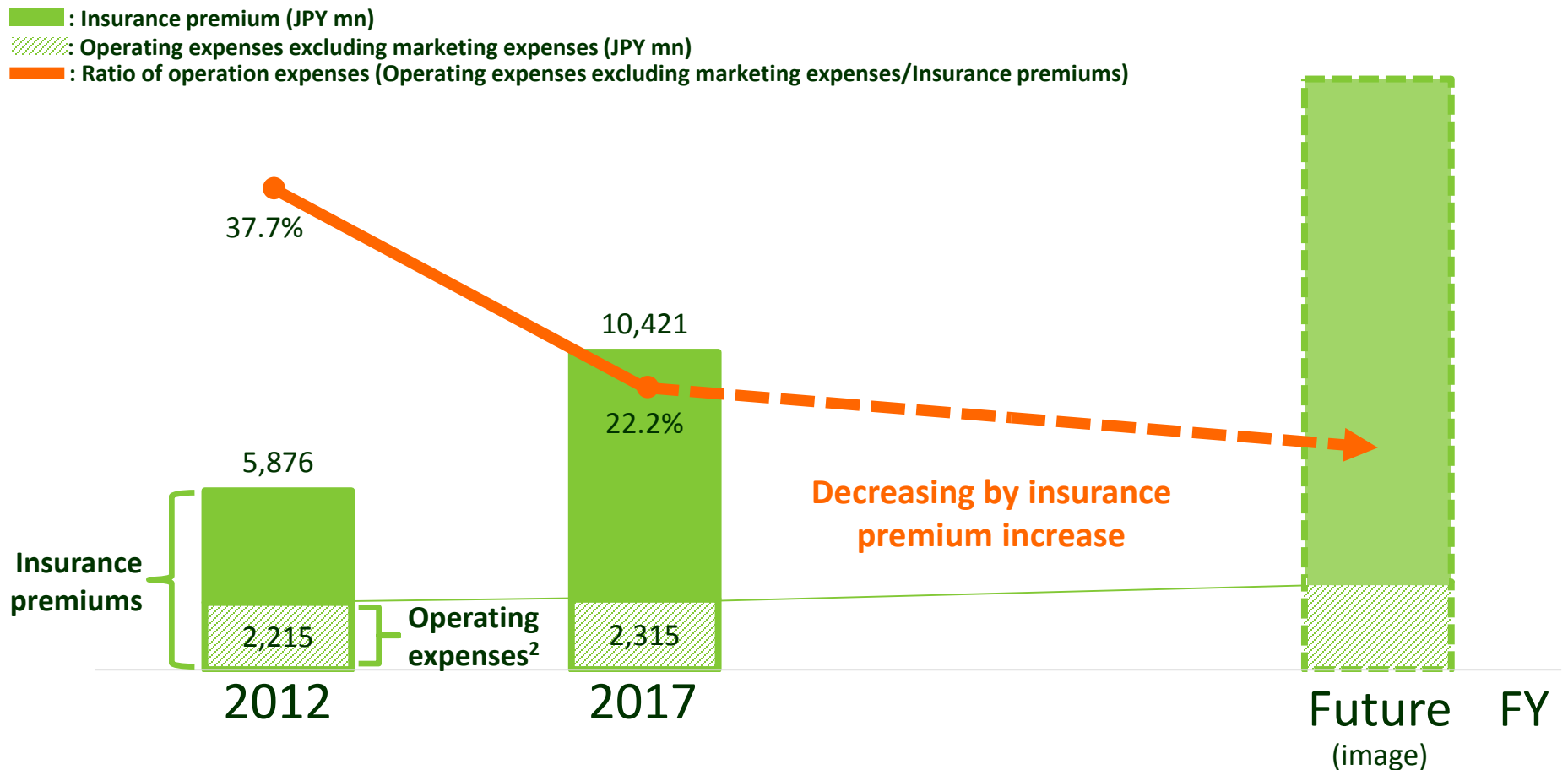
- Aggressive investment in marketing expenses for **improving profitability in the mid-to-long term**



1. The ratio of operating expenses (excluding marketing expenses) to premiums income

# Advantage Brought by Expanding Business Scale

■ With lower ratio of operating expenses<sup>1</sup>, **profitability improvement in the mid-to-long term to be realized with further growth investment**



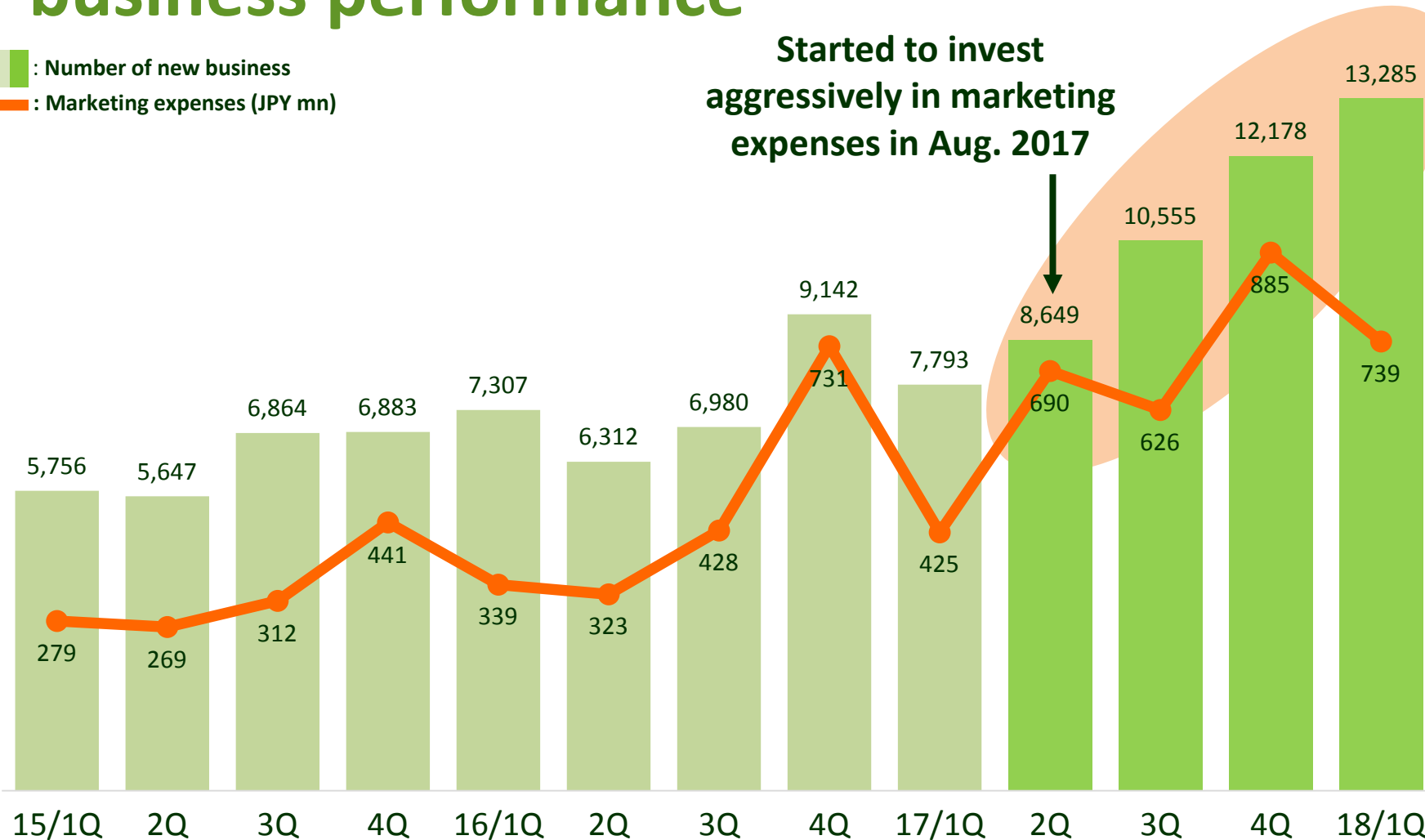
1. The ratio of operating expenses (excluding marketing expenses) to premiums income  
 2. Operating expenses excluding marketing expenses

# Investment Effect of Marketing Expenses

## Steadily contributed to growth of new business performance

■ : Number of new business  
■ : Marketing expenses (JPY mn)

Started to invest aggressively in marketing expenses in Aug. 2017



# Business Forecast FY2018

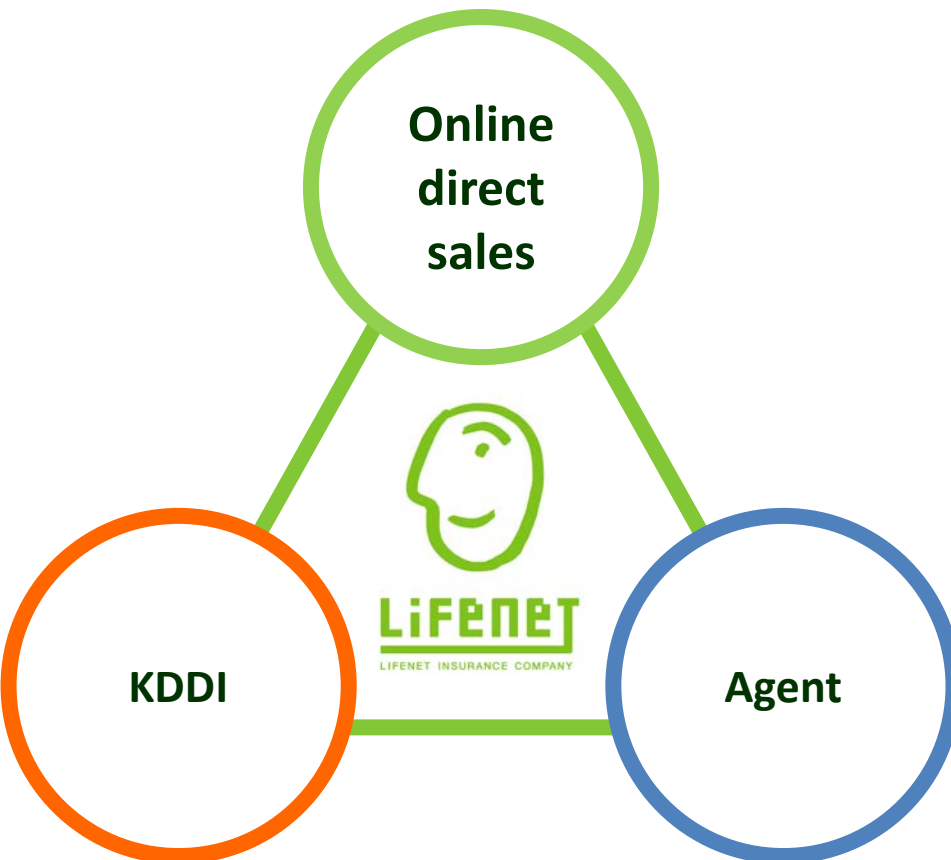
- Accelerate **investment in marketing expenses** to expand scale of our business

(JPY mn)

|                           | 【Revised】<br>Business forecast<br>for FY2018 | 【Original】<br>Business forecast<br>for FY2018 | (Reference)<br>Results for FY2017 |
|---------------------------|--|---|-----------------------------------|
| Ordinary income           | <b>12,300</b>                                | <b>12,000</b>                                 | <b>10,962</b>                     |
| Ordinary profit<br>(loss) | <b>(800)</b>                                 | <b>0</b>                                      | <b>(197)</b>                      |
| Net income<br>(loss)      | <b>(600)</b>                                 | <b>0</b>                                      | <b>(249)</b>                      |

# Enhancement of Three Channels

## ■ Aim for further business growth



### Online direct sales

- Promote sales by **aggressive investment in marketing expenses**
- Improve website continuously to **optimize smartphone site**

### KDDI (agent)

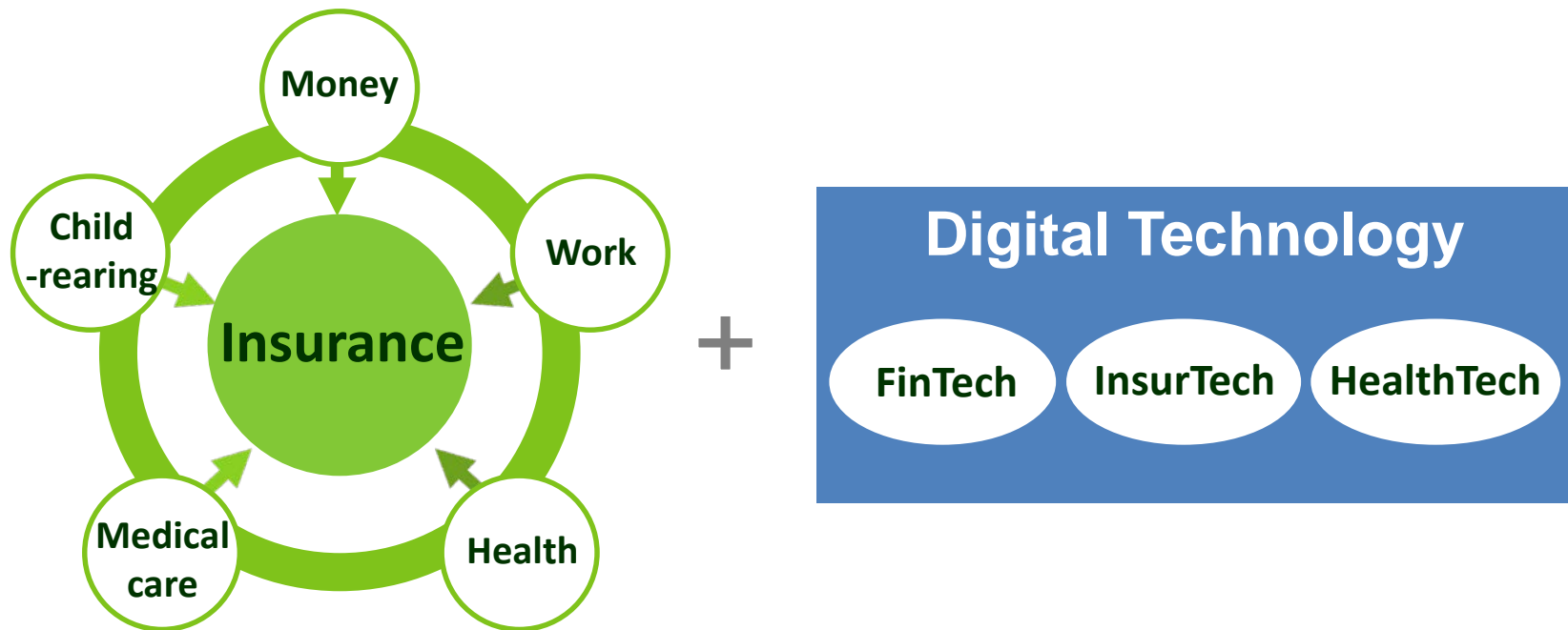
- Enhance sales of **new Cancer Insurance product**
- Trial sales at shops in progress

### Agent

- **Expanding scale of agents/shops**
- Enhance sales of **Long-term Disability product**

# Utilization of Technology

- Aim to provide further products, services and information **from customer perspective utilizing technology**



Life support by insurance and related information/services



# LIFENET Manifesto



## ■ Revised in June 2018 for the future Comprehensible, Cost-Competitive, Convenient

### I. Our Guiding Principles

- (1) Creating the life insurance of the future without losing sight of its original premise: “an ounce of prevention is worth more than a pound of cure.”
- (2) Listening to what our customers are saying. Recognizing their needs and acting accordingly. Allowing our actions to be borne out of their voices and needs.
- (3) Delivering the caliber of products and services that we would feel confident recommending to our own friends and families.
- (4) Being a “straight-shooter”. Committing to transparency. Communicating openly about our management team, our products, and our employees.
- (5) Embracing diversity and dialogue to keep us abreast of changing needs and preferences. Delivering peace of mind that we’ll be around in 100 years.
- (6) Acting in good faith means always taking the high road when it comes to compliance and ethics.

### II. Making Life Insurance Accessible Again - Headache-free

- (1) Helping the customers help themselves. By making our materials easy to understand, customers can determine which coverage is truly the best fit.
- (2) Turning “clauses” in the insurance contract into succinct points that your grandmother could grasp.
- (3) Making all touch points headache-free. Beyond the application process, ensuring the claims and billing processes are also easy to understand.

### III. Making Life Insurance Accessible Again - Affordable

- (1) Giving the customer what he/she needs. No more, no less at a fair price.
- (2) Staying vigilant as to how we can provide our products more cost-efficiently.
- (3) Always putting ourselves in our customers’ shoes in thinking about how to minimize their premiums.

### IV. Making Life Insurance Accessible Again - Convenient

- (1) Thinking about our customers’ convenience from every angle and every touch point along the way.
- (2) Forming alliances with like-minded partners who can add value above and beyond our products and services to our customers.
- (3) Providing health and wellness tips beyond the framework of life insurance to create value in our policyholders’ lives.
- (4) Creating a precedent for future generations as to what life insurance is (and should be) all about.

**We wish to be a company that helps our customers embrace life more fully.  
In order to live out that vision, we continue to challenge ourselves.**



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

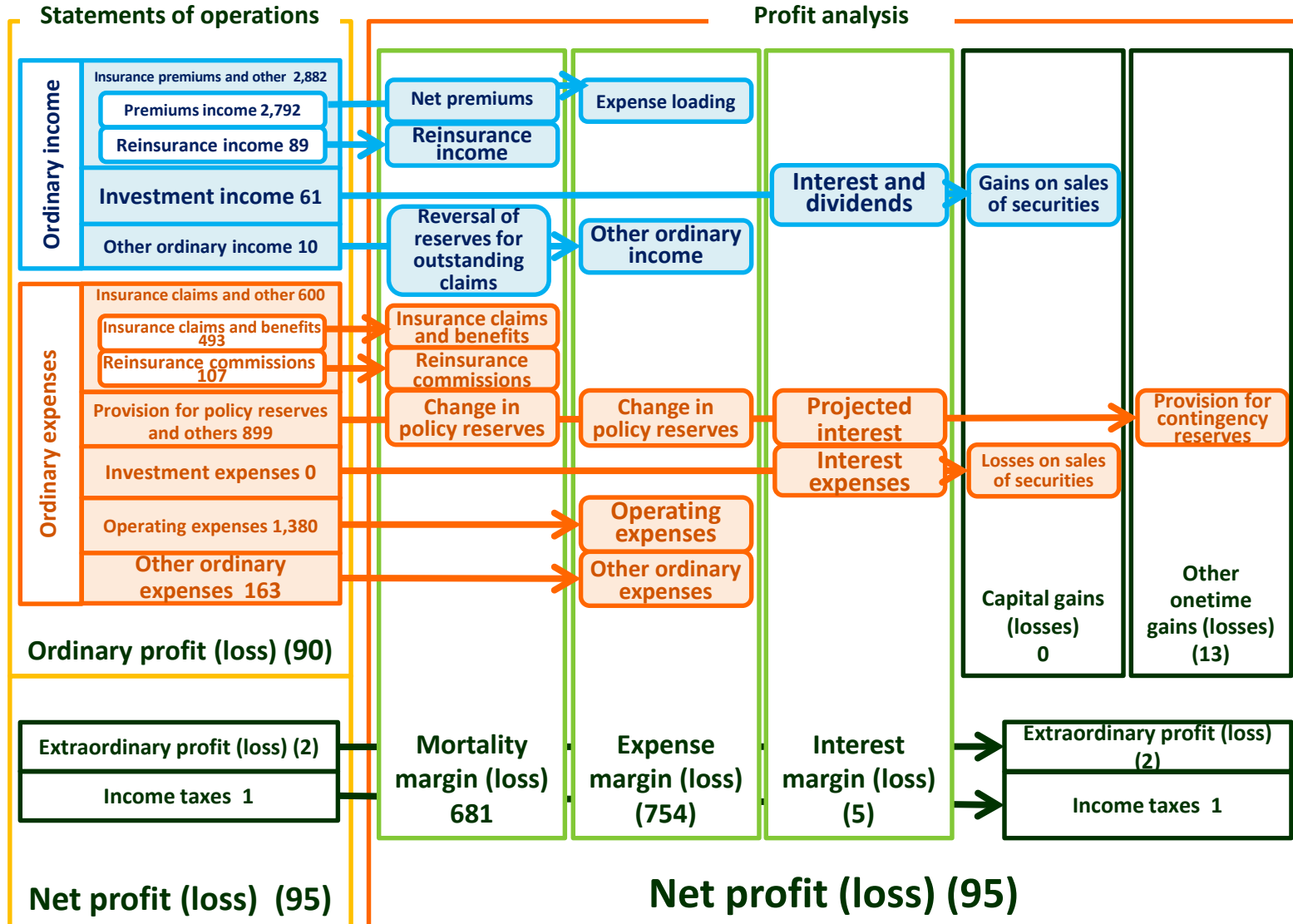


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# Three Surplus Factors of Fundamental Profit

1Q of FY2018



1. Some items with minimal amounts have been omitted.

# Solvency Margin Ratio Calculation

As of June 30, 2018

$$\text{Solvency margin ratio } 2,402.5\% = \frac{\text{Total amount of solvency margin <numerator> } 20,750}{\text{Total amount of risk/2 <the denominator> } 1,727/2} \times \frac{\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4/2}{1}$$

|                                 |   |
|---------------------------------|---|
| Cash and deposits<br>977        | Other liabilities<br>703  |
| Monetary claims bought<br>1,499 | Reserves for outstanding claims<br>425  |
| Money held in trust<br>2,641    | Policy reserves<br>21,656   |
| Securities<br>29,498            | Contingency reserves<br>1,532   |
|                                 | Excess over the full-Zillmerized reserve<br>5,648                             |
|                                 | Price fluctuation reserves<br>33  |
|                                 | Deferred tax liabilities on available-for-sale securities<br>202 <sup>1</sup> |
|                                 | Valuation difference on available-for-sale securities<br>520 <sup>1</sup>     |
| Tangible fixed assets<br>99     | Capital stock and other assets<br>12,812                                      |
| Intangible fixed assets<br>613  | Net assets<br>13,391  |
| Other assets<br>1,105           |   |

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

Insurance risk  $R_1$  1,098

Risk of change in mortality rate (calculated based on value of policies in force)

Medical insurance risk  $R_8$  388

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  $R_3$  736

[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  $R_4$  66

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.