



LIFENET

LIFENET INSURANCE COMPANY

Securities Code:7157
TSE Mothers

Reference Data for Third Quarter Fiscal 2018

LIFENET INSURANCE COMPANY

February 12, 2019

LIFENET is...



Comprehensible
Cost-Competitive
Convenient

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

Overview of Cumulative 3Q for FY2018



(JPY mn) **LIFENET**

Annualized premium¹ of policies-in-force

12,510

(vs end of FY2017 **112.2%**)

Annualized premium¹ of new business

1,951

(Y-on-Y **163.8%**)

Adjusted profit²

1,906

(Y-on-Y **110.1%**)

EEV³ (European Embedded Value)

62,240

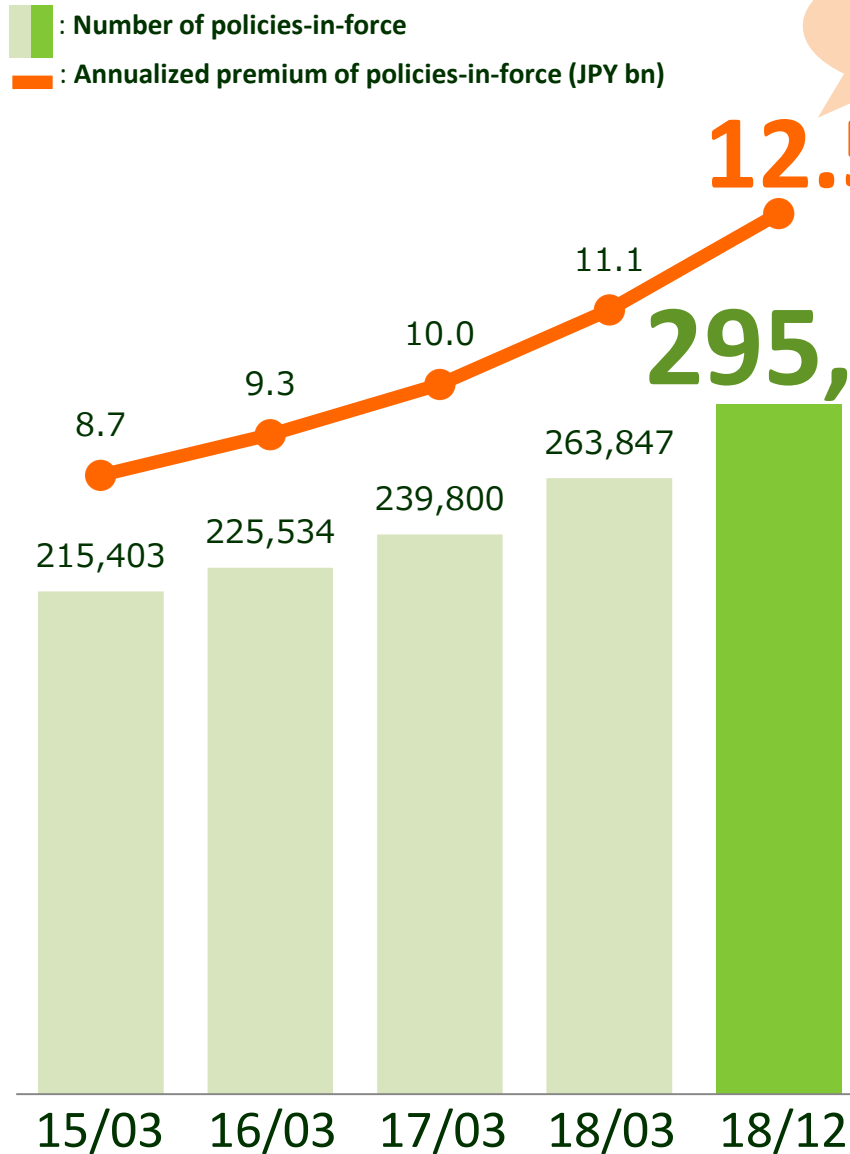
(Adjusted incremental EV⁴ **2,812**)

Products received external
high evaluation



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.
2. Ordinary profit excluding marketing expenses, see page 11 and 12 for details.
3. EEV as of December 31, 2018 is calculated applying the same operating assumptions as those used for September 30, 2018, and is not reviewed by third-party specialists.
4. Adjusted incremental EV consisted of components accurately reflecting our business growth in 3Q of FY2018, see page 15 for details.

Annualized Premium /Number of Policies-in-Force



As of 3Q end

Up 12% vs end of FY2017

Up 12% vs end of FY2017

Keeping a strong growth trend



Exceeded 300,000 policies-in-force in January

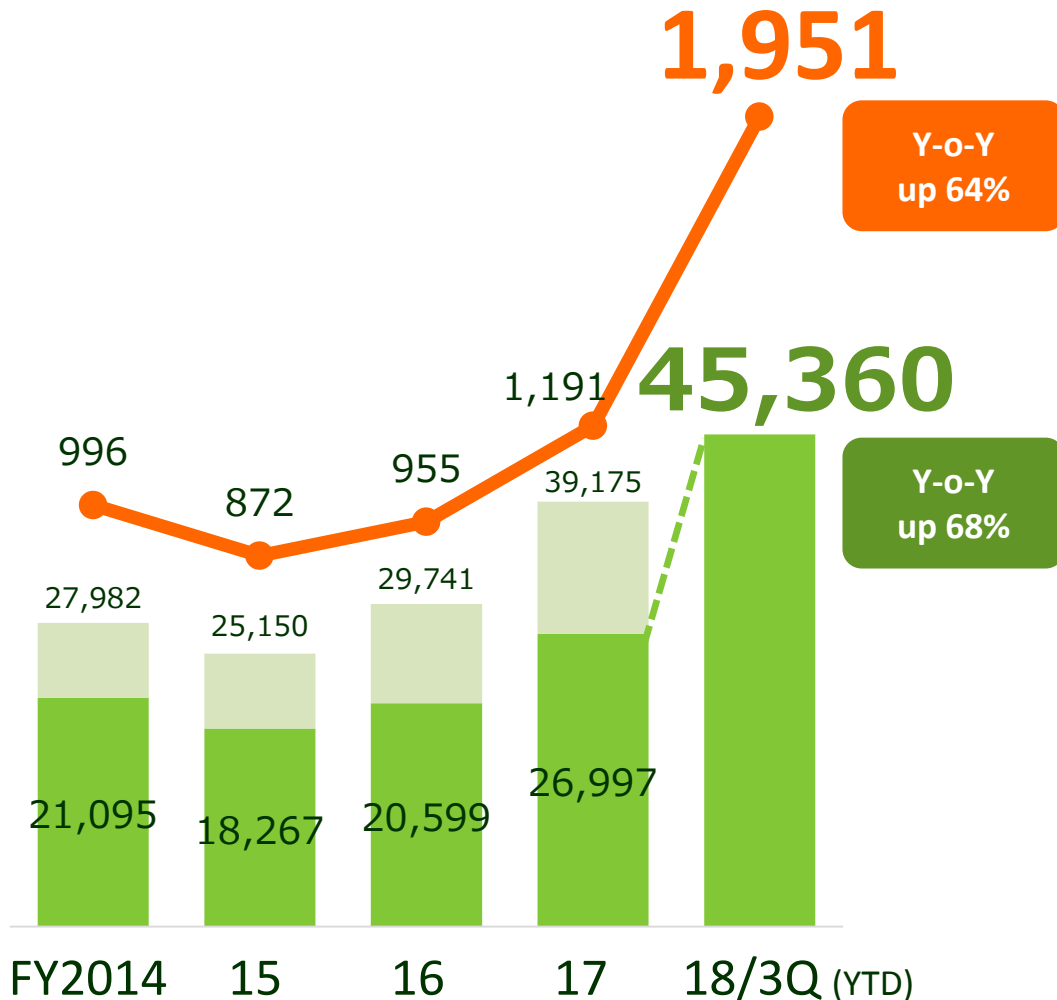
Breakdown of Policies-in-Force

	18/03	18/12	Component ratio
Number of policies-in-force	263,847	295,662	100%
- Term Life ¹	131,256	144,923	49%
- Whole-life Medical ¹	76,606	82,982	28%
- Term Medical Care ¹	9,924	9,610	3%
- Long-term Disability ¹	42,629	47,780	16%
- Cancer ¹	3,432	10,367	4%
Sum insured of policies-in-force² (JPY mn)	2,059,703	2,221,734	
Number of policyholders	169,532	189,508	
	17/3Q	18/3Q	
(Reference) Surrender and lapse ratio³	5.9%	6.3%	

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.

Annualized Premium /Number of New Business

- :Number of new business (Fiscal year)
- :Number of new business (First 9 months of fiscal year)
- :Annualized premium of new business (First 9 months of fiscal year, JPY mn)



■ Business results for the first 9 months exceeded that of fiscal 2017

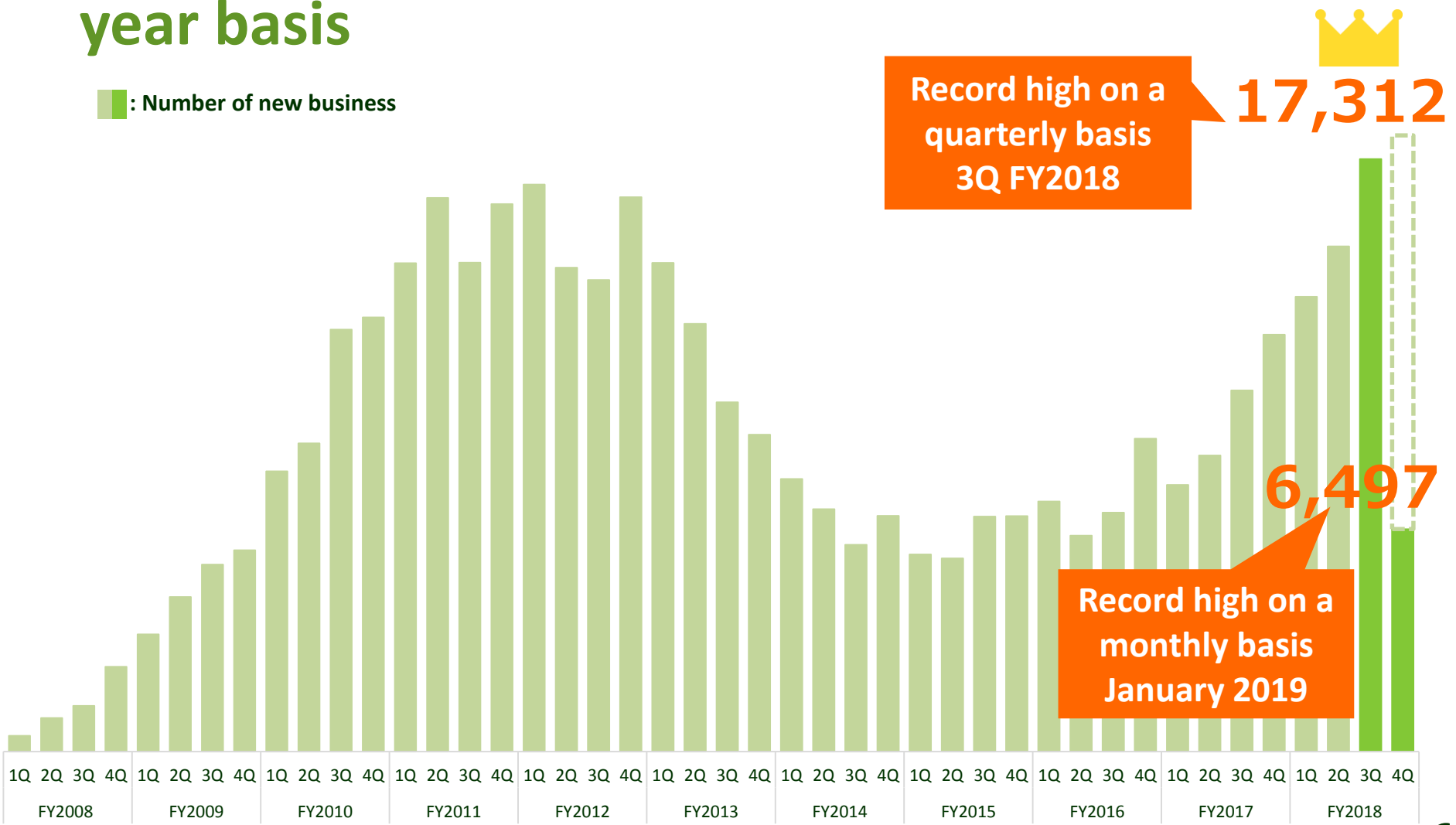
- Factors of growth
- Increase of conversion rate by improvement of application website
 - Enhancement of our brand by advertising
 - Effect of channel diversification

Reached Record High on a Quarterly Basis



■ Progress steadily towards **record high** on a fiscal year basis

■ : Number of new business



Record high on a quarterly basis
3Q FY2018

17,312

Record high on a monthly basis
January 2019

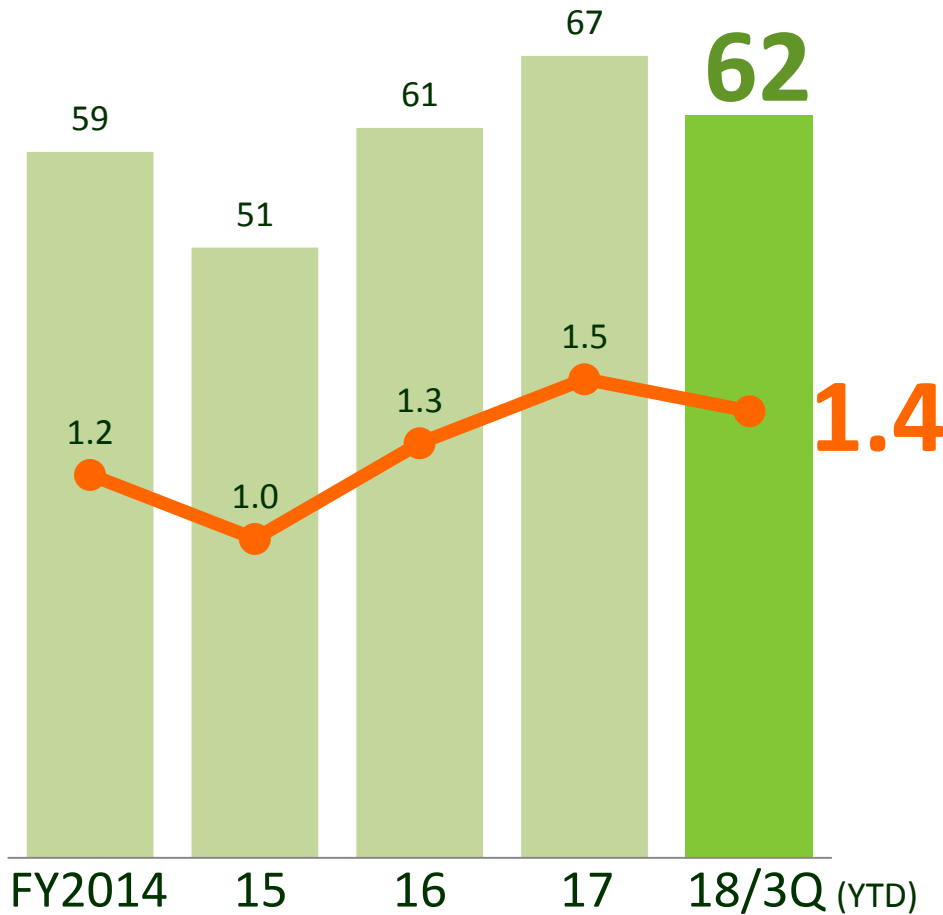
6,497

1. Result of January 2019 is on a preliminary basis.

Marketing Expenses per New Business



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



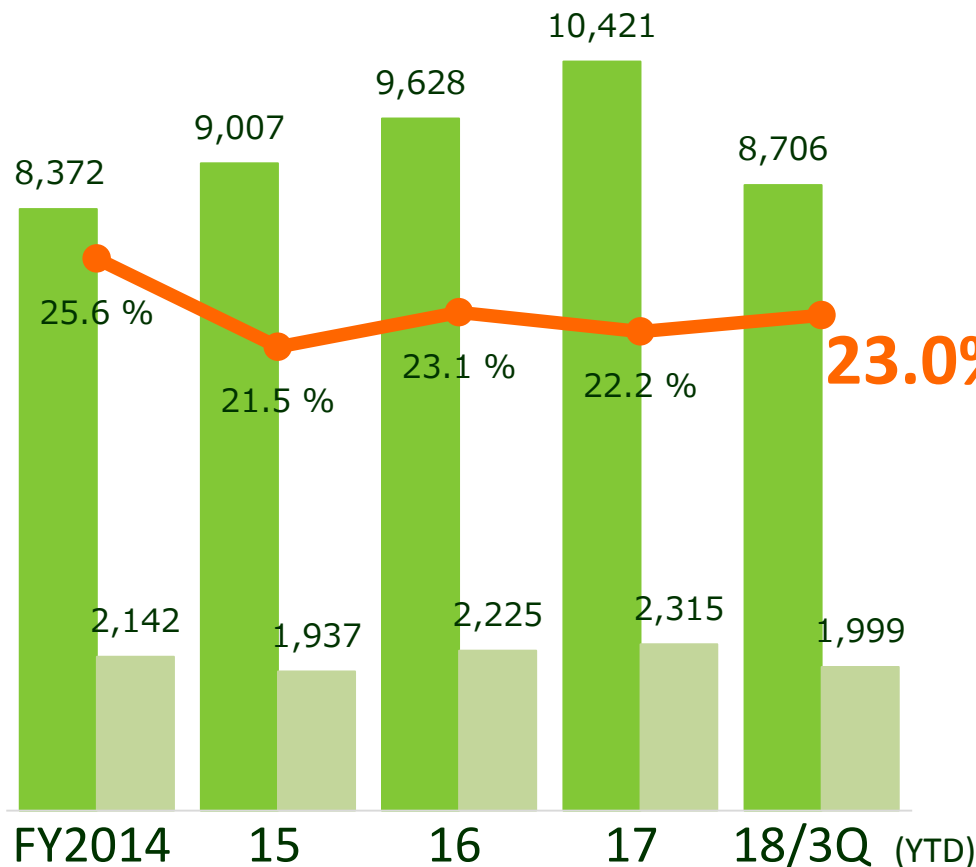
■ Maintained same level continuously despite increase in marketing expenses

■ Expecting around 60 thousand yen level for fiscal 2018

Marketing expenses (JPY mn)	FY2014	15	16	17	18/3Q (YTD)
	1,672	1,302	1,822	2,627	2,850

Operating Expenses Ratio

- :Insurance premiums (JPY mn)
- :Operating expenses excl. marketing expenses (JPY mn)
- :Operating expenses ratio¹ (%)



■ Operating expenses ratio¹ **23.0%**

■ Aim for improving operating expenses ratio¹ by **scale expansion** and **improvement of operational efficiency**

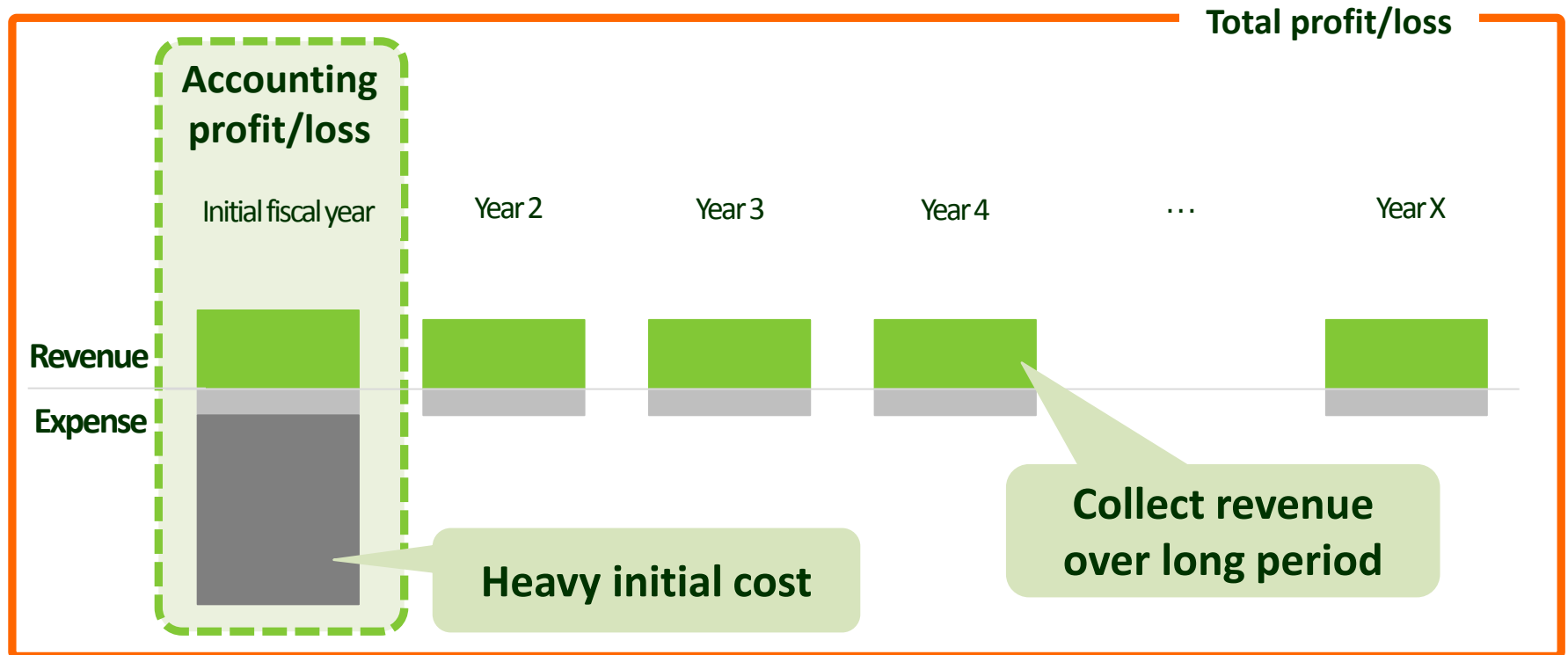
1. The ratio of operating expenses excluding marketing expenses to premiums income

Long-term Profit Not Reflected under Current Statutory Accounting

- **Taking time to generate profit**, as initial cost is recognized at the time of acquisition, and the revenue is collected gradually over long period

Approximate profit structure for one policy

■ : Premiums ■ : Operation expenses¹ excluding marketing expenses
■ : Marketing expenses



1. Costs for policy management, payment of insurance claims and benefit claims, etc.

Key Business Indicators of Corporate Value



- Disclosed as key indicators of **substantial profitability**

Adjusted profit

(Ordinary profit (loss) excluding marketing expenses)

Indicator of profit generated from policies-in-force

EEV (European Embedded Value¹)

Indicator of long-term profitability of insurance companies

1. EEV is one of the calculation metrology of EV. The EEV Principles and related guidance were published in May 2004 by the CFO Forum, an organization comprising the chief financial officers of Europe's leading life insurers, in order to improve consistency and transparency in EV reporting.

Adjusted Profit

■ Indicator of profit **generated from policies-in-force**

Significance of *Adjusted profit* disclosure

- As accrual timing of cost and revenue do not match, statutory accounting does not necessarily provide an accurate picture of profitability of our business
- Accrual timing of marketing expenses is far different from the one of revenue, therefore excluding marketing expenses from ordinary profit (loss) enables to indicate profit generated from policies-in-force

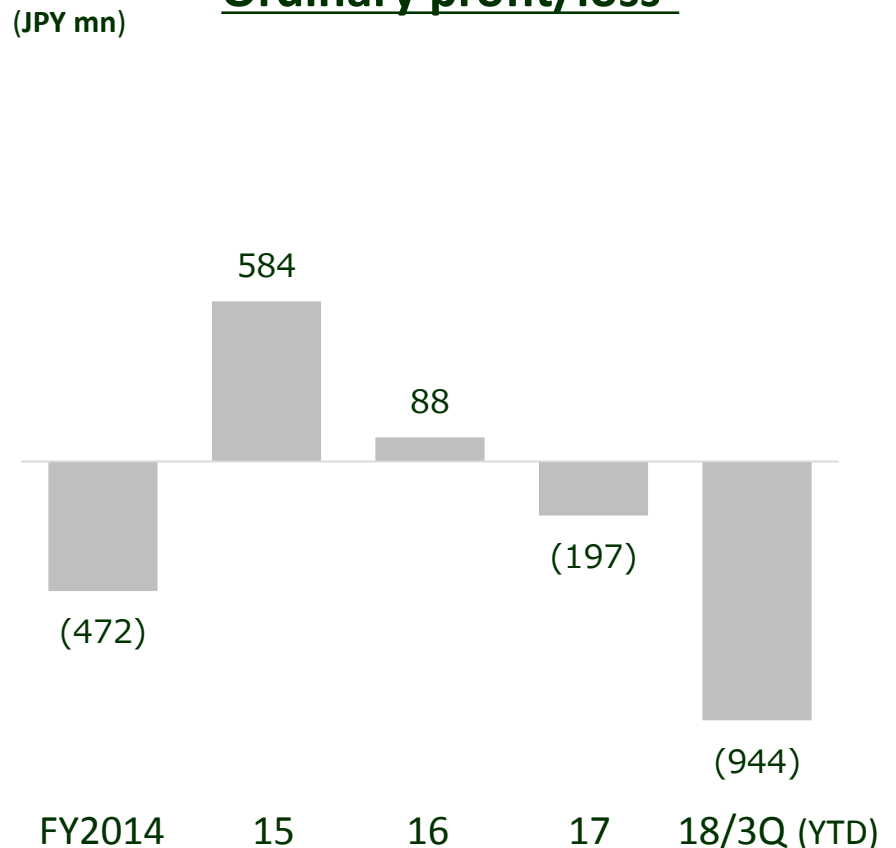
Ordinary profit excluding marketing expenses

Adjusted profit

Adjusted Profit

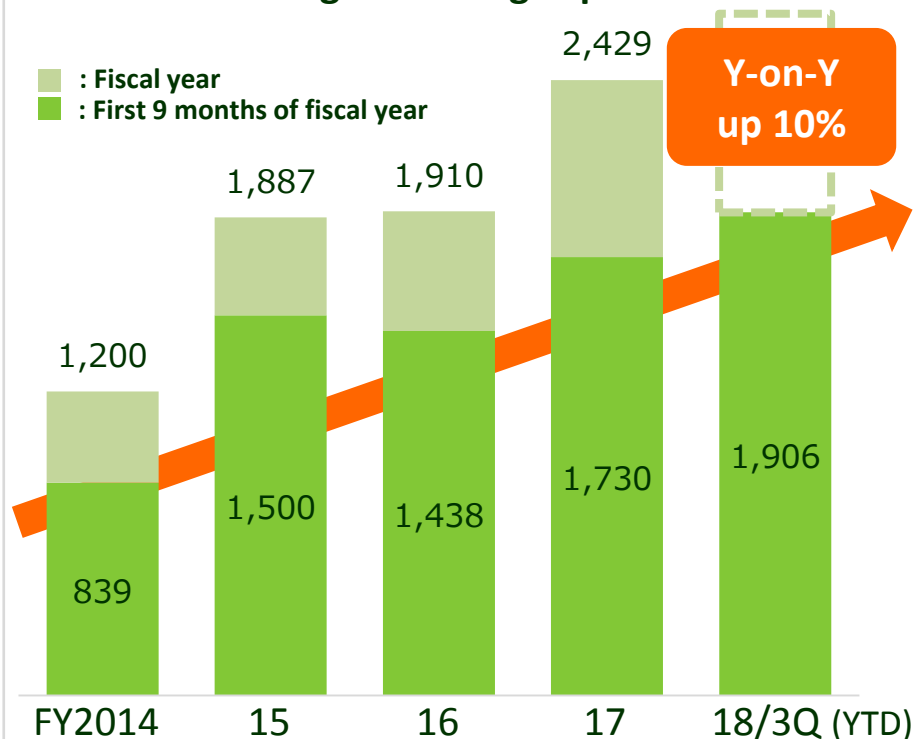
- Adjusted profit **steadily increased** though ordinary profit (loss)¹ to be influenced by marketing expenses

Ordinary profit/loss¹



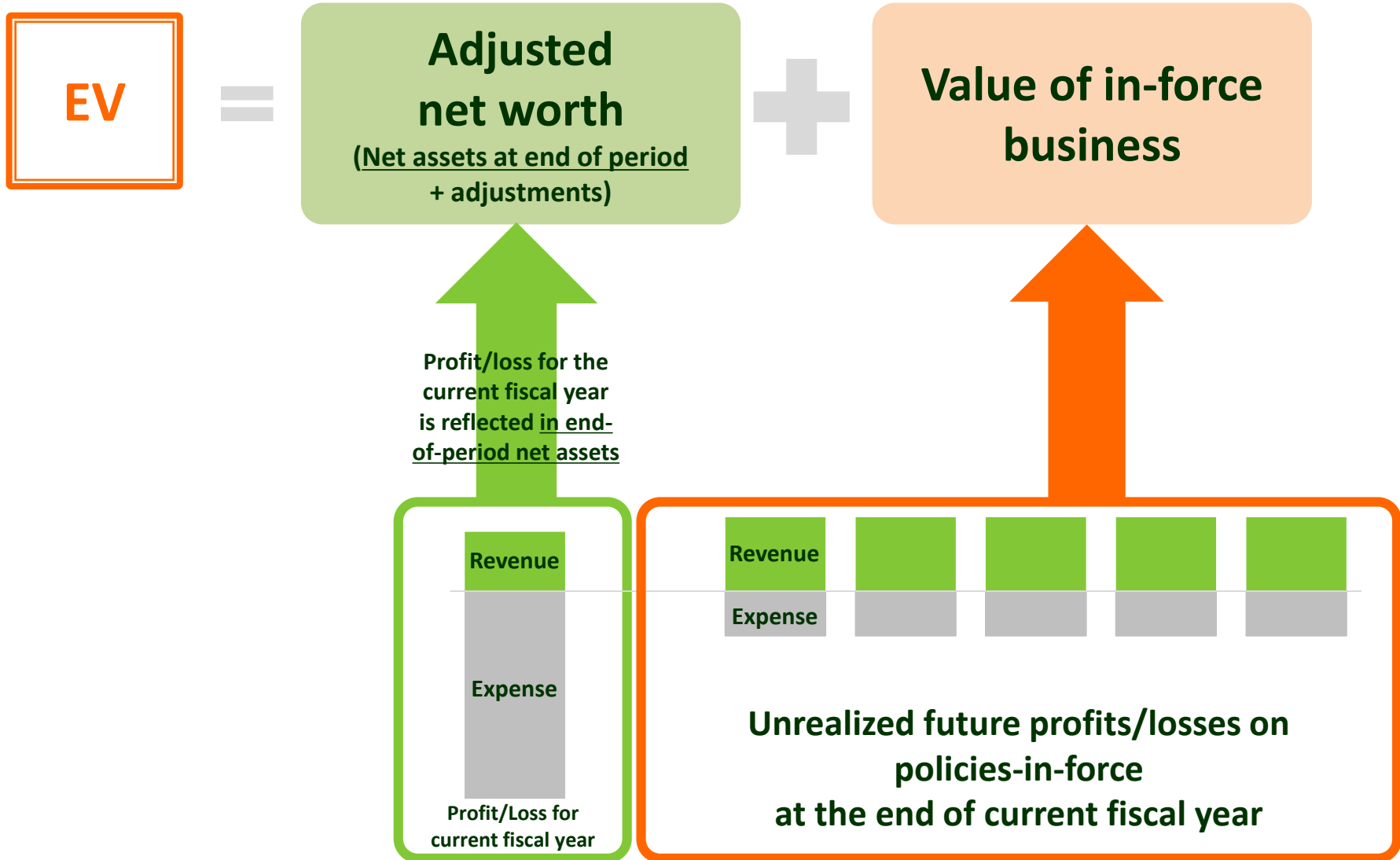
Adjusted Profit

= Ordinary profit (loss)¹
excluding marketing expenses



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

Structure of Embedded Value



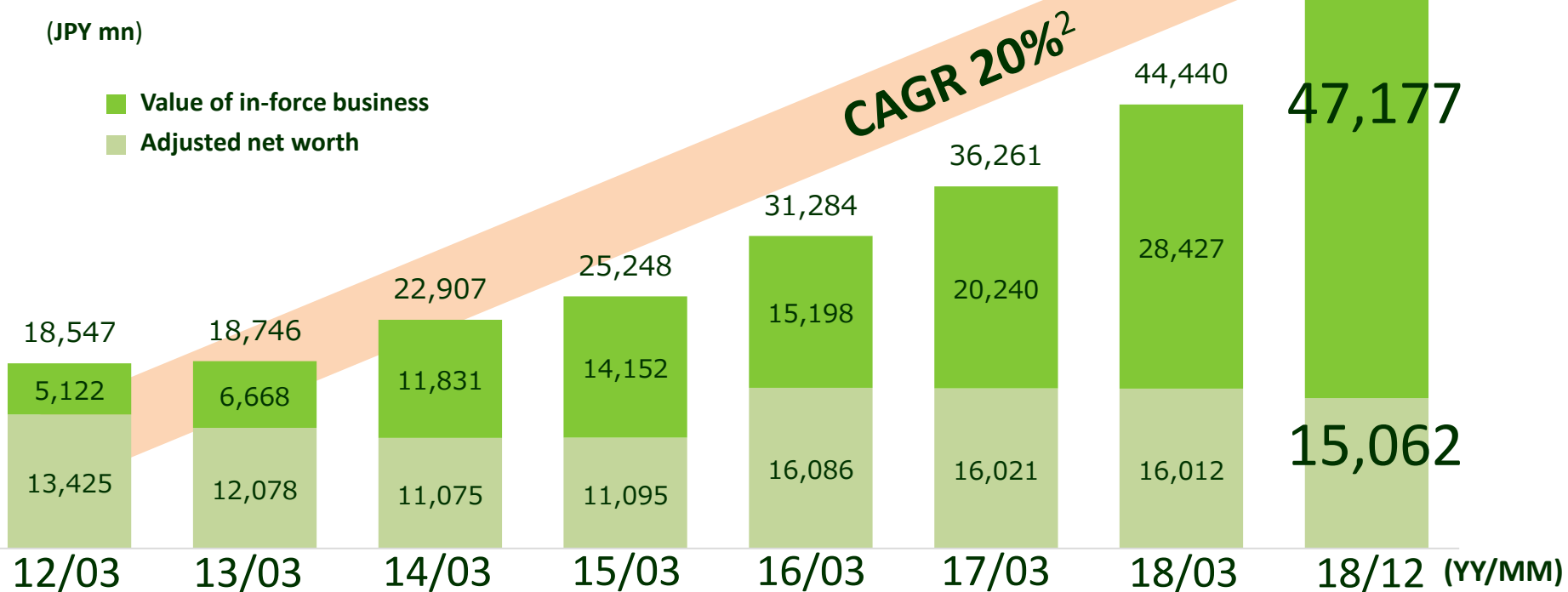
European Embedded Value¹ (EEV)



- CAGR of EEV is **20%**² and value of in-force business is **39%** since IPO
- **Steadily growing** even in a low interest rate environment

(JPY mn)

■ Value of in-force business
■ Adjusted net worth



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. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate the level of ultra-long-term interest rates past the last liquid data point. This method of extrapolation has also been used to restate EEV as of March 31, 2016. EEV as of December 31, 2018 is calculated applying the same operating assumptions as those used for September 30, 2018, and is not reviewed by third-party specialists.

2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015.

Adjusted Incremental EV

- Accurately indicates **our business growth in a certain period** among increase in EEV

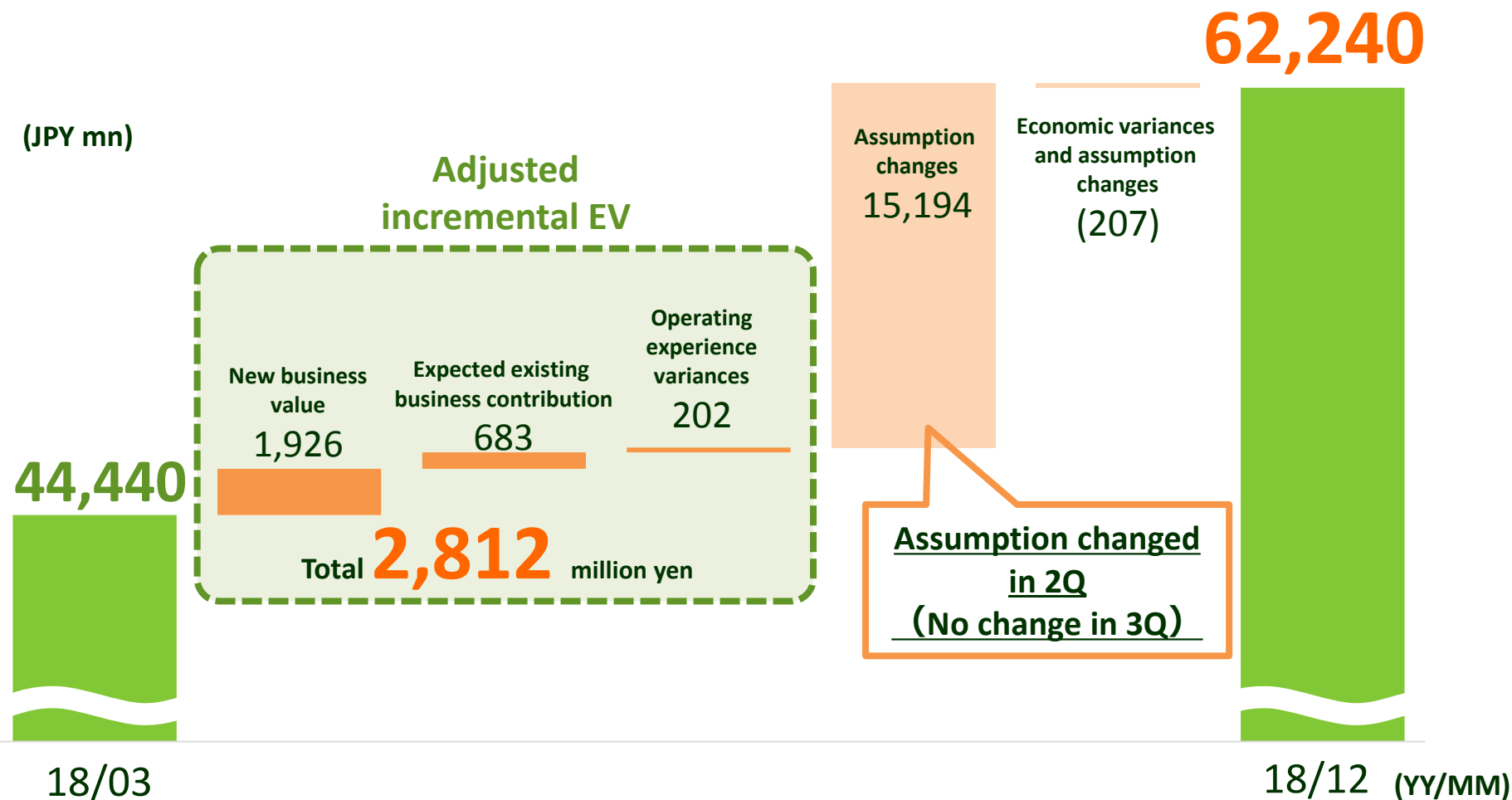
Adjusted incremental EV

Defined as constitution of components below

- New business value in the fiscal year
- Expected existing business contribution
- Operating experience variances

Structure Breakdown of EEV¹

Adjusted incremental EV 2,812 million yen



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Financial Condition

(JPY mn)	(YY/MM)	18/03	18/12
Total assets		35,541	37,334
Cash and deposits		926	960
Monetary claims bought		1,999	1,199
Money held in trust		2,567	3,015
Securities		28,303	30,239
Government bonds		8,398	8,022
Municipal bonds		1,505	1,381
Corporate bonds		13,892	16,086
Stocks ¹		346	341
Foreign securities		-	45
Other securities ²		4,161	4,362
Total liabilities		22,153	25,027
Policy reserves and other		21,186	24,055
Total net assets		13,387	12,306
Solvency margin ratio		2,455%	2,191%

■ Modified duration
11.7 years

■ Maintain adequate
**level of Solvency
margin ratio**

1. Holds shares of Advance Create Co., Ltd. and others for the purpose of business partnership etc. in online sales
2. Investment trust including foreign bonds and others

Evaluation for Products

■ Products highly evaluated by professionals



Term Life



Long-term
Disability



Cancer



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. of May 2018.
4. MONOQRO the MONEY magazine of December 2018
5. The survey was conducted from August 20, 2018 to September 12, 2018, and was evaluated by 30 financial planners. Lifenet Long-term Disability was chosen as number one from 10 products.

Business Forecast FY2018

- No change from 2Q
- Aim for **reaching historical high** on a fiscal year basis

(JPY mn)

	Business forecast for FY2018	(Reference) Results for FY2017
Ordinary income	12,600	10,962
Ordinary profit (loss)	(1,600)	(197)
Net income (loss)	(1,600)	(249)
(Reference) Annualized premium ¹ of new business	2,600	1,714

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.

New Management Policy



Mission

Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services

Vision

Be the leading company driving the growth of the online life insurance market

Priority areas

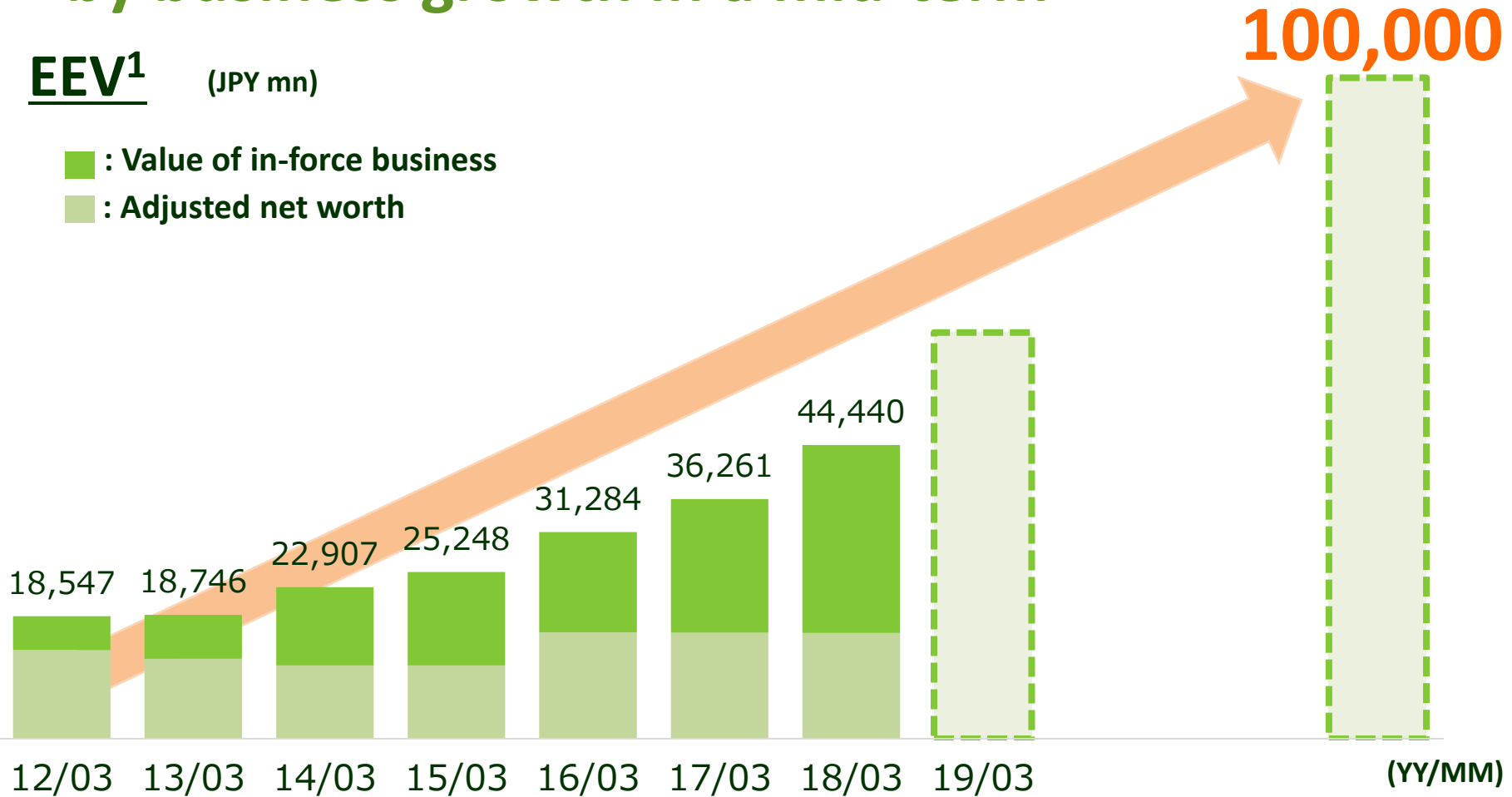
- **Innovation of customer experience**
Enhancing and evolving the quality of all services with digital technology
- **Enhancement of promotion capabilities**
Generating massive customer traffic by active promotion and expansion of agent sales and white label business

Management Goal

■ Aim to achieve **EEV of 100 billion yen** by business growth in a mid-term

EEV¹ (JPY mn)

■ : Value of in-force business
 ■ : Adjusted net worth



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. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate the level of ultra-long-term interest rates past the last liquid data point. This method of extrapolation has also been used to restate EEV as of March 31, 2016.

LIFENET Manifesto



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.

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.

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.

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.

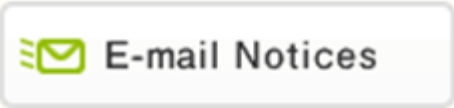
**We wish to be a company that helps our customers embrace life more fully.
In order to live out that vision, we continue to challenge ourselves.**



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



LIFENET

LIFENET INSURANCE COMPANY

Condensed Statements of Operation / Fundamental Profit (Cumulative 3Q)



	(JPY mn)	First 9 months of FY2017	First 9 months of FY2018	Change	Note
Condensed Statements of Operation	Insurance premiums and other	7,867	8,949	1,082	
	Other	203	409	205	
	Ordinary income	8,071	9,359	1,288	In-force policies business increase
	Insurance claims and other	1,426	1,950	524	Increased by In-force policies business increase. Percentage of insurance claims and benefit claims to insurance premiums is 18.4%
	Insurance claims	761	1,105	344	Increased from 55 cases to 71 year on year (3Q of 2018)
	Benefit claims	434	498	64	Increased from 4,604 cases to 5,136 year on year (3Q of 2018)
	Provision for policy reserves and other	2,737	2,962	224	Increased slightly by transferring to standard policy reserves. Percentage of provision for policy reserves (2,962 million yen) to insurance premiums is 34.0%
	Operating expenses	3,484	4,850	1,366	Marketing expenses mainly advertising expenses increased
	Marketing expenses	1,741	2,850	1,108	
	Customer service	509	578	68	
	System and other	1,232	1,421	189	
	Other	434	540	106	
	Ordinary expenses	8,082	10,303	2,221	
	Ordinary profit (loss)	(11)	(944)	(933)	
	Extraordinary losses and income taxes	31	12	(18)	
Net income (loss)	(42)	(957)	(914)		
Fundamental Profit	Mortality margin	1,941	2,075	134	
	Expense margin (loss)	(1,875)	(2,998)	(1,123)	Marketing expenses mainly advertising expenses increased
	Interest margin (loss)	1	(13)	(15)	
	Fundamental profit	67	(936)	(1,004)	

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

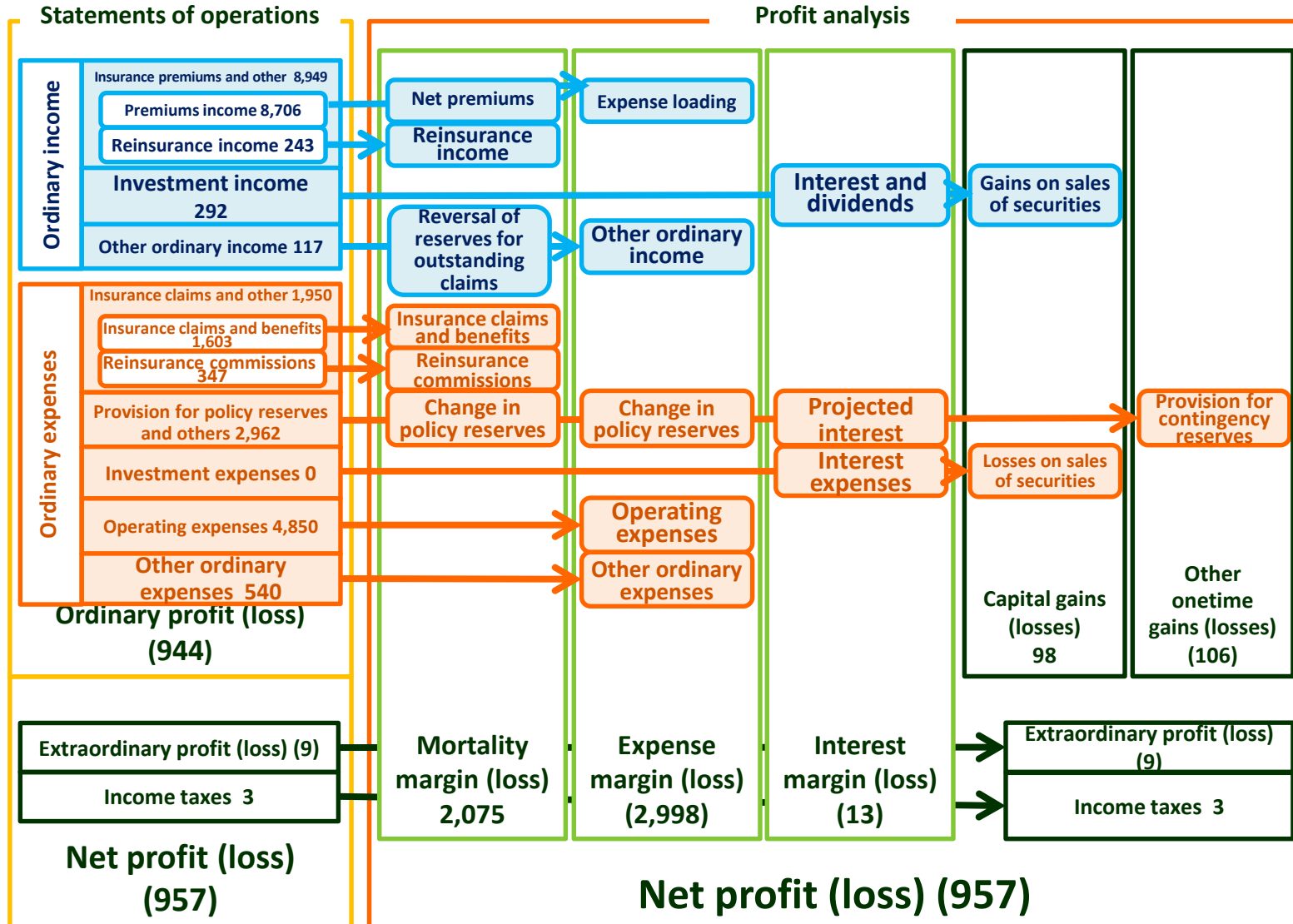
(JPY mn)	Change in EEV as of Dec. 31, 2018	Change in VoNB
EEV and new business value as of December 31, 2018	62,240	1,926
Sensitivity 1a: 1.0% increase in risk-free rate	(2,626)	47
Sensitivity 1b: 1.0% decrease in risk-free rate	2,477	(171)
Sensitivity 1c: 0.5% increase in risk-free rate	(1,307)	35
Sensitivity 1d: 0.5% decrease in risk-free rate	1,271	(66)
Sensitivity 1e: Interest rates based on JGB yields	468	62
Sensitivity 2: 10% decrease in equity and real estate value and other	(427)	-
Sensitivity 3: 10% decrease in operating expenses	2,423	344
Sensitivity 4: 10% decrease in lapse rate	273	22
Sensitivity 5: 5% decrease in claim incidence rates for life business	2,975	293
Sensitivity 6: 5% decrease in mortality for annuity business	-	-
Sensitivity 7: Change the required capital to the statutory minimum	76	9

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. EEV as of December 31, 2018 is calculated applying the same operating assumptions as those used for September 30, 2018, and is not reviewed by third-party specialists.

Three Surplus Factors of Fundamental Profit

3Q of FY2018

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of Dec 31, 2018

Solvency margin ratio
2,191.7%

=

Total amount of solvency margin
<numerator>
20,074

÷

Total amount of risk/2
< the denominator >
1,831/2

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

Cash and deposits 960	Other liabilities 792
Monetary claims bought 1,199	Reserves for outstanding claims 335
Money held in trust 3,015	Policy reserves 23,719
Securities 30,239	Contingency reserves 1,625
	Excess over the full-Zillmerized reserve 6,012
	Price fluctuation reserves 40
	Deferred tax liabilities on available-for-sale securities 124 ¹
	Valuation difference on securities available-for-sale 320 ¹
Capital stock and other assets 11,950	
Tangible fixed assets 87	Net assets 12,306
Intangible fixed assets 642	
Other assets 1,188	

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

Insurance risk R₁ 1,151

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

Medical insurance risk R₈ 426

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 778

[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 70

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.



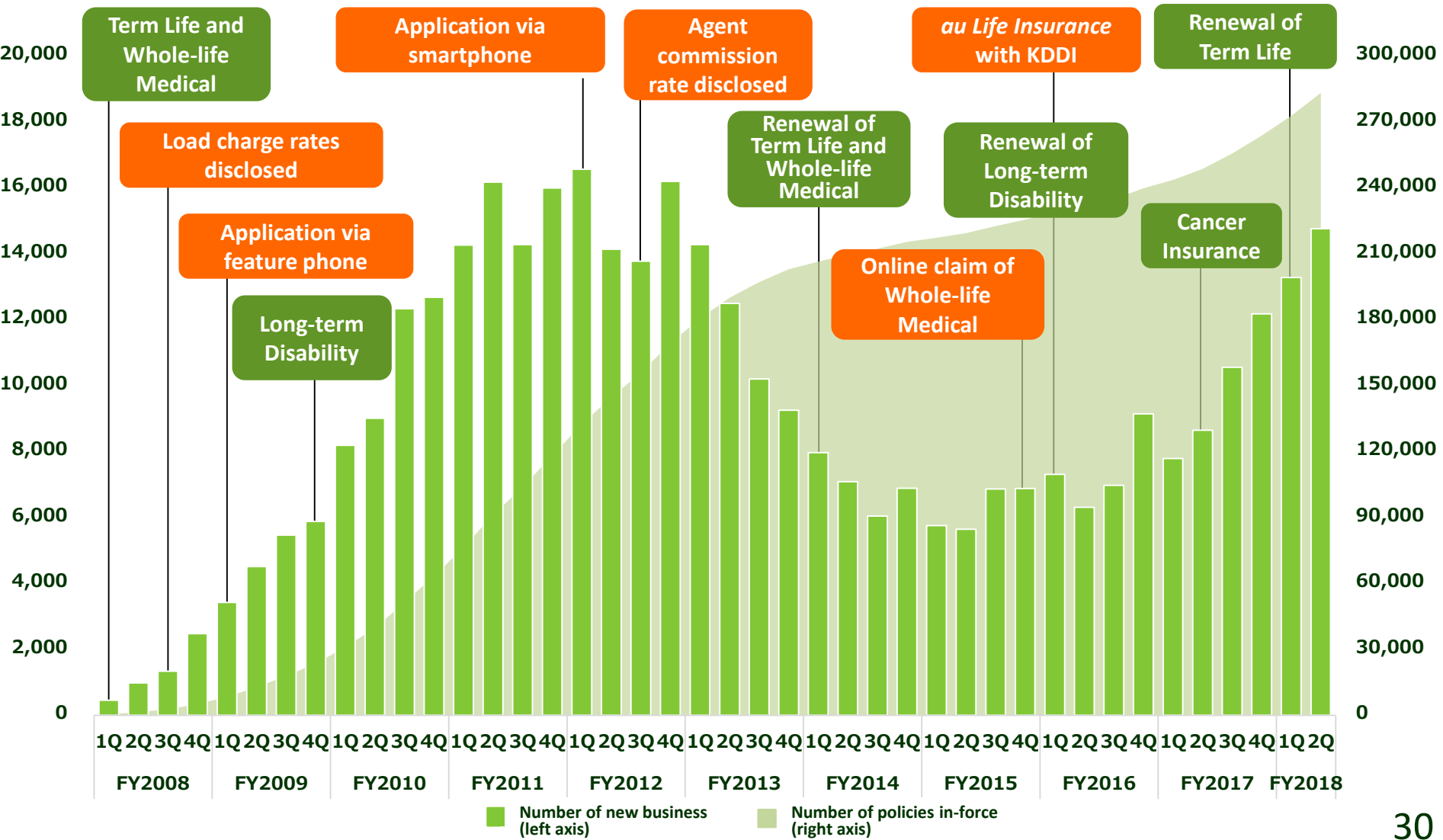
New Management Policy

(Disclosed on November 12, 2018)



Looking Back on 10 Years since Business Commencement

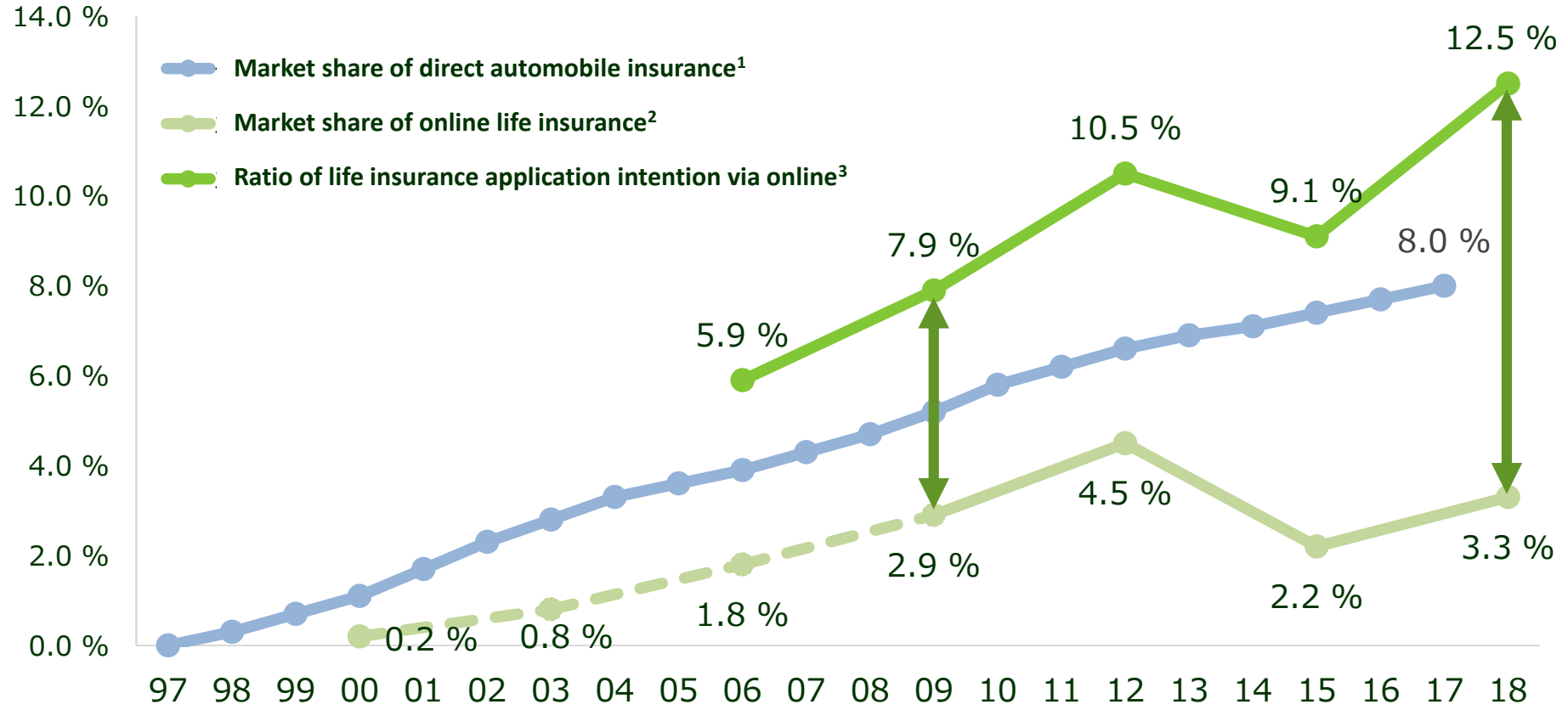
New business performance back on growth track





Growth Potential of Online Life Insurance Market

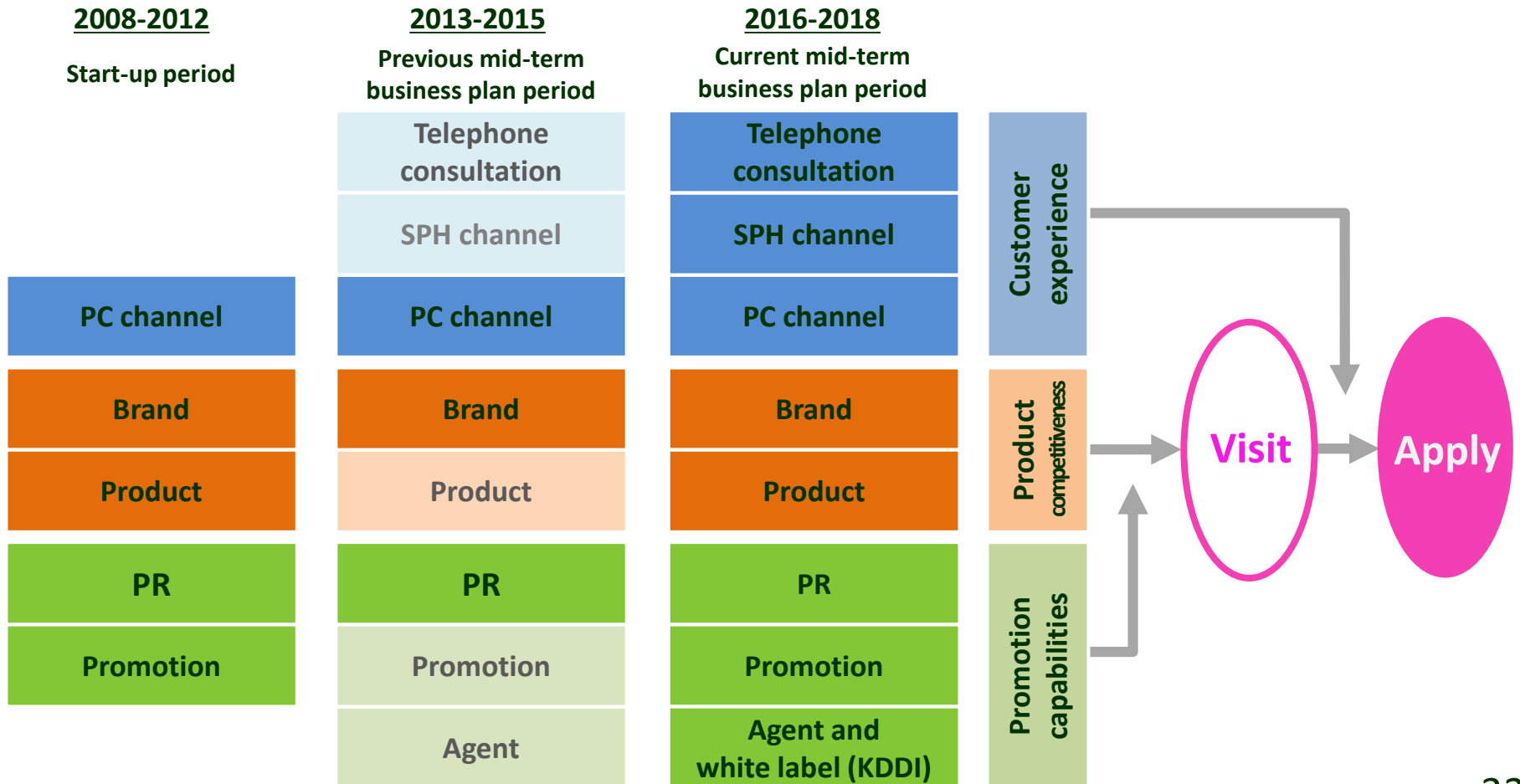
Expect growth of online insurance market based on growing consumers intension



1. Ratio of direct automobile insurance to direct writing premiums in whole automobile insurance market
 2. Ratio of online application to whole application channels of life insurance
 3. Ratio of consumers who intend to apply via online in case he/she applies life insurance in the future

Priority Areas during 10 Years

■ Responding to changing customer needs for sustainable growth



New Management Policy



Mission

Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services

Vision

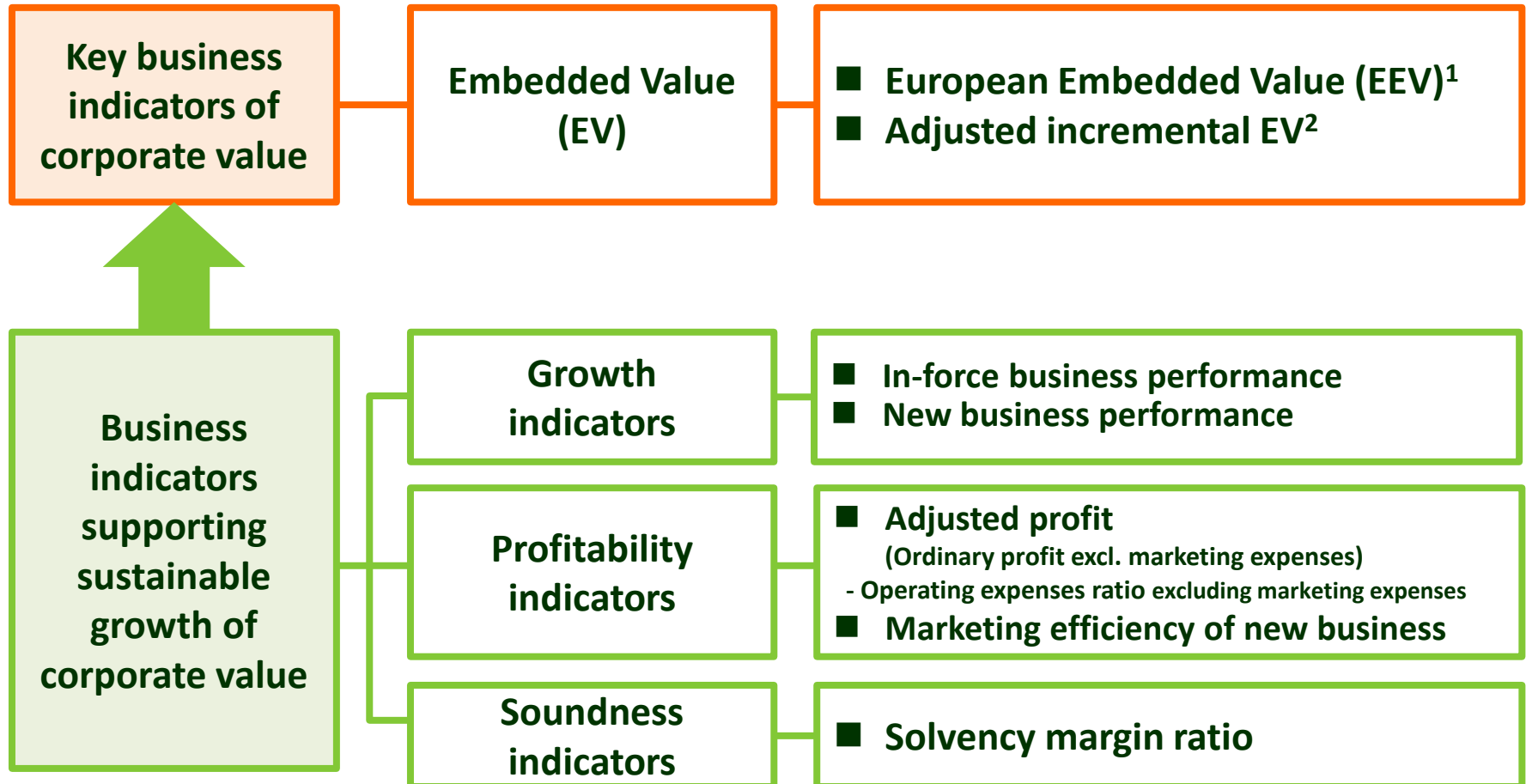
Be the leading company driving the growth of the online life insurance market

Priority areas

- **Innovation of customer experience**
Enhancing and evolving the quality of all services with digital technology
- **Enhancement of promotion capabilities**
Generating massive customer traffic by active promotion and expansion of agent sales and white label business

Business Indicators

■ Aim for sustainable growth of Embedded Value



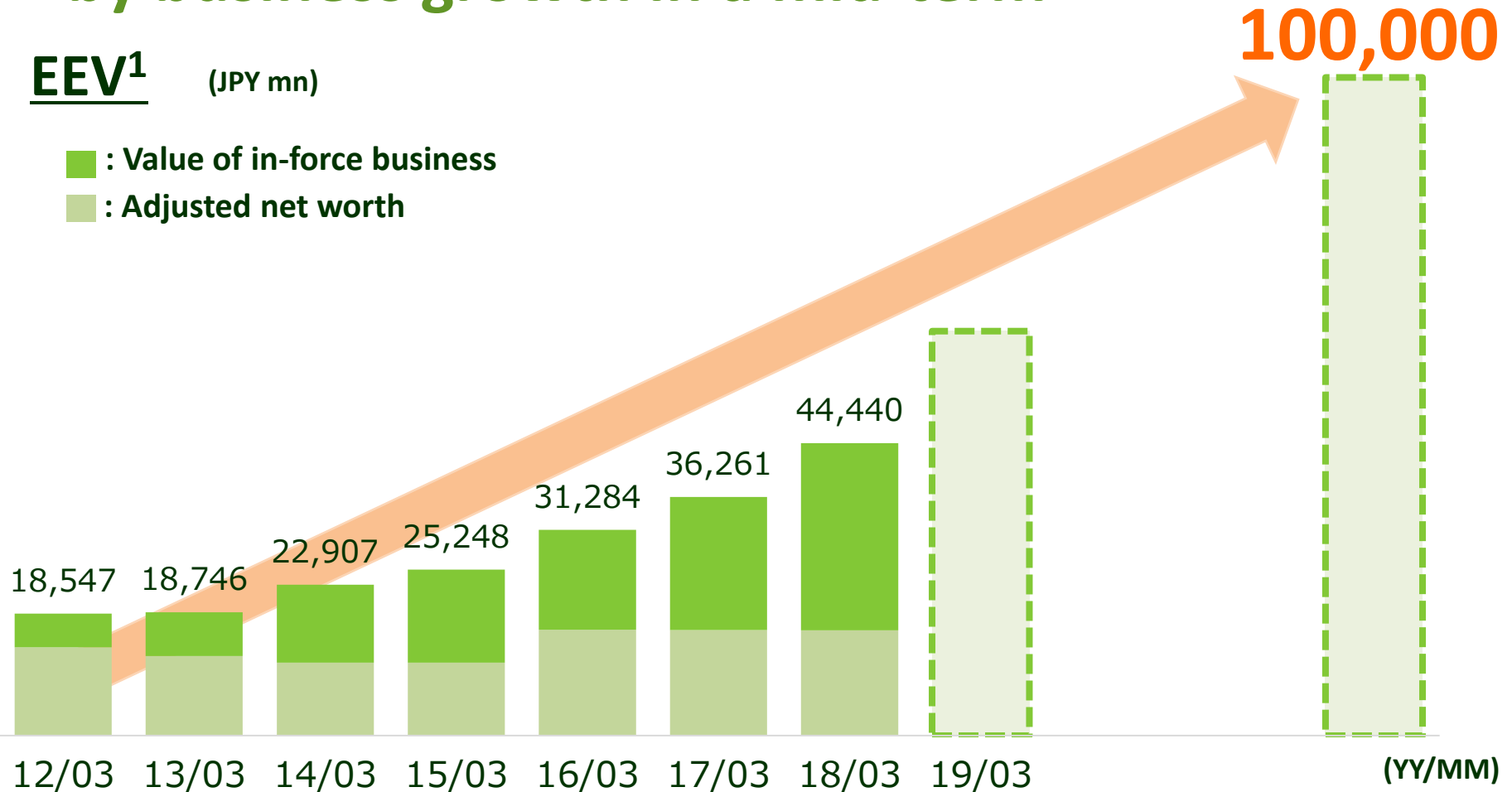
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EEV¹ (JPY mn)

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