

February 12, 2019  
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LIFENET INSURANCE COMPANY  
(Securities Code: 7157, TSE Mothers)

## **Financial Results for 3Q of Fiscal 2018 Ending March 31, 2019 Annualized premium of new business of 1,951 million yen, up 63.8% year on year**

TOKYO, February 12, 2019 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the third quarter of fiscal 2018 ending March 31, 2019.

### **1. Overview of the financial results for 3Q of fiscal 2018**

#### **(1) Business results**

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

Annualized premium<sup>\*1</sup> of new business in 3Q ended December 31, 2018 was 741 million yen (161.1% of 3Q of fiscal 2017). The number of new business was 17,312 (164.0% of 3Q of fiscal 2017). Annualized premium<sup>\*1</sup> of new business for the nine months ended December 31, 2018 was 1,951 million yen (163.8% of the nine months ended December 31, 2017). The number of new business for the nine months ended December 31, 2018 was 45,360 (168.0% of the nine months ended December 31, 2017).

Annualized premium<sup>\*1</sup> of policies-in-force as of the end of 3Q of fiscal 2018 stands at 12,510 million yen (112.2% of March 31, 2018). The number of policies-in-force resulted in a total of 295,662 (112.1% of March 31, 2018) and exceeded 300,000 in January 2019. Surrender and lapse ratio<sup>\*2</sup> for the nine months ended December 31, 2018 was 6.3% (5.9% for the nine months ended December 31, 2017).

\*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 nine months ended December 31, 2018 increased to 8,949 million yen (113.8% of the nine months ended December 31, 2017) due to an increase in the number of policies-in-force. Investment income grew to 292 million yen (162.1% of the nine months ended December 31, 2017). Other ordinary income was 117 million yen. As a result, ordinary income for the nine months ended December 31, 2018 amounted to 9,359 million yen (116.0% of the nine months ended December 31, 2017).

Insurance claims and other was 1,950 million yen (136.8% of the nine months ended December 31, 2017). The ratio of insurance payment amounts to insurance premiums was 18.4% for the nine months ended December 31, 2018, compared with 15.5% for the nine months ended December 31, 2017. Provision for policy reserves and other came to 2,962 million yen (108.2% of the nine months ended December 31, 2017). The ratio of provision for policy reserves to insurance premiums was 34.0% for the nine months ended December 31, 2018, compared with 34.9% for the nine months ended December 31, 2017. Operating expenses amounted to 4,850 million yen (139.2% of the nine months ended December 31, 2017) mainly due to increasing our marketing spend including advertising. The components of operating expenses were 2,850 million yen in marketing expenses (163.7% of the nine months ended December 31, 2017), 578 million yen in customer service expenses (113.4% of the nine months ended December 31, 2017), and 1,421 million yen in system and other expenses

(115.3% of the nine months ended December 31, 2017). Other ordinary expenses was 540 million yen (124.4% of the nine months ended December 31, 2017). Consequently, ordinary expenses for the nine months ended December 31, 2018 totaled 10,303 million yen (127.5% of the nine months ended December 31, 2017).

As a result, ordinary loss totaled 944 million yen for the nine months ended December 31, 2018, compared with 11 million yen for the nine months ended December 31, 2017. Net loss was 957 million yen, compared with 42 million yen for the nine months ended December 31, 2017.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 936 million yen loss, compared with 67 million yen profit for the nine months ended December 31, 2017. The components of fundamental profit were 2,075 million yen in mortality margin, 2,998 million yen loss in expense margin and 13 million yen loss in interest margin.

## **(2) Financial condition**

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

Total assets as of December 31, 2018 amounted to 37,334 million yen (35,541 million yen as of March 31, 2018). The major account balance was 30,239 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 25,027 million yen as of December 31, 2018 (22,153 million yen as of March 31, 2018), owing to an increase in policy reserves. The major account balances were 23,719 million yen in policy reserves and 335 million yen in reserves for outstanding claims.

Net assets decreased to 12,306 million yen as of December 31, 2018 (13,387 million yen as of March 31, 2018), by recording the net loss.

The solvency margin ratio as of December 31, 2018 was 2,191.7% (2,455.8% as of March 31, 2018), which indicated that an adequate level of payment capacity was maintained.

### **Cash flows**

For the nine months ended December 31, 2018, net cash provided by operating activities amounted to 1,923 million yen (2,798 million yen provided for the nine months ended December 31, 2017) despite increased of operating expenses. Net cash used by investing activities amounted to 2,675 million yen (3,102 million yen used for the nine months ended December 31, 2017) mainly due to acquisition of securities. Net cash used by financing activities amounted to 13 million yen (14 million yen used for the nine months ended December 31, 2017).

Based on these activities described above, cash and cash equivalents as of December 31, 2018 totaled 2,160 million yen (2,926 million yen as of March 31, 2018).

### (3) Business forecasts

The business forecasts for fiscal 2018 which was announced on November 12, 2018 remain unchanged as shown below. Expecting annualized premium\*1 of new business will be 2,600 million yen, we aim to achieve the record high in new business on a fiscal year basis.

	(In millions of yen)		
	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecast (Fiscal 2018)	12,600	(1,600)	(1,600)
[Reference] Results (Fiscal 2017)	10,962	(197)	(249)

\*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.

**About LIFENET** URL: <https://ir.lifenet-seimei.co.jp/en/>

Remembering 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. We aim to be the leading company driving the growth of the online life insurance market.

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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, 2018	Dec. 31, 2018
<u>ASSETS</u>		
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	346	341
Foreign securities	—	45
Other securities	4,161	4,362
Tangible fixed assets	109	87
Intangible fixed assets	621	642
Agency accounts receivable	4	6
Reinsurance accounts receivable	45	78
Other assets	964	1,103
Accounts receivable	802	924
Other	162	178
Total assets	35,541	37,334
<u>LIABILITIES</u>		
Policy reserves and other	21,186	24,055
Reserves for outstanding claims	429	335
Policy reserves	20,757	23,719
Agency accounts payable	59	73
Reinsurance accounts payable	108	138
Other liabilities	581	581
Reserves under the special laws	30	40
Reserve for price fluctuations	30	40
Deferred tax liabilities	186	138
Total liabilities	22,153	25,027
<u>NET ASSETS</u>		
Capital stock	12,136	12,136
Capital surplus	12,136	12,136
Retained earnings	(11,365)	(12,323)
Shareholders' equity	12,907	11,950
Valuation difference on available-for-sale securities	480	356
Valuation and translation adjustments	480	356
Total net assets	13,387	12,306
Total liabilities and net assets	35,541	37,334

## (2) Statements of Operations

	(In millions of yen)	
	Nine months ended Dec. 31	
	2017	2018
Ordinary income.....	8,071	9,359
Insurance premiums and other .....	7,867	8,949
Premiums income .....	7,718	8,706
Reinsurance income.....	149	243
Investment income.....	180	292
Interest, dividends and other income.....	167	167
Gains on money held in trust.....	13	26
Gains on sales of securities .....	—	98
Other ordinary income .....	23	117
Reversal of reserves for outstanding claims.....	—	93
Other .....	23	23
Ordinary expenses .....	8,082	10,303
Insurance claims and other .....	1,426	1,950
Insurance claims .....	761	1,105
Benefits .....	434	498
Other refunds .....	0	0
Reinsurance commissions.....	231	347
Provision for policy reserves and other .....	2,737	2,962
Provision for reserves for outstanding claims .....	47	—
Provision for policy reserves .....	2,690	2,962
Investment expenses .....	0	0
Interest expenses .....	0	0
Operating expenses .....	3,484	4,850
Other ordinary expenses .....	434	540
Ordinary profit (loss) .....	(11)	(944)
Extraordinary losses .....	8	9
Provision of reserves under the special laws .....	8	9
Provision of reserve for price fluctuations .....	8	9
Income (loss) before income taxes.....	(19)	(954)
Income taxes-current .....	23	3
Income taxes.....	23	3
Net income (loss) .....	(42)	(957)

## (3) Statements of Cash Flows

	(In millions of yen)	
	Nine months ended Dec. 31	
	2017	2018
Cash flows from operating activities		
Income (loss) before income taxes .....	(19)	(954)
Depreciation and amortization .....	188	187
Increase (decrease) in reserves for outstanding claims .....	47	(93)
Increase (decrease) in policy reserves .....	2,690	2,962
Increase (decrease) in reserve for price fluctuations .....	8	9
Interest, dividends and other income .....	(167)	(167)
Loss (gain) related to securities .....	—	(98)
Interest expenses .....	1	0
Decrease (increase) in agency accounts receivable .....	(0)	(2)
Decrease (increase) in reinsurance accounts receivable .....	(25)	(33)
Decrease (increase) in other assets <excluding assets for investing and financing activities> ..	(52)	(104)
Increase (decrease) in agency accounts payable .....	0	14
Increase (decrease) in reinsurance accounts payable .....	36	29
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities>	(99)	63
Other, net .....	(12)	(26)
Subtotal .....	<u>2,595</u>	<u>1,787</u>
Interest and dividends income received .....	202	179
Interest expenses paid .....	(1)	(0)
Income taxes paid .....	1	(43)
Net cash provided by (used in) operating activities .....	<u>2,798</u>	<u>1,923</u>
Cash flows from investing activities		
Purchase of money held in trust .....	(1,200)	(400)
Purchase of securities .....	(4,302)	(3,788)
Proceeds from sales and redemption of securities .....	2,670	1,727
Total of net cash provided by (used in) investment transactions .....	<u>(2,832)</u>	<u>(2,460)</u>
Total of net cash provided by (used in) operating activities and investment transactions .....	<u>(33)</u>	<u>(537)</u>
Purchase of tangible fixed assets .....	(21)	(25)
Purchase of intangible fixed assets .....	(248)	(189)
Net cash provided by (used in) investing activities .....	<u>(3,102)</u>	<u>(2,675)</u>
Cash flows from financing activities		
Repayments of lease obligations .....	(14)	(13)
Net cash provided by (used in) financing activities .....	<u>(14)</u>	<u>(13)</u>
Net increase (decrease) in cash and cash equivalents .....	<u>(318)</u>	<u>(765)</u>
Cash and cash equivalents, beginning of the year .....	3,004	2,926
Cash and cash equivalents, end of the period .....	<u>2,686</u>	<u>2,160</u>

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