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Ryosuke Mori, President

LIFENET INSURANCE COMPANY

(Securities Code: 7157, TSE Mothers)

Financial Results for Fiscal 2018 Ended March 31, 2019 **Annualized premium of new business of 2,773 million yen, up 61.8% year on year**

TOKYO, May 13, 2019 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for fiscal 2018 ended March 31, 2019.

1. Overview of the financial results for fiscal 2018

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 4Q ended March 31, 2019 was 822 million yen (157.2% of 4Q of fiscal 2017) with the number of new business at 19,075 (156.6% of 4Q of fiscal 2017). New business performance for fiscal 2018 recorded a historical high. Annualized premium^{*1} of new business for fiscal 2018 was 2,773 million yen (161.8% of fiscal 2017) with the number of new business at 64,435 (164.5% of fiscal 2017).

Annualized premium^{*1} of policies-in-force as of March 31, 2019 stands at 13,085 million yen (117.4% of March 31, 2018). Sum insured of policies-in-force was 2,289,567 million yen (111.2% of March 31, 2018). The number of policies-in-force exceeded 300,000 in January 2019 and resulted in a total of 308,854 (117.1% of March 31, 2018). The number of policyholders was 197,669. Surrender and lapse ratio^{*2} for fiscal 2018 was 6.6% (5.9% for fiscal 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 fiscal 2018 increased to 12,159 million yen (114.5% of fiscal 2017) due to an increase in the number of policies-in-force. Investment income was 365 million yen (115.3% of fiscal 2017). Other ordinary income was 35 million yen. As a result, ordinary income for fiscal 2018 amounted to 12,560 million yen (114.6% of fiscal 2017).

Insurance claims and other was 2,535 million yen (134.0% of fiscal 2017). The ratio of insurance payment amounts to insurance premiums increased to 17.3% for fiscal 2018, compared with 15.0% for fiscal 2017. Provision for policy reserves and other came to 4,070 million yen (110.5% of fiscal 2017). The ratio of provision for policy reserves to insurance premiums was 34.0% for fiscal 2018, compared with 34.2% for fiscal 2017. Operating expenses amounted to 6,916 million yen (139.9% of fiscal 2017). The components of operating expenses were 4,216 million yen in marketing expenses including advertising (160.5% of fiscal 2017), 786 million yen in customer service expenses (114.4% of fiscal 2017), and 1,913 million yen in system and other expenses (117.5% of fiscal 2017). Other ordinary expenses was 757 million yen (123.4% of fiscal 2017). Consequently, ordinary expenses for fiscal 2018 totaled 14,280 million yen (128.0% of fiscal 2017).

As a result, ordinary loss totaled 1,719 million yen for fiscal 2018, compared with 197 million yen for fiscal 2017. Net loss was 1,735 million yen, compared with 249 million yen for fiscal 2017. Adjusted Profit^{*3}, an indicator of profit generated from policies-in-force as defined in the

New Management Policy announced in November 2018, was 2,497 million yen compared with 2,429 million yen for fiscal 2017.

In addition, fundamental profit, which is one of the indicators for the profitability of life insurance companies, amounted to 1,656 million yen loss, compared with 120 million yen loss for fiscal 2017 mainly due to an increase in operating expenses. The components of fundamental profit were 2,753 million yen in mortality margin, 4,395 million yen loss in expense margin and 14 million yen loss in interest margin.

*3: Ordinary profit(loss) excluding marketing expenses to acquire new business

(2) Financial condition

Assets, liabilities and net assets

Total assets as of March 31, 2019 amounted to 38,247 million yen (35,541 million yen as of March 31, 2018). The major account balance was 30,989 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 26,474 million yen as of March 31, 2019 (22,153 million yen as of March 31, 2018), owing to an increase in policy reserves. The major account balances were 24,786 million yen in policy reserves, and 469 million yen in reserves for outstanding claims. In terms of policy reserves, new business from fiscal 2018 has been transferred from 5-year Zillmer's method to standard policy reserves. The difference in policy reserves will be enhanced over five fiscal years, from fiscal 2018 to 2022, with the standing difference at the end of fiscal 2018 at 1,462 million yen.

Net assets decreased to 11,773 million yen as of March 31, 2019 (13,387 million yen as of March 31, 2018) due to the recording of net loss for fiscal 2018.

Solvency margin ratio as of March 31, 2019 was 2,085.2% (2,455.8% as of March 31, 2018), which indicated that an adequate level of payment capacity was maintained.

(3) Cash flows

For fiscal 2018, net cash provided by operating activities amounted to 2,506 million yen (3,820 million yen provided for fiscal 2017) despite increased of operating expenses. Net cash used by investing activities amounted to 3,223 million yen (3,852 million yen used for fiscal 2017) mainly due to acquisition of securities. Net cash used by financing activities amounted to 16 million yen (19 million yen used for fiscal 2017).

Based on these activities described above, cash and cash equivalents as of March 31, 2019 totaled 2,192 million yen (2,926 million yen as of March 31, 2018).

(4) Business forecasts

Business forecasts for fiscal 2019 are as follows. Lifenet discloses ordinary income, ordinary profit (loss) and net income (loss).

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts for fiscal 2019	16,200	(2,000)	(2,000)
(Reference) Business results for fiscal 2018	12,560	(1,719)	(1,735)
Change	29.0%	-	-

Lifenet will proactively invest in marketing to attain further business growth by undertaking initiatives for the “innovation of customer experience” and “enhancement of promotion capabilities” as disclosed as priority areas in the New Management Policy. 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.

From fiscal 2019 onward, we plan to participate in reinsurance transactions^{*1} by modified co-insurance method on part of new business as one means of capital enhancement. By utilizing these reinsurance transactions appropriately, we will ease the temporary burden imposed on statutory capital by expenses associated with new business and maintain fiscal soundness. We expect the impact of these reinsurance transactions on fiscal 2019 results forecasts to increase ordinary income by around 2.0 billion yen, ordinary profit by around 1.4 billion yen and net income by around 1.4 billion yen, given that new business will be acquired as expected. We also expect amortization over a four-year period to decrease ordinary profit by around 350 million yen each year from fiscal 2020. Such reinsurance agreements can also be continued for new business in the next fiscal year and thereafter, depending on the status of capital.

Accordingly, Lifenet is forecasting ordinary income of 16.2 billion yen, ordinary loss of 2.0 billion yen and net loss of 2.0 billion yen million yen for fiscal 2019. As the table below indicates, we project annualized premium^{*2} of new business of 3,000 million yen.

(Reference) Annualized premium^{*2}

(In millions of yen)

Business forecasts for fiscal 2019	3,000
Business results for fiscal 2018	2,773

*1: These reinsurance transactions are agreements that transfer the risk and the profit (loss) structure of the reinsured business to the reinsurance company for a certain period of time. After receiving ceding commission in accordance with the new business costs associated with the reinsured business in the initial fiscal year, it is amortized by the profit generated from the reinsured business over following fiscal years. Once the balance of ceding commission received is amortized to zero, the reinsurance agreement terminates, and subsequent profit on the reinsured business belongs to the insurance company. The effective cost to the insurance company is the risk charge on the balance of ceding commission received.

*2: 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.

(5) Dividend policy

Lifenet has yet to determine its specific dividend policies and dates for the start of distributing retained earnings as dividends as we still record cumulative loss and will be prioritizing strengthening our growth base to increase mid to long term profitability. 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

Lifenet's management philosophy is helping our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services based on the highest levels of business integrity. With the internet as our main sales channel, we utilize technology and strive to be the leading company driving the growth of the online life insurance market through our customer-centric products and services.

(2) Target indicator

As stated in Lifenet's New Management Policy presented in November 2018, we aim to achieve EEV (European Embedded Value), our main management goal, of 100 billion yen as early as possible. We have also set the number of policies-in-force and new business as growth indicators, profitability and Adjusted Profit (ordinary profit (loss) excluding marketing expenses) and marketing efficiency of new business as profitability indicators, and solvency margin ratio as soundness indicator.

(3) Mid- to long-term business strategy and challenges

We formulated a new management policy in November 2018 aimed at the continued steady growth and achievement of high profitability over the mid- to long-term. The policy is summarized below:

Summary of 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	<ul style="list-style-type: none"> ● <u>Innovation of customer experience</u> Enhancing and evolving the quality of all services with digital technology ● <u>Enhancement of promotion capabilities</u> Generating massive customer traffic by active promotion and expansion of agent sales and white label business
Management goal	Aim to achieve EEV (indicator of corporate value) of 100 billion yen by business growth in a mid-term

Research by the Japan Institute of Life Insurance released in September 2018 indicated that roughly 12% of potential subscribers of life insurance intended to apply for a policy through the Internet in the future, although only around 3% of life insurance subscribers actually did so. Meanwhile, the share of direct automobile insurance has steadily grown, reached approximately 8%^{*1}. We are certain there is potential for growth in the online life insurance market in light of these circumstances; however, insurance providers, including Lifenet, are not yet capable of fully catering to customer needs at this stage.

Considering the above, we continue to pursue our mission, “helping our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services”, and strive to achieve our vision of being the leading company driving the growth of the online life insurance market.

We have also designated EEV as the key indicator of corporate value and strive to achieve 100 billion yen as early as possible.

Please note that from fiscal 2019 onward we will target further growth in line with the management policy announced in November 2018. We believe that responding flexibly to the rapidly changing Internet and its surrounding environment is important in order to achieve sustained growth and higher earning power over the mid- to long-term. We will therefore aim to increase corporate value by making optimal management decisions according to changes in the environment, based on our new management policy, rather than on a plan with a predetermined timeframe.

We will undertake initiatives addressing the following important challenges and target further enhancement of corporate value in the mid- to long-term.

(1) Further growth in business performance

We will aim for growth in business performance through two priority areas stated in the new management policy: “Innovation of customer experience” and “Enhancement of promotion capabilities.”

We recognize that providing our customers with quality experience is essential for them to continuously choose Lifenet and is a critical element in achieving increased growth. To achieve this, we will endeavor to provide customers with not only products and services, but also to innovate the customer experience by providing more user-friendly processes and administrative procedures. Increasing customer satisfaction and strengthening our relationship with customers by improving each encounter our customers have with us is also essential, and thus we will optimize the data we have gathered through our customers’ actions to improving our website. We will simultaneously work to create a convenient life insurance, which we believe to be fundamental in meeting customer expectations. We will also strive to communicate with our approximately 200,000 existing policyholders, gaining further trust and loyalty.

In addition, we will strengthen our sales capabilities and strive to generate massive customer traffic. To expand our internet channel, we will continuously air television commercials and engage in other advertising and promotional efforts to further strengthen our brand, and in doing so, increase recognition of Lifenet among potential customers.

We will also strengthen agent channels and white label sales in order to provide the products and services of Lifenet to an even greater number of customers. Collaboration with existing and new corporate partners, such as KDDI CORPORATION whose customer base we use to provide *au life insurance*, is an area we will continue to focus on.

(2) Improvement of operating expenses efficiency

Lifenet will utilize the fact that the life insurance industry is a business with dependable recurring earnings to expand the scale of our business and enable Lifenet to benefit maximally from the merits of scale. We also strive to improve business efficiency by pursuing initiatives aimed at improving productivity company-wide. The use of technology, such as partially automating operations, will aid these efforts. We will continue to invest in operating expenses as we continue to target growth in new business performance in fiscal 2019, focusing on operating expense efficiency, and will always work to maximize the benefits derived from investing in marketing by gathering, managing, and analyzing data on the cost versus the benefits.

*1: Data from website of Sony Financial Holdings Inc., "Automobile Insurance Market and Market Share of Major Direct Non-life insurers"

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

Remembering the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY 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, and by doing so, are able to offer highly cost-competitive products and accept applications from customers at all hours of the day.

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3. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31	
	2018	2019
ASSETS		
Cash and deposits	926	1,192
Bank deposits	926	1,192
Monetary claims bought	1,999	999
Money held in trust	2,567	3,114
Securities	28,303	30,989
Government bonds	8,398	8,071
Municipal bonds	1,505	1,394
Corporate bonds	13,892	16,763
Stocks	346	363
Foreign securities	—	45
Other securities	4,161	4,352
Tangible fixed assets	109	99
Buildings	18	16
Leased assets	40	19
Other tangible fixed assets	50	62
Intangible fixed assets	621	629
Software	465	553
Software in progress	138	70
Leased assets	17	5
Other intangible fixed assets	0	—
Agency accounts receivable	4	7
Reinsurance accounts receivable	45	69
Other assets	964	1,146
Accounts receivable	802	955
Prepaid expenses	50	72
Accrued income	36	44
Deposits	73	73
Suspense payments	1	1
Total assets	35,541	38,247

(In millions of yen)

March 31

	2018	2019
<u>LIABILITIES</u>		
Policy reserves and other	21,186	25,256
Reserves for outstanding claims.....	429	469
Policy reserves	20,757	24,786
Agency accounts payable	59	72
Reinsurance accounts payable	108	160
Other liabilities.....	581	707
Income taxes payable	23	1
Accounts payable.....	45	37
Accrued expenses.....	427	594
Deposits received	13	13
Lease liabilities	33	16
Asset retirement obligations	33	33
Suspense receipt	5	9
Reserves under the special laws	30	42
Reserve for price fluctuations	30	42
Deferred tax liabilities	186	233
Total liabilities	<u>22,153</u>	<u>26,474</u>
<u>NET ASSETS</u>		
Capital stock	12,136	12,136
Capital surplus	12,136	12,136
Legal capital surplus	12,136	12,136
Retained earnings	(11,365)	(13,101)
Other retained earnings.....	(11,365)	(13,101)
Retained earnings brought forward	(11,365)	(13,101)
Shareholders' equity	<u>12,907</u>	<u>11,172</u>
Valuation difference on available-for-sale securities	480	600
Valuation and translation adjustments	480	600
Total net assets.....	<u>13,387</u>	<u>11,773</u>
Total liabilities and net assets.....	<u><u>35,541</u></u>	<u><u>38,247</u></u>

(2) Statements of Operations

	(In millions of yen)	
	Year ended March 31	
	2018	2019
Ordinary income	10,962	12,560
Insurance premiums and other.....	10,616	12,159
Premiums income	10,421	11,845
Reinsurance income	194	313
Investment income	317	365
Interest, dividends and other income.....	232	230
Interest from deposits.....	0	0
Interest and dividends from securities.....	232	230
Other interest and dividends	0	0
Gain on money held in trust.....	17	36
Gain on sales of securities	47	98
Gain on derivative financial instruments	19	—
Other ordinary income.....	28	35
Other	28	35
Ordinary expenses	11,160	14,280
Insurance claims and other	1,891	2,535
Insurance claims	978	1,353
Benefits.....	584	701
Other refunds	0	0
Reinsurance commissions	329	480
Provision for policy reserves and other	3,684	4,070
Provision for reserves for outstanding claims ..	117	40
Provision for policy reserves	3,567	4,029
Investment expenses	27	1
Interest expenses.....	0	0
Foreign exchange losses	26	—
Other investment expenses.....	0	1
Operating expenses	4,942	6,916
Other ordinary expenses	613	757
Taxes.....	355	503
Depreciation.....	254	251
Other	3	1
Ordinary profit (loss)	(197)	(1,719)
Extraordinary losses	11	11
Provision of reserves under the special laws.....	11	11
Provision of reserve for price fluctuations	11	11
Income (loss) before income taxes	(209)	(1,731)
Income taxes-current.....	39	4
Income taxes	39	4
Net income (loss).....	(249)	(1,735)

(3) Statements of Changes in Net Assets

	(In millions of yen)	
	Year ended March 31	
	2018	2019
Shareholders' equity:		
Capital stock		
Capital stock.....	12,136	12,136
Changes of items during the period		
Total changes of items during the period	—	—
Capital stock.....	<u>12,136</u>	<u>12,136</u>
Capital surplus		
Legal capital surplus		
Legal capital surplus	12,136	12,136
Changes of items during the period		
Total changes of items during the period	—	—
Legal capital surplus	<u>12,136</u>	<u>12,136</u>
Total capital surplus		
Capital surplus.....	12,136	12,136
Changes of items during the period		
Total changes of items during the period	—	—
Capital surplus.....	<u>12,136</u>	<u>12,136</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward	(11,116)	(11,365)
Total changes of items during the period		
Net income (loss)	(249)	(1,735)
Total changes of items during the period ...	<u>(249)</u>	<u>(1,735)</u>
Retained earnings brought forward	<u>(11,365)</u>	<u>(13,101)</u>
Total retained earnings		
Retained earnings	(11,116)	(11,365)
Changes of items during the period		
Net income (loss)	(249)	(1,735)
Total changes of items during the period	<u>(249)</u>	<u>(1,735)</u>
Retained earnings	<u>(11,365)</u>	<u>(13,101)</u>
Total shareholders' equity		
Shareholders' equity	13,157	12,907
Changes of items during the period		
Net income (loss)	(249)	(1,735)
Total changes of items during the period	<u>(249)</u>	<u>(1,735)</u>
Shareholders' equity	<u>12,907</u>	<u>11,172</u>

	(In millions of yen)	
	Year ended March 31	
	2018	2019
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities	488	480
Changes of items during the period		
Net changes of items other than shareholders' equity	(8)	120
Total changes of items during the period	(8)	120
Valuation difference on available-for-sale securities	480	600
Total valuation and translation adjustments		
Total valuation and translation adjustments	488	480
Changes of items during the period		
Net changes of items other than shareholders' equity	(8)	120
Total changes of items during the period	(8)	120
Total valuation and translation adjustments	480	600
Net assets:		
Net assets	13,645	13,387
Changes of items during the period		
Net income (loss)	(249)	(1,735)
Net changes of items other than shareholders' equity	(8)	120
Total changes of items during the period	(257)	(1,614)
Net assets	13,387	11,773

(4) Statements of Cash Flows

	(In millions of yen)	
	Year ended March 31	
	2018	2019
Cash flows from operating activities		
Income (loss) before income taxes	(209)	(1,731)
Depreciation and amortization	254	251
Increase (decrease) in reserves for outstanding claims	117	40
Increase (decrease) in policy reserves	3,567	4,029
Increase (decrease) in reserve for price fluctuations	11	11
Interest, dividends and other income	(232)	(230)
Loss (gain) related to securities	(47)	(98)
Interest expenses	1	1
Foreign exchange losses (gains)	26	—
Decrease (increase) in agency accounts receivable.....	(2)	(2)
Decrease (increase) in reinsurance accounts receivable.....	(15)	(24)
Decrease (increase) in other assets <excluding assets for investing and financing activities>..	(80)	(156)
Increase (decrease) in agency accounts payable	19	13
Increase (decrease) in reinsurance accounts payable	39	52
Increase (decrease) in other liabilities <excluding assets for investing and financing activities >..	99	172
Other, net.....	(35)	(35)
Subtotal	<u>3,514</u>	<u>2,293</u>
Interest and dividends income received.....	307	258
Interest expenses paid.....	(1)	(0)
Income taxes paid.....	(0)	(44)
Net cash provided by (used in) operating activities.....	<u>3,820</u>	<u>2,506</u>
Cash flows from investing activities		
Purchase of money held in trust.....	(1,600)	(400)
Purchase of securities	(6,302)	(4,593)
Proceeds from sales and redemption of securities.....	4,401	2,027
Total of net cash provided by (used in) investment transactions....	<u>(3,501)</u>	<u>(2,965)</u>
Total of net cash provided by (used in) operating activities and investment transactions....	<u>318</u>	<u>(459)</u>
Purchase of tangible fixed assets.....	(21)	(32)
Purchase of intangible fixed assets	(330)	(225)
Net cash provided by (used in) investing activities	<u>(3,852)</u>	<u>(3,223)</u>
Cash flows from financing activities		
Repayments of lease liabilities	(19)	(16)
Net cash provided by (used in) financing activities.....	<u>(19)</u>	<u>(16)</u>
Effect of exchange rate changes on cash and cash equivalents .	(26)	—
Net increase (decrease) in cash and cash equivalents	<u>(78)</u>	<u>(733)</u>
Cash and cash equivalents, beginning of the year	<u>3,004</u>	<u>2,926</u>
Cash and cash equivalents, end of the year	<u>2,926</u>	<u>2,192</u>