

Securities Code: 7157

TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

**Presentation
Material for
Investors**

**Second Quarter
for Fiscal 2021**

LIFENET INSURANCE COMPANY

November 10, 2021

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

- **Remembering the original purpose** of life insurance – mutual support
- **Helping our customers embrace life more fully**

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1. Results for 2Q of Fiscal 2021

2. Future Initiatives

Overview of 1H for Fiscal 2021



Annualized premium¹ of policies-in-force

20,231 million yen
(108.1% vs. end of FY2020)

Annualized premium¹ of new business

2,174 million yen
(Y-on-Y 100.7%)

EEV² (European Embedded Value)

112,104 million yen
(117.8% vs. end of FY2020)

Adjusted incremental EV³

3,439 million yen
(Y-on-Y 76.5%)

Notable Achievements

Expanded the White Label business



Transformation to an online platform



Raised new capital for future growth

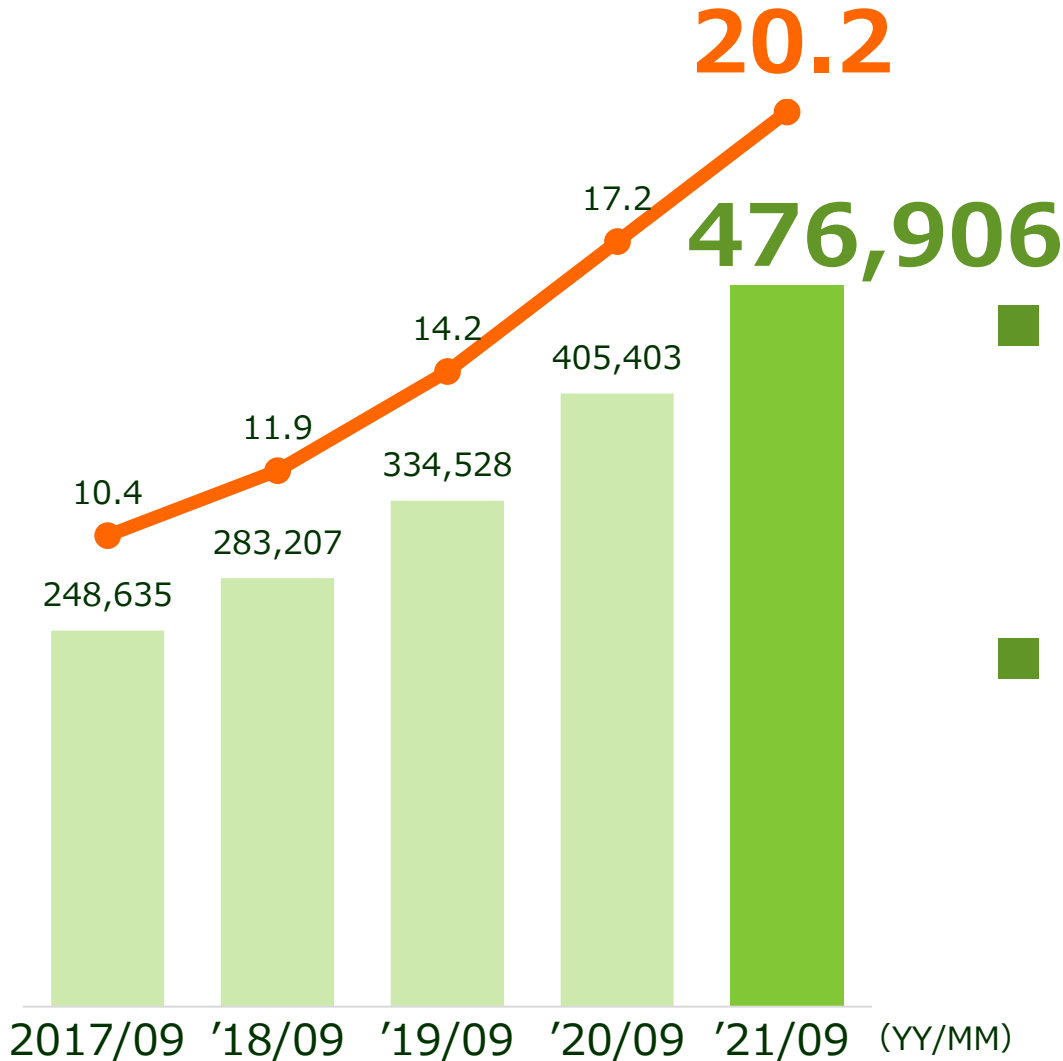


1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.
2. EEV as of September 30, 2021 is calculated by updating the operating assumptions used for June 30, 2021, and has not been reviewed by third-party specialists.
3. Adjusted incremental EV consisted of components adequately reflecting our business growth for fiscal 2021, see page 16 and 41 for details.

Annualized Premium / Number of Policies-in-Force



—: Annualized premium of policies-in-force¹ (JPY billions)
■: Number of policies-in-force



- Exceeded **JPY20bn** in annualized premium
- Year-on-year annualized premium **117.4%**, number of policies-in-force **117.6%**

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.

Changing Factors of Policies-in-Force



	FY2020/1H	FY2021/1H
Number of policies-in-force (BOP)	365,171	439,945
+) Number of new business	51,505	53,720
-) Decreased number of policies ¹	(11,273)	(16,759)
Non-recurring record of lapsed policies※	—	(583)
Number of policies-in-force (EOP)	405,403	476,906
	FY2020/1H	FY2021/1H
Surrender and lapse ratio(annualized) ²	5.5%	6.9%

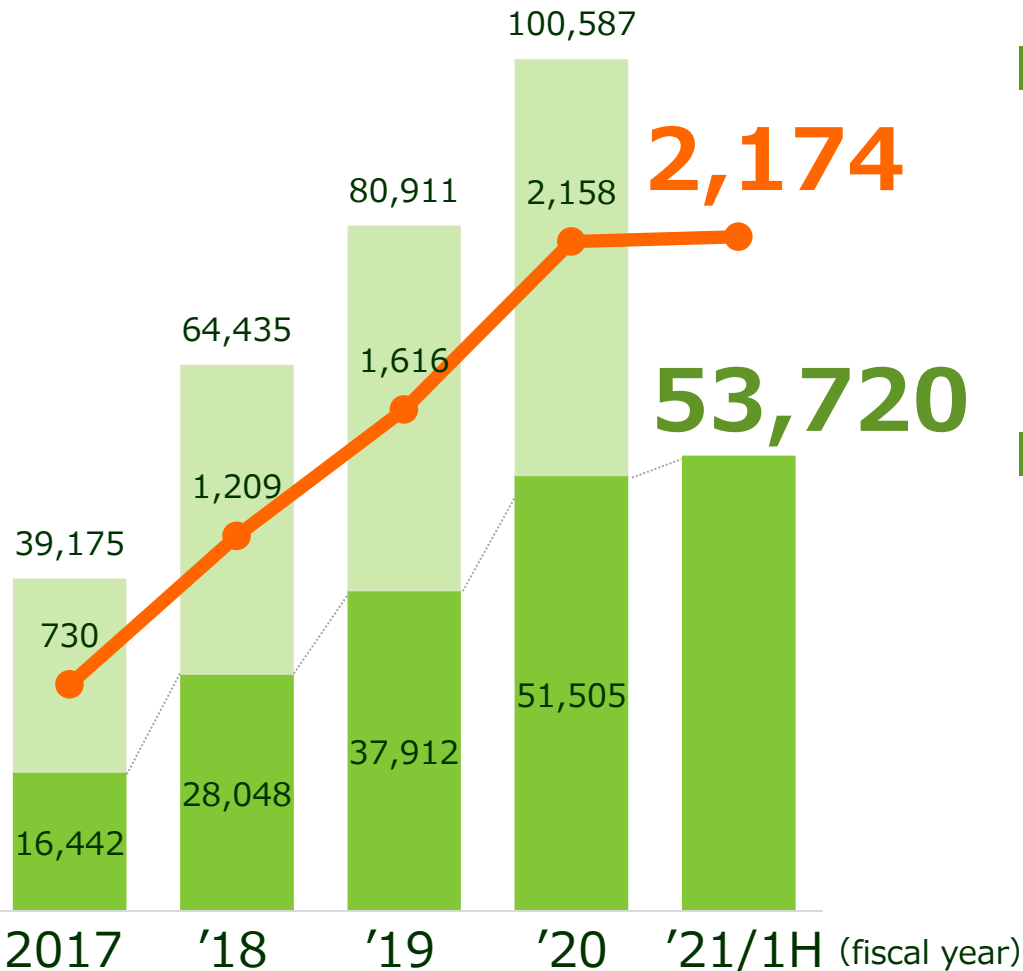
※Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Decreased number of policies includes the impact of extended policies that were recorded as lapsed policies in a lump sum.

1. Decreased number of policies include death, expiration and others in addition to surrender and lapse.
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.

Annualized Premium / Number of New Business



- : Annualized premium of new business¹ (1H of fiscal year, JPY millions)
- : Number of new business (fiscal year)
- : Number of new business (1H of fiscal year)



■ Achieved **new half-year record high**

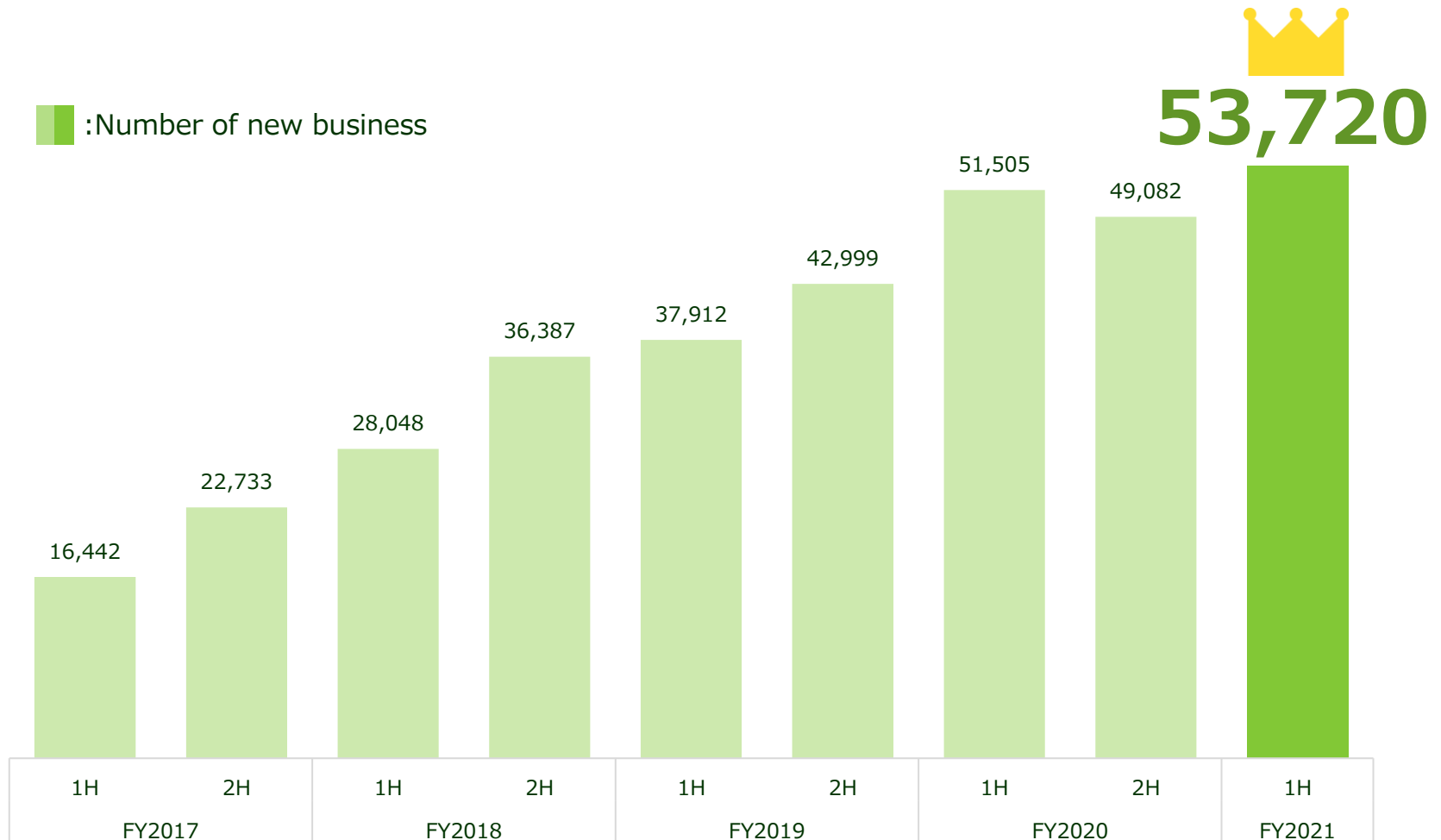
■ Year-on-Year annualized premium **100.7%**, number of new business **104.3%**

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.

【Ref.】 Number of New Business (Half year)



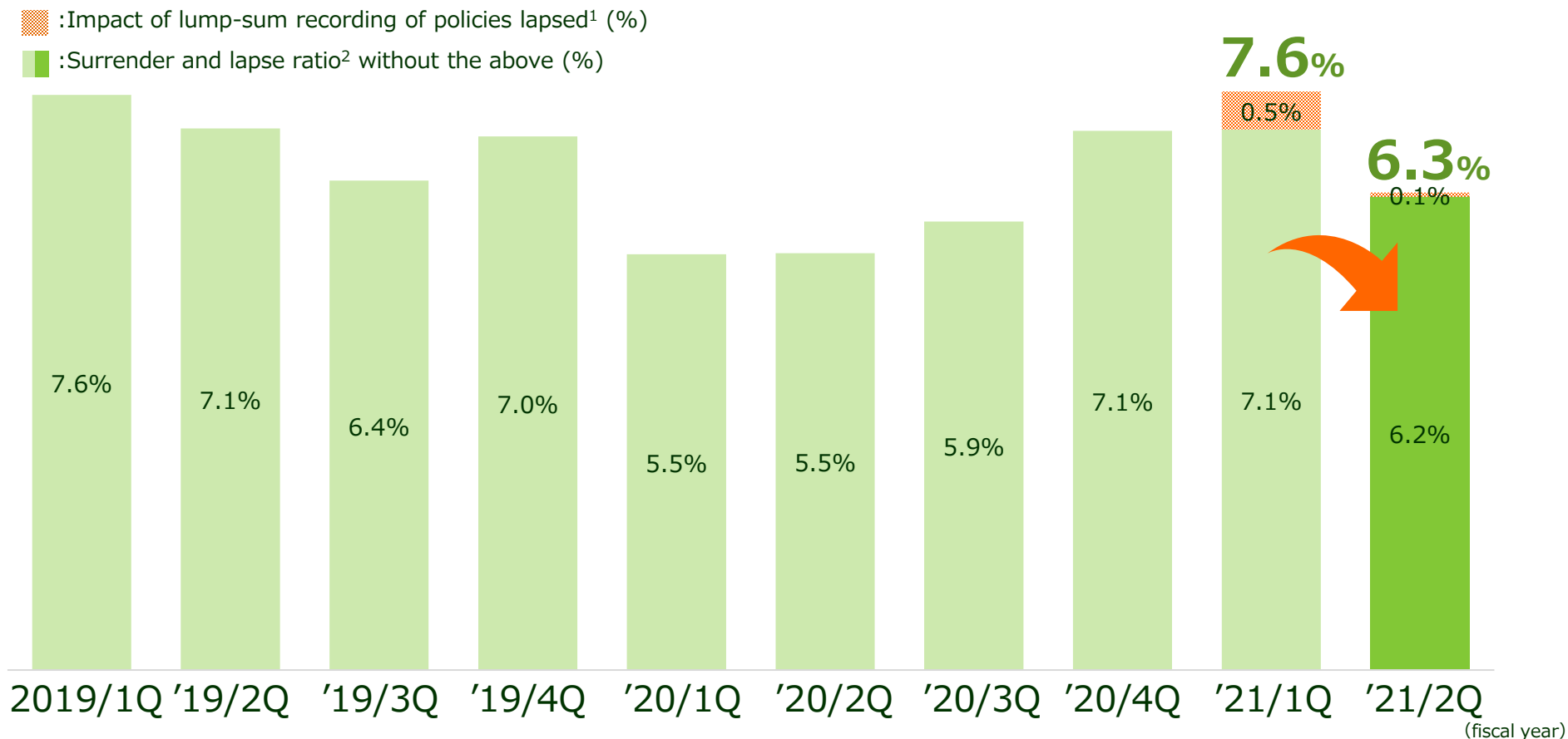
- Exceeded FY2020/1H including positive impact from COVID-19



【Ref.】 Surrender and Lapse Ratio (Quarter)



■ Improved to the level before COVID-19

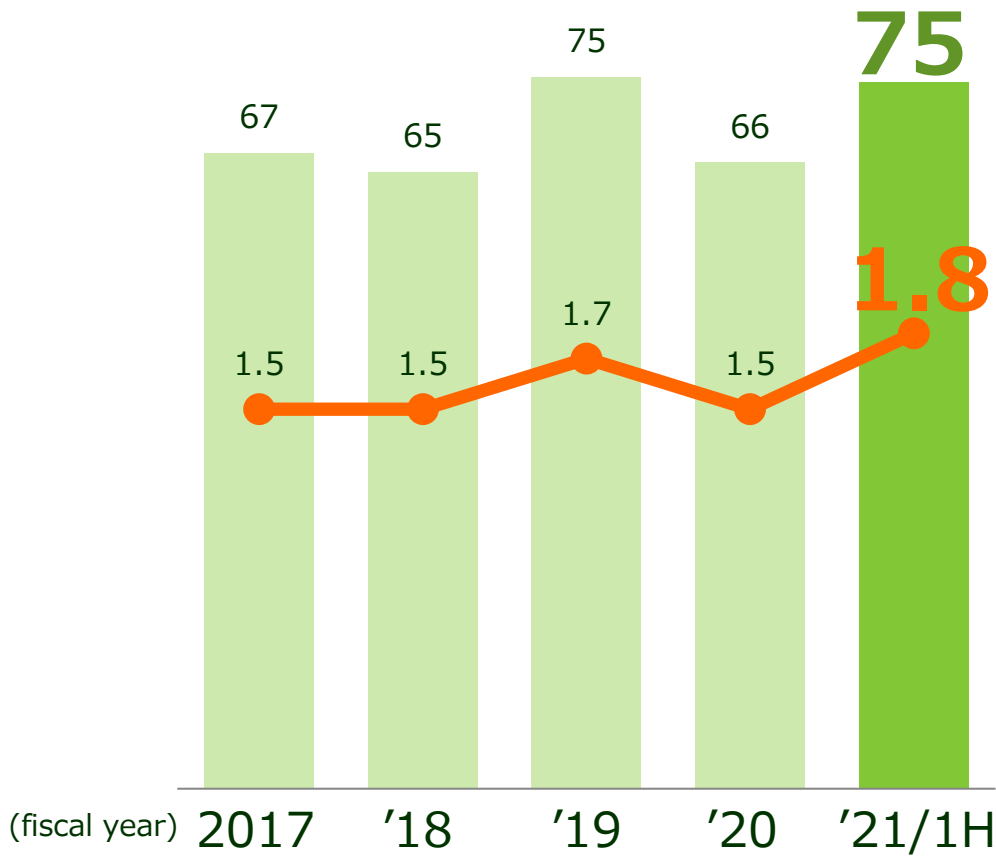


(fiscal year)

1. Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Surrender and lapse ratio includes the impact of extended policies that were recorded as lapsed policies in a lump sum.
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.

Marketing Efficiency

■ : Marketing expenses per new business (JPY thousands)
 ■ : Marketing expenses / Annualized premium of new business¹



■ Aggressively invested in marketing for further growth

Marketing expenses (JPY millions)	2,627	4,216	6,146	6,712	4,029
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※ From FY2017 to FY2020: operating expenses for full year
 FY2021: operating expenses for half Year

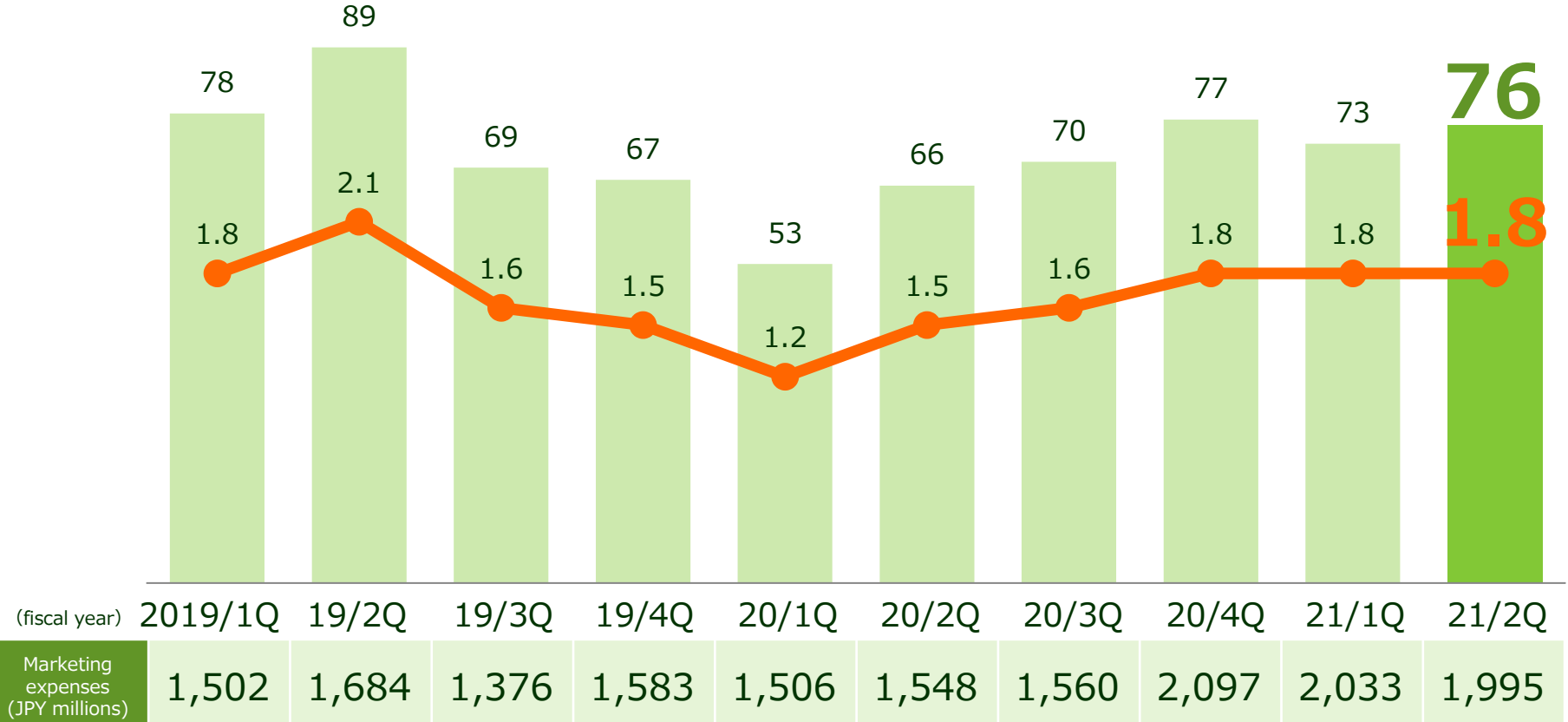
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

【Ref.】 Marketing Efficiency (Quarter)



■ Increased marketing expenses while maintaining the efficiency

■: Marketing expenses per new business (JPY thousands)
 —: Marketing expenses / Annualized premium of new business¹

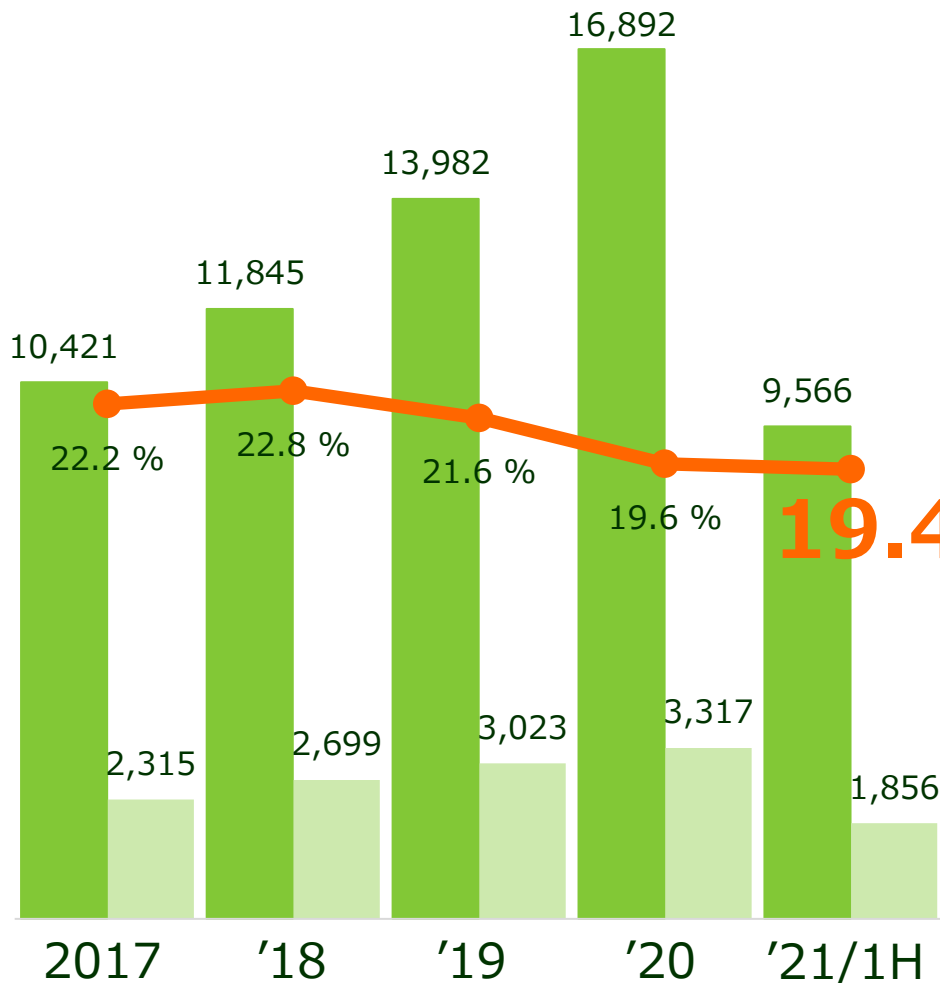


1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

Operating Expenses Ratio



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



■ Maintained below 20%

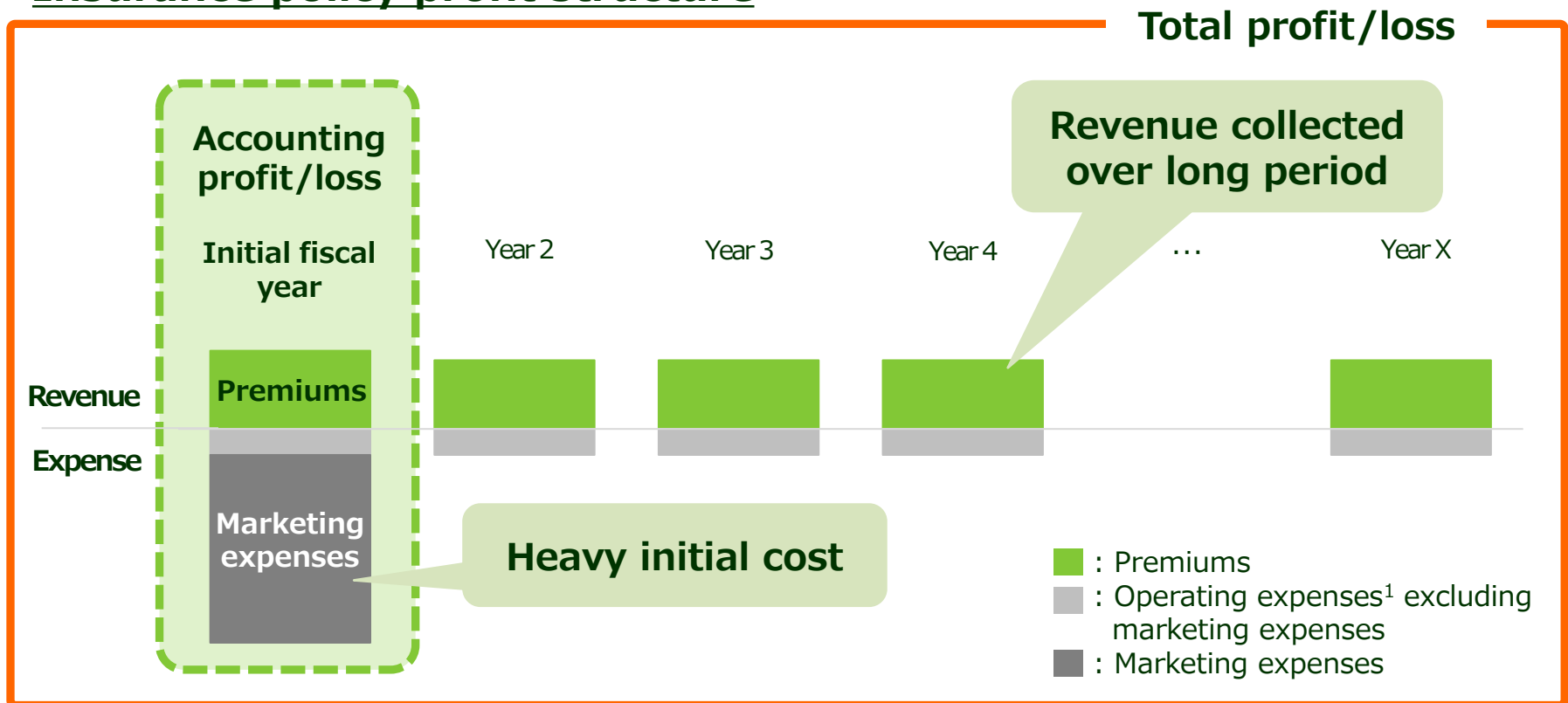
■ Aim to improve operational efficiency by further business expansion in mid-term

1. Operating expenses ratio is calculated by dividing operating expenses excluding marketing expenses by insurance premium.

Profit Structure under Current Statutory Accounting

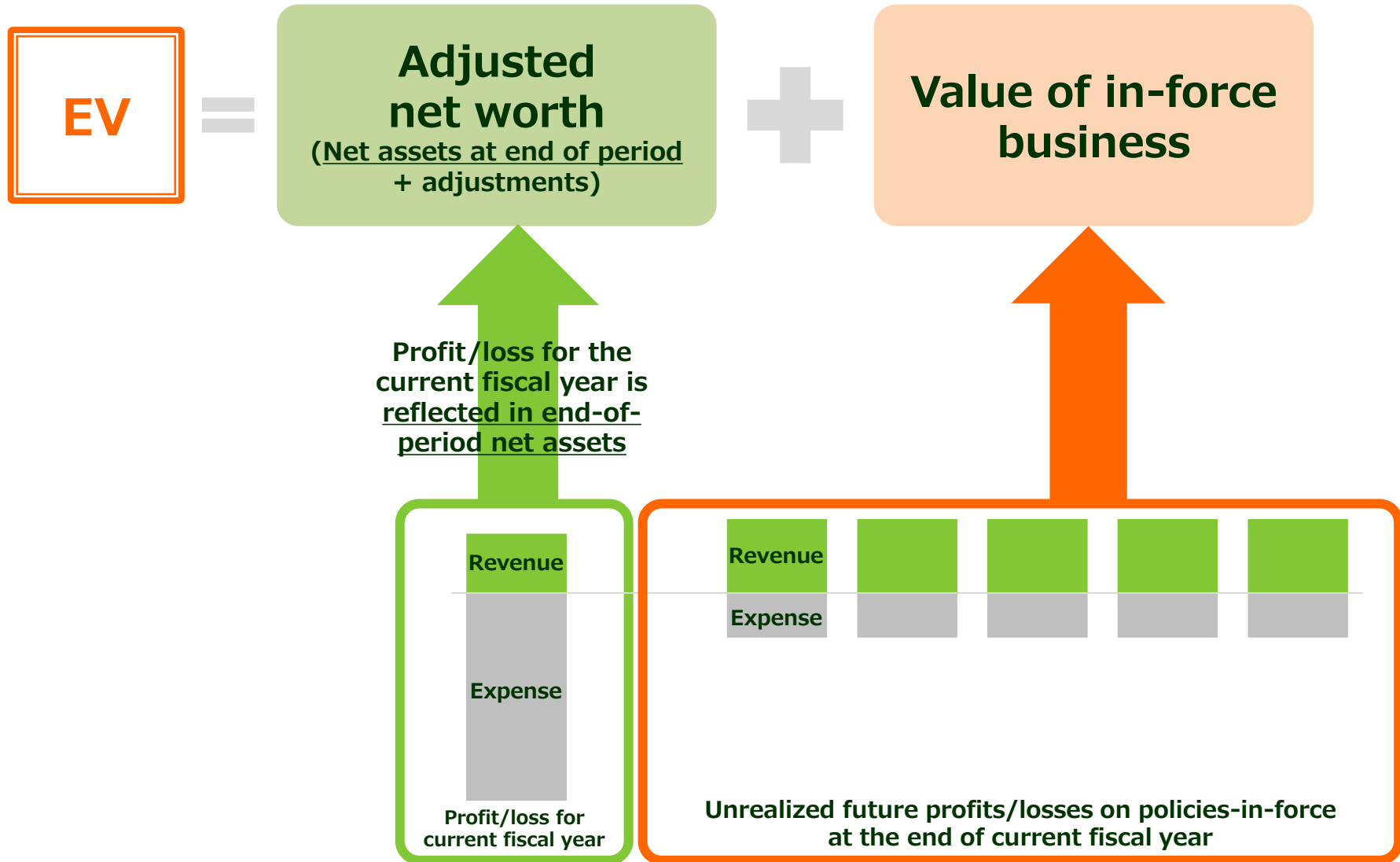
- **Time lag is caused between the recognition of costs and revenue** as marketing expenses is recognized at the time of acquisition, and revenue is collected gradually over a long period.

Insurance policy profit structure



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

Structure of Embedded Value



- Characteristics of Lifenet's EEV are as follows:

Strong growth

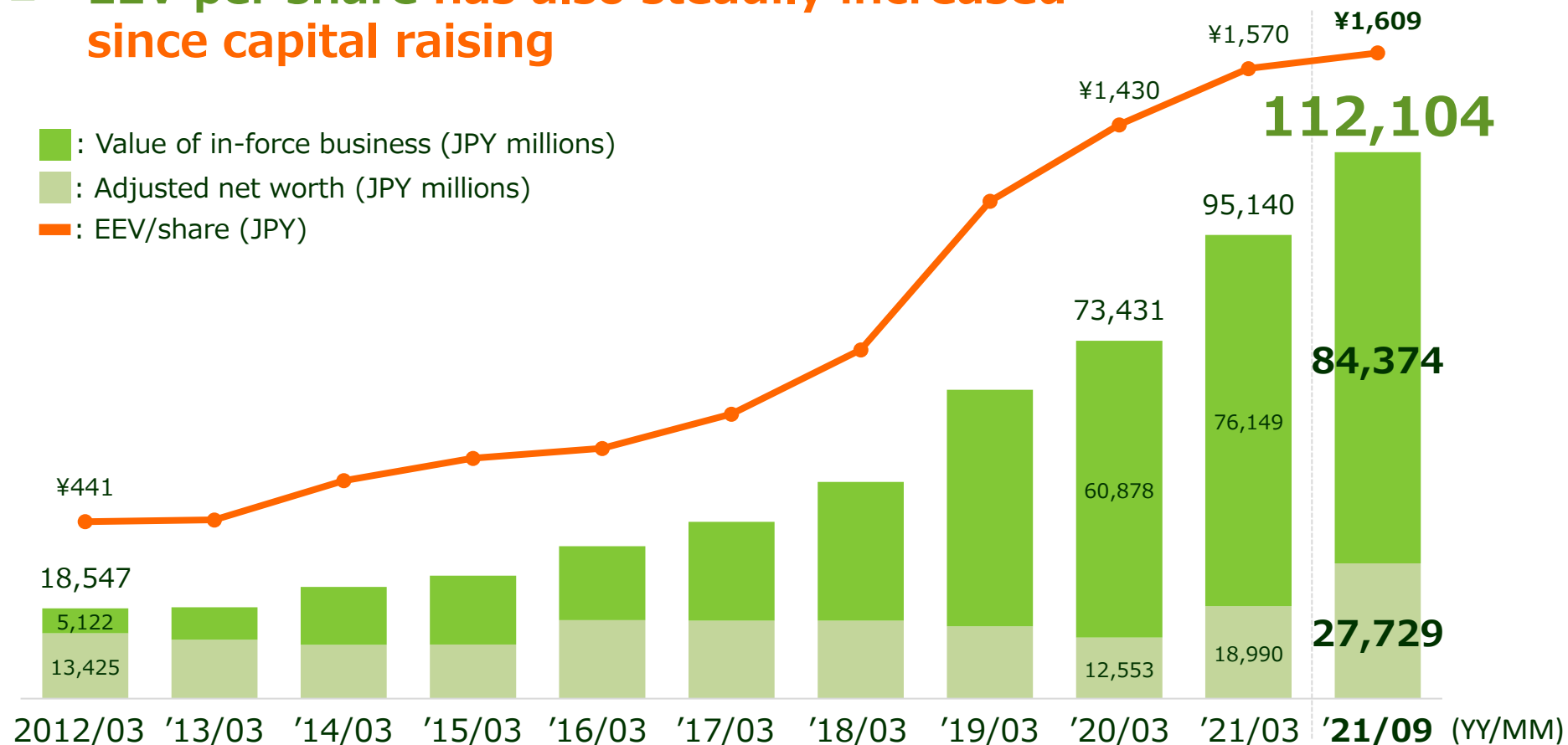
- **Maintaining increase** in EEV since listing in March 2012
- **Steadily growing** even in a low interest rate environment

Resilience to interest rate changes

- **Limited sensitivity** to interest rate and stock fluctuations

Strong EEV¹ Growth

- EEV and value of in-force business have been growing at a CAGR of **21%**² and **34%**, respectively since IPO
- EEV per share has also steadily increased since capital raising



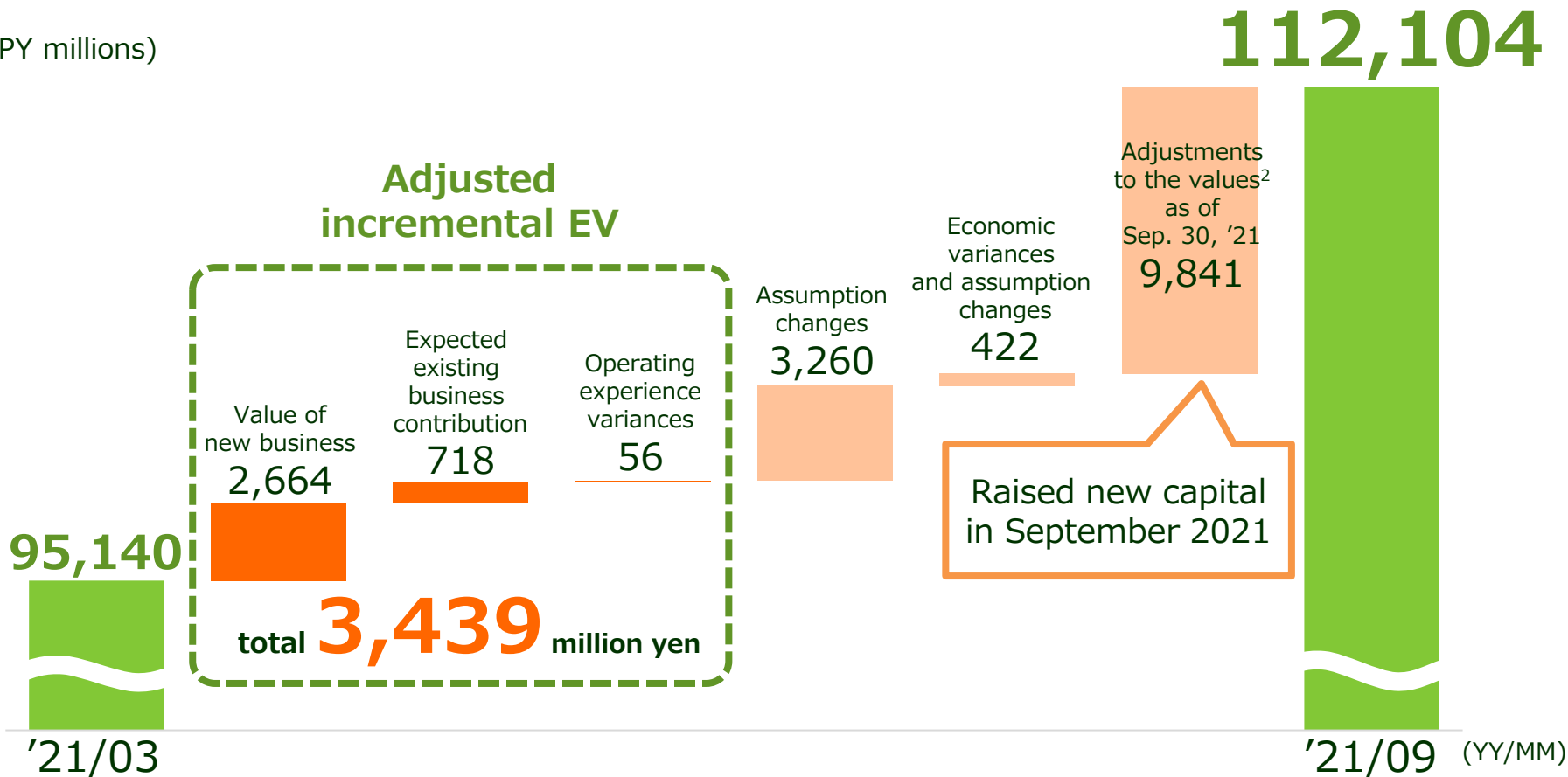
1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate 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 September 30, 2021 is calculated applying the updated operating assumptions from those used for June 30, 2021, 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 and 9,005 million yen from overseas public offering in July 2020 and 9,771 million yen from overseas public offering in September 2021.

Changing Factors of EEV¹

- Increased due to the strong new business performance, revision of claim incidence rate, the improvement of operating ratio and capital raising

(JPY millions)

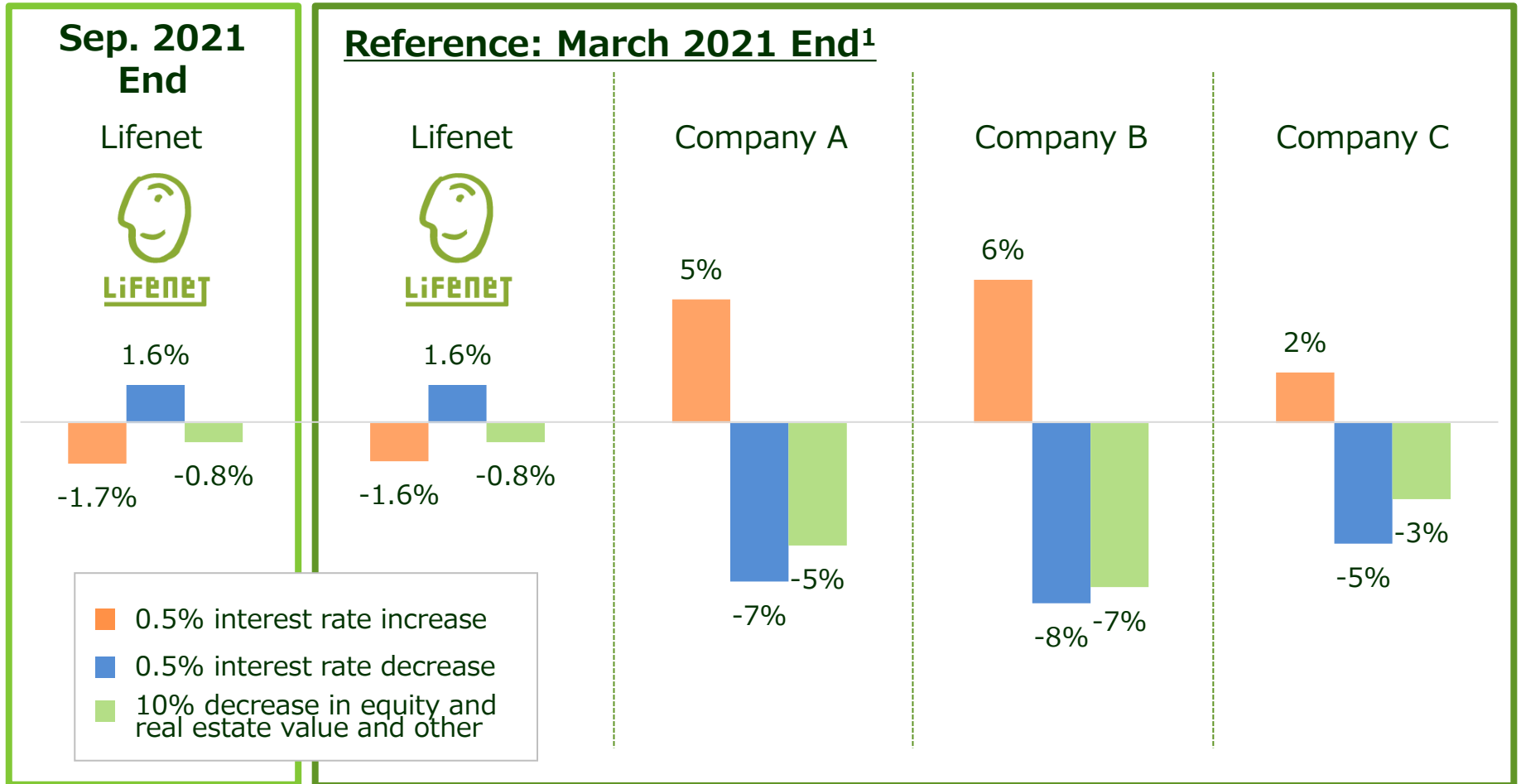


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. EEV as of September 30, 2021 is calculated applying the updated operating assumptions from those used for June 30, 2021, and is not reviewed by third-party specialists.

2. Item for change in capital

EV Resilience to Financial Changes

■ Limited sensitivity to interest rates and stock prices





【Ref.】 Life Time Value and Customer Acquisition Cost

Key Metrics for a SaaS Company and Lifenet

	FY2019	FY2020	FY2021/1H
ARR per Contract (Annual Recurring Revenue)	Annualized Premiums per Policy-in-force JPY 42,486 ×	Annualized Premiums per Policy-in-force JPY 42,536 ×	Annualized Premiums per Policy-in-force JPY 42,422 ×
Life Time¹ (Term of Contract)	Average Policy Term 14.3 years ×	Average Policy Term 16.7 years ×	Average Policy Term 14.9 years² ×
Gross Profit Margin³	45% 	43% 	46%
Life Time Value (Annualized Premiums per Policy * Life Time * Gross Profit Margin)	JPY 273,397	JPY 305,451	JPY 290,760
Customer Acquisition Cost⁴ (Marketing Expenses per New Policy)	JPY 75,970	JPY 66,737	JPY 75,002

1. 1 / Churn rate. Churn rate represents the percentage of users who cancelled out their insurance policies.
 2. Exclude the impact of lump-sum recording for lapsed policies.
 3. (Insurance premiums - Insurance claims and benefits - Provision for policy reserves and others) / Insurance premiums.
 4. Marketing expenses / Number of new business.

Financial Condition

(JPY millions)	(YY/MM)	'21/03	'21/09
Total assets		54,501	66,204
Cash and deposits		2,059	3,950
Monetary claims bought		999	7,999
Money held in trust		5,895	5,496
Securities		40,007	42,306
Government bonds		9,004	9,006
Municipal bonds		1,482	1,484
Corporate bonds		21,301	22,251
Stocks		397	550
Foreign securities		0	100
Other securities ¹		7,821	8,913
Total liabilities		38,694	41,819
Policy reserves and other		36,639	39,802
Total net assets		15,806	24,385
Solvency margin ratio²		2,647%	3,462%
Modified duration (year)³		11.1	10.6

■ Total net assets increased by capital raising

■ Maintained sufficient financial stability as indicated by solvency margin ratio²

1. Investment trust including foreign bonds and others.
2. The solvency margin ratio is a key benchmark for industry regulators. It measures a life insurance company's ability to pay out claims when unforeseen events occur.
3. Duration of yen-denominated bonds

Major Initiatives



■ June : Launched new long-term disability product

With industry-first coverage¹, supports “medical expenses” or “decrease in income” after returning to work



Long-term Disability
Hataraku-Hito 3

■ July : Started sales of Money Forward Life Insurance

Offers the service of reviewing life insurance contracts for *Money Forward ME* users to improve the household expenses



Money Forward

■ July : Subsidiary Lifenet MIRAI started business

Aiming to transform to an online insurance platform, Lifenet MIRAI launched online insurance agency business and insurance policy management service



betterChoice

Overseas Public Offering in September

LIFENET

■ Raised capital for further accelerating “Growth” and “Transformation”

Number of shares offered	9,000,000 shares
The amount to raised	About JPY 9.7 billion
Use of proceeds	<ul style="list-style-type: none"> • Marketing expenses for acquiring new business • System development costs to respond to changes in business environment • Investments in new businesses to build an online insurance platform and to promote initiatives with Lifenet’s business partners
Period for use	Five years between the fiscal year ending 31 March 2022 and the fiscal year ending 31 March 2026
Lock-up	180 days for the issuer, au Financial Holdings Corporation, Swiss Reinsurance Company Ltd, SEVEN FINANCIAL SERVICE CO., LTD., and Mercuria Investment Co., Ltd.

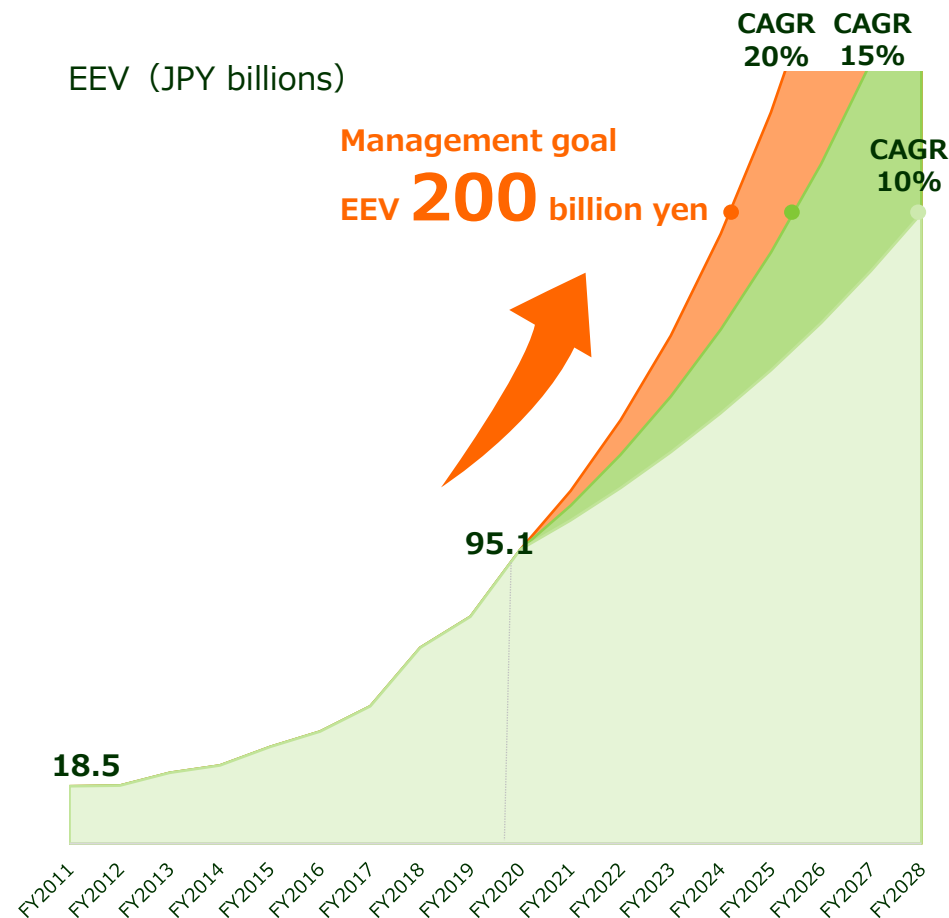


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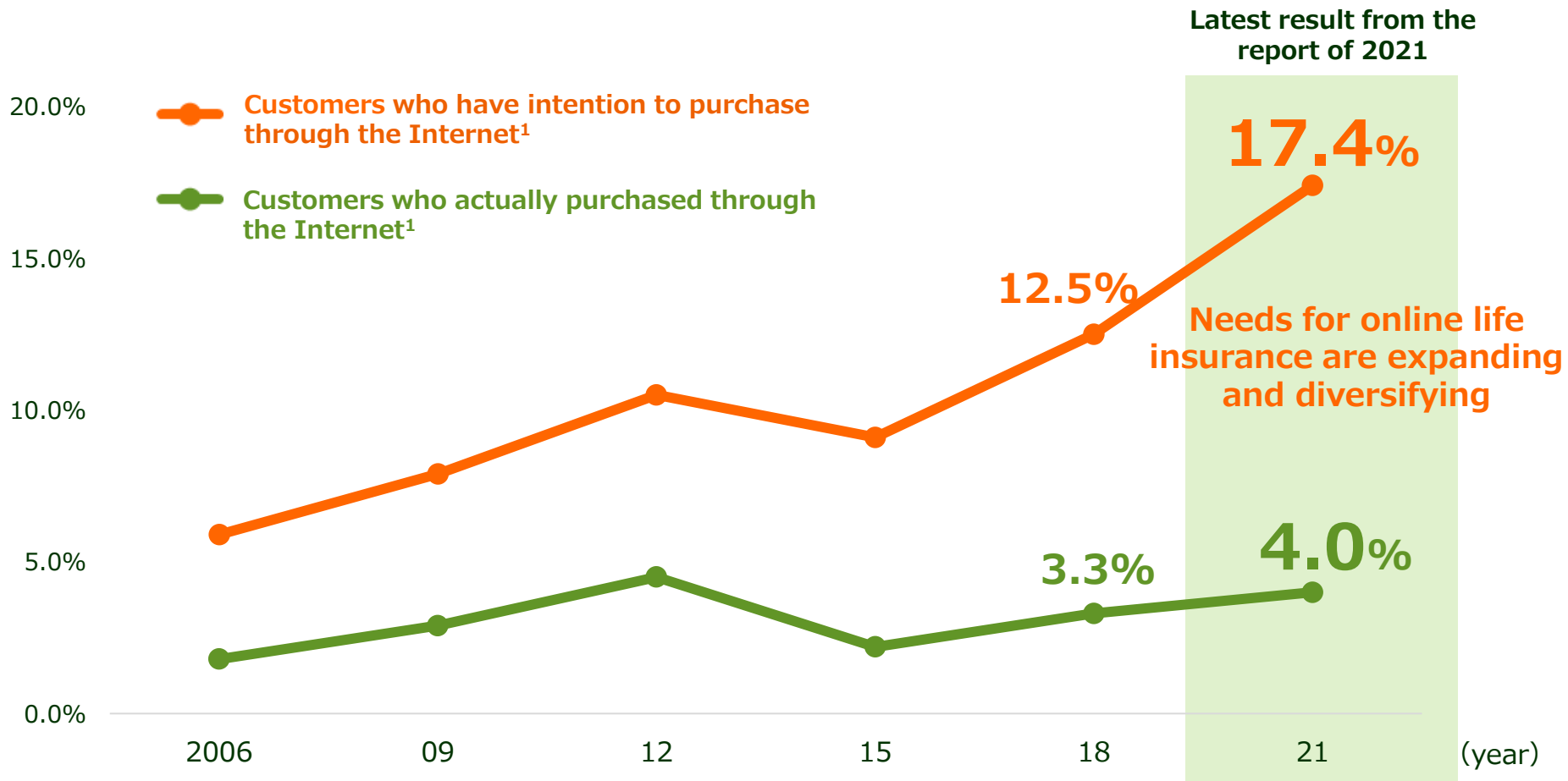


1. Results for 2Q of Fiscal 2021

2. Future Initiatives

Business Environment Surrounding Online Life Insurance Market

Large increase in preference for online application in the latest survey



1. Nationwide Report on the Life Insurance Industry (2021) by the Japan Institute of Life Insurance

Investment to Improve Brand Awareness

■ Accelerated marketing investment with updated TV commercials



- Started marketing promotion to accelerate new business growth



Money Forward 固定費の見直し

保険の見直し診断

あなたの情報を元に診断を行います。必要事項を入力してください。なお、連携いただいている内容はずでに入力項目に記載されていますが、必要に合わせてご変更ください。

現在の月額保険料 (生命・医療保険のみ ※1)

10000 円

ご本人

生年月日

1980年 7月 1日

Money Forward ME

Promotion to the customer base of Money Forward ME



Money Forward 固定費の見直し

あなたの
長期 ライフプランに
ぴったりの保険選びを!

簡単1分! WEB 診断をはじめるとgtgt



必要な保険に絞って
固定費削減できるかも!

1分で
診断

保険の
見直し診断

Promote the digitalization for customer experience



Comparison & Proposal

Policy maintenance

Lifeplan simulation



Future Direction

Second half of FY2021

- Aim for **sustainable double-digit growth** in in-force business
 - Determine the timing of further investment in marketing expenses while considering the business environment
- **Actively invest in business and system development for mid to long term growth, considering the life insurance's super-long-term business**



Aim to achieve 200 billion yen of EEV in early stage for further growth

Revision of Business Forecast FY2021



LIFENET

- Increase the use of the modified co-insurance to improve capital efficiency
- Aim to **achieve record-high in new business for the fourth consecutive year**

(JPY millions)

	【Revised】 FY2021 Forecast		【Previous】 FY2021 Forecast		FY2020 Results	
Annualized premium ¹ of policies-in-force	21,900		21,800		18,713	
Annualized premium ¹ of new business	4,500		4,400		4,197	
		Of which: impact of modified co-insurance		Of which: impact of modified co-insurance		Of which: impact of modified co-insurance
Ordinary income	26,100	5,000	25,500	4,400	20,789	2,778
Ordinary profit (loss)	(3,600)	1,400	(3,800)	700	(3,089)	804
Net income (loss)	(3,700)	1,400	(3,800)	700	(3,114)	804

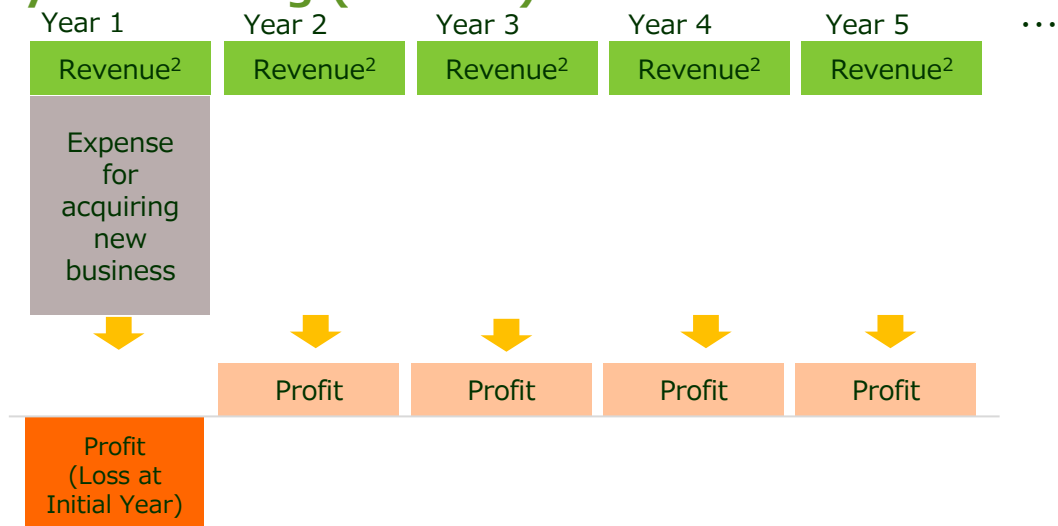
Preliminary Study for IFRS Adoption

Continuing to study IFRS 17 effective in 2023

Illustration image of accounting structure¹

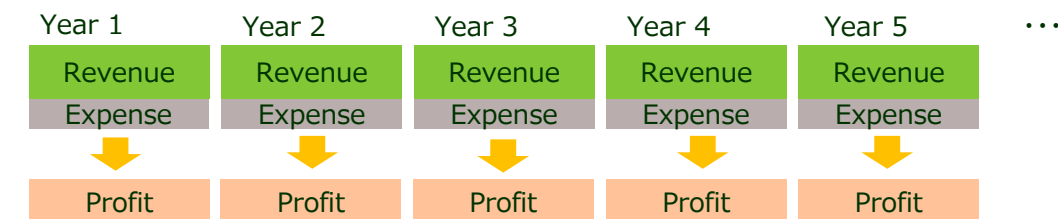
Current Statutory Accounting (J-GAAP)

Heavy initial cost for acquiring new business³ is recognized at initial fiscal year.



IFRS

Initial cost for acquiring new business³ is deferred under IFRS 17.



1. This is illustrative purpose only, and it does not necessarily guarantee that Lifenet will make profits as indicated.
 2. Revenue is insurance premiums – costs for policy management, payment of insurance claims and benefit claims, etc. Expense for acquiring new business is not included.
 3. The definition of “expense for acquiring new business” may differ in each accounting rule.

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 (European Embedded Value) of 200 billion yen by business growth in a mid-term

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.**



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LIFENET INSURANCE COMPANY

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.

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

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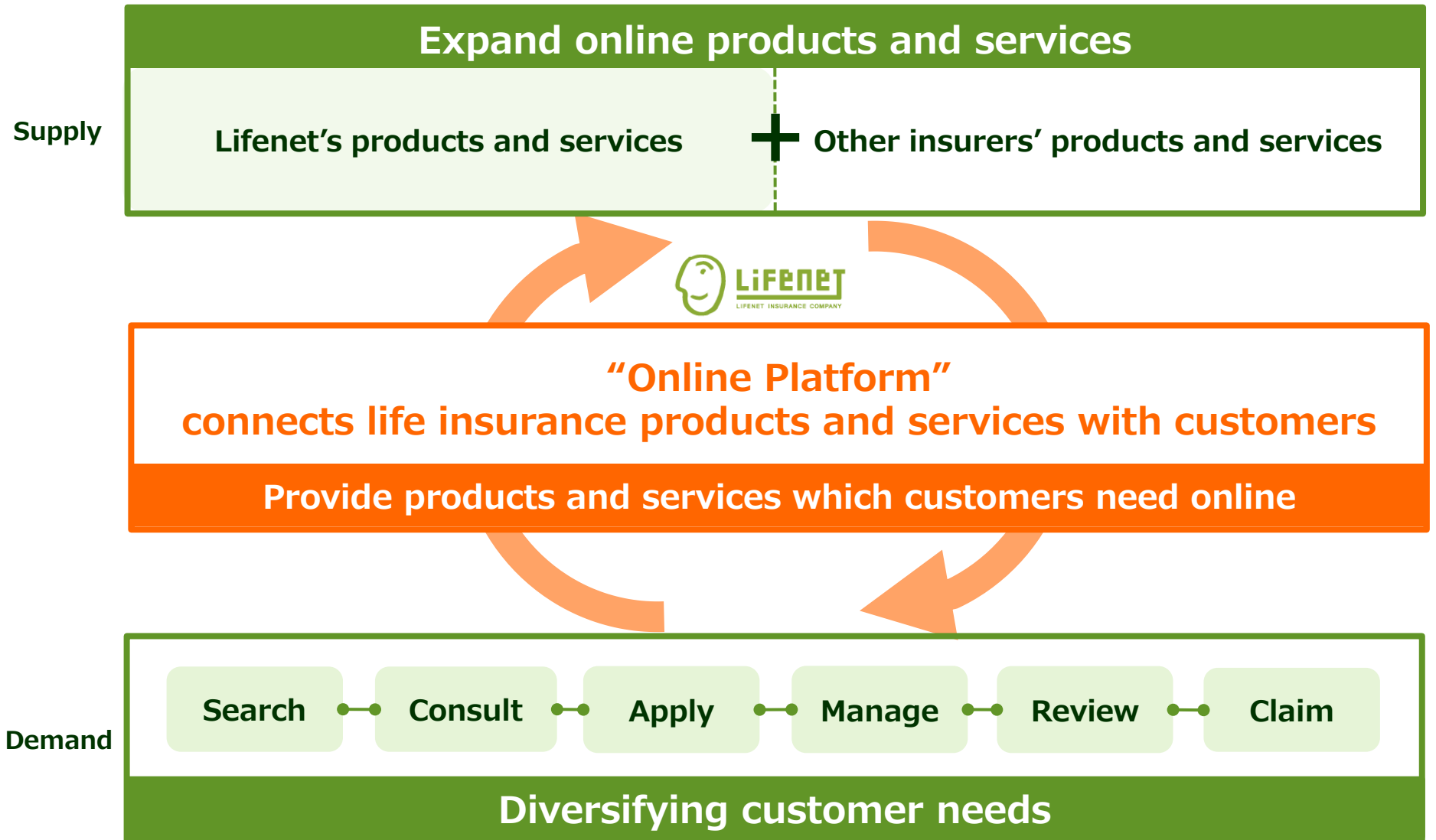
 E-mail Notices

Appendix



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Develop Online Life Insurance Platform



Initiatives for Sustainability

- Aim to increase the value provided to stakeholders **based on Manifesto**

Lifenet Manifesto

Comprehensible, Cost-Competitive, Convenient

Enhancement of Corporate Governance

- Board of Directors includes outside directors and independent outside directors since our business commencement in 2008
- Established the discretionary Nomination and Compensation Committee
- Introduced restricted stock compensation as director's remuneration
- Disclose securities report before Annual General Meeting of Shareholders (Japanese version only)

Customer-focused business operations

- Disclose the policy for customer-focused business operations, performance indicators and the accomplishments
- Promote efforts for diversity including LGBTQ
- Disclose the breakdown of insurance premiums for the first time in life insurance industry¹
- Evaluated as #1 by policy holders², realizing stress-free CX online

Adaptation to social changes

- Work on reduction of the policyholders' burden on procedures and development of comfortable work environment for employees under COVID-19 pandemic
- Widely provide more convenient services by partnering with cross-industrial partners
- Provide customer-centered services online through new joint venture

1. According to Lifenet's research (as of the end of September 2021)
 2. J.D. Power 2021 Japan Life Insurance Contract Customer Satisfaction Study SM

Breakdown of Policies-in-Force

	'21/03	'21/09	Component ratio
Number of policies-in-force	439,945	476,906	100%
- Term Life	213,597	232,487	49%
- Whole-life Medical	120,216	130,234	27%
- Term Medical Care	8,840	8,667	2%
- Long-term Disability	59,567	61,908	13%
- Cancer	37,725	43,610	9%
Sum insured of policies-in-force¹ (JPY millions)	2,994,198	3,198,619	
Number of policyholders	279,243	303,173	

1. Sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.

Condensed Statements of Operation / Fundamental Profit

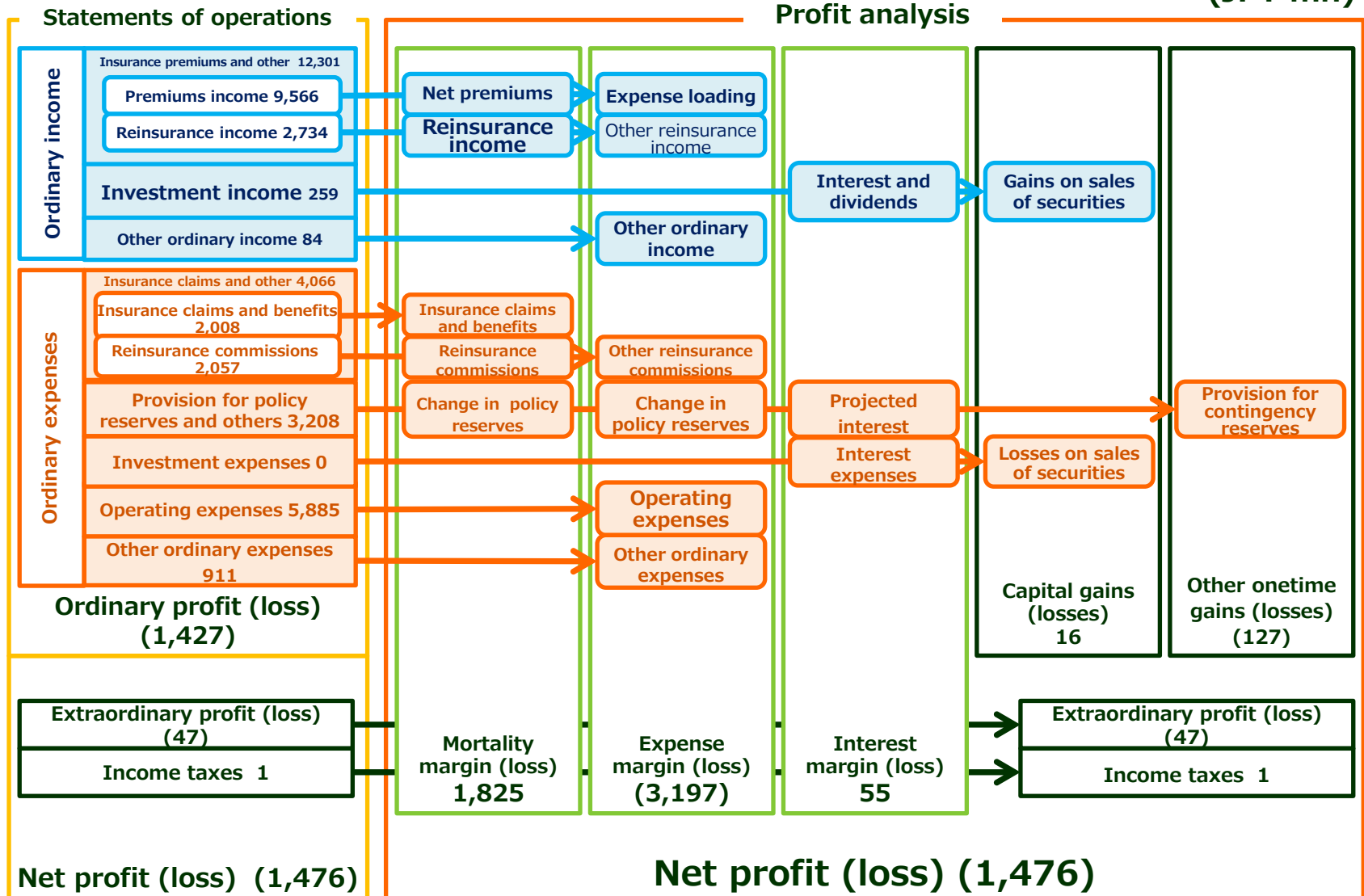


		(JPY millions)	FY2020/1H	FY2021/1H	Change	Note
Condensed statements of operation	Insurance premiums and other		9,493	12,301	2,807	Increased due to growth in in-force policies business and reinsurance income from modified co-insurance.
	Other		356	343	(12)	
	Ordinary income		9,849	12,644	2,795	Includes utilization of modified co-insurance of 2,380 million yen.
	Insurance claims and other		2,574	4,066	1,492	Increased due to an increase in reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 21.0%.
	Insurance claims		879	1,315	436	Increased from 81 cases in 1H of FY20 to 115 in 1H of FY21.
	Benefit claims		537	693	156	Increased from 4,600 cases in 1H of FY20 to 6,452 in 1H of FY21.
	Provision for policy reserves and other		3,029	3,208	179	Percentage of provision for policy reserves (3,208 million yen) to insurance premiums is 33.5%.
	Operating expenses		4,633	5,885	1,252	
	Marketing expenses		3,054	4,029	974	Includes 3,287 million yen for promotion expenses.
	Customer service		478	619	141	
	System and other		1,100	1,236	136	
	Other		741	911	170	
	Ordinary expenses		10,978	14,071	3,093	
	Ordinary profit (loss)		(1,128)	(1,427)	(298)	Includes profit of 787M for utilization of modified co-insurance.
	Extraordinary losses and income taxes		10	49	39	
Net income (loss)		(1,138)	(1,476)	(337)	Includes profit of 787M for utilization of modified co-insurance.	
Fundamental profit	Mortality margin		1,898	1,825	(73)	Includes 205M loss due to utilization of modified co-insurance.
	Expense margin (loss)		(2,938)	(3,197)	(258)	Includes 992M expense margin for utilization of modified co-insurance.
	Interest margin (loss)		(9)	55	65	
	Fundamental profit		(1,049)	(1,316)	(267)	Includes profit of 787M for utilization of modified co-insurance.

Three Surplus Factors of Fundamental Profit

First 6 months of FY2021

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of Sep. 30, 2021

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

Solvency margin ratio 3,462.0% = **Total amount of solvency margin <numerator> 38,542** ÷ **Total amount of risk/2 <the denominator> 2,226/2**

Cash and deposits 3,950	Other liabilities 1,473
Monetary claims bought 7,999	Reserves for outstanding claims 792
Money held in trust 5,496	Policy reserves 39,009
Securities 42,306	Contingency reserves 2,130
	Excess over the full-Zillmerized reserve 11,646
	Price fluctuation reserves 87
	Deferred tax liabilities on available-for-sale securities 410 ¹
	Valuation difference on securities available-for-sale 1,056 ¹
Tangible fixed assets 101	Capital stock and other assets 23,211
Intangible fixed assets 1,264	Net assets 24,385
Other assets 5,084	

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

Insurance risk R₁ 1,096

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

Medical insurance risk R₈ 370

Risk of change in medical incidence rate (hospital admission rate, etc.)

Assumed interest rate risk R₂ 3

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 1,549

[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 90

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.

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

(JPY millions)	Change in EEV as of Sep. 30, 2021	Change in VoNB
EEV and new business value as of September 30, 2021	112,104	2,664
Sensitivity 1a: 1.0% increase in risk-free rate	(3,940)	(150)
Sensitivity 1b: 1.0% decrease in risk-free rate	3,367	49
Sensitivity 1c: 0.5% increase in risk-free rate	(1,928)	(66)
Sensitivity 1d: 0.5% decrease in risk-free rate	1,789	41
Sensitivity 1e: Interest rates based on JGB yields	863	82
Sensitivity 2: 10% decrease in equity and real estate value and other	(910)	—
Sensitivity 3: 10% decrease in operating expenses	3,781	407
Sensitivity 4: 10% decrease in lapse rate	675	108
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,675	339
Sensitivity 6: Change the required capital to the statutory minimum	105	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.

Adjusted Incremental EV

- Adjusted Incremental EV accurately indicates **our business growth during a certain period** within 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

Adjusted Profit

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
- We, therefore, disclose the indicator of profit level excluding marketing expenses as there is a time lag between the recognition of revenue and marketing expenses as acquisition cost

Ordinary profit excluding marketing expenses

Adjusted Profit

Adjusted Profit

Steadily recorded adjusted profit generated from policies-in-force

The method for calculating adjusted profit

Adjusted profit = i) Ordinary profit (loss) + ii) Marketing expenses
 – iii) Impact of modified co-insurance
 ± iv) Adjustment based on standard policy reserves¹

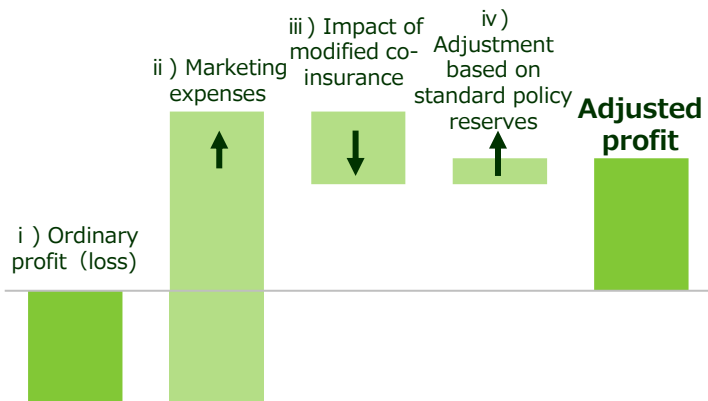
JPY millions / fiscal year	2017	2018	2019	2020	2021/1H
i) Ordinary profit (loss)	(197)	(1,719)	(2,382)	(3,089)	(1,427)
ii) Marketing expenses	2,627	4,216	6,146	6,712	4,029
iii) Modified co-insurance	–	–	(1,526)	(804)	(787)
iv) Adjustment	319	347	546	739	322
Adjusted profit	2,748	2,844	2,784	3,558	2,137

1. The amount of the adjustment to the policy reserve provision is the adjustment calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves.

Explanation of Adjusted Profit

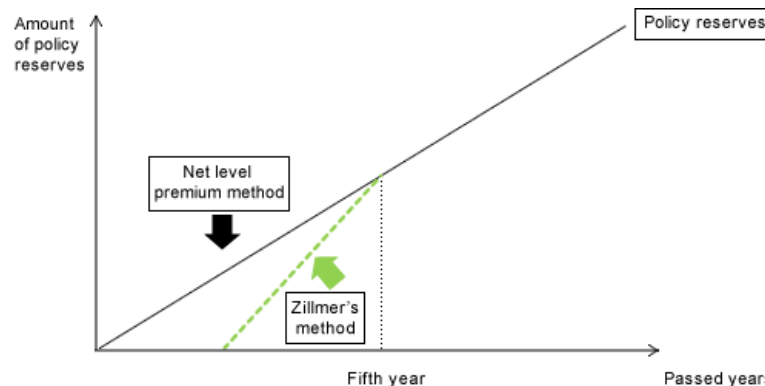
Adjustments to provision for policy reserves based on standard policy reserves

Calculation of adjusted profit



Difference between methods of calculating provision for policy reserves

We are currently in the transitional period and will transition all business to standard policy reserves by the end of Fiscal 2022.



Method of calculating the “iv) Adjustment based on standard policy reserves”

e.g. 1H for fiscal 2021 (JPY millions)

Adjustment to provision for policy reserves¹ 322	=	+	Provision for policy reserves 3,208	-	Increase in standard policy reserves² 2,885
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1. The amount of the adjustment to switch to provisioning based on standard policy reserves is calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves. Please note that the provision for contingency reserves is included in the provision for policy reserves, but is not included in the increase in standard policy reserves.
2. The increase in standard policy reserves is the amount of the increase (decrease) in the standard policy reserve balance for the current fiscal year from the balance in the previous fiscal year. The standard policy reserves is the amount calculated by excluding the provision for contingency reserves from actually provisioned policy reserves and adding the difference from the provision based on the standard policy reserves. The difference was 302 million yen as of September 30, 2021.

Modified Co-Insurance

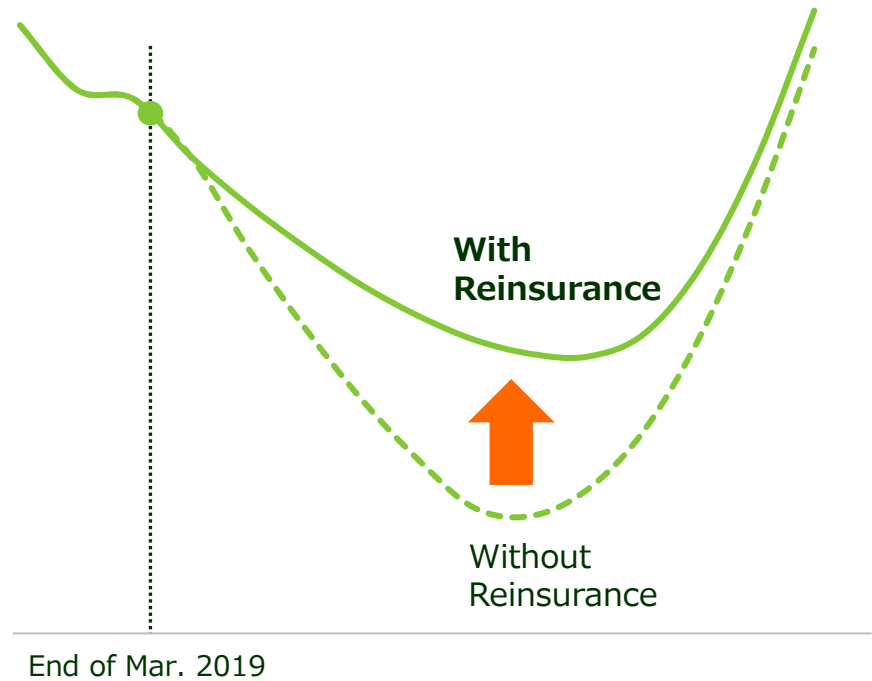
- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

Illustration image of change in profit/loss structure by reinsurance

■ : Revenue ■ : Costs ■ : Effects of reinsurance



Illustration image of impact of reinsurance on net assets



Note: Illustration of P&L structure of reinsuring new business of single fiscal year, where illustration of impact on net assets of reinsuring new business for multiple years. Lifenet has utilized reinsurance transactions by modified co-insurance method on part of new business since fiscal 2019.