

Securities Code: 7157

TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

**Presentation
Material for
Investors**

**Third Quarter
for Fiscal 2021**

LIFENET INSURANCE COMPANY

February 10, 2022

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

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

Overview of Cumulative 3Q for Fiscal 2021



Annualized premium¹ of policies-in-force

20,862 million yen
(111.5% vs. end of FY2020)

Annualized premium¹ of new business

3,107 million yen
(Y-on-Y 100.5%)

EEV² (European Embedded Value)

114,068 million yen
(119.9% vs. end of FY2020)

Adjusted incremental EV³

5,027 million yen
(Y-on-Y 81.1%)

Notable Achievements

- Awarded top ratings in HDI Benchmarking for our contact center and website⁴
- Launched new sustainability page on IR website

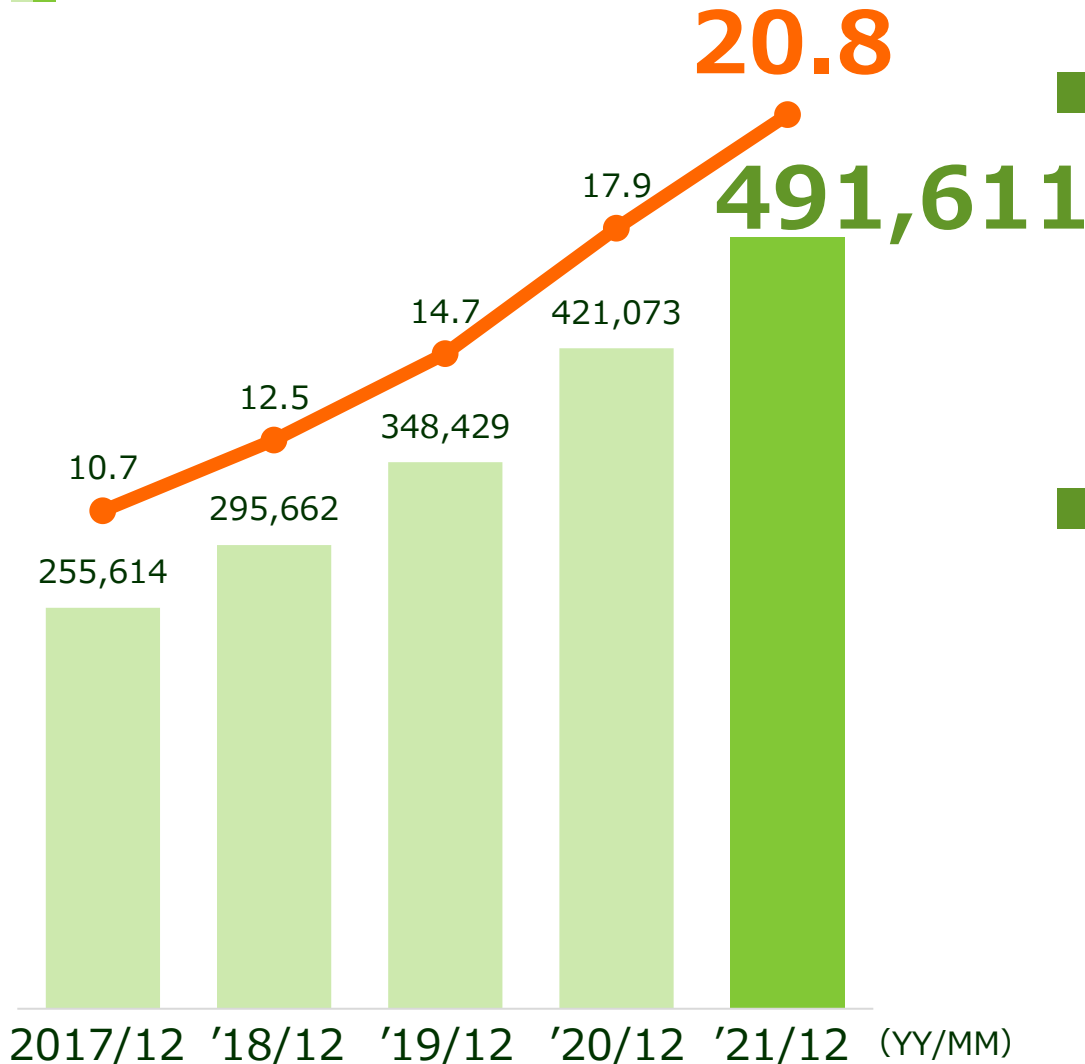


1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.
2. EEV as of December 31, 2021 is calculated applying the same operating assumptions as those used for September 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 13 and 37 for details.
4. 2021 HDI Benchmarking (Life Insurance Industry) by HDI-Japan

Annualized Premium / Number of Policies-in-Force



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



■ **Continues to grow steadily** and about to reach 500,000 policies

■ **Year-on-year annualized premium 116.4%, number of policies-in-force 116.8%**

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



	FY2020/3Q (YTD)	FY2021/3Q (YTD)
Number of policies-in-force (BOP)	365,171	439,945
+) Number of new business	73,669	76,226
-) Decreased number of policies ¹	(17,767)	(24,560)
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Non-recurring record of lapsed policies※ </div>	—	(633)
Number of policies-in-force (EOP)	421,073	491,611

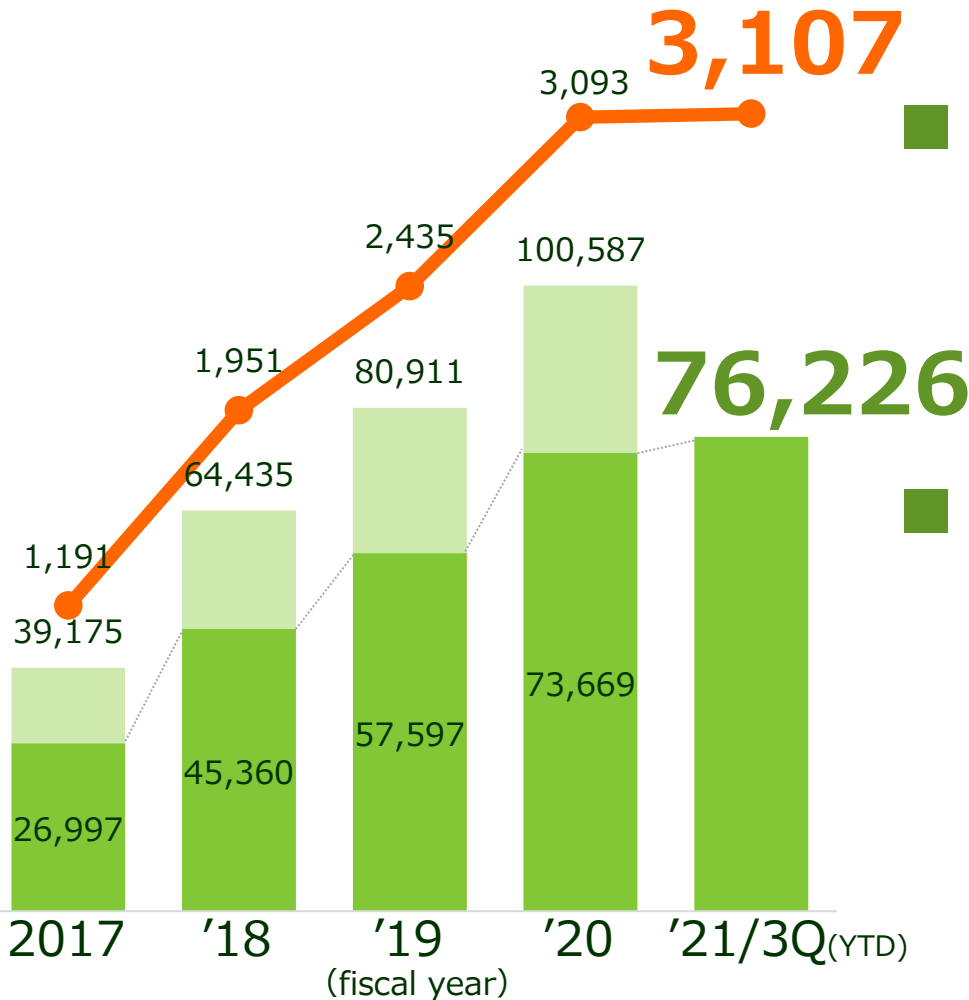
※Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Decreased number of policies includes the impact of extended policies that were recorded as lapsed policies in a lump sum.

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

Annualized Premium / Number of New Business



- : Annualized premium of new business¹ (First 9 months of fiscal year, JPY millions)
- : Number of new business (fiscal year)
- : Number of new business (First 9 months of fiscal year)



Remained at FY2020 level despite a temporary regression

Year-on-year annualized premium **100.5%**, number of new business **103.5%**

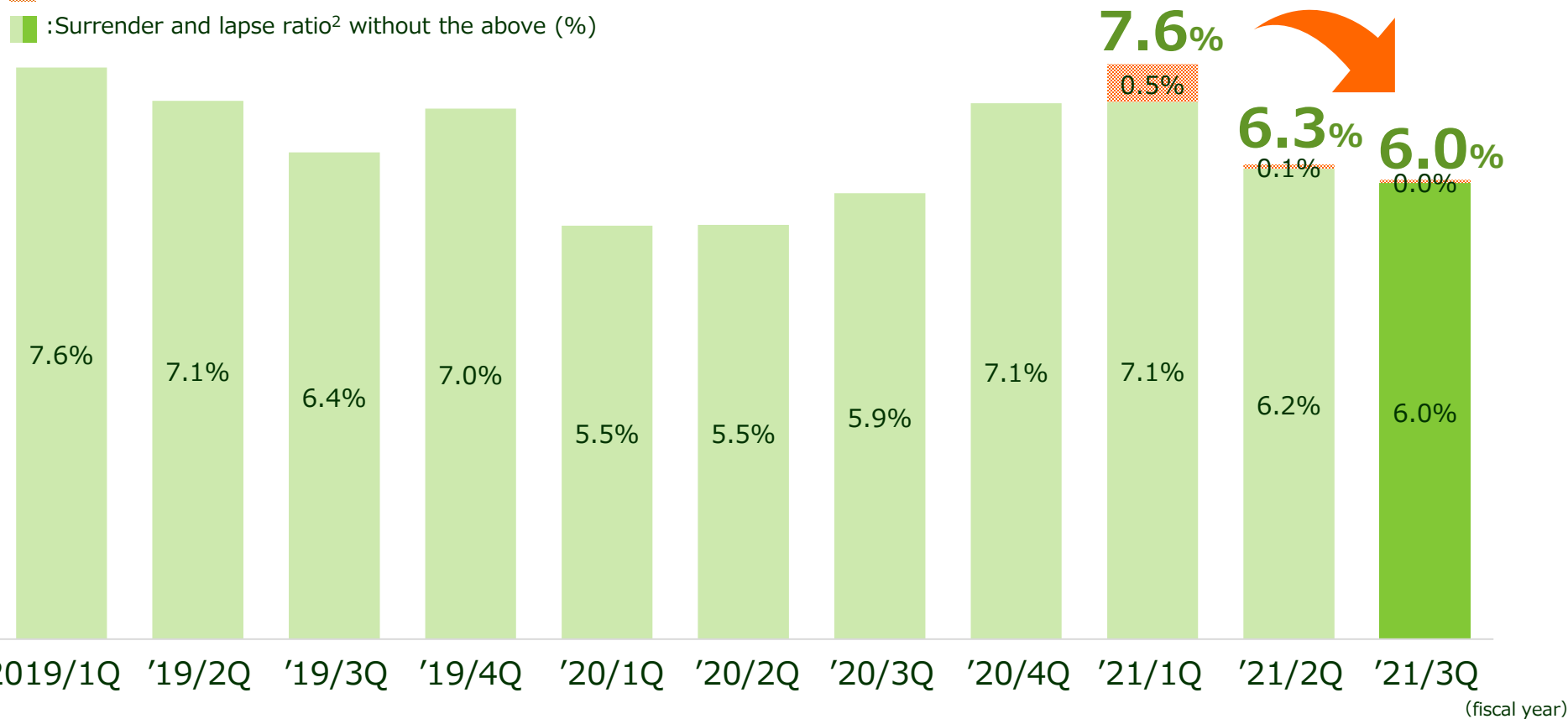
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

【Ref.】 Surrender and Lapse Ratio (Quarter)



■ Recovered to previous level and contributing to net increase in policies-in-force

■ : Impact of lump-sum recording of policies lapsed¹ (%)
 ■ : Surrender and lapse ratio² without the above (%)



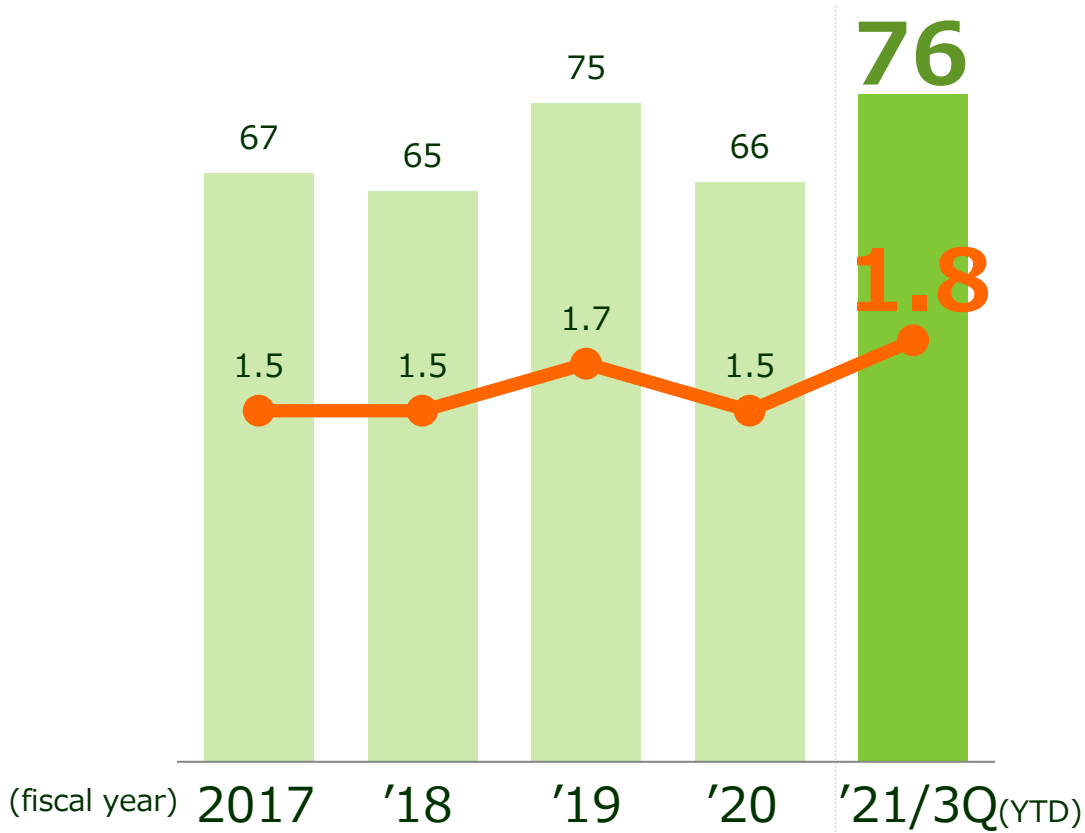
(fiscal year)

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



■ **Prioritize growth and invest in marketing expenses**

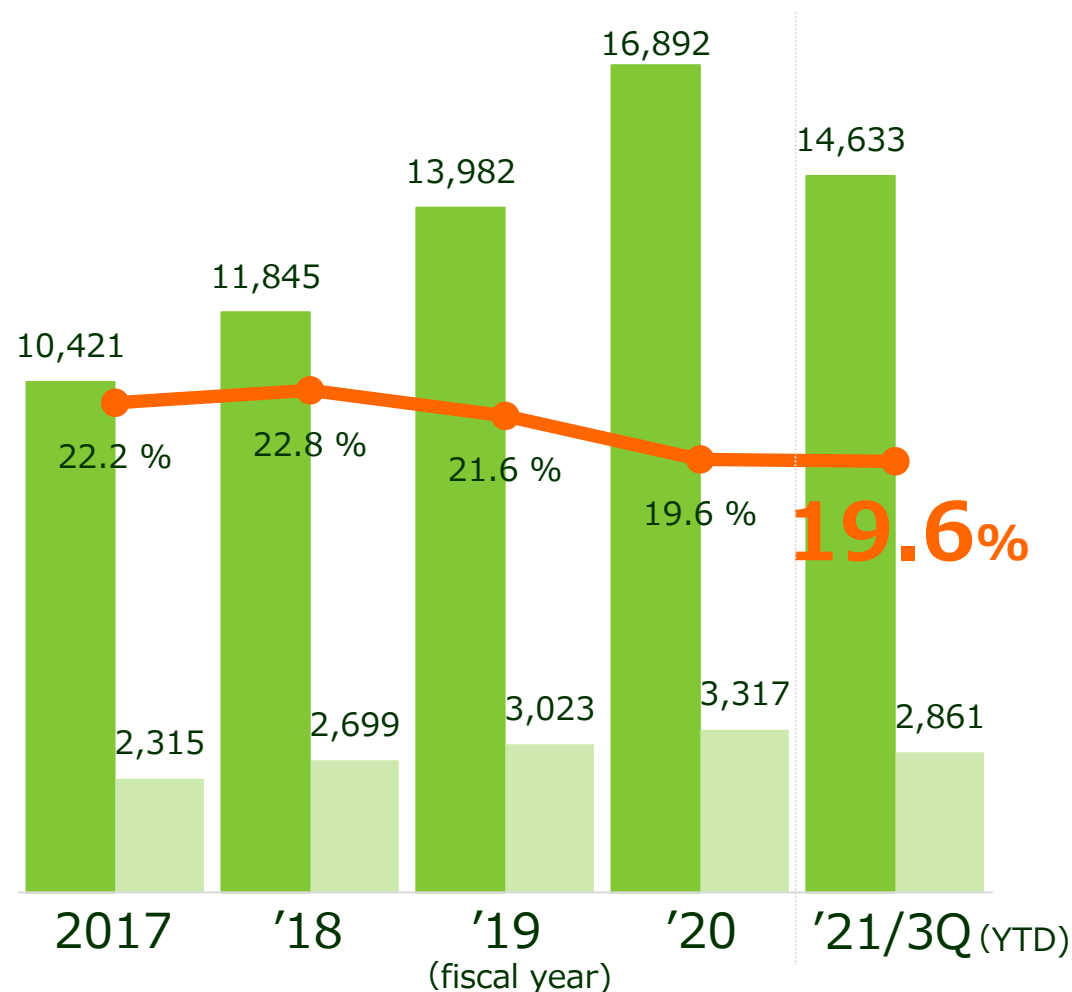
Marketing expenses (JPY millions)	2,627	4,216	6,146	6,712	5,862

※ From FY2017 to FY2020: Marketing expenses for full year
 FY2021: Marketing expenses for first 9 months of fiscal 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.

Operating Expenses Ratio

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



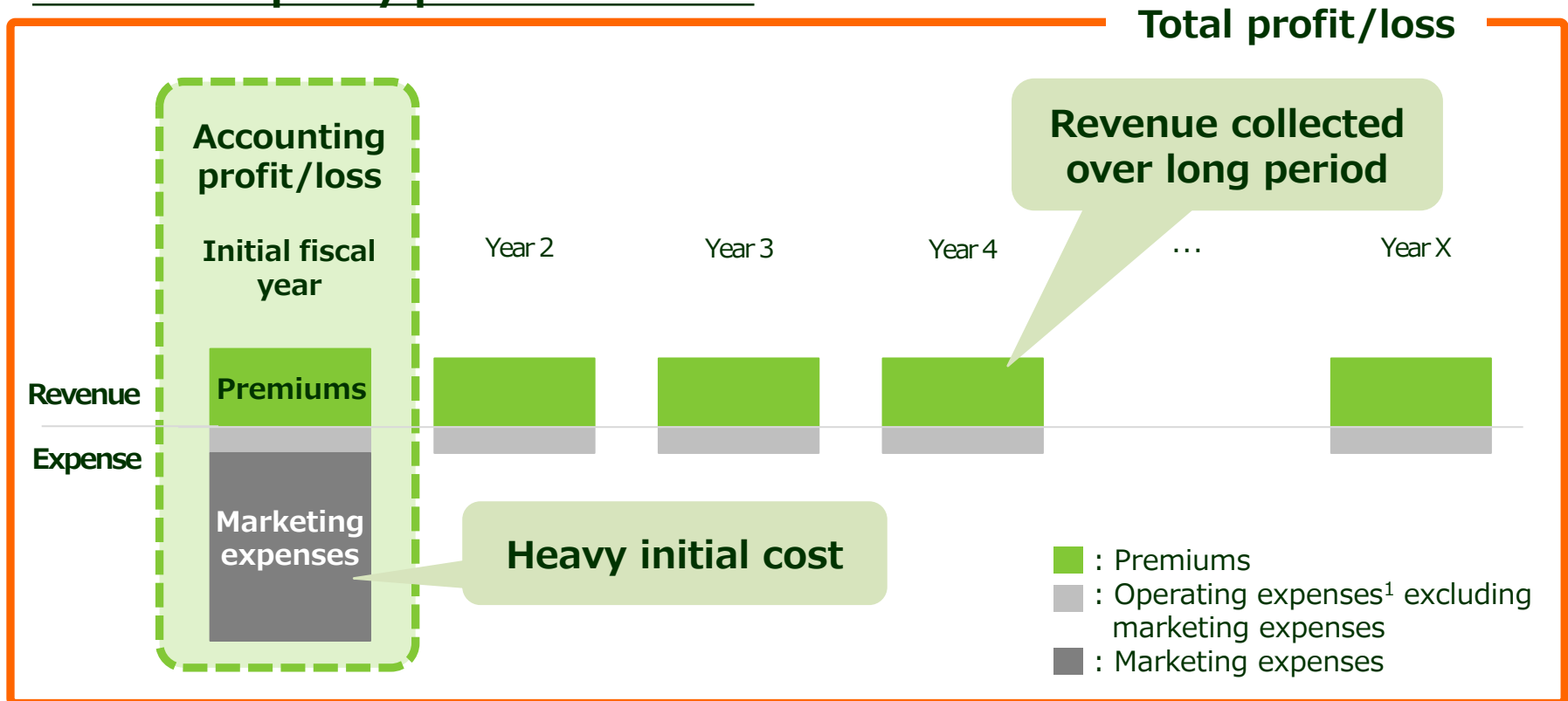
■ **Aim to improve operational efficiency by further business expansion in mid-term**

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.

Adjusted Profit

Steadily increased adjusted profit generated from policies-in-force

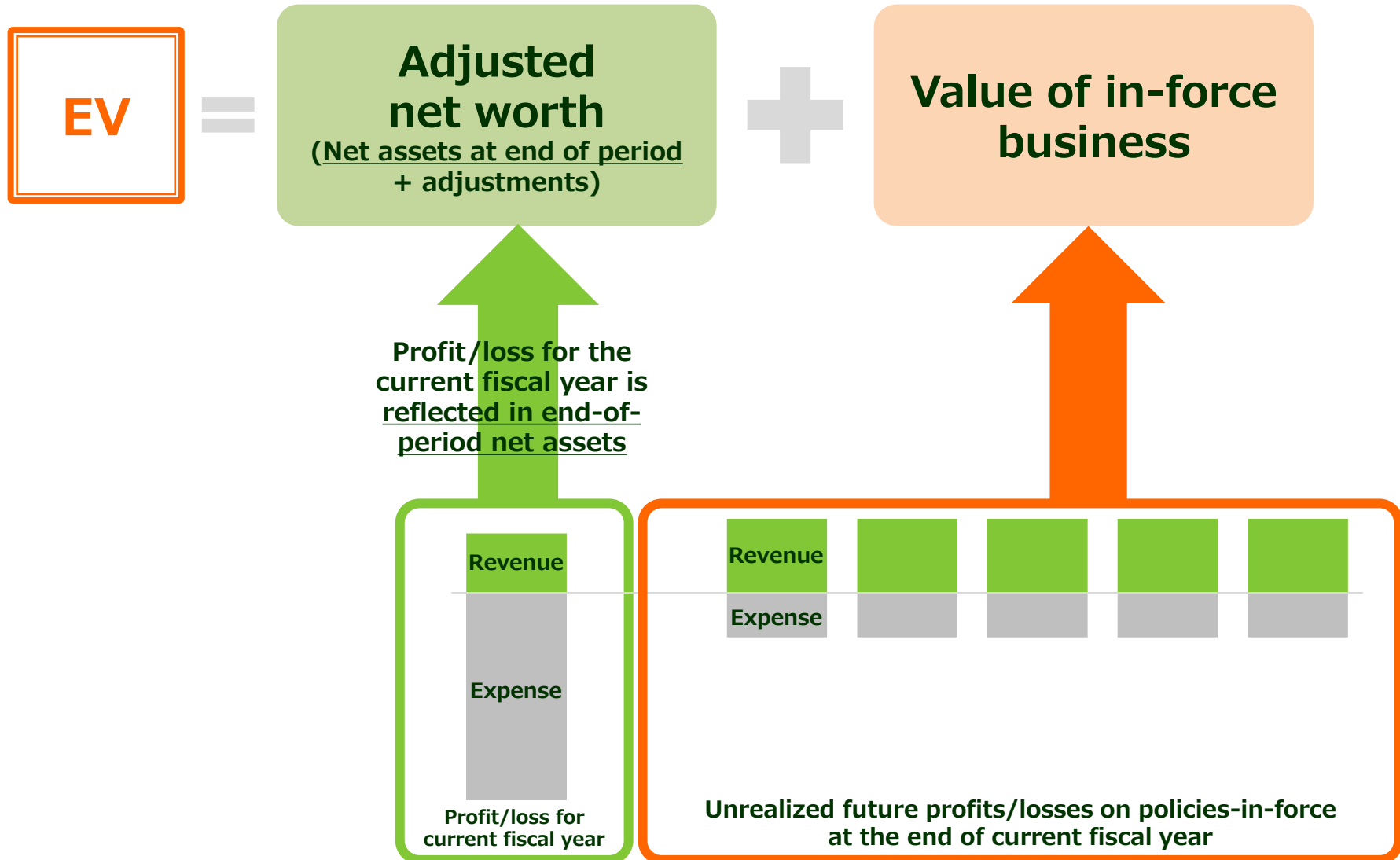
The method for calculating adjusted profit

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	2021/3Q (YTD)
i) Ordinary profit (loss)	(197)	(1,719)	(2,382)	(3,089)	(1,948)
ii) Marketing expenses	2,627	4,216	6,146	6,712	5,862
iii) Modified co-insurance	–	–	(1,526)	(804)	(1,037)
iv) Adjustment	319	347	546	739	448
Adjusted profit	2,748	2,844	2,784	3,558	3,325

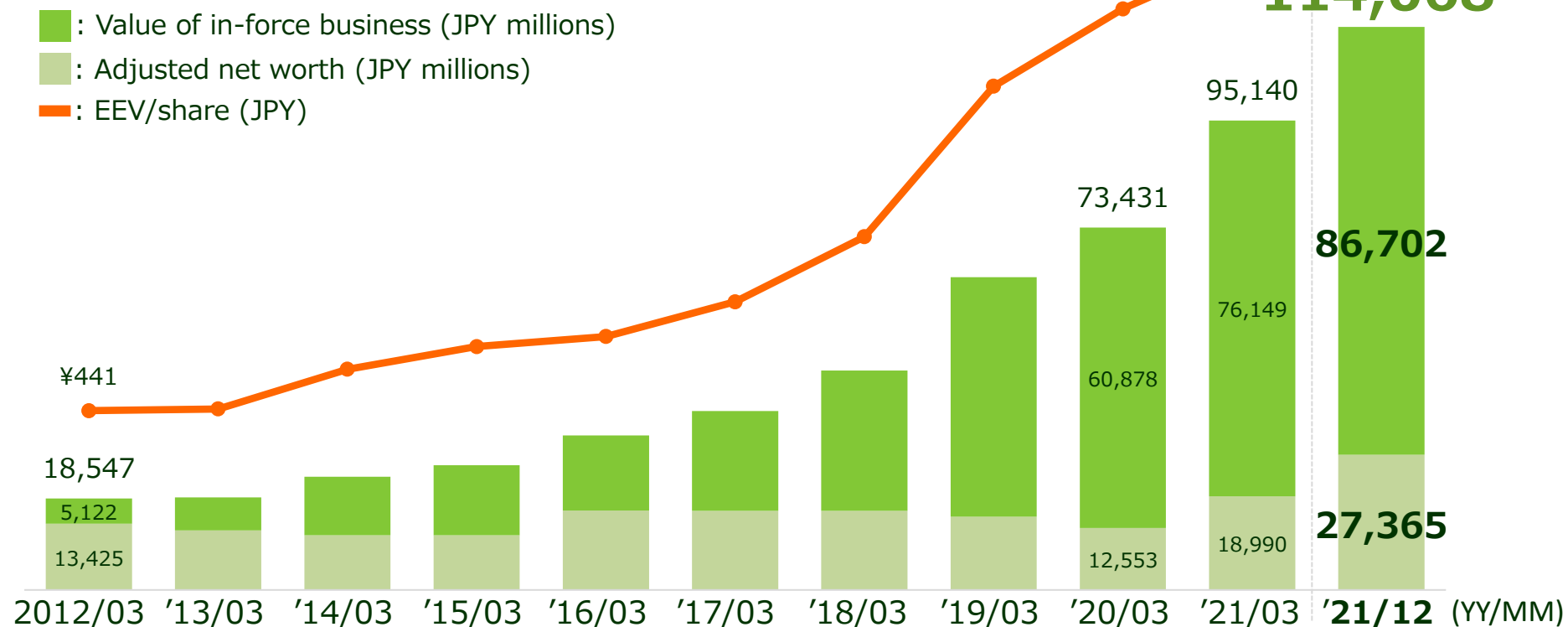
1. The amount of the adjustment to the policy reserve provision is the adjustment calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves.

Structure of Embedded Value



Strong EEV¹ Growth

- EEV and value of in-force business have been growing at a CAGR of **20%**² and **34%**, respectively since IPO
- EEV per share has also **steadily increased since capital raising**

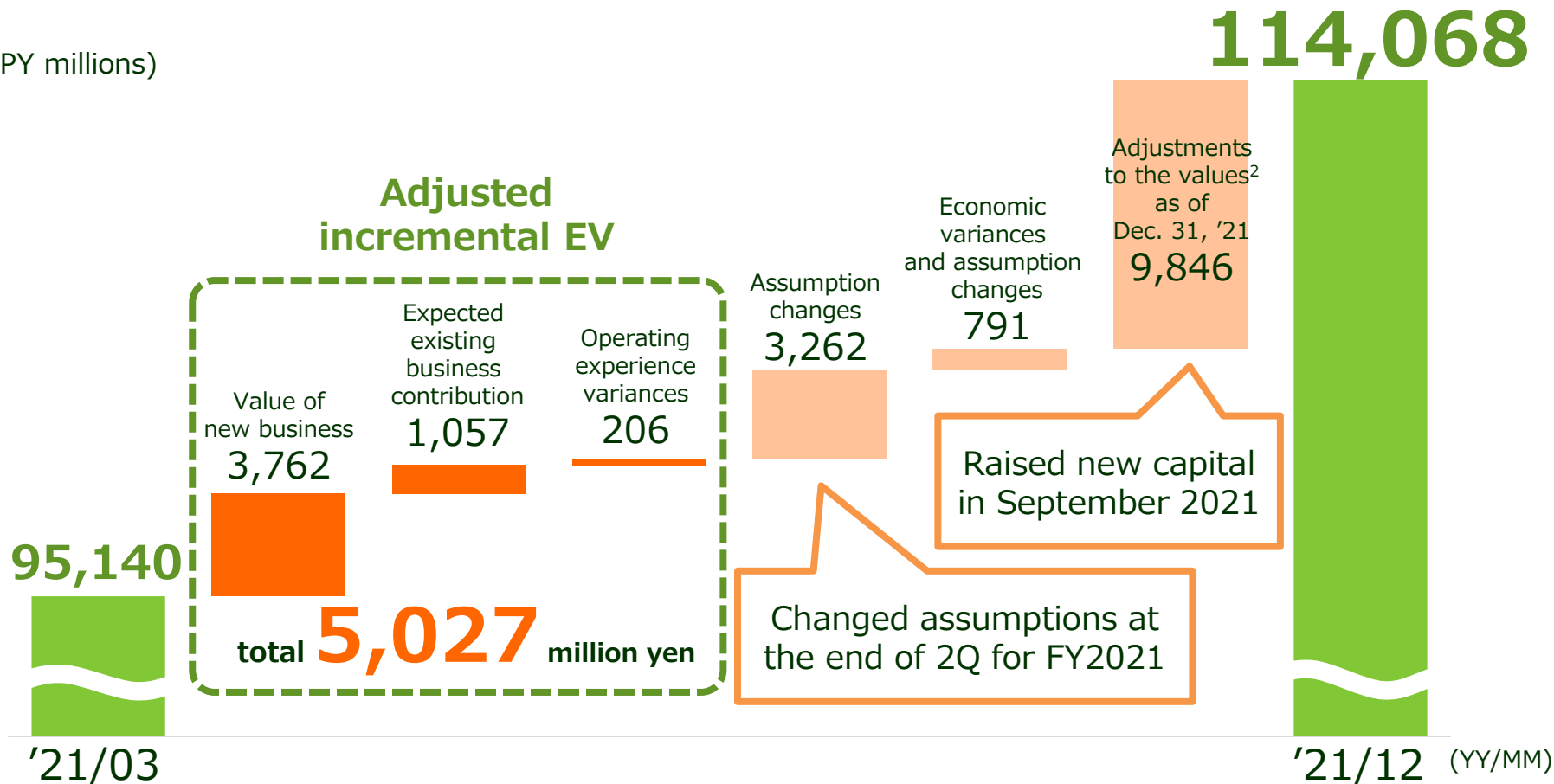


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate 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 December 31, 2021 is calculated applying the same operating assumptions as those used for September 30, 2021, and has not been 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

- EEV growth driven by **adjusted incremental EV**, **assumption changes at 2Q** and **capital raising**

(JPY millions)

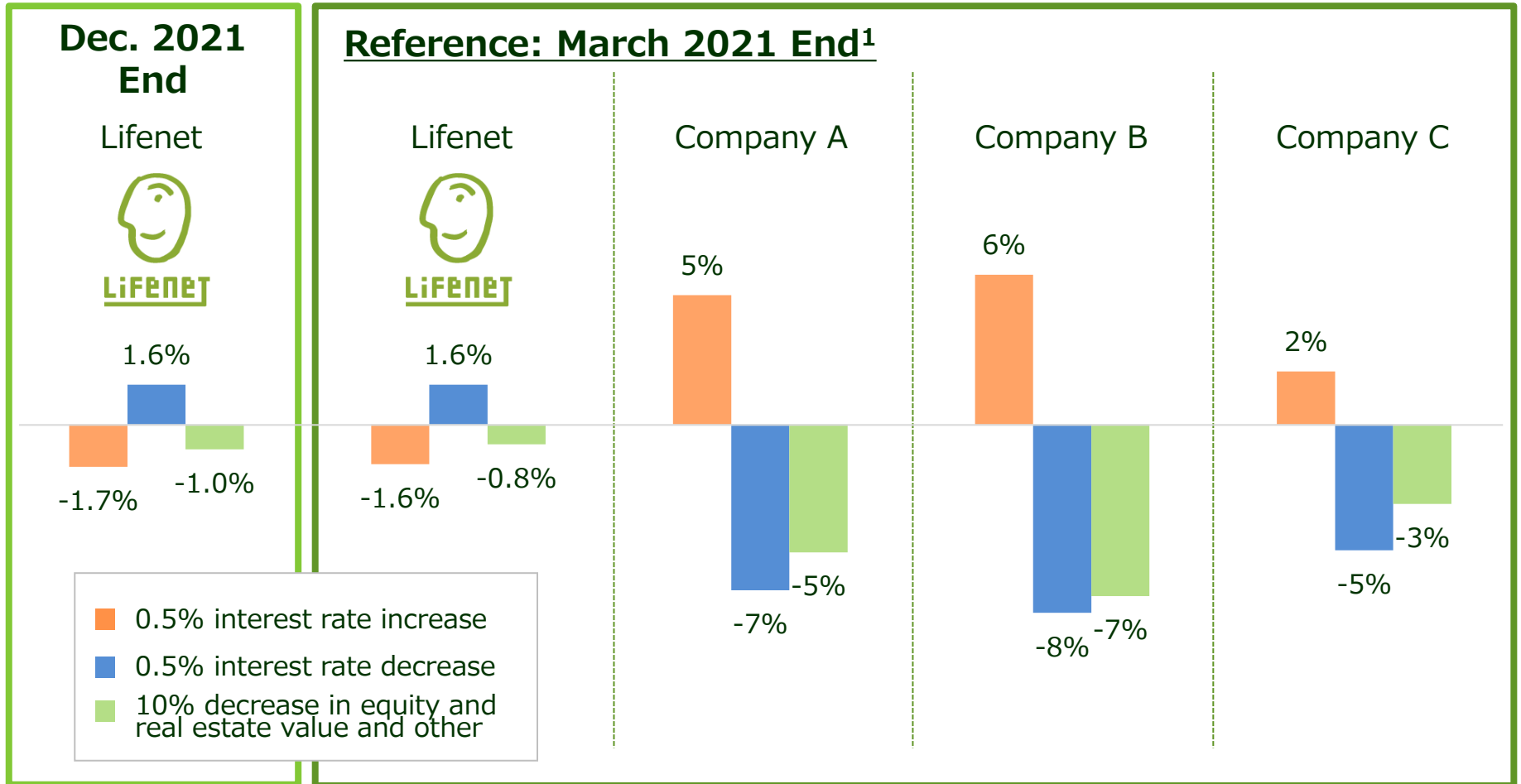


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. EEV as of December 31, 2021 is calculated applying the same operating assumptions as those used for September 30, 2021, and has not been 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	FY2021/3Q(YTD)
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 42,438 ×
Life Time¹ (Term of Contract)	Average Policy Term 14.3 years ×	Average Policy Term 16.7 years ×	Average Policy Term 15.6 years² ×
Gross Profit Margin³	45% 	43% 	45%
Life Time Value (Annualized Premiums per Policy * Life Time * Gross Profit Margin)	JPY 273,397	JPY 305,451	JPY 297,915
Customer Acquisition Cost⁴ (Marketing Expenses per New Policy)	JPY 75,970	JPY 66,737	JPY 76,912

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	'21/12
Total assets		54,501	67,781
Cash and deposits		2,059	4,373
Monetary claims bought		999	3,999
Money held in trust		5,895	5,590
Securities		40,007	47,026
Government bonds		9,004	8,997
Municipal bonds		1,482	1,481
Corporate bonds		21,301	24,233
Stocks		397	545
Foreign securities		0	199
Other securities ¹		7,821	11,569
Total liabilities		38,694	43,768
Policy reserves and other		36,639	41,710
Total net assets		15,806	24,012
Solvency margin ratio²		2,647%	3,258%
Modified duration (year)³		11.1	10.2

■ The impact of rising interest rates is limited due to short duration

■ Maintained sufficient financial stability as indicated by solvency margin ratio

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

Investment in Innovation of Customer Experience

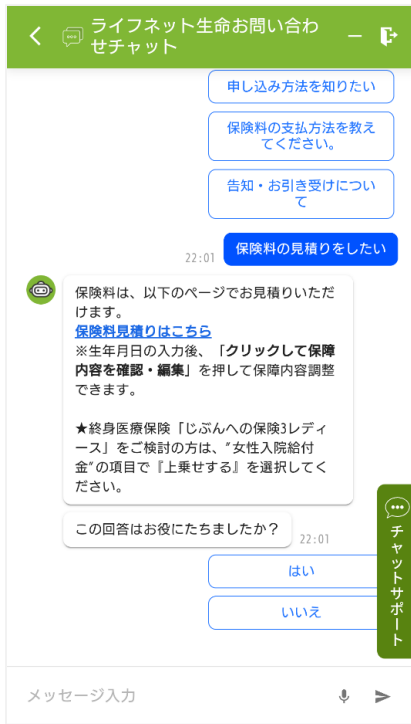


■ Promote initiatives to redesign customer experience of life insurance

April 2021

AI chatbot

- Enhance CX in non-business hours
- Improve in operational efficiency by limiting the number of operator



August 2021

Enhancement of app

- Add the function of premium quotation in addition to policy maintenance and claim filing



January 2022

AI site search function

- User-friendly search function



Evaluation for Customer Experience



■ Gained high evaluation from external organization and customers

3 Stars in the 2021 HDI Benchmarking

- Awarded a three-star rating in two categories¹ 9times, the highest number of times in the life insurance industry
- Awarded top rating in our website for the 11th consecutive year



2022 ORICON Customer Satisfaction Survey No.1 in category of Application Process, Life Insurance²

- Rated No.1 in the life insurance ranking for the application process



1. Two categories stand for "Phone Support (Contact Center)" and "Web Support (Website)"
2. Survey period: from 2021/08/02 to 08/16, from 2020/08/21 to 08/28, and from 2019/08/21 to 08/28. Survey targets: 10,022 men and women aged 20 to 84 living in Japan who purchased life insurance for their own coverage within the past three years and were involved in the selection process

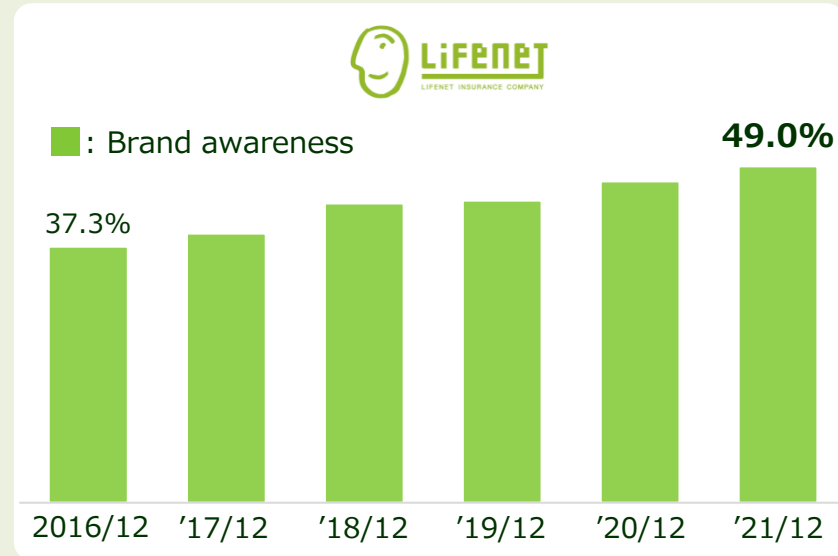
Investment in Enhancement of Promotion Capabilities



■ Continue to invest aggressively to accelerate growth

Internet Channel

Brand awareness is steadily increasing¹



White Label Channel

Initiatives for mid- and long-term growth



Discussing initiatives to utilize KDDI Group assets for further growth.



Launched a new entry page to enhance user traffic in addition to the existing assessment tool in app. Our focus is to improve conversion rate.

1. Source: "MyVoice Communications survey on awareness rate of insurance companies"

Investment in System Development

- Renewing system structure for improvement of customer experience and future business expansion

Fiscal 2021

Revamping the front-end infrastructure

Agile development

Cloud migration

- Accelerate speed of UI/UX development and improvement
- Improve scalability and on-demand performance

After Fiscal 2022

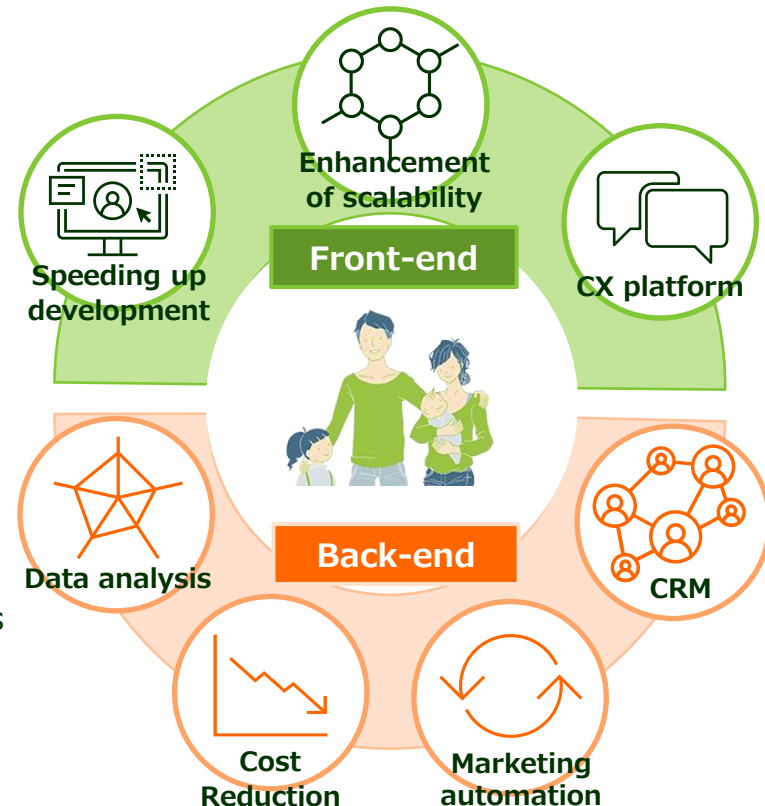
Renewal of the back-end infrastructure

Cloud migration

CRM

Data driven marketing

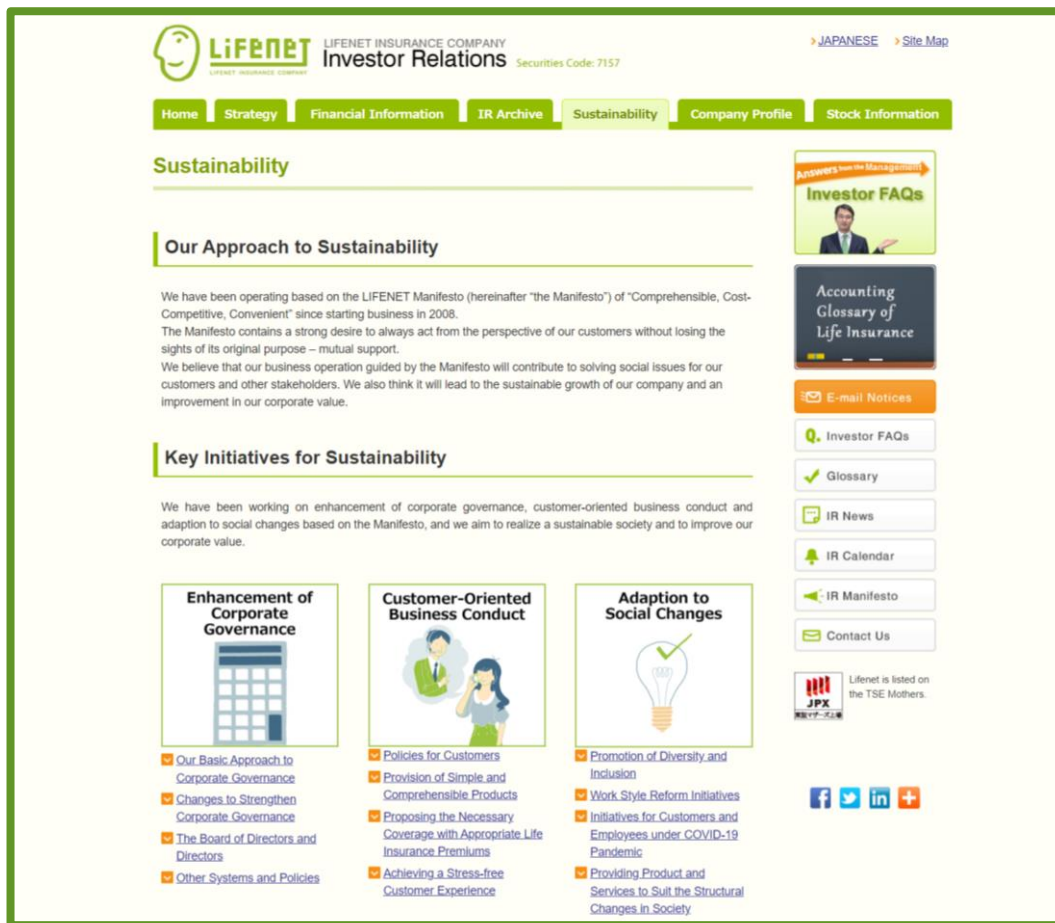
- Innovate CX by improving the efficiency of data analysis and optimizing touch points with customers
- Reduce operating expenses by improving efficiency of infrastructure cost



Initiative for Sustainability

New page on IR website summarizes sustainability initiatives since business commencement

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



The screenshot shows the LIFENET Investor Relations website's Sustainability page. The page features a navigation menu with options like Home, Strategy, Financial Information, IR Archive, Sustainability, Company Profile, and Stock Information. The main content area is titled "Sustainability" and includes sections for "Our Approach to Sustainability" and "Key Initiatives for Sustainability". The "Key Initiatives" section is divided into three columns: "Enhancement of Corporate Governance", "Customer-Oriented Business Conduct", and "Adaption to Social Changes". Each column lists specific initiatives, such as "Our Basic Approach to Corporate Governance", "Policies for Customers", and "Promotion of Diversity and Inclusion". A sidebar on the right contains links to "Investor FAQs", "Accounting Glossary of Life Insurance", "E-mail Notices", "IR News", "IR Calendar", "IR Manifesto", and "Contact Us". The page also includes social media icons and a note that LIFENET is listed on the TSE Mothers.

Enhancing disclosure on sustainability and communicating with ESG rating organizations

Revision of Business Forecasts FY2021



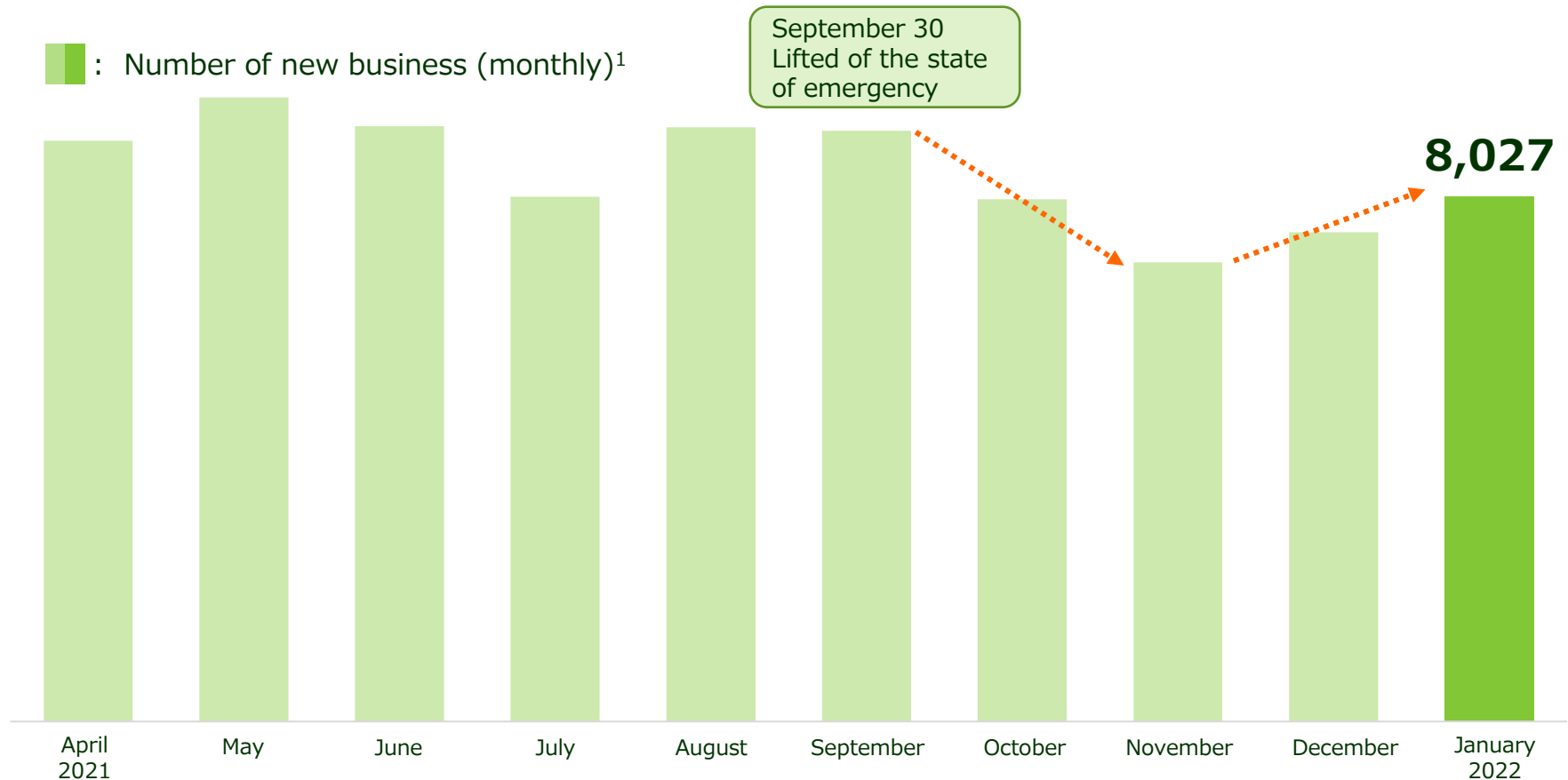
- Revised in light of current business performance
- Bottom line has improved owing to lower insurance claim payment than expected

(JPY millions)

	【Revised】 FY2021 Forecasts		【Previous】 FY2021 Forecasts		FY2020 Results	
Annualized premium of policies-in-force	21,400		21,900		18,713	
Annualized premium of new business	4,100		4,500		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	4,900	26,100	5,000	20,789	2,778
Ordinary profit (loss)	(3,400)	1,300	(3,600)	1,400	(3,089)	804
Net income (loss)	(3,500)	1,300	(3,700)	1,400	(3,114)	804

The Latest Business Environment (New Business)

- **New business performance bottomed out in November 2021 and is on a recovery trend**
- **Aiming for further growth while assessing the business environment**



1. Based on Monthly Disclosure

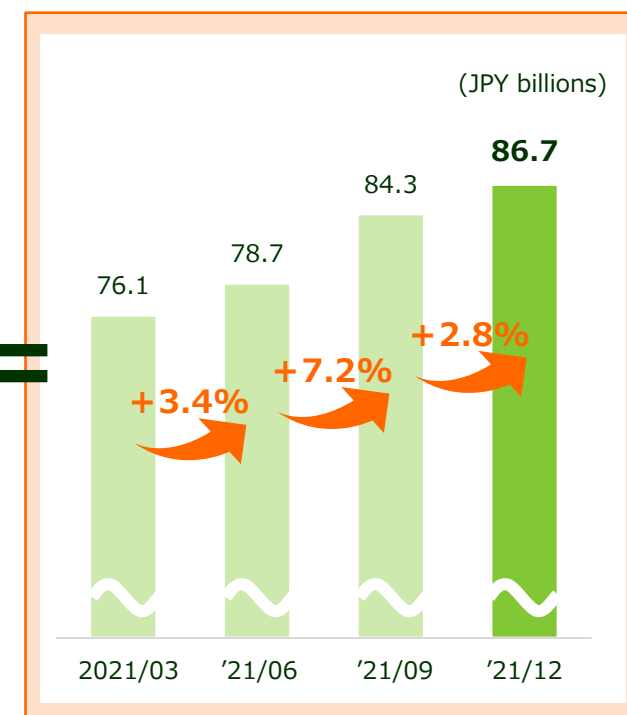
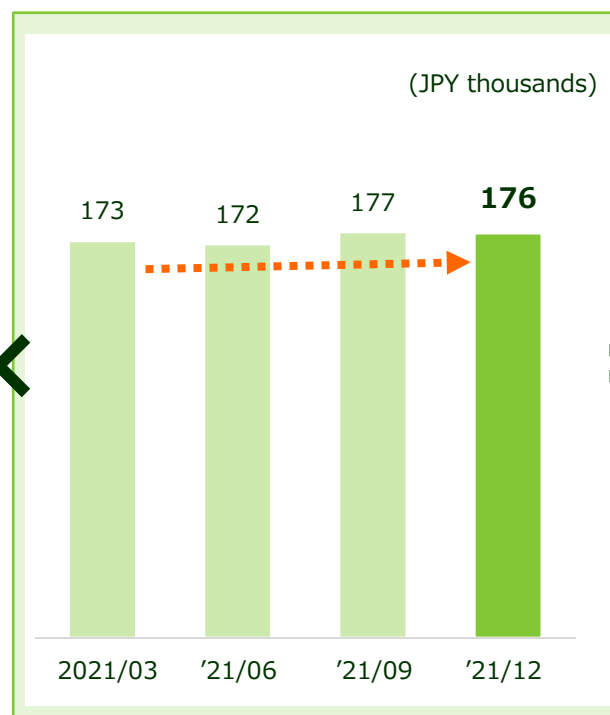
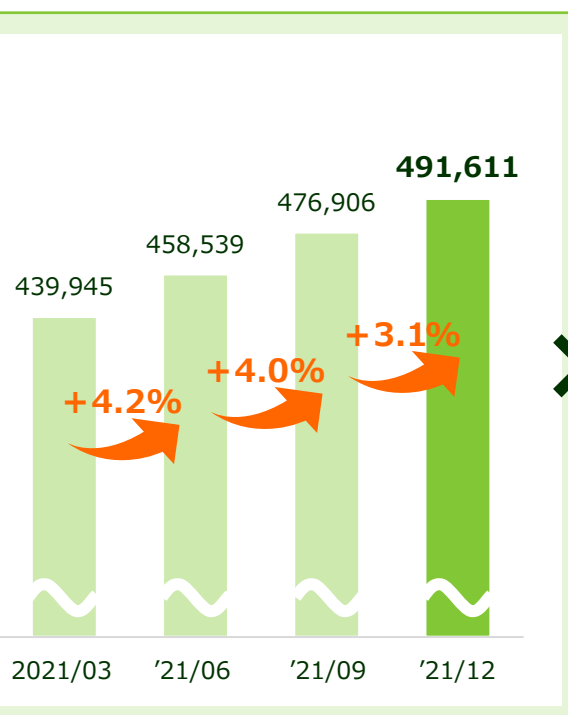
The Latest Business Environment (Policies-in-Force)

- Value of in-force business per policy maintained the certain level and **future value is growing**

Number of policies-in-force

Value of in-force business per policy

Value of in-force business
(Unrealized future value on policies-in-force)

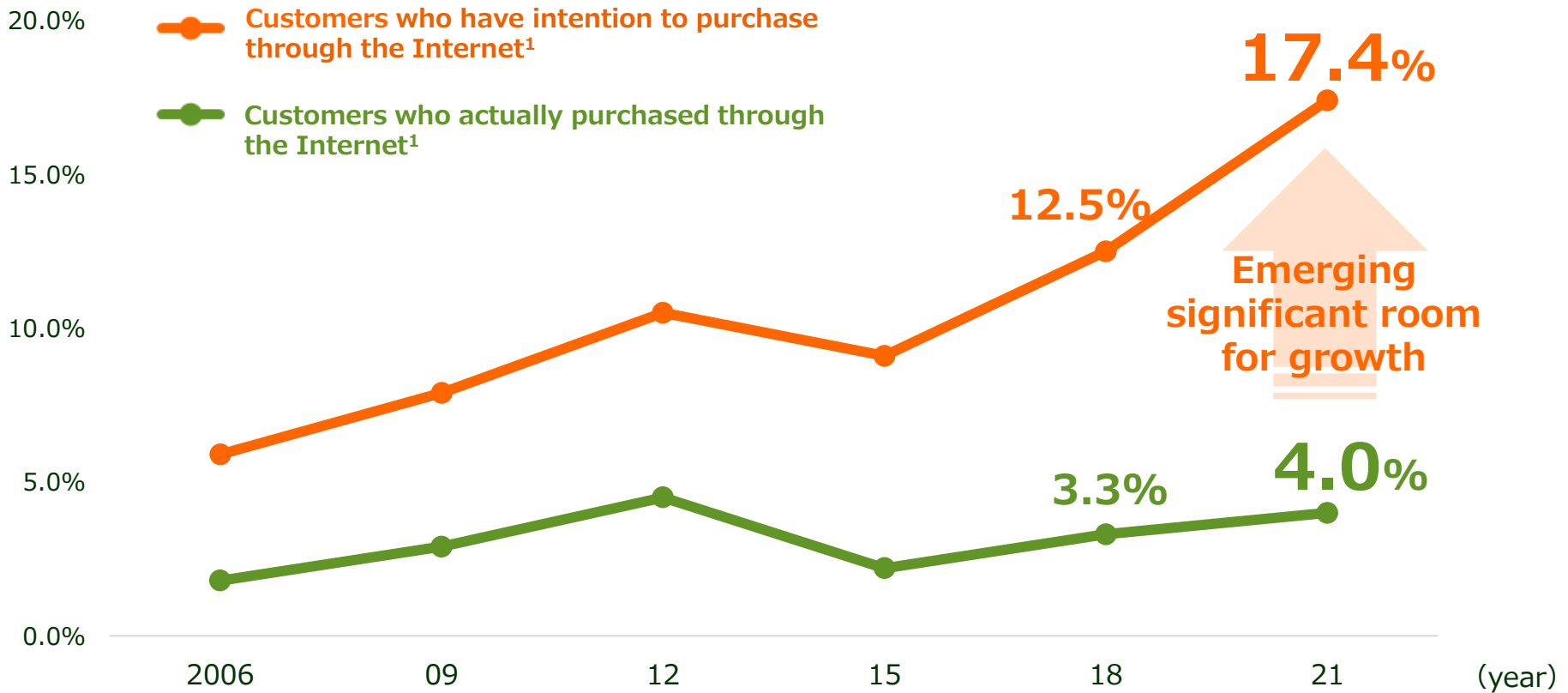


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Growth Potential of Online Insurance Market

■ Capturing the structural changes of digitization for sustainable growth in the future



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

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.**



LIFENET

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



Expand online products and services

Lifenet's products and services



Other insurers' products and services



"Online Platform"
connects life insurance products and services with customers

Provide products and services which customers need online

Search

Consult

Apply

Manage

Review

Claim

Diversifying customer needs

Breakdown of Policies-in-Force

	'21/03	'21/12	Component ratio
Number of policies-in-force	439,945	491,611	100%
- Term Life	213,597	239,838	49%
- Whole-life Medical	120,216	134,303	27%
- Term Medical Care	8,840	8,598	2%
- Long-term Disability	59,567	62,875	13%
- Cancer	37,725	45,997	9%
Sum insured of policies-in-force¹ (JPY millions)	2,994,198	3,271,082	
Number of policyholders	279,243	312,344	

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 (Cumulative 3Q)

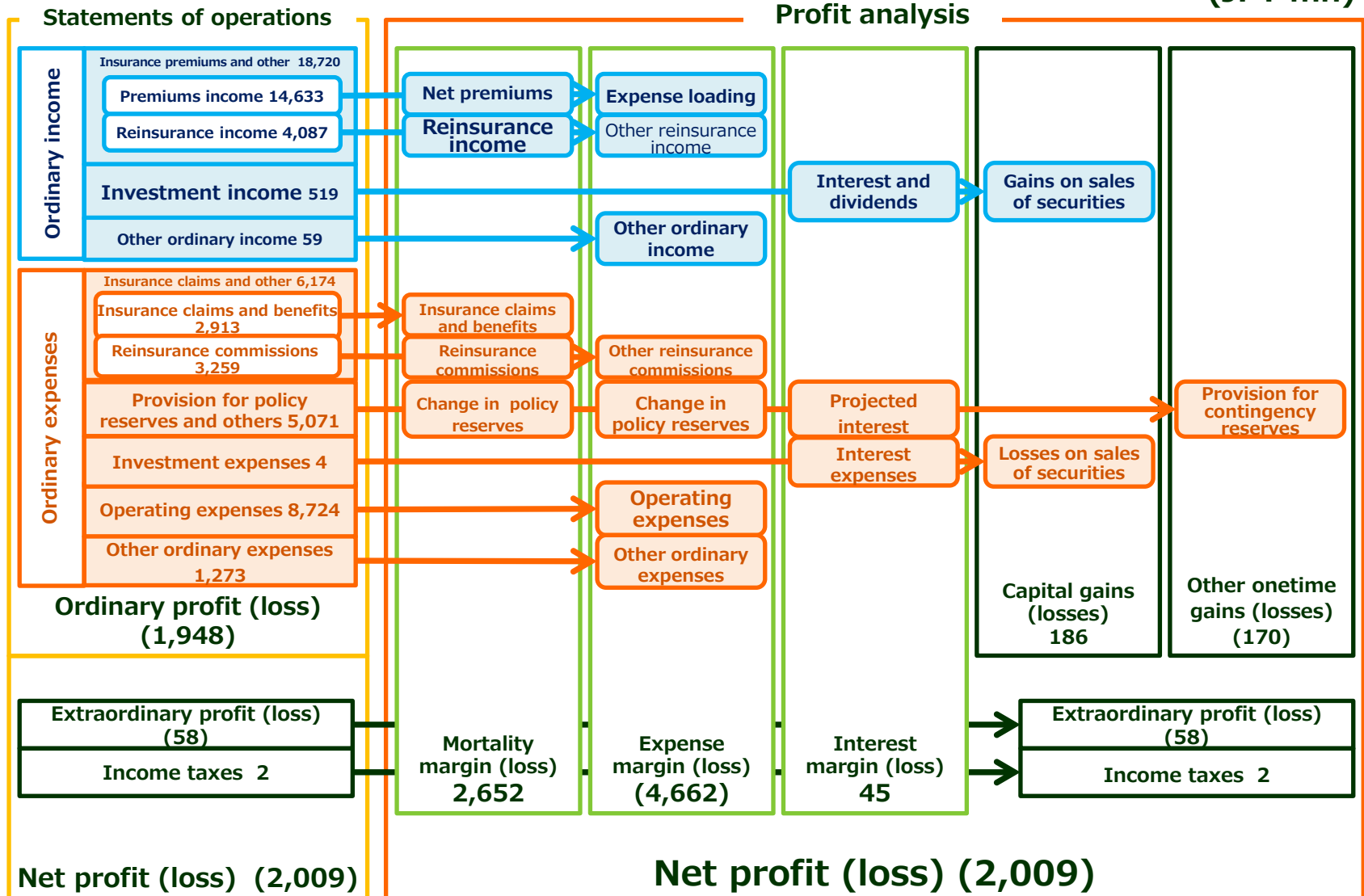


		(JPY millions)	FY2020/3Q	FY2021/3Q	Change	Note
Condensed statements of operation	Insurance premiums and other		14,694	18,720	4,026	Increased due to growth in in-force business and reinsurance income from modified co-insurance.
	Other		450	579	129	
	Ordinary income		15,144	19,300	4,155	Includes utilization of modified co-insurance of 3,577 million yen.
	Insurance claims and other		4,205	6,174	1,969	Increased due to an increase in reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 19.9%.
	Insurance claims		1,479	1,810	331	Increased from 120 cases in 3Q of FY20 to 161 in 3Q of FY21.
	Benefit claims		826	1,103	277	Increased from 7,345 cases in 3Q of FY20 to 10,241 in 3Q of FY21.
	Provision for policy reserves and other		4,597	5,071	473	Percentage of provision for policy reserves (4,913 million yen) to insurance premiums is 33.6%.
	Operating expenses		6,999	8,724	1,724	
	Marketing expenses		4,615	5,862	1,247	Includes 4,750 million yen for advertising expenses.
	Customer service		758	953	195	
	System and other		1,625	1,907	282	
	Other		1,056	1,278	221	
	Ordinary expenses		16,858	21,248	4,389	
	Ordinary profit (loss)		(1,714)	(1,948)	(233)	Includes profit of 1,037M for utilization of modified co-insurance.
	Extraordinary losses and income taxes		16	61	44	
Net income (loss)		(1,731)	(2,009)	(277)	Includes profit of 1,037M for utilization of modified co-insurance.	
Fundamental profit	Mortality margin		2,713	2,652	(60)	Includes 357M loss due to utilization of modified co-insurance.
	Expense margin (loss)		(4,260)	(4,662)	(402)	Includes 1,394M expense margin for utilization of modified co-insurance.
	Interest margin (loss)		(21)	45	67	
	Fundamental profit		(1,568)	(1,964)	(395)	Includes profit of 1,037M for utilization of modified co-insurance.

Three Surplus Factors of Fundamental Profit

First 9 months of FY2021

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of Dec. 31, 2021

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

Solvency margin ratio 3,258.7% = **Total amount of solvency margin <numerator> 38,963** ÷ **Total amount of risk/2 < the denominator> 2,391/2**

Cash and deposits 4,373	Other liabilities 1,445
Monetary claims bought 3,999	Reserves for outstanding claims 995
Money held in trust 5,590	Policy reserves 40,715
Securities 47,026	Contingency reserves 2,174
	Excess over the full-Zillmerized reserve 12,349
	Price fluctuation reserves 95
	Deferred tax liabilities on available-for-sale securities 465 ¹
	Valuation difference on securities available-for-sale 1,196 ¹
Tangible fixed assets 108	Capital stock and other assets 22,683
Intangible fixed assets 1,302	Net assets 24,012
Other assets 5,380	

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

- Insurance risk R₁ 1,087**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 374**
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 1,764**
[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 96**
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.

- Characteristics of Lifenet's EEV are as follows:

Strong growth

- **Maintaining increase** in EEV since listing in March 2012

Resilience to interest rate changes

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

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

(JPY millions)	Change in EEV as of Dec. 31, 2021	Change in VoNB
EEV and new business value as of December 31, 2021	114,068	3,762
Sensitivity 1a: 1.0% increase in risk-free rate	(3,992)	(219)
Sensitivity 1b: 1.0% decrease in risk-free rate	3,386	83
Sensitivity 1c: 0.5% increase in risk-free rate	(1,950)	(97)
Sensitivity 1d: 0.5% decrease in risk-free rate	1,803	64
Sensitivity 1e: Interest rates based on JGB yields	710	93
Sensitivity 2: 10% decrease in equity and real estate value and other	(1,104)	—
Sensitivity 3: 10% decrease in operating expenses	3,888	568
Sensitivity 4: 10% decrease in lapse rate	673	150
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,792	476
Sensitivity 6: Change the required capital to the statutory minimum	112	13

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

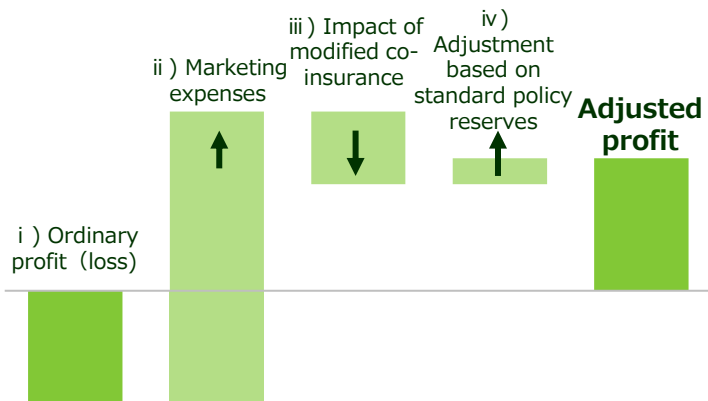
Ordinary profit excluding marketing expenses

Adjusted Profit

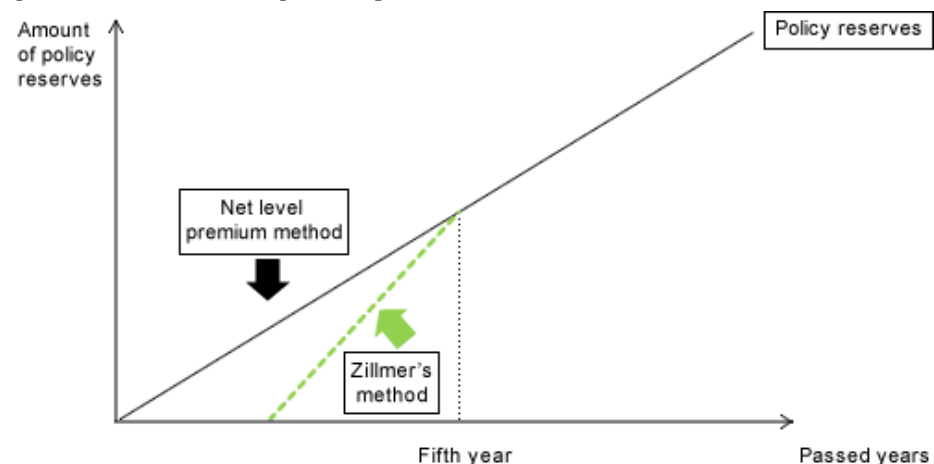
Explanation of Adjusted Profit

Adjustments to provision for policy reserves based on standard policy reserves

Calculation of adjusted profit



Difference between methods of calculating provision for policy reserves



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

e.g. First 9 months of fiscal 2021 (JPY millions)

Adjustment to provision for policy reserves¹ 448	=	+	Provision for policy reserves 4,913	-	Increase in standard policy reserves² 4,464
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- 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.
- 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 220 million yen as of December 31, 2021.

Modified Co-Insurance

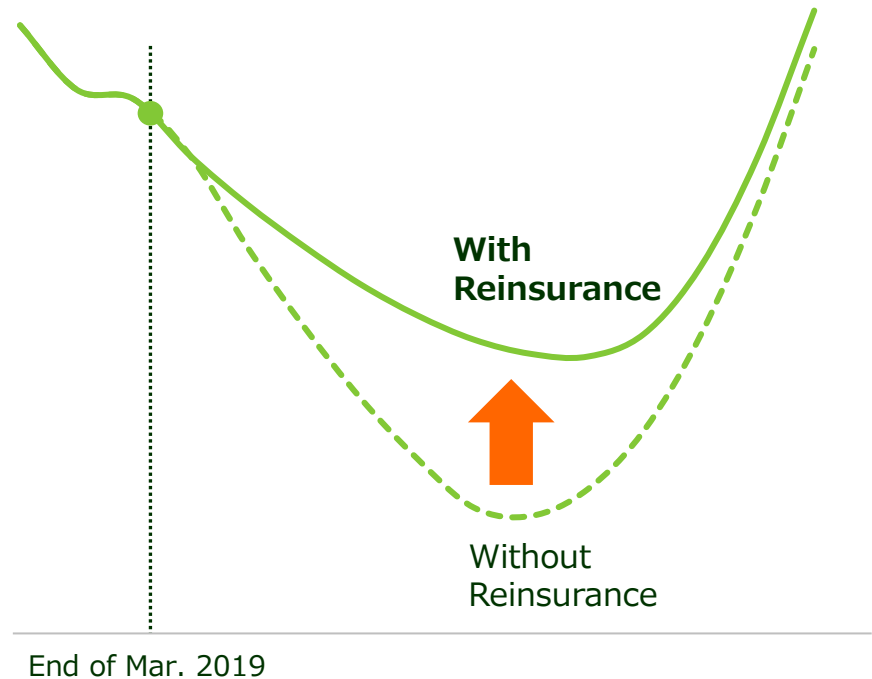
- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

Illustration image of change in profit/loss structure by reinsurance

■ : Revenue ■ : Costs ■ : Effects of reinsurance



Illustration image of impact of reinsurance on net assets



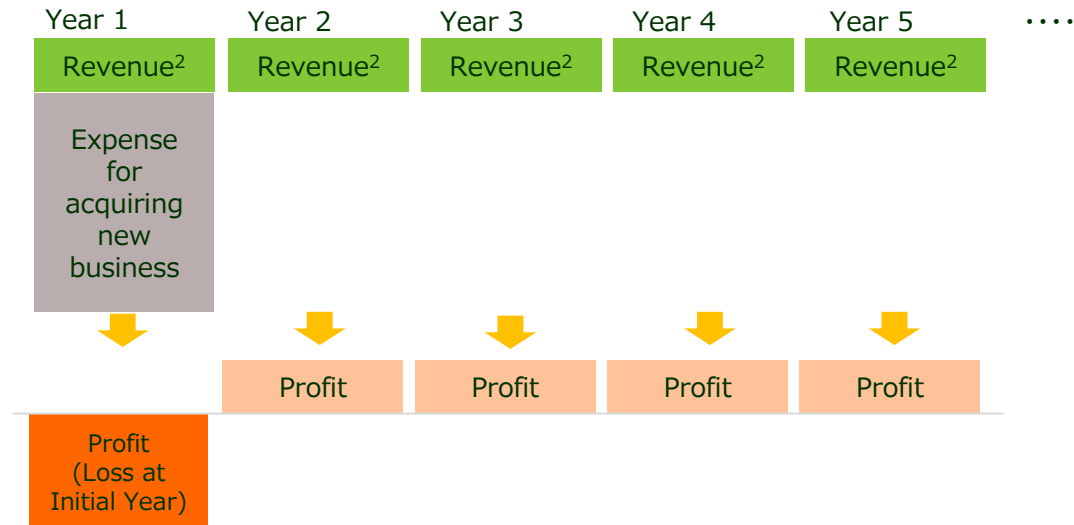
Note: Illustration of P&L structure of reinsuring new business of single fiscal year, where illustration of impact on net assets of reinsuring new business for multiple years. Lifenet has utilized reinsurance transactions by modified co-insurance method on part of new business since fiscal 2019.

J-GAAP vs IFRS

Illustration image of accounting structure¹

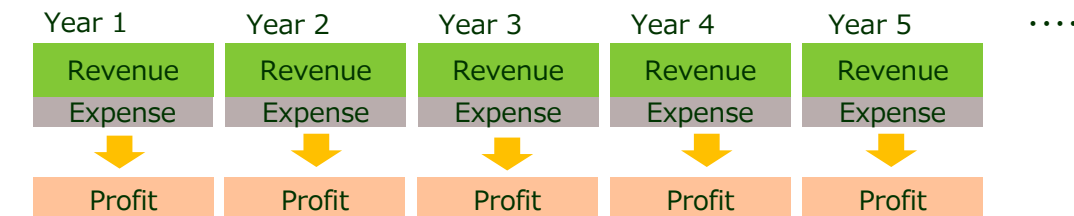
■ Current Statutory Accounting (J-GAAP)

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.