



LIFENET INSURANCE COMPANY

Full Year Financial Results Briefing for the Fiscal Year Ended March 2021

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[Answerers]

Ryosuke Mori

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Ryosuke Kondo

Representative Director and President

Executive Officer

Executive Officer

Question & Answer

Question: Regarding the expected number of new business for FY2021, when we can calculate it from the disclosed business forecasts of annualized premium of new business for FY2021, I think you expect to acquire over 100,000 new policies in this fiscal year. How much do you include the effect from the partnership with Money Forward in it?

Kondo: We do not disclose the number of new business for each channel, so we would like to refrain from giving specific figures. Given the experience with the other white label business partners, we think it takes some time to expand its scale.

Question: Regarding the monthly disclosure, the number of new business in April was nearly 9,000. How do you evaluate on this, Mr. Mori?

Mori: As shown on [page 39 of presentation material](#), we believe that we have been able to raise the average level from 7,000 to 8,000, and then to the current level of 9,000.

The important thing is how many repeatable factors there are in the current average of 9,000. We believe that the significant growth at the beginning of 2021 was brought by our marketing efforts, which were the repeatable factors, rather than external factors. We would like to steadily maintain this averaged level of 9,000, and at the same time, we would like to grow it to the next level while looking for the right time to invest in marketing.

Question: Regarding the surrender and lapse ratio, which has been rising recently, how do you analyze its background? In addition, what percentage of the surrender and lapse ratio do you expect for FY2021?

Kondo: As you pointed out, the surrender and lapse ratio for the first half of the year in FY2020 remained at a low level because customer needs for life insurance were emerged due to the COVID-19 impact. We are now aware that the ratio has been gradually increasing since the second half of the year.

We think that the prolonged pandemic may cause an increase in the surrender and lapse ratio because policyholders surrendered on the following reasons; to save money and the payment of insurance premium became burden on household expenses because of the COVID-19 impact, according to our questionnaires from customers at the time of surrender.

Regarding of the ratio for FY2021, one guide of the ratio should be in the mid-6% range which we had maintained before the pandemic, so we believe that our outlook is around there.

Question: With regard to the new management goal, “Aim to achieve EEV (European Embedded Value) of JPY 200 billion by business growth in a mid-term”, how do you see the time axis for achieving it? Also, why did you choose EEV as your KPI again while you started new business, such as the online life insurance platform business?

Mori: Regarding the time frame for achieving EEV of JPY 200 billion, we would like to refrain from mentioning specific timing because there are some uncertainties, such as fluctuations in interest rate and the payment of insurance claims.

Basically, we would like to maintain the growth momentum of in-force business, which has been lasting since our listing. When we receive a positive boost to accelerate our business, we will dedicate our best effort to achieve the new goal as early as possible

Regarding KPI, we will consider how to explain about the value from online life insurance platform attributed to shareholders in the future because commission from the business will be revenue source in addition to underwriting business.

Question: Regarding a new joint venture, Lifenet Mirai Inc., what specific initiatives are you going to take at online life insurance platform?

Kondo: Since our business commencement, we have been focusing on developing our own insurance products and selling them through our own website. As a result, the website traffic is increasing as shown on [page 38 of presentation material](#), on the other hand, we haven't fully utilized the traffic.

Based on the current situation, there are two main purposes to establish the new joint venture. One is we will sell other life insurers' products which we cannot develop ourselves as shown on [page 27 of presentation material](#) and respond to wider range of customer needs online. The other is we think we would like to expand the online life insurance market more rapidly.

Therefore, we will launch online life insurance distribution business as well as online life insurance underwriting business because we believe it is one of the important roles for us to expand this online market.

Question: If you aim to achieve the new management goal of EEV of JPY 200 billion in 7 years, you have to accumulate around JPY 15 billion each year. You will continue to make aggressive investment in marketing for further growth of new business. That causes a decrease in net assets on the statutory accounting. How do you think of the balance between growth and net asset?

Kondo: We believe that it is very important to take balance among growth, profitability and financial soundness while continuing our management policy, which focuses on the growth of new business by aggressive investment in marketing.

We think the pace of new business growth after the capital raising in July 2020 has been improving gradually at higher pace than we expected at the time of capital raising. So, we will focus on growth the most of the three while taking the balance.

Mori: It is not our intention to cause a situation in which the market thinks that Lifenet is giving up on pursuing growth opportunities because of capital constraints. Our top priority is to make sure that we grow further while allocating the necessary resources.

On the other hand, we have always been emphasizing capital efficiency. We have utilized modified co-insurance as part of improving capital efficiency. We would like to prioritize growth while paying particular attention to capital efficiency. Regarding capital policy, we will consider various appropriate measures in the future.

Question in the text form and Answer

Question: Termination of the strategic alliance agreement with Swiss Re Life Capital Ltd. was released. What is the significance for Swiss Re to hold your shares? What is the significance for you to have Swiss Re as your major shareholder?

Kondo: We had been working together with Swiss Re through knowledge sharing and collaboration in areas such as underwriting and product development in addition to reinsurance area over the last 8 years since we entered into a strategic alliance agreement with the company in 2013.

At that point in time soon after our IPO, we greatly benefitted from the partnership with a major reinsurer like Swiss Re because we had limited know-how as an insurance company.

Having confirmed that we have expanded the number of our policies-in-force and have moved into a different company stage from before, and so that we announced the termination of the agreement as a result of much discussion with Swiss Re.

Swiss Re may have seen the significance of holding our company's shares because they might be able to gain know-how through our business model as an online life insurer which was rare even from a global perspective.

Considering their acquisition price, capital gain could also be a significant incentive to hold our company's shares. In any case, Swiss Re will remain as a significant stable shareholder.

Question: What is your future policy regarding overseas expansion?

Kondo: Although we set up a joint venture in South Korea in 2013, we have been focusing on domestic business for a long while afterwards.

More recently, we recognize that the business model of selling insurance online has gradually been emerging overseas as well. In such a context, we may also have a chance to leverage our know-how in overseas market.

On the other hand, we believe that working with local partners is essential in expanding overseas given that insurance industry is subject to regulations in every country.

Question: What are the reasons you set a goal EEV of "JPY 200 billion" as a new target?

Mori: We considered enough in terms of probability of achieving the goal, EEV of JPY 200 billion while making various projections about the future growth.

First important factor is the growth of in-force business performance, which we aim to maintain double-digit growth.

Second one is the operational efficiency. We expect improvement of marketing efficiency for the new business and the improvement of running costs by the linkage with expansion of in-force business. We believe that we will achieve EEV of JPY 200 billion as early as possible by addressing two factors above.

Question: With regard to the introduction of short-term performance-linked compensation, I understand that this is an initiative in the process of making compensation more visible in accordance with the revision of the Companies Act. How do you plan to set the KPI for short-term performance-linked compensation?

Mori: We are unable to disclose the details of KPIs this time. In considering and understanding what kind of fundamentals of our company affects the current stock valuation, we will link it to short-term performance-linked compensation. Since we have defined EEV as the most important management indicator, we would like to basically link the growth of EEV to it.

Question: Although I have the impression that ESG or sustainability initiatives have been taken in various ways, it seems that there are not many disclosure of them. How do you plan to disclose it in the future?

Kondo: As you can see on [page 30 of presentation material](#), we disclosed our sustainability initiatives in the slides for the first time. The various initiatives described here are not only the latest efforts, but also the ones that we have been working on from the past, and the basis of them is our "LIFENET Manifesto". As you pointed out, we have not been able to actively disclose them. We would like to take this opportunity to actively work on it in response to feedbacks from investors.

[END]

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