



LIFENET INSURANCE COMPANY

Q1 Financial Results Briefing for the Fiscal Year Ending March 2023

August 10, 2022

[Speakers]

Ryosuke Mori President and Representative Director

Presentation

Mori: Thank you very much for attending today's financial results briefing. The Company announced its financial results for Q1 of FY2022 today at 3:30 PM. The presentation materials are available on the Company's [IR website](#). Today I would like to provide an overview of the financial results, followed by a question-and-answer session.

1Q of FY2022 Key Highlights



- **Annualized premium¹ of policies-in-force up 14% YoY to JPY 22.1 billion**
- **JPY 278 million in COVID-19 claims**
- **EEV up 22% YoY to JPY 118.1 billion**
- **Business alliance with au Jibun Bank to launch group credit life insurance business**
- **Capital and business alliance with Eisai to create new customer experiences**

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

Please refer to page two. Today's main points.

First, annualized premiums of policies-in-force at the end of June 2022 increased 14% YoY to JPY22.1 billion.

Next, with the increase in the number of COVID-19 cases, benefit claims have been increasing in our company as well, with insurance and benefit claims totaling JPY278 million in Q1 of FY2022.

European Embedded Value, the most important management indicator in our management policy, increased 22% to JPY118.1 billion from the end of June last year.

In addition, two of the most significant upcoming initiatives are listed below.

Today, we entered into a business alliance agreement with au Jibun Bank to expand our business area to group credit life insurance. This will strengthen business collaboration with KDDI's financial group in addition to the existing white label business.

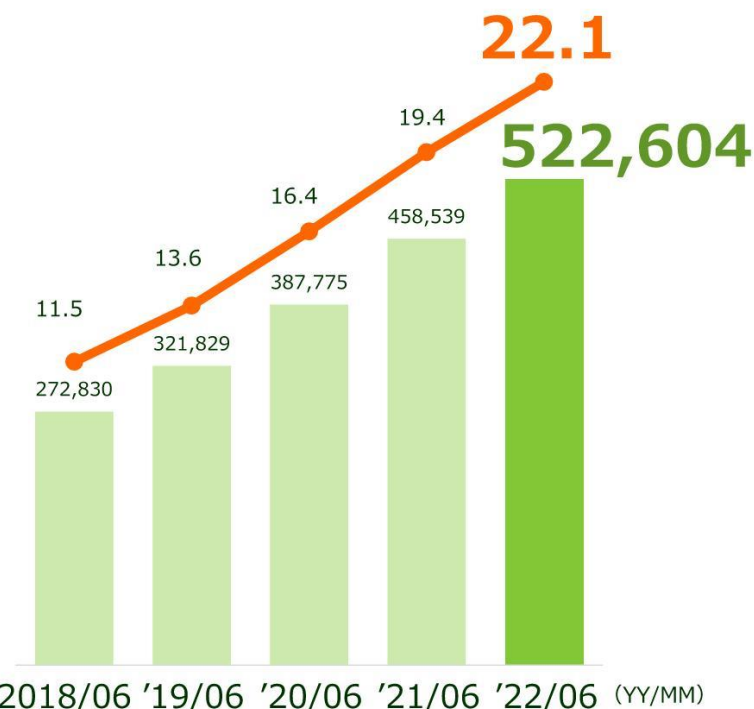
Furthermore, yesterday we announced a capital and business alliance with major pharmaceutical company Eisai Co., Ltd. Mainly in the areas of medicine and healthcare, we will work with new collaborative partners to offer products and services needed by modern society.

Details of each item will be explained later.

Annualized Premium / Number of Policies-in-Force



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



■ Continued steady growth

■ Year-on-year annualized premium **113.7%**,
 number of policies-in-force **114.0%**

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.

Please refer to page three. This is the performance of in-force business.

Annualized premiums of policies-in-force, which correspond to annual recurring revenue, amounted to JPY22.1 billion at the end of June 2022, with 522,604 policies-in-force.

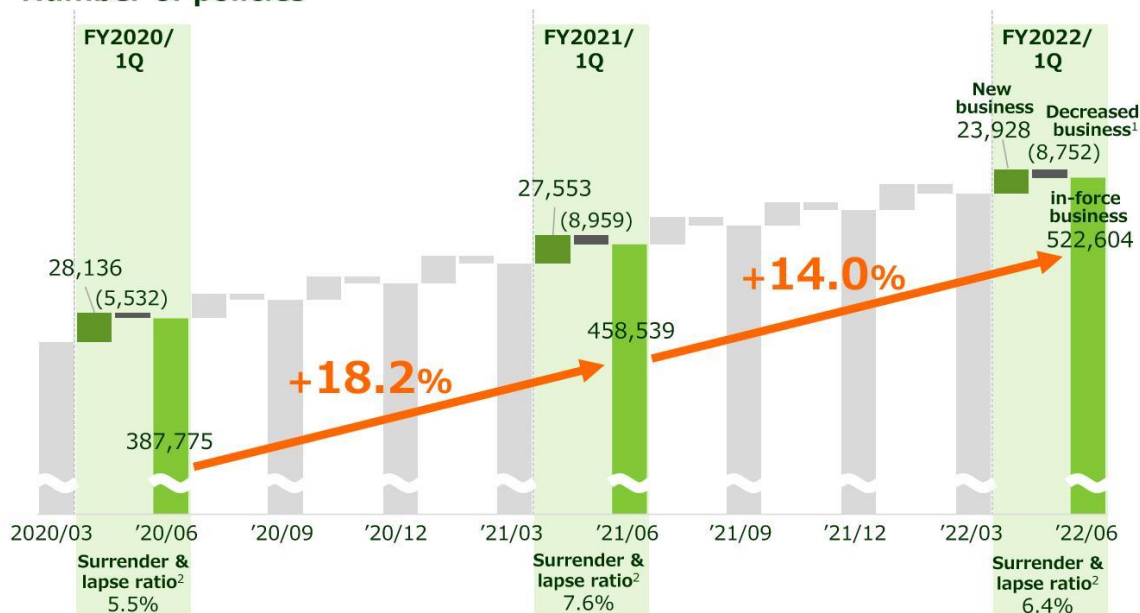
Both have achieved strong growth of more than 10% YoY.

Policies-in-Force Movement



- **Continues to grow in the medium-term while further acceleration is needed**

Number of policies



1. Decreased number of policies include death, expiration and others in addition to surrender and lapse.
 2. Surrender and lapse ratio is annualized. The surrender & lapse ratio in the first quarter of fiscal 2021 includes 0.5% of impact from lump-sum lapse regarding expiration of special grace period for COVID-19.

Page four shows the movement in the number of policies-in-force.

The green bar graph on the far right stands for Q1 of FY2022. The number of new business for Q1 totaled 23,928. The surrender and lapse ratio was 6.4%.

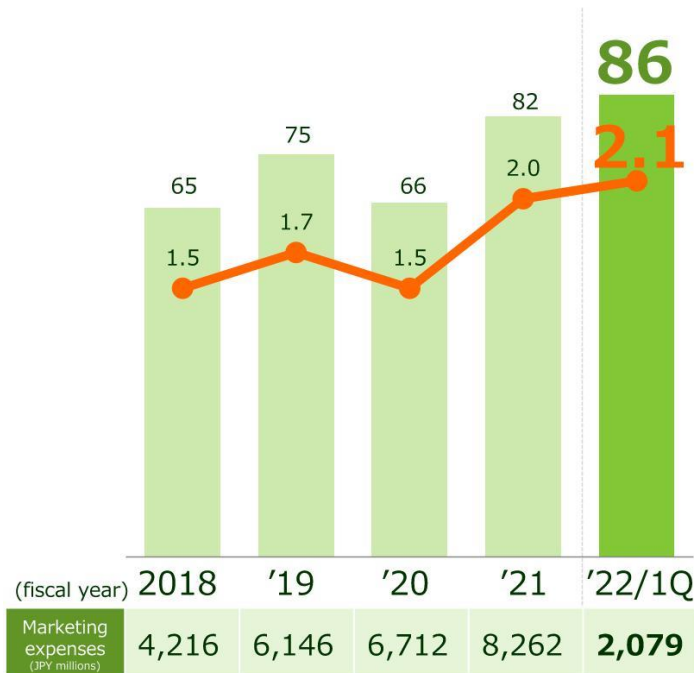
As you can see, we are maintaining our medium-term trend of double-digit growth in policies-in-force. However, we recognize that increasing new business performance is a major challenge in order to further accelerate growth.

Currently, our performance is still affected by short-term changes in the business environment, but we will continue to strengthen our brand power and improve UI/UX in order to capture the structural megatrend of digitization of financial services. Additionally, through active collaboration with other companies, which I will explain later, we will strive to achieve sustainable growth in the performance of policies-in-force.

Marketing Efficiency



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



■ Continued a certain scale of marketing investment while carefully monitoring marketing efficiency

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.

Page five is the marketing efficiency.

The table below left shows the marketing expenses invested. Figures from FY2018 to FY2021 are for the full fiscal year, and that for FY2022 is for the first three months of the fiscal year. The Marketing expenses for Q1 of FY2022 totaled JPY2,079 million.

As shown in the bar graph, marketing expenses per new business was JPY86,000. Compared to the previous fiscal year, marketing efficiency has declined and we believe it needs to be improved in the medium term. However, in the current fiscal year, based on the competitive external environment, we will continue to make marketing investments of a certain scale, which will strengthen our competitiveness in the medium to long term.

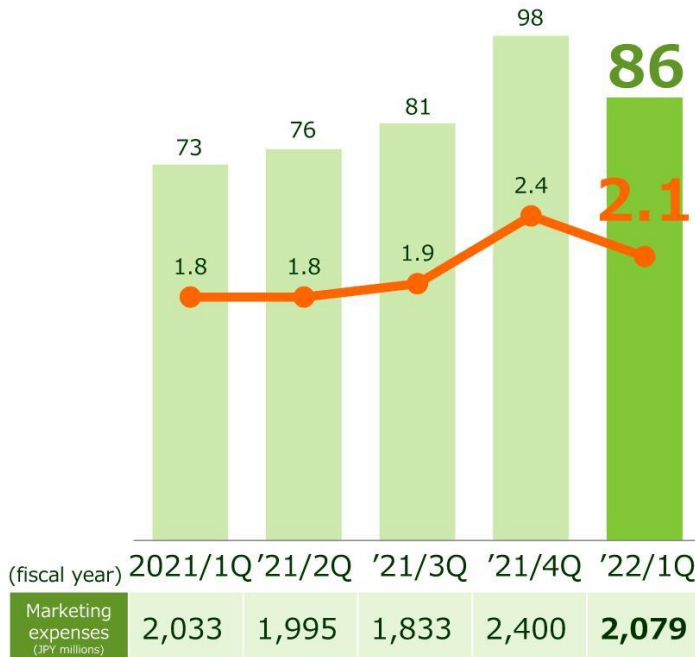
On the other hand, we also control marketing expenses to a certain extent by carefully monitoring the efficiency.

Details are explained on the next page.

【Ref.】 Marketing Efficiency (Quarterly)



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



- **Controlled marketing expenses for 1Q compared with 4Q of FY2021**
- **Explore the right timing to re-boost marketing investment**

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.

Page six shows changes in marketing expenses and marketing efficiency for the last five quarters.

As you can see, marketing efficiency has been on a downward trend since Q3 of FY2021, especially in Q4 when marketing expenses was significantly increased.

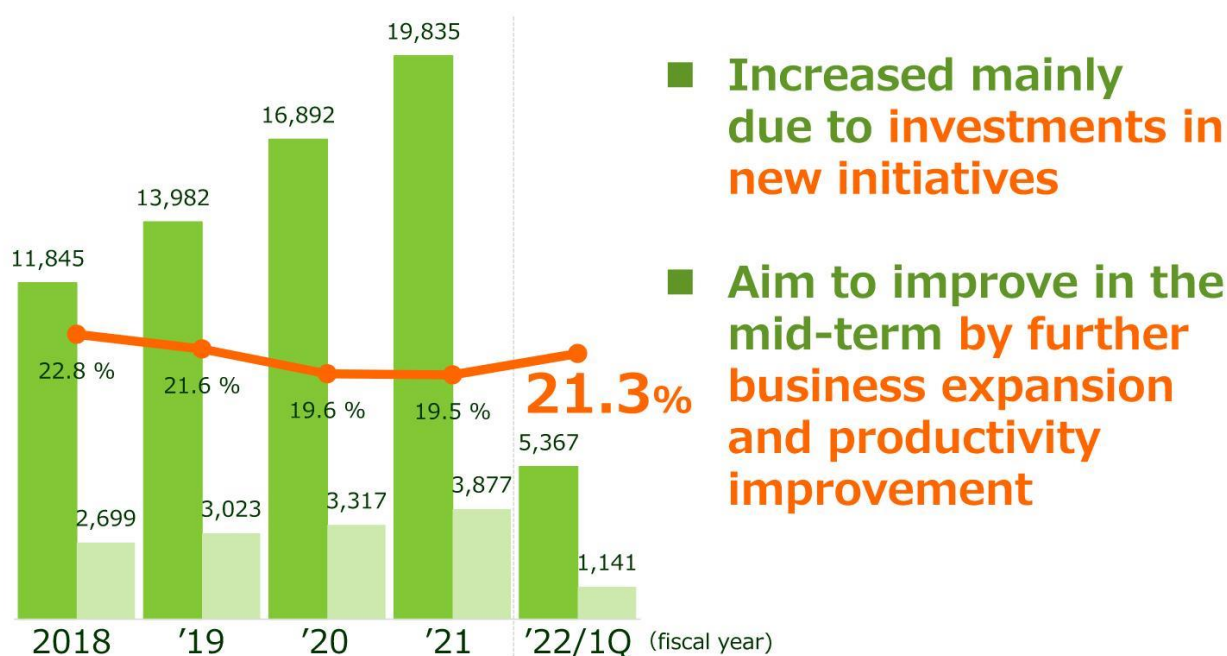
Therefore, in Q1 of FY2022, we have reduced marketing expenses compared to Q4 of FY2021.

On the other hand, our major direction that we continue to achieve double-digit growth in in-force business remains unchanged. We will continue to closely monitor both the competitive business environment and our marketing efficiency. We will also consider re-expanding marketing expenses if we believe that increased investment will contribute to the growth of new business performance.

Operating Expenses Ratio



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



- Increased mainly due to **investments in new initiatives**
- Aim to improve in the mid-term by **further business expansion and productivity improvement**

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

Next, I will explain the efficiency of operating expenses excluding marketing expenses.

Operating expenses excluding marketing expenses totaled JPY1,141 million and operating expense ratio was 21.3%.

Although insurance premium is steadily increasing, the operating expenses ratio is higher than that of FY2021 due to investments in new business initiatives, including preparations for the launch of the group credit life insurance business, which will be explained later.

An improvement of operating expenses ratio means a decrease in unit costs, which is an important factor for profitability and European Embedded Value.

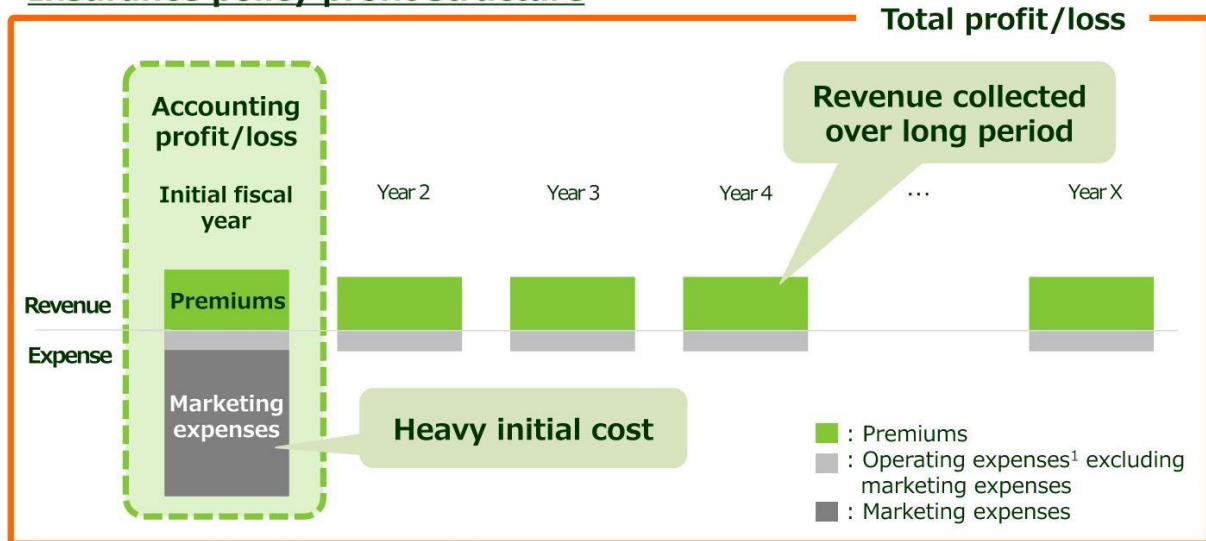
In the current scale of our business, a certain scale of investment will affect the fluctuations of operating expenses ratio. Thus, we will continue our efforts to stabilize and improve the ratio over the medium term.

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.

Page eight shows the accounting structure of life insurance companies.

This is important to properly understand our profitability.

Under the current statutory accounting on the profit and loss statement, the entire cost associated with the acquisition of new business is recognized as a current period expense. Meanwhile, the income from insurance premiums, which is the revenue, is recognized over a long period of time. Consequently, the more new business grows, the greater the profit decline during the current period, due to the growth in costs posted during the current fiscal year.

Statutory accounting therefore does not necessarily provide a picture of the long-term profitability of our business.

Adjusted Profit



- Steadily recorded adjusted profit generated from in-force business while affected by COVID-19 claims

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	2018	2019	2020	2021	2022/1Q
i) Ordinary profit (loss)	(1,719)	(2,382)	(3,089)	(3,245)	(1,062)
ii) Marketing expenses	4,216	6,146	6,712	8,262	2,079
iii) Modified co-insurance	–	(1,526)	(804)	(1,283)	(199)
iv) Adjustment	347	546	739	721	47
Adjusted profit	2,844	2,784	3,558	4,455	865

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.

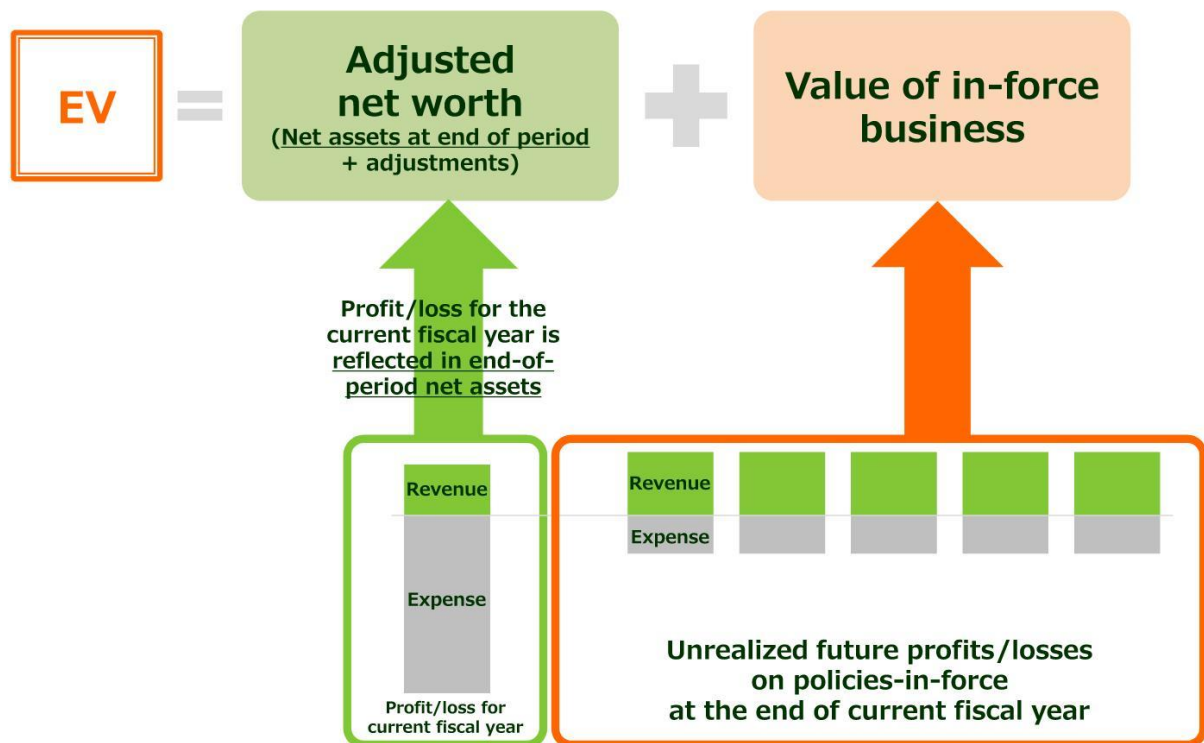
Page nine shows the adjusted profit.

Under current statutory accounting, there is a time lag between the recognition timing of revenues and cost, and we believe that marketing expenses, which are the cost of acquiring new business, make it difficult to understand the actual state of our profitability.

As a result, the Company discloses periodic earnings from policies-in-force as adjusted profit by deducting market expenses where the timing of revenue and expenses differs and adjusting for the impact of other technical profit and loss factors, such as reinsurance and policy reserves.

Adjusted profit for Q1 of FY2022 was JPY865 million. Profits from in-force business have been steadily recorded, but as I mentioned at the beginning, the increase was limited compared to the previous fiscal year, as COVID-19 related insurance and benefit claims amounted approximately JPY278 million during Q1.

Structure of Embedded Value



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Page 10 is the Embedded Value structure.

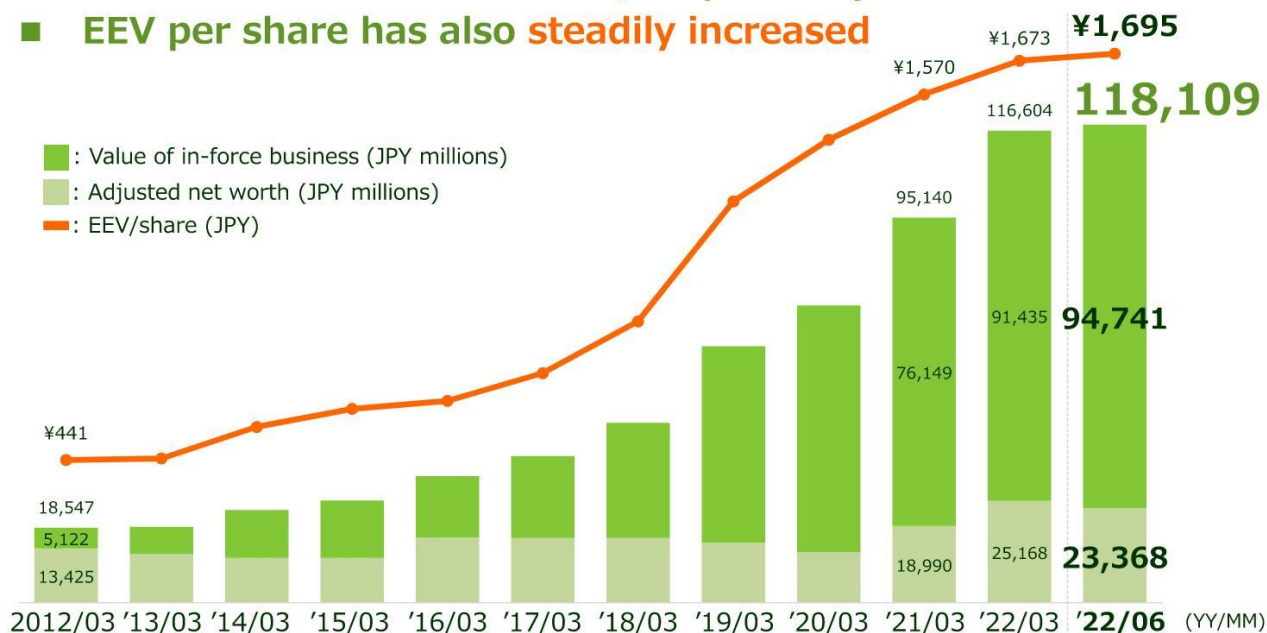
The European Embedded Value is the net assets reflecting the present value of future profit, or net assets, which is the after-tax value of unrealized future profits that will generate from existing policies-in-force on statutory accounting. We focus on the growth of European Embedded Value as an important management indicator.

This is important for you to properly understand our long-term profitability.

Strong EEV¹ Growth



- EEV and value of in-force business have been growing at a CAGR of 20%² and 33%, respectively since IPO
- EEV per share has also steadily increased



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 June 30, 2022 is calculated applying the same operating assumptions as those used for March 31, 2022, 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.

Please refer to page 11.

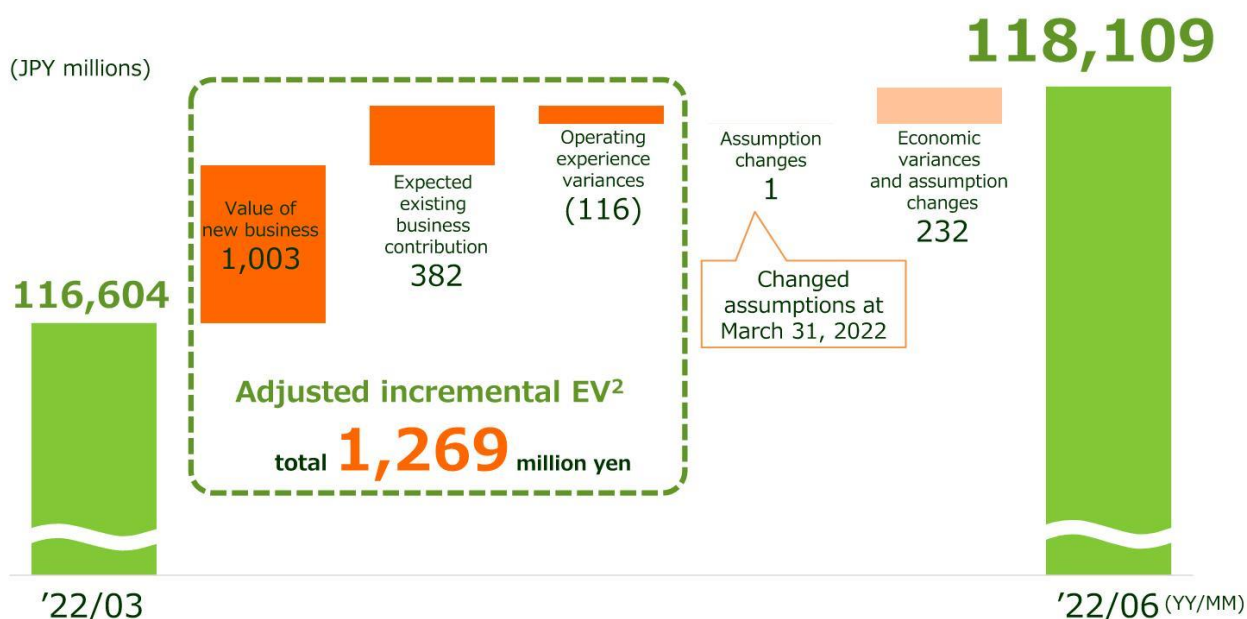
European Embedded Value as of June 30, 2022 was JPY118.1 billion. The compound average growth rate (CAGR) of EEV since listing in March 2012 has been 20%. Especially, the value of in-force business, which is the unrealized future profits arising from in-force business has been growing at a CAGR of 33% and is a strong driver of EEV's growth.

The orange line graph also shows the trend of EEV per share. EEV per share as of June 30, 2022 was JPY1,695. We will continue to strive for the growth in EEV per share.

1Q of FY2022 EEV Movement¹



■ EEV growth driven by adjusted incremental EV including value of new business



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 June 30, 2022 is calculated applying the same operating assumptions as those used for March 31, 2022, and is not reviewed by third-party specialists.
2. Adjusted Incremental EV accurately indicates our business growth during a certain period within increase in EEV.

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Page 12 is changing factors of EEV for the three-month period from the end of March 2022 to the end of June 2022.

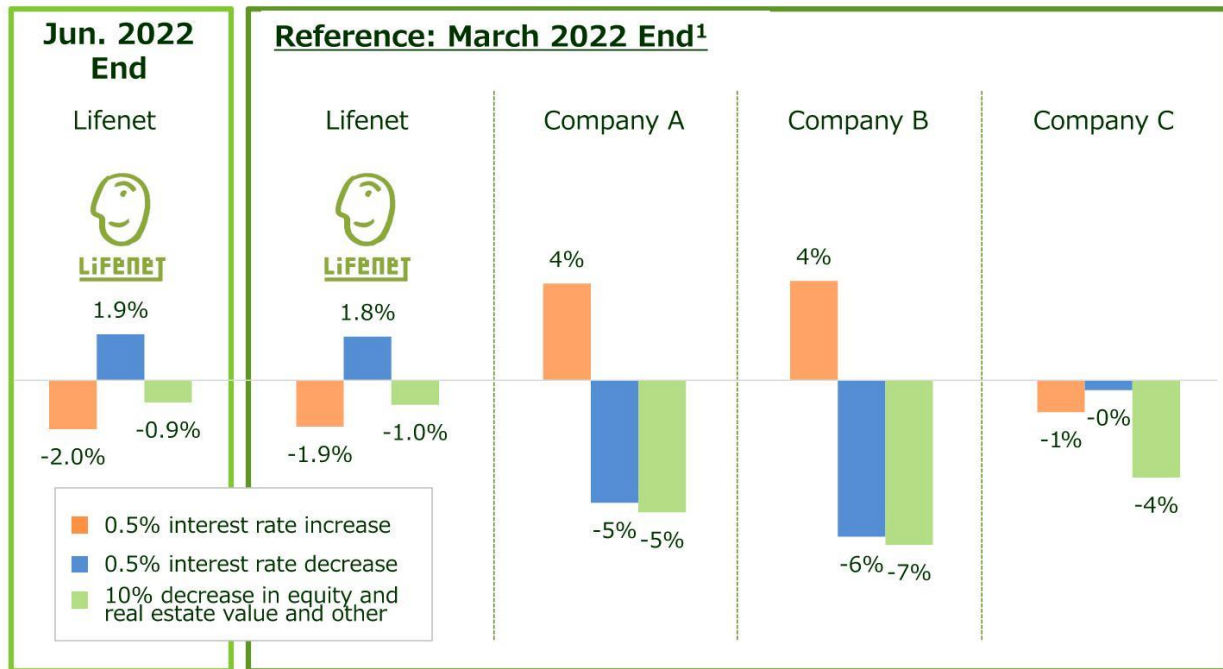
We define adjusted incremental EV as the sum of the three components, value of new business, expected existing business contribution, and the operating experience variance, which are shown in the dotted green box on the slide. We regard it as an indicator of our performance for the period.

The increase in adjusted incremental EV for Q1 of FY2022 was JPY1,269 million, the main growth factor for EEV in the quarter. As for assumption changes, no changes were made as of the end of June 2022 since insurance-related assumptions are reviewed at the end of September and March.

EV Resilience to Financial Changes



■ Limited sensitivity to interest rates and stock prices



1. Prepared by Lifenet based on disclosed information of domestic public life insurance companies.

Please refer to page 13. The following table shows the sensitivity of EV to changes in interest rates, stock prices, and other factors for the Company and listed life insurance companies in Japan.

As you can see, the sensitivity of our EV to changes in interest rates and other factors has been limited as our asset management and product lineup are relatively less susceptible to changes in interest rates and stock prices and other factors.

Financial Condition



(JPY millions)	(YY/MM)	'22/03	'22/06
Total assets		67,820	67,935
Cash and deposits		3,761	4,271
Monetary claims bought		3,999	3,999
Money held in trust		5,460	5,449
Securities		47,425	46,667
Government bonds		8,946	8,897
Municipal bonds		1,469	1,457
Corporate bonds		24,042	24,783
Stocks		492	489
Other securities ¹		12,375	10,641
Total liabilities		45,749	47,386
Policy reserves and other		43,542	45,279
Total net assets		22,071	20,549
Valuation difference on available-for-sale securities		697	247
Solvency margin ratio²		3,182%	3,297%
Modified duration (year)³		9.9	9.4

■ Limited financial impact caused by changes in investment environment

■ 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

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Page 14 is a summary of the balance sheet.

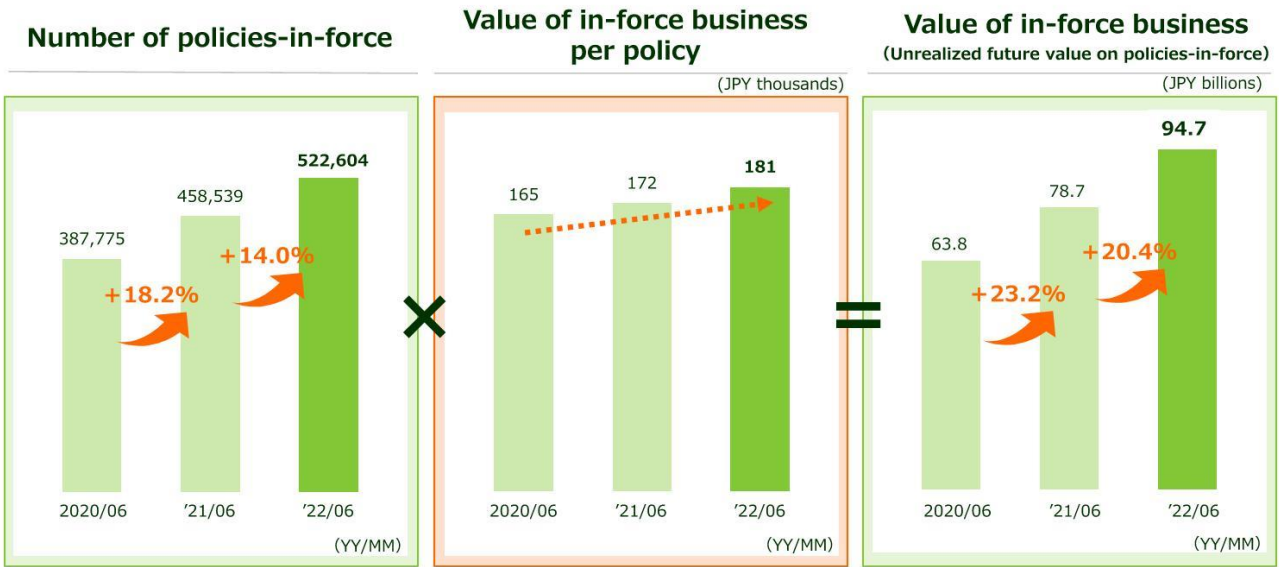
As of June 30, 2022, total assets amounted to JPY67.935 billion, liabilities to JPY47.386 billion, and net assets to JPY20.549 billion. The solvency margin ratio was 3,297% which indicated that an adequate level of payment capacity was maintained.

We will also report on the impact on our financial accounting in the current environment of interest rate fluctuations. In the table on the left, under total net assets, valuation difference on available-for-sale securities decreased approximately JPY450 million from the end of the previous fiscal year due to recent changes in the investment environment. While there will be a certain impact, we believe the impact on total net assets and EEV are limited.

Growing Value of In-Force Business



- Value of in-force business **up 20% YoY**, along with growth of value of in-force business per policy



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On page 15, I would like to explain the growth of the value of in-force business.

The number of policies-in-force on the left side steadily has been increasing, indicating that the scale of our business is expanding. In addition, the value of in-force business per policy shown in the center has not been damaged by the current business environment, but rather has increased steadily.

As a result, the value of in-force business, which shows the unrealized future value of in-force business on the right side, has increased by 20% year on year.

We will continue sustained growth in our corporate value by achieving to realize strong growth in the value of in-force business.

Major Initiatives for 1Q



■ Launched **exclusive limited plan**

Whole-life Medical
Jibun 3 for Kakaku.com



価格.com保険 限定プラン

■ **Ranked #1 in major PCWs**

**Term Life Ranked 1st
for 6th Consecutive Year
in Kakaku.com Insurance Award 2022¹**



**Two Products Ranked 1st
in the Most Chosen Insurance
Ranking 2022 of HOKEN ICHIBA²**



1. The annual ranking of insurance products with the highest number of applications on Kakaku.com from January to December 2021.
2. The Most Chosen Insurance Ranking 2022 of HOKEN ICHIBA is based on compiled date from the number of application from January through December 2021.

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On page 16, we explain our main initiatives and other activities.

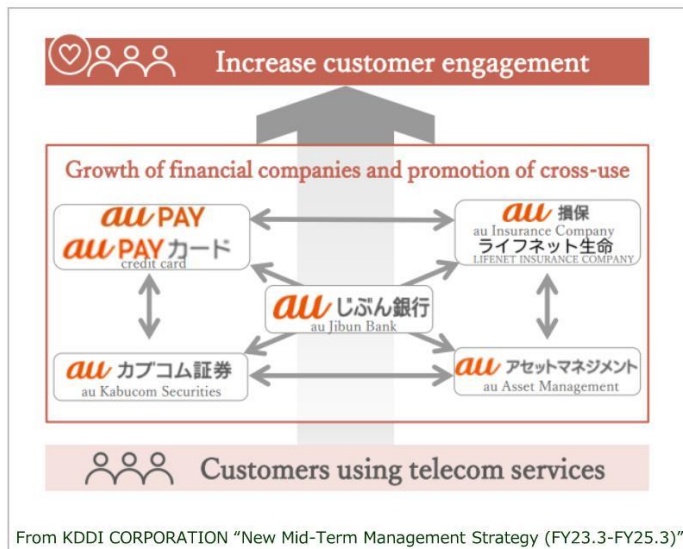
On the price comparison website for insurance operated by Kakaku.com Insurance, Inc., we have started offering limited plans for whole-life medical insurance *Jibun 3*. This will allow us to offer our product to more customers with coverage and premiums that meet their needs.

In addition, our products continuously receive high evaluations from outside institutions. We will continue to strive to provide products and services that exceed customer expectations.

Business Alliance with au Jibun Bank



- Aim to expand business area to group credit life insurance and strengthen partnership with KDDI Group's financial service businesses



Overview of the alliance

- ✓ Start business around 2Q of FY2023¹
- ✓ au Jibun Bank to change its underwriting insurer of existing group credit life insurance contracts to Lifenet¹
- ✓ Explore further synergies within KDDI's ecosystem

1. Subject to approval of Financial Services Agency

Please refer to page 17. This will be the first of today's major announcements.

In order to expand our business area to group credit life insurance, we have entered into a business alliance agreement with au Jibun Bank today. The figure on the left is quoted from the presentation material of the New Mid-term Management Strategy of KDDI CORPORATION. As you can see, in order to further focus on its financial business, KDDI has committed to improve engagement with financial companies by promoting their growth and cross-use.

Based on the Business Alliance Agreement, subject to the approval of the authorities, we plan to launch the group credit life insurance business around Q2 of FY2023 and au Jibun Bank will transfer the underwriting insurance company of existing group credit life insurance policies for mortgage loans to us.

au Jibun Bank has achieved steady growth, with cumulative amount of mortgage loans surpassing JPY2 trillion in March 2022. Both companies will continue to prepare for the launch of the service in order to continue to offer attractive coverage to existing customers.

Capital and Business Alliance with Eisai

LIFENET

- Collaborate in the medical and healthcare fields **with Pharmaceutical**



Overview of the alliance

- ✓ **Eisai to obtain Lifenet common stock through market transaction**
- ✓ **Through Eisai's ecosystem, both parties will consider products and services to reduce the burden of medical care and other services on consumers**

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Please refer to page 18. This is the second of today's major announcements.

Yesterday, we announced a capital and business alliance agreement with Eisai Co., Ltd.

As the people's intention to purchase life insurance online is increasing among a wide range of generations, not just the young, we believe that addressing the middle-aged and elderly is one of the most important areas for us to expand our market in the future.

This time, we will form a tie-up with Eisai, which has strengths in the dementia field. We will leverage the strengths and know-how of both companies each other. By jointly considering new products and services in the medical and healthcare fields, we will work together to realize a world in which the social costs associated with dementia do not become a heavy burden on young people raising children.

Based on the alliance, Eisai plans to acquire JPY300 million worth our shares in the market. No new shares will be issued by us.

Adoption of International Financial Reporting Standards



■ Aim for the voluntary adoption of IFRS 17 from FY2023

Main points

- **Expect to record an accounting profit¹ from FY2023**
- **Capital adequacy² and dividends will be regulated by statutory accounting standards (J-GAAP) even after the adoption of IFRS**

1. IFRS adoption is still in the preliminary stage, and the estimate is based on the current approximation. It is unaudited information and may differ from the actual financial information under IFRS to be disclosed in the future.

2. Regarding capital adequacy, economic value-based solvency regulation is being considered for implementation toward 2025.

Please refer to page 19.

In the announcement of our FY2021 financial results in May 2022, we reported that we aim to adopt IFRS (International Financial Reporting Standards) on a voluntary basis from FY2023.

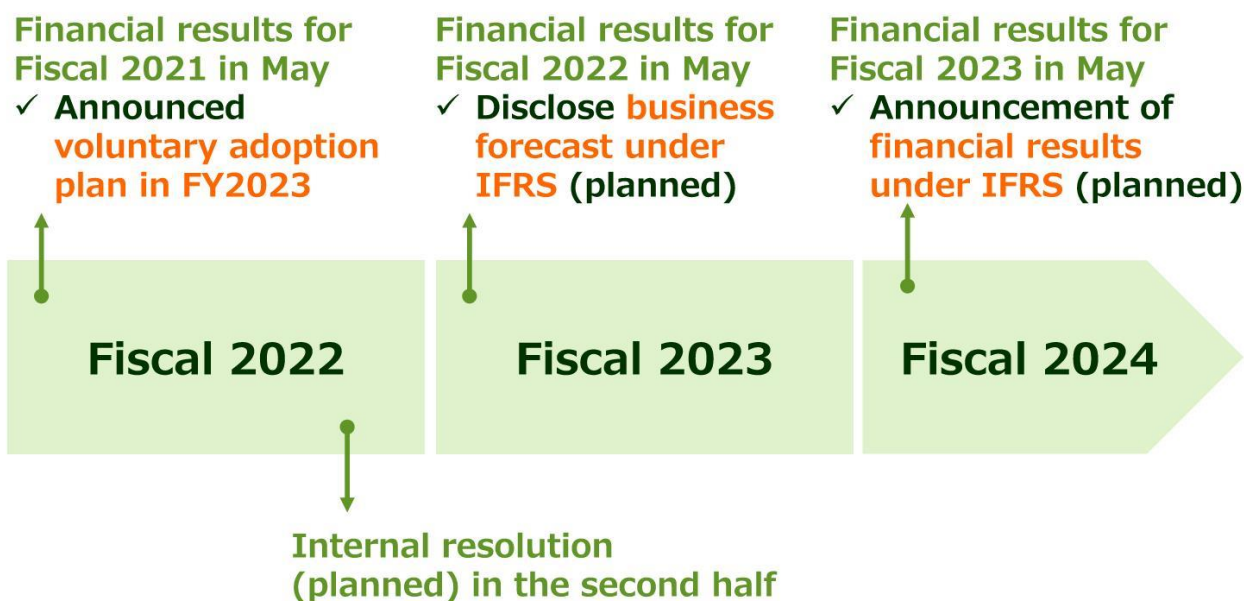
Since the main points are the same as those explained in May 2022, the explanation stated in May is as shown below.

At this stage, the probability of the implementation of IFRS 17 scheduled to start in January 2023 has increased sufficiently, and in light of the situation where our accounting system tends to be in place, we have decided to aim for the voluntary adoption of IFRS 17 starting with financial reporting from FY2023.

After the voluntary adoption of IFRS, we expect to record an accounting profit continuously from the first year of adoption, and although this is only a rough estimate at this point, we believe that final profits will be expected in the level of billions of yen.

Please note that capital adequacy and dividends from retained earnings will continue to be regulated by the statutory accounting standards, i.e. Japanese Generally Accepted Accounting Principles (J-GAAP), even after the voluntary adoption of IFRS. (the end)

Schedule for IFRS Adoption



***The second IFRS study session will be held in October 2022 (Japanese Only)**

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Page 20 is the future schedule for the voluntary adoption of IFRS.

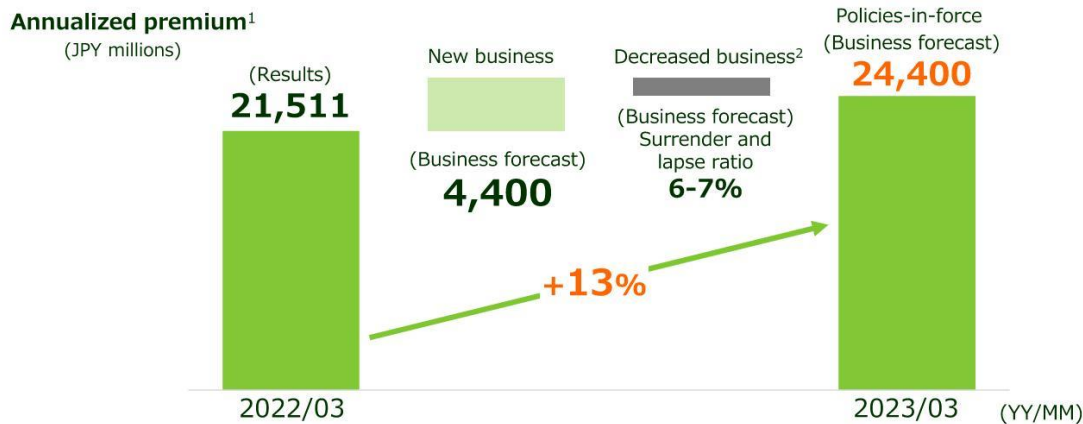
We hope to disclose our business forecast for FY2023 under IFRS in May 2023, after making an institutional decision by the second half of FY2022. At that time, we would like to make an effort to disclose the business results for FY2022 under IFRS as well, although the results for FY2022 will also be unaudited figures.

Then, in May 2024, we will announce our financial results for FY2023, at which point we will explain the financial performance under the voluntary application of IFRS.

Business Forecasts FY2022



■ Aim for double-digit growth in in-force business



(JPY millions)	FY2022 Forecast	of which impact of modified co-insurance	FY2021 Results	of which impact of modified co-insurance
Ordinary income	30,300	6,300	26,167	4,852
Ordinary profit (loss)	(3,400)	1,000	(3,245)	1,283
Net income (loss)	(3,400)	1,000	(3,319)	1,283

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. Including death, expiration and others in addition to surrender and lapse.

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Page 21 is the business forecasts for FY2022.

This is unchanged from what we announced in May 2022. We continue to aim for double-digit growth in in-force business. As explained, the benefit claims related to COVID-19 has currently increased.

In Q1 of FY2022, we makes benefit payments mainly due to the claims resulting from the spread of the sixth wave of COVID-19. Now the seventh wave is happening, and future payments may exceed the assumption of the beginning of the period. We will continue to monitor the trend carefully consider its impact on our financial performance.

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">• 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

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Finally, here is the management policy.

There is no change in our major policy of pursuing growth in the online life insurance market with the aim of expanding the scale of our business.

We will continue to firmly expand and drive the online life insurance market by our own efforts and remain a leading company in this market, aiming to achieve an EEV of JPY200 billion in a medium term.

This concludes the presentation of the financial results for Q1 of FY2022. Thank you very much for your attention.