

February 10, 2022
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LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

Financial Results for 3Q of Fiscal 2021 Ending March 31, 2022
Annualized premium of in-force business of 20,862 million yen,
up 11.5% from March 31, 2021

TOKYO, February 10, 2022 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the third quarter of fiscal 2021 ending March 31, 2022.

1. Overview of the financial results for 3Q of fiscal 2021

(1) Business results

Condition of policies-in-force

Annualized premium*¹ of new business in 3Q ended December 31, 2021 was 933 million yen (99.9% of 3Q of fiscal 2020). The number of new business was 22,506 (101.5% of 3Q of fiscal 2020). Annualized premium of new business for the nine months ended December 31, 2021 was 3,107 million yen (100.5% of the nine months ended December 31, 2020). The number of new business for the nine months ended December 31, 2021 was 76,226 (103.5% of the nine months ended December 31, 2020).

Annualized premium of policies-in-force as of the end of 3Q of fiscal 2021 stands at 20,862 million yen (111.5% of March 31, 2021). The number of policies-in-force resulted in a total of 491,611 (111.7% of March 31, 2021). Surrender and lapse ratio*² for the nine months ended December 31, 2021 was 6.6% (5.6% for the nine months ended December 31, 2020). Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Surrender and lapse ratio for the nine months ended December 31, 2021 includes the impact of extended policies that were recorded as lapsed policies in a lump sum.

*1: Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments, we calculate annualized premium as multiplying the monthly premium by 12 months.

*2: The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Results of operations

Insurance premiums and other for the nine months ended December 31, 2021 increased to 18,720 million yen (127.4% of the nine months ended December 31, 2020) due to an increase in premium income by growth of in-force business, and effect from modified co-insurance. Investment income was 519 million yen (171.5% of the nine months ended December 31, 2020) mainly due to an increase in gain on sales of securities. Other ordinary income was 59 million yen. As a result, ordinary income for the nine months ended December 31, 2021 amounted to 19,300 million yen (127.4% of the nine months ended December 31, 2020).

Insurance claims and other was 6,174 million yen (146.8% of the nine months ended December 31, 2020) mainly due to an increase in reinsurance commissions from modified co-insurance. The ratio of insurance payment amounts to insurance premiums was 19.9% for the nine months ended December 31, 2021, compared with 18.6% for the nine months ended December 31, 2020. Provision for policy reserves and other came to 5,071 million yen (110.3% of the nine months ended December 31, 2020). The ratio of provision for policy reserves to insurance premiums was 33.6% for the nine months ended December 31, 2021, compared with 37.1% for the nine months ended December 31, 2020. Operating expenses amounted to 8,724 million yen (124.6% of the nine months ended December 31, 2020) mainly due to the

investment in our marketing spend including advertising. The components of operating expenses were 5,862 million yen in marketing expenses (127.0% of the nine months ended December 31, 2020) , 953 million yen in customer service expenses (125.8% of the nine months ended December 31, 2020), and 1,907 million yen in system and other expenses (117.4% of the nine months ended December 31, 2020). Other ordinary expenses was 1,273 million yen (120.5% of the nine months ended December 31, 2020) . Consequently, ordinary expenses for the nine months ended December 31, 2021 totaled 21,248 million yen (126.0% of the nine months ended December 31, 2020).

As a result, ordinary profit totaled 1,948 million yen loss for the nine months ended December 31, 2021, compared with 1,714 million yen loss for the nine months ended December 31, 2020. Net income was 2,009 million yen loss, compared with 1,731 million yen loss for the nine months ended December 31, 2020.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 1,964 million yen loss, compared with 1,568 million yen loss for the nine months ended December 31, 2020. The components of fundamental profit were 2,652 million yen in mortality margin, 4,662 million yen loss in expense margin and 45 million yen in interest margin.

We are participating in reinsurance transactions from fiscal 2019 by modified co-insurance on part of new business to achieve continuous growth. By utilizing reinsurance appropriately, we will ease the temporary burden imposed on statutory capital by expenses associated with new business and maintain fiscal soundness. The reinsurance transactions are agreements that transfer the risk and the profit (loss) structure of the reinsured business to the reinsurance company for a certain period of time. We receive ceding commission in accordance with the new business costs associated with the reinsured business in the initial fiscal year. This leads to an increase in ordinary income. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in ordinary profit and net profit. Once the balance of reinsurance accounts receivable is amortized to zero, the reinsurance agreement terminates, and subsequent profit on the reinsured business belongs to Lifenet. Accordingly, for the nine months ended December 31, 2021, the modified co-insurance resulted in raising ordinary income by 3,577 million yen (1,892 million yen of the nine months ended December 31, 2020) , ordinary profit by 1,037 million yen (555 million yen of the nine months ended December 31, 2020), and net income by 1,037 million yen (555 million yen of the nine months ended December 31, 2020).

(2) Financial condition

Assets, liabilities and net assets

Total assets as of December 31, 2021 amounted to 67,781 million yen (54,501 million yen as of March 31, 2021). The major account balance was 47,026 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Reinsurance accounts receivable was 3,561 million yen including 3,406 million yen of the balance of unamortized ceding commission for modified co-insurance.

Liabilities amounted to 43,768 million yen as of December 31, 2021 (38,694 million yen as of March 31, 2021), owing to an increase in policy reserves. The major account balances were 40,715 million yen in policy reserves and 995 million yen in reserves for outstanding claims.

Net assets amounted to 24,012 million yen as of December 31, 2021 (15,806 million yen as of March 31, 2021) mainly due to raising new capital through overseas public offering despite the recording of net loss for the nine months ended December 31, 2021. It includes the effect of raising retained earnings due to the utilization of modified co-insurance. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a

decrease in net assets accordingly.

The solvency margin ratio as of December 31, 2021 was 3,258.7% (2,647.1% as of March 31, 2021), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For the nine months ended December 31, 2021, net cash provided by operating activities amounted to 2,181 million yen (2,417 million yen provided for the nine months ended December 31, 2020) mainly because of an increase in insurance premium. Net cash used by investing activities amounted to 6,537 million yen (8,447 million yen used for the nine months ended December 31, 2020) mainly due to acquisition of securities. Net cash provided by financing activities amounted to 9,669 million yen (8,868 million yen provided for the nine months ended December 31, 2020) mainly due to issuance of new shares through overseas public offering.

Based on these activities described above, cash and cash equivalents as of December 31, 2021 totaled 8,373 million yen (3,059 million yen as of March 31, 2021).

(3) Business forecasts

The business forecasts for fiscal 2021 which was announced on November 10, 2021 was revised as shown below.

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Previous forecasts (November 10, 2021)	26,100	(3,600)	(3,700)
Revised forecasts (February 10, 2022)	26,100	(3,400)	(3,500)
(Reference) Business results for fiscal 2020	20,789	(3,089)	(3,114)

Lifenet recorded the gain on sales of securities in 3Q ended December 31, 2021 and insurance claim payment forecast is now expected to be lower than the estimate. These led to the revision of the business forecasts for fiscal 2021 ending March 31, 2022.

In terms of policy reserves, new business from fiscal 2018 onward has been transferred from 5-year Zillmer's method to standard policy reserves. The difference in policy reserves has been planned to be resolved over five fiscal years, from fiscal 2018 to 2022. From the perspective of *Comprehensive Guidelines for Supervision for Insurance Companies*, Lifenet will accumulate the difference in policy reserves in fiscal 2021 which was planned to be enhanced in fiscal 2022, subject to regulatory approval from Financial Services Agency. Thus, Lifenet will complete the transition to standard policy reserves in fiscal 2021 ending March 31, 2022. The revision of the business forecasts includes this impact of recording around 150 million yen as provision for policy reserves.

The business forecasts for fiscal 2021 includes the impact of reinsurance transactions by modified co-insurance. We expect the impact on fiscal 2021 revised forecasts to increase ordinary income by around 4,900 million yen (5,000 million yen as of previous forecast), ordinary profit by around 1,300 million yen (1,400 million yen as of previous forecast), and net income by around 1,300 million yen (1,400 million yen as of previous forecast). This impact includes the effects of amortization of reinsurance accounts receivable generated from reinsured business in past years.

Subsequently, the forecasts for annualized premium of policies-in-force and of new business were revised as shown below. Lifenet continuously aims to achieve double-digit growth in annualized premium of policies-in-force. In terms of annualized premiums of new business, the growth of new business performance has not progressed as expected in the most recent environment, while annualized premium of new business for the nine months ended December 31, 2021 was record high.

(Reference) Annualized premium

	(In millions of yen)	
	Annualized premium of policies-in-force	Annualized premium of new business
Previous forecasts (November 10, 2021)	21,900	4,500
Revised forecasts (February 10, 2022)	21,400	4,100
(Reference) Business results for fiscal 2020	18,713	4,197

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

Remembering the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell these products and services directly to customers over the Internet. We aim to be the leading company driving the growth of the online life insurance market.

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Disclaimer: This is a summarized translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

2. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31, 2021	Dec. 31, 2021
ASSETS		
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	7,821	11,569
Tangible fixed assets	95	108
Intangible fixed assets	1,252	1,302
Agency accounts receivable	9	7
Reinsurance accounts receivable	2,569	3,561
Other assets	1,612	1,810
Accounts receivable	1,362	1,558
Other	250	251
Total assets	54,501	67,781
LIABILITIES		
Policy reserves and other	36,639	41,710
Reserves for outstanding claims	837	995
Policy reserves	35,801	40,715
Agency accounts payable	69	48
Reinsurance accounts payable	301	379
Other liabilities	1,234	1,017
Reserves under the special laws	76	95
Reserve for price fluctuations	76	95
Deferred tax liabilities	373	516
Total liabilities	38,694	43,768
NET ASSETS		
Capital stock	16,731	21,655
Capital surplus	16,731	21,655
Retained earnings	(18,616)	(20,626)
Treasury shares	(0)	(0)
Shareholders' equity	14,846	22,683
Valuation difference on available-for-sale securities	960	1,329
Valuation and translation adjustments	960	1,329
Total net assets	15,806	24,012
Total liabilities and net assets	54,501	67,781

(2) Statements of Operations

	(In millions of yen)	
	Nine months ended Dec. 31	
	2020	2021
Ordinary income	15,144	19,300
Insurance premiums and other	14,694	18,720
Premiums income	12,406	14,633
Reinsurance income	2,287	4,087
Investment income	303	519
Interest, dividends and other income	205	287
Gains on money held in trust	94	53
Gain on sales of securities	2	178
Other ordinary income	146	59
Reversal of reserves for outstanding claims	94	—
Other	52	59
Ordinary expenses	16,858	21,248
Insurance claims and other	4,205	6,174
Insurance claims	1,479	1,810
Benefits	826	1,103
Other refunds	0	1
Reinsurance commissions	1,899	3,259
Provision for policy reserves and other	4,597	5,071
Provision for reserves for outstanding claims	—	157
Provision for policy reserves	4,597	4,913
Investment expenses	0	4
Interest expenses	0	0
Foreign exchange losses	0	0
Other investment expenses	—	4
Operating expenses	6,999	8,724
Other ordinary expenses	1,056	1,273
Ordinary profit (loss)	(1,714)	(1,948)
Extraordinary losses	14	58
Loss on disposal of non-current assets	—	39
Provision of reserves under the special laws	14	18
Provision of reserve for price fluctuations	14	18
Income (loss) before income taxes	(1,728)	(2,006)
Income taxes-current	2	2
Income taxes	2	2
Net income (loss)	(1,731)	(2,009)

(3) Statements of Cash Flows

	(In millions of yen)	
	Nine months ended Dec. 31 2020	2021
Cash flows from operating activities		
Income (loss) before income taxes	(1,728)	(2,006)
Depreciation and amortization	231	298
Increase (decrease) in reserves for outstanding claims ..	(94)	157
Increase (decrease) in policy reserves	4,597	4,913
Increase (decrease) in reserve for price fluctuations	14	18
Interest, dividends and other income	(205)	(287)
Loss (gain) related to securities	(2)	(178)
Interest expenses	0	1
Loss (gain) property plant and equipment	—	2
Share issuance costs	137	130
Decrease (increase) in agency accounts receivable	1	1
Decrease (increase) in reinsurance accounts receivable ..	(571)	(992)
Decrease (increase) in other assets <excluding assets for investing and financing activities>	(175)	(166)
Increase (decrease) in agency accounts payable	17	(21)
Increase (decrease) in reinsurance accounts payable	60	78
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities>	(35)	(174)
Other, net	(63)	15
Subtotal	<u>2,183</u>	<u>1,789</u>
Interest and dividends income received	230	405
Interest expenses paid	(0)	(0)
Income taxes (paid) refund	3	(12)
Net cash provided by (used in) operating activities	<u>2,417</u>	<u>2,181</u>
Cash flows from investing activities		
Purchase of money held in trust	(1,500)	—
Proceeds from decrease in money held in trust	—	500
Purchase of securities	(7,868)	(8,059)
Proceeds from sales and redemption of securities	1,310	1,461
Total of net cash provided by (used in) investment transactions	<u>(8,057)</u>	<u>(6,098)</u>
Total of net cash provided by (used in) operating activities and investment transactions	<u>(5,640)</u>	<u>(3,916)</u>
Purchase of tangible fixed assets	(23)	(33)
Purchase of intangible fixed assets	(365)	(405)
Net cash provided by (used in) investing activities	<u>(8,447)</u>	<u>(6,537)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	8,868	9,641
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	4	31
Purchase of treasury shares	(0)	(0)
Repayments of lease obligations	(3)	(3)
Net cash provided by (used in) financing activities	<u>8,868</u>	<u>9,669</u>
Net increase (decrease) in cash and cash equivalents	<u>2,839</u>	<u>5,313</u>
Cash and cash equivalents, beginning of the year	<u>1,677</u>	<u>3,059</u>
Cash and cash equivalents, end of the period	<u>4,516</u>	<u>8,373</u>