

**Securities Code:7157**  
**TSE Mothers**



**LIFENET**

LIFENET INSURANCE COMPANY

**Reference Data**  
**for**  
**First Quarter**  
**Fiscal 2015**

**LIFENET INSURANCE COMPANY**

**August 11, 2015**

# Contents



- 1. Progress of Mid-term Business Plan**
- 2. Results for 1Q of Fiscal 2015**

# Mid-term Business Plan



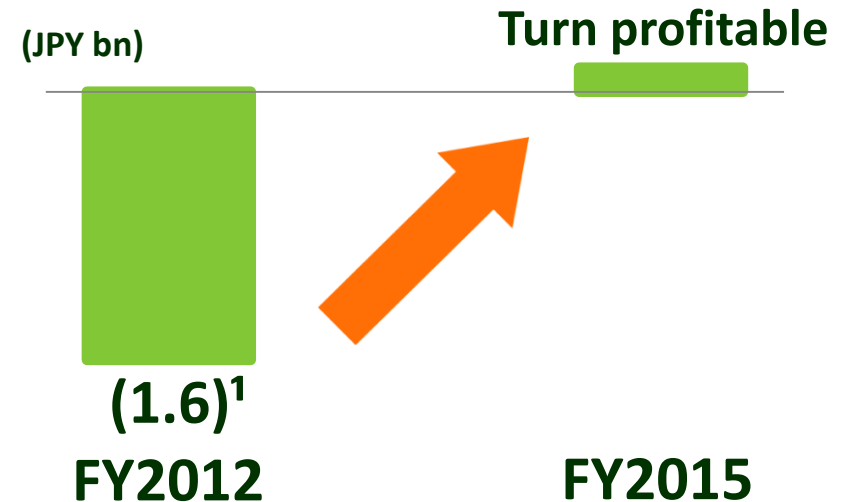
## LIFENET 2015

Offer new products and services as an “innovator” to create the future of life insurance that resonate with stakeholders, and achieve the highest sustainable growth among online life insurance businesses.

## Management Goal

- ✓ Achieve **9.5 billion** in ordinary income (FY 2015)
- ✓ Push the company **toward profitability** (FY 2015)

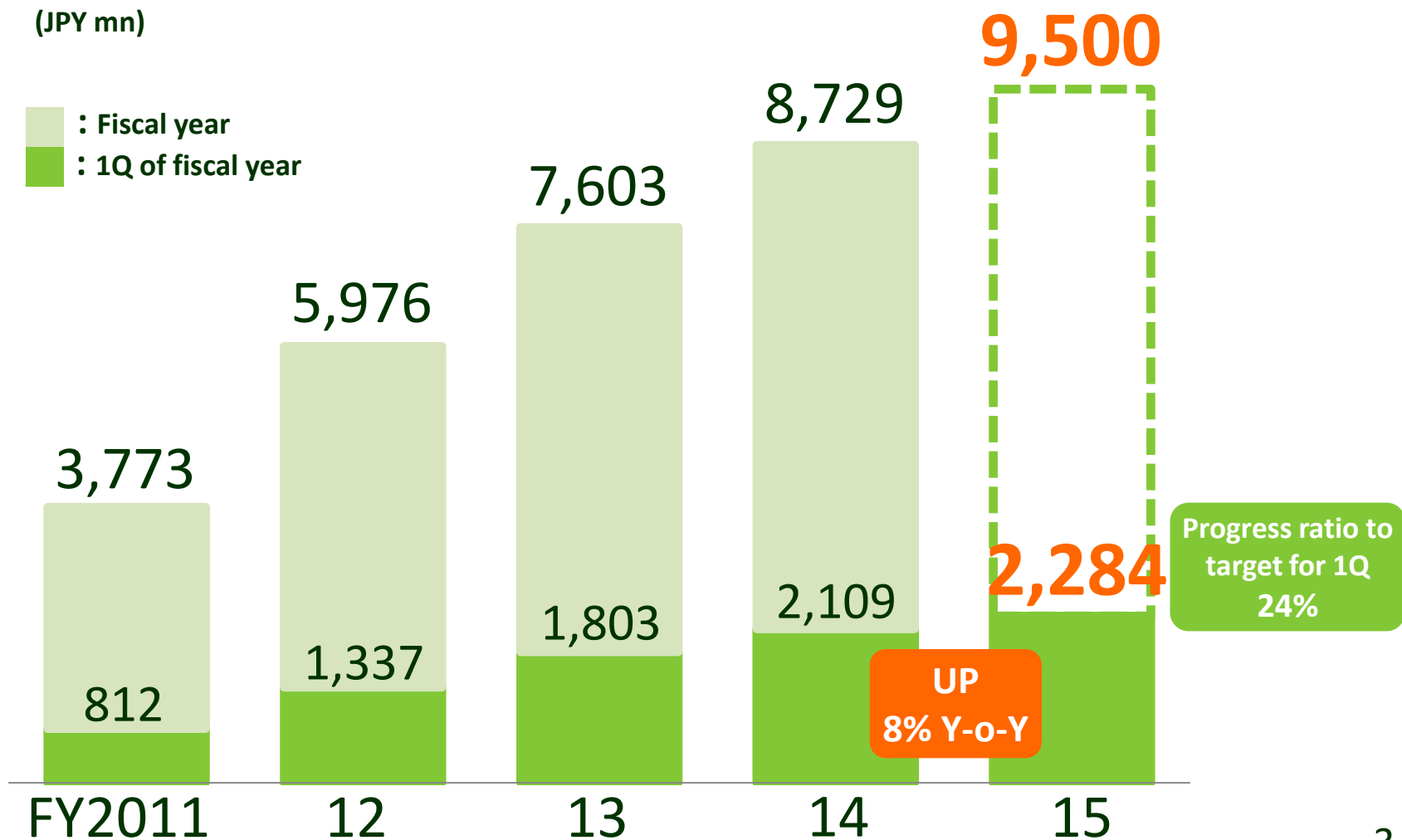
(Based on ordinary profit before amortization of deferred assets under Article 113 of the IBA)



1. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act for the fiscal 2012 ended March 31, 2013 included the effect of changing calculation formula of policy reserves on provision, 0.5 billion yen. When excluding the effect, it was 2.1 billion yen.

# Progress of Mid-term Business Plan (Ordinary Income)

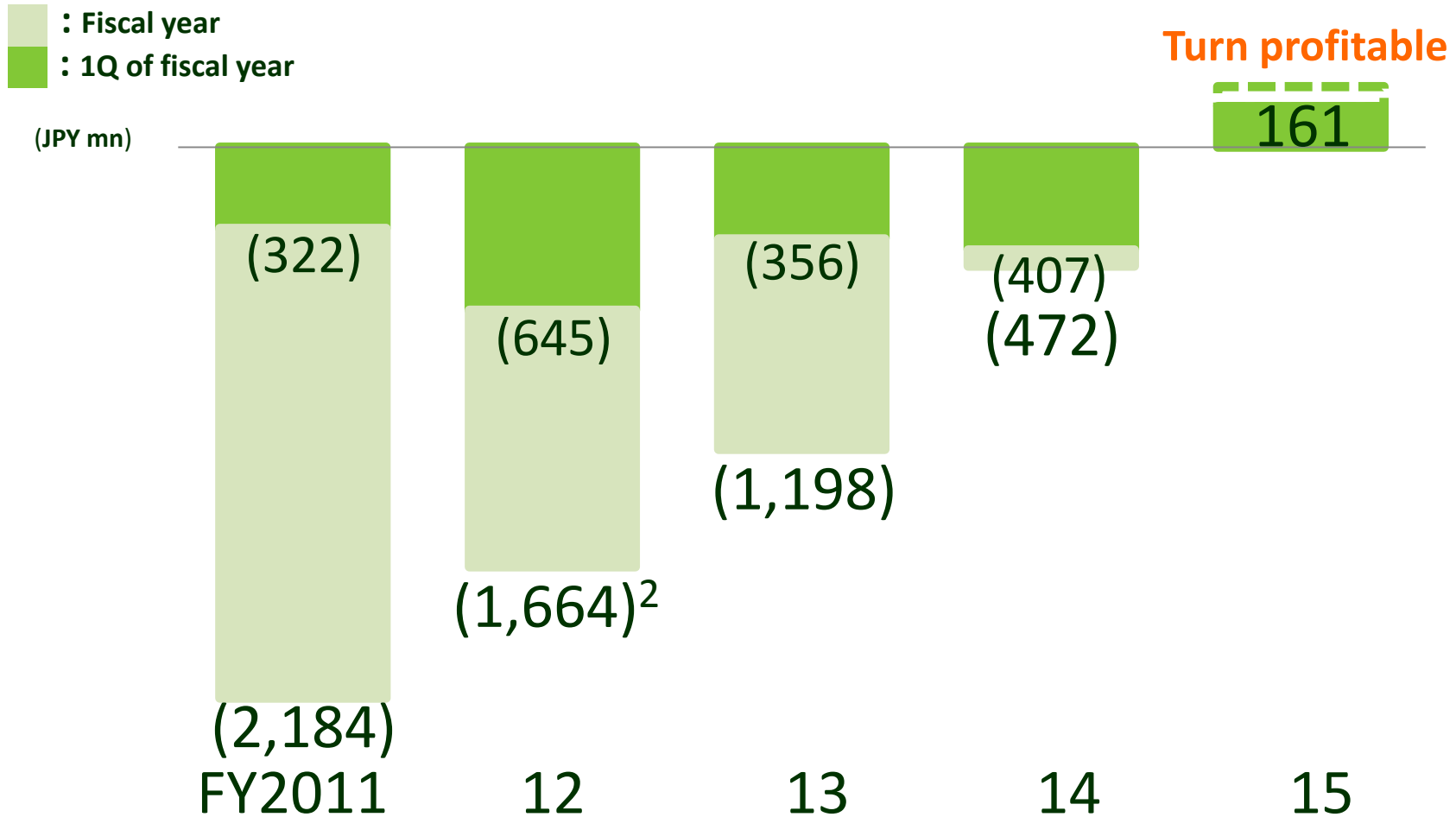
■ Recorded **108%** year on year growth



# Progress of Mid-term Business Plan (Ordinary Profit/Loss<sup>1</sup>)



- Recorded positive earnings on a quarterly basis, toward achieving annual profitability



1. The Ordinary profit(loss) before amortization of deferred assets under Article 113 of the Insurance Business Act  
 2. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act for the fiscal 2012 ended March 31, 2013 included the effect of changing calculation formula of policy reserves on provision, 501 million yen. When excluding the effect, it was 2,165 million yen.

# Business Forecast

- Business forecast for FY2015 **remains same as management goals** of mid-term business plan
- Effect of business alliance with KDDI has **not been incorporated yet**

(JPY mn)

	Ordinary income	Ordinary profit/loss <sup>1</sup>
Business forecast FY2015	9,500	Turn profitable
(Reference) Results for 1Q of FY2015	2,284	161

# Contents

- 1. Progress of Mid-term Business Plan**
- 2. Results for 1Q of Fiscal 2015**

# Summary of 1Q FY2015 Results



(JPY mn)

	2014/1Q	2015/1Q	Year on year
Ordinary income	2,109	2,284	108.3%
Operating expenses	1,172	751	64.0%
Ordinary profit (loss) <sup>1</sup>	(407)	161	-
Cash flows from operating activities	448	1,057	235.7%
Mortality margin	320	513	160.3%
Annualized premium <sup>2</sup> of policies-in-force	8,249	8,917	108.1%
Number of policies-in-force	206,453	217,335	105.3%
Annualized premium <sup>2</sup> of new business	348	279	80.3%
Number of new business	7,967	5,756	72.2%

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

2. 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.



# 1Q FY2015 Key Highlight

- ☺ Ordinary income **up 8%** year on year
- ☺ Primary challenge is still **return to growth in new business performance**
- ☺ Severe **control of operating expenses**
- ☺ Ordinary profit/loss<sup>1</sup> **recorded profitable**
- ☺ Mortality margin **recorded steadily** and fundamental profit **improved**
- ☺ **Capital reinforcement** through third-party allotment

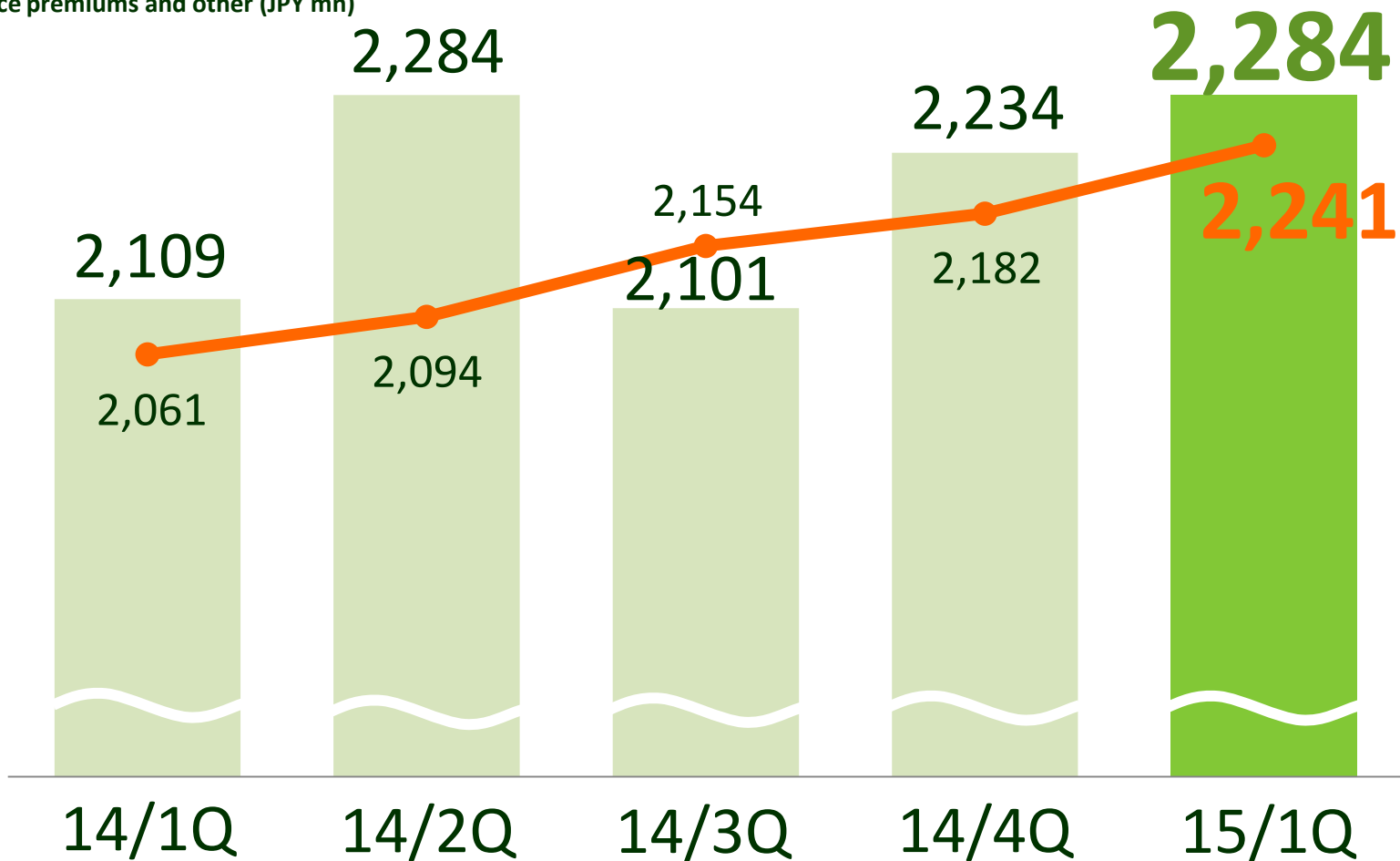
1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act.

# Ordinary Income (Quarterly)

■ **Up 8% year on year** due to increase of policies-in-force

■ : Ordinary income (JPY mn)

■ : Insurance premiums and other (JPY mn)



# Ordinary Income (Quarterly)

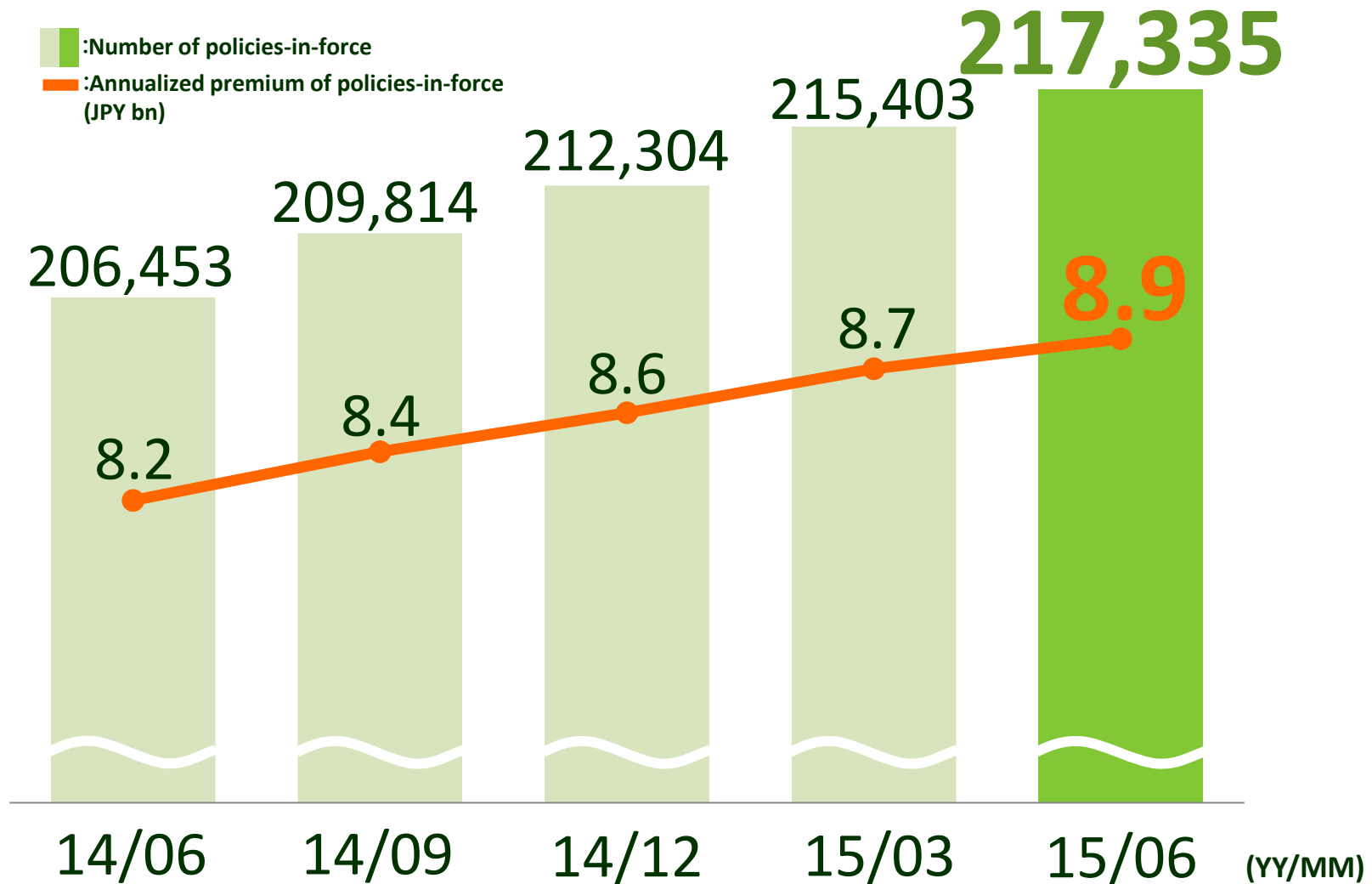
- Increased insurance premiums steadily due to growth of policies-in-force

(JPY mn)

	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q
Insurance premiums and other	2,061	2,094	2,154	2,182	<b>2,241</b>
Investment income	20	30	31	41	<b>41</b>
Reversal in reserves for outstanding claims	24	157	(89)	6	—
Other ordinary income (Exclude reversal of outstanding claims)	2	3	4	3	<b>1</b>
Ordinary income	2,109	2,284	2,101	2,234	<b>2,284</b>

# Number of Policies-in-force/ Annualized Premium (Quarterly)

## Steady growth of policies-in-force



# Breakdown of Policies-in-force

■ **133,102** policyholders (as of Jun. 30)

(YY/MM)	14/06	15/06
Number of policies-in-force	206,453	217,335
- “Kazoku”: Term Life	106,601	113,690
- “Jibun”, New “Jibun”, New “Jibun” for Women : Whole-Life Medical	62,763	66,185
- “Jibun Plus”: Term Medical Care	12,620	11,660
- “Hataraku Hito”: Long-term Disability	24,469	25,800
Sum insured of policies-in-force <sup>1</sup> (JPY mn)	1,734,640	1,850,441
Number of policyholders	124,247	133,102
	14/1Q	15/1Q
(Reference) Surrender and lapse ratio	8.7%	7.0%

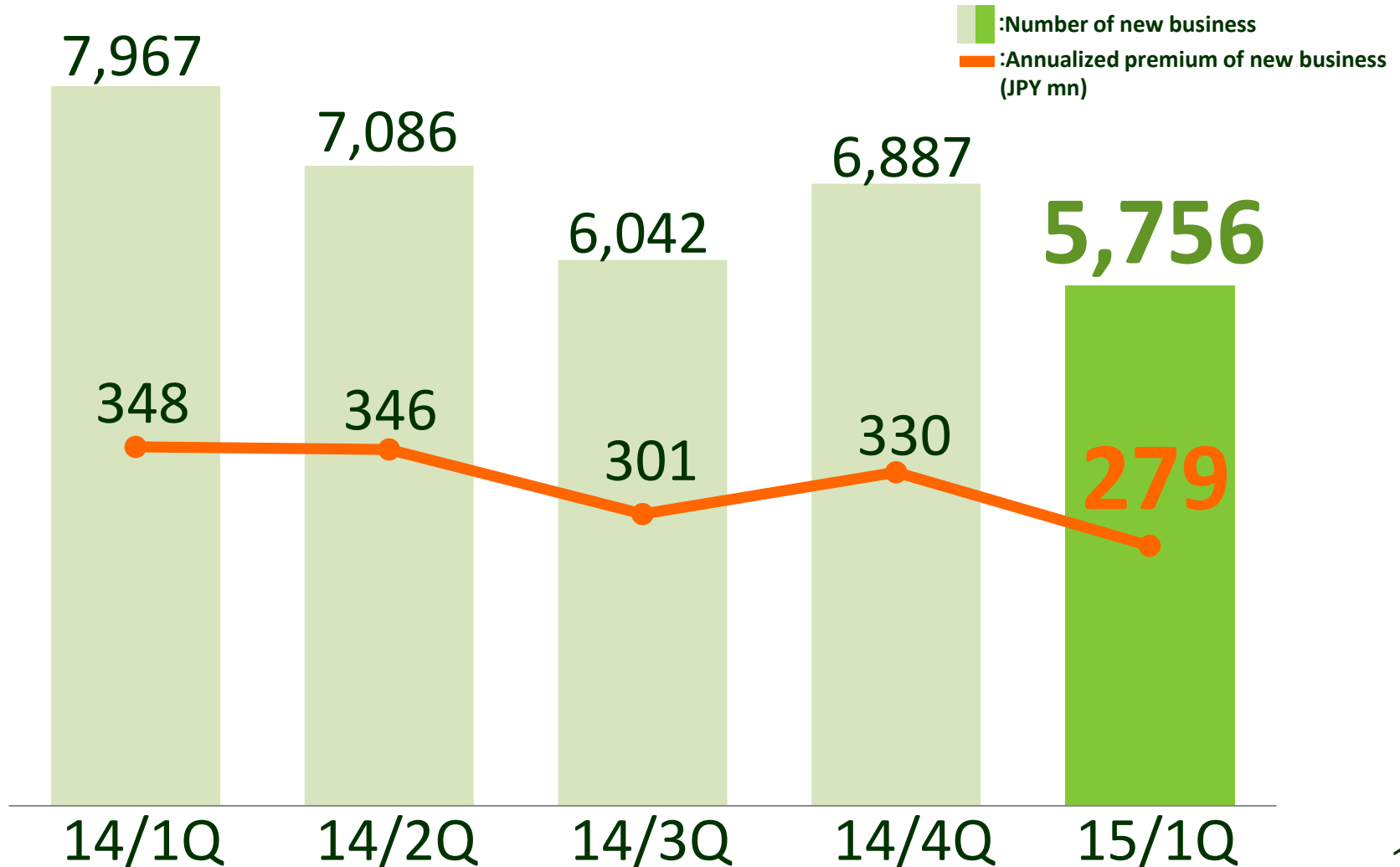
1. Sum insured of new business and sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.

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.

# Number of New Business/ Annualized Premium (Quarterly)



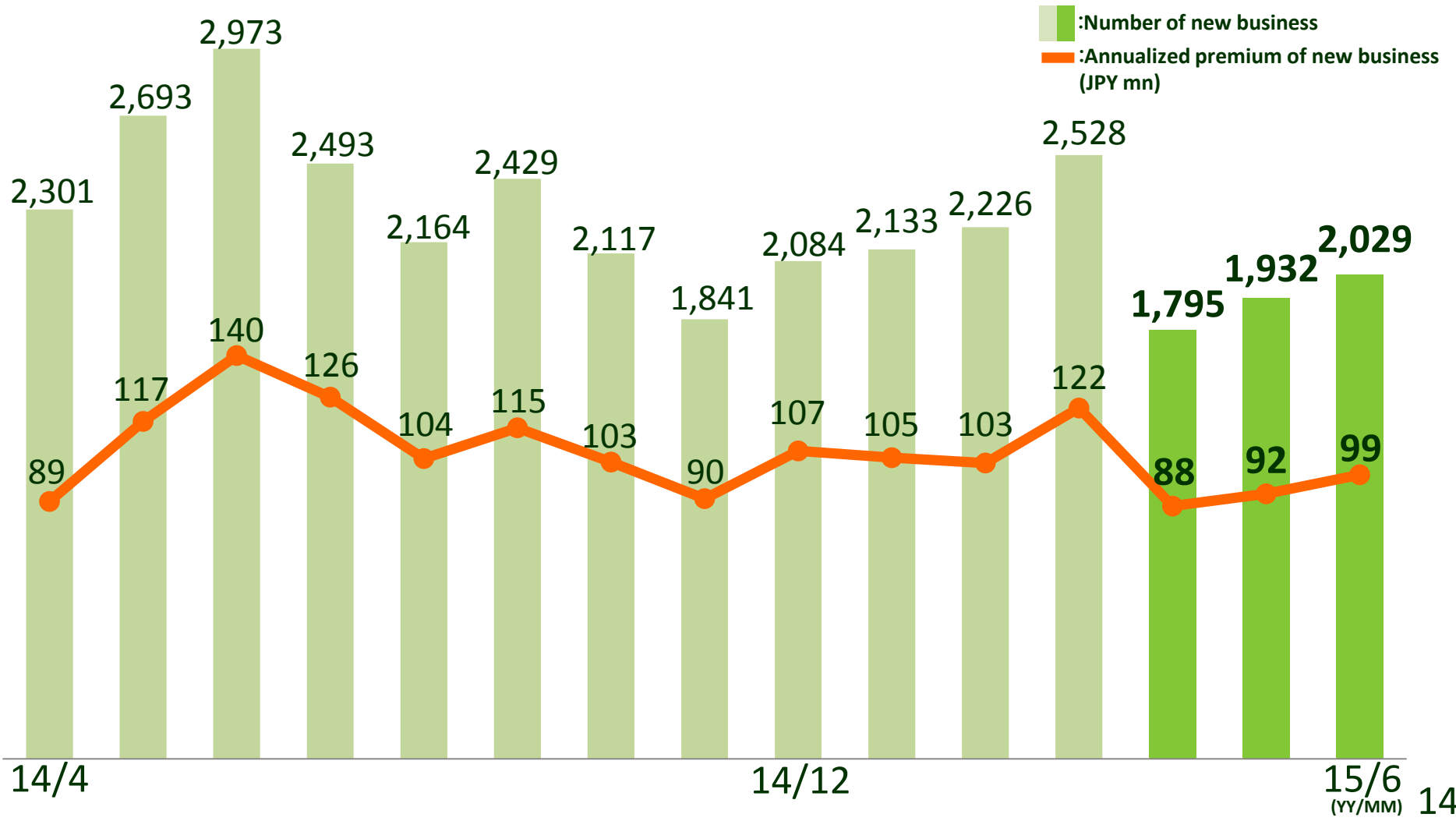
■ **Continuous challenge** is return to growth in new business performance



# Number of New Business/ Annualized Premium (Monthly)



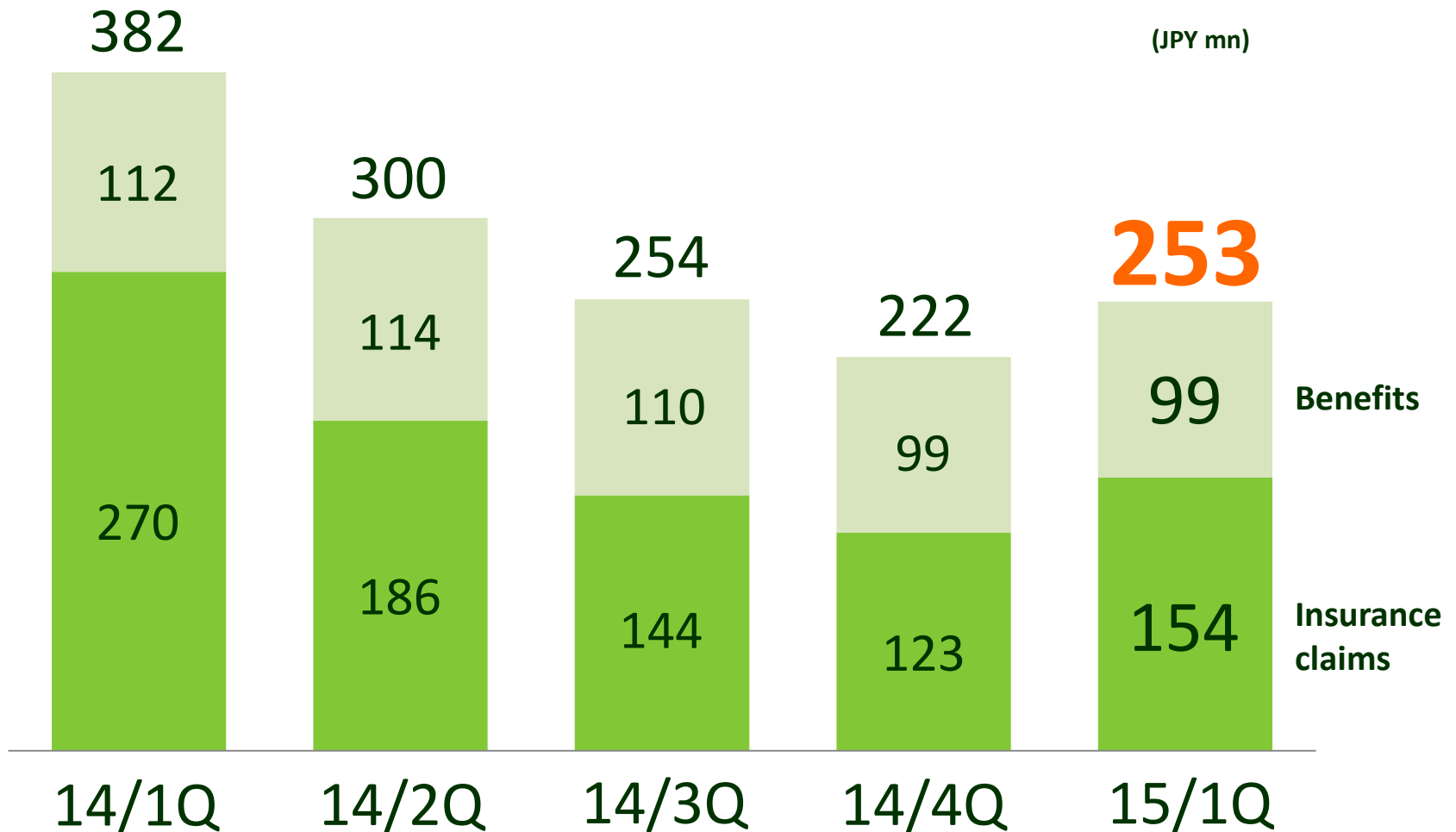
■ New business performance is **seesawing**



# Amount of Insurance Claims and Benefits (Quarterly)



■ Amount of payments decreased on YoY while increasing of policies-in-force

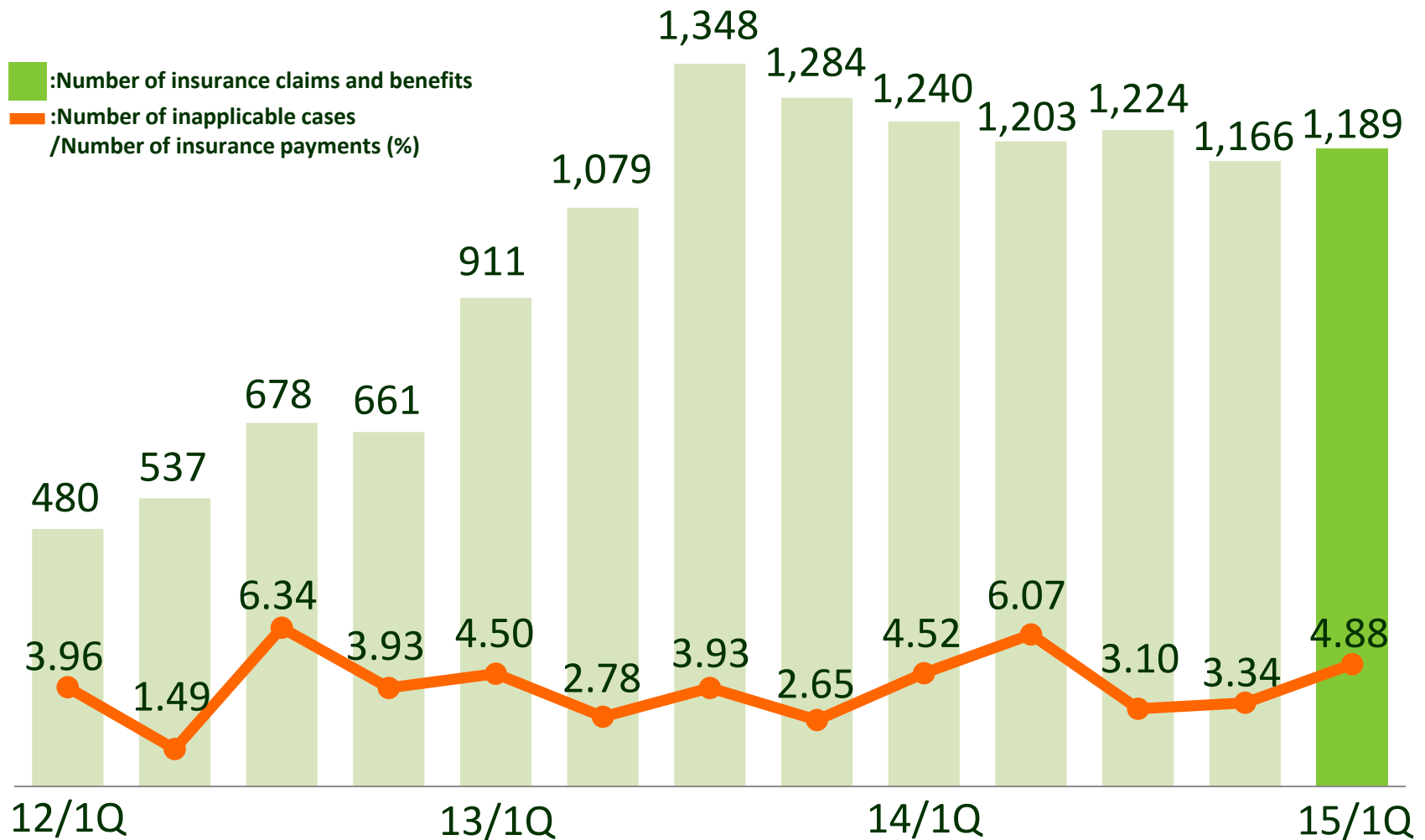




# Number of Insurance Claims and Benefits (Quarterly)

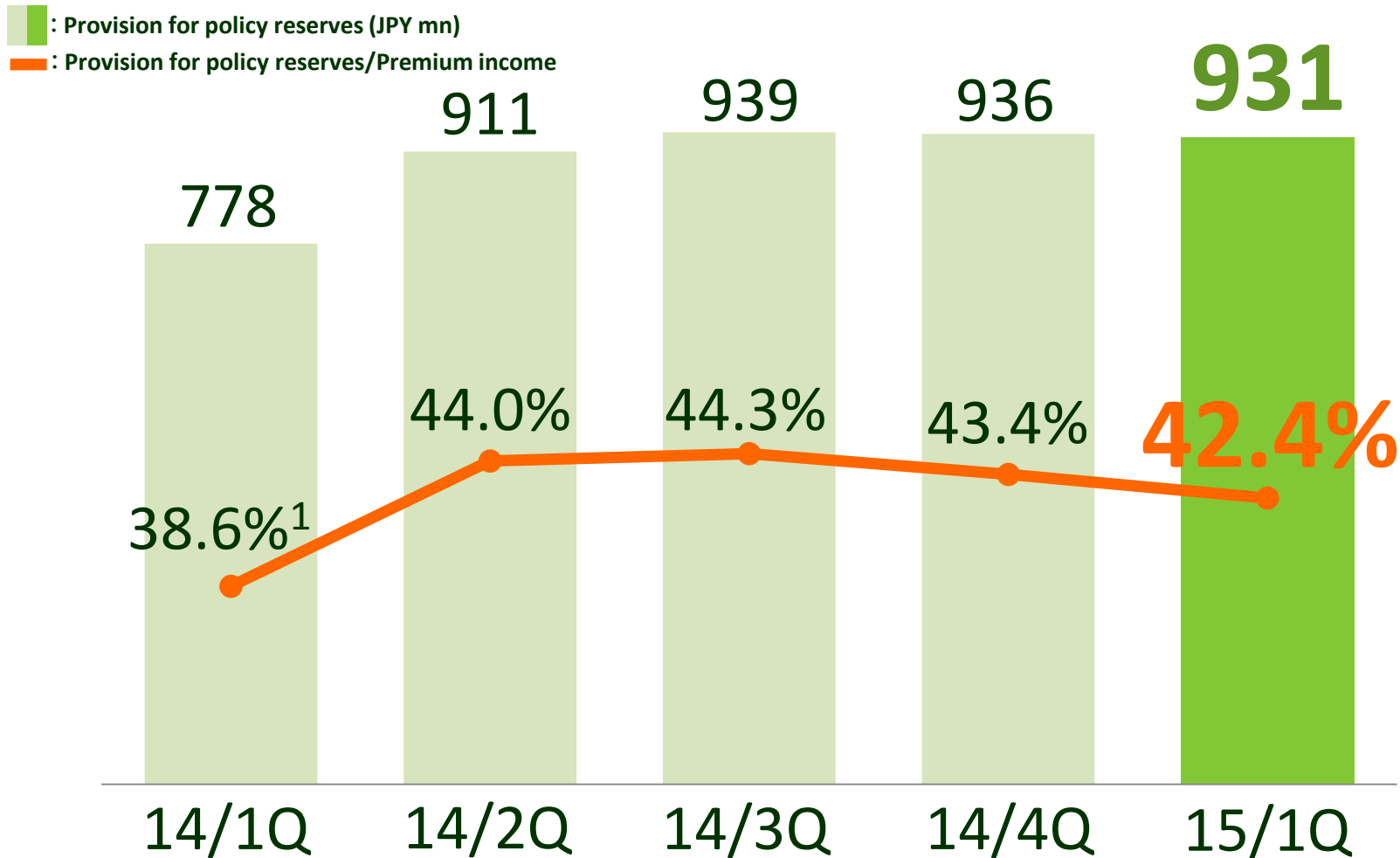


■ Percentage of inapplicable cases is **maintaining low level**



# Provision for Policy Reserves (Quarterly)

■ **Nearly flat** due to new business performance



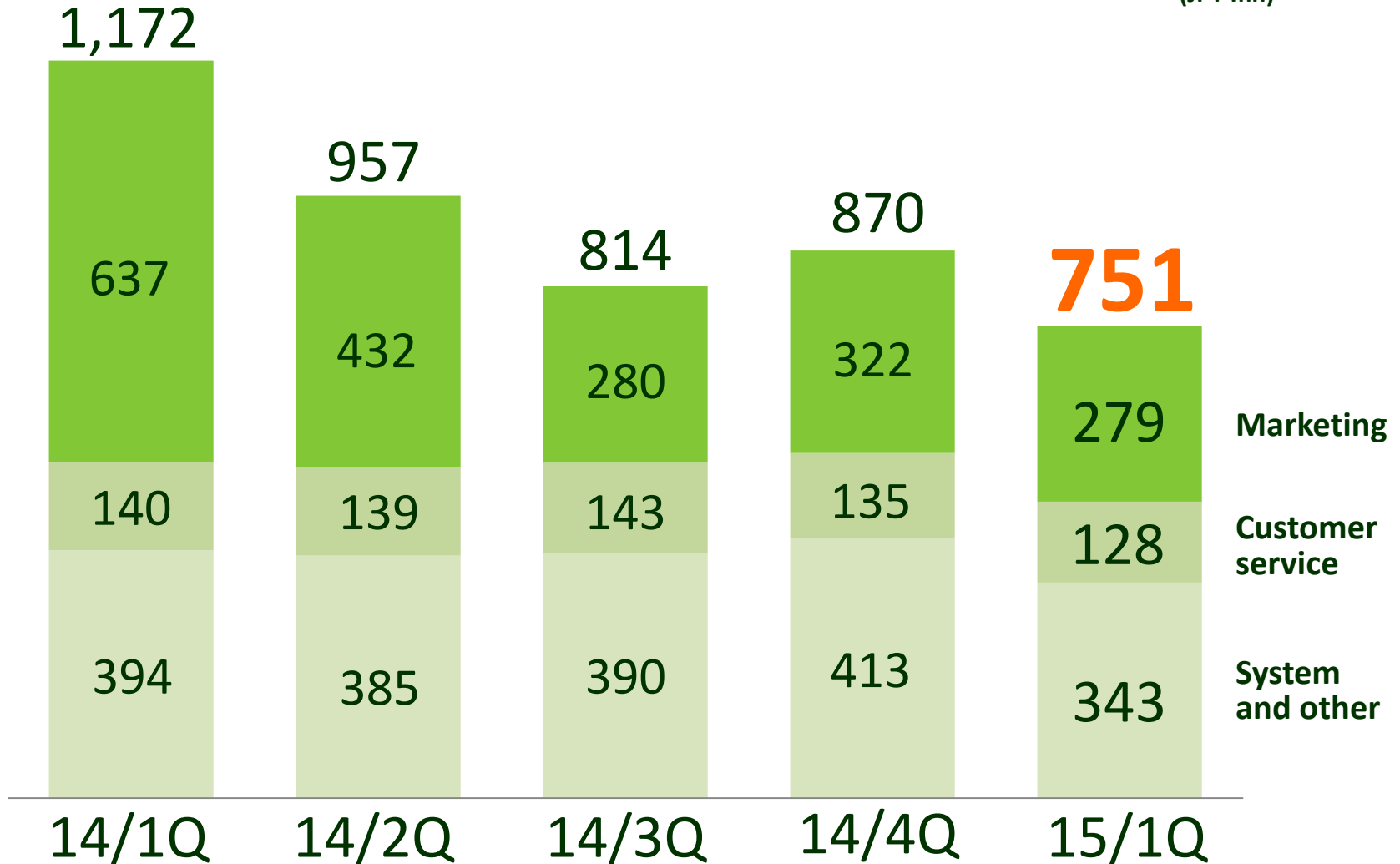
1. Decreased temporarily due to reversal of contingency reserves resulting from effect of reinsurance.

# Operating Expenses (Quarterly)



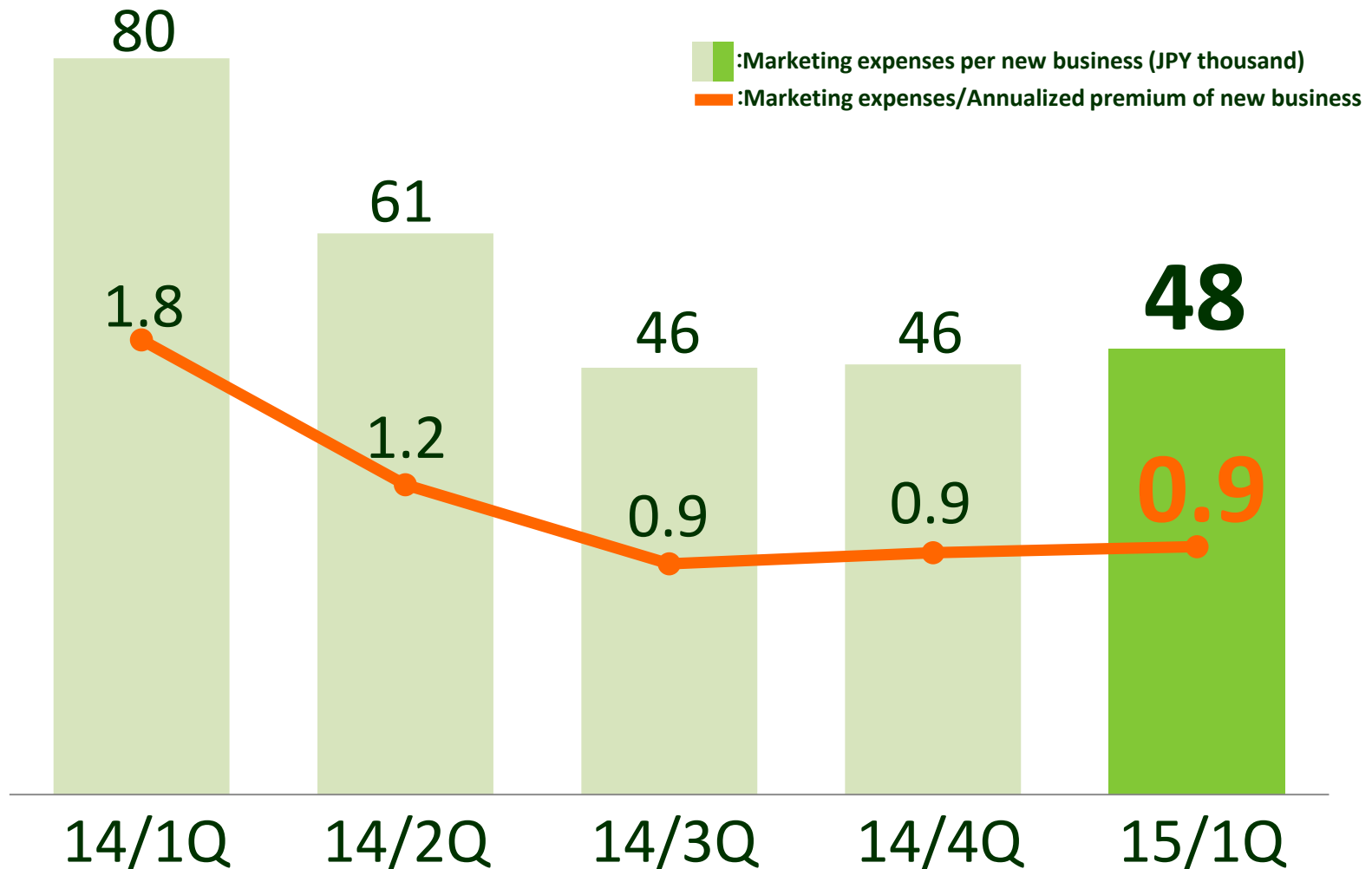
■ **Lowest level** by controlling marketing expenses

(JPY mn)



# Marketing Expenses per New Business (Quarterly)

■ **Continuously flat** due to decrease of new business



# Ordinary Profit/Loss (Quarterly)

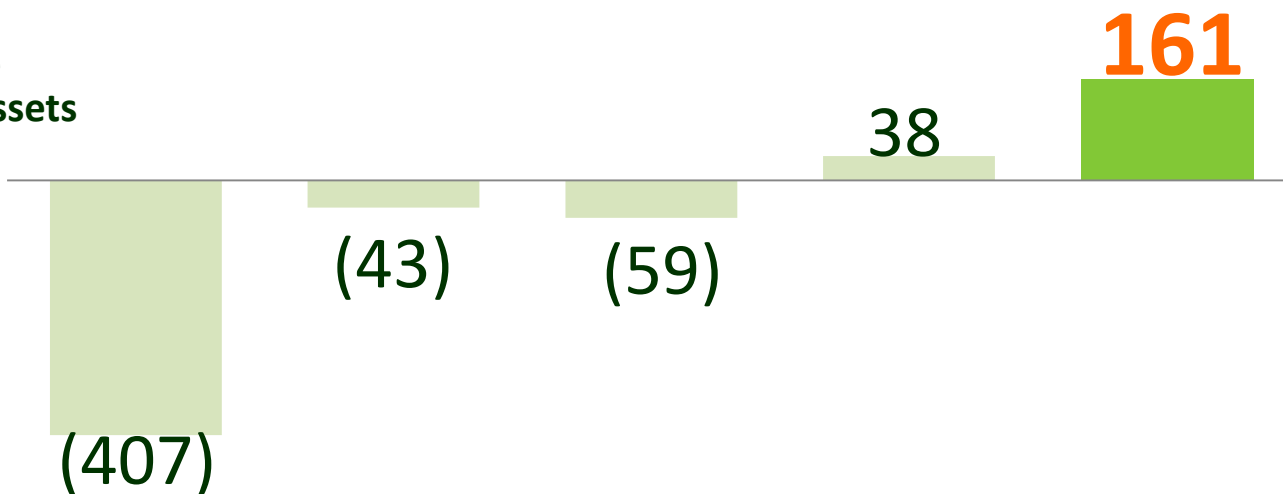
■ Ordinary profit<sup>1</sup> recorded profitable on a quarterly basis

(JPY mn)

	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q
Ordinary profit/loss before amortization of deferred assets	(407)	(43)	(59)	38	<b>161</b>
Amortization cost	(265)	(265)	(265)	(265)	<b>(265)</b>
Ordinary profit/loss	(672)	(308)	(324)	(226)	<b>(103)</b>

Ordinary profit/loss before amortization of deferred assets

(JPY mn)

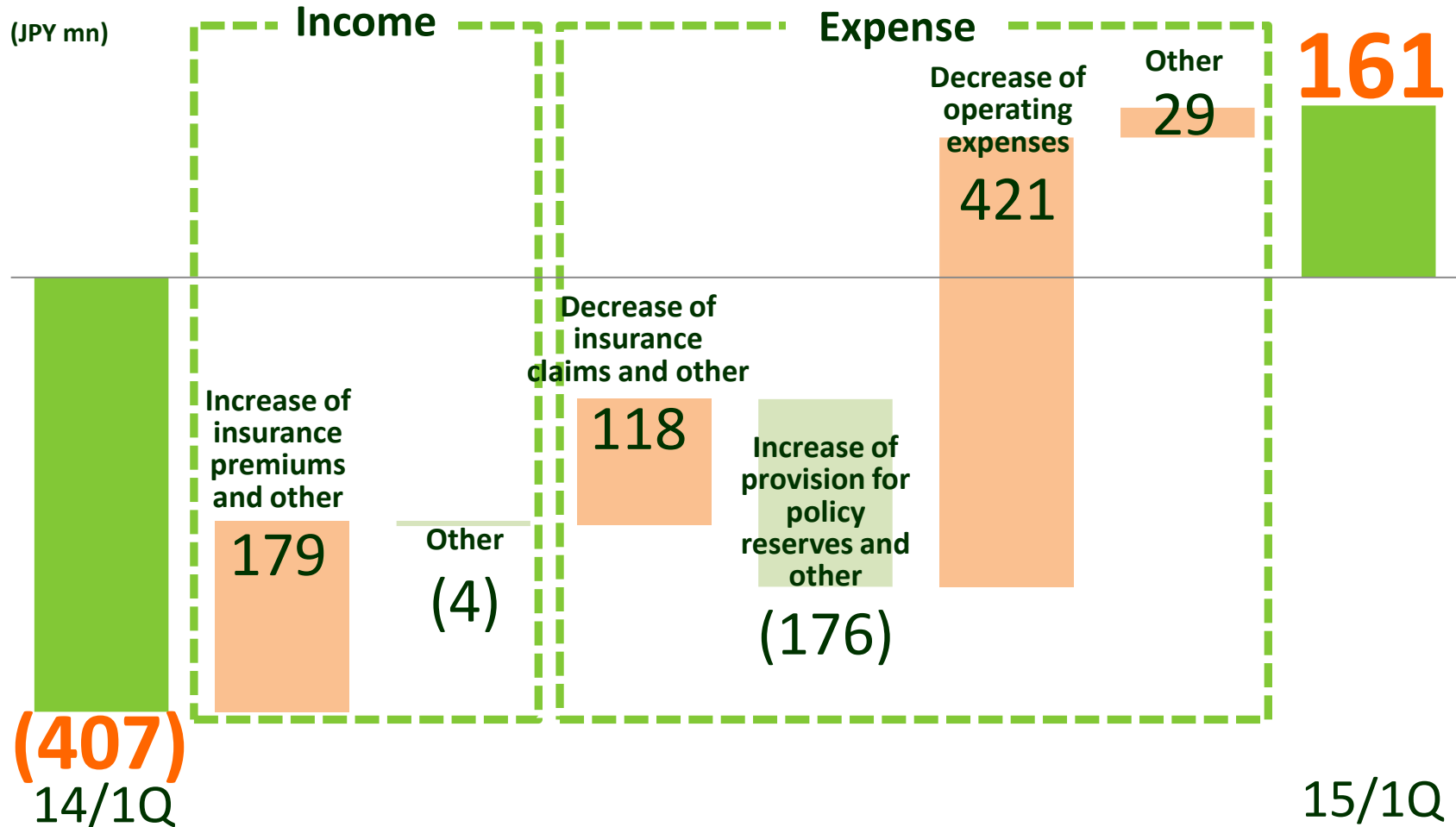


1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

# Structure Breakdown of Ordinary Profit/Loss<sup>1</sup>

■ Main factors of profitability are **decrease of insurance payments and operating expenses**

## Transition of ordinary profit (loss)<sup>1</sup>



1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

# Condensed Statements of Operation (Quarterly)



LIFENET

(JPY mn)

	14/1Q	15/1Q	Change
Insurance premiums and other	2,061	<b>2,241</b>	179
Other	47	<b>42</b>	(4)
Ordinary income (A)	2,109	<b>2,284</b>	174
Insurance claims and other	420	<b>301</b>	(118)
Provision for policy reserves and other	778	<b>954</b>	176
Operating expenses	1,172	<b>751</b>	(421)
Other	144	<b>115</b>	(29)
Ordinary expenses (B)	2,516	<b>2,122</b>	(393)
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA (A-B)	(407)	<b>161</b>	568
Amortization of deferred assets under Article 113 of IBA (C)	265	<b>265</b>	-
Ordinary loss (A-B)-(C)	(672)	<b>(103)</b>	568

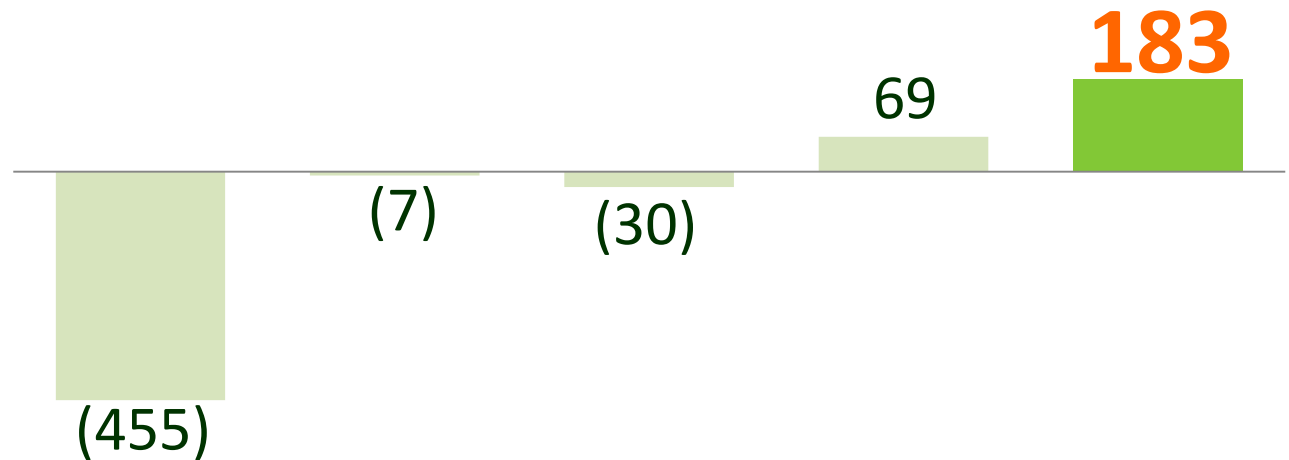
# Fundamental Profit

## ■ Mortality margin recorded steadily and expense loss improved

	(JPY mn)				
	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q
Mortality margin	320	549	382	525	<b>513</b>
Expense margin (loss)	(1,040)	(828)	(683)	(730)	<b>(602)</b>
Interest margin (loss)	(0)	6	4	8	<b>8</b>
Fundamental profit	(720)	(272)	(295)	(195)	<b>(81)</b>
(ref.) Insurance premiums and other	2,061	2,094	2,154	2,182	<b>2,241</b>

Fundamental profit  
before amortization  
of deferred assets

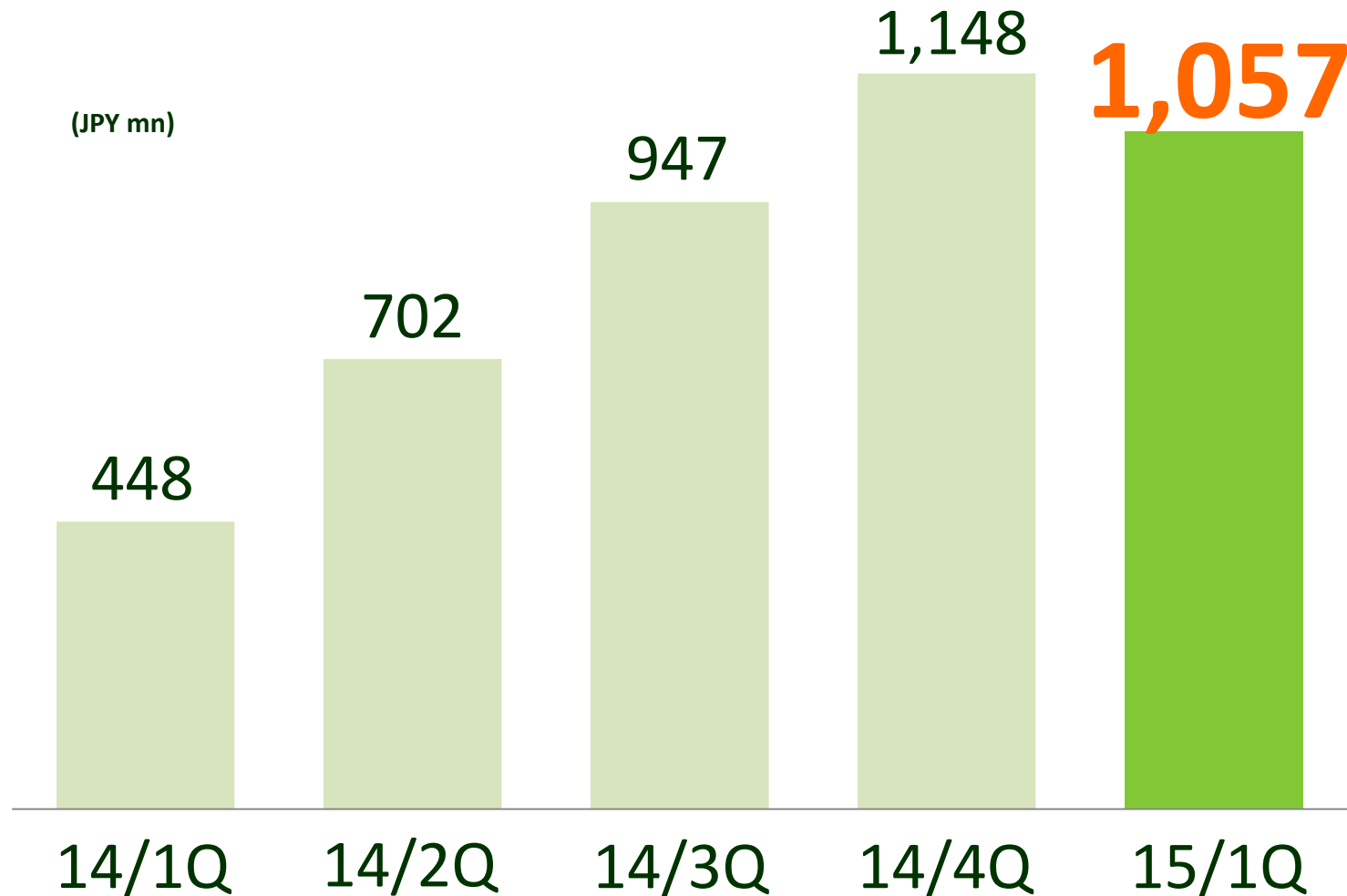
(JPY mn)





# Operating Cash Flows (Quarterly)

- **Maintained at a high level** due to decrease of operating expenses



# Financial Condition

(JPY mn)	(YY/MM)		
	14/03	15/03	15/06
<b>Total assets</b>	<b>21,188</b>	<b>23,387</b>	<b>27,192</b>
Cash and deposits	418	731	712
Monetary claims bought	-	-	1,499
Money held in trust	1,000	1,033	1,032
Securities	14,154	17,082	19,671
Government bonds	6,636	8,227	9,326
Municipal bonds	-	851	840
Corporate bonds	6,547	6,894	8,363
Stocks <sup>1</sup>	206	222	248
Foreign securities <sup>2</sup>	764	886	892
<b>Total liabilities</b>	<b>7,252</b>	<b>10,899</b>	<b>11,762</b>
Policy reserves and other	6,616	10,084	11,039
<b>Total net assets</b>	<b>13,935</b>	<b>12,487</b>	<b>15,430</b>

■ **Increased assets due to Third-party allotment**

■ **Modified duration 10.1 years**

1. Lifenet is holding shares of Advance Create Co., Ltd., its insurance sales agent, for the purpose of maintaining equity and business partnership.  
 2. Investment in Kyobo Lifeplanet Life Insurance Company in Korea

# Third-party Allotment to KDDI

- KDDI became a major shareholder of an insurance company<sup>1</sup> as **payment procedure completed on May 22, 2015**

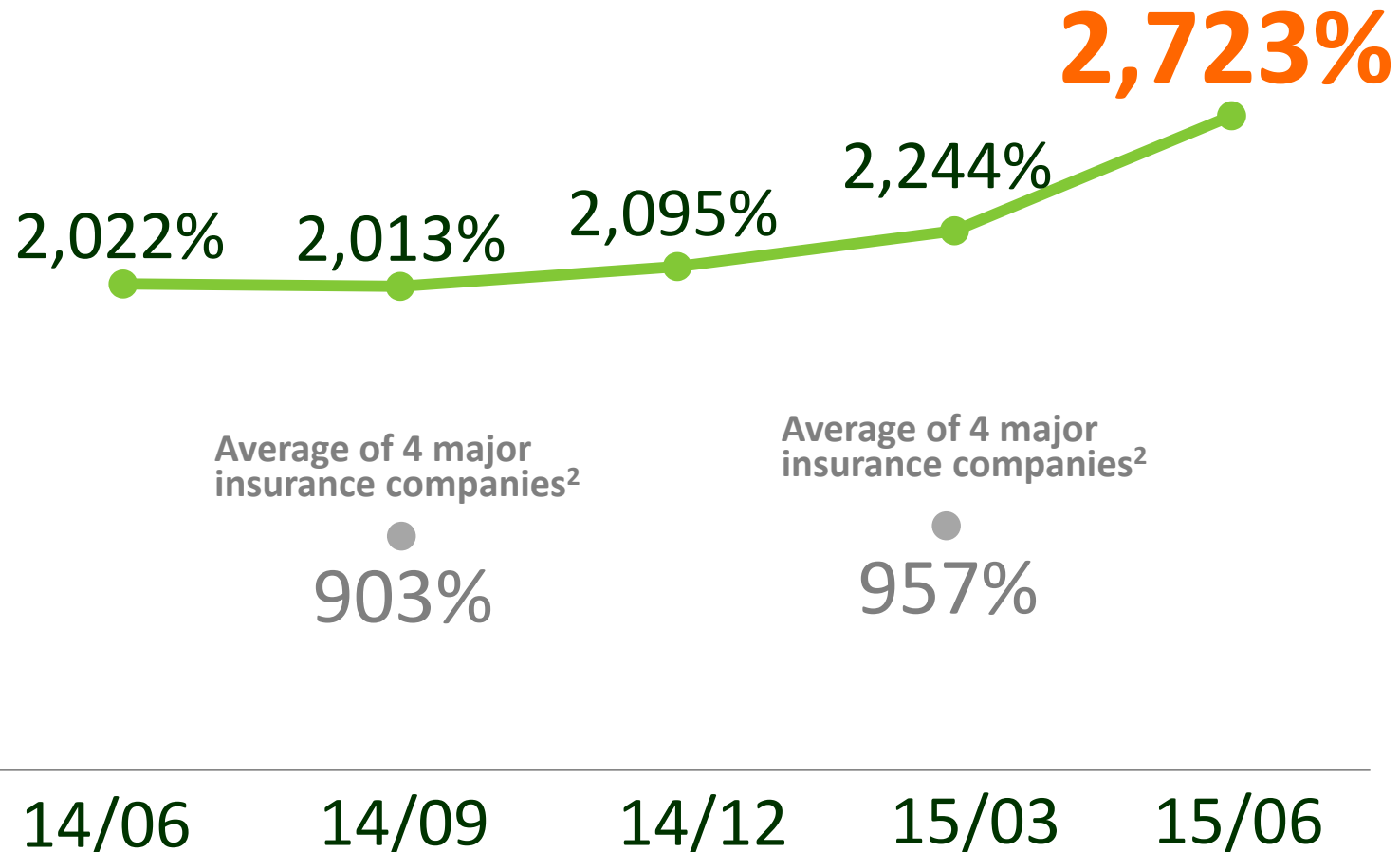
## Overview of Third-party allotment

Issued price	380 yen per share
Number of newly issued shares	8,000,000
Funds raised	3,040 million yen (Increased capital by issuance : 1,520 million yen)
Other	Largest shareholder with holdings of 15.95% of voting rights and a major shareholder of an insurance company

1. Regulatory approval is required as a major shareholder of an insurance company to hold voting rights above a certain level of an insurance company under the Insurance Business Act.

# Solvency Margin Ratio<sup>1</sup>

## ■ Up due to Third-party allotment



1. The solvency margin ratio measures a life insurance company's ability to pay out claims when unforeseen events occurs, such as natural disaster or a stock market collapse.  
2. Simple arithmetic average

# Business Alliance with KDDI



## ■ Details to be announced within this year



“au” Value-Added Economic Zone

# New TVCM “Ask Our Customers!” Started



- Highlight our policyholders' superior satisfaction to potential customers

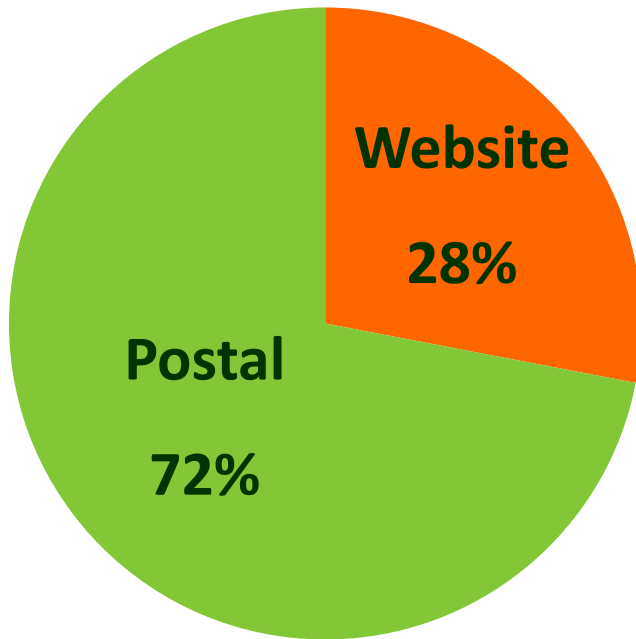


# Accept Application Documents via Website

## ■ Offering extensive convenience as an online insurer

Accept application documents via website captured by Smartphone etc.

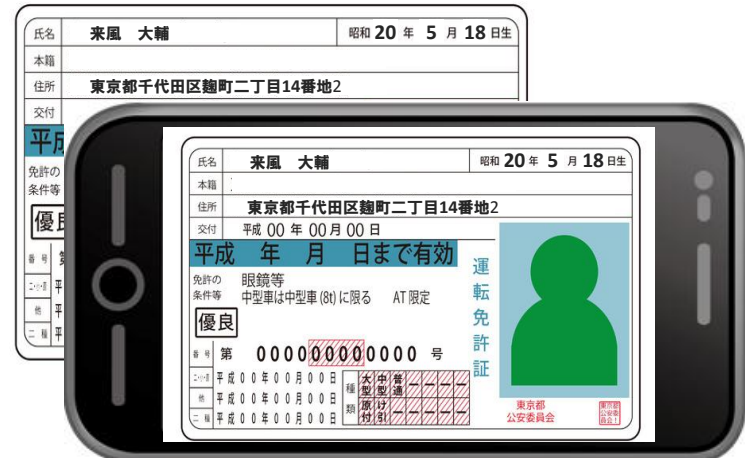
Application process<sup>1</sup> (April to June 2015)



Voice of Customers

“Convenient as all the procedure was completed via Smartphone.”

“Easy as I made it without copier.”



1. Based on the results of thank you calls to 532 customers out of new policyholders from April to June 2015.

# Appointment of New Directors

■ **Enhance management team** to achieve management goal

Chairman & CEO,  
Representative Director  
Haruaki Deguchi



President & COO,  
Representative Director  
Daisuke Iwase



Executive Managing Director  
Kazuko Nakada



Executive Managing Director  
Shunichiro Higuchi



Outside Director  
Tomohiko Katsuki  
New

Executive Vice President,  
Director  
Masayuki Nishida  
New



Outside Director Yoko Ishikura

Outside Director  
Sakuya Fujiwara



Outside Director  
Kazunari Uchida

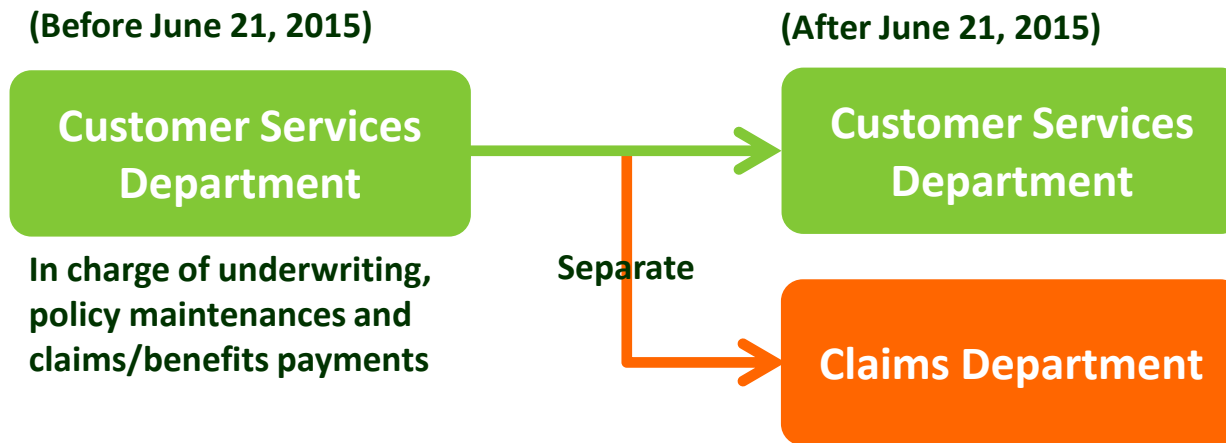




# Newly Established Claims Department



## ■ To ensure to make claim payments



**Insurance payments made in FY2014**

**4,833 cases**      **1,159 million yen**

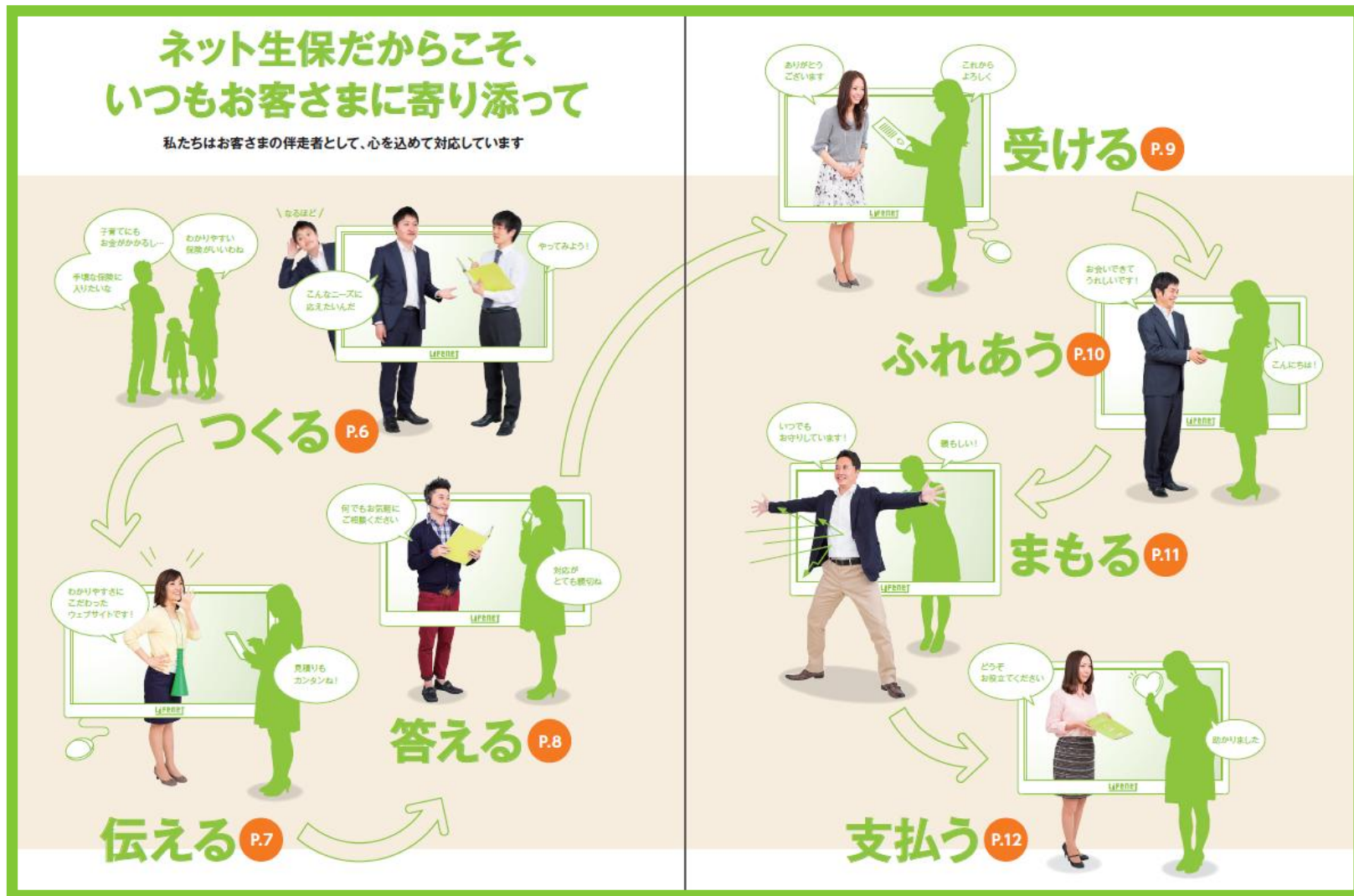
**Average claims payments period in FY2014**

**2.69 days**

Not including the number of days required to obtain lacking documents. Cases which required fact confirmation before insurance payments were made are also not included.

# Always with Customers

## Customers' convenience comes first



# LIFENET Manifesto



## I. Our Guiding Principles

- (1) We believe that our responsibility to society is to return life insurance to its original state. Life insurance is for the customers, not for the company. In order to achieve this goal, we will only offer products we can recommend with confidence.
- (2) We will be transparent. We will disclose information on our management, products and company as a whole on our website to actively communicate with customers and society.
- (3) We will be fair. We believe that our services will be more benevolent if the employees are free of any and all limitations they may feel in the work environment, and as such, we will not discriminate against education, gender, age, nationality, or familial situations.
- (4) We will adhere to laws protecting personal information and comply with laws, regulations, and other social standards. We pledge to be respectable global citizens, acting fairly and ethically.

## III. Life Insurance will be Cost-Competitive

- (1) We believe that no one should pay premiums that are more expensive than necessary, and will be innovative and creative in order to develop and maintain the most cost-competitive products possible.
- (2) We will handle every step of the process in providing good products to our customers; from the development of the products to the sales. This allows for us to maintain our cost-competitive prices.
- (3) Our products will be cost-competitive, but the content of the products and our services will not be sacrificed. All communication with customers will be conducted accurately and quickly, including claim processes.
- (4) Life insurance is a very expensive purchase, and life is also very expensive. We want for our customers to spend less on life insurance, and more on enjoying life.

## II. Life Insurance will be Comprehensive

- (1) Our products will be simple and comprehensible. There will not be complex policies with special provisions.
- (2) Life insurance is a financial product designed to mitigate risk, and we believe the customer should decide what products are necessary for them. As we feel it is critical for customers to be well informed of products and policies, we will make accessible any and all relevant information on our website for customers to make logical and rational decisions. The Customer Contact Center is also available for further clarifications and questions.
- (3) Our website will promote the understanding of not only our company's products, but of life insurance in general.
- (4) We will make life insurance products tangible via clearly written policies and comprehensible terms and conditions.

## IV. Life Insurance will be Convenient

- (1) We know our customers have very busy lives. That is why our customers can apply for our life insurance policies via the internet, 24 hours a day, 7 days a week.
- (2) Our documents require only a signature. There are no other typical official items required to verify personal identification.
- (3) Our definition of "surgery" is aligned with the national healthcare insurance point table, making the claim process much more convenient and comprehensible.
- (4) We have a proxy claim system, allowing for the third party designated by the claim holder to file a claim. The appointed proxy need simply to make a phone call to our contact center for necessary documents.

**This manifesto is not simply as a declaration. This is how we do things.  
Join us on our journey.**



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.

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

**Subscribe to our "IR email service" to receive news releases and website updates via email.**

 E-mail Notices

# Appendix



**LIFENET**

LIFENET INSURANCE COMPANY

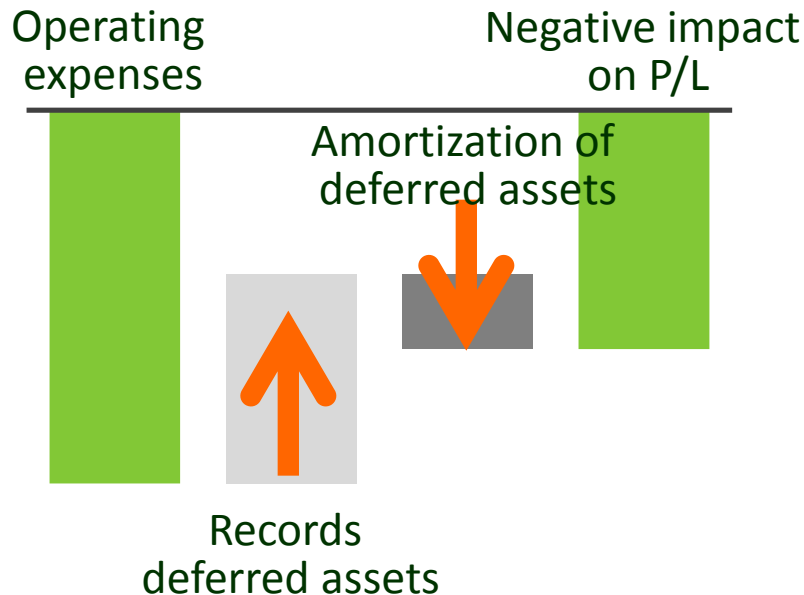
# Deferred Assets under Article 113 of the IBA<sup>1</sup>

## Amortization occurred as recording deferred assets under Article 113 of the IBA<sup>1</sup> no longer allowed since FY2013

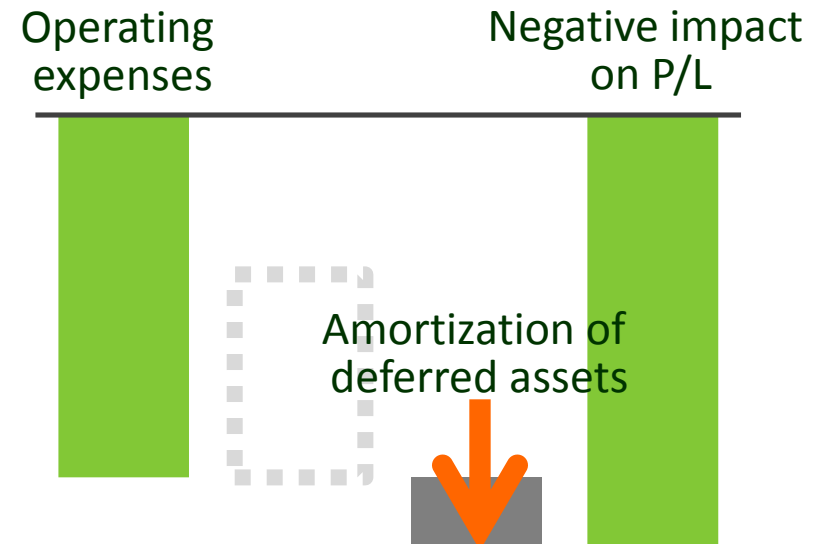
Illustrative image of impact on P/L

(focus on the relationship between operating expenses and deferred assets)

### Until FY2012



### Since FY2013 until FY2017

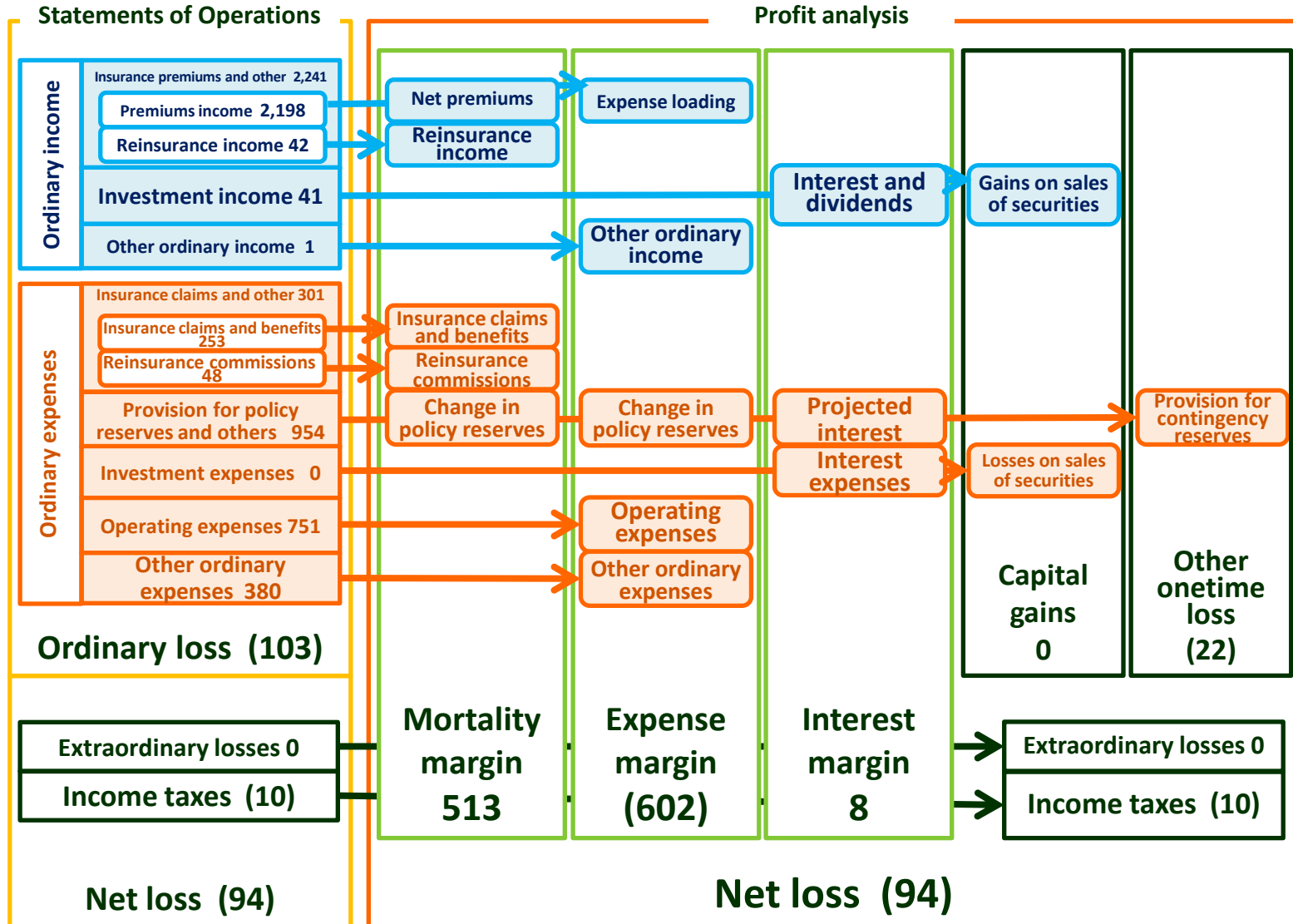


Note: Lifenet is not allowed to pay dividend due to IBA<sup>1</sup> until FY2017 because it is expected to record the amortization of deferred assets of approx. 1bn yen every fiscal year.

1. IBA: Insurance Business Act

# Three Surplus Factors of Fundamental Profit

1Q of FY2015



1. Some items with minimal amounts have been omitted.

# Solvency Margin Ratio Calculation



LIFENET

As of Jun. 30, 2015

$$\text{Solvency margin ratio } 2,723.2\% = \frac{\text{Total amount of solvency margin <numerator> } 17,672}{\text{Total amount of risk/2 <the denominator> } 1,297/2}$$

Cash and deposits 712	Other liabilities 331
Monetary claims bought 1,499	Deferred tax liabilities (excluding those on available-for-sale securities) 274
Money held in trust 1,032	Reserves for outstanding claims 300
Securities 19,671	Policy reserves 10,738
Tangible fixed assets 103	Contingency reserves 1,240
Intangible fixed assets 431	Excess over the full-Zillmerized reserve 3,836
Other assets 3,741	Price fluctuation reserves 10
Deferred assets under Article 113 of the Insurance Business Act 2,915	Deferred tax liabilities on available-for-sale securities 96 <sup>1</sup>
	Valuation difference on available-for-sale securities 236 <sup>1</sup>
	Capital stock and other assets 12,252
	Net assets 15,430

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

Subtract deferred assets under Article 113 of the Insurance Business Act from net assets

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

- Insurance risk  $R_1$  989  
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk  $R_8$  210  
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk  $R_2$  1  
Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves
- [Minimum guarantee risk]  $R_7$  —  
Risk related to products, such as variable annuities with minimum guarantees
- Asset management risk  $R_3$  352  
[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  $R_4$  46  
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 (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.