

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



**LIFENET**

LIFENET INSURANCE COMPANY

**Investor Meeting  
Presentation  
for 2Q  
of Fiscal 2014**

**LIFENET INSURANCE COMPANY**

**November 14, 2014**

# FY2014 1H Key Highlight



- ✓ Ordinary income **up 20%** year on year
- ✓ Ordinary loss<sup>1</sup> **improved 28%** year on year
- ✓ Positive cash flows from operating activities and mortality margin **recorded steadily**
- ✓ Primary challenge is **return to growth in new business performance**
- ✓ **Change in management goal** of mid-term business plan
- ✓ Disclose **business forecasts** for Fiscal 2014

# Summary of FY2014 1H Results



(JPY mn)

	2013/1H	2014/1H	Year on year
Ordinary income	3,660	4,393	120.0%
Operating expenses	2,101	2,130	101.4%
Ordinary profit (loss) <sup>1</sup>	(624)	(450)	-
Cash flows from operating activities	768	1,151	149.7%
Mortality margin	544	869	159.5%
Annualized premium of policies-in-force	7,598	8,450	111.2%
Number of policies-in-force	189,958	209,814	110.5%
Annualized premium of new business	975	694	71.2%
Number of new business	26,777	15,053	56.2%

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

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**1. Results for 2Q of Fiscal 2014**

**2. Key Initiatives**

**3. Change of Management Goal**

# Key Accomplishment in FY2014 1H




- First revisions of core products since business commencement
  - **Revision** of Term life
  - **Launched** new Whole-life Medical
  
- Challenges for the “Second Stage” as an online life insurer
  - Open our **owned media**
  - Enhance customer **follow-up**
  - Optimize PC and smartphone **website**
  - Enrich **customer services**

# First Revision of Core Products since Business Commencement

## ■ Reduced premium while realized rich coverage

Term Life  
"Kazoku"



Revised premium to be **the lowest premium level in the industry<sup>(\*)</sup>** while extensive coverage remains unchanged

- Wide range of claim amounts is available, from 5 million yen to 100 million yen
- Same coverage regardless of illness, accident or natural disaster
- Extending insurance term to a maximum age of 80

Whole-life Medical  
New "Jibun"



Extensive lifetime coverage at the reasonable premiums **Economy plan**

More extensive coverage **Recommended Plan**

- Covers one-day hospitalizations
- Unlimited payment days for hospitalizations due to the 3 major lifestyle-related diseases (cancer, heart disease and stroke) **Recommended Plan**
- Lump-sum payment upon cancer diagnosis and advanced medical care also covered **Recommended Plan**
- Fixed premium

Whole-life Medical  
New "Jibun" for Women



Extensive lifetime coverage at the reasonable premiums **Economy plan**

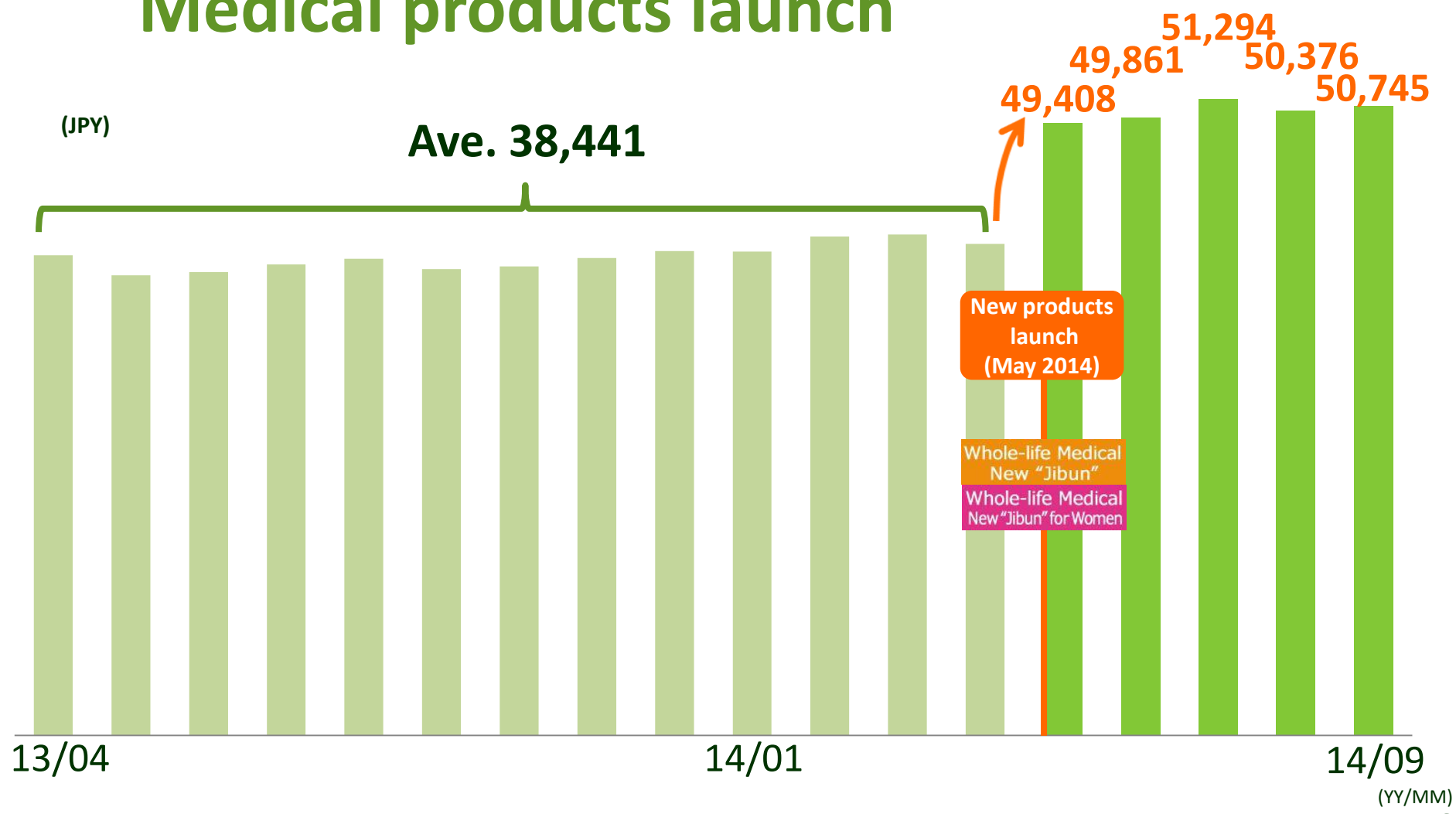
More extensive coverage for women **Recommended Plan**

- Extensive coverage for illnesses specific to women
- Covers one-day hospitalizations
- Unlimited payment days for hospitalizations due to the 3 major lifestyle-related diseases (cancer, heart disease and stroke) **Recommended Plan**
- Lump-sum payment upon cancer diagnosis and advanced medical care also covered **Recommended Plan**
- Fixed premium

# Annualized Premium per Policy of Application



■ **Increasing trend** due to new Whole-life Medical products launch



# Opened Our Owned Media

## ■ Diversify traffic source besides TVCM



<http://media.lifenet-seimei.co.jp/>

保険トレンドブログ

**デグチが  
Watch**



2014年10月31日

生命保険料にいくらかけるか考えてみる

いろいろ



2014年08月28日

ライフネットジャーナル オンライン、始  
まります

お金



2014年09月25日

「お金がないから結婚できない」はウ  
ソ? ——今知りたいお金の話 「結婚とお  
金」 (前編)



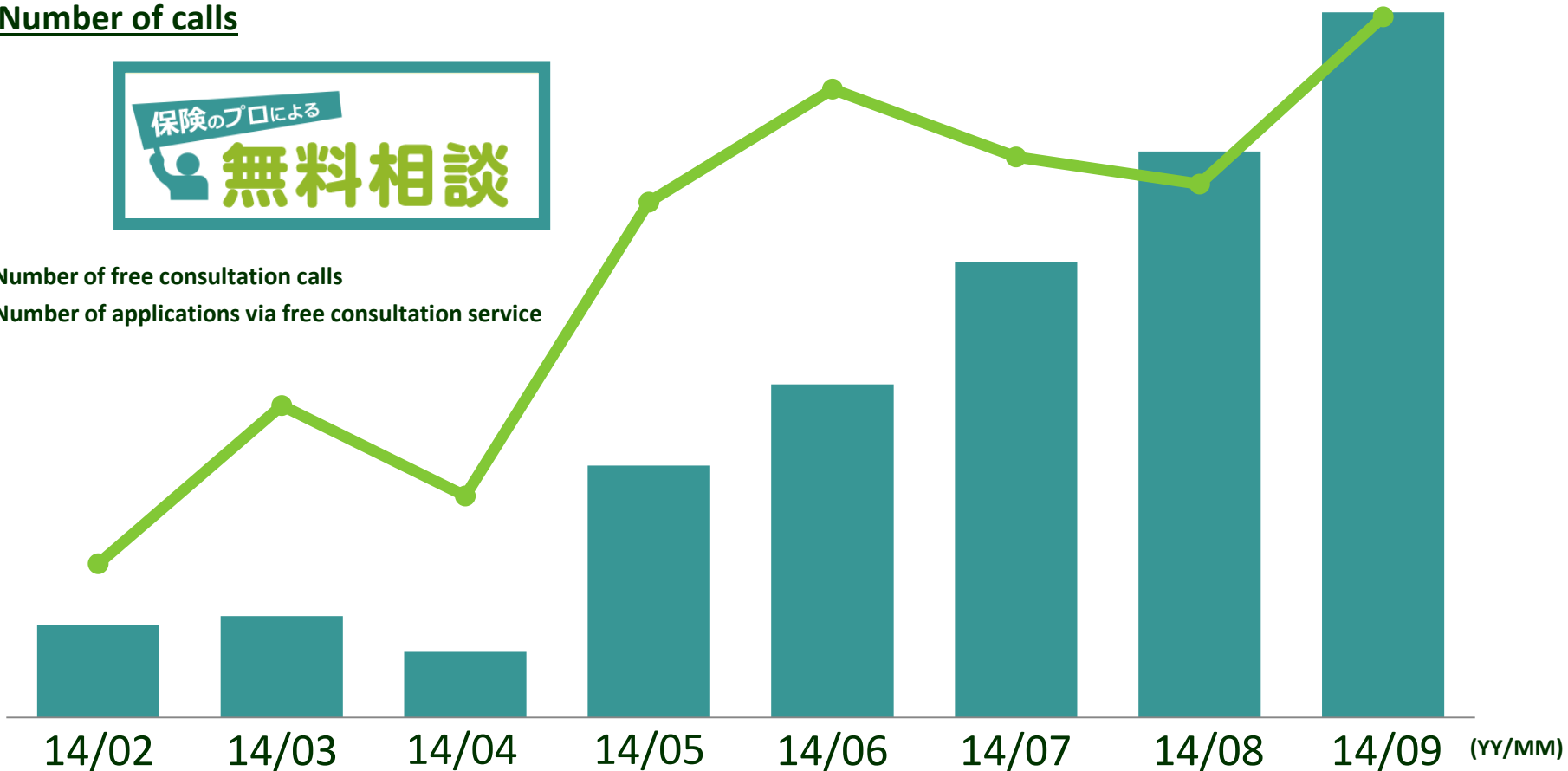
# Performance of Free Consultation Services

## ■ **Steady increase** in the number of applications via free consultation service

Number of calls



■ :Number of free consultation calls  
■ :Number of applications via free consultation service



# Contact Center and Website Awarded<sup>1</sup>



- Contact Center and Website awarded the **highest rating three stars** in the 2014 HDI Contact Center Rankings for **3 consecutive years**

Contact Center



*3 Stars Customer Service*  
**HDI-Japan 2014-2015**

Support Portal (Website)



*3 Stars Support Portal*  
**HDI-Japan 2014-2015**

1. Awarded in the 2014 HDI Contact Center Rankings (life insurance industry) hosted by HDI-Japan (Help Desk Institute / Thinkserver Inc.)

# Enrich Customer Services

## ■ Via online, telephone or in-person

 **マイページはご契約内容の確認やご請求等ができるサービスです**

### 変更する

ご契約内容の確認と、変更のお手続きができます。



### 請求する

ご請求に関する照会や、入院を伴うご請求をお申し出いただけます。



### 見直しをする

保障内容が最適かお悩みの際は、お電話やメールでお気軽に相談できます。



### 健康相談

日々の体の悩みを医師に相談できる契約者向けサービスです。




### ふれあいフェア

ご契約者さまとライフネット生命の集いを定期開催しています。



今すぐ聞きたい  
場合はお電話でも  
ご相談できます！

保険相談ダイヤル(通話無料)  
 **0120-466133**

受付時間：平日10時～19時（年末年始、土曜、日曜、祝日は除く）



# Major Updates on Kyobo Lifeplanet



- **Stable administration** since commencement
- **Declined voting rights ratio** due to preferred shares with voting rights and capital injection (plan)
- **Unchanged commitment** from LIFENET
- **No impact** on Lifenet's P&L

lifeplanet

Voting rights ratio

34.0% (2013/9/20)

25.5% (2014/5/28)

11.7% (2014/11/20)

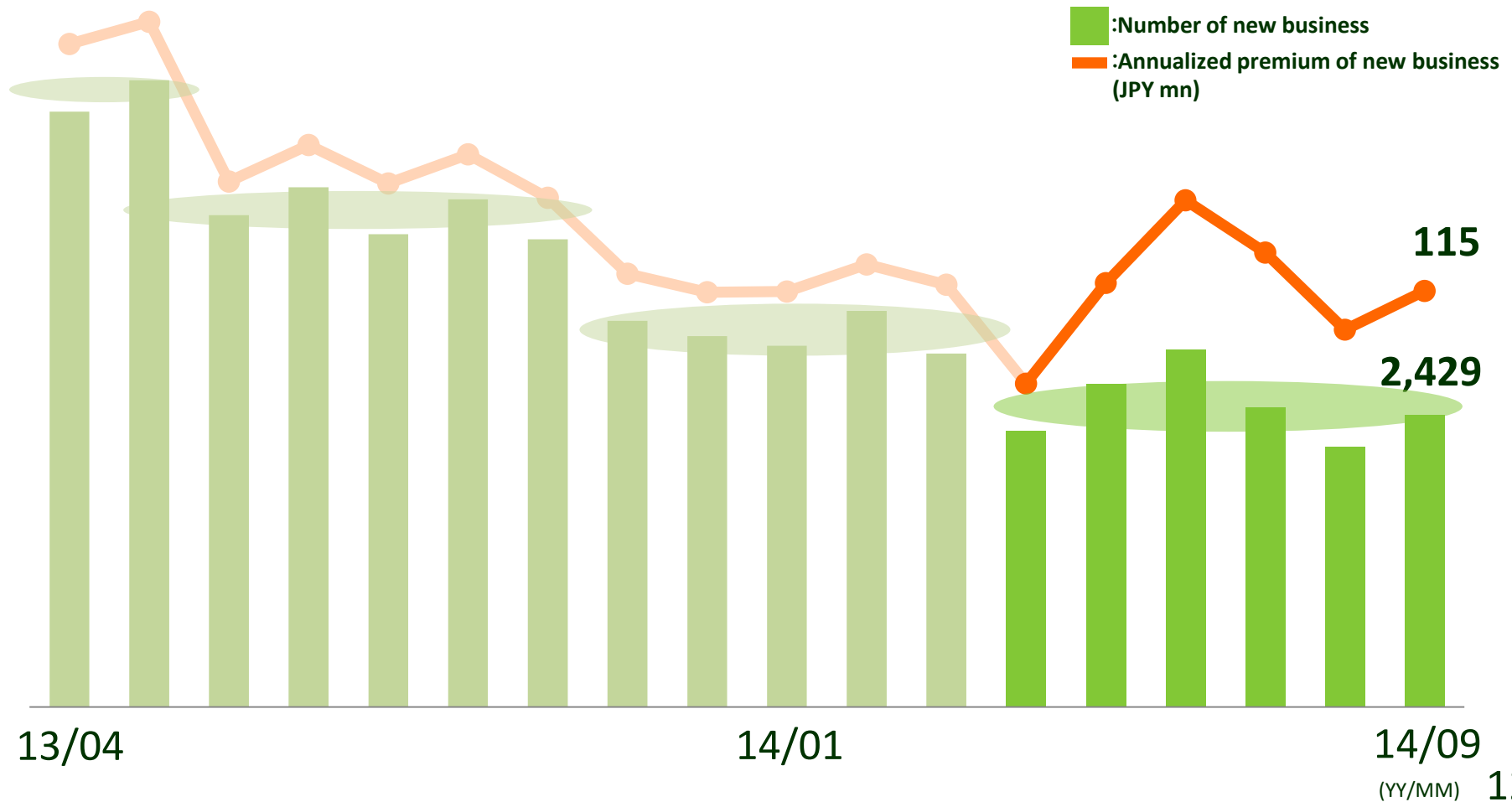
Established

Granted voting rights  
to preferred shares

Capital injection (plan)

# Number of New Business (Monthly)

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

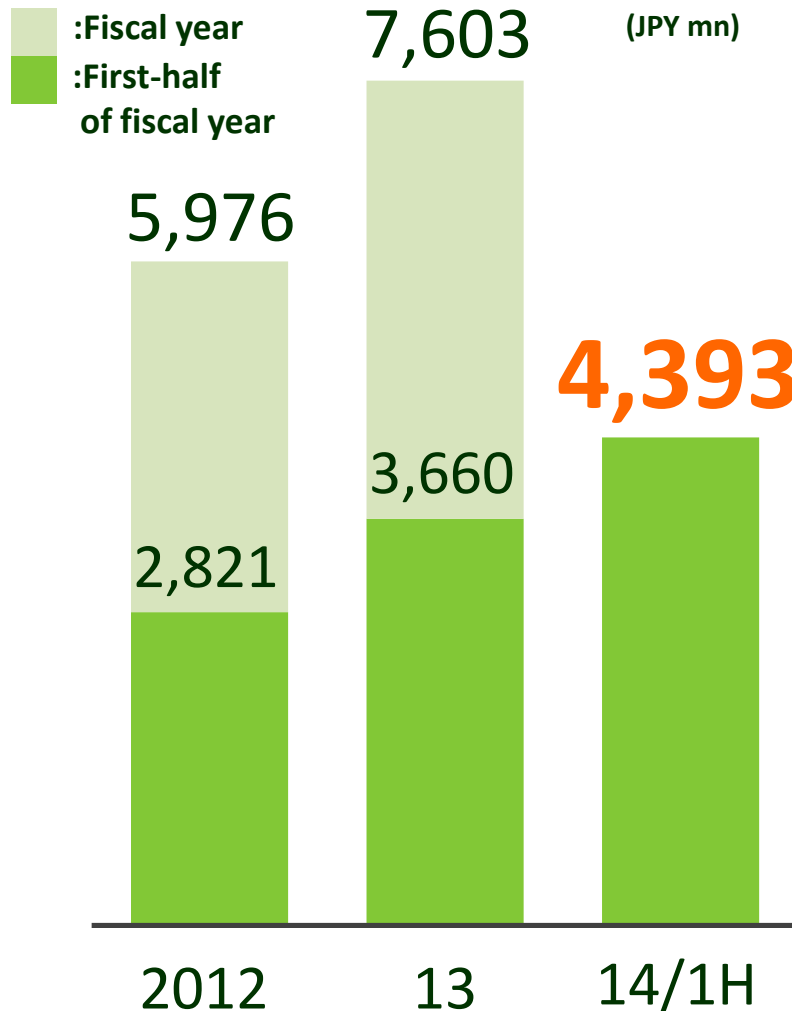


# FY2014 1H Financial Results



- Ordinary income **up 20%** year on year
- Ordinary loss<sup>1</sup> **improved 28%** year on year
- **Positive cash flows** from operating activities **stay**
- Mortality margin **recorded steadily**
- Primary challenge is **return to growth in new business performance**
- **Marketing expenses increased** due to new products launch
- **Negative** value of new business

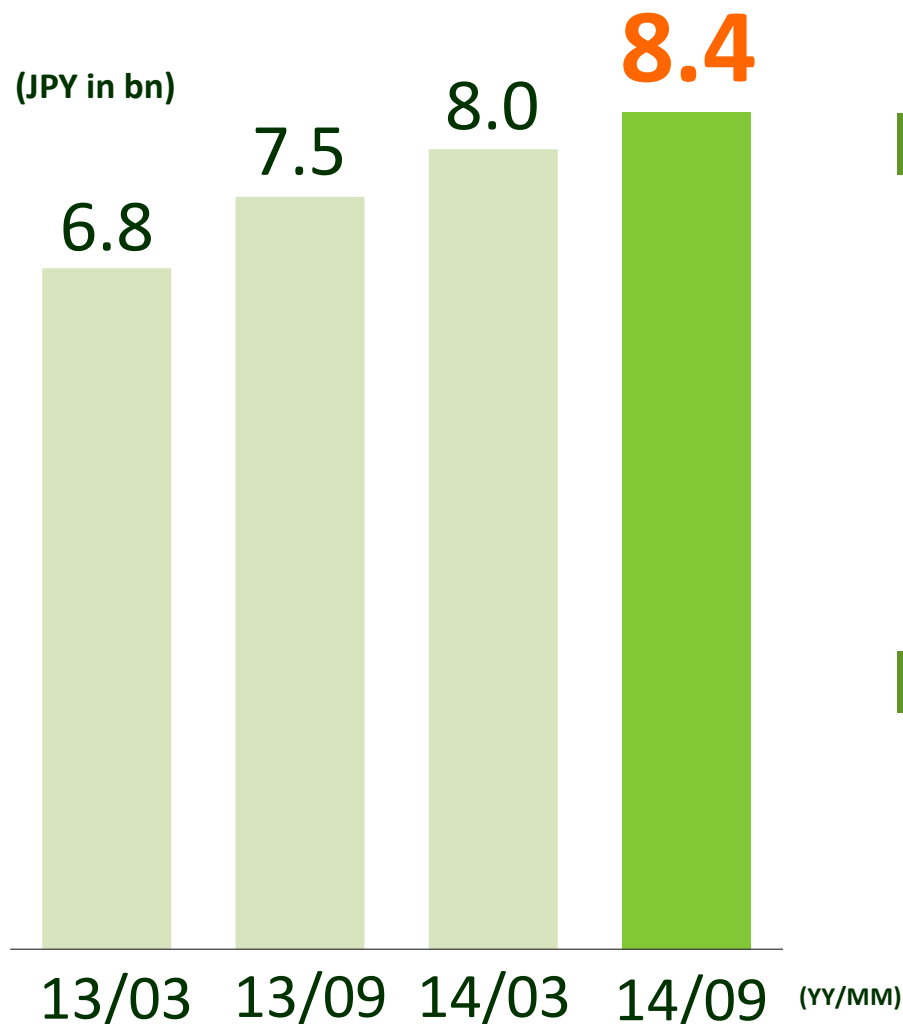
# Continuous Growth in Ordinary Income



■ Increased with growth of policies-in-force

■ Year on year **20% growth**

# Annualized Premium of Policies-in-Force



■ Annualized Premium<sup>1</sup>  
**JPY 8.4bn**

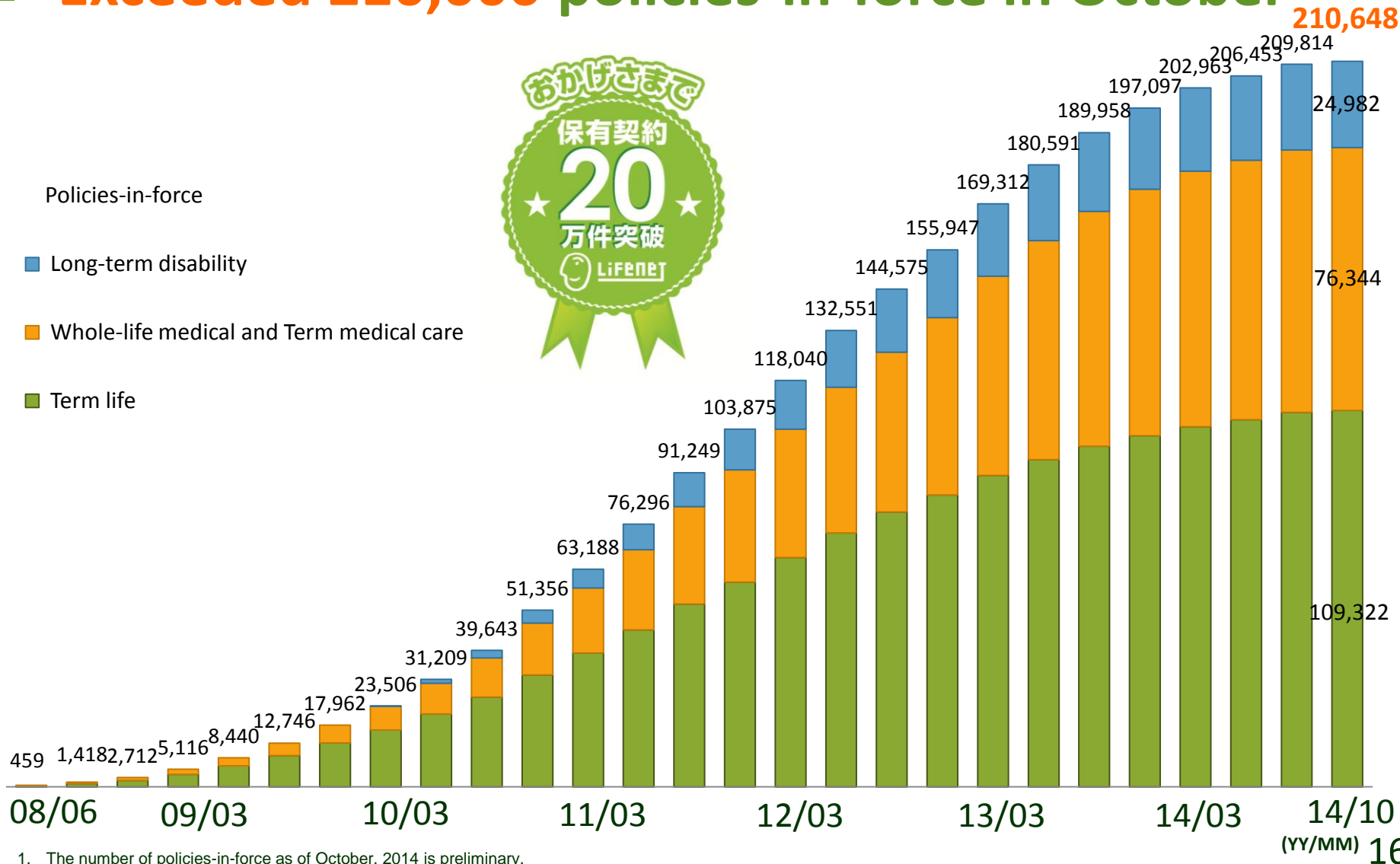
■ Number of Policies-in-Force  
**209,814**

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.



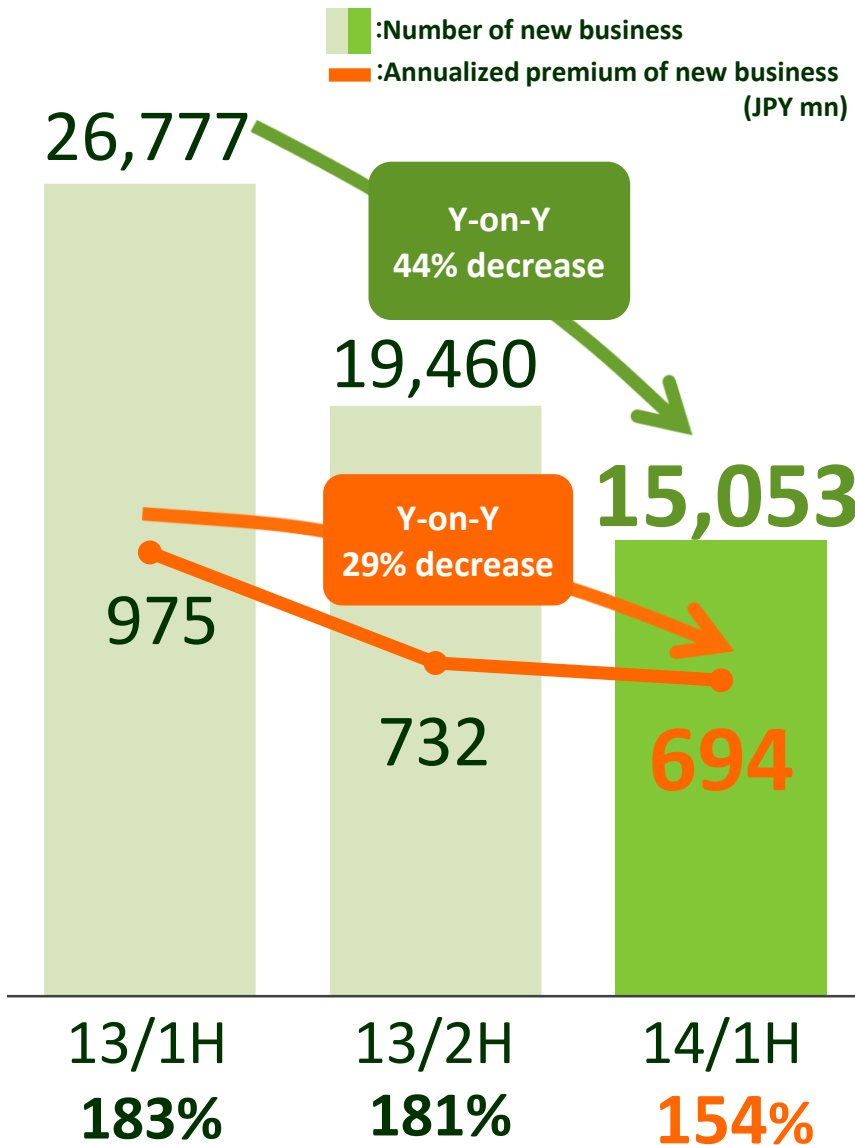
# Number of Policies-in-force

**Exceeded 210,000 policies-in-force in October**



1. The number of policies-in-force as of October, 2014 is preliminary.

# Number of New Business/ Annualized Premium (Semi-annual)



- Primary challenge is return to **growth in new business**
- Annualized premium decreased **moderately** relative to number of new business

13/1H  
**183%**

13/2H  
**181%**

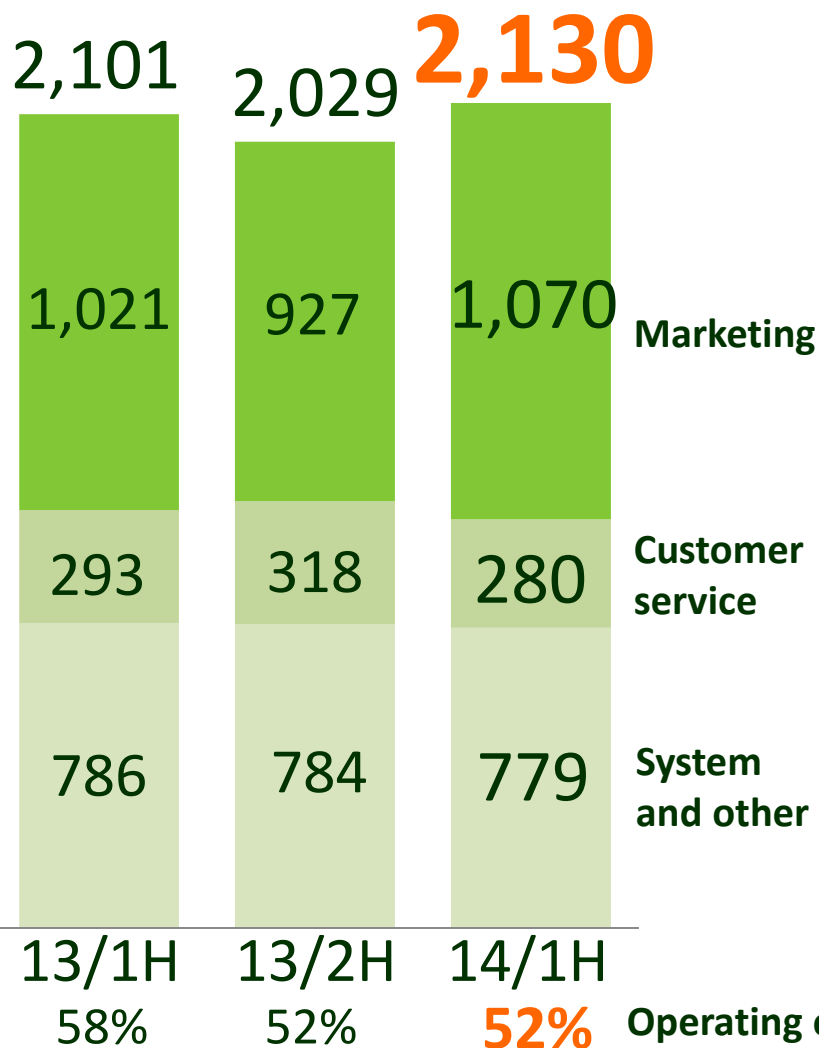
14/1H  
**154%**

Number of policies per customer<sup>1</sup>

1. The ratio of new business / new customers of each half year, including additionally purchased policies by current customers.

# Operating Expenses Control

(JPY mn)



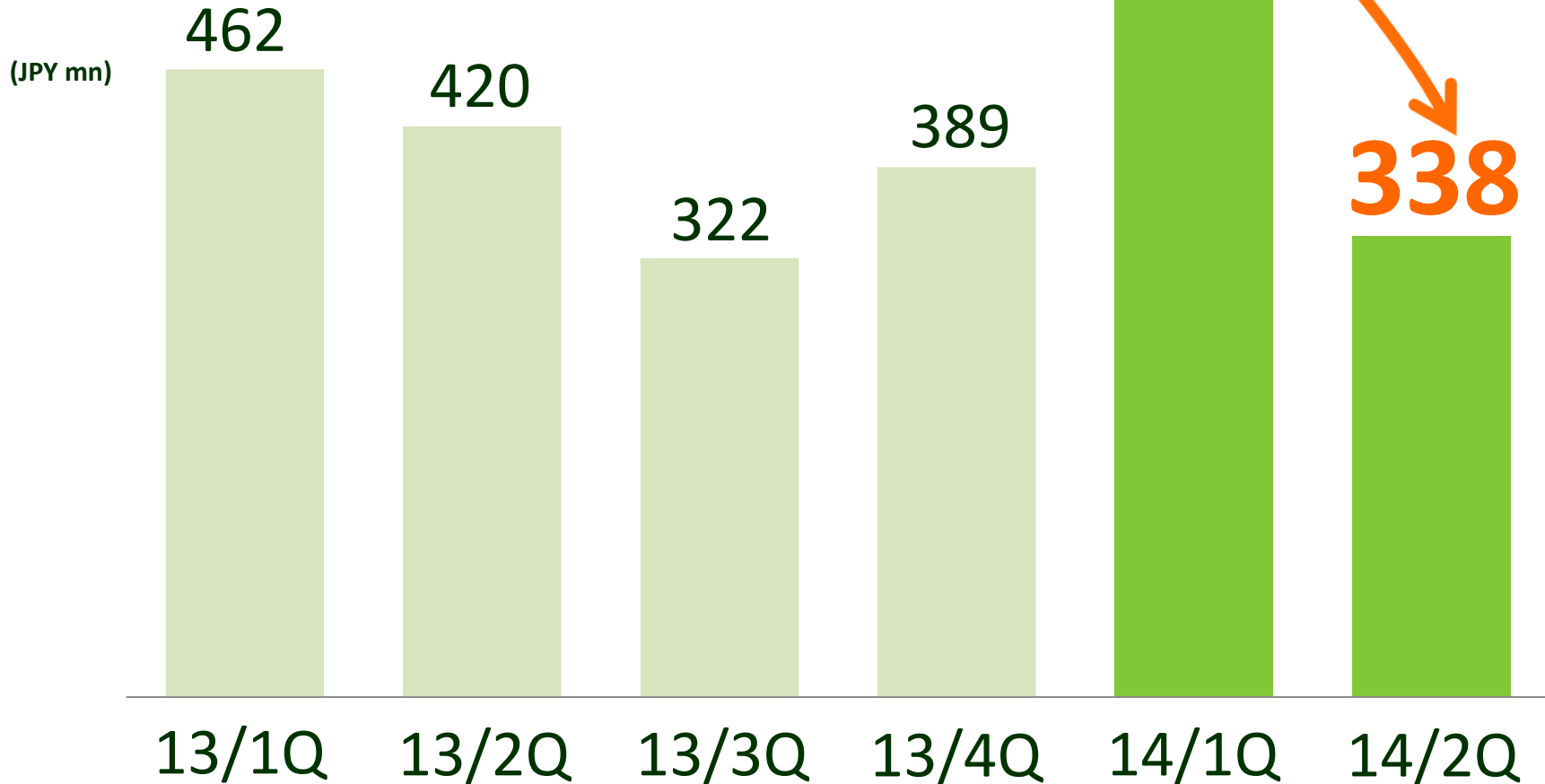
Marketing expenses increased 15% from 13/2H due to advertising expenses increase

Operating expenses ratio<sup>1</sup> 52%

1. The ratio of operating expenses to insurance premiums

# Advertising Expenses

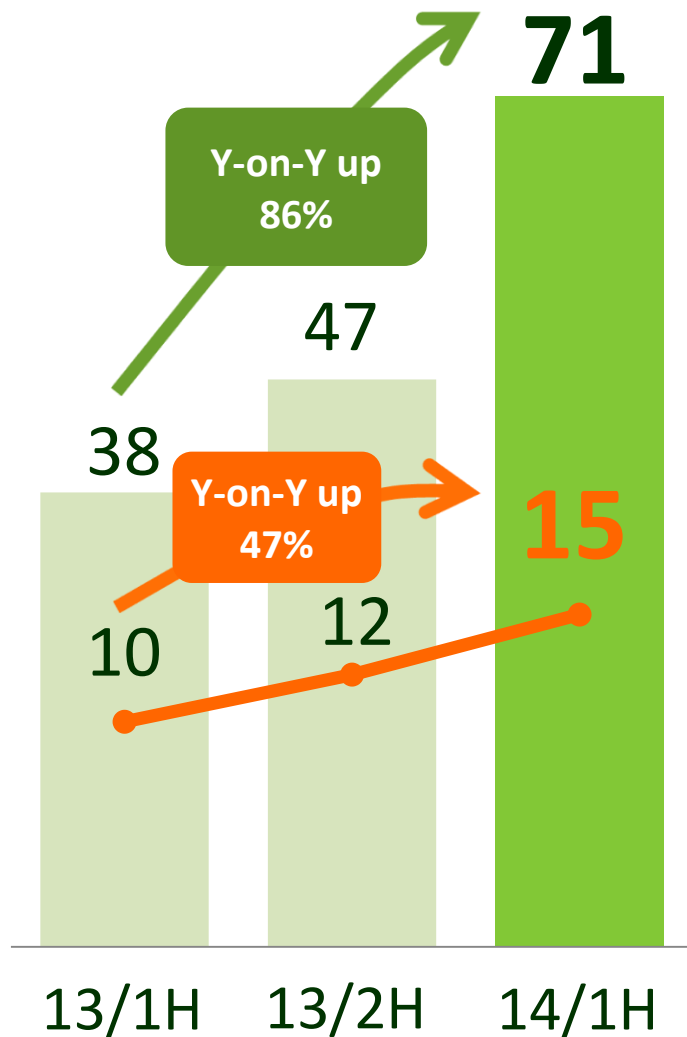
■ Increased in 1Q for new products launch while controlled in 2Q



# Marketing Expenses per New Business



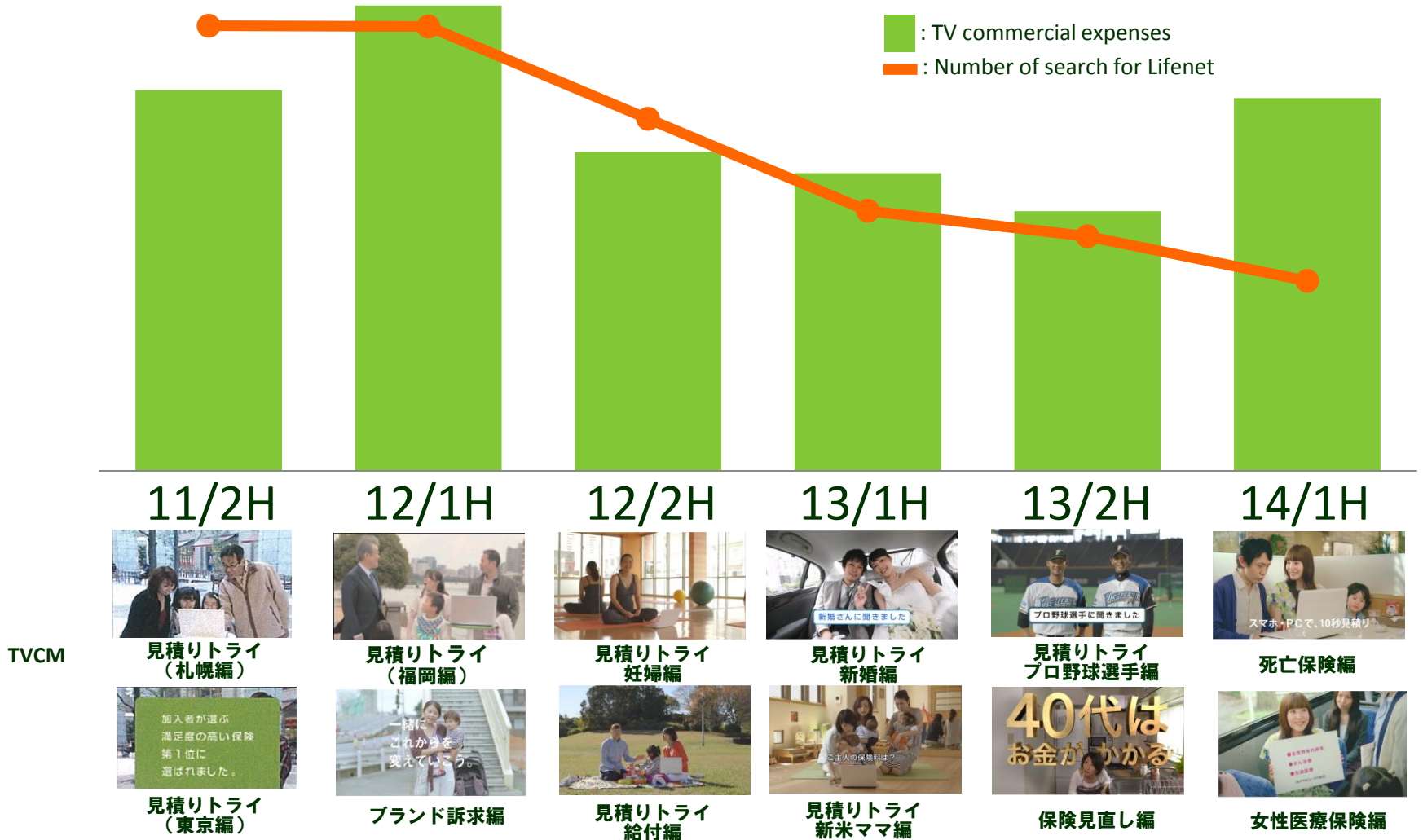
■:Marketing expenses per new business (JPY thousand)  
■:Marketing expenses/Annualized premium of new business



- **Exceeded JPY 70K** due to increased marketing expenses and slower new business
- **Controlled on a premium basis**

# TV Commercial Expenses

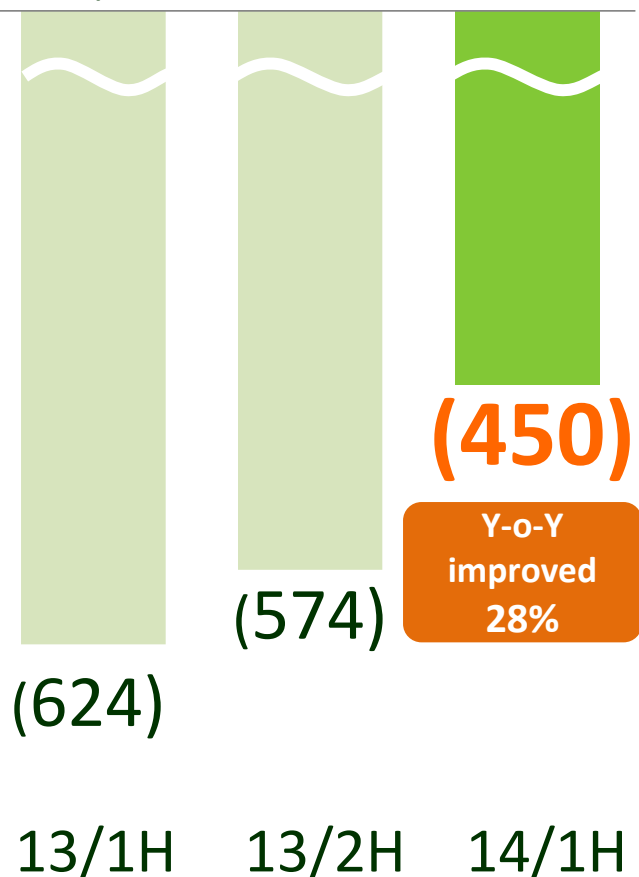
■ TV commercial **not performed** as assumed despite more expenses



# Ordinary Profit/Loss Improved

- Improved steadily towards profitability<sup>1</sup>

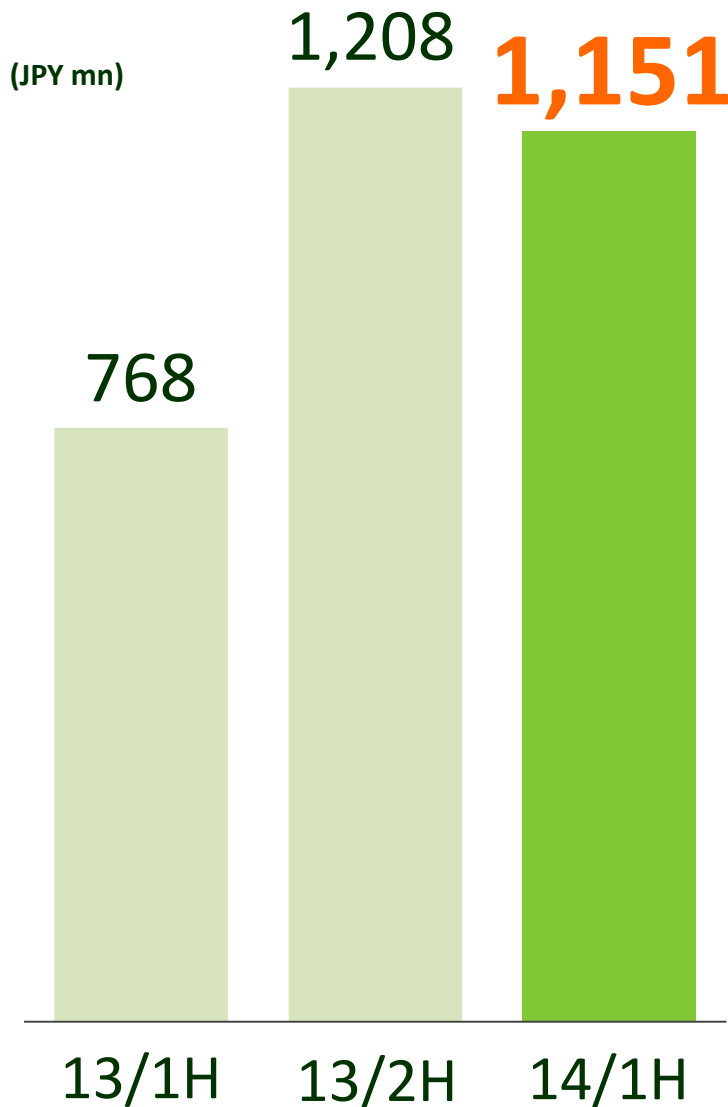
(JPY mn)



(JPY mn)	2013/1H	2013/2H	2014/1H
Ordinary loss before amortization cost	(624)	(574)	(450)
Amortization cost	(530)	(530)	(530)
Ordinary loss	(1,154)	(1,104)	(980)

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

# Positive Cash Flows from Operating Activities



■ **Continuously recording positive despite marketing expenses increased**

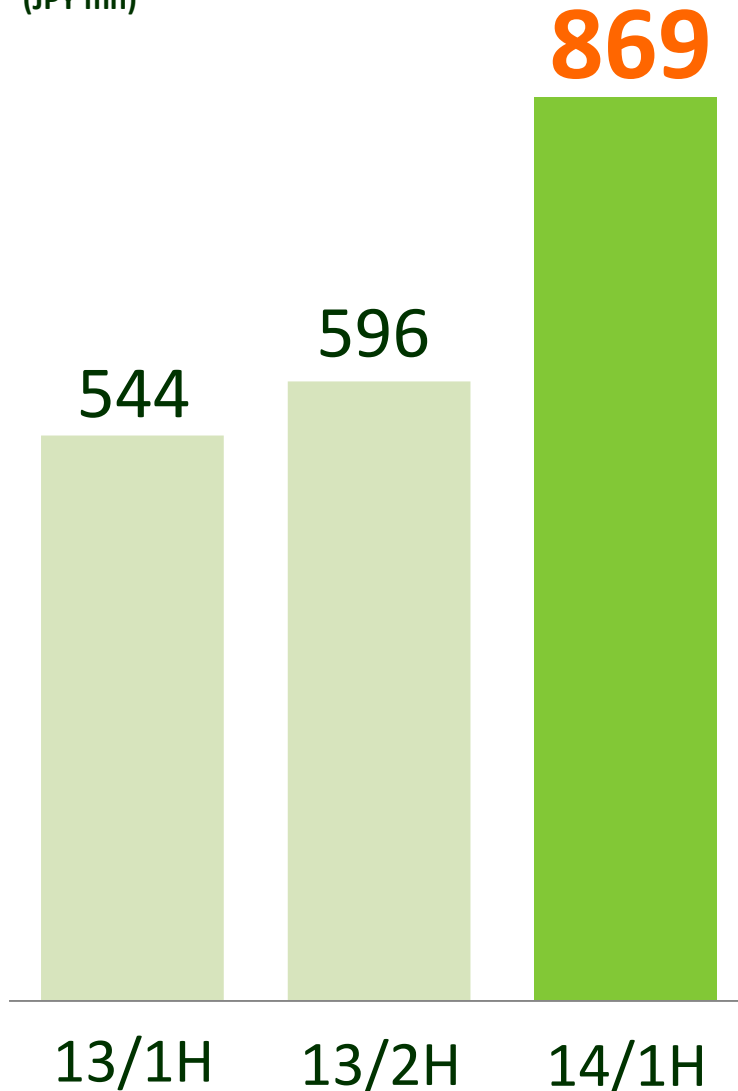
■ **Year-on-year 50% increased**



# Mortality Margin Recorded Steadily

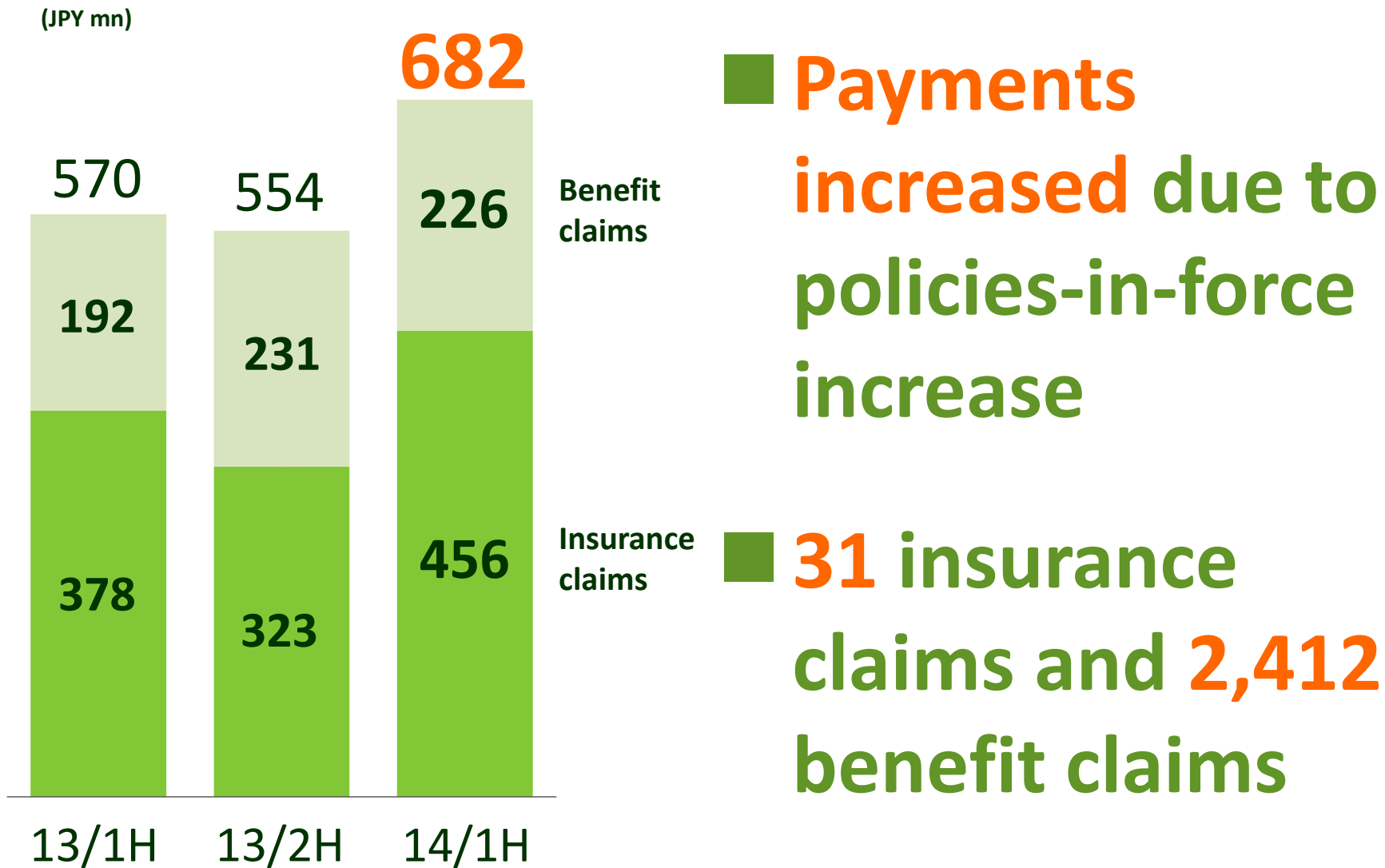


(JPY mn)

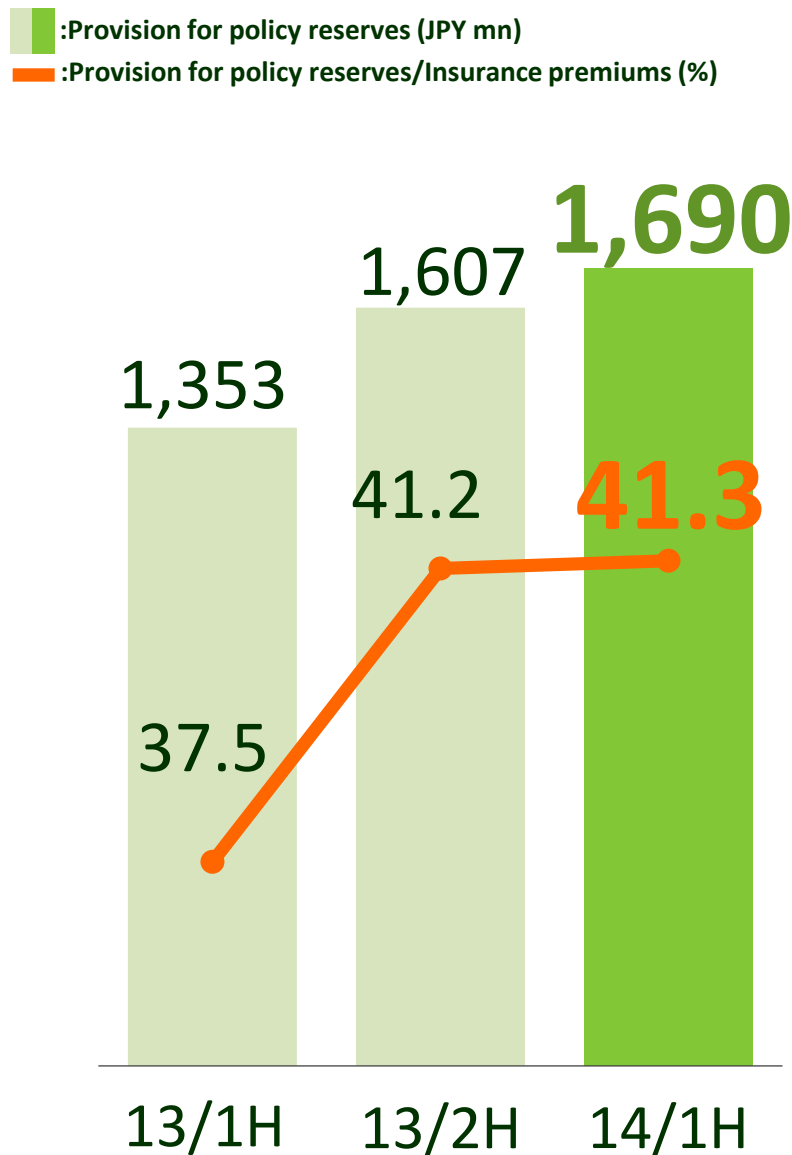


- **Steadily recorded mortality margin despite increase of insurance payments**
- **Year-on-year 60% increased**

# Insurance Claims and Benefits



# Provision for Policy Reserves



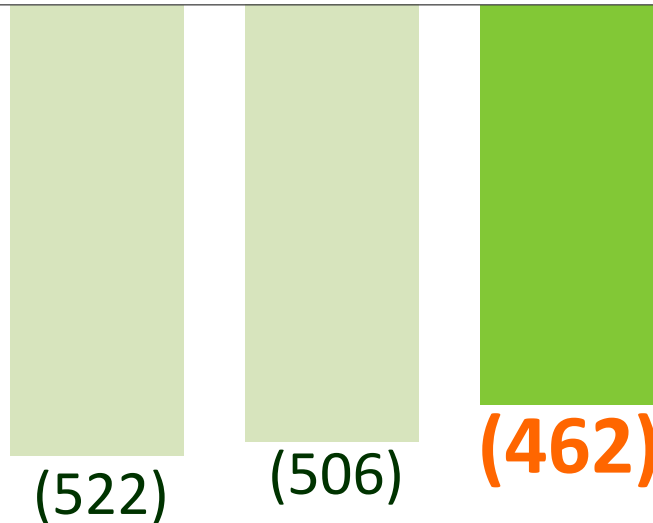
- Adopt the five-year Zillmer method since business commencement
- Increased moderately due to reinsurance resolution

# Fundamental Profit

(JPY mn)

(JPY mn)	2013/1H	2013/2H	2014/1H
Mortality margin	544	596	869
Expense margin (loss)	(1,604)	(1,629)	(1,868)
Interest margin (loss)	7	(3)	5
Fundamental profit	<b>(1,052)</b>	<b>(1,036)</b>	<b>(993)</b>
(ref.) Insurance premiums and other	3,629	3,908	4,155

Fundamental Profit before amortization<sup>1</sup>  
(JPY mn)



- Improved fundamental profit while increasing expense loss
- Fundamental profit before amortization<sup>1</sup> JPY 462 mn loss

1. The fundamental profit before amortization of deferred assets under Article 113 of the Insurance Business Act.

# Financial Condition

(JPY mn)	13/03	14/03	14/09
<b>Total assets</b>	<b>20,450</b>	<b>21,188</b>	<b>21,727</b>
Cash and deposits	353	418	455
Money held in trust	-	1,000	1,007
Securities	13,488	14,154	15,126
Government bonds	7,331	6,636	7,391
Municipal bonds	-	-	510
Corporate bonds	5,982	6,547	6,245
Stocks <sup>1</sup>	174	206	214
Foreign securities <sup>2</sup>	-	764	764
<b>Total liabilities</b>	<b>4,379</b>	<b>7,252</b>	<b>8,740</b>
Policy reserves and other	3,544	6,616	8,125
<b>Total net assets</b>	<b>16,071</b>	<b>13,935</b>	<b>12,987</b>

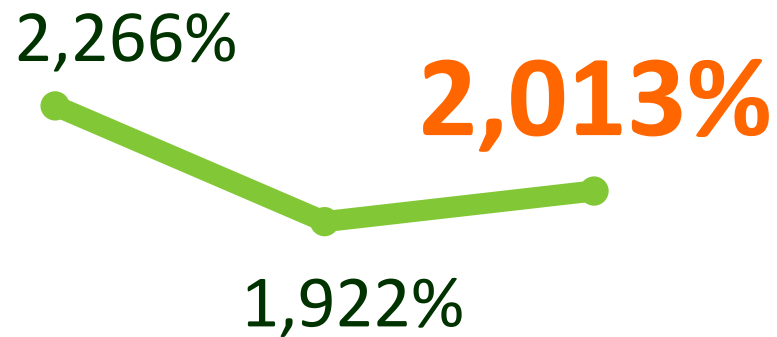
■ Launched the investment of foreign bonds in money held in trust

■ Modified duration 8.29 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.

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



■ Increased due to reduction of risk by reinsurance solution

Average of 4 major insurance companies as of March 31, 2014<sup>2</sup>

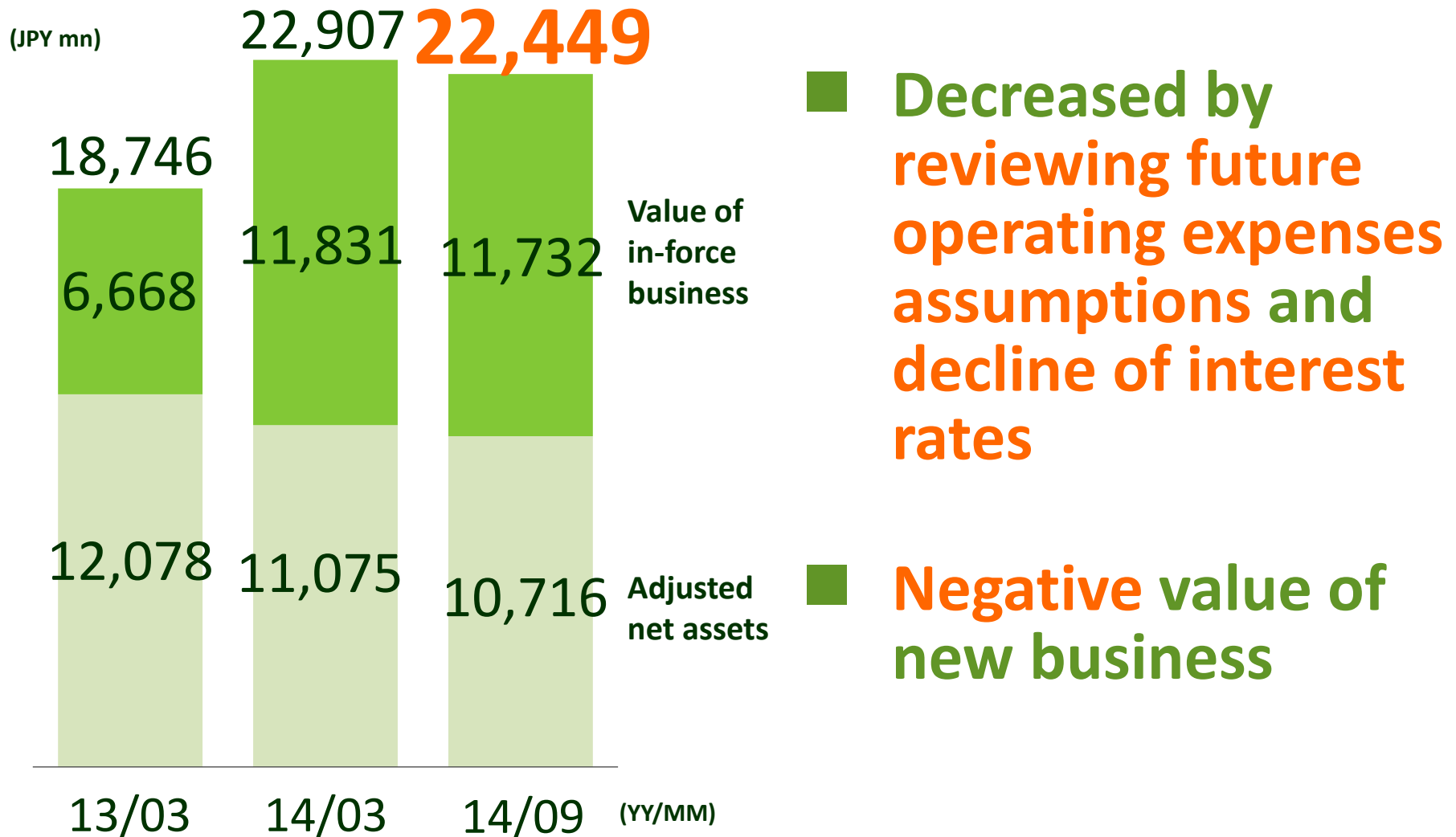
●  
846%

■ Maintained at healthy level

13/03      14/03      14/09      (YY/MM)

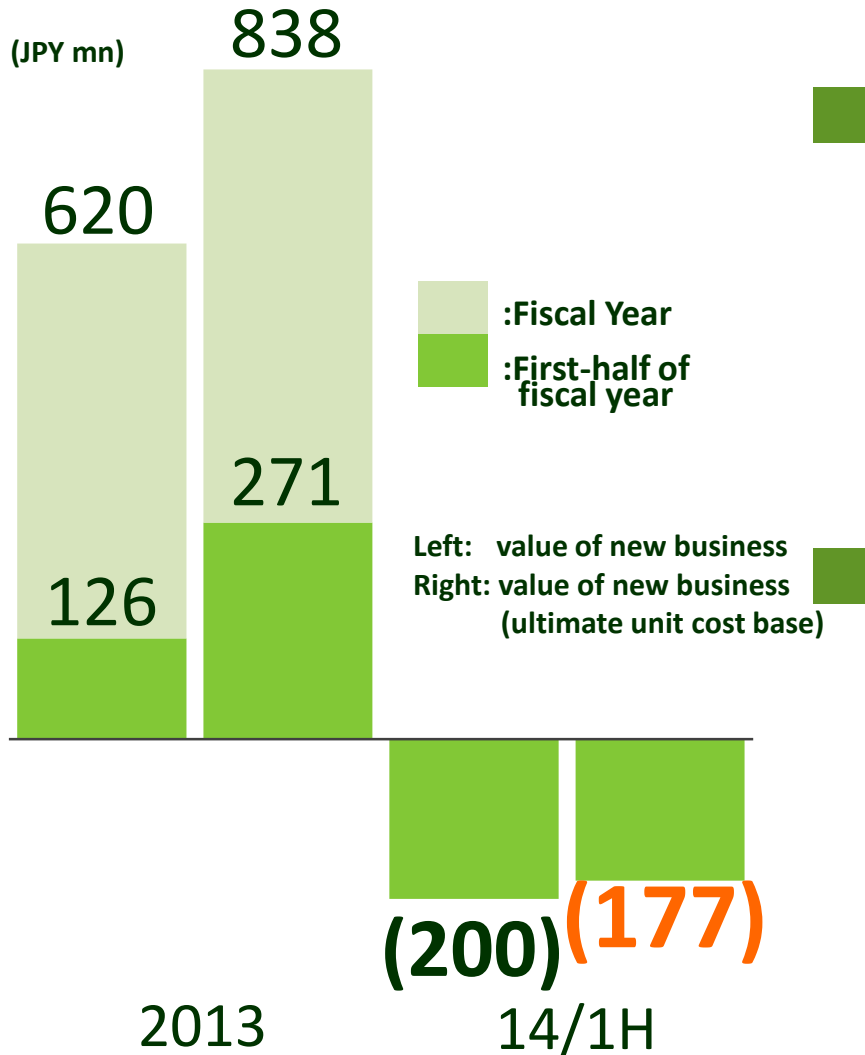
1. The solvency margin ratio measures a life insurance company's ability to pay out claims when unforeseen events occurs, such as natural disaster or a stock market collapse.  
2. Simple arithmetic average

# European Embedded Value<sup>1</sup>



1. Lifenet has fully adopted the EEV Principles, while also taking into account a market-consistent approach for reflecting such as risks, in calculating its EV.

# Value of New Business (VoNB)



■ Negative due to increased marketing expenses

Aim to improve VoNB by controlling marketing expenses and efficiency

1. The expense assumptions used to calculate the EEV and the value of new business are set based on the premise that unit costs decrease as the number of policies in force increases, and reach their ultimate equilibrium levels, at which income and expenses are equal, in the tenth year after the company's start-up (fiscal 2017). For reference, "Value of new business (Ultimate Unit Cost base)" shows the value of new business calculated applying the ultimate unit costs to all years.



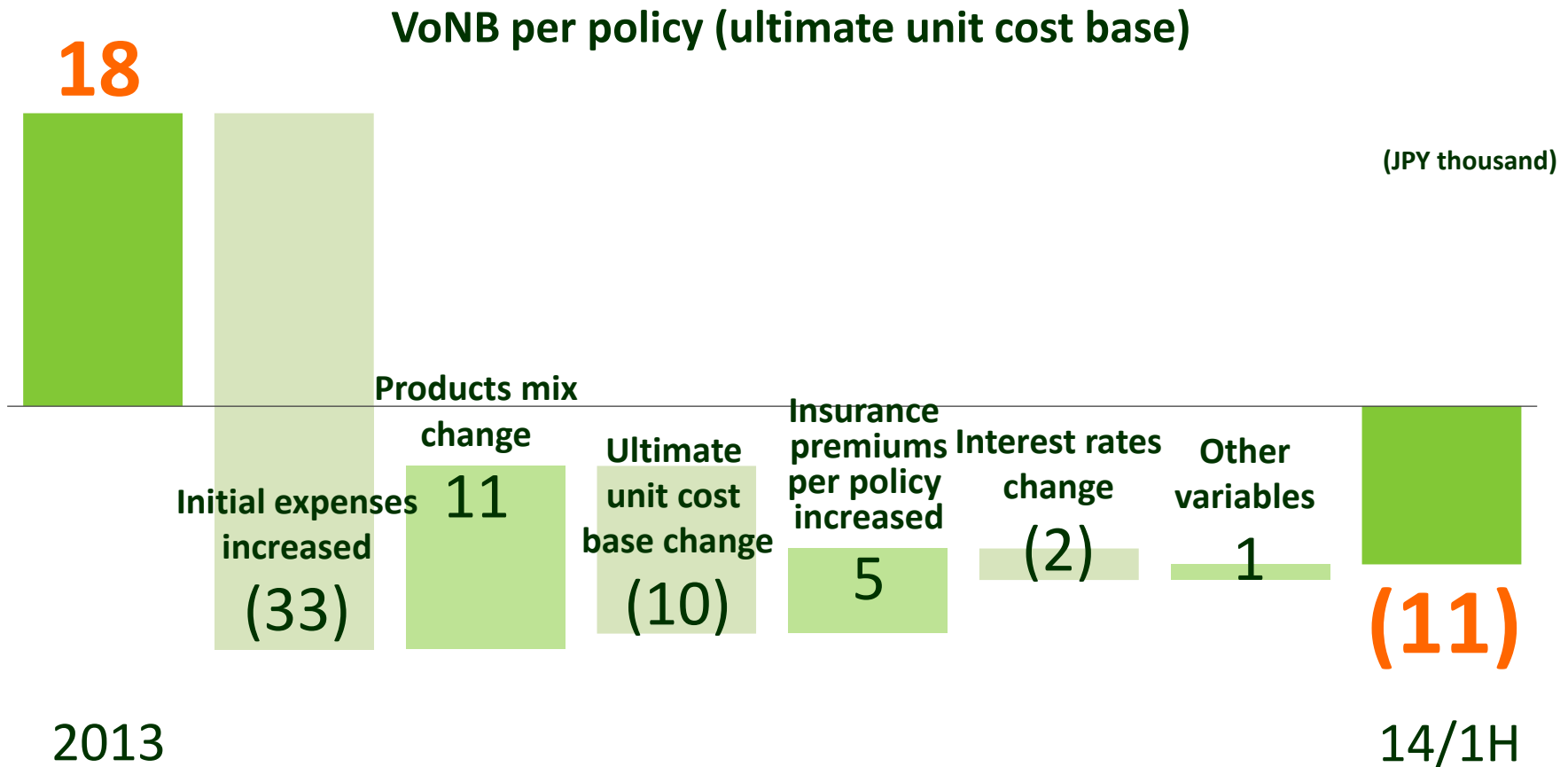
# VoNB (Ultimate Unit Cost Base)

(JPY mn)		2013	13/1H	14/1H	Per new business for 1H of FY2014 (JPY thousand)
Certainty equivalent present value of future profit		4,442	2,441	1,720	114
— )	Time value of financial options and guarantees	—	—	—	—
— )	Frictional cost of capital	(28)	(16)	(12)	(0)
— )	Allowance for non market risk	(1,720)	(1,078)	(747)	(49)
Value of in-force business		2,694	1,346	960	63
— )	Adjusted net worth	(1,856)	(1,074)	(1,137)	(75)
Value of new business (Ultimate unit cost base)		838	271	(177)	(11)
(Ref.) Value of new business		620	126	(200)	(13)
(Ref.) Present value of in-force business premiums		23,980	13,492	9,831	
New business (policy)		46,237	26,777	15,053	

# Structure Breakdown of VoNB per Policy



- **Initial expenses increased significantly** due to increase of advertising expenses with new products launch



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**1. Results for 2Q of Fiscal 2014**

**2. Key Initiatives**

**3. Change of Management Goal**

# Key Concept of Initiatives

- Continuously focusing on **priority areas of our mid-term business plan**

## Priority Areas

1. **Sustainable growth** in insurance premium income (top-line)
2. **Improvement in productivity**
3. **Being an "innovator"** (front-runner) in life insurance



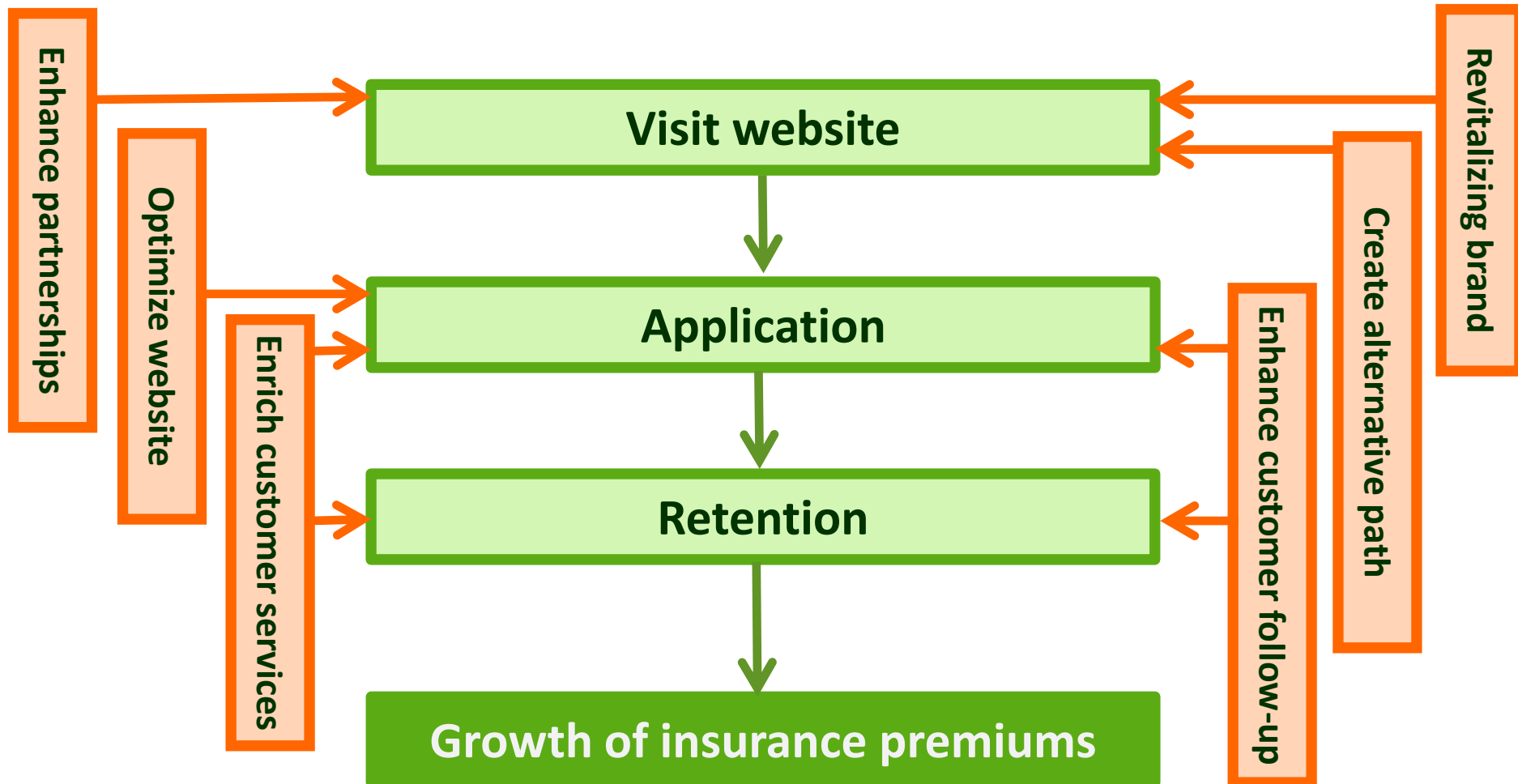
- For achieving **sustained growth** consistently
  - Encourage more customers to visit our website
    - Revitalizing LIFENET brand
    - Diversify traffic source besides TVCM
    - Enhance business partnerships
  - Improve application CVR
    - Enhance customer follow-up
    - Continuously optimize PC / smartphone website
  - Enrich existing customer services

# Sustainable Growth of Insurance Premiums



LIFENET

## Multiple measures for growth



# Enhance Business Partnership

## Business partnerships with companies having customer bases **covering** online direct, **main sales channel**

Agency agreement with SURUGA Bank (Oct. 2014)

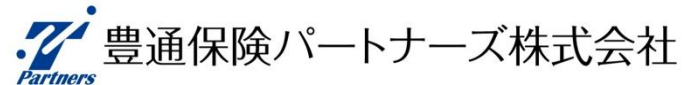
Start selling through internet branch of **regional bank** to **vitalize local economy**



<http://www.d-laboweb.jp/d-bank/services/insurance.html>

Agency agreement with TOYOTA TSUSHO INSURANCE PARTNERS (Nov. 2014)

Provide insurance by intranet to people **working in diverse**, who have meager safety net



< Office worker >

Self-help  
(Savings, private insurance etc.)

Enterprise system  
(Group Insurance etc.)

Public system  
(Social security)

< Freelance etc. >

Self-help  
(Savings, private insurance etc.)



Public system  
(Social security)

# Support for Working Diversity



■ Provide opportunities to apply insurance for increasing **freelance workers**



豊通保険パートナーズ株式会社



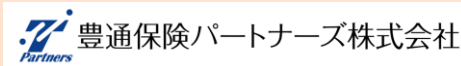
CrowdWorks freelancers



Life Support Menu for freelance workers



Products introduction in members' page



Application in LIFENET website





# Other Priority Areas

## ■ Improvement in productivity

- **Strictly control** operating expenses

## ■ Being an “innovator” in life insurance

- Keeping on “**edgy**” challenges with “**social cause**”
- Aim to **expand online insurance market**

# Contents



**1. Results for 2Q of Fiscal 2014**

**2. Key Initiatives**

**3. Change of Management Goal**

# Mid-term Business Plan (May 2013)



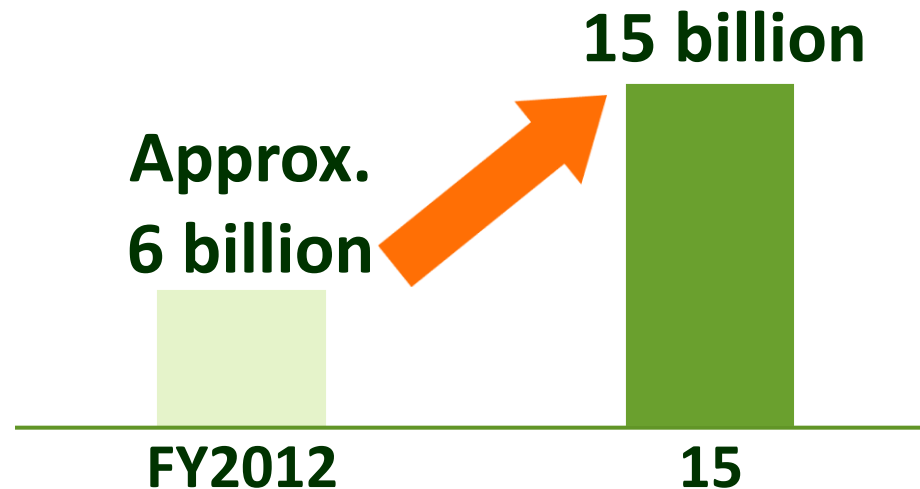
## LIFENET 2015

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

## Management Goal

- ✓ Achieve **15 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<sup>1</sup>)



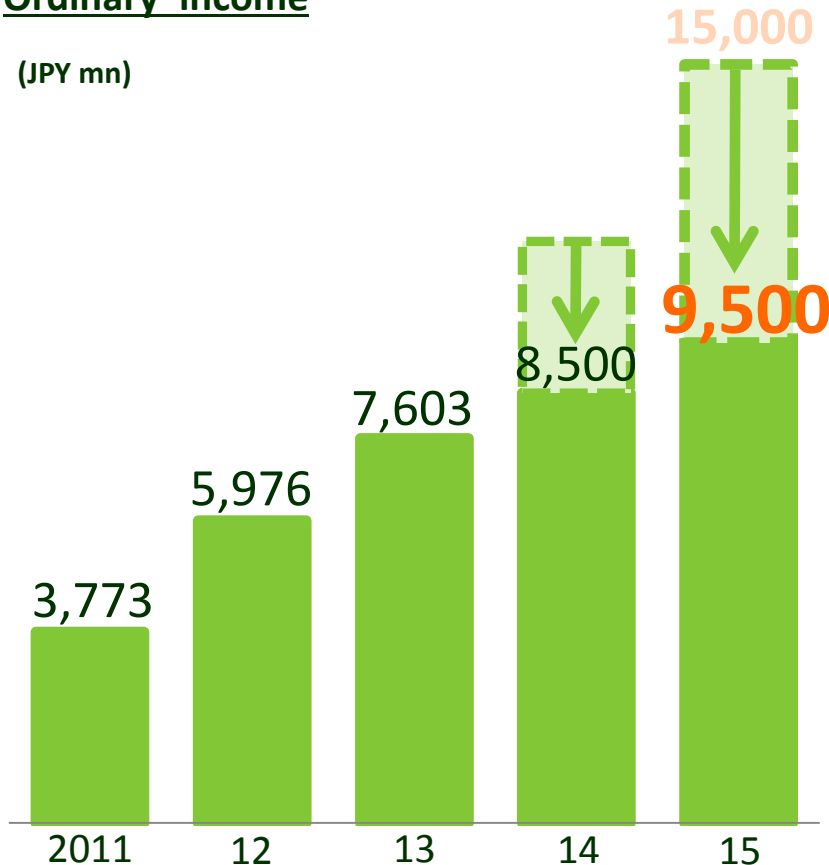
1. IBA: Insurance Business Act

# Change of Management Goal

■ Changed ordinary income target into **JPY9.5 billion** and **focused on profitability<sup>1</sup>**

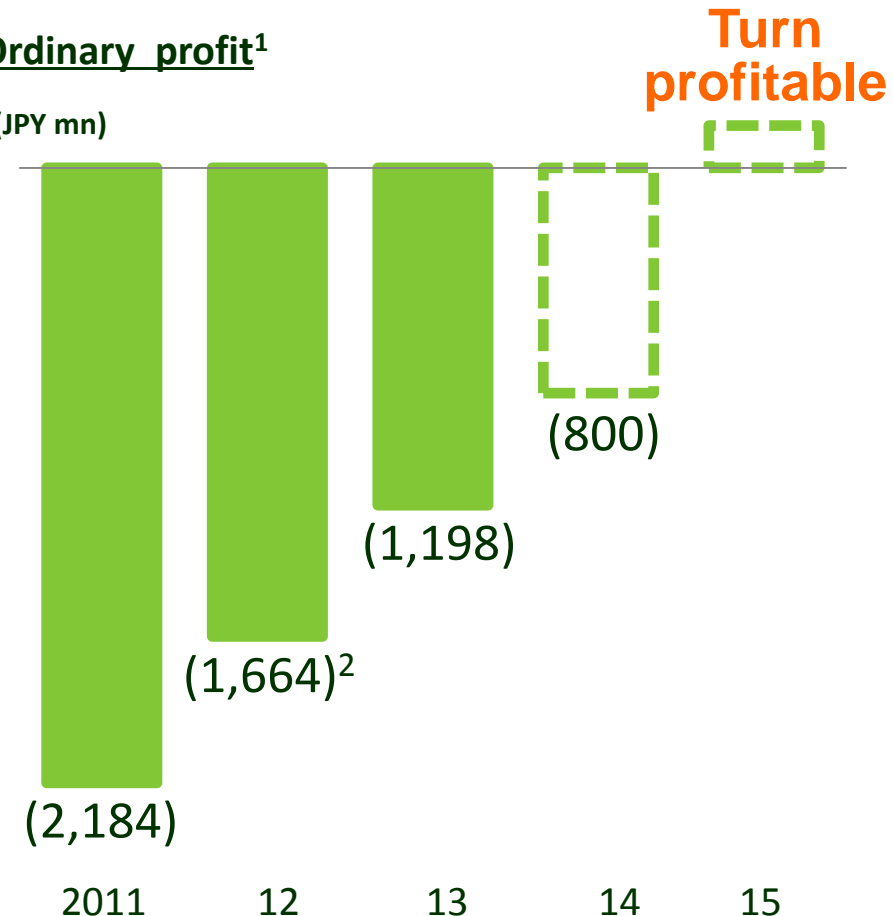
## Ordinary income

(JPY mn)



## Ordinary profit<sup>1</sup>

(JPY mn)



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 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.

# Background of Management Goal Change



- Customer change
- Device change
- Competition environment change

→ Primary difficulty is our taken measures have **not yet led to growth** in new business performance

# Business Forecasts

## ■ Disclose **business forecasts** for fiscal 2014

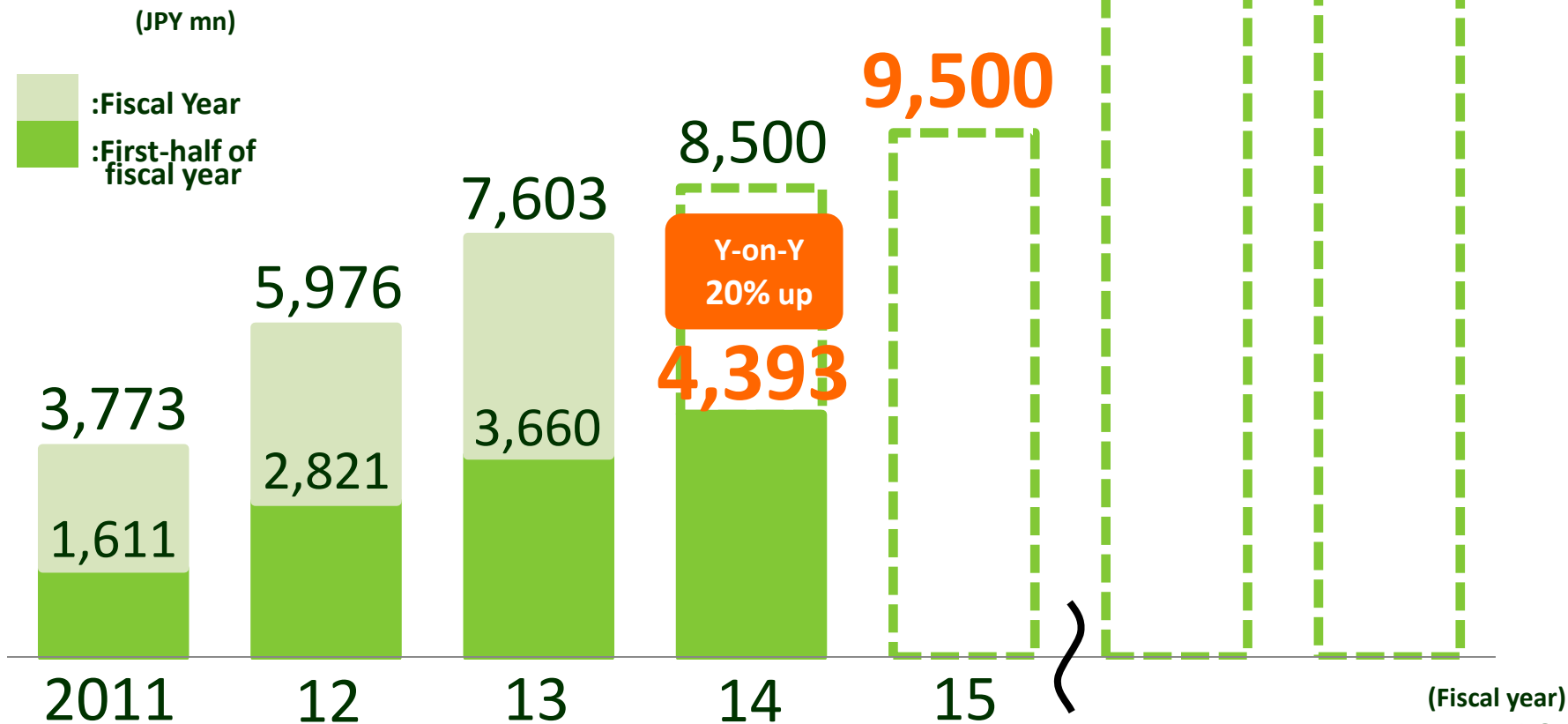
(JPY mn)

	Ordinary income	Ordinary profit <sup>1</sup>
<b>Business forecasts (Fiscal 2014)</b>	<b>8,500</b>	<b>(800)</b>
<b>Previous results (Fiscal 2013)</b>	<b>7,603</b>	<b>(1,198)</b>
<b>Change %</b>	<b>+12%</b>	<b>+33%</b>

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

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

- Steadily aim to achieve new target ordinary income of JPY 9.5bn



# Progress of Mid-term Business Plan

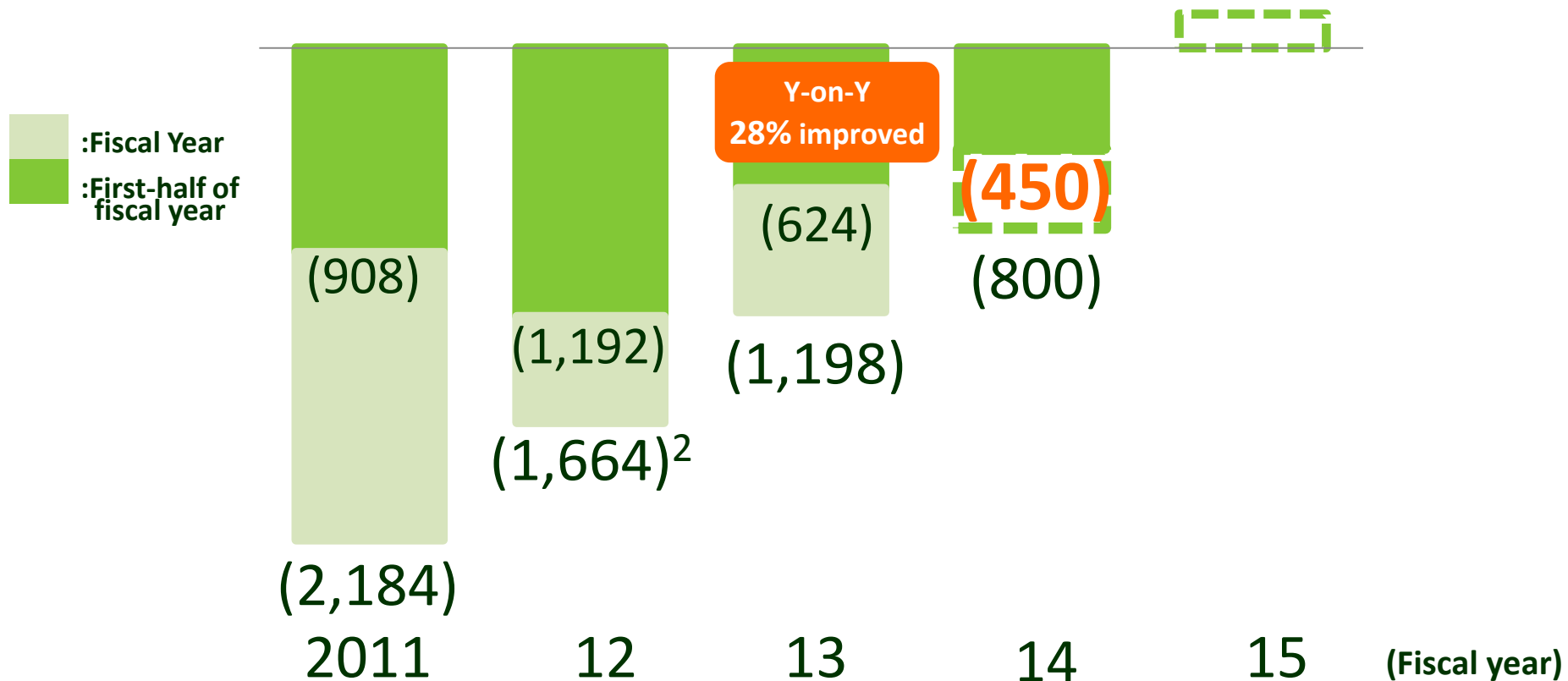
## (Ordinary Profit / Loss)<sup>1</sup>



**Aim to increase ordinary income and improve productivity towards profitability**

(JPY mn)

profitability<sup>1</sup>



1. 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 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.



# Renewed Mid-term Business Plan



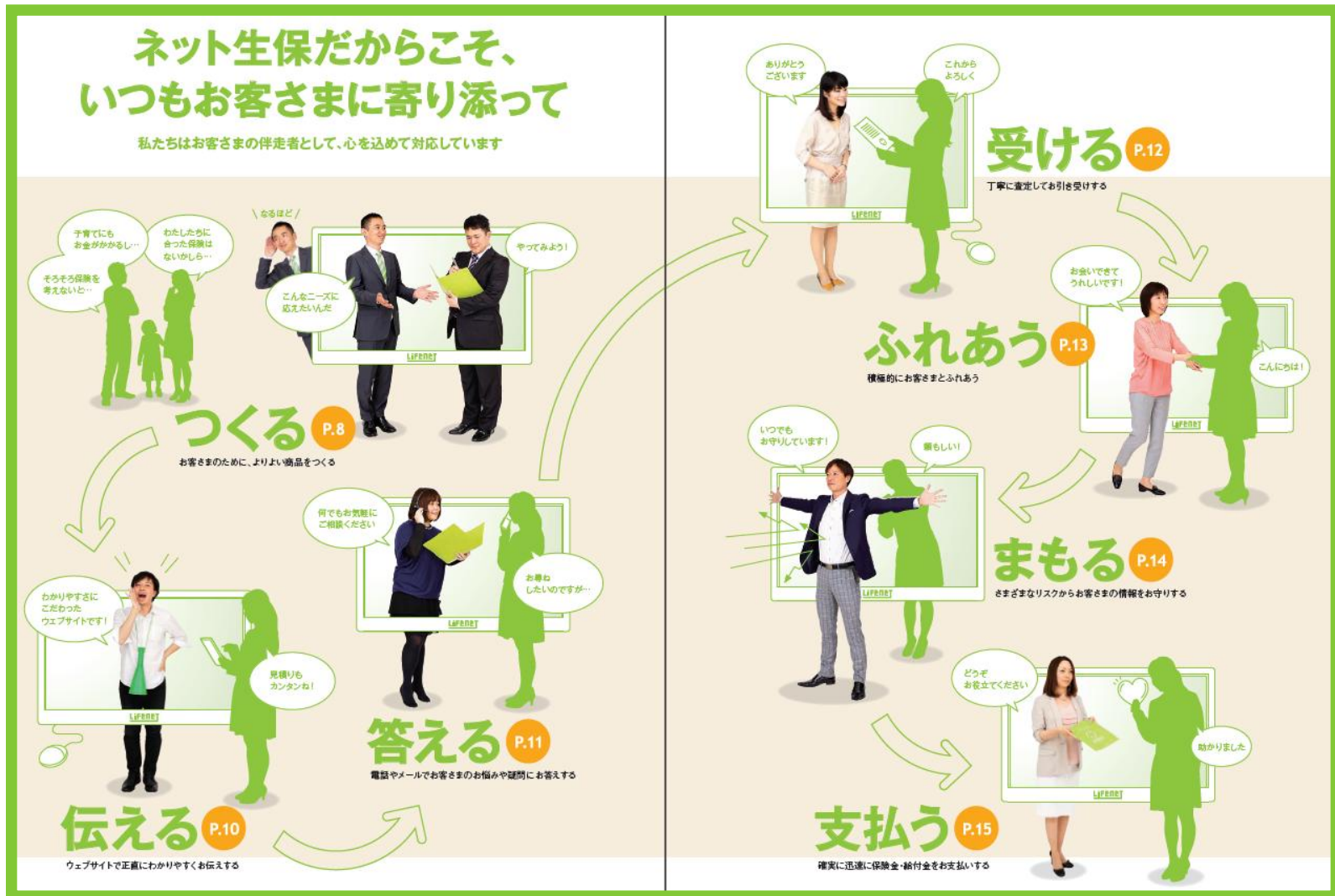
## ■ Aim to achieve mid-term business plan without changes in qualitative description

LIFENET2015	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 <b>9.5 billion</b> yen in ordinary income, pushing the company toward profitability <sup>1</sup> in fiscal 2015
Priority Areas	<ol style="list-style-type: none"><li>1. Sustainable growth in insurance premium income (top-line)</li><li>2. Improvement in productivity</li><li>3. Being an “innovator” (front-runner) in life insurance</li></ol>
Risk Management Area	Sophisticate risk management and establish risk-based business management

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

# 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.

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 E-mail Notices

# Appendix



**LIFENET**

LIFENET INSURANCE COMPANY

# Embedded Value and Value of New Business



(Illustrative purpose only: Based on present value)

