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Daisuke Iwase, President & COO  
LIFENET INSURANCE COMPANY  
(Securities Code: 7157, TSE Mothers)

## **Financial Results for 3Q of Fiscal 2015 Ending March 31, 2016** **Ordinary profit before amortization of deferred assets** **under Article 113 of the Insurance Business Act recorded profitable**

TOKYO, February 9, 2016 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President & COO Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the third quarter and the nine months ended December 31, 2015.

### **1. Overview of the financial results for 3Q of fiscal 2015**

#### **(1) Business results**

##### **Condition of policies-in-force**

Annualized premium<sup>\*1</sup> of new business in 3Q ended December 31, 2015 was 323 million yen (107.2% of 3Q of fiscal 2014). The number of applications was 8,771 (105.8% of 3Q of fiscal 2014), with the number of new business at 6,864 (113.6% of 3Q of fiscal 2014). Annualized premium<sup>\*1</sup> of new business for the nine months ended December 31, 2015 was 872 million yen (87.5% of the nine months ended December 31, 2014). The number of applications was 24,267 (85.0% of the nine months ended December 31, 2014) with the number of new business at 18,267 (86.6% of the nine months ended December 31, 2014).

Annualized premium<sup>\*1</sup> of policies-in-force as of December 31, 2015 stands at 9,220 million yen (104.9% of March 31, 2015). The number of policies-in-force resulted in a total of 222,598 (103.3% of March 31, 2015). Surrender and lapse ratio<sup>\*2</sup> for the nine months ended December 31, 2015 was 6.7% (7.4% for the nine months ended December 31, 2014).

\*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, 2015 increased to 6,782 million yen (107.5% of the nine months ended December 31, 2014) due to an increase in the number of policies-in-force. Investment income grew to 204 million yen (249.0% of the nine months ended December 31, 2014). Other ordinary income was 7 million yen. As a result, ordinary income for the nine months ended December 31, 2015 amounted to 6,995 million yen (107.7% of the nine months ended December 31, 2014).

Insurance claims and other was 937 million yen (88.7% of the nine months ended December 31, 2014). The ratio of insurance payment amounts to premiums income decreased to 11.7% for the nine months ended December 31, 2015, compared with 15.1% for the nine months ended December 31, 2014. Provision for policy reserves and other came to 2,847 million yen (108.3% of the nine months ended December 31, 2014) mainly due to the increased premiums income. The ratio of provision for policy reserves to premiums income was 42.2% for the nine months ended December 31, 2015, compared with 42.3% for the nine months ended December 31, 2014. Mainly due to control of advertising expenses, operating expenses amounted to 2,247 million yen (76.3% of the nine months ended December 31, 2014). The components of operating expenses were 861 million yen in marketing expenses including advertising (63.8% of the nine months ended December 31, 2014), 391 million yen in customer service expenses (92.3% of the nine months ended December 31, 2014), and 994 million yen in system and other expenses

(85.0% of the nine months ended December 31, 2014). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 795 million yen because the deferred assets recognized before fiscal 2012 are expected to be amortized using the straight-line method until fiscal 2017, the tenth year since commencing business operations. Consequently, ordinary expenses for the nine months ended December 31, 2015 totaled 7,150 million yen (91.7% of the nine months ended December 31, 2014).

As a result, ordinary loss totaled 155 million yen for the nine months ended December 31, 2015, compared with 1,305 million yen for the nine months ended December 31, 2014. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act recorded profitable of 639 million yen for the nine months ended December 31, 2015, compared with ordinary loss of 510 million yen for the nine months ended December 31, 2014. Net loss was 151 million yen for the nine months ended December 31, 2015, compared with 1,290 million yen for the nine months ended December 31, 2014.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 152 million yen loss, compared with 1,288 million yen loss for the nine months ended December 31, 2014. The components of fundamental profit were 1,591 million yen in mortality margin, 1,776 million yen loss in expense margin and 31 million yen in interest margin.

## **(2) Financial condition**

### **Assets, liabilities and net assets**

Total assets as of December 31, 2015 amounted to 29,001 million yen (23,387 million yen as of March 31, 2015). The major account balance was 21,983 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Deferred assets under Article 113 of the Insurance Business Act decreased to 2,385 million yen due to amortization.

Liabilities amounted to 13,640 million yen as of December 31, 2015 (10,899 million yen as of March 31, 2015), owing to an increase in policy reserves as a result of the increased premiums income. The major account balances were 12,634 million yen in policy reserves (including 1,285 million yen in contingency reserves), and 297 million yen in reserves for outstanding claims.

Net assets increased to 15,360 million yen as of December 31, 2015 (12,487 million yen as of March 31, 2015) due to raising new capital of 3,040 million yen through the third-party allotment of new shares to KDDI CORPORATION in May 2015 despite the recording of net loss for the nine months ended December 31, 2015.

The solvency margin ratio as of December 31, 2015 was 2,782.0% (2,244.7% as of March 31, 2015), which indicated that an adequate level of payment capacity was maintained.

### **Cash flows**

For the nine months ended December 31, 2015, net cash provided by operating activities amounted to 3,487 million yen (2,098 million yen provided for the nine months ended December 31, 2014) due to an increase in insurance premiums and other and control of operating expenses. Net cash used by investing activities amounted to 4,982 million yen (1,946 million yen used for the nine months ended December 31, 2014) due to acquisition of securities. Net cash provided by financing activities amounted to 3,033 million yen (6 million yen used for the nine months ended December 31, 2014) due to the third-party allotment of new shares to KDDI CORPORATION.

Based on these activities described above, cash and cash equivalents as of December 31, 2015 totaled 2,271 million yen (731 million yen as of March 31, 2015).

### (3) Business forecasts

The business forecasts for fiscal 2015 remain unchanged as shown below.

This is the same as the management goal in our mid-term business plan and is disclosed as items in accordance with the management goal until fiscal 2015.

(In millions of yen)

	Ordinary income	Ordinary profit (loss) <sup>*1</sup>
Business forecasts (Fiscal 2015)	9,500	Turn profitable
(Reference) Results (Fiscal 2014)	8,729	(472)

\*1 Based on ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

The deferred assets recognized before fiscal 2012 are to be amortized using the straight-line method until fiscal 2017, the tenth year after commencing business operations, and amortization of deferred assets will record 1,060 million yen each year onward. Accordingly, ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act, which is the effective ordinary profit, is disclosed as the management goal of mid-term business plan and the business forecasts.

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

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE 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. By using the Internet, we are able to offer highly cost-competitive products and accept applications from customers at any given time.

Contact:  
 Investor Relations, Corporate Planning Department  
 Tel: +81-3-5216-7900  
 e-mail: [ir@lifenet-seimei.co.jp](mailto:ir@lifenet-seimei.co.jp)

*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, 2015	Dec. 31, 2015
<b>ASSETS</b>		
Cash and deposits .....	731	771
Monetary claims bought .....	—	1,499
Money held in trust .....	1,033	1,035
Securities .....	17,082	21,983
Government bonds .....	8,227	10,057
Municipal bonds .....	851	1,450
Corporate bonds .....	6,894	9,413
Stocks .....	222	227
Foreign securities .....	886	834
Tangible fixed assets .....	114	83
Intangible fixed assets .....	468	410
Agency accounts receivable .....	0	0
Reinsurance accounts receivable .....	23	9
Other assets .....	3,933	3,208
Accounts receivable .....	639	673
Deferred assets under Article 113 of the Insurance Business Act ..	3,180	2,385
Other .....	113	149
Total assets .....	<u>23,387</u>	<u>29,001</u>
<b>LIABILITIES</b>		
Policy reserves and other .....	10,084	12,932
Reserves for outstanding claims .....	277	297
Policy reserves .....	9,806	12,634
Agency accounts payable .....	4	7
Reinsurance accounts payable .....	45	53
Other liabilities .....	353	299
Reserves under the special laws .....	9	11
Reserve for price fluctuations .....	9	11
Deferred tax liabilities .....	403	336
Total liabilities .....	<u>10,899</u>	<u>13,640</u>
<b>NET ASSETS</b>		
Capital stock .....	10,500	12,020
Capital surplus .....	10,500	12,020
Retained earnings .....	(8,798)	(8,949)
Shareholders' equity .....	<u>12,202</u>	<u>15,091</u>
Valuation difference on available-for-sale securities .....	265	249
Valuation and translation adjustments .....	265	249
Subscription rights to shares .....	19	19
Total net assets .....	<u>12,487</u>	<u>15,360</u>
Total liabilities and net assets .....	<u>23,387</u>	<u>29,001</u>

## (2) Statements of Operations

(In millions of yen)

	Nine months ended Dec. 31	
	2014	2015
Ordinary income.....	6,495	6,995
Insurance premiums and other .....	6,310	6,782
Premiums income .....	6,213	6,699
Reinsurance income .....	97	83
Investment income .....	82	204
Interest, dividends and other income .....	80	135
Gains on money held in trust .....	1	33
Gains on sales of securities.....	0	35
Other ordinary income.....	101	7
Reversal of reserves for outstanding claims .....	91	—
Other.....	10	7
Ordinary expenses .....	7,801	7,150
Insurance claims and other.....	1,057	937
Insurance claims.....	600	456
Benefits .....	337	329
Other refunds .....	0	0
Reinsurance commissions .....	120	152
Provision for policy reserves and other.....	2,629	2,847
Provision for reserves for outstanding claims.....	—	19
Provision for policy reserves .....	2,629	2,827
Investment expenses .....	0	0
Interest expenses.....	0	0
Other investment expenses.....	0	—
Operating expenses.....	2,944	2,247
Other ordinary expenses.....	1,169	1,118
Ordinary profit (loss) .....	(1,305)	(155)
Extraordinary losses .....	2	2
Provision of reserves under the special laws .....	2	2
Provision of reserve for price fluctuations .....	2	2
Income (loss) before income taxes .....	(1,308)	(158)
Income taxes-current .....	2	53
Income taxes-deferred.....	(21)	(61)
Income taxes.....	(18)	(7)
Net income (loss) .....	(1,290)	(151)

## (3) Statements of Cash Flows

	(In millions of yen)	
	Nine months ended Dec. 31	
	2014	2015
Cash flows from operating activities		
Income (loss) before income taxes .....	(1,308)	(158)
Depreciation and amortization .....	166	164
Increase (decrease) in reserves for outstanding claims .....	(91)	19
Increase (decrease) in policy reserves.....	2,629	2,827
Increase (decrease) in reserve for price fluctuations .....	2	2
Interest, dividends and other income .....	(80)	(135)
Loss (gain) related to securities.....	(0)	(35)
Interest expenses .....	0	0
Decrease (increase) in agency accounts receivable .....	0	(0)
Decrease (increase) in reinsurance accounts receivable.....	(32)	14
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	756	748
Increase (decrease) in agency accounts payable.....	(0)	3
Increase (decrease) in reinsurance accounts payable .....	23	8
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(59)	(92)
Other, net .....	(1)	(32)
Subtotal .....	2,003	3,335
Interest and dividends income received .....	99	157
Interest expenses paid .....	(0)	(0)
Income taxes paid .....	(4)	(3)
Net cash provided by (used in) operating activities .....	2,098	3,487
Cash flows from investing activities		
Purchase of securities.....	(5,201)	(7,012)
Proceeds from sales and redemption of securities .....	3,415	2,110
Total of net cash provided by (used in) investment transactions ..	(1,786)	(4,901)
Total of net cash provided by (used in) operating activities and investment transactions ..	312	(1,413)
Purchase of tangible fixed assets .....	(80)	(5)
Purchase of intangible fixed assets .....	(79)	(75)
Net cash provided by (used in) investing activities .....	(1,946)	(4,982)
Cash flows from financing activities		
Proceeds from issuance of common stock.....	—	3,040
Repayments of lease liabilities .....	(6)	(6)
Net cash provided by (used in) financing activities .....	(6)	3,033
Net increase (decrease) in cash and cash equivalents .....	146	1,539
Cash and cash equivalents, beginning of the year .....	418	731
Cash and cash equivalents, end of the period .....	565	2,271