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

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

TOKYO, May 12, 2016 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President & COO Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for fiscal 2015 ended March 31, 2016.

1. Overview of the financial results for fiscal 2015

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 4Q ended March 31, 2016 was 316 million yen (95.8% of fiscal 2014). The number of applications was 9,089 (101.5% of fiscal 2014), with the number of new business at 6,883 (99.9% of fiscal 2014). Annualized premium^{*1} of new business for fiscal 2015 was 1,189 million yen (89.6% of fiscal 2014) and sum insured of new business was 173,469 million yen (75.8% of fiscal 2014). The number of applications was 33,356 (88.9% of fiscal 2014) with the number of new business at 25,150 (89.9% of fiscal 2014).

Annualized premium^{*1} of policies-in-force as of March 31, 2016 stands at 9,377 million yen (106.6% of March 31, 2015) and sum insured of policies-in-force was 1,906,269 million yen (104.1% of fiscal 2014). The number of policies-in-force resulted in a total of 225,534 (104.7% of March 31, 2015). The number of policyholders was 140,301, exceeding 140,000. Surrender and lapse ratio^{*2} for fiscal 2015 was 6.7% (7.3% for fiscal 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 fiscal 2015 ended March 31, 2016 was 9,117 million yen (107.4% of fiscal 2014) due to an increase in the number of policies-in-force. Investment income grew to 259 million yen (209.0% of fiscal 2014). Other ordinary income was 10 million yen. As a result, ordinary income for fiscal 2015 amounted to 9,387 million yen (107.5% of fiscal 2014).

Insurance claims and other was 1,287 million yen (97.2% of fiscal 2014). The ratio of insurance payment amounts to premiums income decreased to 12.0% for fiscal 2015, compared with 13.8% for fiscal 2014. Provision for policy reserves and other came to 3,824 million yen (107.2% of fiscal 2014) mainly due to the increased premiums income. The ratio of provision for policy reserves to premiums income was 41.6% for fiscal 2015, compared with 42.6% for fiscal 2014. Mainly due to control of advertising expenses, operating expenses amounted to 3,239 million yen (84.9% of fiscal 2014). The components of operating expenses were 1,302 million yen in marketing expenses including advertising (77.9% of fiscal 2014), 526 million yen in customer service expenses (94.3% of fiscal 2014), and 1,410 million yen in system and other expenses (89.1% of fiscal 2014). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 1,060 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 fiscal 2015 totaled 9,863 million yen (96.1% of fiscal 2014).

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As a result, ordinary loss totaled 475 million yen for fiscal 2015, compared with 1,532 million yen for fiscal 2014. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act recorded profitable of 584 million yen for fiscal 2015, compared with ordinary loss of 472 million yen for fiscal 2014. Net loss was 429 million yen for fiscal 2015, compared with 1,624 million yen for fiscal 2014.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 450 million yen loss, compared with 1,484 million yen loss for fiscal 2014. The components of fundamental profit were 2,100 million yen in mortality margin, 2,595 million yen loss in expense margin and 43 million yen in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of March 31, 2016 amounted to 30,317 million yen (23,387 million yen as of March 31, 2015). The major account balance was 23,067 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Lifenet is holding shares of Advance Create Co., Ltd., an insurance sales agent for the purpose of maintaining equity and business partnerships, and Kyobo Lifeplanet Life Insurance Company, which is an online life insurer jointly established with Kyobo Life Insurance Co., Ltd. Deferred assets under Article 113 of the Insurance Business Act decreased to 2,120 million yen due to amortization.

Liabilities amounted to 14,893 million yen as of March 31, 2016 (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 13,551 million yen in policy reserves (including 1,307 million yen in contingency reserves), and 357 million yen in reserves for outstanding claims.

Net assets increased to 15,423 million yen as of March 31, 2016 (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 fiscal 2015.

The solvency margin ratio as of March 31, 2016 was 2,805.5% (2,244.7% as of March 31, 2015), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For fiscal 2015, net cash provided by operating activities amounted to 4,610 million yen (3,247 million yen provided for fiscal 2014) due to an increase in insurance premiums and other and control of operating expenses. Net cash used by investing activities amounted to 5,639 million yen (2,925 million yen used for fiscal 2014) due to acquisition of securities. Net cash provided by financing activities amounted to 3,031 million yen (8 million yen used for fiscal 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 March 31, 2016 totaled 2,734 million yen (731 million yen as of March 31, 2015).

(3) Dividend policy

Lifenet is currently in the process of building its life insurance business, and has not accumulated sufficient profits to fund dividend payments. As stated in Article 17-6 of the Insurance Business Act, Lifenet is not permitted to distribute retained earnings as dividends while deferred assets under Article 113 of the Insurance Business Act are held on its balance sheet. Consequently, no interim dividends have been paid to shareholders, and in addition, year-end dividends will not be paid. Amortization of deferred assets under Article 113 of the Insurance Business Act are planned to complete by the end of March 2018, ten years after the approval of our life insurance business license.

Lifenet will consider paying dividends in the future; however at this point, the company has yet to finalize its dividend policy or determine a date for the start of dividend payments. Lifenet also states in its Articles of Incorporation that, except as otherwise determined by law, dividend payments are to be approved by its Board of Directors.

2. Business policy

(1) Basic management policy

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with its manifesto 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. Through collaborations with partner companies in addition to the online direct sales, we offer life insurance products and services that match customer's values and lifestyles. Leveraging technologies, Lifenet will continue its quests for new initiatives that challenge the common sense within the life insurance industry, while pursuing the creation of the customer value that only online life insurers can offer.

(2) Target indicator

Lifenet will strive to achieve sustainable growth in insurance premium income and profitability in its business results by continual improvement of business efficiency as its key management indicators. By aiming to maintain the high-level solvency margin ratio in addition to increasing the embedded value and the value of new business, Lifenet will pursue stabilization of its management foundation and continuous improvement of its corporate value.

(3) Mid and long term business strategy and challenges

As for the future business environment, given the fact that approximately 10% of potential subscribers have intent to apply to insurance via online sales channel in the huge life insurance market over 40 trillion yen of insurance premiums in total per year, and the trend of utilizing the Internet in overseas life insurance markets in recent years, although there is a sign of slowdown in online life insurance market's growth, we believe that there is a significant growth potential for online life insurance over the long term.

In view of the challenges in the previous mid-term business plan and future business environment, aiming to achieve its stable growth in the future, Lifenet formulated the new mid-term business plan through fiscal 2018 as follows.

Summary of new mid-term business plan

FY2018 Management Goal	13.5 billion yen in ordinary income Positive profitability of ordinary profit (loss)
Business Strategy	1. The pillars of business: “Online direct sales” “KDDI (exclusive alliance agent)” and “Over-the-counter agent” 2. Continuous creation of unique sales point in all channels 3. Commitment to business development for future growth
Organizational Strategy	Change, challenge and unity
Risk Management Area	Sophisticate systems for risk management and customer protection that support business strategy

First, as the Management Goal, we will seek to achieve 13.5 billion yen in ordinary income, pushing the company toward profitability on an ordinary profit (loss) basis in fiscal 2018. For that purpose, we will work to return to growth in new business performance in fiscal 2016 and establish a system that enhance the new business performance steadily and realize sustainable profitability in fiscal 2017. As a result of the foregoing efforts, we will endeavor to achieve the Management Goal in fiscal 2018.

Aiming to achieve its stable growth in the future, Lifenet promotes its initiatives for the following issues to be addressed based on its manifesto of “offering simple, convenient and competitively priced products and services based on the highest levels of business integrity.”

1. Further development of online direct sales

With the aim of further development of the online direct sales which is the strength of Lifenet, efforts will be made to increase the numbers of visitors to the website, by means of creating our unique customer value, in addition to conventional marketing activities including TV commercials and web advertising. Moreover, by establishing ways to communicate with customers other than the website or telephone, we will make efforts to offer life insurance products and services optimized for lifestyles, mainly via smartphones. Since its business commencement, we have been supported by many customers, and the number of policyholders exceeded 140,000 in March 2016. Going forward, we aim to build long-term relationships with trust and enhance customer satisfaction, establishing the structure for providing policyholders with more extensive services and pursuing tailored communications based on the attributes of each holder.

2. Building foundation for cooperation with KDDI

As a first step in cooperation with KDDI CORPORATION (“KDDI”), with which Lifenet has entered into a business alliance agreement in April 2015, we started to offer its simple and easy-to-understand life insurance products as “au Life Insurance” for users of au mobile phones including au smartphones, through KDDI from April 2016. By combining KDDI’s website, au shops and au Financial Support Center, and leveraging its strong brand and extensive customer platform, Lifenet and KDDI aim to establish a new product distribution model through

telecommunications and life insurance services. In order to build a foundation for cooperation with KDDI, we will support the sales education for canvassers of KDDI and develop the agent management system that aligns with KDDI. Furthermore, aiming to further enhance the performance in new business, additional measures such as increasing the number of stores handling the products and development of new products will be under consideration.

3. Development of over-the-counter agent channel

With the aim of offering its life insurance products and services to a wider range of customers, Lifenet will make efforts to strengthen over-the-counter agent channel. These efforts include the establishment of the sales education system, in order to gain a competitive advantage mainly in the area of long-term disability insurances, for which the market is growing, and the realization of the stable performance growth in new business by expanding our sales network. In addition, utilizing its experience as an online life insurer, we will aim to enhance its marketing support by means of building an application flow that is convenient for over-the-counter agent, among other measures. Going further forward, we will explore the development opportunity of unique life insurance products and services that fit to each channel, identifying the customer's needs through its agents.

With these channels of the “online direct sales”, the “KDDI (exclusive alliance agent)” and “over-the-counter agent” as the pillars for our business, Lifenet will pursue its stable growth. In addition, based on our manifesto, while implementing our own initiatives and leveraging technologies, we will strive to create the unique sales point differentiated from other life insurers in all channels continuously to avoid assimilating with competitors. Moreover, while focusing on existing business as needed, we will allocate a certain part of management resources into business development to achieve continuous growth in the future. Furthermore, in terms of internal control, we will establish the foundation for sophisticating systems for risk management and customer protection that support the business strategy.

In order to realize the stated above plan, we changed our organization structure in January 2016 in advance, and started the divisional organization which appointed Executive Officers as General Managers to enhance business execution. Centering on the divisional organization, we will deepen a sense of unity with active communication as well as continue to challenge to meet the needs of the times and customers. By means of taking a solid implementation of the strategy, we will work steadily to achieve the new Management Goal.

(4) Business forecasts

The business forecasts for fiscal 2016 is as shown below. This will be disclosed Ordinary income and ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act.

(In millions of yen)

	Ordinary income	Ordinary profit (loss) ^{*1}
Business forecasts (Fiscal 2016)	10,000	profitable
(Reference) Results (Fiscal 2015)	9,387	584

*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 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.

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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.

3. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31	
	2015	2016
ASSETS		
Cash and deposits.....	731	734
Bank deposits.....	731	734
Monetary claims bought.....	—	1,999
Money held in trust.....	1,033	1,035
Securities.....	17,082	23,067
Government bonds.....	8,227	10,102
Municipal bonds.....	851	1,521
Corporate bonds.....	6,894	10,428
Stocks.....	222	211
Foreign securities.....	886	804
Tangible fixed assets.....	114	72
Buildings.....	13	11
Leased assets.....	3	2
Other tangible fixed assets.....	96	59
Intangible fixed assets.....	468	437
Software.....	444	317
Software in progress.....	—	103
Leased assets.....	22	15
Other intangible fixed assets.....	1	1
Agency accounts receivable.....	0	0
Reinsurance accounts receivable.....	23	27
Other assets.....	3,933	2,941
Accounts receivable.....	639	680
Prepaid expenses.....	10	28
Accrued income.....	29	39
Deposits.....	73	73
Suspense payments.....	1	0
Deferred assets under Article 113 of the Insurance Business Act ..	3,180	2,120
Total assets.....	<u>23,387</u>	<u>30,317</u>

(In millions of yen)

March 31

	2015	2016
<u>LIABILITIES</u>		
Policy reserves and other	10,084	13,908
Reserves for outstanding claims	277	357
Policy reserves	9,806	13,551
Agency accounts payable	4	8
Reinsurance accounts payable	45	56
Other liabilities	353	505
Income taxes payable	3	73
Accounts payable	7	46
Accrued expenses	273	324
Deposits received	10	11
Lease liabilities	26	18
Asset retirement obligations	30	30
Suspense receipt	0	1
Reserves under the special laws	9	12
Reserve for price fluctuations	9	12
Deferred tax liabilities	403	401
Total liabilities	10,899	14,893
<u>NET ASSETS</u>		
Capital stock	10,500	12,020
Capital surplus	10,500	12,020
Legal capital surplus	10,500	12,020
Retained earnings	(8,798)	(9,227)
Other retained earnings	(8,798)	(9,227)
Retained earnings brought forward	(8,798)	(9,227)
Shareholders' equity	12,202	14,813
Valuation difference on available-for-sale securities	265	591
Valuation and translation adjustments	265	591
Subscription rights to shares	19	19
Total net assets	12,487	15,423
Total liabilities and net assets	23,387	30,317

(2) Statements of Operations

	(In millions of yen)	
	Year ended March 31	
	2015	2016
Ordinary income.....	8,729	9,387
Insurance premiums and other	8,493	9,117
Premiums income	8,372	9,007
Reinsurance income	121	110
Investment income	124	259
Interest, dividends and other income	117	190
Interest from deposits	0	0
Interest and dividends from securities.....	117	189
Other interest and dividends.....	—	1
Gain on money held in trust.....	3	33
Gain on sales of securities	2	35
Other ordinary income.....	112	10
Reversal of reserves for outstanding claims	98	—
Other.....	13	10
Ordinary expenses	10,262	9,863
Insurance claims and other.....	1,324	1,287
Insurance claims.....	723	635
Benefits	436	443
Other refunds	0	0
Reinsurance commissions	165	209
Provision for policy reserves and other.....	3,566	3,824
Provision for reserves for outstanding claims.....	—	79
Provision for policy reserves	3,566	3,744
Investment expenses	0	0
Interest expenses.....	0	0
Losses on sales of securities	0	—
Other investment expenses.....	0	0
Operating expenses.....	3,815	3,239
Other ordinary expenses.....	1,554	1,510
Taxes	267	218
Depreciation	225	220
Amortization of deferred assets under Article 113 of the Insurance Business Act.....	1,060	1,060
Other.....	2	11
Ordinary profit (loss)	(1,532)	(475)
Extraordinary losses	3	3
Provision of reserves under the special laws	3	3
Provision of reserve for price fluctuations	3	3
Income (loss) before income taxes	(1,535)	(478)
Income taxes-current	3	74
Income taxes-deferred.....	85	(124)
Income taxes.....	88	(49)
Net income (loss)	(1,624)	(429)

(3) Statements of Changes in Net Assets

	(In millions of yen)	
	Year ended March 31	
	2015	2016
Shareholders' equity:		
Capital stock		
Capital stock	10,500	10,500
Changes of items during the period		
Issuance of new shares	—	1,520
Total changes of items during the period	—	1,520
Capital stock	10,500	12,020
Capital surplus		
Legal capital surplus		
Legal capital surplus	10,500	10,500
Changes of items during the period		
Issuance of new shares	—	1,520
Total changes of items during the period	—	1,520
Legal capital surplus	10,500	12,020
Total capital surplus		
Capital surplus	10,500	10,500
Changes of items during the period		
Issuance of new shares	—	1,520
Total changes of items during the period	—	1,520
Capital surplus	10,500	12,020
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward	(7,173)	(8,798)
Total changes of items during the period		
Net income (loss)	(1,624)	(429)
Total changes of items during the period	(1,624)	(429)
Retained earnings brought forward	(8,798)	(9,227)
Total retained earnings		
Retained earnings	(7,173)	(8,798)
Changes of items during the period		
Net income (loss)	(1,624)	(429)
Total changes of items during the period	(1,624)	(429)
Retained earnings	(8,798)	(9,227)
Total shareholders' equity		
Shareholders' equity	13,827	12,202
Changes of items during the period		
Issuance of new shares	—	3,040
Net income (loss)	(1,624)	(429)
Total changes of items during the period	(1,624)	2,610
Shareholders' equity	12,202	14,813

(In millions of yen)

	Year ended March 31	
	2015	2016
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities ...	89	265
Changes of items during the period		
Net changes of items other than shareholders' equity	176	325
Total changes of items during the period	176	325
Valuation difference on available-for-sale securities	265	591
Total valuation and translation adjustments		
Total valuation and translation adjustments	89	265
Changes of items during the period		
Net changes of items other than shareholders' equity	176	325
Total changes of items during the period	176	325
Total valuation and translation adjustments	265	591
Subscription rights to shares:		
Subscription rights to shares	19	19
Changes of items during the period		
Net changes of items other than shareholders' equity	—	—
Total changes of items during the period	—	—
Subscription rights to shares	19	19
Net assets:		
Net assets	13,935	12,487
Changes of items during the period		
Issuance of new shares	—	3,040
Net income (loss)	(1,624)	(429)
Net changes of items other than shareholders' equity	176	325
Total changes of items during the period	(1,447)	2,936
Net assets	12,487	15,423

(4) Statements of Cash Flows

	(In millions of yen)	
	Year ended March 31	
	2015	2016
Cash flows from operating activities		
Income (loss) before income taxes	(1,535)	(478)
Depreciation and amortization	225	220
Increase (decrease) in reserves for outstanding claims	(98)	79
Increase (decrease) in policy reserves	3,566	3,744
Increase (decrease) in reserve for price fluctuations	3	3
Interest, dividends and other income	(117)	(190)
Loss (gain) related to securities	(2)	(35)
Interest expenses	1	0
Decrease (increase) in agency accounts receivable	0	(0)
Decrease (increase) in reinsurance accounts receivable	(21)	(3)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	1,015	1,001
Increase (decrease) in agency accounts payable	(0)	3
Increase (decrease) in reinsurance accounts payable	26	11
Increase (decrease) in other liabilities <excluding assets for investing and financing activities > ..	31	51
Other, net	(2)	(31)
Subtotal	<u>3,089</u>	<u>4,376</u>
Interest and dividends income received	163	238
Interest expenses paid	(0)	(0)
Income taxes paid	(4)	(3)
Net cash provided by (used in) operating activities	<u>3,247</u>	<u>4,610</u>
Cash flows from investing activities		
Purchase of securities	(7,154)	(8,441)
Proceeds from sales and redemption of securities	4,389	2,910
Total of net cash provided by (used in) investment transactions ...	<u>(2,764)</u>	<u>(5,530)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>482</u>	<u>(919)</u>
Purchase of tangible fixed assets	(82)	(6)
Purchase of intangible fixed assets	(81)	(103)
Collection of lease deposits	2	—
Net cash provided by (used in) investing activities	<u>(2,925)</u>	<u>(5,639)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	—	3,040
Repayments of lease liabilities	(8)	(8)
Net cash provided by (used in) financing activities	<u>(8)</u>	<u>3,031</u>
Net increase (decrease) in cash and cash equivalents	<u>313</u>	<u>2,002</u>
Cash and cash equivalents, beginning of the year	<u>418</u>	<u>731</u>
Cash and cash equivalents, end of the year	<u><u>731</u></u>	<u><u>2,734</u></u>