LIFENET INSURANCE COMPANY

Q3 Financial Results Briefing for the Fiscal Year Ending March 2021

February 9, 2021

[Speaker]

Ryosuke Mori President and Representative Director

Presentation

Mori: This is Mori. Thank you for participating in the financial results briefing despite your busy time. At 3:30 PM today, we already announced our third quarter of financial results for FY2020. The presentation materials are posted on our IR website. Today, I would like to explain the outline of the financial results using the financial results briefing materials, and then move on to the question-and-answer session. I will now begin the explanation.

Overview of Cumulative 3Q for Fiscal 2020

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Annualized premium[1] of policies-in-force	Annualized premium[1] of new business
17,922 million yen	**3,093** million yen
(115.5% vs end of FY2019)	(Y-on-Y 127.0%)
EEV[2] (European Embedded Value)	**Adjusted incremental EV[3]**
93,176 million yen	**6,196** million yen
(126.9% vs end of FY2019)	(Y-on-Y 269.0%)

Notable Achievements

- **Awarded #1 in the medical insurance product ranking of the 2021 Oricon Customer Satisfaction Survey[4]**
- **Concluded Business Alliance Agreement with Money Forward, Inc.**

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.
2. EEV as of December 31, 2020 is calculated applying the same operating assumptions as those used for September 30, 2020, and has not been reviewed by third-party specialists.
3. Adjusted incremental EV consisted of components adequately reflecting our business growth for fiscal 2020, see page 13 and 33 for details.
4. The 2021 Oricon Client Satisfaction Survey hosted by Oricon Inc.

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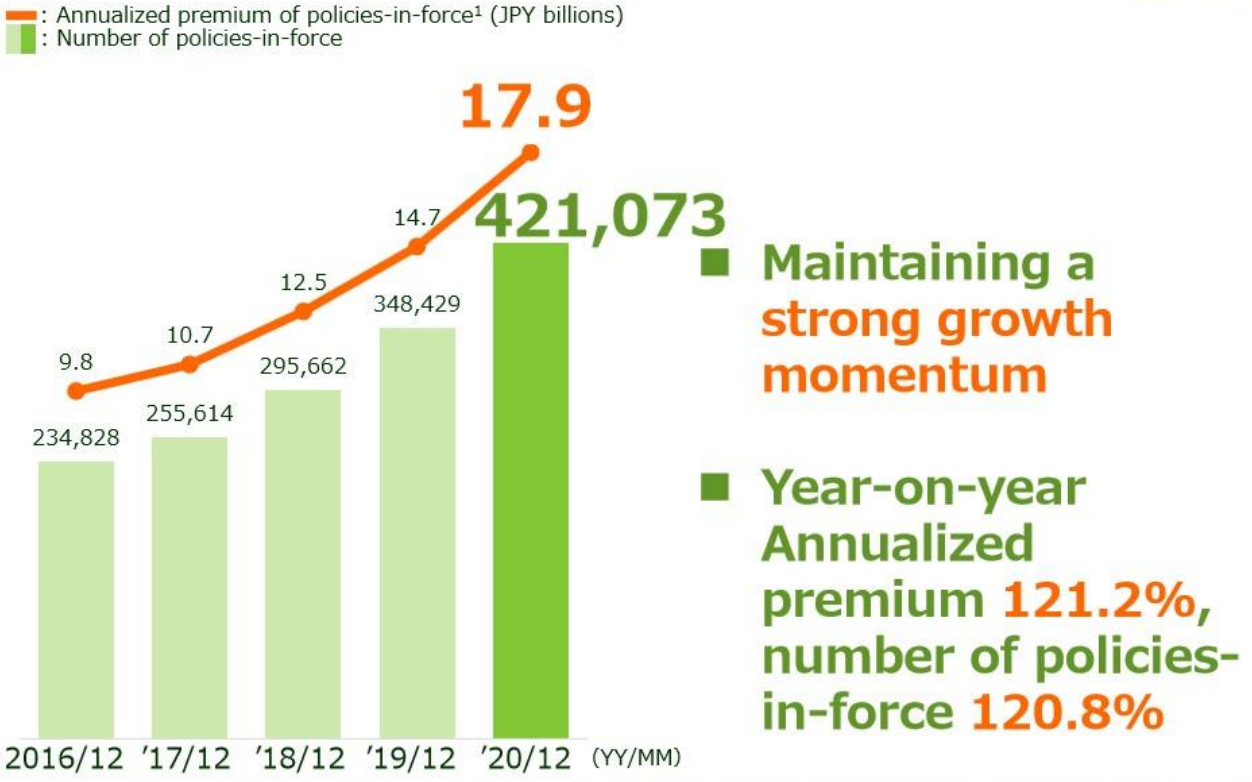
Please see page two.

This is the Overview of Cumulative 3Q for Fiscal 2020. Policies-in-force performance increased steadily, and the annualized premium increased 15.5% to JPY17,922 million, compared to end of FY2019. In addition, new business performance grew strongly, and annualized premium increased 27% YoY to JPY3,093 million.

The European Embedded Value, which is the important management goal in the management policy, increased by 26.9% from the end of FY2019 to JPY93,176 million. Of the increase from the end of the previous fiscal year, the adjusted incremental EV, which indicates the growth of period performance, was JPY6,196 million. I will explain the main initiatives later.

Annualized Premium / Number of Policies-in-Force



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.

3

Please see page three.

This is the trend of our policies-in-force performance. The annualized premium of policies-in-force was JPY17.9 billion, and the number of policies-in-force was 421,073. Against the backdrop of the growth of new policies performance, you can see that the growth momentum of policies-in-force is accelerating.

Breakdown of Policies-in-Force

■ Policies-in-force of Term Life exceeded 200,000

	'20/03	'20/12	Component ratio
Number of policies-in-force	365,171	421,073	100%
- Term Life	175,713	203,466	48%
- Whole-life Medical	100,280	115,501	27%
- Term Medical Care	9,105	8,944	2%
- Long-term Disability	54,665	58,521	14%
- Cancer	25,408	34,641	8%
Sum insured of policies-in-force[1] (JPY millions)	2,565,269	2,885,844	
Number of policyholders	232,537	267,186	
	'19/3Q(YTD)	'20/3Q(YTD)	
Surrender and lapse ratio(annualized)[2]	7.0%	5.6%	

1. Sum insured of polices-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.

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Page four shows the breakdown of the number of policies-in-force for each product.

There is no significant change in the composition ratio compared to the end of the previous fiscal year. On the other hand, the surrender and lapse ratio was 5.6% on an annualized basis, improving YoY.

We believe that this is due to our implementation of various measures to improve the surrender and lapse ratio, which we have been working on in earnest since last year, as well as the fact that the number of surrenders was suppressed to some extent by the influence of COVID-19. Therefore, we will continue to pay close attention to future trends.

Annualized Premium / Number of New Business

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.

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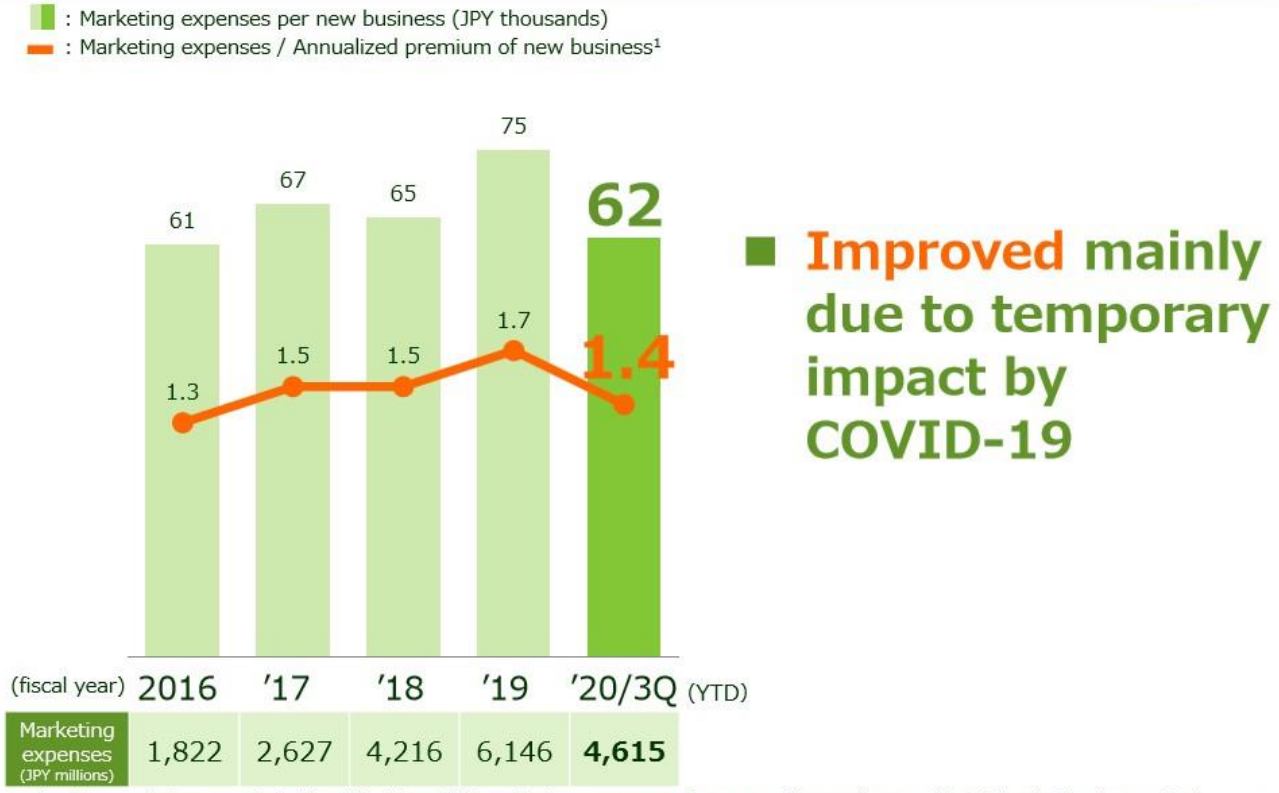
Please see page five.

This is the trend of our new business performance. Annualized premium of new business increased 27% YoY to JPY3,093 million, and the number of new business increased 27.9% to 73,669, achieving a new record for the first nine months of the fiscal year. We recognize that this was due to the continuous improvement of our website and efforts to improve the brand power by aggressive advertising, and the impact of COVID-19 temporarily boosted the new business performance.

In addition, although it is a preliminary figure, it is certain that the 10 months until January 2021 will exceed the new business performance for the full year of FY2019, setting a new record high in FY2020.

In addition to the structural megatrend of digitizing financial services, we believe that the changes in the lifestyles of our customers caused by COVID-19 will contribute positively to online businesses like ours in the medium to long term. Therefore, while paying close attention to the business environment of “With COVID-19” and “After COVID-19”, we will continue to strive to deliver our value as an online life insurance company to as many customers as possible.

Marketing Efficiency



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.

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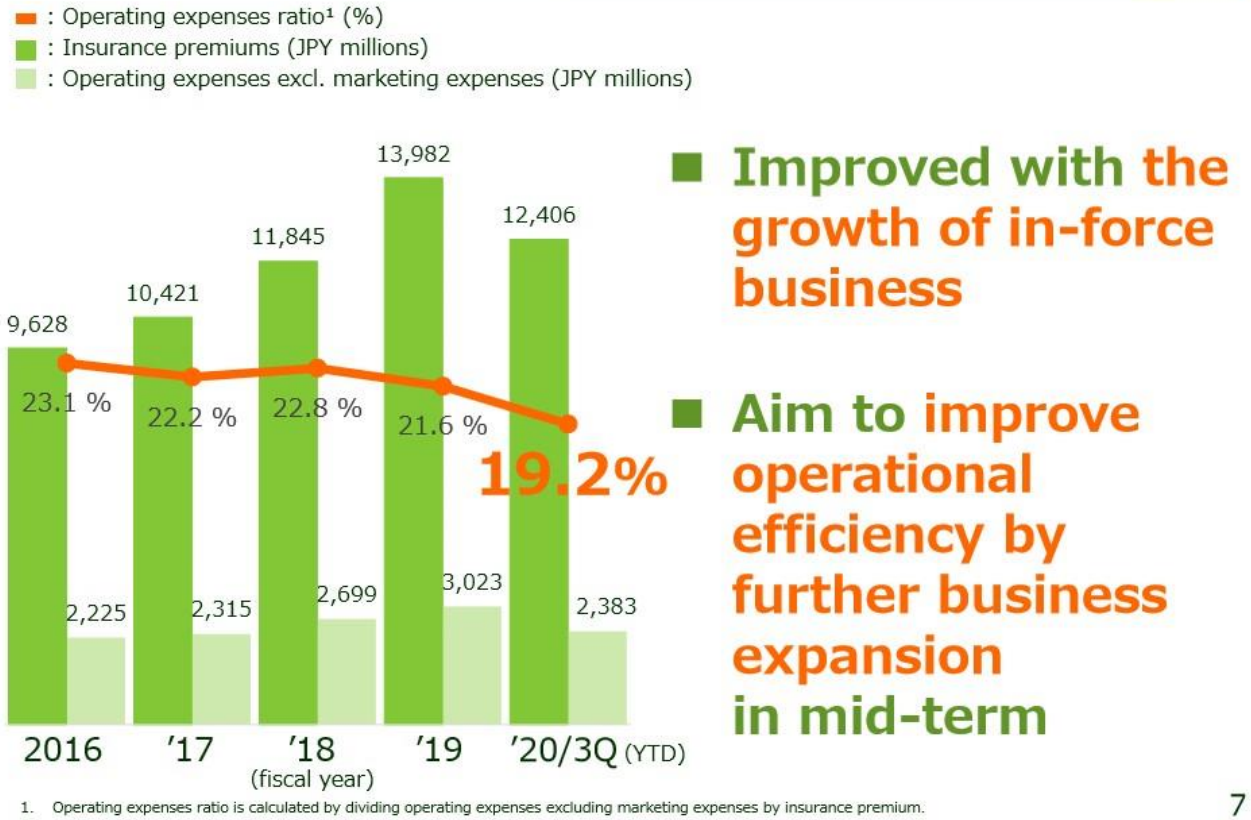
Page six shows marketing efficiency.

The table at the bottom left shows the marketing expenses invested. The figures from FY2016 to FY2019 are for the full year, and the figure for FY2020 is for the first nine months. While the performance of new business grew significantly, the marketing expenses used during the first nine months were JPY4,615 million, which was the same level as the previous year. The expenses per new business is JPY62,000, which is an improvement from the previous year.

In FY2020, we plan to improve marketing efficiency compared to FY2019 because we recognize that it is important to balance the growth of new business with marketing efficiency in order to achieve our management target of JPY100 billion in European Embedded Value as early as possible. Therefore, we will continue to carefully observe the business environment and decide on the investment of marketing expenses.

Operating Expenses Ratio



1. Operating expenses ratio is calculated by dividing operating expenses excluding marketing expenses by insurance premium.

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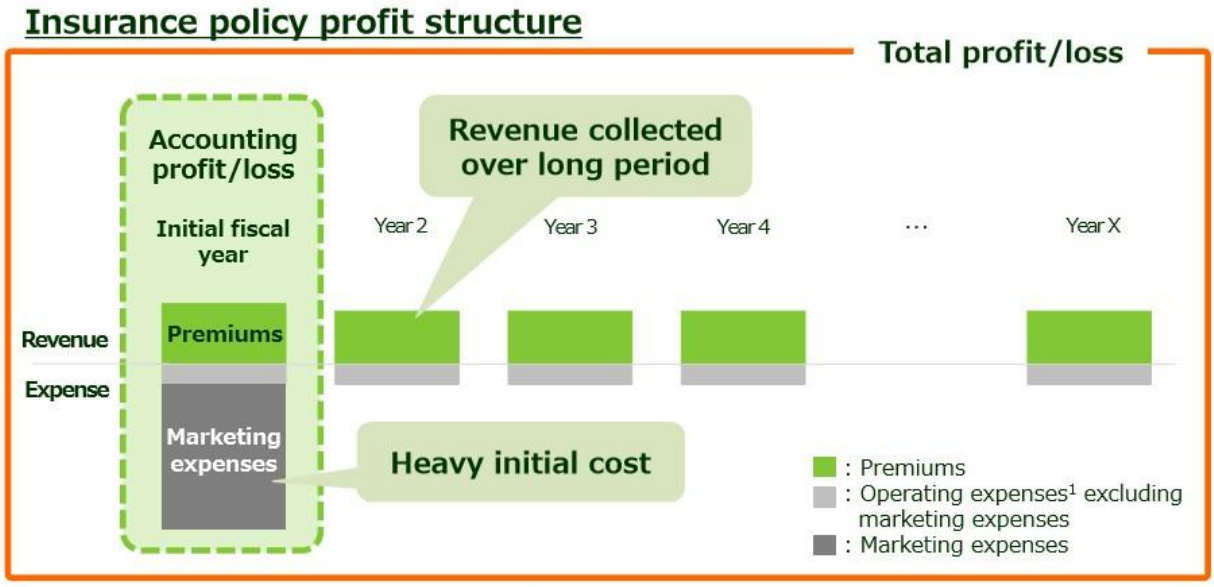
Next, I will explain the efficiency of operating expenses excluding marketing expenses.

Operating expenses excluding marketing expenses were JPY2,383 million, and the ratio to insurance premiums was 19.2%. With the recent growth of in-force business, the operating expenses ratio is steadily improving.

Improving the ratio means lower unit costs, which is an important factor contributing to higher profitability and higher European Embedded Value. Therefore, we will continue our efforts for improvement.

Profit Structure under Current Statutory Accounting

- **Time lag is caused between the recognition of costs and revenue as marketing expenses is recognized at the time of acquisition, and revenue is collected gradually over a long period.**



1. Costs for policy management, payment of insurance claims and benefit claims, etc.

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Page eight shows the accounting structure of life insurance companies.

This is important for you to properly understand our profitability.

Under the current statutory accounting on the profit and loss statement, the entire cost associated with the acquisition of new business is recognized as a current period expense. Meanwhile, the income from insurance premiums, which is the revenue, is recognized over a long period of time. Consequently, the more new business grows, the greater the profit decline during the current period, due to the growth in costs posted during the current fiscal year.

Statutory accounting therefore does not necessarily provide a picture of the long-term profitability of our business.

Adjusted Profit

Steadily recorded adjusted profit generated from policies-in-force

The method for calculating adjusted profit

Adjusted profit = i) Ordinary profit (loss)[1] + ii) Marketing expenses
– iii) Impact of modified co-insurance
± iv) Adjustment based on standard policy reserves[2]

JPY millions / fiscal year	2016	2017	2018	2019	2020/3Q (YTD)
i) Ordinary profit (loss)	88	(197)	(1,719)	(2,382)	(1,714)
ii) Marketing expenses	1,822	2,627	4,216	6,146	4,615
iii) Modified co-insurance	–	–	–	(1,526)	(555)
iv) Adjustment	543	319	347	546	560
Adjusted profit	**2,454**	**2,748**	**2,844**	**2,784**	**2,905**

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act
2. The amount of the adjustment to the policy reserve provision is the adjustment calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves.

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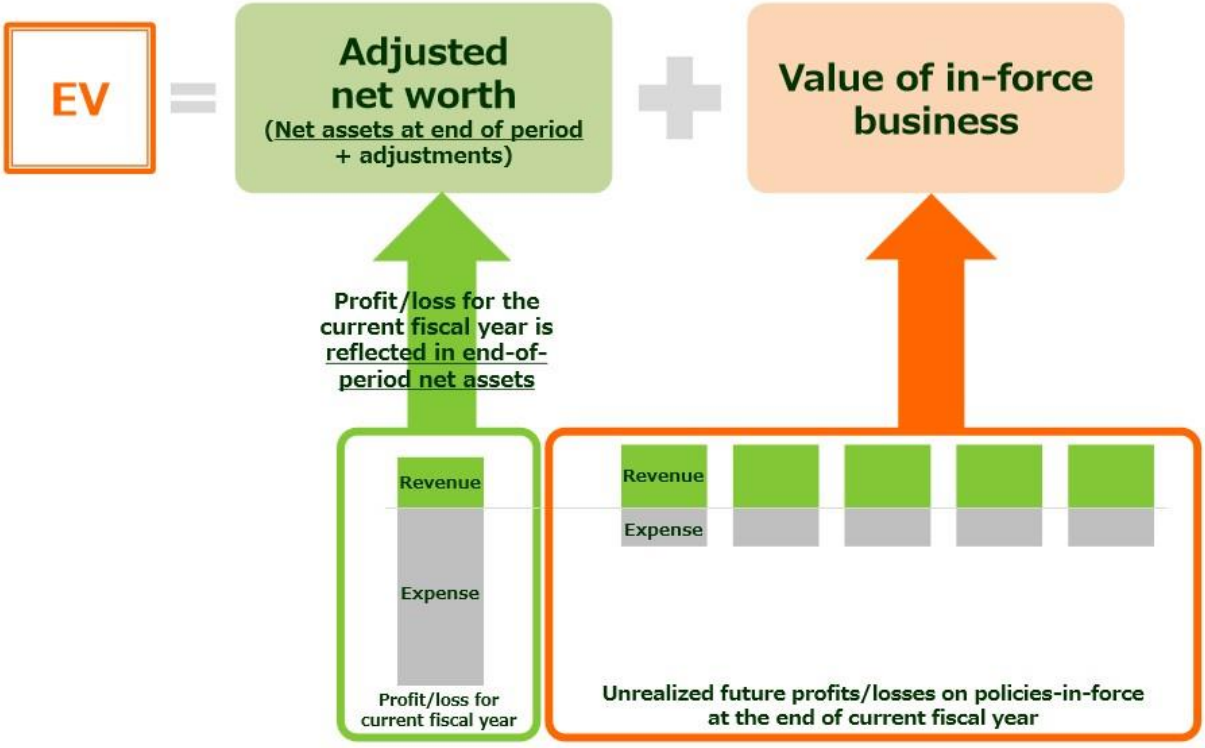
Page nine shows our adjusted profit.

Under current statutory accounting, there is a time lag between the recognition timing of revenues and cost, and we believe that marketing expenses, which are the cost of acquiring new business, make it difficult to understand the actual state of our profitability. As a result, the Company discloses periodic earnings from policies-in-force as adjusted profit by deducting market expenses where the timing of revenue and expenses differs and adjusting for the impact of other technical profit and loss factors, such as reinsurance and policy reserves.

Adjusted profit for the first nine months was JPY2,905 million, and we believe that we are steadily recording income from in-force business.

Structure of Embedded Value



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Page 10 is regarding the structure of embedded value.

European Embedded Value is a net asset that considers the after-tax value of unrealized future profits under the statutory accounting that the in-force business will generate in the future, so it is the present value of our net assets. We have been focusing on the growth of European Embedded Value as an important management index. Please refer to this as it is important for you to properly understand our growth potential and long-term profitability.

EEV (European Embedded Value)

■ Characteristics of Lifenet's EEV are as follows:

Strong growth

- Maintaining significant increase in EEV since listing in March 2012
- Steadily growing even in a low interest rate environment

Resilience to interest rate changes

- Limited sensitivity to interest rate and stock fluctuations

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Please see page 11.

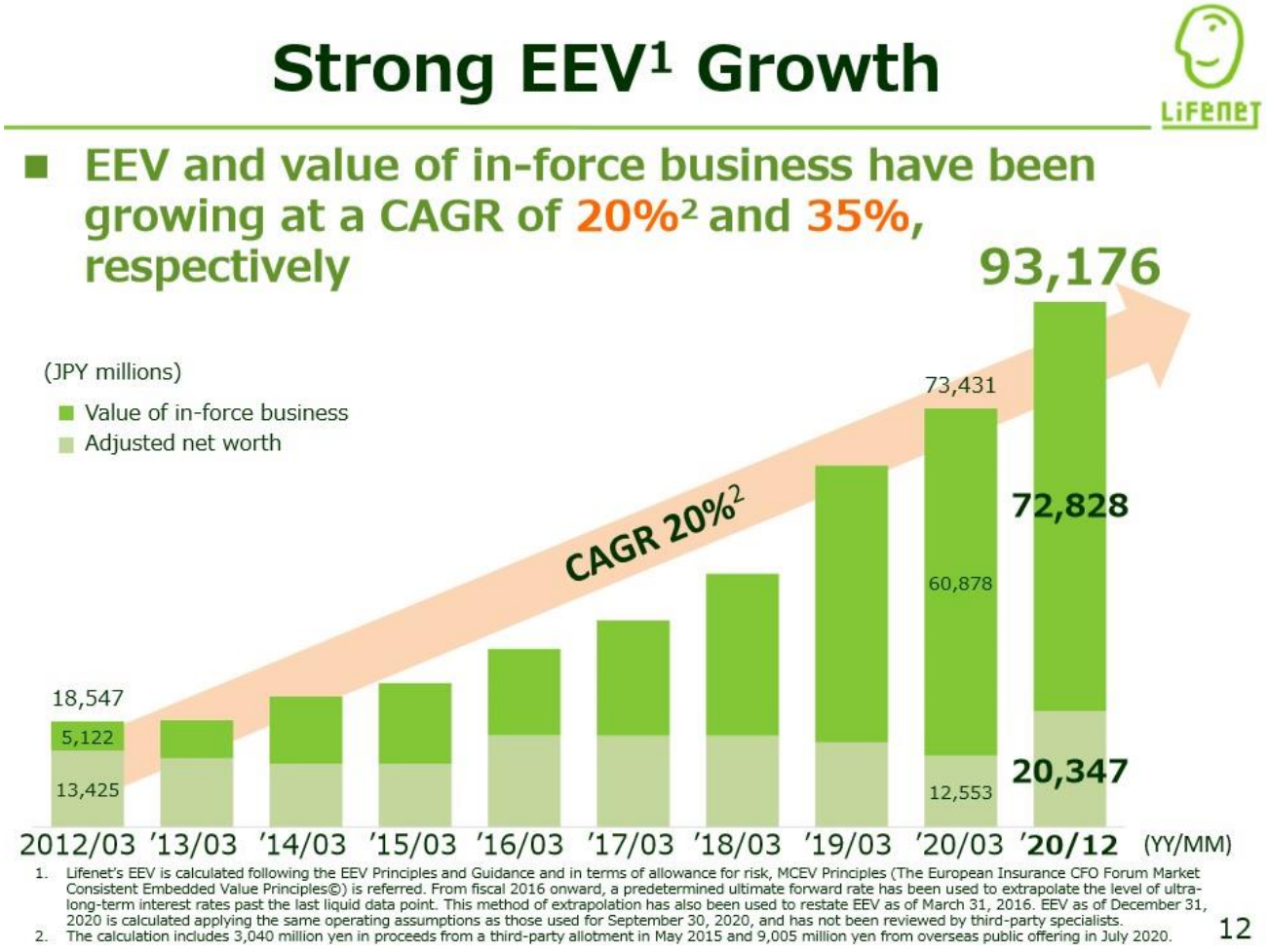
There are two main characteristics of our European Embedded Value.

The first is that we have achieved strong growth and have been increasing European Embedded Value continuously since the listing in March 2012.

The second is the high resilience against interest rate fluctuations.

I will explain on the following pages.

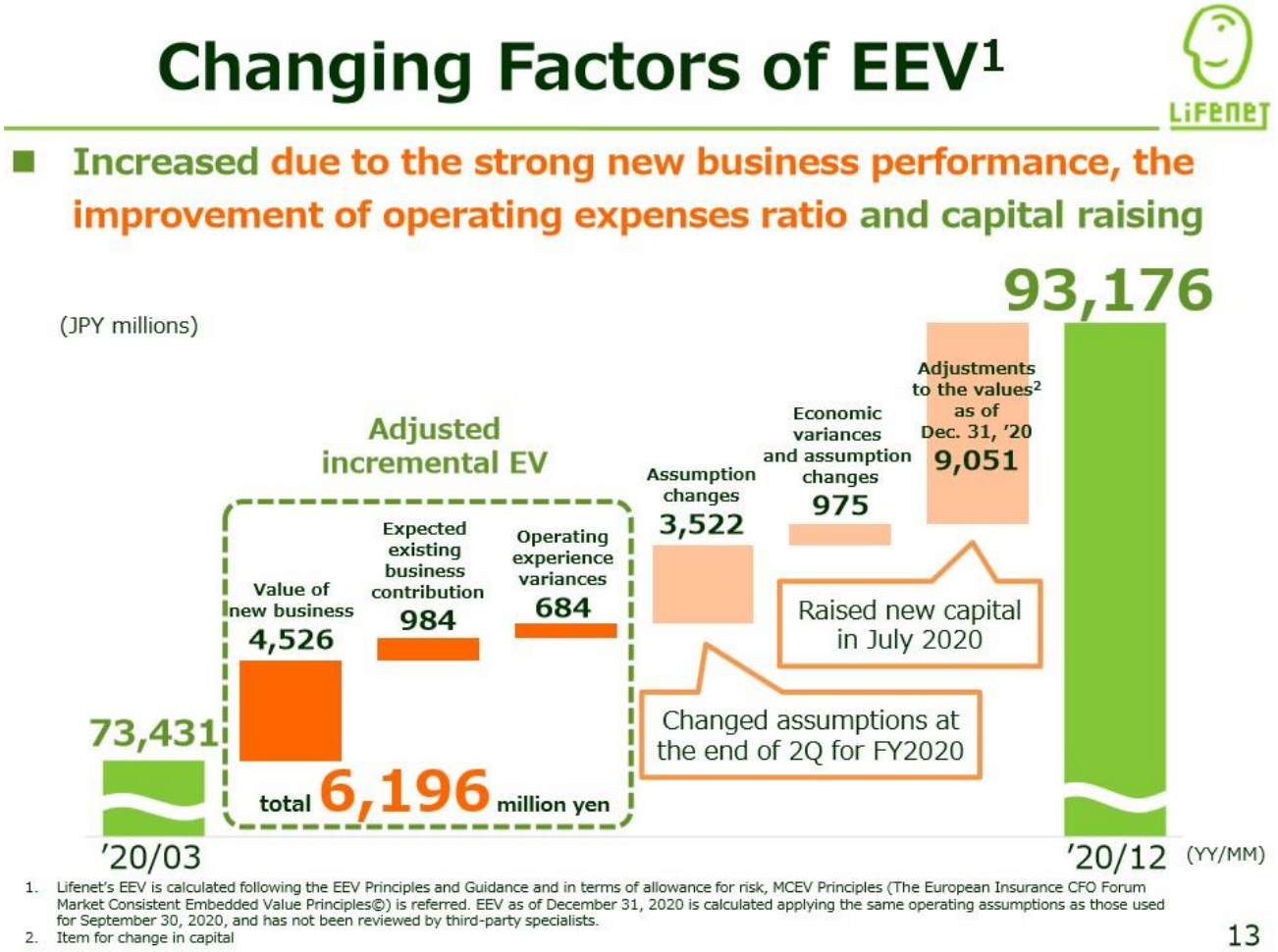
Strong EEV[1] Growth



Please see page 12.

Our European Embedded Value was JPY93,176 million at the end of December 2020, partly due to an increase in adjusted net worth from an overseas public offering in July last year. Since our listing in March 2012, it has grown steadily at CAGR of 20%. In particular, CAGR of value of in-force business, which is a reserve of future profits, is 35%, powerfully driving EEV's growth.

Changing Factors of EEV[1]



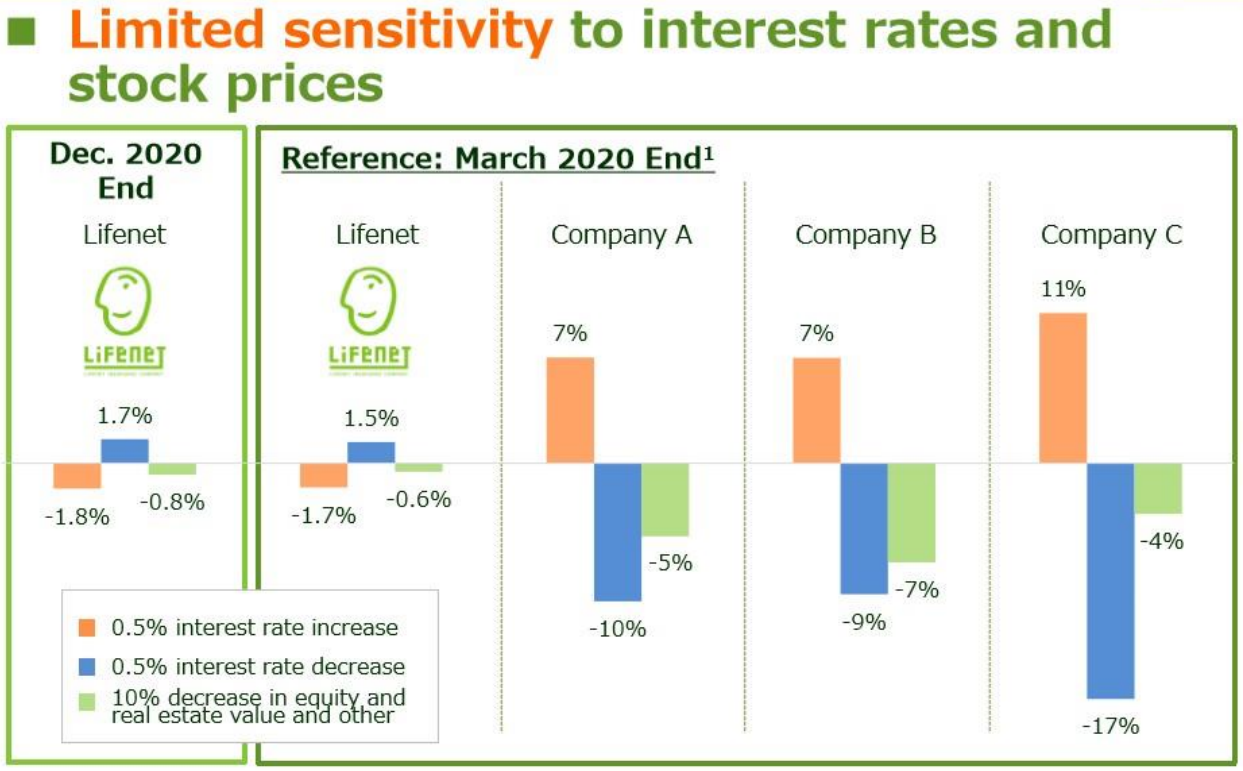
Page 13 shows changing factors of EEV from the end of March 2020 to the end of December 2020.

Of the changes in EEV, the value of new business, expected existing business contribution, and operating experience variances, all of which are circled by the green dotted line on the slide you see, the sum of these three points is regarded as the adjusted incremental EV and is disclosed as an indicator showing our period performance.

The adjusted incremental EV for the first nine months was JPY6,196 million. Of this figure, the value of new business was JPY4,526 million, and strong new business performance drove the growth of the adjusted incremental EVs. In addition, there was no assumption changes as of the end of December, but as of the end of September, we reviewed the assumption to reflect the results such as improvement of the operating expenses ratio and improvement of surrender and lapse ratio. As a result, JPY3,522 million was recorded.

In this way, the increase in in-force business, and improvement of the operating expenses ratio and the surrender and lapse ratio will contribute to the increase in EEV, so we will continue to aim for growth in EEV through management that focus on the balance between growth and efficiency.

EV Resilience to Financial Changes



1. Prepared by Lifenet based on disclosed information of domestic public life insurance companies.

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Page 14 shows the sensitivity of EV to interest rates, stock prices and others for our Company and other domestic listed life insurance companies.

As you can see, although market interest rates are greatly affected by the impact of COVID-19 these days, we have an asset management and product lineup that is relatively less susceptible to changes in interest rates, stock prices and other factors. Therefore, our sensitivity of EV to fluctuations in interest rates, et cetera is extremely limited.

There are various drivers for EV growth, but we would like to aim for sustainable growth of EV through organic growth by increasing in-force business and improving business efficiency.

【Ref.】 Life Time Value and Customer Acquisition Cost

LIFENET

Key Metrics for a SaaS Company and Lifenet

	Commonly Used SaaS Glossary	FY2019	FY2020/3Q(YTD)
ARR per Contract (Annual Recurring Revenue)	The value of the contracted recurring revenue components of the term subscriptions normalized to a one-year period	Annualized Premiums per Policy-in-force **JPY 42,486**	Annualized Premiums per Policy-in-force **JPY 42,564**
		×	×
Life Time (Term of Contract)	Contract period: from date entered into contract until the contract is cancelled Calculated by reciprocal of churn rate	Average Policy Term **14.3 years**[1]	Average Policy Term **17.9 years**[1]
		×	×
Gross Profit Margin	Percentage of revenue left over after the cost of servicing that revenue is taken into account	**45%**[2]	**45%**[2]
		=	=
LTV (Life Time Value)	Accumulated profit per client during the contract period Revenue from new client * total revenue profitability (%) * contract period	(Annualized Premiums per Policy * Life Time * Gross Profit Margin) **JPY 273,397**	(Annualized Premiums per Policy * Life Time * Gross Profit Margin) **JPY 342,853**
CAC (Customer Acquisition Cost)	Marketing and sales expenses incurred in bringing 1 client	Marketing Expenses per New Policy **JPY 75,970**[3]	Marketing Expenses per New Policy **JPY 62,653**[3]

1. 1 / Churn rate. Churn rate represents the percentage of users who cancelled out their insurance policies.
2. (Insurance premiums – Insurance claims and benefits - Provision for policy reserves and others) / Insurance premiums.
3. Marketing expenses / Number of new business.

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Please see page 15.

For your reference, we have replaced our financial performance with key metrics for a SaaS company, and show them using lifetime value (LTV) and customer acquisition cost (CAC) from the perspective of unit economics.

An important factor in identifying the performance of our business is how much customer acquisition cost (CAC) is to obtain lifetime value (LTV) based on long-term premium income.

Taking the first nine months of FY2020 as an example, it is unit economics in which LTV of about JPY340,000 is acquired with CAC of about JPY62,000. As long as this unit economics is maintained and improved, it is thought that increasing business performance will lead to an increase in corporate value, so it is a business recognition that supports the management decision to actively invest marketing expenses.

Financial Condition

(JPY millions) (YY/MM)	'20/03	'20/12
Total assets	**41,144**	**53,751**
Cash and deposits	1,377	2,516
Monetary claims bought	299	1,999
Money held in trust	3,539	5,422
Securities	32,058	38,865
Government bonds	8,065	9,024
Municipal bonds	1,391	1,488
Corporate bonds	18,119	21,219
Stocks	313	355
Foreign securities	0	0
Other securities[1]	4,167	6,778
Total liabilities	**31,744**	**36,614**
Policy reserves and other	30,328	34,832
Total net assets	**9,400**	**17,136**
Solvency margin ratio[2]	**2,117%**	**2,811%**
Modified duration (year)	**11.3**	**11.4**

- **Maintained sufficient soundness as indicated by solvency margin ratio**

1. Investment trust including foreign bonds and others.
2. The solvency margin ratio is a key benchmark for industry regulators. It measures a life insurance company's ability to pay out claims when unforeseen events occur.

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Page 16 shows a summary of the balance sheet.

As of the end of December 2020, total assets were JPY53,751 million, liabilities were JPY36,614 million, and net assets were JPY17,136 million. The solvency margin ratio, which is an indicator of solvency, was 2,811%.

Initiatives for Innovation of Customer Experience

■ Redesigned the application procedure on website in November

Easier and stress-free application procedure

<Feedback from policyholders >

I thought it'd be difficult to purchase policies online, but it was actually simple and easy. I would like to recommend Lifenet to my family and friends.

Application procedure with smartphone is very convenient. It didn't take a long time because there was no need to contact sales representative.

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Next, I will explain our main initiatives. Please see page 17.

We place innovation of customer experience as one of our priority areas in our management policy and develop stress-free services in a series of processes such as insurance consultation, application, various procedures during the contract period, insurance claims, et cetera. We aim to provide convenient life insurance services that exceed customer expectations.

As part of these efforts, we were steadily improving CX in the third quarter, including the initiatives shown on the slide, and the effects are steadily appearing. We believe that the accumulation of such efforts will lead to the improvement of our competitive advantage.

High Evaluation for Products and Services

■ Whole-life Medical awarded No.1, evaluated by policyholders who received benefit payments

The medical insurance product ranking of the 2021 Oricon Customer Satisfaction Survey

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Please see page 18.

We are pleased to announce that we have been selected as number one in the medical insurance product ranking of the 2021 Oricon Customer Satisfaction Survey.

The response to this survey is based on policyholders who have claimed and received benefits from medical insurance and is characterized by the fact that the voices of actual policyholders are reflected. We believe that we have gained the highest rating from our policyholders in the industry, through the stress-free customer experience and simple and easy-to-understand product features, which we value. Encouraged by these acclaims, we will continue to actively invest in the customer experience.

Initiatives for Enhancement of Promotion Capabilities

- **Concluded Business Alliance Agreement with Money Forward, Inc., providing new customer experience to its 11.5 million users**

Money Forward

LIFENET INSURANCE COMPANY

White label business initiative

Plan to launch new services this summer to improve household finances by combining PFM[1] app and online insurance

1. Personal Financial Management

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Next, I would like to explain new initiatives for enhancement of promotion capabilities, which is another priority area. Please see page 19.

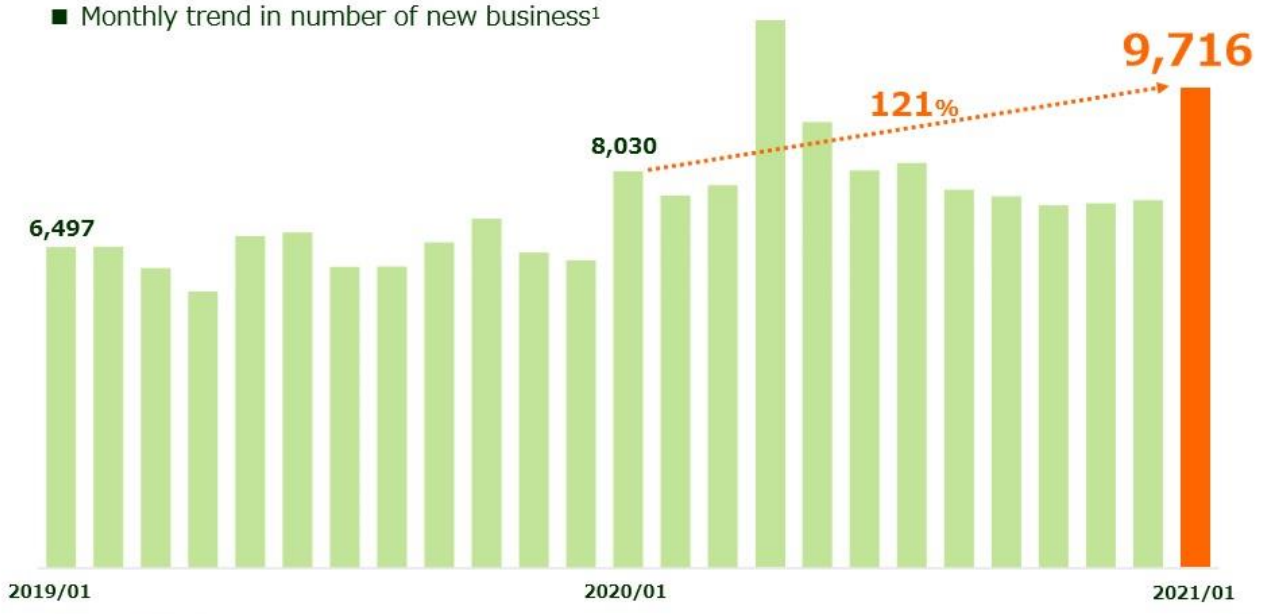
We are aiming to expand the White Label Business that delivers life insurance products by utilizing the brand power and customer base of our partner companies.

As a new partner, we have signed a business alliance agreement with Money Forward, Inc. Money Forward, a company that has realized the visualization of household finances with innovative technology, and Lifenet, a Company that is proud of being a leading online life insurance company, will work together to realize a world where you can smoothly review your life insurance online, which is said to be the second most expensive purchase in life.

As a partner in the White Label Business, this is our first time we have been working with the Internet service company, and we believe that we will be able to provide a new customer experience online that has never been seen before. As a long-time user of Money Forward myself, I am very much looking forward to it, and we will cherish it so that it will become one of the major pillars that support our growth over the medium to long term.

Recent Development

Significant growth in new business performance in January 2021, second to that in April 2020



1. Based on Monthly Disclosure.

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Please see page 20.

I would like to briefly report on the current status of our business under the state of emergency. This page shows the monthly trend in the number of new business. As you can see, the new business performance in January increased significantly.

Originally, January is a month in which good business performance can be expected due to seasonality, and after the state of emergency lifted last year, the primary reaction products to leisure activities that occurred in the world have also been settled. After our public offering, we were able to actively invest marketing expenses. As a result, we believe that these are firmly reflected in the new business performance.

On the other hand, the payment status of insurance benefits has not changed significantly due to COVID-19 infection.

In addition, in terms of our internal business, we consider the safety of our employees, and in principle, they have now been working from home, but we try to ensure stable customer support. The outlook remains uncertain for a while, but we will continue to operate our business while paying close attention to the future situation.

Future Direction

- Leveraging a lifestyle with "new normal", aim for double-digit growth in in-force business performance
- Invest in marketing expenses aggressively while focusing on its efficiency under the current business environment
- With expectation of early achievement of the current management goal, the revision of management target is under discussion

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Please see page 21.

It shows our future direction. As you can see, the impact of COVID-19 has increased online activity and consumption by consumers and businesses in a variety of areas.

In context of the structural megatrend of digitizing financial services, which is the basis of Lifenet Insurance Company's growth as well, the structural changes have advanced significantly. With that in mind, we will continue to achieve double-digit percentage growth of in-force policies performance.

In addition, as I explained earlier, considering the current business environment, we plan to aggressively continue to invest in marketing expenses while focusing on its efficiency for the time being.

We will consider the revision of management goal with expectation of achieving the impending management goal, EEV of JPY100 billion at an early stage.

Business Forecast FY2020

- **No change from August 2020 announcement since aggressive investment in marketing expenses is planned for the fourth quarter**

(JPY millions)

	FY2020 Forecast	Of which: impact of modified co-insurance	(Reference) FY2019 Results	Of which: impact of modified co-insurance
Ordinary income	**20,000**	**2,700**	16,850	2,034
Ordinary profit (loss)	**(3,200)**	**650**	(2,382)	1,526
Net income (loss)	**(3,200)**	**650**	(2,400)	1,526
(Reference) Annualized premium of new business[1]	**4,000**		3,425	

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.

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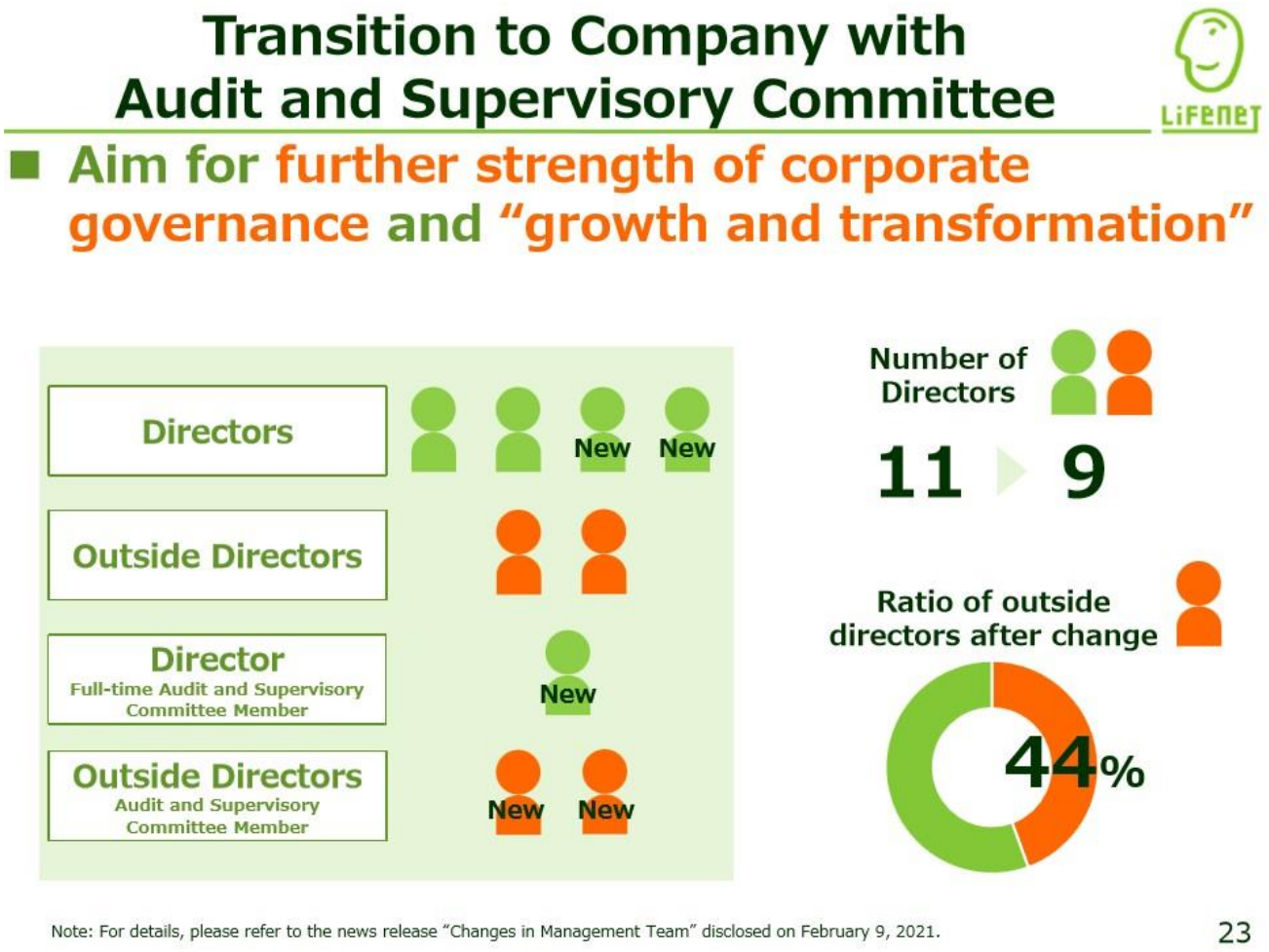
Page 22 shows our business forecast for FY2020.

The earnings forecast for this fiscal year remains unchanged from the August 2020 announcement.

Although the future outlook remains uncertain, we will continue to aim for sustainable growth in order to improve profitability over the medium to long term.



Finally, I would like to explain the transition to a company with an audit and supervisory committee, which was disclosed along with the announcement of financial results.

At the Board of Directors meeting held today, we will transition from a company with an audit and supervisory board to a company with an audit and supervisory committee, subject to approval at the 15th Annual General Meeting of Shareholders scheduled to be held on June 20, 2021.

We have been continuously working to enhance corporate governance since the business commencement. In addition to the recent demand for stronger governance due to the Corporate Governance Code and ESG management, the capital increase implemented last year has increased the ratio of overseas institutional investors among shareholders. As a result, as part of strengthening governance, we decided to move to a company with an audit and supervisory committee.

This will further strengthen the supervisory function of the Board of Directors and enable us to implement more flexible management. At the same time, we announced the change of officers to further promote growth and transformation in response to changes in behavioral patterns caused by COVID-19.

Even in the new management system, we will aim for customer-oriented growth based on the manifesto of Comprehensible, Cost-competitive and Convenient.

This concludes the financial results briefing for the third quarter of the fiscal year ending March 2021. Thank you very much for listening.