



LIFENET INSURANCE COMPANY

Question and Answer Summary at Q3 Financial Results Briefing for the Fiscal Year Ending March 2021

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[Answerers]

Ryosuke Mori

President and Representative Director

Iwao Kishimoto

Executive Officer

Ryosuke Kondo

Executive Officer

Question & Answer

Questioner 1: I wanted to hear your answers to three major questions.

First, regarding the sustainability of the number of new business, you showed an extraordinarily strong number of 9,716 in January. On [page 21 of presentation material](#), you said you were going to invest aggressively in the marketing expense with good capital efficiency for the time being. Could you tell me how long is the exact period for your aggressive investment? Also, please tell us your perspective on the run rate of the number of new business excluding this special demand for COVID-19 in the environment where you have been working on the improvement of UI/UX and the structural change of the life insurance market continues.

Secondly, you mentioned the update of management goal on [page 21 of presentation material](#). When the goals are updated, is there a possibility that the next goal will be changed from EEV (European Embedded Value) or other goals will be included in addition to EEV?

Lastly, the third one is about capital regulation. It is expected that economic value-based capital regulation will be introduced in Japan as well. I would like to know what your current ESR level is? I would appreciate it if you could give us some perspective.

Kondo: I would like to answer the first and second questions.

First of all, regarding the sustainability of new business, as you pointed out, we think that we have very good performance in January, we believe that this is surely backed by the active investment in marketing expenses.

We have secured capital for immediate growth through a public offering overseas in July last year. However, the expenses were almost the same as last year because we didn't invest aggressively due to the business environment in the second and third quarters. I think it was difficult to say that we have been actively using capital.

Since the fourth quarter, we have been actively investing. We have not decided the time axis exactly, but we judge that it is good timing to invest relatively aggressively now while looking at the environment, et cetera.

We have raised a certain amount of capital, so we will continue to consider about when and what kind of investment we should make in order to make effective use of this.

Regarding our new business in January, although there was the declaration of the state of emergency in January, I think that an increase in our new business is largely due to the active investment of marketing expenses. Of course, I think the effect of state of emergency also partially contributed to our new business.

The current business environment is in a positive situation through COVID-19, so I am aware that the run rate of new business performance is one step higher than last year. There is a possibility that it will continue to rise in the future.

The second one is about management goals. In 2018, we announced that our management goal is "Aim to achieve EEV of JPY100 billion by business growth in a mi-d-term". It has reached around JPY93 billion at the end of December, expecting to reach JPY100 billion soon. Now we are considering setting next management goals for us.

We have set EEV as a management goal from 2018. We have pursued the goal while giving a thorough explanation to investors, and such a result is obtained. I think it would be better to continue to set management goals based on EEV.

We would like to prepare for the next management goal so that we can show it as soon as possible.

Kishimoto: The third question was regarding ESR. We continuously calculate it as one of the internal management indicators, but we are sorry that we don't disclose the number at this point. We can absolutely say that, as with the current solvency margin ratio, the ESR shows a sufficient level of capital.

Questioner 1: Regarding my second question, is there a possibility that the next management goal will be time-bound goal like the medium-term management goals? Or will it show the goal of the next EEV without showing the time axis?

Kondo: At the current goal, we have just set it as "at an early stage", and we didn't set a time-bound goal. In the future, we would like to consider, including showing the time axis. However, there is also uncertainty in the business environment, so we would like to consider it and will disclose it at an appropriate time.

Questioner 2: I would like to ask you two questions.

The first one, can you tell us what kind of attempts you are making regarding digital marketing? I know that you are actively investing in TV commercials. Please tell us if Lifenet is currently focusing on digital marketing.

The second is regarding the business alliance with Money Forward. Does this initiative utilize a new scheme of financial services intermediary business? Can you explain the contents of the tie-up to the possible extent?

Mori: Thank you for your question. Regarding our digital marketing, offline advertising like TV commercials has traditionally been a very powerful tool for raising the brand awareness of Lifenet Insurance Company. On the other hand, considering that we focus on young demographics like the child-rearing generation, we have felt a slight gap between our targeting generation and the generation that we can reach through TV commercials. Therefore, we also increase the investment in online advertising in recent years.

Of course, we also do general online advertising, listings and banners. In addition to that, we are now taking on the challenge of video advertisements and voice advertisements.

At this moment, rather than being able to scale these initiatives, we are still looking into the effect of the new type of advertisements on the improvement of brand awareness or the behavior change of audiences after watching and hearing them. We think that it is one of the media that can replace TV commercials over the medium to long term, so we would like to continue to carry out a promotion that suits the behavior of young generations.

I would like to answer about the second question, the initiatives with Money Forward. At this point, I cannot say anything about whether it is one of financial service intermediate businesses or not. Money Forward themselves has a large customer base of over 10 million people, and there are many users who can visualize the household budget. But we understand that there are fewer users who can improve the household budget after knowing how much they spend through visualization.

Therefore, we would like to work together on the development and provision of life insurance products and services that are useful for Money Forward users because life insurance premiums is one of the fixed costs of households.

In fact, most of our policyholders did not switch from other life insurers' products but took out our life insurance for the first time. On the other hand, as you can see, about 90% of the household in Japan already

have life insurance, which is an extremely high level. For Lifenet to make a leap forward in the future, it is important how we will work not only on the conventional effort for those who take out life insurances for the first time, but also on the insurance review market for those who already have insurance. Against this background, we would like to make a firm commitment and think of it as a new initiative that we would like to make a big contribution in the future.

Questioner 2: Regarding the first question on digital marketing, what about the conversion ratio from online advertising? If there are 100 customers visiting your website, how many customers apply for policies?

Regarding the second question on Money Forward, I can think of an application that reads insurance certificates with AI, and propose alternatives, for instance. Are you going to develop a review tool that has never existed before with Money Forward in the future?

Mori: As for the first point, we don't disclose the detail from a strategic perspective. It would be a great cost-effective customer for us to search for Lifenet Insurance Company and the Company name without stepping on online advertisements.

But it is also true that many people visit our website after encountering our online advertisements or being reminded by them while wandering around the Internet. By continuing to combine the offline and online advertisement, we would like to encourage customers to take action like visiting our website and taking out an insurance.

As for the second point of collaboration with Money Forward, there are many opportunities where customers are pushed to review insurance in some way, but I think there are still some hurdles when doing it voluntarily online. I think that how to empower it with technology will be one of the points in this initiative.

We will consider the utilization of new technology, and I think that the key to the success is the customer experience such as smooth operation for a wide range of customers in a stress-free way. Money Forward also has a remarkably high awareness of customer experience, so we can pursue the provision of a new customer experience together.

Questioner 2: When will your initiative be launched?

Mori: Now, we are aiming to start this summer, and we would like to prepare until then.

Questioner 3: I have two questions, some of which might be the same as the previous questions.

The first point is the investment of marketing expenses. You told us at the Q2 briefing session that it was not good timing to invest them aggressively from the business environment perspective and determining the opportunities for next investment. This time, you explained that you had a good new business performance in January by actively investing. After the current state of emergency settles down, or the COVID-19 impact settles down, will the time to reconsider how to control the marketing expenses come as a possibility?

The second point is about Money Forward. I think it is a tie-up with lots of affinity. How much can you get the information of the customers who switched the insurance from other insurance companies? I understand the exchange of personal information is quite sensitive, but according to the situations, the information has a lot of room for use. Also, Money Forward will probably add asset management as a service in the future. Will you come up with an option like a challenge to savings type products in the tie-up with Money Forward?

Kondo: Thank you. Regarding the first question about investment in marketing expenses, considering various environments surrounding us and customers' data, we will make a comprehensive decision of the investment.

We can check the effects of both our offline advertisements and online advertisements immediately. Therefore, we can recognize the changes in environment under the state of emergency due to COVID-19 and the changes in customer behaviors in a certain way. Based on the situation, it is possible that we make a decision to refrain from proactive investment when we recognize that the investment doesn't encourage customers to apply for their policies so much.

On the other hand, recently our new business performance has been increasing year by year, and we believe that it is important to keep up the growth trend and generate its momentum. So, we will make a comprehensive decision-making about investment in marketing expenses.

Mori: Regarding the first question, we are doing various studies to find out when it is difficult to invest in the marketing expenses. As a symbolic case, we have a possibility not to invest actively when the unit price of promotion rises significantly for some reason.

In other cases, now we are investing in the area for innovation of customer experience, which is essential for our business. However, when this customer experience of ours is far behind the customer's expectation, it is possible that conversions will be worsened even if we increase our website traffic. In such cases, there is a possibility of refraining from the investment in promotion.

You mentioned COVID-19 impact as an example, but we think that COVID-19 impact is a temporary factor, and we will not rely on COVID-19 impact in terms of our medium-term growth.

We would like to capture this short-term tailwind thoroughly, but even if it disappears, we should focus on how to continue organic growth and refine our strengths.

Regarding the second point about initiatives with Money Forward, I would reserve the answers regarding how much customer information we can grasp. I myself use Money Forward's service, PEM (personal financial management) apps and the service enables us to integrate our information about bank accounts or credit card payments into the apps. So, Money Forward can figure out which life insurance company the customers use and how much insurance premium they pay each month. And the users can also register their personal information like life age and family structure, et cetera. So, we guess that Money Forward can figure out the users' information.

It will be Money Forward who will actually carry out sales activities, but we will give advice to them as to how to sell life insurance products online efficiently. We would like to create a good customer experience together.

As for a product strategy, we basically have the product strategy that specializes in pure protection products. Currently, interest rates are extremely low, and now there are various investment ways like ETFs and investment trusts without utilizing saving insurance products. There is no correct answer to this, but we ourselves think that insurance products should be specialized in the function as protection, and asset management should be managed by another way other than insurance. We believe that this thought suits the current era.

Question in the text form and Answer

Question: As the acquisition of new business is expected to accelerate, what do you think of recruitment from next year onward? Can you explain the trend of employee retention rate?

Mori: As we are an online life insurer, the increase in the number of new business necessarily doesn't lead to the increase in that of employees. On the other hand, from the perspective of channel development, such as the new channel with Money Forward announced this time, we are expanding certain human resources.

At the same time, there are new initiatives considering and preparing to transform just life insurance company into an Internet service company of life insurance. Therefore, we anticipate certain additional recruitment in the future to advance such new initiatives.

Regarding the employee retention rate, there is no particularly noticeable change under the COVID-19 impact, and we understand that there is incredibly hot competition in some recruiting market, such as UI/UX designers, who we want to hire. We would like to gradually acquire good human resources while promoting the attractiveness of our business or organization.

Question: Do you have any plans to return any benefits to employees in consideration of the fact that ordinary income is growing strongly?

Mori: Especially in the most recent year, we believe that our employees have worked hard to provide services that exceed the expectations of our customers in order to respond to their great demand.

Therefore, from the perspective of properly retaining talented employees, we would like to make a firm investment in giving the attractive benefits to employees and improving the organizational environment. While it is important, it will be only minor impact on our business or profitability by the investment.

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