

May 15, 2018

Daisuke Iwase, President

LIFENET INSURANCE COMPANY

(Securities Code: 7157, TSE Mothers)

Financial Results for Fiscal 2017 Ended March 31, 2018

Annualized premium of new business of 1,714 million yen, up 25.9% year on year

TOKYO, May 15, 2018 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for fiscal 2017 ended March 31, 2018.

1. Overview of the financial results for fiscal 2017

(1) Business results

Condition of policies-in-force

Annualized premium*¹ of new business in 4Q ended March 31, 2018 was 523 million yen (128.9% of 4Q of fiscal 2016) with the number of new business at 12,178 (133.2% of 4Q of fiscal 2016). Annualized premium*¹ of new business for fiscal 2017 was 1,714 million yen (125.9% of fiscal 2016) with the number of new business at 39,175 (131.7% of fiscal 2016).

Annualized premium*¹ of policies-in-force as of March 31, 2018 stands at 11,147 million yen (110.5% of March 31, 2017). Sum insured of policies-in-force was 2,059,703 million yen (104.7% of March 31, 2017). The number of policies-in-force resulted in a total of 263,847 (110.0% of March 31, 2017), exceeding 260,000 in February 2018. The number of policyholders was 169,532. Surrender and lapse ratio*² for fiscal 2017 was 5.9% (6.6% for fiscal 2016).

*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 2017 increased to 10,616 million yen (108.2% of fiscal 2016) due to an increase in the number of policies-in-force. Investment income was 317 million yen (146.4% of fiscal 2016). Other ordinary income was 28 million yen. As a result, ordinary income for fiscal 2017 amounted to 10,962 million yen (108.6% of fiscal 2016).

Insurance claims and other was 1,891 million yen (105.3% of fiscal 2016). The ratio of insurance payment amounts to insurance premiums decreased to 15.0% for fiscal 2017, compared with 16.0% for fiscal 2016. Provision for policy reserves and other came to 3,684 million yen (101.3% of fiscal 2016). The ratio of provision for policy reserves to insurance premiums was 34.2% for fiscal 2017, compared with 37.8% for fiscal 2016. Operating expenses amounted to 4,942 million yen (122.1% of fiscal 2016). The components of operating expenses were 2,627 million yen in marketing expenses including advertising (144.2% of fiscal 2016), 687 million yen in customer service expenses (120.6% of fiscal 2016), and 1,628 million yen in system and other expenses (98.4% of fiscal 2016). Other ordinary expenses was 613 million yen (23.2% of fiscal 2016) since the amortization of deferred assets under Article 113 of the Insurance Business Act is no longer recorded by the one-time amortization in fiscal 2016. Consequently, ordinary expenses for fiscal 2017 totaled 11,160 million yen (92.0% of fiscal 2016).

As a result, ordinary loss totaled 197 million yen for fiscal 2017, compared with 2,031 million yen for fiscal 2016. Net loss was 249 million yen, compared with 1,889 million yen for fiscal 2016.

In addition, fundamental profit, which is one of the indicators for the profitability of life insurance companies, amounted to 120 million yen loss, compared with 1,936 million yen loss for fiscal 2016 mainly due to the one-time amortization of the deferred assets in fiscal 2016. The components of fundamental profit were 2,623 million yen in mortality margin, 2,752 million yen loss in expense margin and 8 million yen in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of March 31, 2018 amounted to 35,541 million yen (31,934 million yen as of March 31, 2017). The major account balance was 28,303 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 maintaining equity and business partnerships while selling shares of Kyobo Lifeplanet Life Insurance Company in March 2018, which is an online life insurer jointly established with Kyobo Life Insurance Co., Ltd. in Korea.

Liabilities amounted to 22,153 million yen as of March 31, 2018 (18,288 million yen as of March 31, 2017), owing to an increase in policy reserves as a result of the increased insurance premiums. The major account balances were 20,757 million yen in policy reserves (including 1,519 million yen in contingency reserves), and 429 million yen in reserves for outstanding claims. In terms of policy reserves, it will be transferred from 5-year Zillmer's method to standard policy reserves from fiscal 2018 through fiscal 2022. The difference between current policy reserves and standard policy reserves is 1,648 million yen, to be enhanced over 5 fiscal years.

Net assets decreased to 13,387 million yen as of March 31, 2018 (13,645 million yen as of March 31, 2017) due to the recording of net loss for fiscal 2017.

Solvency margin ratio as of March 31, 2018 was 2,455.8% (2,723.0% as of March 31, 2017), which indicated that an adequate level of payment capacity was maintained.

(3) Cash flows

For fiscal 2017, net cash provided by operating activities amounted to 3,820 million yen (3,904 million yen provided for fiscal 2016) due to an increase in operating expenses and insurance premiums and other. Net cash used by investing activities amounted to 3,852 million yen (3,834 million yen used for fiscal 2016) mainly due to acquisition of securities. Net cash used by financing activities amounted to 19 million yen (200 million yen provided for fiscal 2016).

Based on these activities described above, cash and cash equivalents as of March 31, 2018 totaled 2,926 million yen (3,004 million yen as of March 31, 2017).

(4) Business forecasts

Business forecasts for fiscal 2018 are as follows. Lifenet discloses ordinary income, ordinary profit (loss) and net income (loss).

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts for fiscal 2018	12,000	0	0
(Ref.) Business results for fiscal 2017	10,962	(197)	(249)
Change	9.5%	-	-

Lifenet is forecasting ordinary income of 12 billion yen, ordinary profit (loss) of 0 million yen and net income (loss) of 0 million yen for fiscal 2018. With three channels, online direct sales, KDDI and agents as the pillars, Lifenet will be continuously aiming of the ordinary income growth by pursuing expansion of the new business performance. In terms of this purpose we plan to allocate our marketing expenses proactively in fiscal 2018, therefore ordinary profit (loss) and net income (loss) are expected to be 0 million yen. Actual results of ordinary profit (loss) and net income (loss) may greatly diverge from forecasts if the amount of insurance claims and benefits fluctuates beyond our expectation.

(5) Dividend policy

Lifenet has yet to determine its specific dividend policies and dates for the start of distributing retained earnings as dividends because we still record cumulative loss. Lifenet will consider paying dividends in the future.

Lifenet's Articles of Incorporation stipulates that a decision on the distribution of retained earnings as specified in each Item of Paragraph 1, Article 459 of the Companies Act can be made by a resolution of the Board of Directors, except as otherwise determined by law.

2. Business policy

(1) Basic management policy

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with its management principle 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 an increase of ordinary income by 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

Lifenet formulated the Mid-term Business Plan through fiscal 2018 as follows, aiming to achieve its stable growth in the future.

Summary of 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

In fiscal 2016, the first year of Mid-term Business Plan, new business performance returned to growth, exceeding the performance of the previous fiscal year for the first time in five fiscal years. As a result of sales channel diversification and proactive allocation of marketing expenses, the number of new business have continued to exceed year on year since the launch of Cancer Insurance *Double Yell* in August 2017 and new business performance is growing strongly. Lifenet recognize that we are in a phase of regrowth and aim to continue to improve the business performance steadily also in fiscal 2018 by enhancing sales channels and allocating marketing expenses.

However, the target for ordinary income 13.5 billion yen set forth in the Management Goal of Mid-term Business Plan, is not expected to be achieved in fiscal 2018, since sales operation efficiency of online direct sales channel has not been improved as expected and we have not utilized KDDI and other over-the-counter channels enough as planned.

Business forecasts for fiscal 2018 are provided under "1 (4) Business Forecasts" on page 3.

Aiming to achieve its stable growth in the future and to create unique customer value, Lifenet promotes its initiatives for the following issues to be addressed based on its principle of "offering simple, convenient and competitively priced products and services based on the highest levels of business integrity."

a) Further growth of new business performance with three channels

Lifenet aims to further grow in new business performance by reinforcing a foundation that will allow for achieving sustainable profitability through the utilization of three channels.

First, in the online direct sales channel we will be further expanding sales of Lifenet products such as *Double Yell*, Cancer Insurance launched in August 2017, by actively allocating marketing expenses. In addition, by strengthening our website for better accommodation of smartphone users and providing information to customers based on their characteristics, we will be able to increase applicant numbers, and ultimately gain new businesses. Furthermore, considering that Lifenet has been primarily supported by, and seen growth in, child-raising generations— customers aged 20 to 49 comprise 85% of our policyholder base, we will be leveraging the expertise and technologies that we have developed over 10 years since business commencement to reach the younger generations as we work to strengthen our approach to the working and child-raising generations.

For the KDDI channel, in April 2018 we added *au Cancer Insurance* as a new product to the product line of the *au Life Insurance* fully launched in December 2016, and KDDI and Lifenet are currently working as one to boost the products' recognition and expand its sales. While repeating trial and error, we are aiming at cultivating new sales channels through continued trial marketing at au shops. Furthermore, the au Financial Support Center, a call center of the KDDI, is working to improve customers satisfaction as we focus on sales of life insurance products for KDDI's wide-ranging customer platform. The au Financial Support Center is highly evaluated, given the highest rating of three stars in the 2017 HDI Rating Benchmark hosted by HDI-Japan for the life insurance industry's "Contact Center" category. We will continue to plan the development of new products leveraging KDDI channel features.

Finally, for the agency channel, we will enhance system to provide Lifenet products, Long-term Disability *Hataraku-Hito 2* in particular, to a greater number of customers by expanding over-the-counter agents. Although the competition in the long-term disability insurance market is getting intense, we are promoting our product sales, utilizing our advantage of expertise as a pioneer to sell for individuals and external high evaluation. For Internet agents, we will aim to increase the number of new business through online agencies by making the features and technologies of online insurer while taking measures that include considering new ways to provide insurance together with the agents.

b) Expanding and improving products and services through the use of technologies

Lifenet has established its future direction that support the lives of customers beyond providing life insurance products but also using a range of technologies. The first step is to improve the policy continuation ratio through means such as developing a smartphone application for our policyholders by striving to communicate in such a way that policyholders can feel familiar with and appreciate the convenience of Lifenet services, even after becoming a policyholder, while working to build relationship of trust with them over long term. We will then promote research and development, which includes developing new insurance products and new ways to provide those products. This will involve analyzing healthcare and other data and considering use of technologies highly useful for selling life insurance. Along with continuing to search for ways to use technologies in order to accommodate an increasingly competitive environment, we will again commit ourselves to offering products and services with convenience for the customer.

c) Continuous improvement of operating expenses efficiency

With the goal of achieving low-cost business operations, Lifenet continuously strives to improve its operating expenses efficiency. In order to further improve in new business performance in fiscal 2018, we plan to conduct aggressive sales activities with a primary focus on advertising. On the other hand, we will aim at improving sales efficiency by securing new inflow channels other than TV commercials in addition to improving efficiency and optimizing regarding investing advertising expenses in the online direct sales channel. We will also focus on improving sales operations efficiency in our agency channel including KDDI, using each agency's customer base and brand power to provide Lifenet products to more customers. Along with these efforts, we will review our business processes throughout the company and put effort into developing human resource in order to improve each employee's productivity and enhance operating expenses efficiency.

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

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY 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	
	2017	2018
ASSETS		
Cash and deposits.....	1,004	926
Bank deposits.....	1,004	926
Monetary claims bought.....	1,999	1,999
Money held in trust	995	2,567
Securities	26,372	28,303
Government bonds	9,876	8,398
Municipal bonds.....	1,496	1,505
Corporate bonds	11,751	13,892
Stocks	334	346
Foreign securities.....	819	—
Other securities	2,095	4,161
Tangible fixed assets.....	123	109
Buildings	16	18
Leased assets	59	40
Other tangible fixed assets	46	50
Intangible fixed assets.....	502	621
Software.....	412	465
Software in progress	54	138
Leased assets	34	17
Other intangible fixed assets.....	0	0
Agency accounts receivable	1	4
Reinsurance accounts receivable.....	30	45
Other assets.....	904	964
Accounts receivable.....	742	802
Prepaid expenses	45	50
Accrued income	40	36
Deposits.....	73	73
Suspense payments	2	1
Total assets	31,934	35,541

(In millions of yen)

March 31

	2017	2018
<u>LIABILITIES</u>		
Policy reserves and other	17,501	21,186
Reserves for outstanding claims	311	429
Policy reserves	17,189	20,757
Agency accounts payable	39	59
Reinsurance accounts payable	68	108
Other liabilities	469	581
Income taxes payable	1	23
Accounts payable	37	45
Accrued expenses	330	427
Deposits received	13	13
Lease liabilities	51	33
Asset retirement obligations	33	33
Suspense receipt	2	5
Reserves under the special laws	19	30
Reserve for price fluctuations	19	30
Deferred tax liabilities	189	186
Total liabilities	18,288	22,153
<u>NET ASSETS</u>		
Capital stock	12,136	12,136
Capital surplus	12,136	12,136
Legal capital surplus	12,136	12,136
Retained earnings	(11,116)	(11,365)
Other retained earnings	(11,116)	(11,365)
Retained earnings brought forward	(11,116)	(11,365)
Shareholders' equity	13,157	12,907
Valuation difference on available-for-sale securities	488	480
Valuation and translation adjustments	488	480
Total net assets	13,645	13,387
Total liabilities and net assets	31,934	35,541

(2) Statements of Operations

	(In millions of yen)	
	Year ended March 31	
	2017	2018
Ordinary income.....	10,096	10,962
Insurance premiums and other.....	9,816	10,616
Premiums income.....	9,628	10,421
Reinsurance income.....	187	194
Investment income.....	216	317
Interest, dividends and other income.....	215	232
Interest from deposits.....	0	0
Interest and dividends from securities.....	215	232
Other interest and dividends.....	0	0
Gain on money held in trust.....	0	17
Gain on sales of securities.....	—	47
Gain on derivative financial instruments.....	—	19
Other ordinary income.....	63	28
Reversal of reserves for outstanding claims.....	45	—
Other.....	18	28
Ordinary expenses.....	12,128	11,160
Insurance claims and other.....	1,796	1,891
Insurance claims.....	1,005	978
Benefits.....	535	584
Other refunds.....	0	0
Reinsurance commissions.....	256	329
Provision for policy reserves and other.....	3,638	3,684
Provision for reserves for outstanding claims.....	—	117
Provision for policy reserves.....	3,638	3,567
Investment expenses.....	0	27
Interest expenses.....	0	0
Foreign exchange losses.....	—	26
Other investment expenses.....	0	0
Operating expenses.....	4,047	4,942
Other ordinary expenses.....	2,646	613
Taxes.....	282	355
Depreciation.....	239	254
Amortization of deferred assets under Article 113 of the Insurance Business Act.....	2,120	—
Other.....	3	3
Ordinary profit (loss).....	(2,031)	(197)
Extraordinary losses.....	6	11
Provision of reserves under the special laws.....	6	11
Provision of reserve for price fluctuations.....	6	11
Income (loss) before income taxes.....	(2,038)	(209)
Income taxes-current.....	22	39
Income taxes-deferred.....	(172)	—
Income taxes.....	(149)	39
Net income (loss).....	(1,889)	(249)

(3) Statements of Changes in Net Assets

	(In millions of yen)	
	Year ended March 31	
	2017	2018
Shareholders' equity:		
Capital stock		
Capital stock	12,020	12,136
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	116	—
Total changes of items during the period	116	—
Capital stock	12,136	12,136
Capital surplus		
Legal capital surplus		
Legal capital surplus	12,020	12,136
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares ...	116	—
Total changes of items during the period	116	—
Legal capital surplus	12,136	12,136
Total capital surplus		
Capital surplus	12,020	12,136
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares ...	116	—
Total changes of items during the period	116	—
Capital surplus	12,136	12,136
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward	(9,227)	(11,116)
Total changes of items during the period		
Net income (loss)	(1,889)	(249)
Total changes of items during the period	(1,889)	(249)
Retained earnings brought forward	(11,116)	(11,365)
Total retained earnings		
Retained earnings	(9,227)	(11,116)
Changes of items during the period		
Net income (loss)	(1,889)	(249)
Total changes of items during the period	(1,889)	(249)
Retained earnings	(11,116)	(11,365)
Total shareholders' equity		
Shareholders' equity	14,813	13,157
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	232	—
Net income (loss)	(1,889)	(249)
Total changes of items during the period	(1,656)	(249)
Shareholders' equity	13,157	12,907

	(In millions of yen)	
	Year ended March 31	
	2017	2018
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities ...	591	488
Changes of items during the period		
Net changes of items other than shareholders' equity	(102)	(8)
Total changes of items during the period	(102)	(8)
Valuation difference on available-for-sale securities	488	480
Total valuation and translation adjustments		
Total valuation and translation adjustments	591	488
Changes of items during the period		
Net changes of items other than shareholders' equity	(102)	(8)
Total changes of items during the period	(102)	(8)
Total valuation and translation adjustments	488	480
Subscription rights to shares:		
Subscription rights to shares	19	—
Changes of items during the period		
Net changes of items other than shareholders' equity	(19)	—
Total changes of items during the period	(19)	—
Subscription rights to shares	—	—
Net assets:		
Net assets	15,423	13,645
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	232	—
Net income (loss)	(1,889)	(249)
Net changes of items other than shareholders' equity	(122)	(8)
Total changes of items during the period	(1,778)	(257)
Net assets	13,645	13,387

(4) Statements of Cash Flows

	(In millions of yen)	
	Year ended March 31	
	2017	2018
Cash flows from operating activities		
Income (loss) before income taxes	(2,038)	(209)
Depreciation and amortization	239	254
Increase (decrease) in reserves for outstanding claims	(45)	117
Increase (decrease) in policy reserves	3,638	3,567
Increase (decrease) in reserve for price fluctuations	6	11
Interest, dividends and other income	(215)	(232)
Loss (gain) related to securities	—	(47)
Interest expenses	1	1
Foreign exchange losses (gains)	—	26
Decrease (increase) in agency accounts receivable	(1)	(2)
Decrease (increase) in reinsurance accounts receivable	(3)	(15)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	2,055	(80)
Increase (decrease) in agency accounts payable	31	19
Increase (decrease) in reinsurance accounts payable	12	39
Increase (decrease) in other liabilities <excluding assets for investing and financing activities > ..	8	99
Other, net	1	(35)
Subtotal	<u>3,690</u>	<u>3,514</u>
Interest and dividends income received	325	307
Interest expenses paid	(1)	(1)
Income taxes paid	(111)	(0)
Net cash provided by (used in) operating activities	<u>3,904</u>	<u>3,820</u>
Cash flows from investing activities		
Purchase of money held in trust	—	(1,600)
Purchase of securities	(5,217)	(6,302)
Proceeds from sales and redemption of securities	1,700	4,401
Total of net cash provided by (used in) investment transactions ..	<u>(3,517)</u>	<u>(3,501)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>386</u>	<u>318</u>
Purchase of tangible fixed assets	(39)	(21)
Purchase of intangible fixed assets	(277)	(330)
Net cash provided by (used in) investing activities	<u>(3,834)</u>	<u>(3,852)</u>
Cash flows from financing activities		
Proceeds from issuance of stock resulting from exercise of subscription rights to shares ...	213	—
Repayments of lease liabilities	(13)	(19)
Net cash provided by (used in) financing activities	<u>200</u>	<u>(19)</u>
Effect of exchange rate changes on cash and cash equivalents	—	(26)
Net increase (decrease) in cash and cash equivalents	<u>270</u>	<u>(78)</u>
Cash and cash equivalents, beginning of the year	<u>2,734</u>	<u>3,004</u>
Cash and cash equivalents, end of the year	<u><u>3,004</u></u>	<u><u>2,926</u></u>