

August 10, 2018
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LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

Financial Results for 1Q of Fiscal 2018 Ending March 31, 2019 **Annualized premium of new business of 572 million yen, up 66.7% year on year**

TOKYO, August 10, 2018 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the first quarter of fiscal 2018 ending March 31, 2019.

1. Overview of the financial results for 1Q of fiscal 2018

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 1Q ended June 30, 2018 was 572 million yen (166.7% of 1Q of fiscal 2017). The number of new business was 13,285 (170.5% of 1Q of fiscal 2017). Annualized premium^{*1} of policies-in-force as of the end of 1Q of fiscal 2018 stands at 11,529 million yen (103.4% of March 31, 2018). The number of policies-in-force resulted in a total of 272,830 (103.4% of March 31, 2018). Surrender and lapse ratio^{*2} for 1Q of fiscal 2018 was 6.3% (6.5% for 1Q of fiscal 2017).

*1: Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments, we calculate annualized premium as multiplying the monthly premium by 12 months.

*2: The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Results of operations

Insurance premiums and other for the 1Q of fiscal 2018 increased to 2,882 million yen (111.4% of 1Q of fiscal 2017) due to an increase in the number of policies-in-force. Investment income grew to 61 million yen (112.9% of 1Q of fiscal 2017). Other ordinary income was 10 million yen. As a result, ordinary income for 1Q of fiscal 2018 amounted to 2,954 million yen (111.4% of 1Q of fiscal 2017).

Insurance claims and other was 600 million yen (128.4% of 1Q of fiscal 2017). The ratio of insurance payment amounts to insurance premiums increased to 17.7% for 1Q of fiscal 2018, compared with 15.7% for 1Q of fiscal 2017. Provision for policy reserves and other came to 899 million yen (98.6% of 1Q of fiscal 2017). The ratio of provision for policy reserves to insurance premiums was 32.2% for 1Q of fiscal 2018, compared with 34.9% for 1Q of fiscal 2017. Operating expenses amounted to 1,380 million yen (137.3% of 1Q of fiscal 2017). The components of operating expenses were 739 million yen in marketing expenses (173.7% of 1Q of fiscal 2017), 188 million yen in customer service expenses (112.8% of 1Q of fiscal 2017), and 453 million yen in system and other expenses (109.6% of 1Q of fiscal 2017). Other ordinary expenses was 163 million yen (127.2% of 1Q of fiscal 2017). Consequently, ordinary expenses for 1Q of fiscal 2018 totaled 3,045 million yen (121.1% of 1Q of fiscal 2017).

As a result, ordinary loss totaled 90 million yen for 1Q of fiscal 2018, compared with 136 million yen profit for 1Q of fiscal 2017. Net loss was 95 million yen, compared with 109 million yen profit for 1Q of fiscal 2017.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 77 million yen loss, compared with 159 million yen profit for 1Q of fiscal 2017. The components of fundamental profit were 681 million yen in mortality margin, 754 million

yen loss in expense margin and 5 million yen loss in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of June 30, 2018 amounted to 36,435 million yen (35,541 million yen as of March 31, 2018). The major account balance was 29,498 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 23,044 million yen as of June 30, 2018 (22,153 million yen as of March 31, 2018), owing to an increase in policy reserves. The major account balances were 21,656 million yen in policy reserves and 425 million yen in reserves for outstanding claims.

Net assets amounted to 13,391 million yen as of June 30, 2018 (13,387 million yen as of March 31, 2018).

The solvency margin ratio as of June 30, 2018 was 2,402.5% (2,455.8% as of March 31, 2018), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For 1Q of fiscal 2018, net cash provided by operating activities amounted to 682 million yen (902 million yen provided for 1Q of fiscal 2017) due to an increase in operating expenses and insurance premiums and other. Net cash used by investing activities amounted to 1,125 million yen (927 million yen used for 1Q of fiscal 2017) mainly due to acquisition of securities. Net cash used by financing activities amounted to 4 million yen (4 million yen used for 1Q of fiscal 2017).

Based on these activities described above, cash and cash equivalents as of June 30, 2018 totaled 2,477 million yen (2,926 million yen as of March 31, 2018).

(3) Business forecasts

The business forecasts for fiscal 2018 was revised as shown below, due to further aggressive investment in marketing expenses to expand the scale of our business as our strong business performance in 1Q of fiscal 2018 following fiscal 2017. Accordingly, ordinary loss and net loss are expected to be lower than previous forecast, which was announced on May 15, 2018.

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts (Fiscal 2018)	12,300	(800)	(600)
(Reference) Results (Fiscal 2017)	10,962	(197)	(249)

About LIFENET URL: <https://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.

2. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31, 2018	June 30, 2018
ASSETS		
Cash and deposits	926	977
Monetary claims bought	1,999	1,499
Money held in trust	2,567	2,641
Securities	28,303	29,498
Government bonds	8,398	8,402
Municipal bonds	1,505	1,506
Corporate bonds	13,892	14,997
Stocks	346	432
Other securities	4,161	4,158
Tangible fixed assets	109	99
Intangible fixed assets	621	613
Agency accounts receivable	4	4
Reinsurance accounts receivable	45	89
Other assets	964	1,010
Accounts receivable	802	829
Other	162	180
Total assets	<u>35,541</u>	<u>36,435</u>
LIABILITIES		
Policy reserves and other	21,186	22,082
Reserves for outstanding claims	429	425
Policy reserves	20,757	21,656
Agency accounts payable	59	46
Reinsurance accounts payable	108	117
Other liabilities	581	539
Reserves under the special laws	30	33
Reserve for price fluctuations	30	33
Deferred tax liabilities	186	225
Total liabilities	<u>22,153</u>	<u>23,044</u>
NET ASSETS		
Capital stock	12,136	12,136
Capital surplus	12,136	12,136
Retained earnings	(11,365)	(11,461)
Shareholders' equity	<u>12,907</u>	<u>12,812</u>
Valuation difference on available-for-sale securities	480	578
Valuation and translation adjustments	480	578
Total net assets	<u>13,387</u>	<u>13,391</u>
Total liabilities and net assets	<u>35,541</u>	<u>36,435</u>

(2) Statements of Operations

	(In millions of yen)	
	Three months ended June 30	
	2017	2018
Ordinary income.....	2,651	2,954
Insurance premiums and other	2,588	2,882
Premiums income	2,521	2,792
Reinsurance income.....	66	89
Investment income.....	54	61
Interest, dividends and other income.....	51	53
Gains on money held in trust.....	2	7
Other ordinary income	9	10
Reversal of reserves for outstanding claims.....	—	3
Other	9	6
Ordinary expenses	2,514	3,045
Insurance claims and other	467	600
Insurance claims	260	334
Benefits	134	159
Other refunds	—	0
Reinsurance commissions.....	73	107
Provision for policy reserves and other	912	899
Provision for reserves for outstanding claims	33	—
Provision for policy reserves	879	899
Investment expenses.....	0	0
Interest expenses	0	0
Operating expenses	1,005	1,380
Other ordinary expenses	128	163
Ordinary profit (loss)	136	(90)
Extraordinary losses	1	2
Provision of reserves under the special laws.....	1	2
Provision of reserve for price fluctuations	1	2
Income (loss) before income taxes	134	(93)
Income taxes-current	25	1
Income taxes.....	25	1
Net income (loss)	109	(95)

(3) Statements of Cash Flows

	(In millions of yen)	
	Three months ended June 30	
	2017	2018
Cash flows from operating activities		
Income (loss) before income taxes	134	(93)
Depreciation and amortization	59	66
Increase (decrease) in reserves for outstanding claims	33	(3)
Increase (decrease) in policy reserves	879	899
Increase (decrease) in reserve for price fluctuations	1	2
Interest, dividends and other income	(51)	(53)
Interest expenses	0	0
Decrease (increase) in agency accounts receivable	(0)	(0)
Decrease (increase) in reinsurance accounts receivable	(35)	(44)
Decrease (increase) in other assets <excluding assets for investing and financing activities> ..	(25)	(31)
Increase (decrease) in agency accounts payable	(6)	(12)
Increase (decrease) in reinsurance accounts payable	4	8
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities>	(136)	(79)
Other, net	(2)	(7)
Subtotal	<u>853</u>	<u>651</u>
Interest and dividends income received	52	56
Interest expenses paid	(0)	(0)
Income taxes paid	(3)	(25)
Net cash provided by (used in) operating activities	<u>902</u>	<u>682</u>
Cash flows from investing activities		
Purchase of money held in trust	(500)	—
Purchase of securities	(2,100)	(1,642)
Proceeds from sales and redemption of securities	1,770	600
Total of net cash provided by (used in) investment transactions	<u>(830)</u>	<u>(1,041)</u>
Total of net cash provided by (used in) operating activities and investment transactions	<u>71</u>	<u>(358)</u>
Purchase of tangible fixed assets	(8)	(18)
Purchase of intangible fixed assets	(88)	(65)
Net cash provided by (used in) investing activities	<u>(927)</u>	<u>(1,125)</u>
Cash flows from financing activities		
Repayments of lease obligations	(4)	(4)
Net cash provided by (used in) financing activities	<u>(4)</u>	<u>(4)</u>
Net increase (decrease) in cash and cash equivalents	<u>(29)</u>	<u>(448)</u>
Cash and cash equivalents, beginning of the year	3,004	2,926
Cash and cash equivalents, end of the period	<u>2,974</u>	<u>2,477</u>

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