

November 12, 2018
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LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

Financial Results for 2Q of Fiscal 2018 Ending March 31, 2019 **Annualized premium of new business of 637 million yen, up 64.5% year on year**

TOKYO, November 12, 2018 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the second quarter of fiscal 2018 ending March 31, 2019.

1. Overview of the financial results for 2Q of fiscal 2018

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 2Q ended September 30, 2018 was 637 million yen (164.5% of 2Q of fiscal 2017). The number of new business was 14,763 (170.7% of 2Q of fiscal 2017). Annualized premium^{*1} of new business for the six months ended September 30, 2018 was 1,209 million yen (165.5% of the six months ended September 30, 2017). The number of new business for the six months ended September 30, 2018 was 28,048 (170.6% of the six months ended September 30, 2017).

Annualized premium^{*1} of policies-in-force as of the end of 2Q of fiscal 2018 stands at 11,979 million yen (107.5% of March 31, 2018). The number of policies-in-force resulted in a total of 283,207 (107.3% of March 31, 2018). Surrender and lapse ratio^{*2} for the six months ended September 30, 2018 was 6.2% (6.1% for the six months ended months ended September 30, 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 six months ended September 30, 2018 increased to 5,847 million yen (112.5% of the six months ended September 30, 2017) due to an increase in the number of policies-in-force. Investment income grew to 129 million yen (107.7% of the six months ended September 30, 2017). Other ordinary income was 120 million yen. As a result, ordinary income for the six months ended September 30, 2018 amounted to 6,097 million yen (114.2% of the six months ended September 30, 2017).

Insurance claims and other was 1,251 million yen (128.8% of the six months ended September 30, 2017). The ratio of insurance payment amounts to insurance premiums was 18.1% for the six months ended September 30, 2018, compared with 16.2% for the six months ended September 30, 2017. Provision for policy reserves and other came to 1,885 million yen (105.5% of the six months ended September 30, 2017). The ratio of provision for policy reserves to insurance premiums decreased to 33.2% for the six months ended September 30, 2018, compared with 35.1% for the six months ended September 30, 2017. Operating expenses amounted to 2,997 million yen (130.6% of the six months ended September 30, 2017) mainly due to increasing our marketing spend including advertising. The components of operating expenses were 1,721 million yen in marketing expenses (154.3% of the six months ended September 30, 2017), 367 million yen in customer service expenses (112.2% of the six months ended September 30, 2017), and 908 million yen in system and other expenses (106.6% of the

six months ended September 30, 2017). Other ordinary expenses was 339 million yen (119.7% of the six months ended September 30, 2017). Consequently, ordinary expenses for the six months ended September 30, 2018 totaled 6,473 million yen (121.3% of the six months ended September 30, 2017).

As a result, ordinary loss totaled 376 million yen for the six months ended September 30, 2018, compared with 1 million yen profit for the six months ended September 30, 2017. Net loss was 384 million yen, compared with 15 million yen for the six months ended September 30, 2017.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 319 million yen loss, compared with 50 million yen profit for the six months ended September 30, 2017. The components of fundamental profit were 1,442 million yen in mortality margin, 1,756 million yen loss in expense margin and 6 million yen loss in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of September 30, 2018 amounted to 37,101 million yen (35,541 million yen as of March 31, 2018). The major account balance was 30,222 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 23,983 million yen as of September 30, 2018 (22,153 million yen as of March 31, 2018), owing to an increase in policy reserves. The major account balances were 22,642 million yen in policy reserves and 323 million yen in reserves for outstanding claims.

Net assets decreased to 13,118 million yen as of September 30, 2018 (13,387 million yen as of March 31, 2018), by recording the net loss.

The solvency margin ratio as of September 30, 2018 was 2,289.3% (2,455.8% as of March 31, 2018), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For the six months ended September 30, 2018, net cash provided by operating activities amounted to 1,475 million yen (1,906 million yen provided for the six months ended September 30, 2017) despite increased of operating expenses. Net cash used by investing activities amounted to 2,370 million yen (2,010 million yen used for the six months ended September 30, 2017) mainly due to acquisition of securities. Net cash used by financing activities amounted to 9 million yen (9 million yen used for the six months ended September 30, 2017).

Based on these activities described above, cash and cash equivalents as of September 30, 2018 totaled 2,022 million yen (2,926 million yen as of March 31, 2018).

(3) Business forecasts

The business forecasts for fiscal 2018 which was announced on August 10, 2018, was revised as shown below.

	(In millions of yen)		
	Ordinary income	Ordinary profit (loss)	Net income (loss)
Previous forecasts (August 10, 2018)	12,300	(800)	(600)
Revised forecasts (November 12, 2018)	12,600	(1,600)	(1,600)
(Reference) Results (Fiscal 2017)	10,962	(197)	(249)

Reasons for Revision

The company has performed well with new business and continued to raise the number in the first quarter of fiscal 2018, thanks to the launch of Cancer Insurance in fiscal 2017, as we made aggressive investment in marketing with a focus on advertising and promotions. Under this virtuous cycle that currently stands, we announced a revised business forecast on August 10, 2018 and we have spent aggressively so as to further scale our business. The success of this strategy resulted in the company achieving a near record high level of new business in the second quarter of fiscal 2018 and we reached record high of monthly new business performance in October 2018, while maintaining consistent operating efficiency from fiscal 2017 to gain each new policy in the first half of fiscal 2018.

As we announced “Lifenet Insurance’s New Management Policy” dated November 12, 2018, today, in light of the strong results and consistent spending efficiency in gaining new business, we have determined that following the newly formulated management policy to continue with the aggressive spending in a way that perpetuates this virtuous cycle will help scale the business by boosting brand power and raising recognition. That decision led to this second revision to the business forecast for the current fiscal year.

As the table below indicates, we project annualized premium¹ of new business of 2,600 million yen, up from 1,800 million yen in the initial business forecast. We aim to achieve this record high in new business.

(Reference)	(In millions of yen)		
	Initial forecast (May 15, 2018)	Revised forecast (Aug. 10, 2018)	Second revised business forecast (Nov. 12, 2018)
Annualized premium ¹ of new business	1,800	2,200	2,600

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.

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

Remembering 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	Sep. 30, 2018
ASSETS		
Cash and deposits.....	926	1,022
Monetary claims bought.....	1,999	999
Money held in trust	2,567	3,029
Securities	28,303	30,222
Government bonds.....	8,398	8,344
Municipal bonds	1,505	1,490
Corporate bonds.....	13,892	15,528
Stocks.....	346	487
Other securities	4,161	4,370
Tangible fixed assets.....	109	92
Intangible fixed assets.....	621	633
Agency accounts receivable	4	4
Reinsurance accounts receivable.....	45	74
Other assets.....	964	1,022
Accounts receivable	802	857
Other	162	165
Total assets	<u>35,541</u>	<u>37,101</u>

	(In millions of yen)	
	March 31, 2018	Sep. 30, 2018
<u>LIABILITIES</u>		
Policy reserves and other	21,186	22,965
Reserves for outstanding claims	429	323
Policy reserves	20,757	22,642
Agency accounts payable	59	49
Reinsurance accounts payable	108	125
Other liabilities	581	574
Income taxes payable	23	1
Accrued expenses	427	469
Lease liabilities	33	24
Asset retirement obligations	33	33
Other	64	45
Reserves under the special laws	30	37
Reserve for price fluctuations	30	37
Deferred tax liabilities	186	231
Total liabilities	22,153	23,983
<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	(11,365)	(11,750)
Other retained earnings	(11,365)	(11,750)
Retained earnings brought forward	(11,365)	(11,750)
Shareholders' equity	12,907	12,523
Valuation difference on available-for-sale securities	480	594
Valuation and translation adjustments	480	594
Total net assets	13,387	13,118
Total liabilities and net assets	35,541	37,101

(2) Statements of Operations

(In millions of yen)

	Six months ended Sep. 30	
	2017	2018
Ordinary income.....	5,338	6,097
Insurance premiums and other	5,196	5,847
Premiums income	5,083	5,682
Reinsurance income.....	112	164
Investment income.....	120	129
Interest, dividends and other income.....	114	113
Gains on money held in trust.....	6	16
Other ordinary income	21	120
Reversal of reserves for outstanding claims.....	3	105
Other	18	14
Ordinary expenses	5,337	6,473
Insurance claims and other	971	1,251
Insurance claims	533	710
Benefits	288	318
Other refunds	—	0
Reinsurance commissions.....	149	222
Provision for policy reserves and other	1,786	1,885
Provision for policy reserves	1,786	1,885
Investment expenses.....	0	0
Interest expenses	0	0
Operating expenses	2,295	2,997
Other ordinary expenses	283	339
Ordinary profit (loss)	1	(376)
Extraordinary losses	4	6
Provision of reserves under the special laws.....	4	6
Provision of reserve for price fluctuations	4	6
Income (loss) before income taxes	(3)	(382)
Income taxes-current	11	2
Income taxes.....	11	2
Net income (loss)	(15)	(384)

(3) Statements of Changes in Net Assets

	(In millions of yen)	
	Six months ended Sep. 30	
	2017	2018
Shareholders' equity:		
Capital stock		
Balance at the beginning of the year.....	12,136	12,136
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the period	12,136	12,136
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year.....	12,136	12,136
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the period	12,136	12,136
Total capital surplus		
Balance at the beginning of the year.....	12,136	12,136
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the period	12,136	12,136
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year	(11,116)	(11,365)
Changes of items during the period		
Net income (loss).....	(15)	(384)
Total changes of items during the period.....	(15)	(384)
Balance at the end of the period.....	(11,131)	(11,750)
Total retained earnings		
Balance at the beginning of the year.....	(11,116)	(11,365)
Changes of items during the period		
Net income (loss).....	(15)	(384)
Total changes of items during the period	(15)	(384)
Balance at the end of the period	(11,131)	(11,750)
Total shareholders' equity		
Balance at the beginning of the year.....	13,157	12,907
Changes of items during the period		
Net income (loss).....	(15)	(384)
Total changes of items during the period	(15)	(384)
Balance at the end of the period	13,141	12,523

	(In millions of yen)	
	Six months ended Sep. 30	
	2017	2018
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year.....	488	480
Changes of items during the period		
Net changes of items other than shareholders' equity	3	114
Total changes of items during the period	3	114
Balance at the end of the period	492	594
Total valuation and translation adjustments		
Balance at the beginning of the year.....	488	480
Changes of items during the period		
Net changes of items other than shareholders' equity	3	114
Total changes of items during the period	3	114
Balance at the end of the period	492	594
Net assets:		
Balance at the beginning of the year	13,645	13,387
Changes of items during the period		
Net income (loss)	(15)	(384)
Net changes of items other than shareholders' equity	3	114
Total changes of items during the period.....	(11)	(269)
Balance at the end of the period.....	13,633	13,118

(4) Statements of Cash Flows

	(In millions of yen)	
	Six months ended Sep. 30	
	2017	2018
Cash flows from operating activities		
Income (loss) before income taxes	(3)	(382)
Depreciation and amortization	122	126
Increase (decrease) in reserves for outstanding claims	(3)	(105)
Increase (decrease) in policy reserves.....	1,786	1,885
Increase (decrease) in reserve for price fluctuations	4	6
Interest, dividends and other income	(114)	(113)
Interest expenses	0	0
Decrease (increase) in agency accounts receivable	(0)	(0)
Decrease (increase) in reinsurance accounts receivable.....	(16)	(29)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	(31)	(53)
Increase (decrease) in agency accounts payable.....	(1)	(9)
Increase (decrease) in reinsurance accounts payable	7	16
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(6)	45
Other, net	(6)	(16)
Subtotal	<u>1,738</u>	<u>1,369</u>
Interest and dividends income received	156	132
Interest expenses paid	(0)	(0)
Income taxes (paid) refund.....	12	(25)
Net cash provided by (used in) operating activities	<u>1,906</u>	<u>1,475</u>
Cash flows from investing activities		
Purchase of money held in trust	(500)	(300)
Purchase of securities.....	(3,802)	(2,641)
Proceeds from sales and redemption of securities	2,470	715
Total of net cash provided by (used in) investment transactions ...	<u>(1,832)</u>	<u>(2,226)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>73</u>	<u>(751)</u>
Purchase of tangible fixed assets	(17)	(18)
Purchase of intangible fixed assets	(160)	(124)
Net cash provided by (used in) investing activities	<u>(2,010)</u>	<u>(2,370)</u>
Cash flows from financing activities		
Repayments of lease obligations	(9)	(9)
Net cash provided by (used in) financing activities	<u>(9)</u>	<u>(9)</u>
Net increase (decrease) in cash and cash equivalents	<u>(114)</u>	<u>(903)</u>
Cash and cash equivalents, beginning of the year	<u>3,004</u>	<u>2,926</u>
Cash and cash equivalents, end of the period	<u>2,890</u>	<u>2,022</u>

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