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(Securities Code: 7157)

May 31, 2022

To Our Shareholders:

Ryosuke Mori
President and Representative Director
LIFENET INSURANCE COMPANY
2-14-2 Kojimachi, Kojimachi NK Building
Chiyoda-Ku, Tokyo 102-0083

Notice of Convocation of the 16th Annual General Meeting of Shareholders to be held on June 26, 2022

LIFENET INSURANCE COMPANY (the "Company") hereby provides notice of the 16th Annual General Meeting of Shareholders (the "Meeting") as described below.

The Company will take appropriate measures to prevent the spread of COVID-19 during the Meeting. When attending the Meeting on the scheduled date, we sincerely ask attendees to check your physical health and take precautions to prevent infection. The Meeting proceedings will also be streamed for those who wish to listen online (Japanese Only).

Please review the attached documents and exercise your voting rights via the Internet or in writing no later than 5:30 p.m. (JST) on Friday, June 24, 2022. Trust management bank or other nominal shareholders may use the electronic voting platform for institutional investors operated by ICJ, Inc. subject to prior request.

Description

1. Date and time: Sunday, June 26, 2022 at 2:00 p.m., Japan Standard Time
2. Place: Nikkei Conference Room, 6F Nikkei Building, 1-3-7 Otemachi, Chiyoda-ku, Tokyo, Japan

3. Objectives of the Meeting:

Matter to be reported

Reports on the Business Report and Non-consolidated Financial Statements for the 16th Accounting Period (from April 1, 2021 to March 31, 2022)

Matters to be resolved

Proposal 1: Partial Amendment to the Articles of Incorporation

Proposal 2: Election of Six (6) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Proposal 3: Change in the Transfer Restriction Period for the Restricted Stock Compensation System for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors)

REFERENCE MATERIAL FOR THE MEETING

Proposal 1: Partial Amendment to the Articles of Incorporation

1. Purpose of Amendments

(1) Amendment regarding increase in the total number of shares authorized to be issued

The total number of shares authorized to be issued specified in Article 6 (Total Number of Shares Authorized to be Issued) of the current Articles of Incorporation will change from 100 million shares to 200 million shares. This will enable the Company to improve the liquidity of its shares and implement an agile capital policy in the future.

(2) Amendment regarding an electronic provision system of meeting documents of general meeting of shareholders

The following changes will be made to prepare for introduction of an electronic provision system of meeting documents. It is associated with the amendment provision as stipulated in the proviso to Article 1 of the Supplementary Provisions of the “Act for Partial Amendment of the Companies Act” (Act No.70 of 2019), which will take effect on September 1, 2022.

1. The proposed amendment to Article 17, Paragraph 1 is a new clause that mandates the provision of information in the reference documents for general meetings of shareholders, etc. in an electronic format.
2. The proposed amendment to Article 17, Paragraph 2 is a new clause that limits the scope of matters to be delivered to shareholders who have requested delivery of materials in a paper-based format to the scope specified by Ordinance of the Ministry of Justice.
3. Article 17 in the current Articles of Incorporation (Disclosure of Reference Documents for General Meetings of Shareholders, etc. via Internet and Deemed Delivery) will become unnecessary and will therefore be deleted.
4. Supplementary provisions regarding the effective date, etc. will be established together with the establishment and deletion of provisions noted above.

(3) Amendment regarding change the number of Directors (excluding Directors who are Audit and Supervisory Committee members)

Article 18 of the current Articles of Incorporation (Number of Directors) will be changed to reduce the number of directors (excluding Directors who are Audit and Supervisory Committee members) on the Board of Directors from eleven (11) or fewer to ten(10) or fewer. The purpose of this amendment is to optimize and invigorate Board of Directors meetings and accelerate decision-making to further enhance corporate value.

2. Details of Amendments

The details of the amendments are noted below.

Proposed amendments (1) Amendment regarding increase in the total number of shares authorized to be issued and (3) Amendment regarding change the number of Directors (excluding Directors who are Audit and Supervisory Committee members) shall take effect at the conclusion of the Meeting.

(Underlines denote amendments)

Current Articles of Incorporation	Proposed Amendments
CHAPTER I GENERAL PROVISION Articles 1 to 5 (Text omitted)	CHAPTER I GENERAL PROVISION Articles 1 to 5 (Unchanged)
CHAPTER II SHARES Article 6 Total Number of Shares Authorized to be Issued The total number of shares authorized to be issued by the Company shall be <u>one hundred million (100,000,000) shares</u> .	CHAPTER II SHARES Article 6 Total Number of Shares Authorized to be Issued The total number of shares authorized to be issued by the Company shall be <u>two hundred million (200,000,000) shares</u> .
Articles 7 to 12 (Text omitted)	Articles 7 to 12 (Unchanged)
CHAPTER III GENERAL MEETING OF SHAREHOLDERS Articles 13 to 16 (Text omitted)	CHAPTER III GENERAL MEETING OF SHAREHOLDERS Articles 13 to 16 (Unchanged)
Article 17 <u>Disclosure of Reference Documents for General Meetings of Shareholders, etc. via Internet and Deemed Delivery</u> <u>When convening a general meeting of shareholders, the Company may deem that the information required to be described or presented in the reference documents for the general meeting of shareholders, business reports, financial statements, and consolidated financial statements have been provided to the shareholders when such information is disclosed, pursuant to the Ordinance of the Ministry of Justice, through a method that uses the Internet.</u>	(Deleted)

Current Articles of Incorporation	Proposed Amendments
(New)	<u>Article 17 Electronic Provision Measures, etc.</u>
(New)	<u>17.1 The Company shall, when convening a general meeting of shareholders, take electronic provision measures to provide information including the contents of reference documents for general meeting of shareholders, etc. in an electronic format.</u>
(New)	<u>17.2 The Company may choose not to include all or part of the matters for which electronic provision measures are to be taken, as provided for in the applicable Ministry of Justice Order, in the documents to be delivered to shareholders who have requested delivery of materials in a paper-based format by the record date for voting rights.</u>
CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS, AND AUDIT AND SUPERVISORY COMMITTEE	CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS, AND AUDIT AND SUPERVISORY COMMITTEE
Article 18 Number of Directors	Article 18 Number of Directors
18.1 The number of Directors of the Company (excluding those who are Audit and Supervisory Committee Members) shall be <u>eleven (11)</u> or fewer.	18.1 The number of Directors of the Company (excluding those who are Audit and Supervisory Committee Members) shall be <u>ten (10)</u> or fewer.
18.2 (Text omitted)	18.2 (Unchanged)
Articles 19 to 29 (Text omitted)	Articles 19 to 29 (Unchanged)
CHAPTER V ACCOUNTING AUDITOR	CHAPTER V ACCOUNTING AUDITOR
Articles 30 to 32 (Text omitted)	Articles 30 to 32 (Unchanged)
CHAPTER VI ACCOUNTING	CHAPTER VI ACCOUNTING
Articles 33 to 37 (Text omitted)	Articles 33 to 37 (Unchanged)
CHAPTER VII SUPPLEMENTARY PROVISIONS	CHAPTER VII SUPPLEMENTARY PROVISIONS
Article 38 (Text omitted)	Article 38 (Unchanged)

Current Articles of Incorporation	Proposed Amendments
(New)	<u>Article 39 Transitional Measures Concerning Electronic Provision Measures, etc.</u>
(New)	<u>39.1 The deletion of Article 17 of the Articles of Incorporation prior to amendment by the resolution of the 16th ordinary general meeting of shareholders (hereinafter referred to as “Article 17 of the Articles of Incorporation prior to the amendment”) and the establishment of Article 17 of the Articles of Incorporation after the amendment shall come into effect on September 1, 2022, the date on which the amendment provision as stipulated in Article 1, proviso, of the Supplementary Provisions of the “Act for Partial Amendment of the Companies Act” (Act No. 70 of 2019) shall be put into force (hereinafter referred to as the “effective date”).</u>
(New)	<u>39.2 Notwithstanding the provisions of the preceding Article, Article 17 of the Articles of Incorporation prior to the amendment shall remain in force with respect to a general meeting of shareholders to be held on a date within six (6) months from the effective date.</u>
(New)	<u>39.3 This supplementary provision shall be deleted on the later of the two dates: six (6) months from the effective date or three (3) months from the date of a general meetings of shareholders in the preceding Article.</u>

Proposal 2: Election of Six (6) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

As the terms of all six (6) Directors (excluding Directors who are Audit and Supervisory Committee members; the same below in this proposal) will expire upon conclusion of the Meeting, the election of six (6) Directors is proposed.

The candidates for Director were nominated through a proposal by the discretionary Nomination and Compensation Committee, which consists of the independent Outside Directors and the Representative Director.

The candidates for Director are as follows:

No.	Name				Current Position
1	Ryosuke Mori	Reelect			President and Representative Director
2	Yasuhiro Koba	Reelect			Director, Executive Vice President Executive Officer of Corporate Planning Department, Product Development, Investment Department
3	Ryosuke Kondo	Reelect			Director Executive Officer General Manager of Sales & Marketing Division
4	Junpei Yokozawa	Reelect			Director Executive Officer General Manager of Customer Services Division General Manager of Information Systems Strategy Division
5	Jun Hasebe	Newly elect	Outside	Independent	-
6	Takeshi Saito	Reelect	Outside		Outside Director

No.
1

Ryosuke Mori

(Date of birth: March 10, 1984 / Age 38 / Male)

Reelect



Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet

April 2007 Joined Goldman Sachs Japan Co., Ltd.
 September 2012 Joined Lifenet Insurance Company
 May 2013 Head of Corporate Planning Department
 January 2016 Executive Officer, General Manager of
 Corporate Strategy Division
 April 2017 Executive Officer, General Manager of Sales &
 Marketing Division
 June 2017 Director, Executive Officer, General Manager
 of Sales & Marketing Division
 June 2018 President and Representative Director
 (incumbent)

<Number of Company Shares Owned> 62,290

Qualifications of Director Candidates

Ryosuke Mori has engaged in corporate planning and business management, and contributed for sales performance growth since April 2017 as the head of the Sales and Marketing Division in the Company. He has pursued the Company's business strategies as Director since June 2017, and has demonstrated strong leadership and contributed to greater business performance since June 2018 in his current position as President and Representative Director. We therefore deem Mr. Mori to be an appropriate choice for achieving sustained growth of the Company and propose that he be reelected as a Director.

No.
2

Yasuhiro Koba

(Date of birth: April 9, 1979 / Age 43 / Male)

Reelect



Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet

April 2002 Joined Ministry of Health, Labour and Welfare
 September 2010 Joined Lifenet Insurance Company
 October 2013 Head of Legal Department
 June 2015 Executive Officer, Chief Compliance Officer
 January 2016 Executive Officer, General Manager of Corporate Administration Division, Chief Compliance Officer
 June 2016 Executive Officer, General Manager of Corporate Administration Division
 April 2017 Executive Officer, General Manager of Corporate Strategy Division
 June 2017 Director, Executive Officer, General Manager of Corporate Strategy Division
 July 2019 Director, Executive Officer, General Manager of Sales & Marketing Division
 May 2021 Director, LIFENET MIRAI Inc. (incumbent)
 June 2021 Director, Executive Vice President, General Manager of Sales & Marketing Division
 January 2022 Director, Executive Vice President, Executive Officer of Corporate Planning Department, Product Development, Investment Department (incumbent)

<Number of Company Shares Owned> 52,221

Qualifications of Director Candidates

Yasuhiro Koba has served as the officer in charge of legal affairs, risk management, personnel and general affairs, corporate planning and business management, and possesses knowledge and experience pertaining to life insurance business operations. He has led growth in performance as Executive Officer of Sales & Marketing Division since July 2019 and advanced corporate strategy since January 2022. We therefore deem Mr. Koba to be an appropriate choice for achieving sustained growth of the Company and propose that he be reelected as a Director.

No.
3

Ryosuke Kondo

(Date of birth: September 5, 1980 / Age 41 / Male)

Reelect



Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet

April 2003	Joined PIONEER CORPORATION
October 2009	Joined JAPAN POST INSURANCE Co., Ltd.
March 2012	Joined Lifenet Insurance Company
January 2016	Head of Corporate Planning Department, Corporate Strategy Division
April 2017	Head of Sales Planning Department, Sales & Marketing Division
June 2018	Executive Officer, General Manager of Sales & Marketing Division
July 2019	Executive Officer of Corporate Planning Department, Product Development Department, Investment Department
June 2021	Director, Executive Officer of Corporate Planning Department, Product Development Department, Investment Department
January 2022	Director, Executive Officer, General Manager of Sales & Marketing Division (incumbent)

<Number of Company Shares Owned> 9,384

Qualifications of Director Candidates

Ryosuke Kondo has experience of work in business management, investor relations (IR) and served as the Head of the Corporate Planning Department in the Company and has assumed Executive Officer of Sales & Marketing Division. Accordingly, he has the business knowledge and experience to be able to accurately, fairly and efficiently manage a life insurance company. Therefore, we propose his reelection as a Director.

No.
4

Junpei Yokozawa (Date of birth: June 18, 1980 / Age 41 / Male)
Reelect



Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet

April 2003	Joined NTT DATA Net's CORPORATION (currently NTT DATA Financial Technology Corporation)
May 2008	Joined Lifenet Insurance Company
April 2018	Head of KDDI Business Department, Sales & Marketing Division
July 2020	Head of Operations Planning Department, Customer Services Division
April 2021	Executive Officer, General Manager of Information Systems Strategy Division
June 2021	Director, Executive Officer, General Manager of Customer Services Division, General Manager of Information Systems Strategy Division (incumbent)

<Number of Company Shares Owned> 27,029

Qualifications of Director Candidates

Junpei Yokozawa has experience of work in system development and the promotion of a business alliance with KDDI CORPORATION in the Company. He has served as the Head of the KDDI Business Department and the Head of the Operations Planning Department. Accordingly, he has the business knowledge and experience to be able to accurately, fairly and efficiently manage a life insurance company. Therefore, we propose his reelection as a Director.

No.
5

Jun Hasebe

(Date of birth: November 9, 1965 / Age 56 / Male)

Newly Elect Outside Independent



Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet

April 1990 Joined Daiwa Securities Co. Ltd.
 July 2010 Director, COLOPL, Inc.
 January 2019 Outside Director, Speee, Inc. (incumbent)
 April 2020 Representative Director and President,
 Tokyo Relations Inc. (incumbent)
 <Number of Company Shares Owned> None

Qualifications and expected roles of Outside Director Candidates

Jun Hasebe has extensive experiences in finance services and finance and possesses broad business knowledge that includes experiences as a senior executive of Internet services and a technology area. Accordingly, we expect that he will use this knowledge to provide supervision and advice on the execution of duties by the Directors from the perspective of formulating management and financial strategy. We also expect that he will take part in and supervise the nomination of candidates to be officers in the Company and the determination of officers' compensation from an objective and neutral standpoint. We therefore propose his election as a new Outside Director.

No.
6

Takeshi Saito

(Date of birth: September 19, 1966 / Age 55 / Male)

Reelect Outside



Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet

March 1989	Joined DDI Corporation (currently KDDI CORPORATION)
April 2014	General Manager, Consumer Business Management Department, Consumer Business Strategy Division
April 2019	General Manager, Finance Analysis & Planning Department, Corporate Management Division
April 2021	Managing Executive Officer, au Financial Holdings Corporation(incumbent)
April 2021	Director, au Financial Service Corporation (incumbent)
April 2021	Director, au Payment Corporation (incumbent)
June 2021	Outside Director, Lifenet Insurance Company (incumbent)

<Number of Company Shares Owned> None

Qualifications and expected roles of Outside Director Candidates

Takeshi Saito has a wealth of knowledge about consumer business and business management at KDDI CORPORATION. Accordingly, we expect that he will use this knowledge to provide supervision and advice on the execution of duties by the Directors from his professional perspective. We therefore propose his reelection as an Outside Director.

(Notes)

- 1) Yasuhiro Koba intends to resign from the position of Director at LIFENET MIRAI Inc. on June 22, 2022
- 2) Ryosuke Kondo intends to assume the position of Director at LIFENET MIRAI Inc. on June 22, 2022
- 3) Takeshi Saito intends to resign from the position of Director at au Financial Service Corporation on June 9, 2022 and the position of Director at au Payment Corporation on June 10, 2022. He will assume the position of Director at au Jibun Bank Corporation on June 10, 2022 and the position of Managing Director and Chief Financial Officer at au Financial Holdings Corporation on June 13, 2022.
- 4) There are no special interests between the Company and each of the candidates.
- 5) Takeshi Saito and Jun Hasebe are candidates for Outside Directors of the Company under Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. The matters of note regarding candidates for Outside Director are as follows:
 - (1) Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Takeshi Saito to limit their liability stipulated in Article 423, Paragraph 1 of the same Act. The liability in such instances shall be limited to the minimum amount stipulated in Article 425, Paragraph 1 of the same Act. The Company intends to extend the duration of the agreements with him if reelected. If Jun Hasebe is elected, the Company intends to enter into the same agreement with him.
 - (2) Takeshi Saito has been a person executing business at KDDI CORPORATION over the past 10 years. KDDI CORPORATION is an important business partner of the Company.

- (3) Takeshi Saito is incumbent Outside Director of the Company. Takeshi Saito will have served as Outside Director for one year as of the conclusion of the 16th Annual General Meeting of Shareholders.
- (4) There are no concerns about conflicts of interest between Jun Hasebe and general shareholders. If elected, the Company therefore intends to designate him as an independent officer under the regulations of the Tokyo Stock Exchange.
- 6) The Company has not entered into a contract of indemnity with any of the candidates for Director.
- 7) The Company has entered into a directors and officers' liability insurance agreement with an insurance company. This insurance contract covers compensation for damages, legal costs and costs to respond to public inquiries incurred due to claims for compensation for damages caused by acts performed by the insured parties, including the Directors of the Company, based on their positions. If the candidates are elected as Directors and assume their positions, they will become insured parties of this insurance contract. In addition, the Company plans to renew the insurance contract with the same content at the time of its next renewal.

Audit and Supervisory Committee Opinion

The Audit and Supervisory Committee has reviewed the contents and process for the election of candidates for Directors (excluding Directors who are Audit and Supervisory Committee members). The Committee considered the contents of the Nomination Policy of Candidates for Officers and the status of deliberations on the application of the Policy to each candidate by the Nomination and Compensation Committee and has concluded contents and deliberations are appropriate. In addition, the Audit and Supervisory Committee has not recognized any problem in the process for determination of compensation, etc. of Directors (excluding Directors who are Audit and Supervisory Committee members) and has concluded contents are also appropriate.

(Reference) Nomination Policy of Candidates for Officers

We have established a discretionary Nomination and Compensation Committee to strengthen the independence, objectivity and accountability of the functions of the Board of Directors concerning the nomination and compensation of officers. Nomination and Compensation Committee consists of 3 Independent Outside Directors and President and Representative Director. The Board of Directors enacts the nomination policy of candidates for officers upon deliberations by the Nomination and Compensation Committee. The nomination policy is below.

1. Nomination Policy of Candidates for Directors Who Are Not Audit and Supervisory Committee Members

(1) With regard to candidates for Internal Directors Who Are Not Audit and Supervisory Committee Members, following the deliberations at the Nomination and Compensation Committee, the Board of Directors shall nominate the candidates who satisfy the following particulars in principle.

- Individuals with knowledge and experience to carry out business management in appropriate, fair and efficient manner.
- Individuals who have sufficient social credibility.

(2) With regard to candidates for Outside Directors Who Are Not Audit and Supervisory Committee Members, following the deliberations at the Nomination and Compensation Committee, the Board of Directors shall nominate the candidates who satisfy the following particulars in principle.

- Individuals with high level of expertise and rich experience in fields such as corporate management, laws and governance, financing, financial accounting and finance, technology, and marketing and sales, and have made adequate accomplishments in those field.
- Individuals capable of providing advice on management policies and management improvement from the perspective of promoting sustainable growth of the Company and enhancing corporate value for the mid- to long-term .
- With regard to “Independent Outside Directors,” individuals without any risk of conflict of interest with general shareholders. In this case, the existence of the risk of conflict of interest with general shareholders shall be judged in accordance with “3. Independence Criteria for Independent Outside Officers” and the independence criteria of the Tokyo Stock Exchange.

2. Nomination Policy of Candidates for Directors Who Are Audit and Supervisory Committee

With regard to candidates for Directors Who Are Audit and Supervisory Committee Members, following the deliberations at the Nomination and Compensation Committee, the Board of Directors shall nominate candidates who satisfy the following particulars in principle upon obtaining the consent of the Audit and Supervisory Committee.

- Individuals who can objectively, appropriately, fairly and efficiently audit and supervise the execution of duties by Directors based on a high level of expertise and rich experience in fields such as corporate management, laws and governance, financing, financial accounting and finance, technology, and marketing and sales.
- Individuals who have sufficient social credibility.
- With regard to “Independent Outside Directors,” individuals without any risk of conflict of interest with general shareholders. In this case, the existence of the risk of conflict of interest with general shareholders shall be judged in accordance with “3. Independence

Criteria for Independent Outside Officers” and the independence criteria of the Tokyo Stock Exchange.

3. Independence Criteria for Independent Outside Officers

The Company deems that any Outside Directors or candidates for Outside Directors that fall under any of the following items do not possess independence from the Company as Independent Outside Directors.

- (1) Persons executing business in the Company or subsidiaries of the Company;
- (2) Persons whose major business partner is the Company (an entity for which the amount of annual transactions with the Company in the most recent fiscal year is 2% or more of its consolidated sales) or executes business at said company;
- (3) Major business partner of the Company (a business partner for which the amount of annual transactions with the Company in the most recent fiscal year is 2% or more of the sales of the Company) or persons who execute business at said company;
- (4) Persons executing business in a company where any person executing in the Company serves as officer;
- (5) Major shareholder of the Company holding either directly or indirectly 10% or more of total number of the voting rights of the Company or persons who execute business at said company;
- (6) Persons providing professional services such as consultants or professionals in accounting or law who receive from the Company a large amount of money (an amount of 10 million yen or more for individuals or an amount that is 2% or more of total income for corporations, associations and other groups in the most recent fiscal year) or other property other than officer compensation;
- (7) Persons who have fallen under (1) above during any period in the past ten years;
- (8) Persons who have fallen under any of (2) to (7) above during any period in the past three years; or
- (9) Close relatives of persons who fall under any of (1) to (8) above (excluding those deemed not important).

(Reference)

The composition of the Board of Directors and the knowledge, experience and abilities of the Directors if Proposals 2 is approved as proposed at the Meeting will be as below.

Name	Position	Knowledge, Experience and Abilities of the Directors					
		Corporate Management	Law and Governance	Finance services	Accounting and Finance	Technology	Marketing and Sales
Ryosuke Mori	President and Representative Director	○	○	○	○		○
Yasuhiro Koba	Director Executive Vice President		○	○	○		○
Ryosuke Kondo	Director		○	○	○		○
Junpei Yokozawa	Director			○		○	
Jun Hasebe	Outside Director	○		○	○	○	
Takeshi Saito	Outside Director		○		○	○	○
Takahiro Yamasaki	Director (Full-Time Audit and Supervisory Committee Member)	○	○	○	○		
Keiko Hayashi	Outside Director (Audit and Supervisory Committee Member)	○	○	○	○		
Tomoyuki Yamashita	Outside Director (Audit and Supervisory Committee Member)	○	○	○	○		○

Notes:

1. We plan to determine the Directors with titles at a meeting of the Board of Directors after the conclusion of the Meeting.
2. The above table does not represent all the knowledge, experience and abilities of the Directors.

(Reference) Overview of the evaluation of the effectiveness of the Board of Directors

We have been evaluating the effectiveness of the Board of Directors through a self-evaluation once a year in principle since fiscal 2016 to ensure the effectiveness and suitability of the Board of Directors. The Board of Directors receives a report of the results and deliberates on it. Then it formulates an improvement plan to make its functions more enhanced. We also evaluate all aspects of the governance system, including the Audit and Supervisory Committee and the discretionary Nomination and Compensation Committee, in addition to the Board of Directors.

A summary of the fiscal 2021 evaluation of the effectiveness of the Board of Directors is provided below.

•Evaluation Process

The Board of Directors Secretariat distributed a questionnaire to all Directors and obtained their answers for the evaluation of the effectiveness of the Board of Directors. In addition, it individually interviewed all the Directors based on the results of their answers in the questionnaire.

•Evaluation Items

The overall evaluation of the Board of Directors, the composition of the Board of Directors, the operation of the Board of Directors, the quality of discussions by the Board of Directors, communication among officers, information provision and training, engagement with investors and shareholders, management of the Audit and Supervisory Committee and the discretionary Nomination and Compensation Committee.

•Questionnaire Respondents

All Directors (nine directors)

•Schedule

Mar. 2022:	Distributed questionnaire on the effectiveness of the Board of Directors
Apr. 2022:	Conducted individual interviews
May 2022:	Made report for the Board of Directors and formulated improvement plan

•Results and Issues

Board members were able to engage in appropriate discussions within a given time frame while implementing ongoing improvements including the revision of submitting standards to the Board of Directors in fiscal 2021.

Some Directors pointed out that the Board of Directors should have more opportunities to discuss the mid-term or future management strategy and the Company should clarify the discussion points including the key issues at the prior internal discussion at the Board of Directors. The Company will therefore continue to consider improvements for the quantity and quality of discussions at the Board of Directors.

In addition, other Directors stated opinions on the composition of the Board of Directors concerning the improvement of percentage of female directors and of Independent Outside Directors to further ensure diversity and strengthen the supervisory function.

Moreover, regarding communication among internal and outside Directors, meetings for outside officers were organized in fiscal 2021 to provide opportunities for communication among Outside Directors.

Proposal 3: Change in the Transfer Restriction Period for the Restricted Stock Compensation System for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors)

The Company proposal to grant restricted stock to the Company Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors, hereafter “eligible directors”) within the maximum total compensation limit of 250 million yen and 200,000 shares or less per year was approved at the 15th Annual General Meeting of Shareholders held on June 20, 2021.

The Company now proposes to change the transfer restriction period on restricted stock compensation to until the resignation or retirement of an eligible director with intention to provide incentives to work for sustainable enhancement of the corporate value of the Company and to promote greater value sharing with shareholders. The purpose of this change is to enable Directors to share value with shareholders as much as possible over a longer period. The Company therefore requests approval of this proposal.

To explain specifically, the past General Meeting of Shareholders has approved a transfer restriction period on restricted stock compensation as “the period determined in advance by the Board of Directors, which shall be between three (3) years to five (5) years.” The Company proposes to change it to “the period until eligible directors resign or retire from any positions of Director, executive officer, or corresponding position, or the position of employee in the Company or the Company’s subsidiary.”

If this proposal is approved as proposed, there will be no change in the view on the scope of the compensation amount for restricted stock grants, the total number of ordinary shares of the Company issued or distributed to eligible directors and the amount paid per share for restriction stock compensation. There will be four (4) eligible directors subject to this proposal if this proposal is approved as proposed.

The Company shall conclude a restricted transfer stock allocation agreement (hereafter, “allocation agreement”) with eligible directors for the issuing or distributing ordinary shares of the Company, upon resolution of the Board of Directors.

(1) Transfer Restriction Period

Eligible directors must not transfer, pledge as collateral, or otherwise dispose of (hereafter “transfer restrictions”) the ordinary shares allocated under the allocation agreement (hereafter “allocated shares”) for the period until eligible directors resign or retire from any positions of Director, executive officer, or corresponding position, or the position of employee in the Company or the Company’s subsidiary.

(2) Release of Restriction on Transfer

The Company will release the restriction on transfer once the transfer restriction period on the allocated shares has expired, on the condition that the eligible director has continued to serve as any positions of Director, executive officer, or corresponding position, or the position of employee in the Company or the Company’s subsidiary during the transfer restriction period. However, if eligible director has resigned or retired from all of the positions aforementioned before expiration of the transfer restriction period due to the grounds deemed justifiable by the Board of Directors, the Company shall reasonably adjust,

as necessary, the number of allocated shares on which the transfer restriction is to be lifted and the timing of lifting the transfer restriction. In accordance with the above rules, the Company will also naturally acquire the allocated shares on which the transfer restrictions have not been released for free, immediately after the transfer restrictions are released.

(3) Handling in the Event of Organizational Restructuring

In the event that a merger agreement that renders the Company a defunct company, a share exchange agreement making the company a wholly owned subsidiary, a share transfer plan, or other organizational restructuring approved at the Annual General Meeting of Shareholders (however, this shall be the Board of Directors for such organizational restructuring or other events that do not require the approval of the Annual General Meeting of Shareholders) occurs during the transfer restriction period, the restrictions on transfer may be released on a reasonably prorated number of shares allocated in advance, based on the time period from the date on which the transfer restriction period began to the date on which the organizational restructuring or other event occurred, when approved by the Board of Directors of the Company, the provisions stated above in (1) notwithstanding. When the above rules are applied, the Company will naturally acquire the allocated shares on which the transfer restrictions have not been released for free, immediately after the transfer restrictions have been released.

(4) Other Matters

Other matters concerning the allocation agreement shall be decided by the Board of Directors of the Company following deliberation at the discretionary Nomination and Compensation Committee.

If this proposal is approved, the same changes will be reflected in the "Individual Director Compensation Etc. Determination Policy" which is scheduled to be revised at a subsequent meeting of the Board of Directors.

(Reference)

Individual Director Compensation Etc. Determination Policy, resolved at the Board of Directors' meeting held on June 20, 2021, is as follows.

Individual Director Compensation Etc. Determination PolicyOverview of the Compensation System for Directors

We have designed the compensation system for officers of the Company to function as a sound incentive to improve mid- to long-term performance and to increase corporate value.

We determine the amount of compensation for the Directors of the Company (not including Directors Who Are Audit and Supervisory Committee Members; hereinafter the same) within a range of 250 million yen a year (not including the employee salary portion of directors who serve concurrently as employees) based on a resolution at the 15th Annual General Meeting of Shareholders held on June 20, 2021.

Structure for Determination of the Content of the Compensation Etc. for Directors

The Company has established a discretionary Nomination and Compensation Committee. The purpose of the committee is to strengthen the independence, objectivity and accountability of the functions of the Board of Directors relating to the nomination and compensation etc. for Directors and to design an officer compensation system etc. The committee is comprised of three (3) independent Outside Directors and one (1) Representative Director chaired by an independent Outside Directors.

The Board of Directors of the Company shall determine the content of the compensation etc. for individual Directors after the deliberations at the discretionary Nomination and Compensation Committee.

Determination of the Type and Ratio of Compensation

The compensation for the Directors of the Company (not including Directors Who Are Audit and Supervisory Committee Members and Outside Directors; hereinafter "Eligible Directors") comprises of basic compensation as fixed compensation, performance-linked compensation that is linked to short-term performance etc. and restricted stock compensation aimed at a sustainable improvement in corporate value. The compensation for Outside Directors comprises only of basic compensation.

We shall determine the appropriate ratio of basic compensation, performance-linked compensation and restricted stock compensation for Eligible Directors so that it functions as a sound incentive.

Basic Compensation (Fixed compensation)

We shall determine the amount of compensation for individual Directors based on a third-party investigation on the compensation level of corporate executive managers in Japan in consideration of the work areas and range of responsibilities of each Director. We shall pay the compensation monthly in cash.

Performance-linked Compensation

We have introduced a performance-linked compensation system with the goal of rewarding contributions to single-fiscal year performance. The system contributes to aligning the officer compensation system with management policy and raising consciousness of the Eligible Directors to improve performance and increase corporate value.

The amount of performance-linked compensation is determined according to the level of achievement of targets in a single fiscal year under the premise of a standard amount of performance-linked compensation calculated based on the amount of base compensation. We

shall use indicators set by the Board of Directors that show the improvement in the corporate value of the Company and the efficiency of our sales activities as performance indicators.

We shall pay performance-linked compensation yearly in cash.

Restricted Stock Compensation

The Company has introduced a restricted stock compensation system to give an incentive to sustainably improve corporate value and to further share value with our shareholders. This is so-called advance grant restricted stock compensation as consideration for the provision of services in the current fiscal year (and the future). We shall set the number of shares to be granted to Eligible Directors at the number of shares (within 200,000 shares a year) obtained by dividing the standard amount of restricted stock compensation calculated based on the amount of basic compensation by the closing price of the Company's ordinary shares on the business day before the day of the allocation resolution by the Board of Directors. The transfer restrictions will be released at the expiration of the transfer restricted period of three to five years or at the point determined by the Board of Directors based on the restricted transfer stock allocation agreement.

(Reference) Initiatives for sustainability

Based on the LIFENET Manifesto, which the Company has set since its business commencement in 2008, we aim to achieve a sustainable society and enhance our corporate value through initiatives regarding "Enhancement of Corporate Governance," "Customer-Oriented Business Conduct," and "Adaptation to Social Changes".

For more information, please visit the Sustainability page on our Investor Relations website.

<https://ir.lifenet-seimei.co.jp/en/sustainability.html>

Enhancement of Corporate Governance

We implement initiatives to further strengthen governance to support sustainable growth

- Transition to a company with the Audit and Supervisory Committee
- Disclosure of Directors' skill matrix (For details page 17)
- Introduction of performance-linked compensation for Directors in addition to basic compensation and restricted stock compensation.
- Expansion of evaluation of the effectiveness of the Board of Directors (For details page 18)

Customer-Oriented Business Conduct

We utilize the Internet in all points of contact with our customers, and we provide highly convenient services to them while reducing the use of paper resources. We have developed an environment which enables customers to request insurance consultation, apply for insurance, undergo procedures during their contracts and claim benefits over the Internet according to their lifestyle 24 hours a day, 365 days a year. As a result, we received high evaluation from external organizations.

- Ranked 1st in the Oricon Client Satisfaction® Survey for life insurance subscription procedures in 2022
- In 2021, our "Contact Center" and "Website" received a 3-star rating for the ninth consecutive year in the 2021 *HDI Benchmarking* the industry record.

Adaptation to Social Changes

We collaborate with corporate partners that have a strong customer base and advanced brand power to deliver our new insurance value proposition to even more customers through white label business. In the life insurance industry as well as other financial industries, we believe that shifting to online is structural and irreversible change. We recognize that we need to provide comprehensible and convenient products and services online in all processes involved in life insurance like search, consultation, enrollment, maintenance, review and claim. We have taken the following initiatives.

- Launched *Money Forward Life Insurance* to expand white label business
- Established a subsidiary, Lifenet MIRAI Inc., to build an online life insurance platform and launched an online insurance agency business

(Attached)

BUSINESS REPORT

1. Business results

Condition of policies-in-force

Annualized premium*¹ of new business for fiscal 2021 was 4,089 million yen (97.4% of fiscal 2020). The number of new business for fiscal 2021 was 100,636 (100.0% of fiscal 2020) and recorded a historical high.

Annualized premium of policies-in-force as of the end of March 31, 2022 stands at 21,511 million yen (115.0% of March 31, 2021). Sum insured of policies-in-force was 3,351,278 million yen (111.9% of March 31, 2021). The number of policies-in-force exceeded 500,000 in February 2022 and resulted in a total of 507,428 (115.3% of March 31, 2021). The number of policyholders was 322,231. Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Surrender and lapse ratio*² for fiscal 2021 was 6.6% (6.0% for fiscal 2020) includes the impact of extended policies that were recorded as lapsed policies.

*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 2021 increased to 25,420 million yen (125.3% of fiscal 2020) due to an increase in premium income by growth of in-force business, and effect from modified co-insurance. Investment income was 665 million yen (153.4% of fiscal 2020). Other ordinary income was 81 million yen. As a result, ordinary income for fiscal 2021 amounted to 26,167 million yen (125.9% of fiscal 2020).

Insurance claims and other was 8,668 million yen (143.7% of fiscal 2020) mainly due to an increase in reinsurance commissions from modified co-insurance. The ratio of insurance payment amounts to insurance premiums was 20.7% for fiscal 2021, compared with 19.5% for fiscal 2020. Provision for policy reserves and other came to 6,903 million yen (109.4% of fiscal 2020). The ratio of provision for policy reserves to insurance premiums was 34.1% for fiscal 2021, compared with 36.2% for fiscal 2020. Operating expenses amounted to 12,140 million yen (121.0% of fiscal 2020) mainly due to the investment in our marketing spend including advertising. The components of operating expenses were 8,262 million yen in marketing expenses (123.1% of fiscal 2020), 1,278 million yen in customer service expenses (119.3% of fiscal 2020), and 2,599 million yen in system and other expenses (115.7% of fiscal 2020). Other ordinary expenses was 1,693 million yen (112.6% of fiscal 2020). Consequently, ordinary expenses for fiscal 2021 totaled 29,413 million yen (123.2% of fiscal 2020).

As a result, ordinary profit totaled 3,245 million yen loss for fiscal 2021, compared with 3,089 million yen loss for fiscal 2020. Net income was 3,319 million yen loss, compared with 3,114 million yen loss for fiscal 2020.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 3,213 million yen loss, compared with 2,874 million yen loss for fiscal 2020. The components of fundamental profit were 3,348 million yen in mortality margin, 6,648 million yen loss in expense margin and 86 million yen in interest margin.

We are participating in reinsurance transactions from fiscal 2019 by modified co-insurance on part of new business to achieve continuous growth. By utilizing reinsurance appropriately, we will ease the temporary burden imposed on statutory capital by expenses associated with new business and maintain fiscal soundness. The reinsurance transactions are agreements that transfer the risk and the profit (loss) structure of the reinsured business to the reinsurance company for a certain period of time. We receive ceding commission in accordance with the new business costs associated with the reinsured business in the initial fiscal year. This leads to an increase in ordinary income. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in ordinary profit and net profit. Once the balance of reinsurance accounts receivable is amortized to zero, the reinsurance agreement terminates, and subsequent profit on the reinsured business belongs to Lifenet. Accordingly, the modified co-insurance for fiscal 2021 resulted in raising ordinary income by 4,852 million yen (2,778 million yen of fiscal 2020), ordinary profit by 1,283 million yen (804 million yen of fiscal 2020), and net income by 1,283 million yen (804 million yen of fiscal 2020).

Assets, liabilities and net assets

Total assets as of March 31, 2022 amounted to 67,820 million yen (54,501 million yen as of March 31, 2021). The major account balance was 47,425 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Reinsurance accounts receivable was 3,881 million yen including 3,657 million yen of the balance of unamortized ceding commission for modified co-insurance.

Liabilities amounted to 45,749 million yen as of March 31, 2022 (38,694 million yen as of March 31, 2021), owing to an increase in policy reserves. The major account balances were 42,558 million yen in policy reserves and 984 million yen in reserves for outstanding claims. In terms of policy reserves, new business from fiscal 2018 onward has been transferred from 5-year Zillmer's method to standard policy reserves. The difference in policy reserves has been resolved over five fiscal years, from fiscal 2018 to 2022. From the perspective of *Comprehensive Guidelines for Supervision for Insurance Companies*, Lifenet accumulated the difference in policy reserves in fiscal 2021 which was planned to be enhanced in fiscal 2022. Thus, Lifenet has completed the transition to standard policy reserves in fiscal 2021 ended March 31, 2022.

Net assets amounted to 22,071 million yen as of March 31, 2022 (15,806 million yen as of March 31, 2021) mainly due to raising new capital through overseas public offering despite the recording of net loss for fiscal 2021. It includes the effect of raising retained earnings due to the utilization of modified co-insurance. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the

reinsured business over following fiscal years. This leads to a decrease in net assets accordingly.

The solvency margin ratio as of March 31, 2022 was 3,182.8% (2,647.1% as of March 31, 2021), which indicated that an adequate level of payment capacity was maintained.

European Embedded Value

The embedded value on an EEV (European Embedded Value) basis as of March 31, 2022 was 116,604 million yen (95,140 million yen as of March 31, 2021). The adjusted net worth increased to 25,168 million yen mainly due to issuance of new shares through overseas public offering in September 2021. The value of in-force business increased to 91,435 million yen, mainly due to acquisition of new business and updates made to mortality and morbidity assumptions.

Other accomplishments

In fiscal 2021, the Company issued new shares through overseas public offering in September 2021 with the aim of accelerating its “Growth” and “Transformation”. Due to the structural changes in the digitalization of finance, our performance of in-force business has continued to grow strongly over the past few years.

We have taken this structural shift from offline to online as a good opportunity and raised growth capital in fiscal 2021 following the previous fiscal year, believing that we should establish a firm position as the leading company of online life insurance and aggressively promote transforming into an online life insurance platformer.

In terms of product provision, we launched Long-term Disability Product *Hataraku-Hito 3* in June 2021. The Company enhances the coverage based on the new concept of supporting recovery and a return to work in addition to just securing the risk of being unable to work due to injuries or illness. In terms of service provision, we also promoted various initiatives in areas related to touchpoints with customers, such as the introduction of AI-based chatbots and the renewal of our mobile application. The Company believes that such proactive investment in “innovation of customer experience” will lead to competitive advantage.

We received many awards from external organizations. Term Life Product *Kazoku* and Long-term Disability Product *Hataraku-Hito 2* were ranked first for the fifth consecutive year in the *Kakaku.com Insurance Award 2021*. In addition, our contact center and website received the highest rating for the ninth consecutive year in the *2021 HDI Benchmarking*, the industry record. Furthermore, in *J.D. Power 2022 Japan Life Insurance Contract Customer Satisfaction StudySM*, evaluated by customers who purchased the insurance policy, we were ranked highest in the direct distribution channel segment for the second consecutive year.

In fiscal 2021, we also promoted initiatives aimed at mid to long term growth. First, in the white label business, we began offering *Money Forward Life Insurance* in July 2021 with Money Forward, Inc. Lifenet MIRAI Inc, a joint venture with MILIZE Corporation, was established in May 2021 to build an online life insurance platform and drive the expansion of the online life insurance market. It began offering online insurance agency business and insurance policy management service in July 2021.

2. Challenges

Mid to long term business strategy and challenges

We formulated our Management Policy in November 2018 and have achieved vigorous growth. We upgraded the management goal to achieving 200 billion yen in EEV over the medium term in May 2021 because we were nearing the initial management goal of achieving 100 billion yen in EEV over the medium term. We will strive to achieve even greater growth and high profitability over the medium and long term based on the policy.

Summary of Management Policy

Mission	Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services
Vision	Be the leading company driving the growth of the online life insurance market
Priority areas	<ul style="list-style-type: none"> ● <u>Innovation of customer experience</u> Enhancing and evolving the quality of all services with digital technology ● <u>Enhancement of promotion capabilities</u> Generating massive customer traffic by active promotion and expansion of agent sales and white label business
Management goal	Aim to achieve EEV (indicator of corporate value) of 200 billion yen by business growth in a mid-term

In fiscal 2021, Lifenet has been steadily growing. We achieved 100 billion yen in EEV as of September 30, 2021 and the number of policies-in-force reached 500,000 in February 2022. These goals were achieved through initiatives in the priority areas of “innovation of customer experience” and “enhancement of promotion capabilities” based on the Management Policy. Our subsidiary, LIFENET MIRAI Inc., was established and launched as an online insurance agency business from July 2021. This is part of the initiatives to build an online insurance platform to become an Internet service company of life insurance.

Since we have commenced our business in 2008, new entrants into the online channel by competitors are increasing due to changes in the business environment, and the online life insurance market is becoming competitive. In this situation, Lifenet will continue to invest in growth in fiscal 2022 to maintain our presence as the leading online insurance company driving the market. We will engage in active investment utilizing the capital we obtained through overseas public offerings in fiscal 2020 and fiscal 2021, in order to achieve even greater growth and accelerate transformation into an Internet service company of life insurance. We will also pursue initiatives that address the following issues with the aim of achieving 200 billion yen in EEV.

To accelerate investment in growth based on the business environment and our Management Policy, we plan to move the timing for turning a profit at the ordinary profit level on a statutory

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accounting basis back from the mid-2020s. Lifenet is aiming for the voluntary adoption of International Financial Reporting Standards (IFRS) in fiscal 2023 and we expect to record a profit in the initial year of adoption under IFRS, though it is not certain at this time.

(1) Sustained Growth in In-force Business Performance

We aim to achieve double-digit growth in in-force business performance through initiatives in the priority areas of “innovation of customer experience” and “enhancement of promotion capabilities”.

To achieve “innovation of customer experience”, we will capitalize on the business opportunities presented by the increasing need for customers of all ages to purchase insurance online and will expand in-force business by accommodating those diverse needs. We will also improve the convenience of the various customer processes by focusing on application process and other website improvements and data analysis. We will particularly focus on providing a stress-free experience from the initial visit to the website to application.

To achieve “enhancement of promotion capabilities”, we will provide Lifenet product value through both the Internet channel and white label channel and aim for further growth. In the Internet channel, we will increase our brand recognition through active advertising. We also diversify promotions to attract more customers in their 30s and other young customers, our main customer segment since our business commencement. In the white label channel, we continue to position it as a channel with mid to long term growth potential and will strengthen initiatives with the current corporate partners including KDDI CORPORATION (KDDI) and Money Forward, Inc (Money Forward). With KDDI, both KDDI and Lifenet are pursuing initiatives that utilize KDDI Group assets. With Money Forward, we will focus on improving the application rate and creating a convenient customer experience on website. We will provide our product value with customers while utilizing the high brand value and broad customer bases of partner companies.

(2) Transformation into an Internet Service Company of Life Insurance

Lifenet aims to be the leading company driving growth of the online insurance market and is accelerating efforts to transform into an Internet service company of life insurance. We aim to build an online life insurance platform that connects customers with life insurance services by utilizing the expertise we have accumulated as an online life insurer since our business commencement.

As a part of that, the subsidiary we established in fiscal 2021 has begun operating an online insurance agency business and is providing Lifenet’s and other products suitable for online sales. In the future, we will expand to products other than life insurance while making a series of improvements to the website. Through the subsidiary, we aim to be a platform capable of providing solutions to issues related with life insurance from the customer’s perspective.

In addition, we will also strengthen the organizational structure to successfully transform into an Internet service company of life insurance. Lifenet will step up hiring activities and focus most intently on securing talent mainly in the systems area to achieve “innovation of customer experience”. We will evolve evaluation system that supports employee’s growth and challenges.

We also work on creating a good workplace environment for both working in the office and working from home which we introduced after the COVID-19. Thus, we will also strive to achieve the management goal by establishing human resource systems to improve productivity and efficiency.

3. Others

Dividend policy

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

The Company has yet to determine its specific dividend policies and dates for the start of distributing retained earnings as dividends as we still record cumulative loss and will be prioritizing strengthening our growth base to increase mid to long term profitability.

In the future, we will continue to target business expansion and profit generation by implementing measures to increase recognition of the Company, developing new products and services, and effectively utilizing financing for investment in systems and other aspects of the business.

In addition to this, the Company will consider implementing measures to provide shareholder return that include payment of dividends from future retained earnings.

NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Balance Sheets

	(In millions of yen)	
	March 31	
	2021	2022
ASSETS		
Cash and deposits.....	2,059	3,761
Bank deposits.....	2,059	3,761
Monetary claims bought.....	999	3,999
Money held in trust	5,895	5,460
Securities	40,007	47,425
Government bonds	9,004	8,946
Municipal bonds.....	1,482	1,469
Corporate bonds	21,301	24,042
Stocks	397	492
Foreign securities.....	0	98
Other securities	7,821	12,375
Tangible fixed assets	95	97
Buildings	12	25
Leased assets	11	7
Other tangible fixed assets	71	64
Intangible fixed assets	1,252	1,293
Software.....	520	1,123
Software in progress	732	170
Agency accounts receivable	9	7
Reinsurance accounts receivable.....	2,569	3,881
Other assets.....	1,612	1,892
Accounts receivable.....	1,362	1,585
Prepaid expenses	103	131
Accrued income	71	101
Deposits.....	73	73
Suspense payments	1	1
Total assets	54,501	67,820

(In millions of yen)

March 31

	2021	2022
<u>LIABILITIES</u>		
Policy reserves and other	36,639	43,542
Reserves for outstanding claims	837	984
Policy reserves	35,801	42,558
Agency accounts payable	69	48
Reinsurance accounts payable	301	404
Other liabilities	1,234	1,379
Income taxes payable	3	3
Accounts payable	71	30
Accrued expenses	1,082	1,270
Deposits received	15	16
Lease liabilities	11	7
Asset retirement obligations	33	34
Suspense receipt	16	17
Reserves under the special laws	76	102
Reserve for price fluctuations	76	102
Deferred tax liabilities	373	271
Total liabilities	<u>38,694</u>	<u>45,749</u>
<u>NET ASSETS</u>		
Capital stock	16,731	21,655
Capital surplus	16,731	21,655
Legal capital surplus	16,731	21,655
Retained earnings	(18,616)	(21,936)
Other retained earnings	(18,616)	(21,936)
Retained earnings brought forward	(18,616)	(21,936)
Treasury shares	(0)	(0)
Shareholders' equity	<u>14,846</u>	<u>21,373</u>
Valuation difference on available-for-sale securities	960	697
Valuation and translation adjustments	960	697
Total net assets	<u>15,806</u>	<u>22,071</u>
Total liabilities and net assets	<u><u>54,501</u></u>	<u><u>67,820</u></u>

2. Statements of Operations

	(In millions of yen)	
	Year ended March 31	
	2021	2022
Ordinary income.....	20,789	26,167
Insurance premiums and other.....	20,282	25,420
Premiums income.....	16,892	19,835
Reinsurance income.....	3,389	5,585
Investment income.....	433	665
Interest, dividends and other income.....	320	415
Interest from deposits.....	0	0
Interest and dividends from securities.....	320	415
Other interest and dividends.....	0	0
Gain on money held in trust.....	110	70
Gain on sales of securities.....	2	178
Other ordinary income.....	73	81
Other.....	73	81
Ordinary expenses.....	23,879	29,413
Insurance claims and other.....	6,031	8,668
Insurance claims.....	2,146	2,546
Benefits.....	1,140	1,563
Other refunds.....	0	1
Reinsurance commissions.....	2,743	4,558
Provision for policy reserves and other.....	6,310	6,903
Provision for reserves for outstanding claims.....	199	146
Provision for policy reserves.....	6,111	6,756
Investment expenses.....	2	8
Interest expenses.....	0	0
Foreign exchange losses.....	0	0
Other investment expenses.....	2	7
Operating expenses.....	10,030	12,140
Other ordinary expenses.....	1,503	1,693
Taxes.....	998	1,169
Depreciation.....	364	390
Other.....	140	133
Ordinary profit (loss).....	(3,089)	(3,245)
Extraordinary losses.....	20	68
Loss on disposal of non-current assets.....	—	42
Provision of reserves under the special laws.....	20	26
Provision of reserve for price fluctuations.....	20	26
Income (loss) before income taxes.....	(3,109)	(3,314)
Income taxes-current.....	4	4
Income taxes.....	4	4
Net income (loss).....	(3,114)	(3,319)

3. Statements of Changes in Net Assets

	(In millions of yen)	
	Year ended March 31	
	2021	2022
Shareholders' equity:		
Capital stock		
Balance at the beginning of the year	12,200	16,731
Changes of items during the period		
Issuance of new shares	4,502	4,885
Issuance of new shares-restricted stock	20	21
Issuance of new shares-exercise of subscription rights to shares	8	15
Total changes of items during the period	<u>4,531</u>	<u>4,923</u>
Balance at the end of the period	<u>16,731</u>	<u>21,655</u>
Capital surplus		
Legal capital surplus		
Legal capital surplus	12,200	16,731
Changes of items during the period		
Issuance of new shares	4,502	4,885
Issuance of new shares-restricted stock	20	21
Issuance of new shares-exercise of subscription rights to shares	8	15
Total changes of items during the period	<u>4,531</u>	<u>4,923</u>
Legal capital surplus	<u>16,731</u>	<u>21,655</u>
Total capital surplus		
Capital surplus	12,200	16,731
Changes of items during the period		
Issuance of new shares	4,502	4,885
Issuance of new shares-restricted stock	20	21
Issuance of new shares-exercise of subscription rights to shares	8	15
Total changes of items during the period	<u>4,531</u>	<u>4,923</u>
Capital surplus	<u>16,731</u>	<u>21,655</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward	(15,502)	(18,616)
Total changes of items during the period		
Net income (loss)	(3,114)	(3,319)
Total changes of items during the period	<u>(3,114)</u>	<u>(3,319)</u>
Retained earnings brought forward	<u>(18,616)</u>	<u>(21,936)</u>
Total retained earnings		
Retained earnings	(15,502)	(18,616)
Changes of items during the period		
Net income (loss)	(3,114)	(3,319)
Total changes of items during the period	<u>(3,114)</u>	<u>(3,319)</u>
Retained earnings	<u>(18,616)</u>	<u>(21,936)</u>
Treasury shares		
Balance at the beginning of the year	—	(0)
Changes of items during the period		
Purchase of treasury shares	(0)	(0)
Total changes of items during the period	<u>(0)</u>	<u>(0)</u>
Balance at the end of the period	<u>(0)</u>	<u>(0)</u>

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	(In millions of yen)	
	Year ended March 31	
	2021	2022
Total shareholders' equity		
Balance at the beginning of the year.....	8,898	14,846
Changes of items during the period		
Issuance of new shares.....	9,005	9,771
Issuance of new shares-restricted stock.....	41	43
Issuance of new shares-exercise of subscription rights to shares	16	31
Net income (loss)	(3,114)	(3,319)
Purchase of treasury shares.....	(0)	(0)
Total changes of items during the period	5,948	6,526
Balance at the end of the period	14,846	21,373
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year.....	502	960
Changes of items during the period		
Net changes of items other than shareholders' equity	457	(262)
Total changes of items during the period	457	(262)
Balance at the end of the period	960	697
Total valuation and translation adjustments		
Balance at the beginning of the year.....	502	960
Changes of items during the period		
Net changes of items other than shareholders' equity	457	(262)
Total changes of items during the period	457	(262)
Balance at the end of the period	960	697
Net assets:		
Balance at the beginning of the year	9,400	15,806
Changes of items during the period		
Issuance of new shares	9,005	9,771
Issuance of new shares-restricted stock	41	43
Issuance of new shares-exercise of subscription rights to shares	16	31
Net income (loss)	(3,114)	(3,319)
Purchase of treasury shares	(0)	(0)
Net changes of items other than shareholders' equity	457	(262)
Total changes of items during the period	6,406	6,264
Balance at the end of the period.....	15,806	22,071

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