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(Securities Code: 7157)

May 29, 2020

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 14th Annual General Meeting of Shareholders to be held on June 21, 2020**

Notice is hereby given that the 14th Annual General Meeting of Shareholders (the "Meeting") of LIFENET INSURANCE COMPANY (the "Company") will be held as described hereunder. To prevent infection by and the spread of the novel coronavirus (COVID-19), we sincerely ask shareholders to exercise their voting rights in advance wherever possible, and refrain from coming to the venue on the day of the Meeting.

Please review the attached documents and exercise your voting rights via the Internet<sup>\*1</sup> or in writing no later than 5:30 p.m. on Friday, June 19, 2020.

### **Description**

1. Date and time: Sunday, June 21, 2020 at 2:00 p.m., Japan standard time
2. Place: Nikkei Hall, 3F 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 14th Accounting Period (from April 1, 2019 to March 31, 2020)

#### **Matters to be resolved**

- Proposal 1: Regarding the Election of Eight (8) Directors  
Proposal 2: Regarding the Election of an Alternate Corporate Auditor

\*1. Trust management bank or other nominal shareholders may use the electronic voting platform for institutional investors operated by ICJ, Inc. subject to prior request.

## REFERENCE MATERIAL FOR THE MEETING

### Proposal 1: Regarding the Election of Eight (8) Directors

As the term of office for the current eight (8) Directors will expire at the conclusion of the Meeting, the election of eight (8) Directors is proposed.

The candidates for election as directors were nominated by the discretionary Nomination and Compensation Committee, which consists of the independent outside directors and the representative director.

The candidates for Director positions are as follows:

No.	Name					Current Position
1	Ryosuke Mori	Reelect				President and Representative Director
2	Masayuki Nishida	Reelect				Director Executive Vice President Executive Officer CHRO (Chief Human Resources Officer)
3	Hitoshi Hatta	Reelect				Executive Managing Director Executive Officer CCO (Chief Compliance Officer) CISO (Chief Information Security Officer)
4	Yasuhiro Koba	Reelect				Director Executive Officer General Manager of Sales & Marketing Division
5	Masanobu Takatani	Reelect	Outside	Independent		Outside Director
6	Yutaka Mizukoshi	Reelect	Outside	Independent		Outside Director
7	Keiko Hayashi	Newly elect	Outside	Independent		-
8	Yasuhiro Morita	Reelect	Outside			Outside Director

No.  
1

Ryosuke Mori

(Date of birth: March 10, 1984 / Age 36 / 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> 34,280

Qualifications of Director Candidates

At Lifenet, 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. 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 Director.

No.  
2

Masayuki Nishida (Date of birth: June 4, 1963 / Age 56 / Male)  
Reelect



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

April 1987	Joined Sanyo Securities Company Ltd.
July 2000	Director of Business Development, Strategic Alliance and Marketing & Communication, Frank Russel Japan, Ltd. (currently Russel Investments Japan Ltd.)
September 2004	Director of Client Services, Mercer Human Resource Consulting Ltd. (currently Mercer Japan Ltd.)
June 2006	Member of Board, Director of Client Services Representative
February 2013	Member of Board, Director & COO
June 2015	Director, Executive Vice President, Executive Officer, Lifenet Insurance Company
January 2016	Director, Executive Vice President, Executive Officer, General Manager of Sales & Marketing Division
April 2017	Director, Executive Vice President, Executive Officer, General Manager of Corporate Administration Division
June 2018	Director, Executive Vice President CHRO (Chief Human Resources Officer)
July 2019	Director, Executive Vice President, Executive Officer CHRO (incumbent)

<Number of Company Shares Owned> 29,253

**Qualifications of Director Candidates**

Utilizing his experience and accomplishments achieved at a human resource consulting company, Masayuki Nishida has overseen sales and marketing and personnel affairs operations as Director and Executive Vice President of the Company since June 2015. He has pursued the Company's organizational strategies and contributed to strengthening our management foundation. We therefore deem Mr. Nishida to be an appropriate choice for achieving sustained growth of the Company and propose that he be reelected as Director.

No.  
3

Hitoshi Hatta

(Date of birth: March 21, 1955 / Age 65 / Male)

Reelect



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

April 1980	Joined Ministry of Finance Japan
May 1995	Director of General, JETRO Zurich
August 2005	Director, Planning Division, Planning and Coordination Bureau, Financial Services Agency of Japan
July 2007	Director, Supervisory Coordination Division, Supervisory Bureau
July 2008	Director-General, Fukuoka Local Finance Branch Bureau, Ministry of Finance
August 2010	Director-General, Ministry of Health, Labour and Welfare
July 2013	Director-General, Yokohama Customs, Ministry of Finance
October 2014	Director-General, The Financial Futures Association of Japan
May 2016	Corporate Advisor, Lifenet Insurance Company
June 2016	Executive Managing Director, Executive Officer, Chief Compliance Officer
October 2016	Executive Managing Director, Executive Officer CCO (Chief Compliance Officer) CISO (Chief Information Security Officer) (incumbent)

<Number of Company Shares Owned> 24,445

Qualifications of Director Candidates

Hitoshi Hatta has served as Executive Managing Director and Chief Compliance Officer at the Company since June 2016 in light of his experience and accomplishments gained at the Ministry of Finance and the Financial Services Agency. He utilizes his extensive knowledge and experience pertaining to all aspects of the life insurance business in his current position as Chief Compliance Officer. We therefore deem Mr. Hatta to be an appropriate choice for overseeing compliance for the entire company and achieving sustained growth of the Company and propose that he be reelected as Director.

No.  
4

Yasuhiro Koba

(Date of birth: April 9, 1979 / Age 41 / 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 (incumbent)

<Number of Company Shares Owned> 22,360

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 advanced management strategy as Director since June 2017, and led growth in performance as General Manager of the Sales & Marketing Division from July 2019. We therefore deem Mr. Koba to be an appropriate choice for achieving sustained growth of the Company and propose that he be reelected as Director.

No.  
5

Masanobu Takatani (Date of birth: May 2, 1951 / Age 69 / Male)  
Reelect Outside Independent



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

April 1976	Joined The Norinchukin Bank
July 2001	General Manager, Fixed Income Investment Division
July 2003	General Manager, Financial Planning & Control Division
June 2004	Managing Director
June 2007	Senior Managing Director
June 2010	President and Representative Director, Norinchukin Zenkyoren Asset Management Co., Ltd.
June 2016	Outside Director, Lifenet Insurance Company (incumbent)

<Number of Company Shares Owned> 2,300

Qualifications of Director Candidates

Masanobu Takatani has extensive experience and a wealth of expertise in corporate management of financial institutions. We therefore propose that he be reelected as Outside Director.

No.  
6

Yutaka Mizukoshi (Date of birth: August 29, 1956 / Age 63 / Male)  
Reelect Outside Independent



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

April 1980	Joined NIPPON STEEL CORPORATION
May 2004	Senior Vice President, The Boston Consulting Group
January 2005	Japan Co-chair
January 2016	Senior Partner and Managing Director
June 2016	Outside Director, Lifenet Insurance Company (incumbent)
	Outside Director, ASAGAMI CORPORATION (incumbent)
January 2018	Senior Advisor, The Boston Consulting Group (incumbent)
June 2018	External Director, CAPCOM CO., LTD. (incumbent)
January 2020	Outside Director, Member of Audit and Supervisory Committee, ADK Holdings Inc. (incumbent)

<Number of Company Shares Owned> None

Qualifications of Director Candidates

Yutaka Mizukoshi has extensive experience and a wealth of expertise in corporate management from his experience as a representative of a consulting firm. We therefore propose that he be reelected as Outside Director.

No.  
7

Keiko Hayashi

(Date of birth: August 11, 1960 / Age 59 / Female)

Newly elect Outside Independent



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

April 1986      Joined Tokyo Regional Taxation Bureau  
 October 1990    Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
 March 1994      Registered as C.P.A.  
 July 2006        Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) (incumbent)  
 October 2013    Group D&I Owners D&I Partner, Deloitte Tohmatsu Group  
 July 2016        Executive Board Member, The Japanese Institute of Certified Public Accountants (incumbent)  
 November 2018 President, Tohmatsu Challenged Co., Ltd. (incumbent)  
 October 2019    Chair, The Audit Practice Review Committee, The Japanese Institute of Certified Public Accountants (incumbent)

<Number of Company Shares Owned> None

Qualifications of Director Candidates

Keiko Hayashi has experience in corporate management. As a Certified Public Accountant, she possesses extensive expertise in accounting and finance, and she also possesses a broad range of experience and knowledge in supporting venture firms and diversity & inclusion. We therefore propose that Ms. Hayashi be elected as a new Outside Director.



No.  
8

Yasuhiro Morita

(Date of birth: October 2, 1964 / Age 55 / Male)

Reelect Outside



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

April 1987	Joined Kokusai Denshin Denwa Co., Ltd. (currently KDDI CORPORATION)
December 2005	General Manager, Content Business Marketing Department Content and Media Business Sector
April 2007	General Manager, Consumer Business Strategy Department 1 Consumer Business Strategy Division
April 2010	General Manager, Group Business Department 1 Finance & Group Business Division
April 2011	General Manager, Business Strategy Department Advanced Business Development Division
April 2012	General Manager, Business Enhancement Department Advanced Business Development Division
June 2013	Director, WebMoney Corporation
April 2016	President
April 2019	Executive Officer, au Financial Holdings Corporation
June 2019	Outside Director, Lifenet Insurance Company (incumbent)
October 2019	Managing Executive Officer, au Financial Holdings Corporation (incumbent)

<Number of Company Shares Owned> None

Qualifications of Director Candidates

Yasuhiro Morita has extensive experience and a wealth of expertise as the officer in charge of new business at KDDI CORPORATION and as management in a financial firm. We therefore propose that he be reelected as Outside Director.

- (Notes) 1) There are no special interests between the Company and each of the candidates.
- 2) Keiko Hayashi intends to assume the position of Outside Director, Member of Audit and Supervisory Committee at Meidensha Corporation on June 26, 2020. She also plans to resign her position as the President of Tohmatsu Challenged Co., Ltd. and leave Tohmatsu Challenged Co., Ltd. and Deloitte Touche Tohmatsu LLC, on June 30, 2020.
- 3) Masanobu Takatani, Yutaka Mizukoshi, Keiko Hayashi and Yasuhiro Morita 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 Masanobu Takatani, Yutaka Mizukoshi and Yasuhiro Morita 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 each outside director if reelected. If Keiko Hayashi is elected, the Company intends to enter into the same agreement with her.

- (2) Yasuhiro Morita is on secondment to au Financial Holdings Corporation from KDDI CORPORATION, and thus has executed business at a major business partner of the Company within the past five years. KDDI CORPORATION is an important business partner of the Company.
- (3) Masanobu Takatani, Yutaka Mizukoshi and Yasuhiro Morita are incumbent Outside Directors of the Company. Masanobu Takatani and Yutaka Mizukoshi will have served as Outside Directors for four years and Yasuhiro Morita will have served as Outside Director for one year as of the conclusion of the 14th Annual General Meeting of Shareholders.
- (4) The Company has notified the Tokyo Stock Exchange of our designation of Masanobu Takatani and Yutaka Mizukoshi as independent officers under the regulations of the exchange as there are no conflicts of interest arising between each candidate and general shareholders. In the event that they are reelected, the Company will designate Masanobu Takatani and Yutaka Mizukoshi as independent officers. Keiko Hayashi also poses no risk of conflicts of interest with general shareholders, and Lifenet also intends to designate her as an independent officer if she is elected.

(For reference) Nomination Policy of Candidates for Directors

To enhance the independence, objectivity, and accountability of the Board of Directors' functions pertaining to the nomination of Directors and officer remuneration, the Company has voluntarily established a Nomination and Compensation Committee. The Nomination and Compensation Committee comprises of three Independent Outside Directors and the Representative Directors. The nomination policy of candidates for Director is established by the Board of Directors following the deliberations at the Nomination and Compensation Committee. The policy is as follows.


1. With regard to candidates for Internal Directors, following the deliberations at the Nomination and Compensation Committee, the Board of Directors shall nominate the candidates who fulfill the following particulars:
  - 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, following the deliberations at the Nomination and Compensation Committee, the Board of Directors shall nominate the candidates who fulfill the following particulars:
  - Individuals with high level of expertise and rich experience in field such as corporate management, risk management, compliance, finance, economics, accounting and financial affairs and marketing, and have made adequate accomplishments in that field.
  - Individuals capable of providing advice on management policies to promote sustainable growth of the Company and aiming for the medium- and long-term enhancement of corporate value.
  - 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 the criteria described below.
3. Independence Criteria for Outside Directors  
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;
  - (2) Persons whose major business partner is the Company or executes business at such company;
  - (3) Major business partner of the Company or executes business at said company;
  - (4) Executing person of a company where executing person of 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 executes business at said company;
  - (6) Persons providing professional services such as consultant or professionals in accounting or law who receives from the Company a large amount of money or other property other than officer remuneration;
  - (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 relative of persons who fall under any of (1) to (8) above (excluding those deemed not important).

**Proposal 2: Regarding the Election of an Alternate Corporate Auditor**

The elective term of Tadasu Kawai, the current Alternate Corporate Auditor, will remain in force until the 14th Annual General Meeting of Shareholders begins. We propose electing an Alternate Corporate Auditor to prepare for a situation in which the Company lacks the legally mandated number of Corporate Auditor. The validity of the election as Alternate Corporate Auditor may be rescinded by resolution of the Board of Directors after obtaining consent of the Audit & Supervisory Board, provided that this occurs before the office is assumed.

The Audit & Supervisory Board agrees with this proposal.

The candidate for the Alternate Corporate Auditor position is as follows:

	<p><b>Tadasu Kawai</b></p>	<p>(Date of birth: May 7, 1941 / Age 79 / Male)</p>
	<p><u>Reelect</u> <u>Outside</u> <u>Independent</u></p>	<p><u>Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet</u></p>
		<p>April 1964      Joined Sony Corporation</p> <p>June 2003      Senior Executive Officer</p> <p>August 2004    Corporate Auditor, Monex Beans Holdings, Inc. (currently Monex Group, Inc.)</p> <p>May 2007      Outside Corporate Auditor, Lifenet Insurance Company</p> <p>June 2009      Director, Monex Group, Inc.</p> <p>February 2011   Chairman, Monex Alternative Investments, Inc.</p>
		<p>&lt;Number of Company Shares Owned&gt; None</p>

**Qualifications of Alternate Corporate Auditor**

Tadasu Kawai has extensive experience and a wealth of expertise in corporate management and finance in multiple companies. We therefore propose that Mr. Kawai be reelected as Alternate Corporate Auditor.

- (Notes) 1) There are no special interests between the Company and the candidate.
- 2) If Tadasu Kawai is reelected as an Alternate Outside Corporate Auditor and assumes the position of an actual Outside Corporate Auditor, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company intends to enter into agreements with Tadasu Kawai to limit his 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.
- 3) Tadasu Kawai is a candidate for Alternate Outside Corporate Auditor as stipulated in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act.
- 4) If Tadasu Kawai is reelected as an Alternate Outside Corporate Auditor and assumes the position of an actual Outside Corporate Auditor, he poses no risk of conflicts of interest with general shareholders and Lifenet intends to report him as an independent officer as specified by the Tokyo Stock Exchange.

(Attached)

## BUSINESS REPORT

### 1 Business results

#### Condition of policies-in-force

New business performance for fiscal 2019 recorded a historical high. Annualized premium\*<sup>1</sup> of new business for fiscal 2019 was 3,425 million yen (123.5% of fiscal 2018). The number of new business for fiscal 2019 was 80,911 (125.6% of fiscal 2018).

Annualized premium\*<sup>1</sup> of policies-in-force as of the end of March 31, 2020 stands at 15,514 million yen (118.6% of March 31, 2019). Sum insured of policies-in-force was 2,565,269 million yen (112.0% of March 31, 2019). The number of policies-in-force resulted in a total of 365,171 (118.2% of March 31, 2019). The number of policyholders was 232,537. Surrender and lapse ratio\*<sup>2</sup> for fiscal 2019 was 7.0% (6.6% for fiscal 2018).

\*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 2019 increased to 16,455 million yen (135.3% of fiscal 2018) due to an increase in in-force business and effect from modified co-insurance. Investment income was 339 million yen (92.9% of fiscal 2018). Other ordinary income was 55 million yen. As a result, ordinary income for fiscal 2019 amounted to 16,850 million yen (134.2% of fiscal 2018).

Insurance claims and other was 3,759 million yen (148.3% of fiscal 2018). The ratio of insurance payment amounts to insurance premiums was 18.9% for fiscal 2019, compared with 17.3% for fiscal 2018. Provision for policy reserves and other came to 5,072 million yen (124.6% of fiscal 2018). The ratio of provision for policy reserves to insurance premiums increased to 35.1% for fiscal 2019, compared with 34.0% for fiscal 2018. Operating expenses amounted to 9,169 million yen (132.6% of fiscal 2018) mainly due to an increase in our marketing spend including advertising. The components of operating expenses were 6,146 million yen in marketing expenses (145.8% of fiscal 2018), 892 million yen in customer service expenses (113.4% of fiscal 2018), and 2,130 million yen in system and other expenses (111.4% of fiscal 2018). Other ordinary expenses was 1,081 million yen (142.8% of fiscal 2018). Consequently, ordinary expenses for fiscal 2019 totaled 19,233 million yen (134.7% of fiscal 2018).

As a result, ordinary profit totaled 2,382 million yen loss for fiscal 2019, compared with 1,719 million yen loss for fiscal 2018. Net income was 2,400 million yen loss, compared with 1,735 million yen loss for fiscal 2018.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 2,195 million yen loss, compared with 1,656 million yen loss for fiscal 2018, mainly due to an increase in operating expenses. The components of fundamental profit were 2,851 million yen in mortality margin, 5,064 million yen loss in expense margin and 17 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 resulted in raising ordinary income by 2,034 million yen, ordinary profit by 1,526 million yen, and net income by 1,526 million yen for fiscal 2019.

#### **Assets, liabilities and net assets**

Total assets as of March 31, 2020 amounted to 41,144 million yen (38,247 million yen as of March 31, 2019). The major account balance was 32,058 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Reinsurance accounts receivable was 1,663 million yen including 1,533 million yen of the balance of unamortized ceding commission for modified co-insurance.

Liabilities amounted to 31,744 million yen as of March 31, 2020 (26,474 million yen as of March 31, 2019), owing to an increase in policy reserves. The major account balances were 29,690 million yen in policy reserves and 638 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 will be enhanced over five fiscal years, from fiscal 2018 to 2022, with the standing difference at the end of fiscal 2019 at 957 million yen.

Net assets amounted to 9,400 million yen as of March 31, 2020 (11,773 million yen as of March 31, 2019) due to the recording of net loss for fiscal 2019. It includes the effect of raising retained earnings by 1,526 million yen 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, 2020 was 2,117.1% (2,085.2% as of March 31, 2019), 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, 2020 is 73,431 million yen, (63,378 million yen as of March 31, 2019) mainly due to acquisition of new business and updates made to mortality and expense assumptions. The adjusted net worth is 12,553 million yen. The value of in-force business increased to 60,878 million yen.

## Other accomplishments

The new products, *Jibun 3* and *Jibun 3 for Women*, were launched in December 2019 as the first new whole-life medical insurance products in five years. We enhanced their coverage, reflecting advances in medical technology and the voices of customers.

Services via smartphone were expanded. We expanded Lifenet app to Androids. It enables more customers to use biometric authentication to login Lifenet app and experience various procedures possible via smartphones for convenience.

Lifenet received high ratings from external institutions for fiscal 2019. In products, Term Life Insurance *Kazoku* and Long-term Disability Insurance *Hataraku-hito 2* ranked No.1 for third consecutive year in each category of Kakaku.com Insurance Award 2019 hosted by Kakaku.com, price comparison website. *Kazoku* was also ranked No. 1 in *the Most Chosen Insurance Ranking 2019* of HOKEN ICHIBA. HOKEN ICHIBA is one of the most popular price comparison websites for insurance products operated by Advance Create Co.,Ltd. In services, Lifenet received the highest rating of three stars in the 2019 HDI Benchmarking (Life Insurance Industry) in two categories: “Phone Support (Contact Center)” and “Web Support (Website)”. This is the seventh time that Lifenet has earned three stars in the public rating surveys in both divisions, the highest number recorded\*1 in the life insurance industry.

We also worked on strengthening business partnerships. In November 2019, Lifenet concluded a business partnership agreement with justInCase, and started selling P2P (peer-to-peer) insurance, *Warikan cancer insurance*\*2, which the company provides through its insurance agencies, on Lifenet's website from February 2020. This was our first attempt at selling another company's product. We also announced conclusion of a business partnership agreement with Seven Financial Service Co., Ltd., Seven & i Group in February 2020, aiming for sales of white label product, *Seven Financial Service Life Insurance*\*3. This is our second initiative in the white label business, following our *au Life Insurance* initiative with KDDI CORPORATION.

\*1: Research by Lifenet

\*2: P2P insurance (Peer-to-Peer insurance) is a type of insurance that uses a system of distributing risk and premium payments among a group of people that share the same risk.

\*3: *Seven Financial Service Life Insurance* was launched in April 2020.



## 2 Challenges

### Mid- to long-term business strategy and challenges

We formulated a management policy in November 2018 aimed at the continued steady growth and achievement of high profitability over the mid- to long-term. The policy is summarized below:

#### Summary of Management Policy

<b>Mission</b>	Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services
<b>Vision</b>	Be the leading company driving the growth of the online life insurance market
<b>Priority areas</b>	<ul style="list-style-type: none"> <li>● <u>Innovation of customer experience</u> Enhancing and evolving the quality of all services with digital technology</li> <li>● <u>Enhancement of promotion capabilities</u> Generating massive customer traffic by active promotion and expansion of agent sales and white label business</li> </ul>
<b>Management goal</b>	Aim to achieve EEV (indicator of corporate value) of 100 billion yen by business growth in a mid-term

Initiatives in the priority areas of “Innovation of customer experience” and “Enhancement of promotion capabilities” and other efforts based on this management policy resulted in a record high in new business performance for the second consecutive fiscal year up to fiscal 2019 and we feel this demonstrates the real expansion of online insurance.

Lifenet continues to pursue in-force business performance aimed at early achievement of the management goal of 100 billion yen in EEV (European Embedded Value). We are also aiming to turn a profit at the ordinary profit in statutory accounting in the mid-2020s by enhancing efficiency and profitability as the scale of business expands.

Moreover, the spread of COVID-19 also makes it essential to respond to a post-COVID-19 world in which drastic changes are expected. Lifenet will leverage its business model, which is centered on use of the Internet to realize the LIFENET Manifesto of “Comprehensible, Cost-Competitive, and Convenient” that we have pursued since we first commenced our business in 2008 and strive to provide life insurance products and services unencumbered by conventional wisdom.

We will therefore pursue initiatives aimed at the following issues which should be addressed:

(1) Sustained growth of in-force business performance

Lifenet has designated “Innovation of customer experience” and “Enhancement of promotion capabilities” as priority areas in our management policy and we are striving to maintain the strong new business performance, improve the surrender and lapse ratio, and achieve sustained growth in in-force business performance. We will also actively pursue investment in core systems to achieve these goals.

First, to achieve “Innovation of customer experience,” Lifenet will aim to provide convenient life insurance services that exceed the expectations of customers. We will achieve this by designing and improving stress-free services from the perspective of the



customer's experience (CX) in the entire series of processes ranging from insurance consultation, to application and post-policy enrollment procedures, and submitting insurance claims and other benefit claims, in addition to developing insurance products that meet the needs of customers. More specifically, we will provide products and services mainly via smartphone by using digital data analysis and technology that make use of the strengths of online insurance. Lifenet also aims to increase customer engagement through the use of advertising and promotions, our contact center and website, SNS, and meetings for policyholders.

Next, to achieve "Enhancement of promotion capabilities," we will operate our business using two pivotal channels, the Internet channel and the agency channel, which includes white label products using partner company brands. We will work to increase the number of customers who choose the company through efforts to further raise its recognition and strengthen brand power via continuous advertising and promotion by utilizing the expertise we have accumulated through the Internet channel, which has been Lifenet's main channel since the company first opened for business. At agency channel, we are cooperating with corporate partners that possess customer bases and brand power to expand white label business in selling our products under corporate partner brands. We have been selling *au life insurance* using KDDI CORPORATION as an agent since April 2016, and *Seven Financial Service life insurance* using Seven Financial Service Co., Ltd. as an agent since April 2020, with the goal of providing Lifenet's comprehensible, cost-competitive, convenient products and services to a wider range of customer segments.

## (2) Securing profitability and financial soundness

Lifenet aims to utilize the strengths and experience in online life insurance it has cultivated thus far to improve marketing expense efficiency along with growing new business performance. We will also work to improve operating expense efficiency in operating expenses excluding marketing expenses by continuing to pursue company-wide initiatives aimed at improving productivity, including revising operating processes and automating operations through the use of technology.

It is important to secure sound financial conditions to serve as the base for achieving sustained growth. As a means, we have been participating in reinsurance transactions from fiscal 2019 by modified co-insurance on part of new business to ease the temporary burden imposed on statutory capital by expenses associated with new business. We will also secure capital sufficiency on an economic value basis in addition to the solvency margin ratio and other indicators of financial soundness, based on our newly established basic policy on risk appetite.

### **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.

Lifenet 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.

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, we aim to turn a profit at the ordinary profit in statutory accounting in the mid-2020s, and thereafter 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	
	2019	2020
<b>ASSETS</b>		
Cash and deposits .....	1,192	1,377
Cash .....	—	0
Bank deposits .....	1,192	1,377
Monetary claims bought .....	999	299
Money held in trust .....	3,114	3,539
Securities .....	30,989	32,058
Government bonds .....	8,071	8,065
Municipal bonds .....	1,394	1,391
Corporate bonds .....	16,763	18,119
Stocks .....	363	313
Foreign securities .....	45	0
Other securities .....	4,352	4,167
Tangible fixed assets .....	99	96
Buildings .....	16	14
Leased assets .....	19	7
Other tangible fixed assets .....	62	75
Intangible fixed assets .....	629	742
Software .....	553	597
Software in progress .....	70	144
Leased assets .....	5	—
Agency accounts receivable .....	7	9
Reinsurance accounts receivable .....	69	1,663
Other assets .....	1,146	1,356
Accounts receivable .....	955	1,132
Prepaid expenses .....	72	98
Accrued income .....	44	52
Deposits .....	73	73
Suspense payments .....	1	0
Total assets .....	38,247	41,144

(In millions of yen)

March 31

	2019	2020
<u>LIABILITIES</u>		
Policy reserves and other .....	25,256	30,328
Reserves for outstanding claims .....	469	638
Policy reserves .....	24,786	29,690
Agency accounts payable .....	72	55
Reinsurance accounts payable.....	160	225
Other liabilities .....	707	882
Income taxes payable .....	1	3
Accounts payable.....	37	35
Accrued expenses.....	594	775
Deposits received.....	13	13
Lease liabilities .....	16	7
Asset retirement obligations.....	33	33
Suspense receipt .....	9	13
Reserves under the special laws.....	42	56
Reserve for price fluctuations.....	42	56
Deferred tax liabilities .....	233	195
Total liabilities .....	<u>26,474</u>	<u>31,744</u>
<u>NET ASSETS</u>		
Capital stock .....	12,136	12,200
Capital surplus.....	12,136	12,200
Legal capital surplus .....	12,136	12,200
Retained earnings .....	(13,101)	(15,502)
Other retained earnings .....	(13,101)	(15,502)
Retained earnings brought forward .....	(13,101)	(15,502)
Shareholders' equity .....	<u>11,172</u>	<u>8,898</u>
Valuation difference on available-for-sale securities .....	600	502
Valuation and translation adjustments .....	600	502
Total net assets .....	<u>11,773</u>	<u>9,400</u>
Total liabilities and net assets .....	<u><u>38,247</u></u>	<u><u>41,144</u></u>

## 2. Statements of Operations

	(In millions of yen)	
	Year ended March 31	
	2019	2020
Ordinary income.....	12,560	16,850
Insurance premiums and other.....	12,159	16,455
Premiums income.....	11,845	13,982
Reinsurance income.....	313	2,473
Investment income.....	365	339
Interest, dividends and other income.....	230	291
Interest from deposits.....	0	0
Interest and dividends from securities.....	230	291
Other interest and dividends.....	0	0
Gain on money held in trust.....	36	31
Gain on sales of securities.....	98	16
Other ordinary income.....	35	55
Other.....	35	55
Ordinary expenses.....	14,280	19,233
Insurance claims and other.....	2,535	3,759
Insurance claims.....	1,353	1,694
Benefits.....	701	941
Other refunds.....	0	0
Reinsurance commissions.....	480	1,122
Provision for policy reserves and other.....	4,070	5,072
Provision for reserves for outstanding claims.....	40	168
Provision for policy reserves.....	4,029	4,903
Investment expenses.....	1	151
Interest expenses.....	0	0
Loss on sales of securities.....	—	53
Loss on valuation of securities.....	—	95
Foreign exchange losses.....	—	0
Other investment expenses.....	1	1
Operating expenses.....	6,916	9,169
Other ordinary expenses.....	757	1,081
Taxes.....	503	769
Depreciation.....	251	300
Other.....	1	11
Ordinary profit (loss).....	(1,719)	(2,382)
Extraordinary losses.....	11	13
Provision of reserves under the special laws.....	11	13
Provision of reserve for price fluctuations.....	11	13
Income (loss) before income taxes.....	(1,731)	(2,396)
Income taxes-current.....	4	4
Income taxes.....	4	4
Net income (loss).....	(1,735)	(2,400)

### 3. Statements of Changes in Net Assets

	(In millions of yen)	
	Year ended March 31	
	2019	2020
Shareholders' equity:		
Capital stock		
Capital stock .....	12,136	12,136
Changes of items during the period		
Issuance of new shares-restricted stock .....	—	20
Issuance of new shares-exercise of subscription rights to shares .....	—	42
Total changes of items during the period .....	—	63
Capital stock .....	<u>12,136</u>	<u>12,200</u>
Capital surplus		
Legal capital surplus		
Legal capital surplus .....	12,136	12,136
Changes of items during the period		
Issuance of new shares-restricted stock .....	—	20
Issuance of new shares-exercise of subscription rights to shares .....	—	42
Total changes of items during the period .....	—	63
Legal capital surplus .....	<u>12,136</u>	<u>12,200</u>
Total capital surplus		
Capital surplus .....	12,136	12,136
Changes of items during the period		
Issuance of new shares-restricted stock .....	—	20
Issuance of new shares-exercise of subscription rights to shares .....	—	42
Total changes of items during the period .....	—	63
Capital surplus .....	<u>12,136</u>	<u>12,200</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward .....	(11,365)	(13,101)
Total changes of items during the period		
Net income (loss) .....	(1,735)	(2,400)
Total changes of items during the period .....	(1,735)	(2,400)
Retained earnings brought forward .....	<u>(13,101)</u>	<u>(15,502)</u>
Total retained earnings		
Retained earnings .....	(11,365)	(13,101)
Changes of items during the period		
Net income (loss) .....	(1,735)	(2,400)
Total changes of items during the period .....	(1,735)	(2,400)
Retained earnings .....	<u>(13,101)</u>	<u>(15,502)</u>
Total shareholders' equity		
Shareholders' equity .....	12,907	11,172
Changes of items during the period		
Issuance of new shares-restricted stock .....	—	41
Issuance of new shares-exercise of subscription rights to shares .....	—	85
Net income (loss) .....	(1,735)	(2,400)
Total changes of items during the period .....	<u>(1,735)</u>	<u>(2,273)</u>
Shareholders' equity .....	<u>11,172</u>	<u>8,898</u>

	(In millions of yen)	
	Year ended March 31	
	2019	2020
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities ...	480	600
Changes of items during the period		
Net changes of items other than shareholders' equity .....	120	(98)
Total changes of items during the period .....	120	(98)
Valuation difference on available-for-sale securities	600	502
Total valuation and translation adjustments		
Total valuation and translation adjustments .....	480	600
Changes of items during the period		
Net changes of items other than shareholders' equity .....	120	(98)
Total changes of items during the period .....	120	(98)
Total valuation and translation adjustments .....	600	502
Net assets:		
Net assets .....	13,387	11,773
Changes of items during the period		
Issuance of new shares-restricted stock .....	—	41
Issuance of new shares-exercise of subscription rights to shares .....	—	85
Net income (loss).....	(1,735)	(2,400)
Net changes of items other than shareholders' equity ..	120	(98)
Total changes of items during the period .....	(1,614)	(2,372)
Net assets .....	11,773	9,400

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