



Securities Code:7157
TSE Mothers



LIFENET





LIFENET INSURANCE COMPANY

Investor Meeting Presentation for Fiscal 2015

LIFENET INSURANCE COMPANY

May 13, 2016

FY2015 Key Highlight

-  Ordinary income **up 7.5%** year on year, **almost achieved JPY 9.5bn** as **Management Goal**
-  **Achieved** to turn profitable¹ as **Management Goal**
-  Review of **previous mid-term business plan**
-  Formulation of **new mid-term business plan**

Summary of FY2015 Results



(JPY mn)

	FY2014	FY2015	Year on year
Ordinary income	8,729	9,387	107.5%
Operating expenses	3,815	3,239	84.9%
Ordinary profit (loss) ¹	(472)	584	-
Cash flows from operating activities	3,247	4,610	142.0%
Mortality margin	1,777	2,100	118.2%
Annualized premium ² of policies-in-force	8,793	9,377	106.6%
Number of policies-in-force	215,403	225,534	104.7%
Annualized premium ² of new business	1,327	1,189	89.6%
Number of new business	27,982	25,150	89.9%

1. Ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

2. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

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3. Challenges for Fiscal 2016

Overview of FY2015

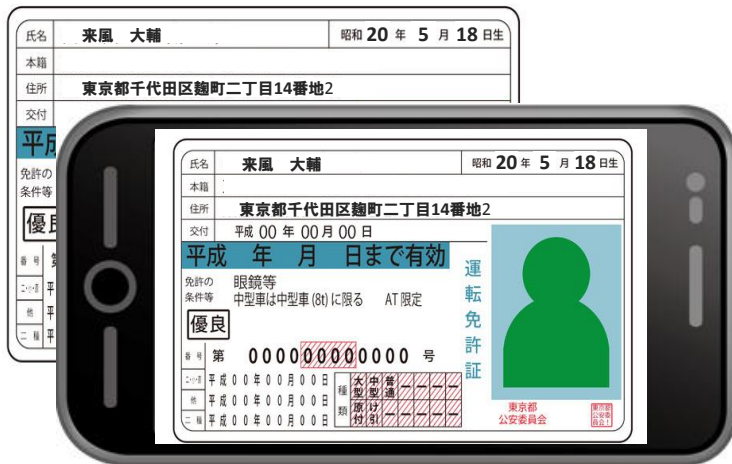


- Improvement of customer convenience
 - Utilization of **Smartphone**
 - Enhance **free consultation** services
 - **Expanded range** of underwriting and designatable beneficiaries
- Business alliance with **KDDI**
- Enhance **agents channel**

Utilization of Smartphone

■ Accept application documents via website captured by Smartphone

Save customer's steps of copying and sending applications for new policy (from April 2015)



Realized payment in 3 days at earliest by saving customer's steps of copying and sending documents for claim¹ (from March 2016)



actually utilized at Kumamoto earthquake in 2016

1. Whole-life Medical New "Jibun" for Woman is excluded from this service.

Enhance Free Consultation Services



- Expanded free consultation services team, number of calls resulted in **1.7 times** year on year

You can consult with a Lifenet's insurance planner for any questions for free

- Point 1 経験豊富な保険プランナーが対応！だから安心
- Point 2 迷っているあなたに、ぴったりのプランが見つかる
- Point 3 はじめての方でも保険のことがよくわかる



Expanded Range of Underwriting and Designatable Beneficiaries

■ Improved convenience according to customers' voice

Expanded range of underwriting for Long-term Disability to part-time worker with annual income over JPY 1.5mn

Acceptable occupation

To Nov. 30 2015

(annual income over JPY 1.5mn)

- Office workers (incl. contractors and temps)
- Public servants
- Corporate officials
- Self-employed



From Dec. 1 2015

(annual income over JPY 1.5mn)

- Office workers (incl. contractors and temps)
- Public servants
- Corporate officials
- Self-employed
- Part-time workers

Expanded range of designatable beneficiaries to same-sex partners



Business Alliance with KDDI

■ **Commenced sales with KDDI** from April 2016

☺ Started Business Alliance in April 2015



☺ Established Business Alliance Committee in May 2015 aiming to discuss detailed measures



☺ **Started trial sales** at “au Shop” in December 2015 for successful business launch



☺ **Commenced nationwide sales of “au Life Insurance”** from April 2016

au Life Insurance

■ Providing life insurance under “au Life Design” concept

“au Life Design”

au Life Insurance

au Non-life
Insurance

au Home Mortgage

au Electricity

万が一に備える

 au 定期ほけん

お手頃な保険料で万が一に備えるなら、
10年ごとに見直ししやすいau定期ほけんで
決まり！

女性特有の病気やがんに備える

 au 医療ほけんレディース

女性特有の病気はもちろん、がんにも手
厚いau医療ほけんレディース。女性にや
さしい保険です。

入院・手術・がん・先進医療に備える

 au 医療ほけん

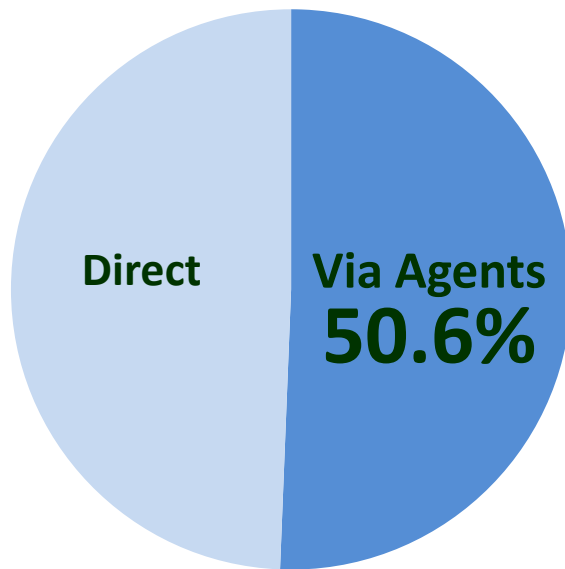
医療保険でもう迷わない。入院・手術・
がん・先進医療の保障が一生続くau医
療ほけんで安心！

Enhance Agents Channel



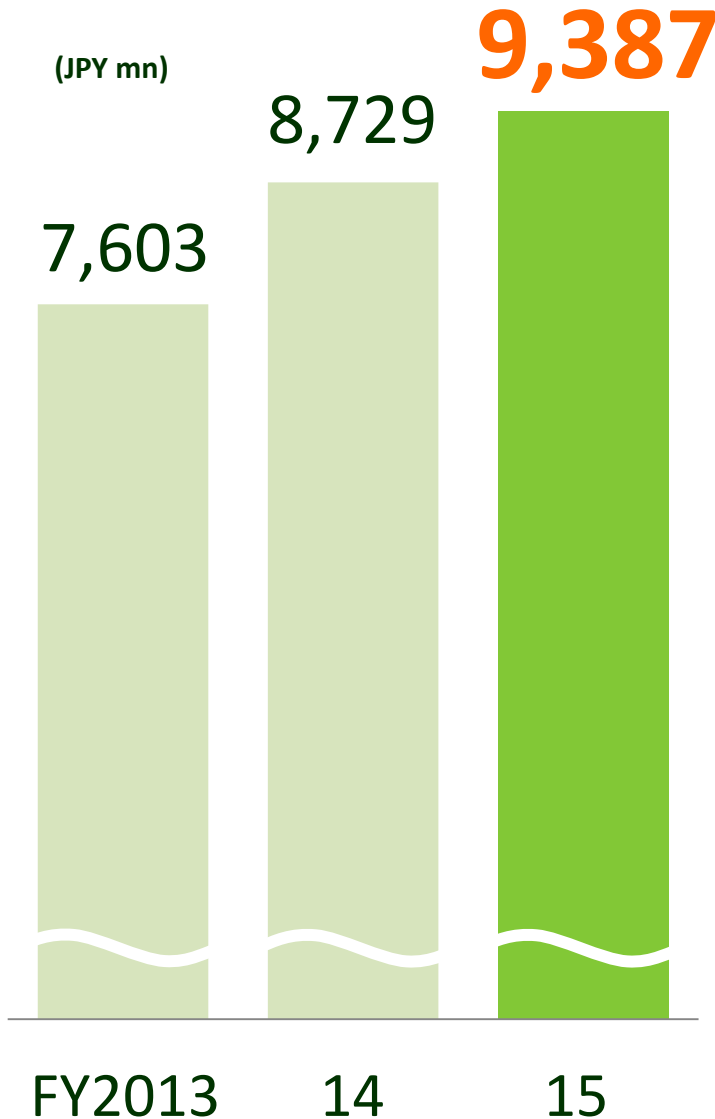
Direct and agents sales ratio¹

Approx. 50% of Long-term Disability applications is via agent



- **Sales over-the-counter** promotes understanding insurance products
- **Build strong position** in expanding market

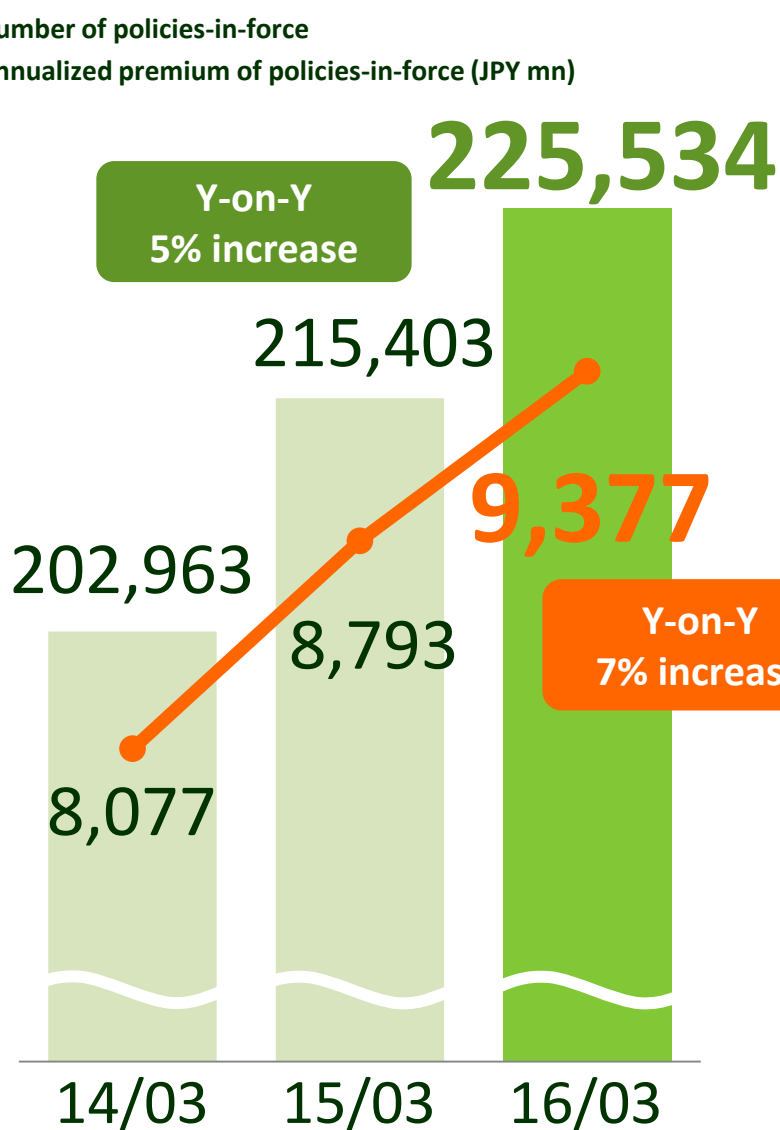
Ordinary Income



■ **Increased** as growth of policies-in-force

■ **Almost achieved**
Management Goal
JPY 9.5bn

Number of Policies-in force / Annualized Premium



■ In-force business and insurance premium **steadily increased**

■ Policies-in-force **exceeded 220,000**

Breakdown of Policies-in-force

Over 140,000 in-force policyholders

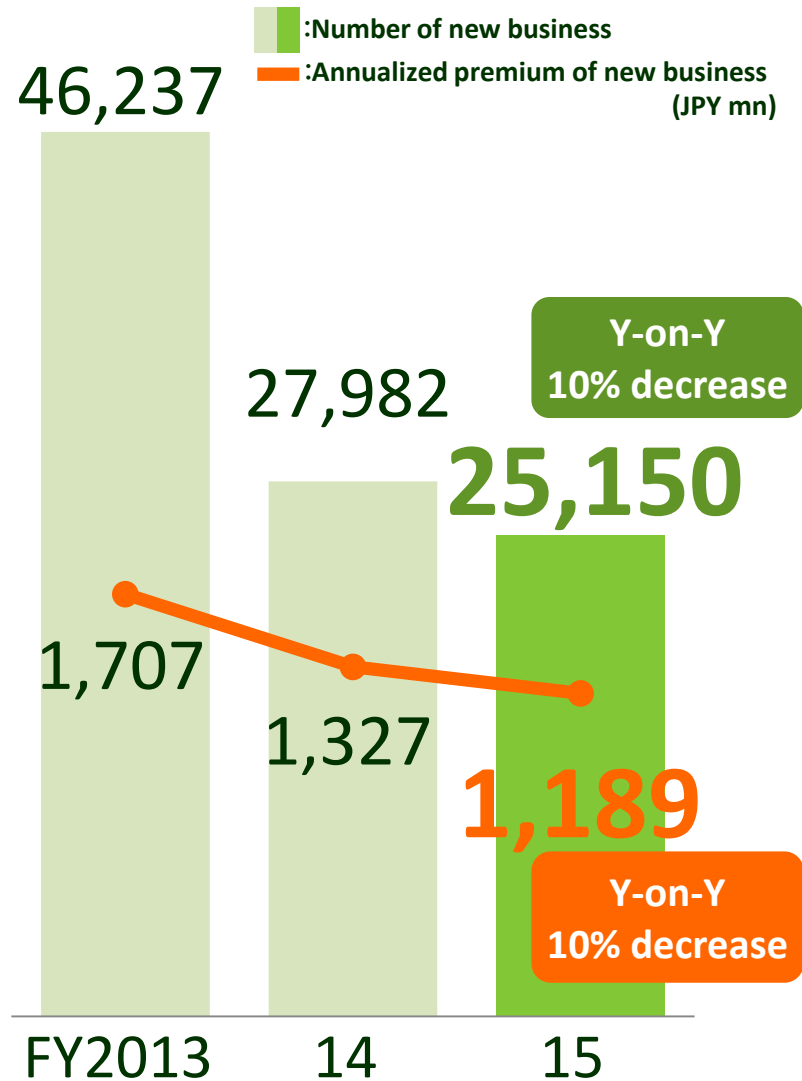
(YY/MM)	15/03	16/03
Number of policies-in-force	215,403	225,534
- Term Life ¹	112,420	117,626
- Whole-Life Medical ¹	65,666	67,999
- Term Medical Care ¹	11,870	11,132
- Long-Term Disability ¹	25,447	28,777
Sum insured of policies-in-force ² (JPY mn)	1,831,081	1,906,269
Number of policyholders	131,319	140,301
	FY2014	FY2015
(Reference) Surrender and lapse ratio ³	7.3%	6.7%

1. Term Life insurance: "Kazoku", Whole-Life Medical insurance: "Jibun", New "Jibun", and New "Jibun" for Women, Term Medical Care insurance: "Jibun Plus", Long-Term Disability insurance: "Hataraku Hito".

2. Sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.

3. 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.

Number of New Business / Annualized Premium



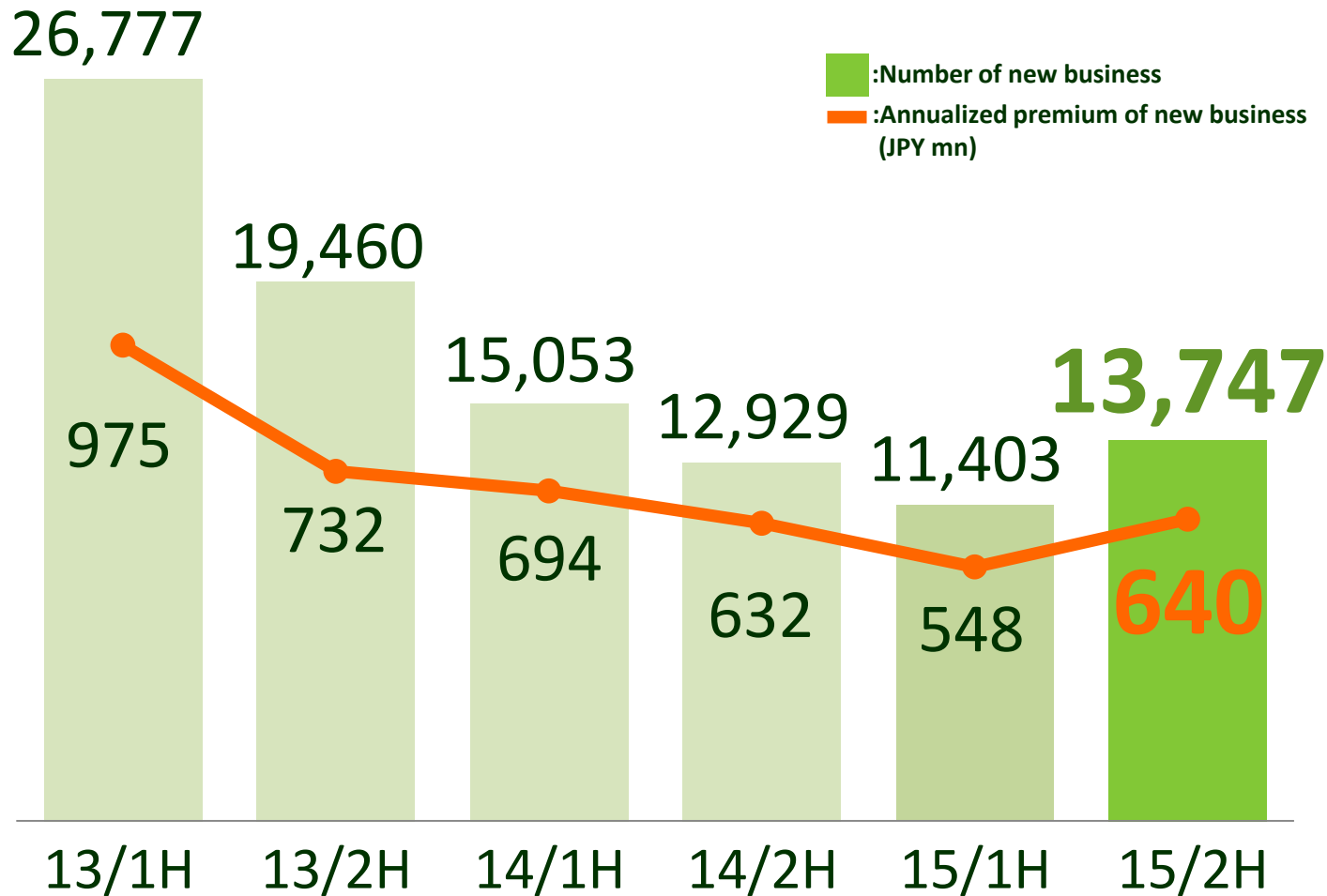
■ Annualized premium of new business
JPY 1,189mn

■ Challenge for **stable growth** in new business performance

Number of New Business / Annualized Premium (Half Year)



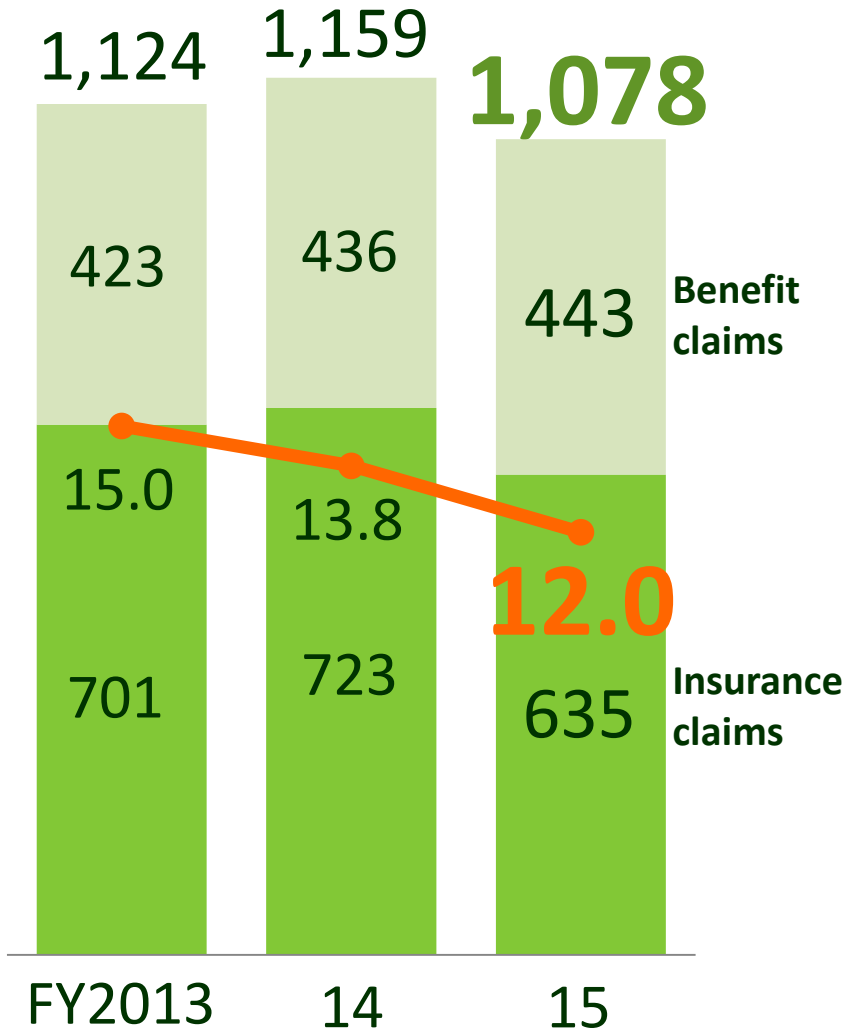
■ Bottoming out in 2H 2015



Insurance Claims and Benefits



■ : Amount of insurance payments (JPY mn)
 ■ : Amount of insurance payments / Premiums income (%)



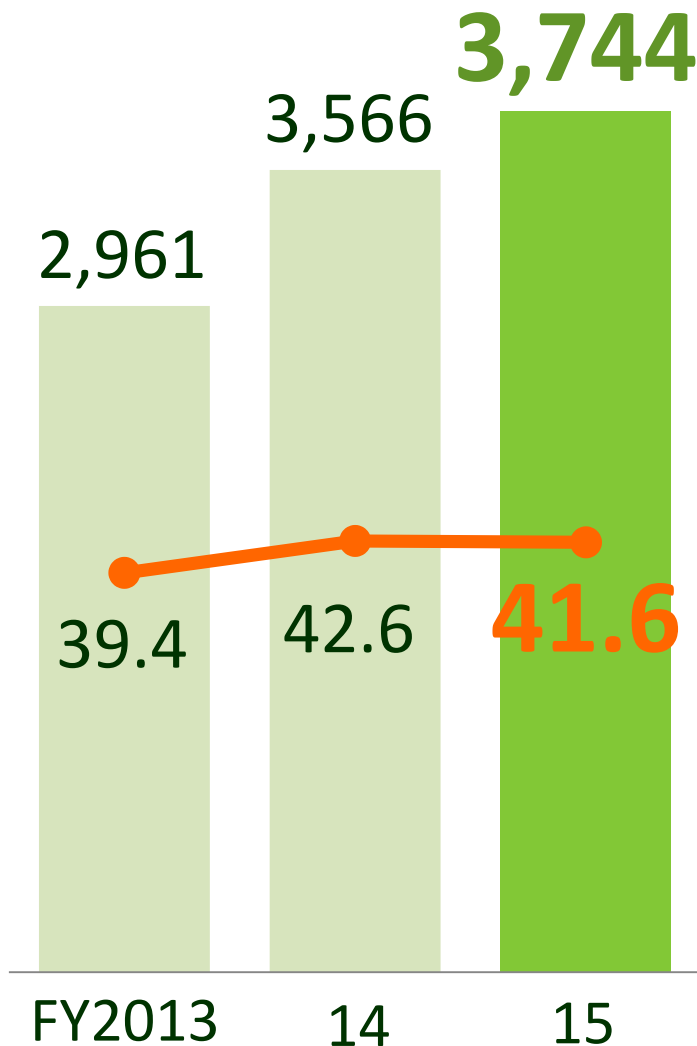
■ Payments **decreased** despite increased policies-in-force

■ **52** insurance claims and **4,990** benefit claims

Provision for Policy Reserves

■ : Provision for policy reserves (JPY mn)

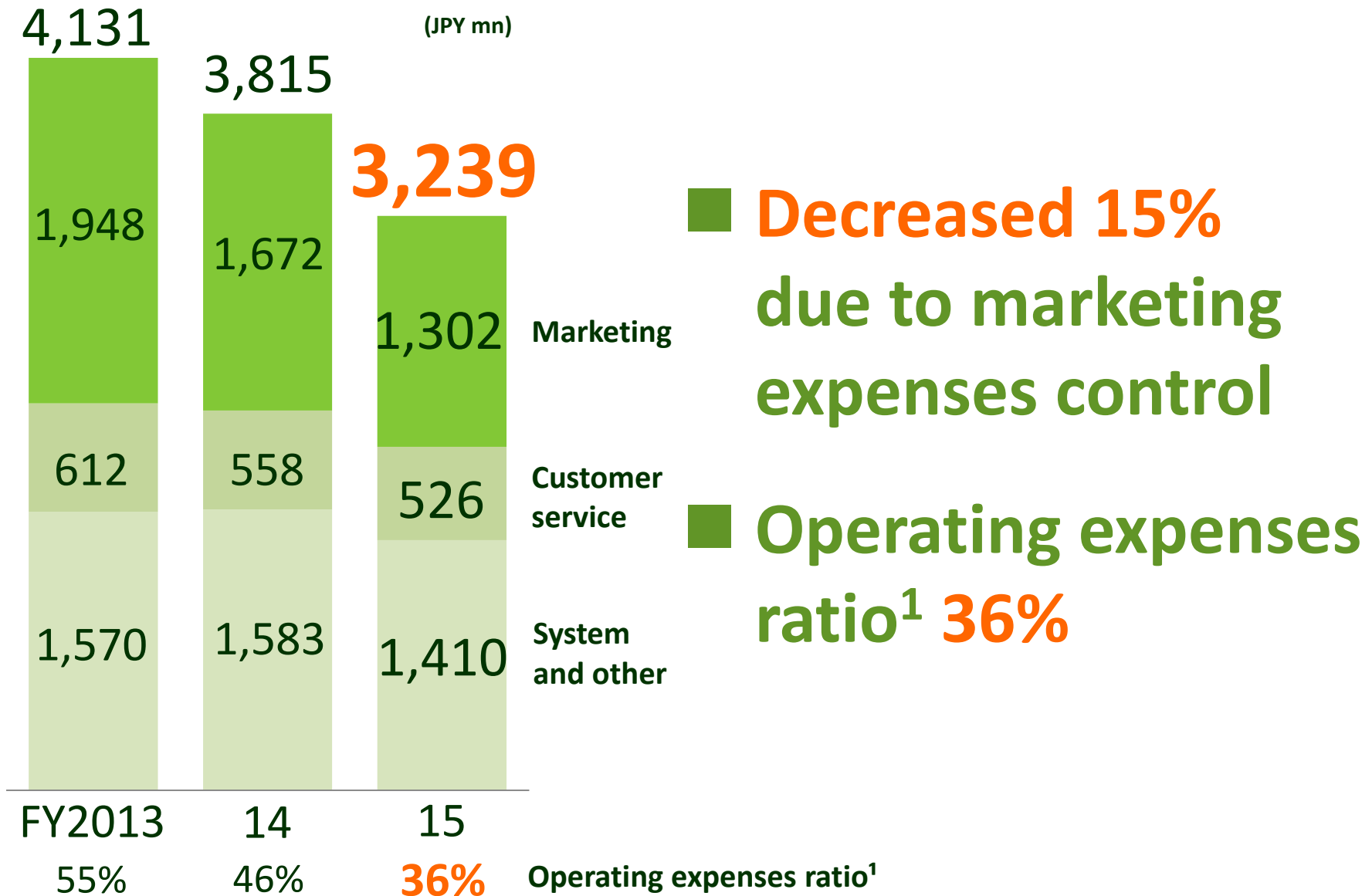
■ : Provision for policy reserves / Premiums income (%)



■ **Increased** by insurance premium increase

■ Calculations based on the **five-year Zillmer method** since business commencement

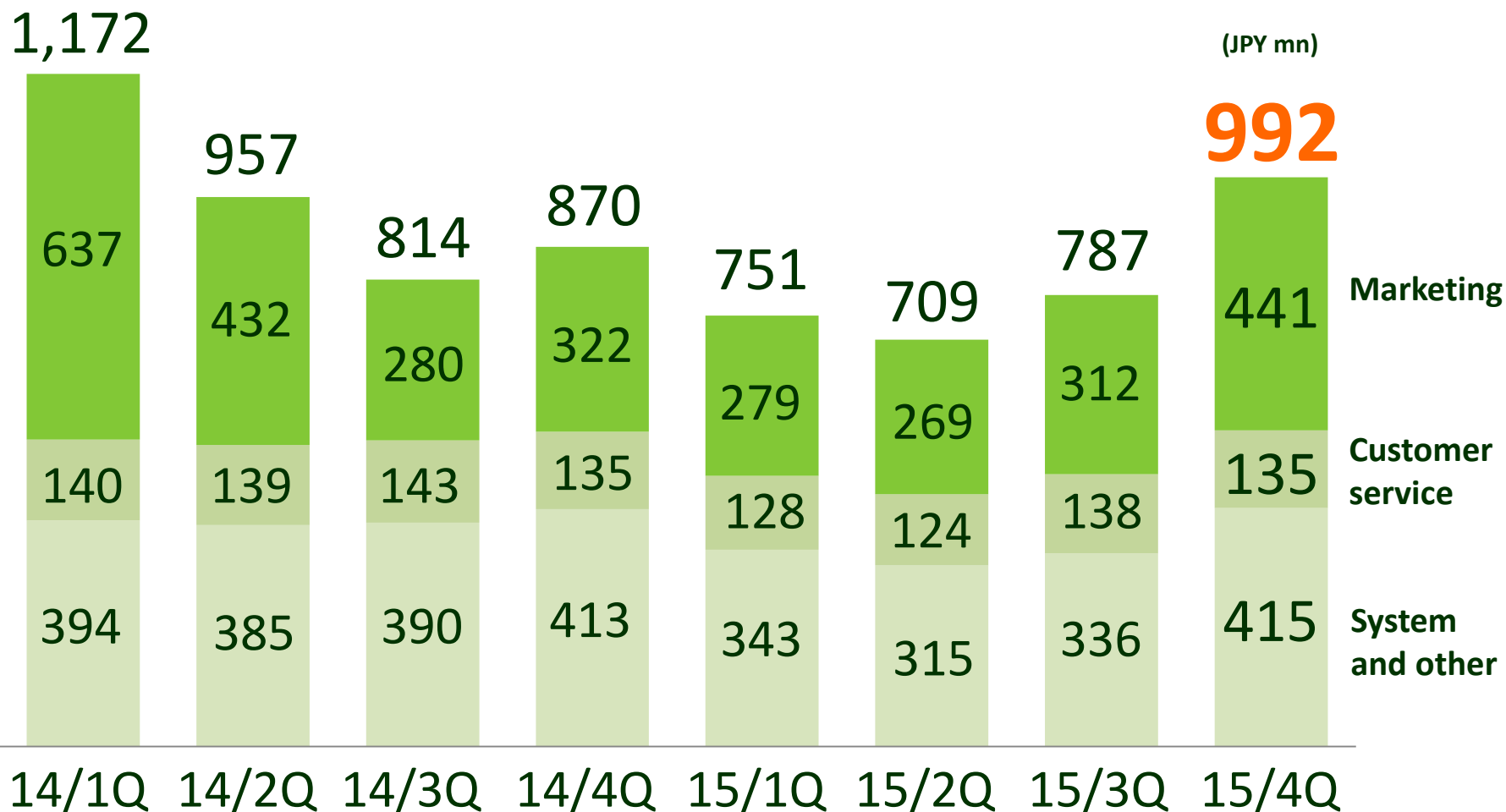
Operating Expenses



1. The ratio of operating expenses to premiums income

Operating Expenses (Quarterly)

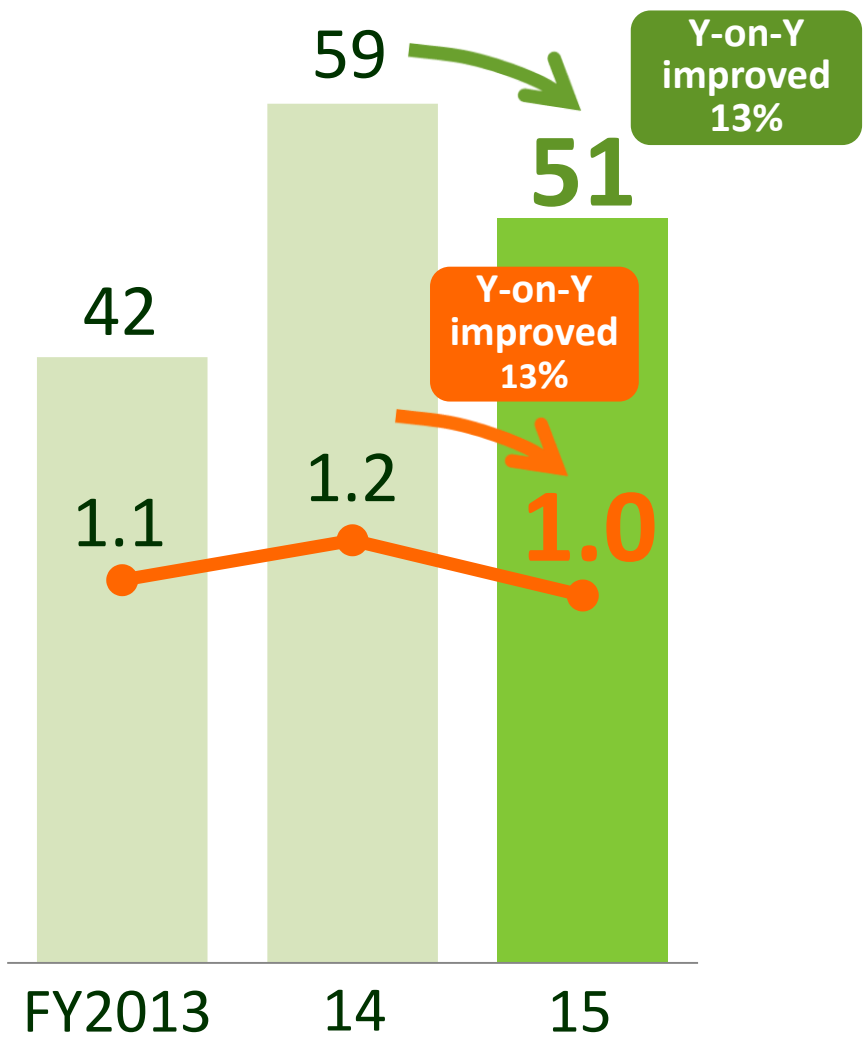
■ Invested in FY2016 in advance (4Q)



Marketing Expenses per New Business



■:Marketing expenses per new business (JPY thousand)
■:Marketing expenses/Annualized premium of new business (%)

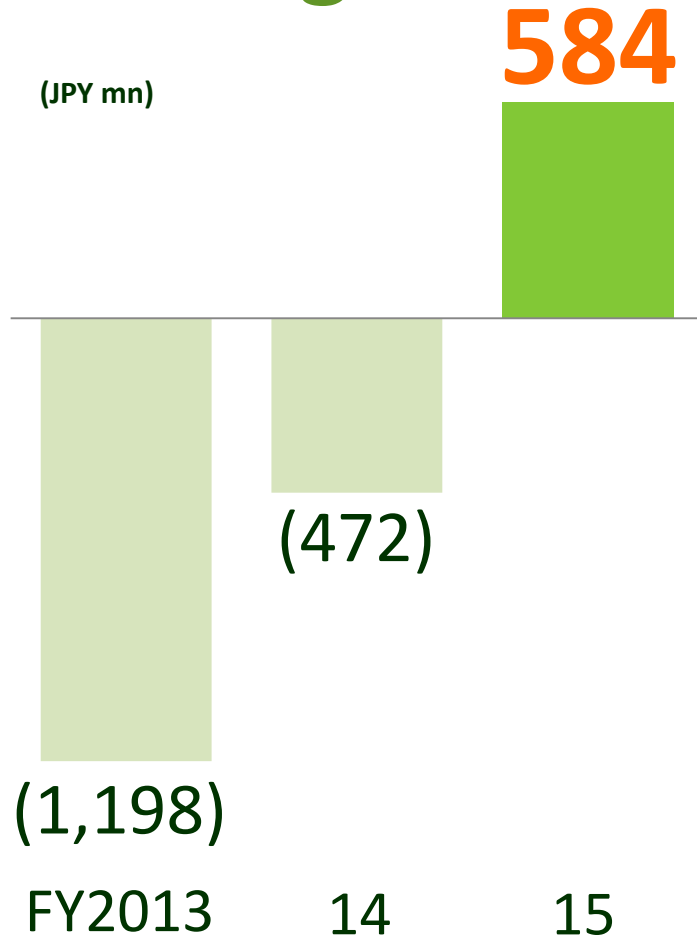


■ Marketing expenses for annualized premium **improved 13%** year on year

■ Marketing expenses per new business of **approx. JPY 51K**

Ordinary Profit (Loss)

■ Achieved to turn **profitable¹** as Management Goal



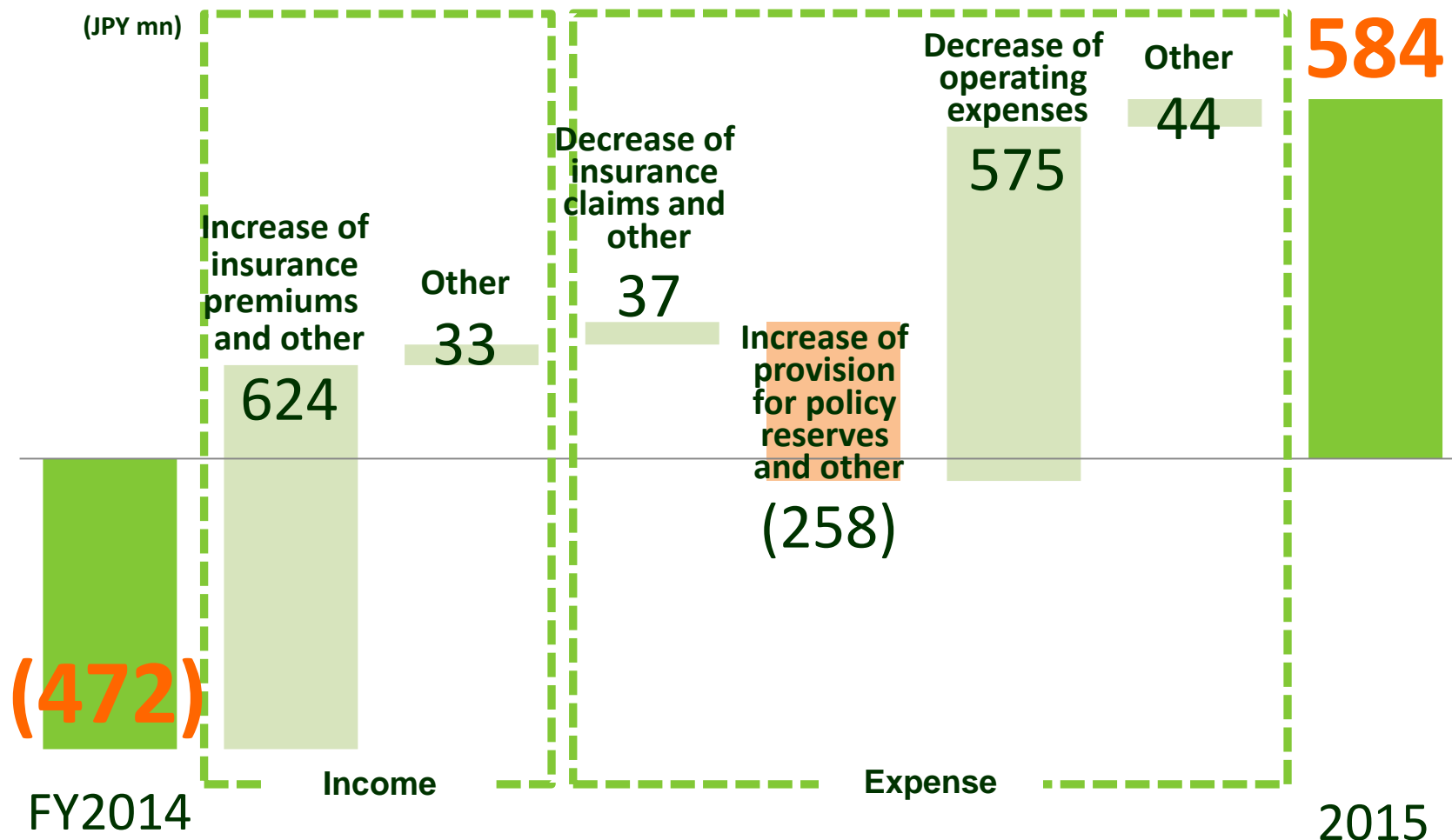
	FY2013	FY2014	FY2015
Ordinary loss before deferred expenses and amortization	(1,198)	(472)	584
Amortization cost	(1,060)	(1,060)	(1,060)
Ordinary profit (loss)	(2,258)	(1,532)	(475)

1. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act.

Structure Breakdown of Ordinary Profit (Loss)

■ Turned profitable by decreased operating expenses

Transition of ordinary profit (loss)¹



1. Ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

Condensed Statements of Operation

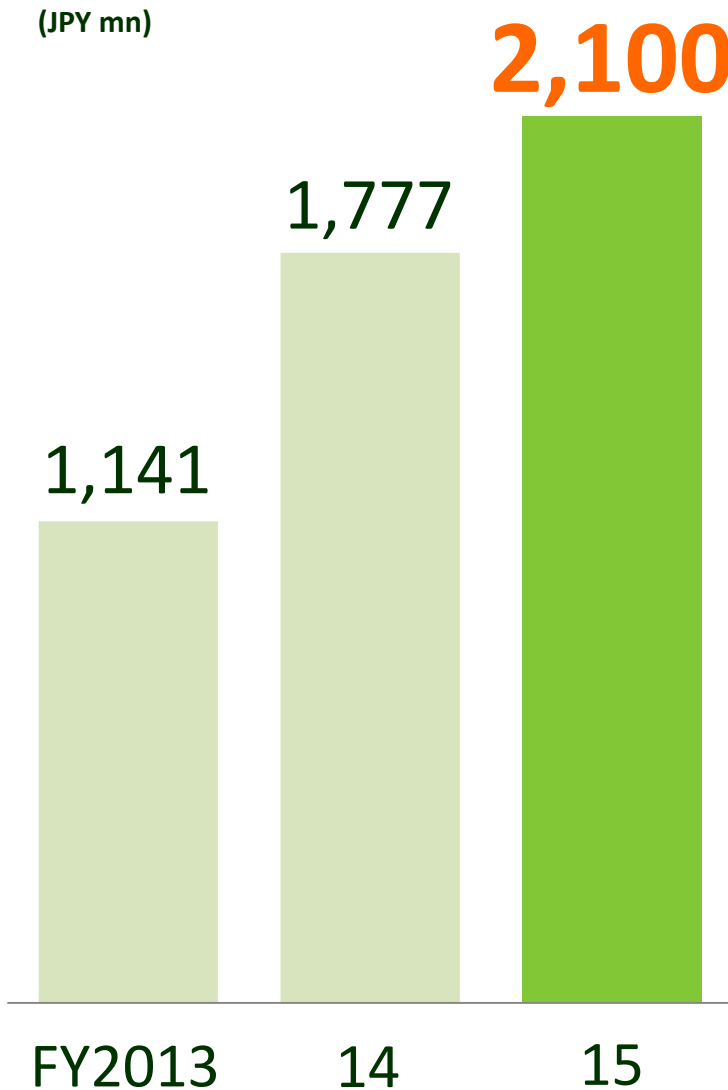


LIFENET

(JPY mn)

	FY2014	FY2015	Change
Insurance premiums and other	8,493	9,117	624
Other	236	269	33
Ordinary income (A)	8,729	9,387	657
Insurance claims and other	1,324	1,287	(37)
Provision for policy reserves and other	3,566	3,824	258
Operating expenses	3,815	3,239	(575)
Other	495	451	(44)
Ordinary expenses (B)	9,202	8,802	(399)
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA (A-B)	(472)	584	1,057
Amortization of deferred assets under Article 113 of IBA (C)	1,060	1,060	-
Ordinary loss (A-B)-(C)	(1,532)	(475)	1,057

Mortality Margin



- **Steadily recorded mortality margin**
- **Increased 18% year on year**

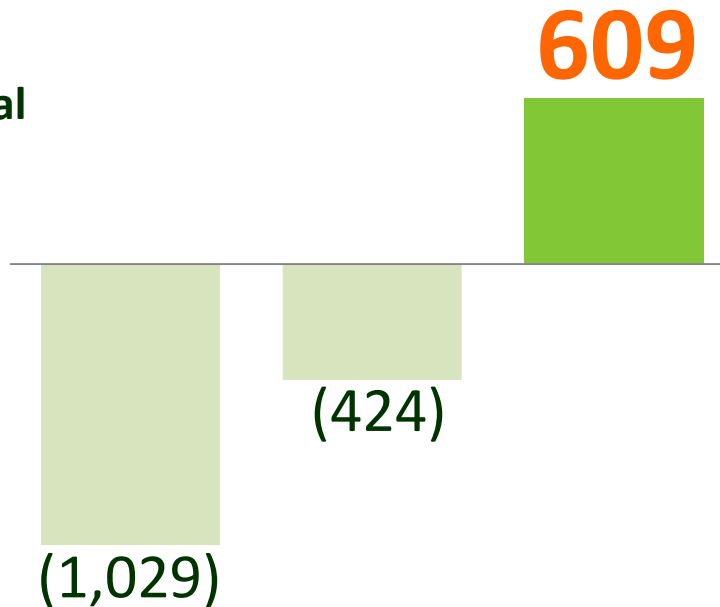
Fundamental Profit

(JPY mn)

	FY2013	FY2014	FY2015
Mortality margin	1,141	1,777	2,100
Expense margin (loss)	(3,234)	(3,282)	(2,595)
Interest margin	3	19	43
Fundamental profit	(2,089)	(1,484)	(450)
(ref.) Insurance premiums and other	7,537	8,493	9,117

■ Improved due to expense loss improvement

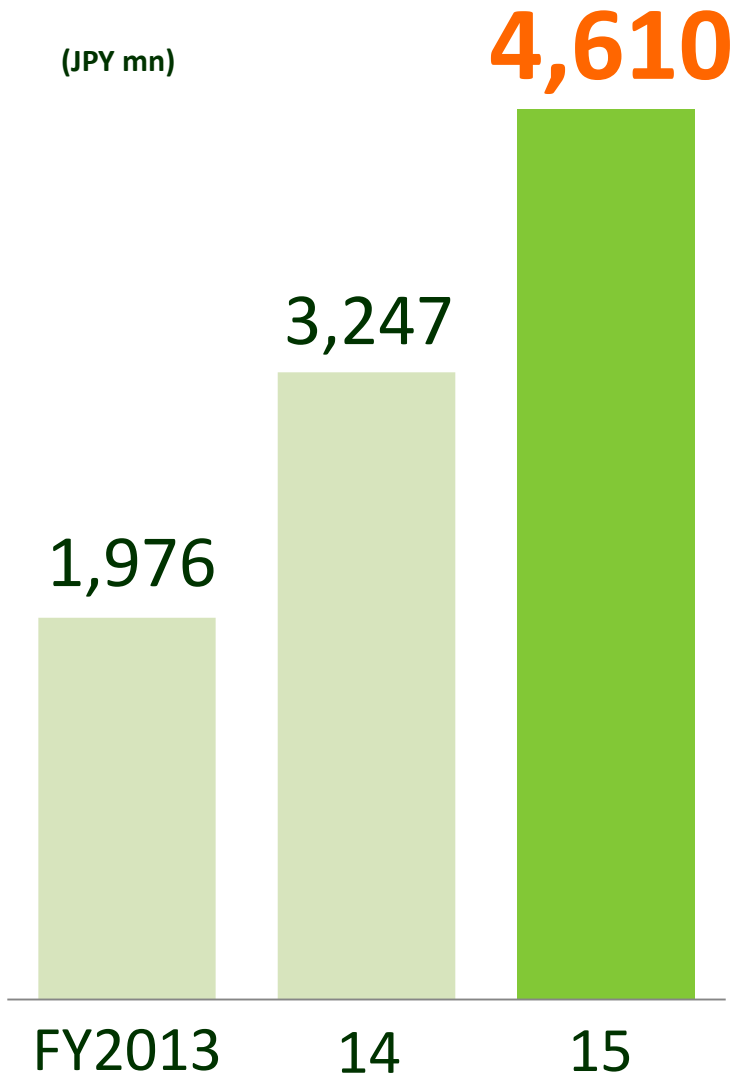
Adjusted fundamental profit¹
(JPY mn)



■ Adjusted fundamental profit¹ of JPY 609mn

1. Fundamental profit before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act.

Cash Flows from Operating Activities



- **Continuously recorded positive operating cash flows on annual basis**
- **Increased 42% year on year**

Financial Condition



(JPY mn)	(YY/MM)	14/03	15/03	16/03
Total assets		21,188	23,387	30,317
Cash and deposits		418	731	734
Monetary claims bought		-	-	1,999
Money held in trust		1,000	1,033	1,035
Securities		14,154	17,082	23,067
Government bonds		6,636	8,227	10,102
Municipal bonds		-	851	1,521
Corporate bonds		6,547	6,894	10,428
Stocks ¹		206	222	211
Foreign securities ²		764	886	804
Total liabilities		7,252	10,899	14,893
Policy reserves and other		6,616	10,084	13,908
Total net assets		13,935	12,487	15,423

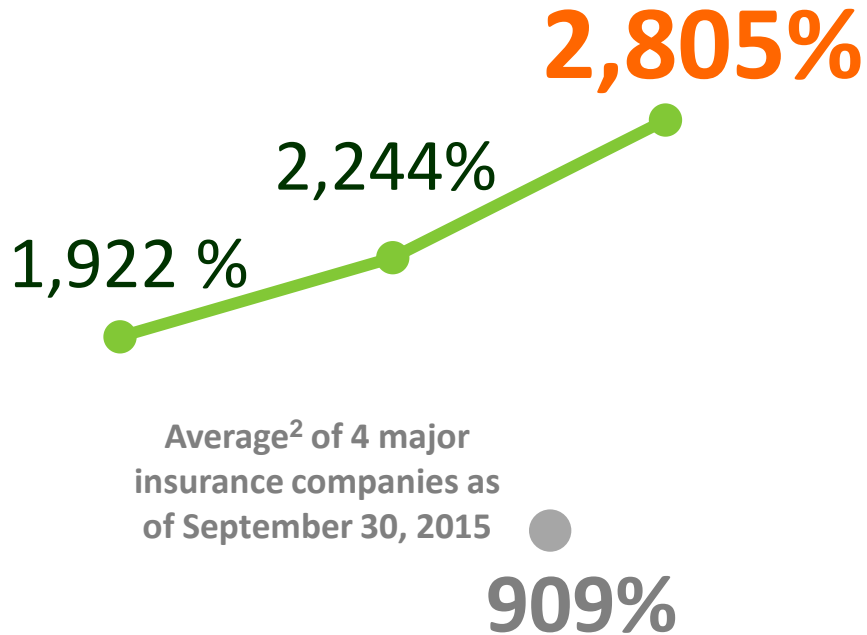
■ **Increased assets under management due to capital increase**

■ **Modified duration 13.6 years**

1. Lifenet is holding shares of Advance Create Co., Ltd., its insurance sales agent, for the purpose of maintaining equity and business partnership.

2. Investment in Kyobo Lifeplanet Life Insurance Company in Korea

Solvency Margin Ratio¹



■ Improved by capital increase

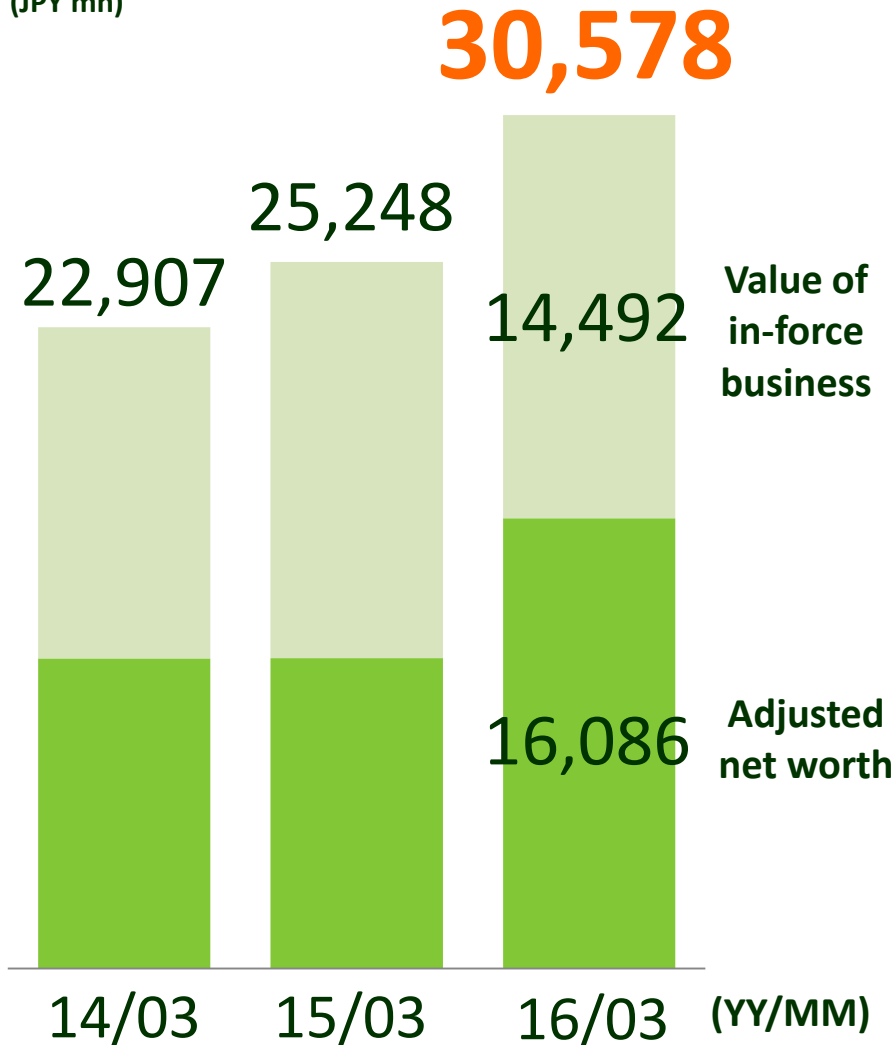
■ Maintained at healthy level

14/03 15/03 16/03 (YY/MM)

1. The solvency margin ratio measures a life insurance company's ability to pay out claims when unforeseen events occurs, such as natural disaster or a stock market collapse.
2. Simple arithmetic average

European Embedded Value

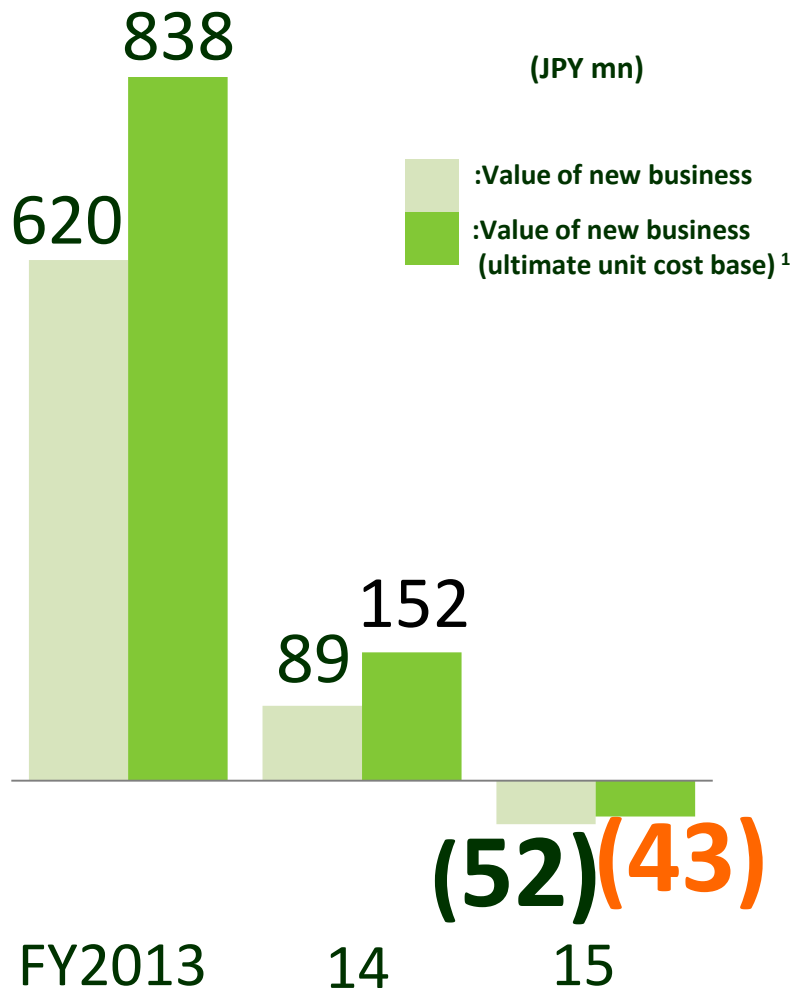
(JPY mn)



■ **EEV approx. JPY 30.5bn**

■ **Increased by capital increase and review of assumptions despite impact of declined interest rates**

Value of New Business (VoNB)



■ Fell into negative VoNB due to decline of interest rates

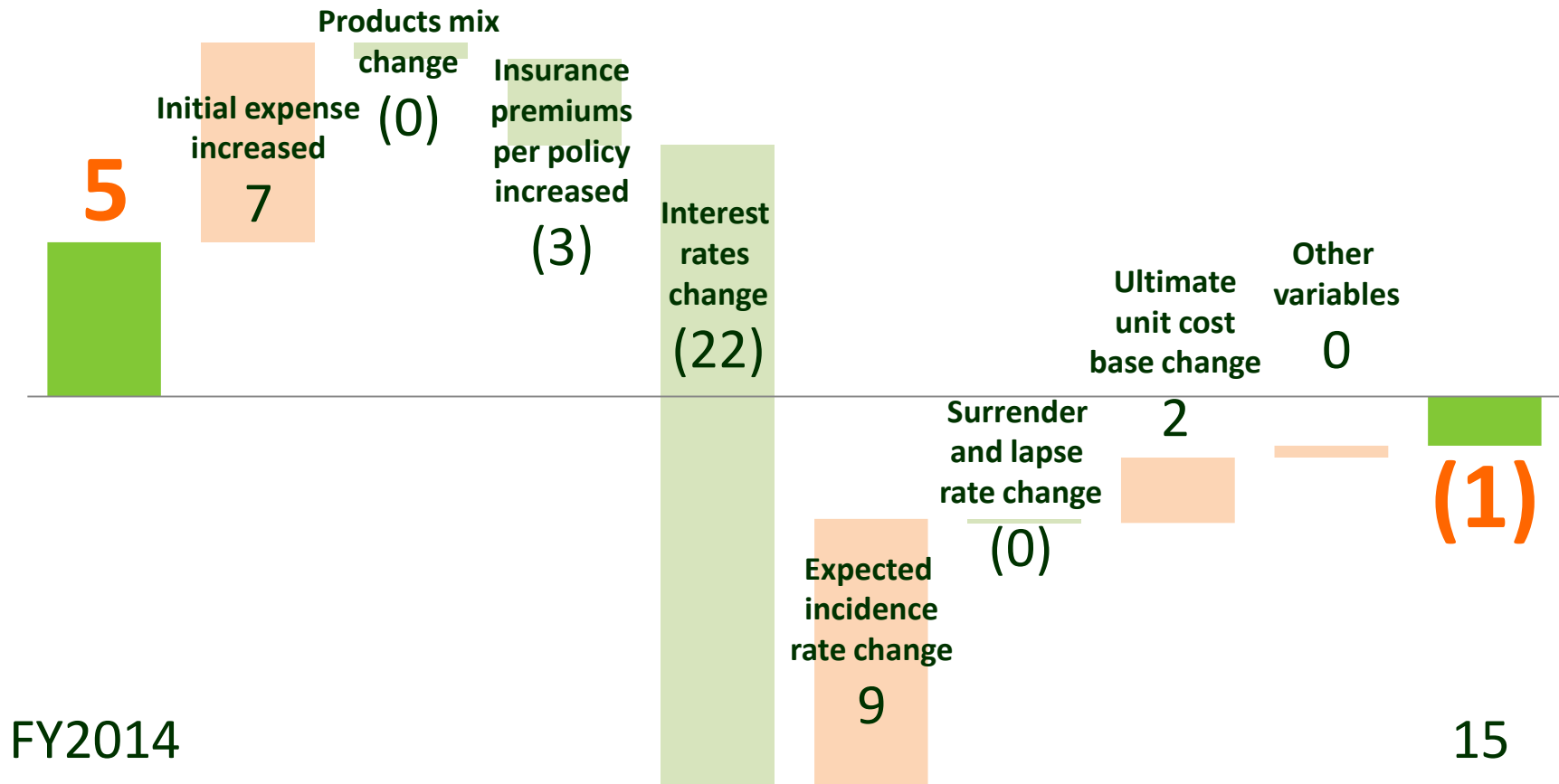
1. The expense assumptions used to calculate the EEV and the value of new business are set based on the premise that unit costs decrease as the number of policies in force increases, and reach their ultimate equilibrium levels, at which income and expenses are equal, in the tenth year after the company's start-up (fiscal 2017). For reference, "Value of new business (Ultimate Unit Cost base)" shows the value of new business calculated applying the ultimate unit costs to all years.

Structure Breakdown of VoNB per Policy

- Though initial cost declined, change of interest rates largely effected

VoNB per policy (ultimate unit cost base)

(JPY thousand)



Main Factors of Declined VoNB

- **Positive** assumption using interest rates as of end of FY2014

(JPY mn)

Economic assumptions of calculation	Interest rate ¹ (10 years)	VoNB in FY2015	VoNB in FY2015 (ultimate unit cost base)
Assumptions as of end of FY2014	0.58%	476	485
Assumptions as of end of FY2015	0.15%	(52)	(43)

1. Swap rate as risk-free rate as of calculation date

VoNB (Ultimate Unit Cost Base)

(JPY mn)		FY2014	FY2015	Per new business for FY2015 (JPY thousand)
Certainty equivalent present value of future profit		3,720	3,031	120
—)	Time value of financial options and guarantees	—	—	—
—)	Frictional cost of capital	(19)	(7)	(0)
—)	Allowance for non market risk	(2,010)	(1,986)	(78)
Value of in-force business		1,689	1,037	41
—)	Adjusted net worth	(1,537)	(1,081)	(42)
Value of new business (Ultimate unit cost base)		152	(43)	(1)
(Ref.) Value of new business		89	(52)	(2)
(Ref.) Present value of in-force business premiums		20,367	19,025	
New business (policy)		27,982	25,150	

EV Sensitivity Analysis¹

(JPY mn)	Change in EEV as of March 31, 2016	Change in value of new business
EEV and new business value as of March 31, 2016	30,578	(52)
Sensitivity 1a: 1.0% increase in interest rates	1,650	509
Sensitivity 1b: 1.0% decrease in interest rates	(2,454)	(531)
Sensitivity 1c: 0.5% increase in interest rates	990	286
Sensitivity 1d: 0.5% decrease in interest rates	(1,952)	(431)
Sensitivity 1d': 0.5% decrease in interest rates (without flooring)	(1,424)	(368)
Sensitivity 1e: Interest rates based on JGB yields	601	90
Sensitivity 1f: Interest rates as of March 31, 2015 (VoNB only)	—	529
Sensitivity 2: 10% decrease in equity and real estate value	(73)	—
Sensitivity 3: 10% decrease in operating expenses	1,916	205
Sensitivity 4: 10% decrease in lapse rate	(2,167)	(298)
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,094	400
Sensitivity 6: 5% decrease in mortality for annuity business	—	—
Sensitivity 7: Change the required capital to the statutory minimum	46	5

1. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of sensitivities carried out separately. As Japanese policy reserves are calculated in accordance with the IBR, the sensitivities carried out do not affect the reserves at the valuation date. The sensitivity on the value of new business excludes the impact on the adjusted net worth.

Impact of Negative Interest Rate

■ Limited impact to our financial status in FY2015

Interest margin	Limited impact
EEV	Increased though certain impact
VoNB	Decreased with high impact while having causes of increase

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2. Results of Mid-term Business Plan

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Previous Mid-term Business Plan



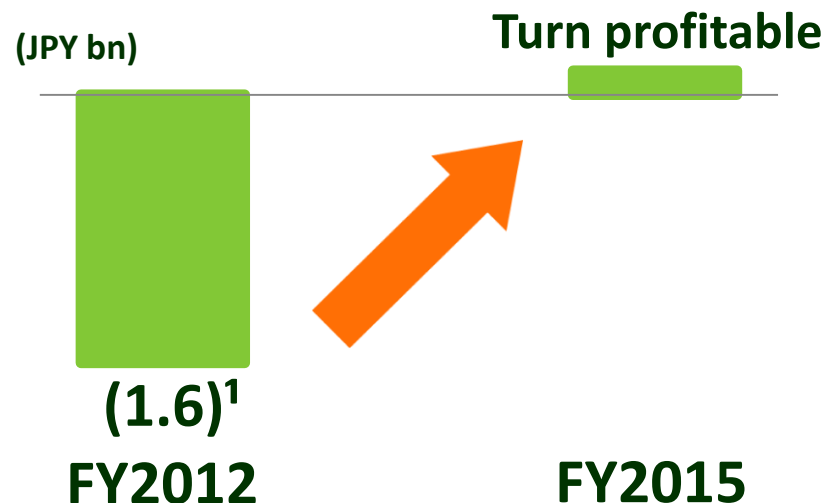
LIFENET 2015

Offer new products and services as an “innovator” to create the future of life insurance that resonate with stakeholders, and achieve the highest sustainable growth among online life insurance businesses.

Management Goal

- ✓ Achieve **9.5 billion** in ordinary income (FY2015)
- ✓ Push the company **toward profitability** (FY2015)

(Based on ordinary profit before amortization of deferred assets under Article 113 of the IBA)

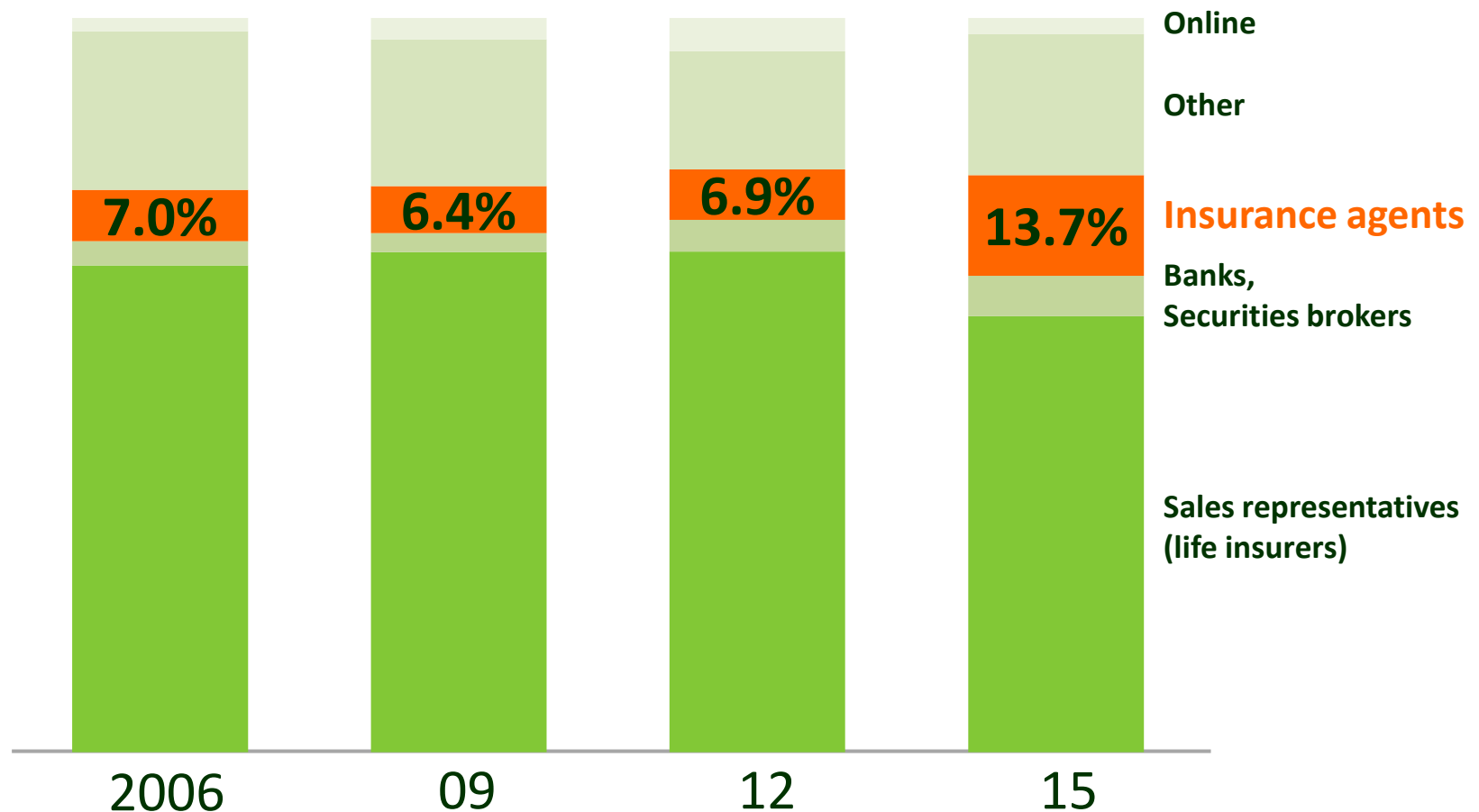


1. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act for the fiscal 2012 ended March 31, 2013 included the effect of changing calculation formula of policy reserves on provision, JPY 0.5bn. When excluding the effect, it was JPY 2.1bn.

Transition of Life Insurance Market

■ Expanding agent channel

Trends of sales channels¹

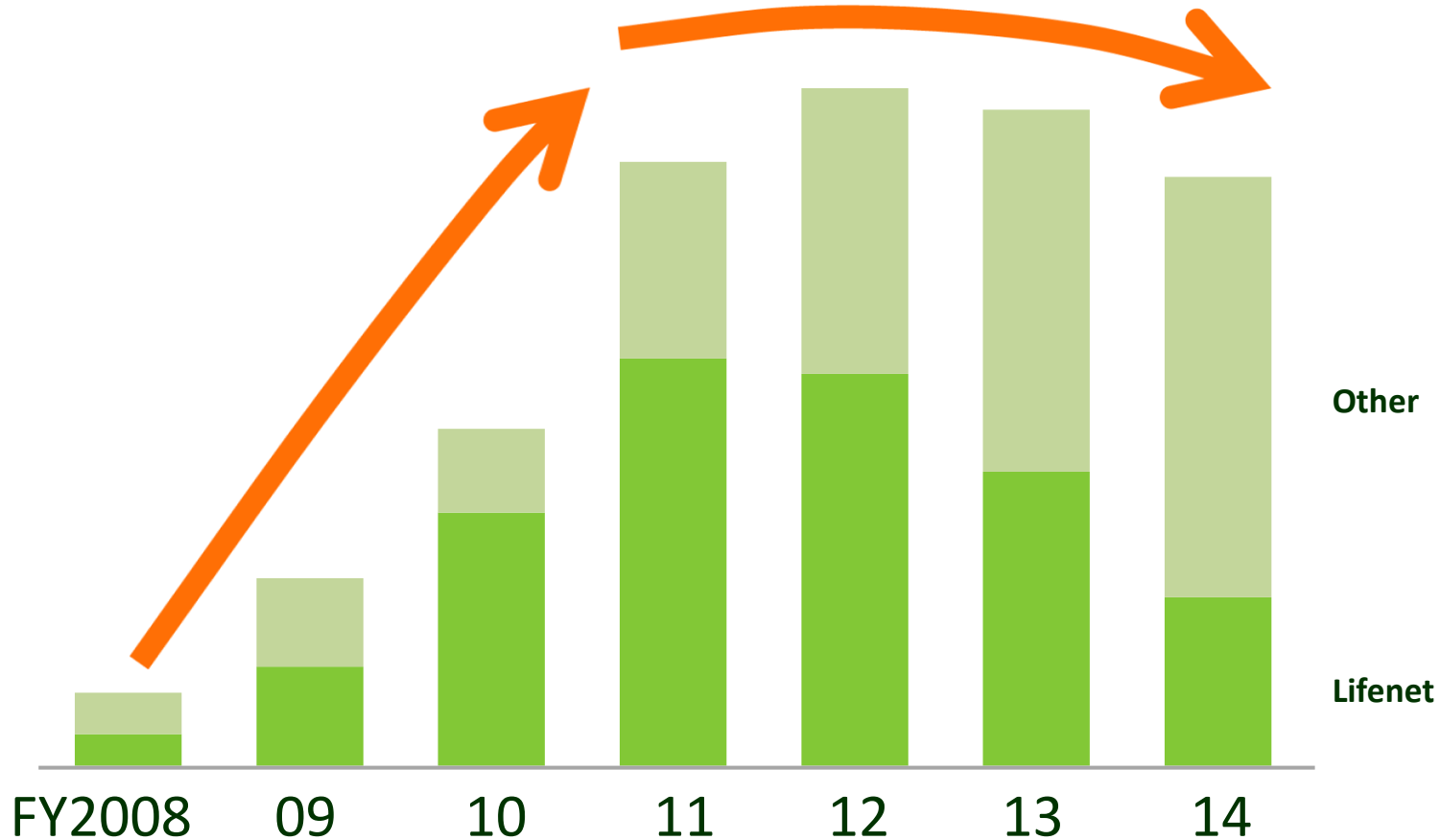


1. Source: Lifenet, based on data from a nationwide report on the life insurance industry (2015) by the Japan Institute of Life Insurance.

Online Life Insurance Market

■ Sluggish of market growth

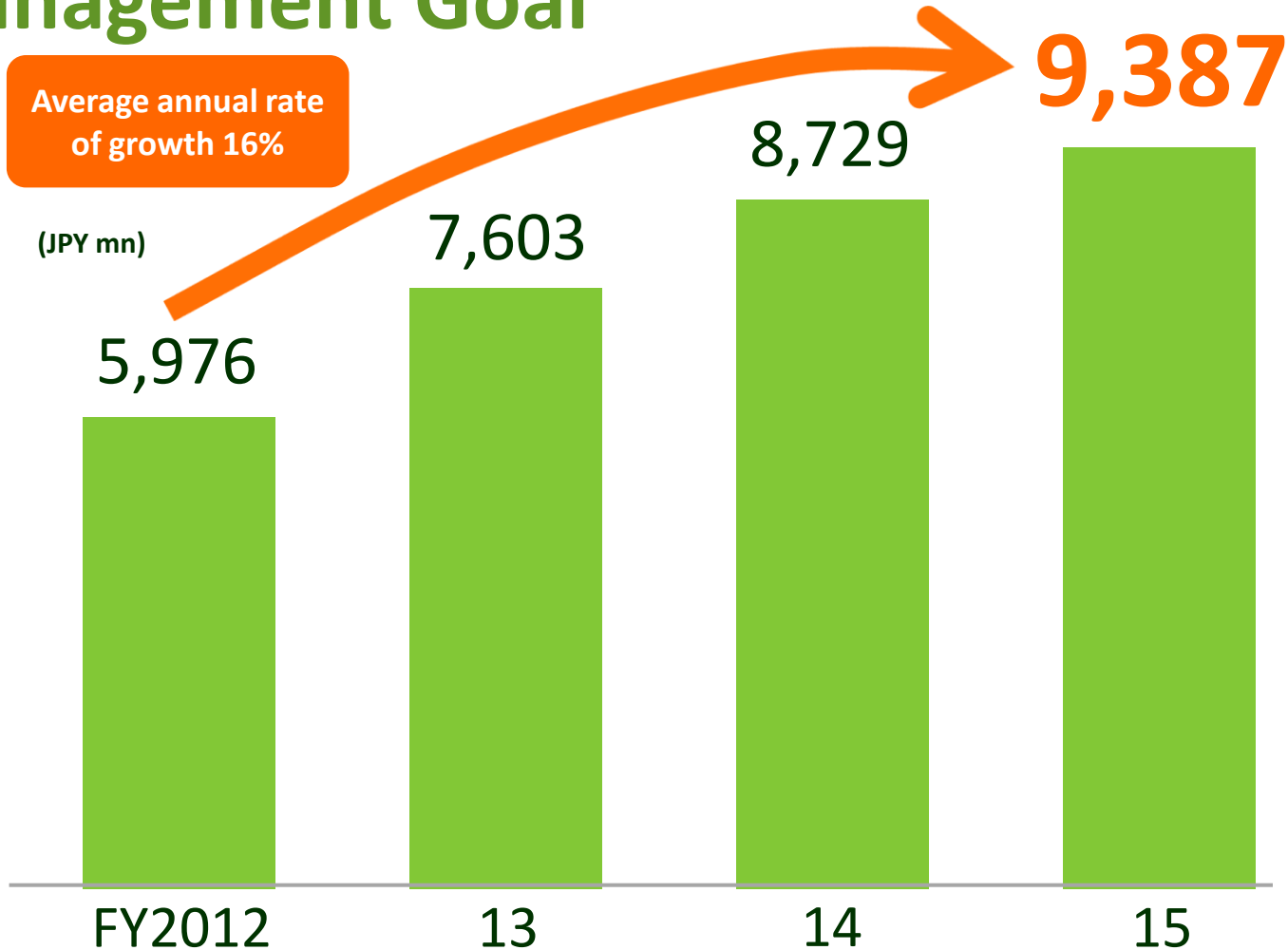
Number of new business ¹



1. Source: Lifenet analysis

Ordinary Income

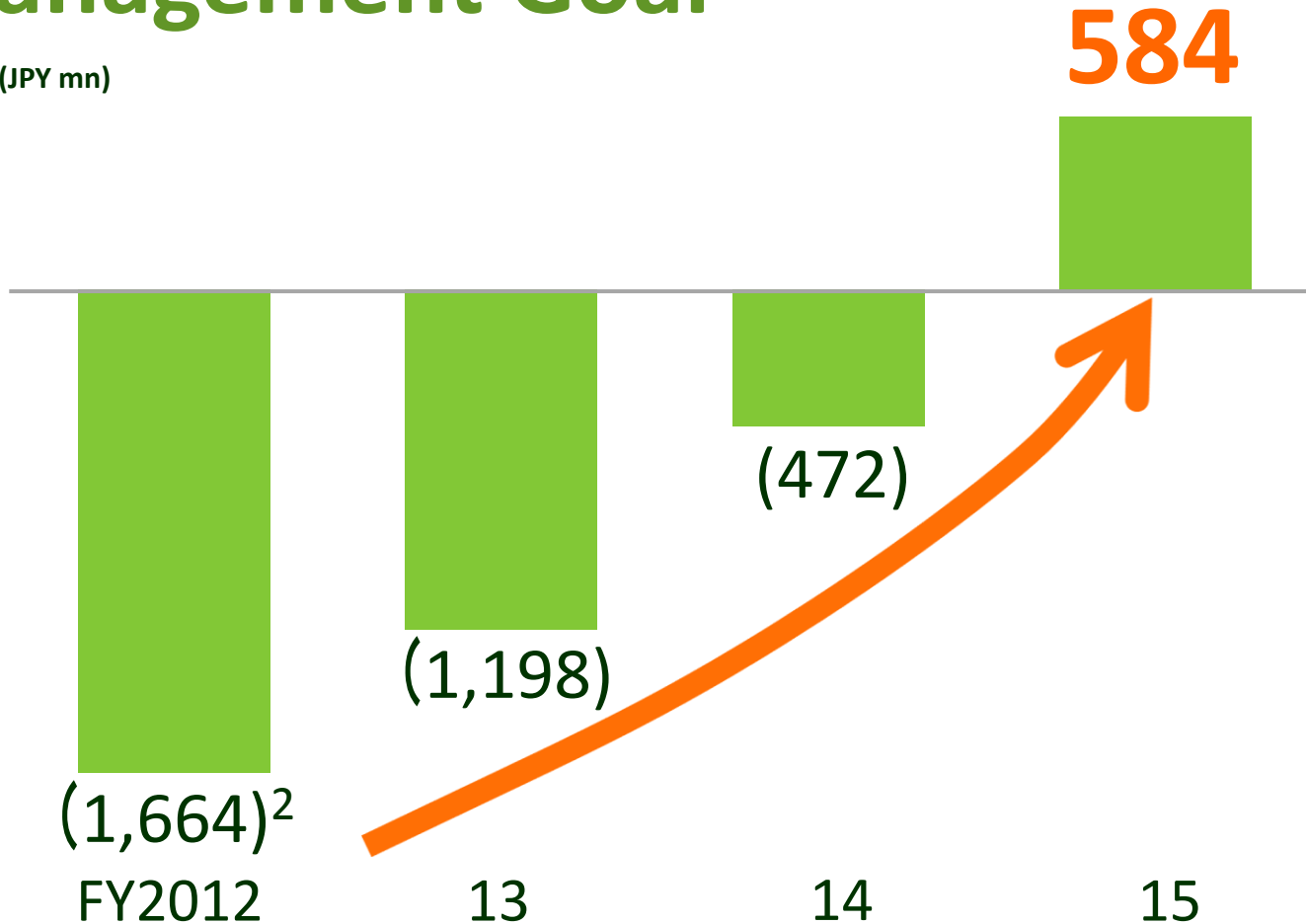
- **Almost achieved JPY 9.5bn as Management Goal**



Ordinary Profit (Loss)¹

Achieved to **turn profitable¹** as Management Goal



(JPY mn)



1. Ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

2. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act for the fiscal 2012 included the effect of changing calculation formula of policy reserves on provision, JPY 501mn. When excluding the effect, it was JPY 2,165mn.

Status of Priority Areas

-  Sustainable growth in insurance premium income (top-line)
→ **Build new sales channels**
-  Improvement in productivity
→ Achieved to **turn profitable¹**
-  Being an “innovator” (front-runner) in life insurance
→ **Improved customer convenience**

1. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act

Sustainable Growth in Insurance Premium Income (top-line)

■ Enhance business partnerships with agents to enhance sales channels



December 2014



April 2015¹

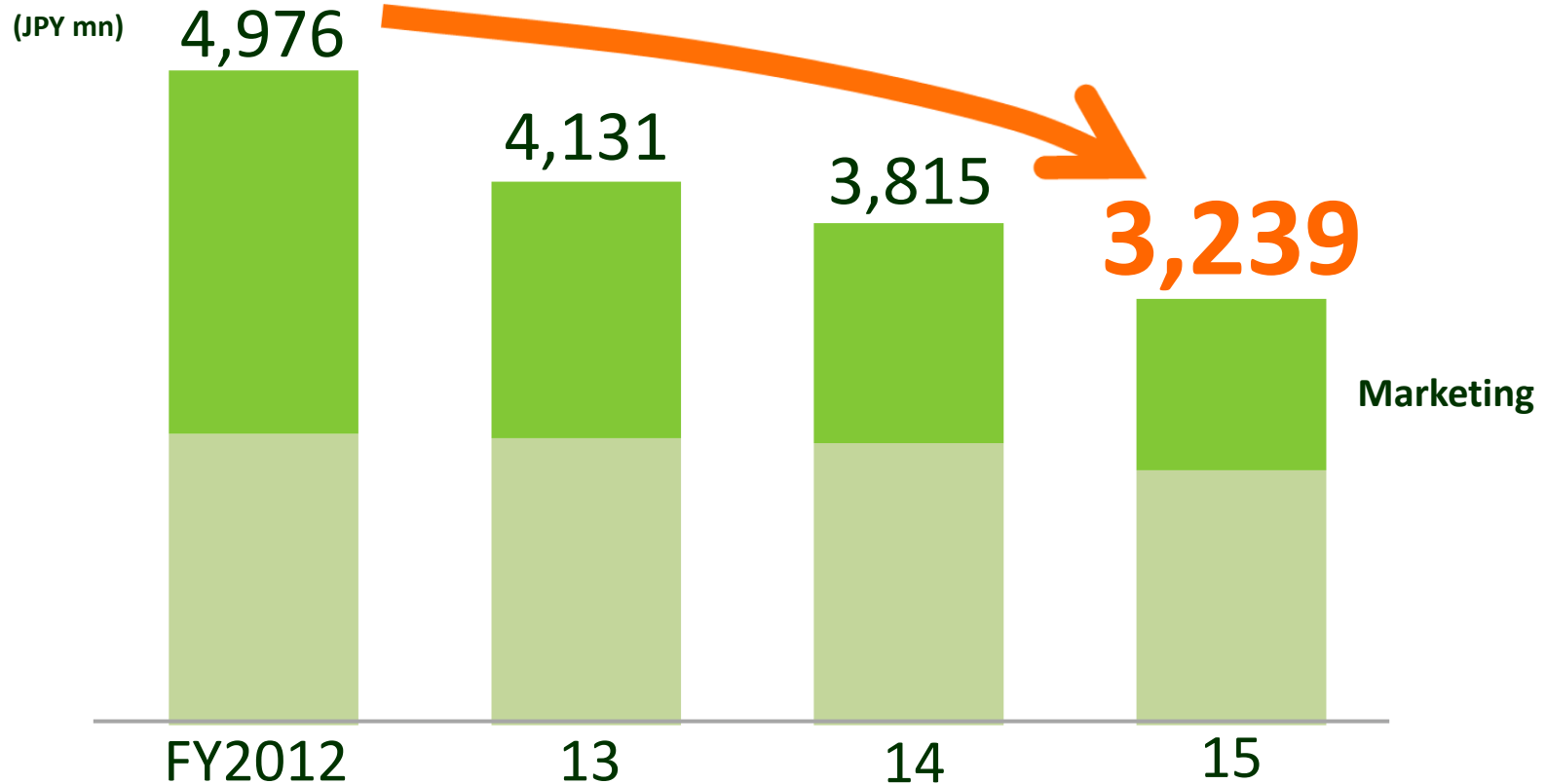


1. Lifenet concluded an agency agreement with KDDI CORPORATION in November 2015

Improvement in Productivity

■ Controlled operating expenses mainly marketing expenses

Operating expenses



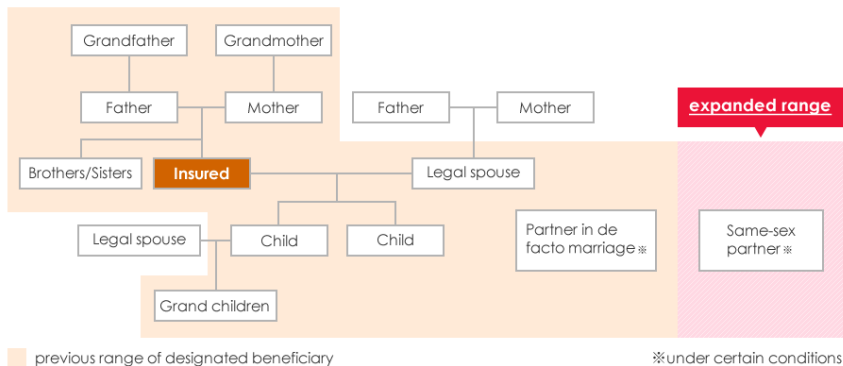
Being an “Innovator” (Front-runner) in Life Insurance

Improved customer convenience continuously

Expanded Range of Designatable Beneficiaries



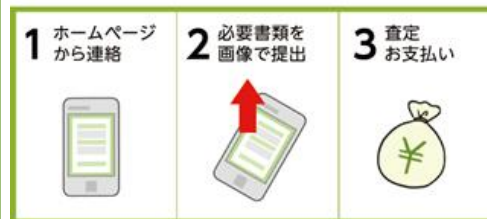
Same-sex partners accepted as beneficiaries



Improved customer convenience of process



Save customer's steps of copying and sending applications for new policy (from April 2015)



3 days at earliest

Realized payment in 3 days at earliest by saving customer's steps of copying and sending documents for claim¹ (from March 2016)

1. Whole-life Medical New “Jibun” for Woman is excluded from this service.

Challenges for New Mid-term Business Plan

-  **Return to growth** in new business performance
-  **Avoid assimilating** with competitors
-  **Proactive development of products and services**

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1. Results for Fiscal 2015

2. Results of Mid-term Business Plan

3. Challenges for Fiscal 2016

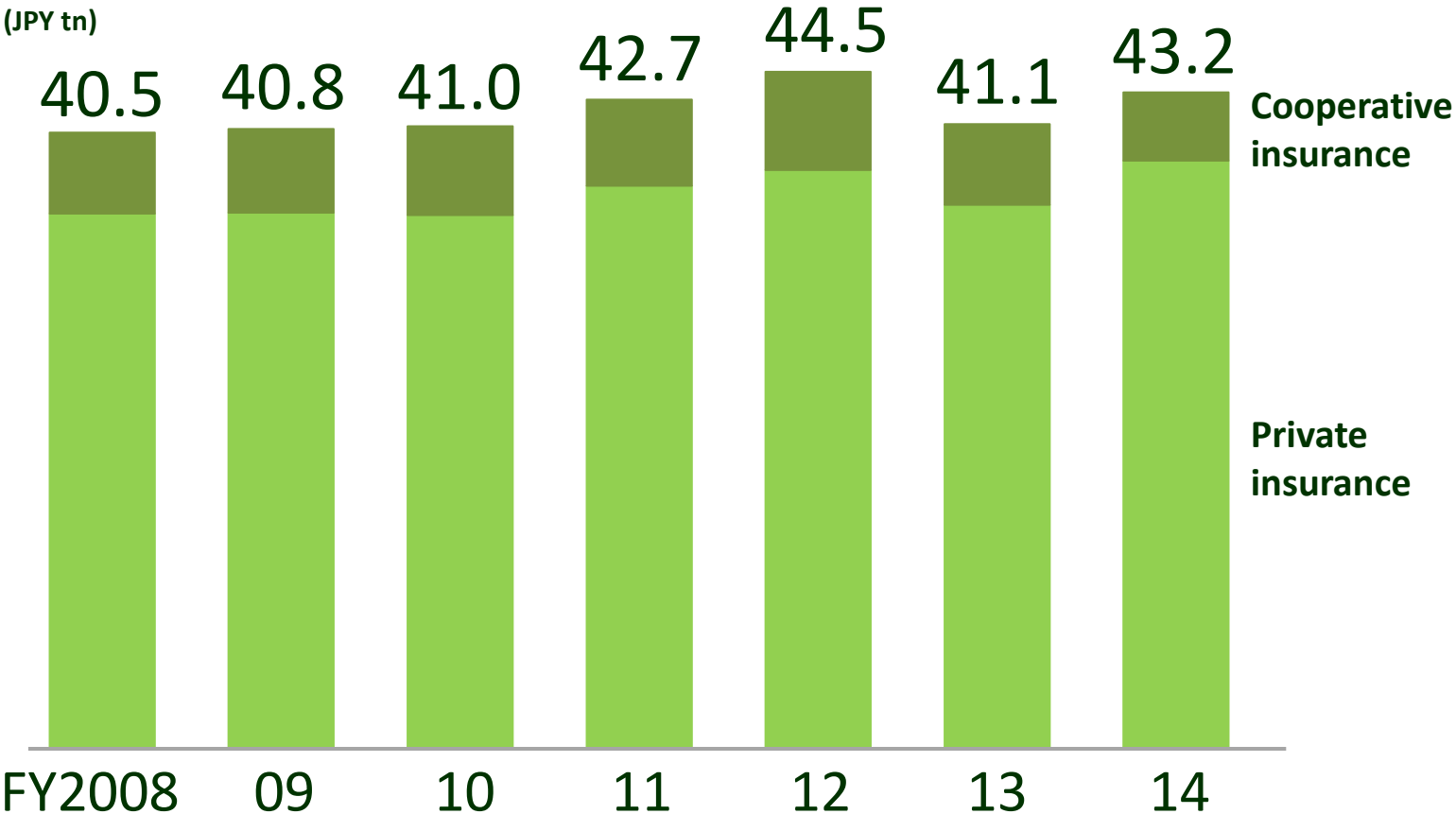
Current Life Insurance Market



Huge and mature market over JPY 40tn

Insurance premiums¹

(JPY tn)



1. Private insurance: Life insurance companies that are members of The Life Insurance Association of Japan; income from premiums and other sources. Cooperative insurance: Cooperative insurance companies that are members of the Japan Cooperative Insurance Association; mutual aid premium contributions (total for life insurance and pension fund contributions).

Source: Lifenet, based on data from Life Insurance Fact Book 2015 (Japanese ver.) by The Life Insurance Association of Japan, Cooperative insurance

Potential of Online Life Insurers Market

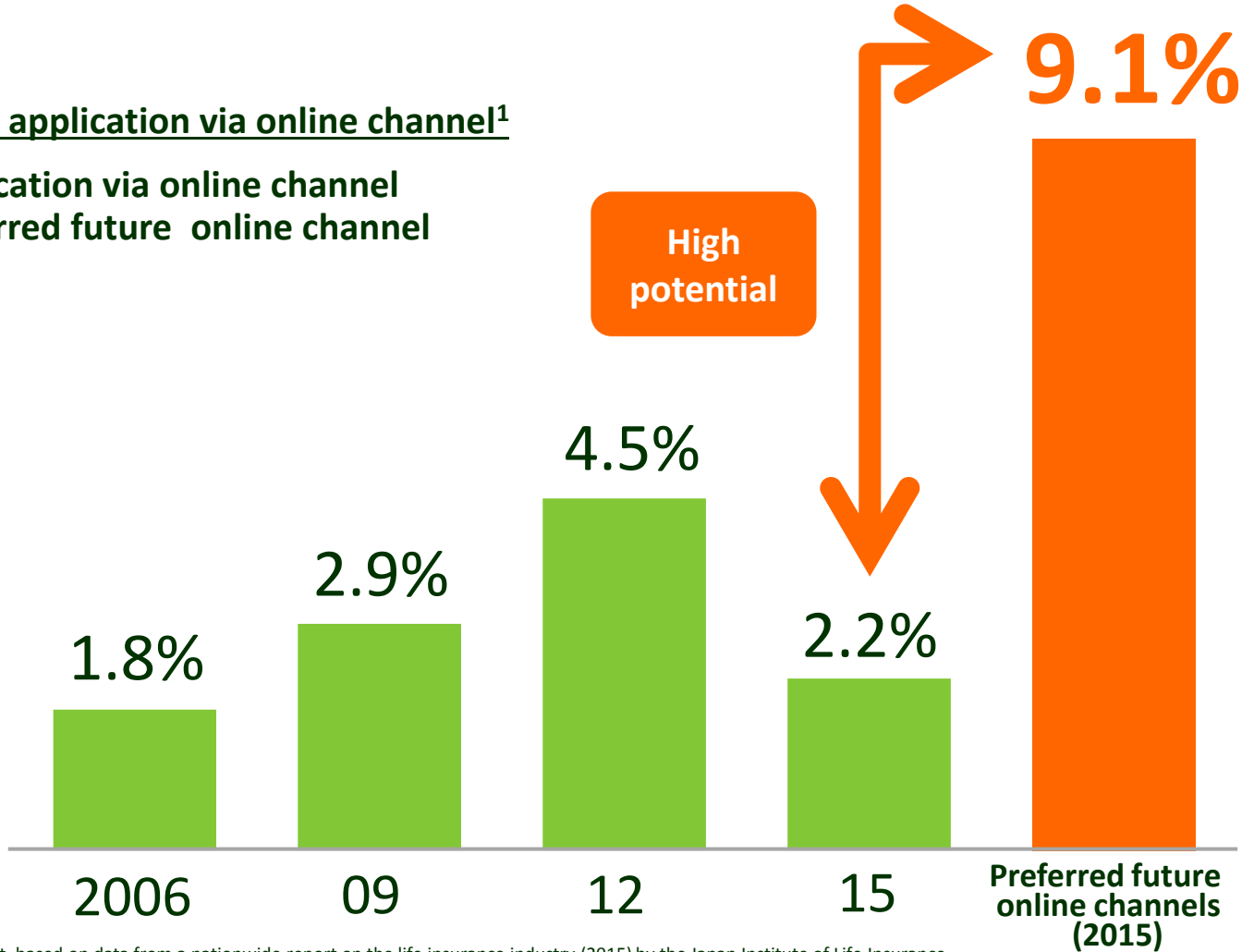


LIFENET

■ High potential for future growth

Trends of application via online channel¹

- Application via online channel
- Preferred future online channel



1. Source: Lifenet, based on data from a nationwide report on the life insurance industry (2015) by the Japan Institute of Life Insurance.

■ Expanded initiatives of “Online x Life Insurance”



Oscar : Google Capital invested \$ 32.5mn



Aviva : Launched venture capital as a part of digital strategy



Tencent : Planning to launch online life insurer



Allianz : Planning to launch online life insurer in China

New Mid-term Business Plan



**FY2018
Management
Goal**

- 13.5 billion yen in ordinary income
- Positive profitability of ordinary profit (loss)



Corporate Strategy

Business

The pillars of business : “Online direct sales”, “KDDI (exclusive alliance agent)” and “Over-the-counter agent”

Continuous creation of unique sales point in all channels

Commitment to business development for future growth

Organization

Change

Challenge

Unity

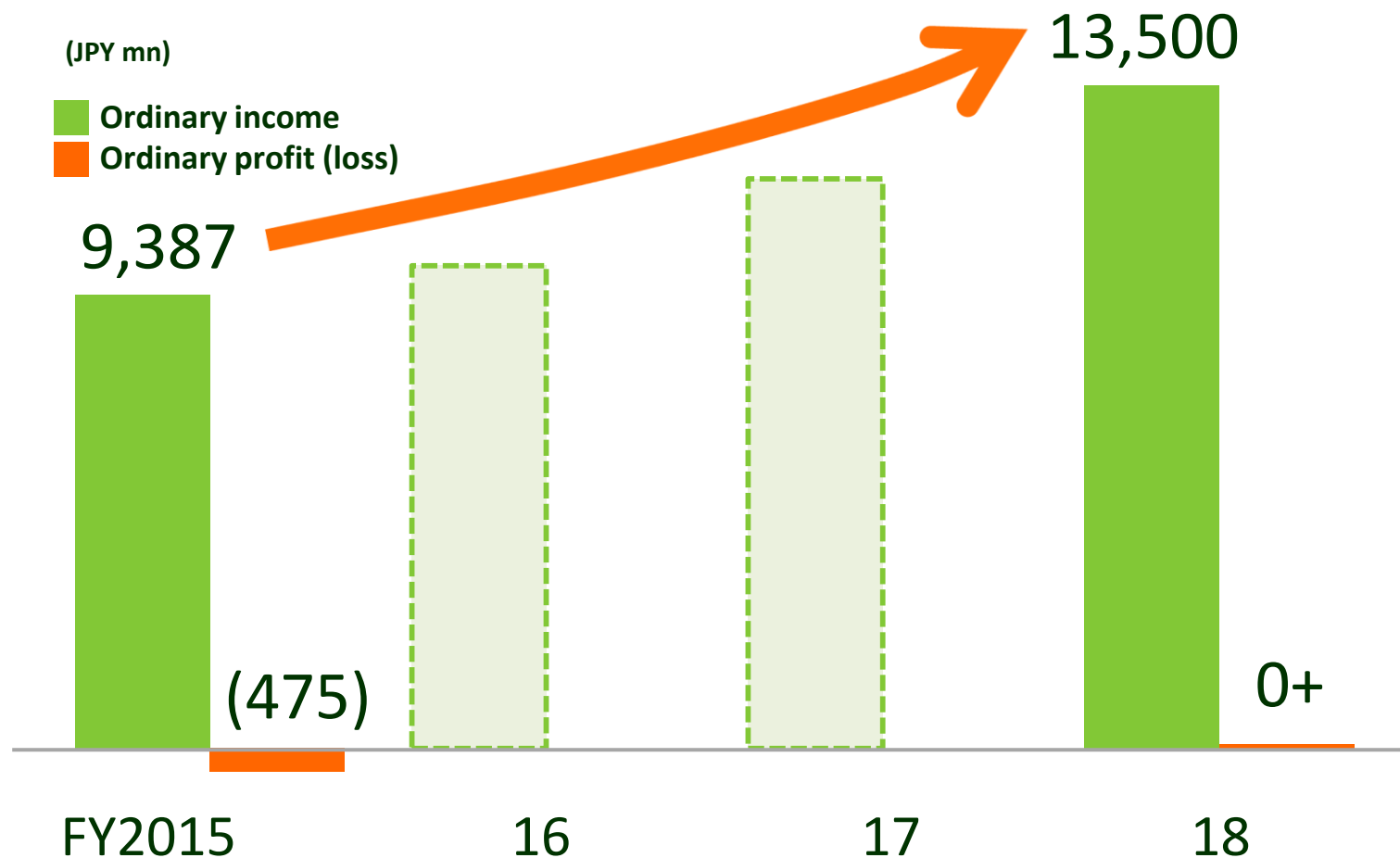
Risk Management Area

Sophisticate systems for risk management and customer protection that support corporate strategy

Management Goal

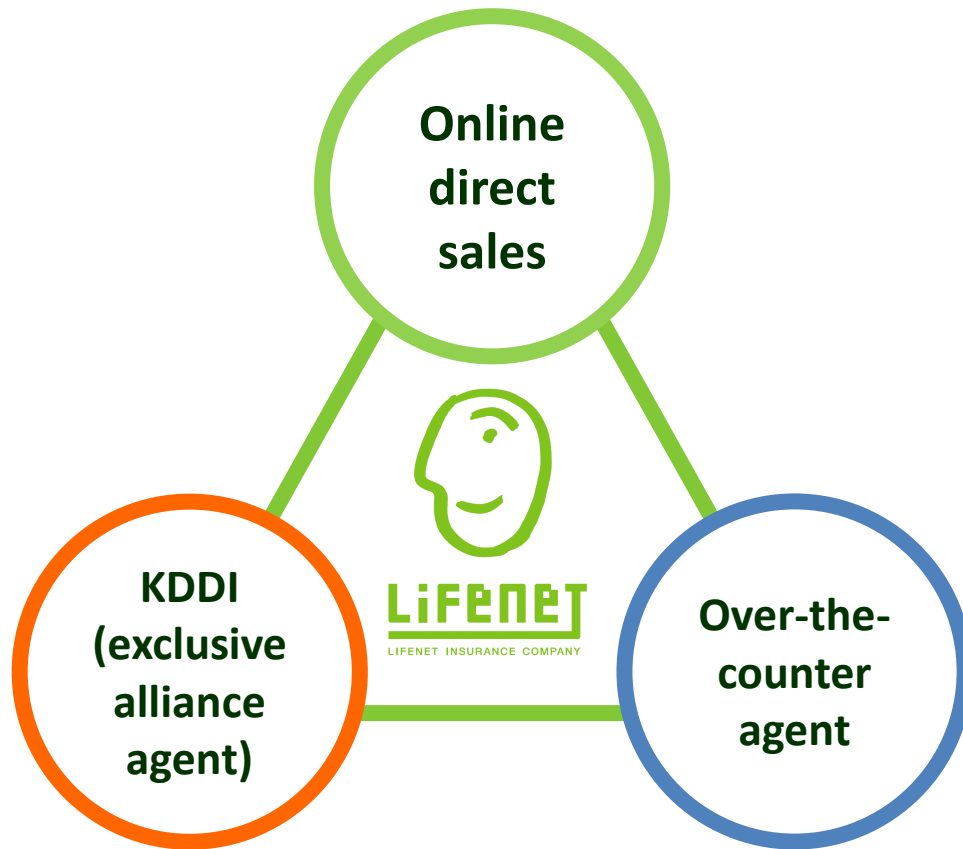
- **JPY 13.5bn** in ordinary income and **positive profitability** of ordinary profit(loss)

Ordinary income and ordinary profit (loss)



Business Strategy

■ Execute on **strategy suitable for each channel**



Online direct sales

- Increase the number of visitors to the website
- Optimize for a mobile-centered lifestyle
- Strengthen and further utilize points of contact with policyholders

KDDI (exclusive alliance agent)

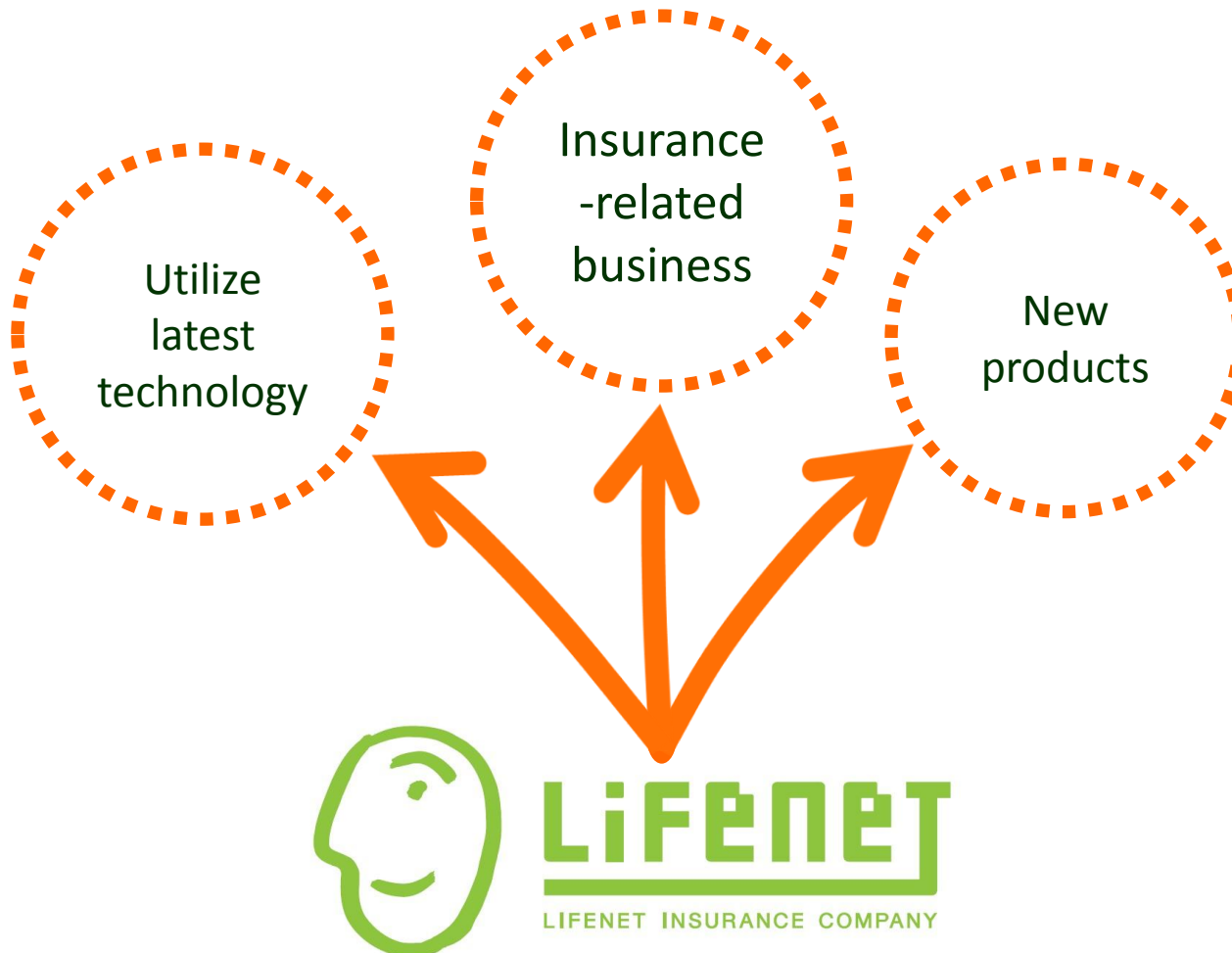
- Realize solid launch and success over the mid-to long-term
- Focus on understanding the needs of partner companies and creation of synergy effects with their main business

Over-the-counter agent

- Aiming to grow stably with a sales network expansion
- Develop the market for long-term disability

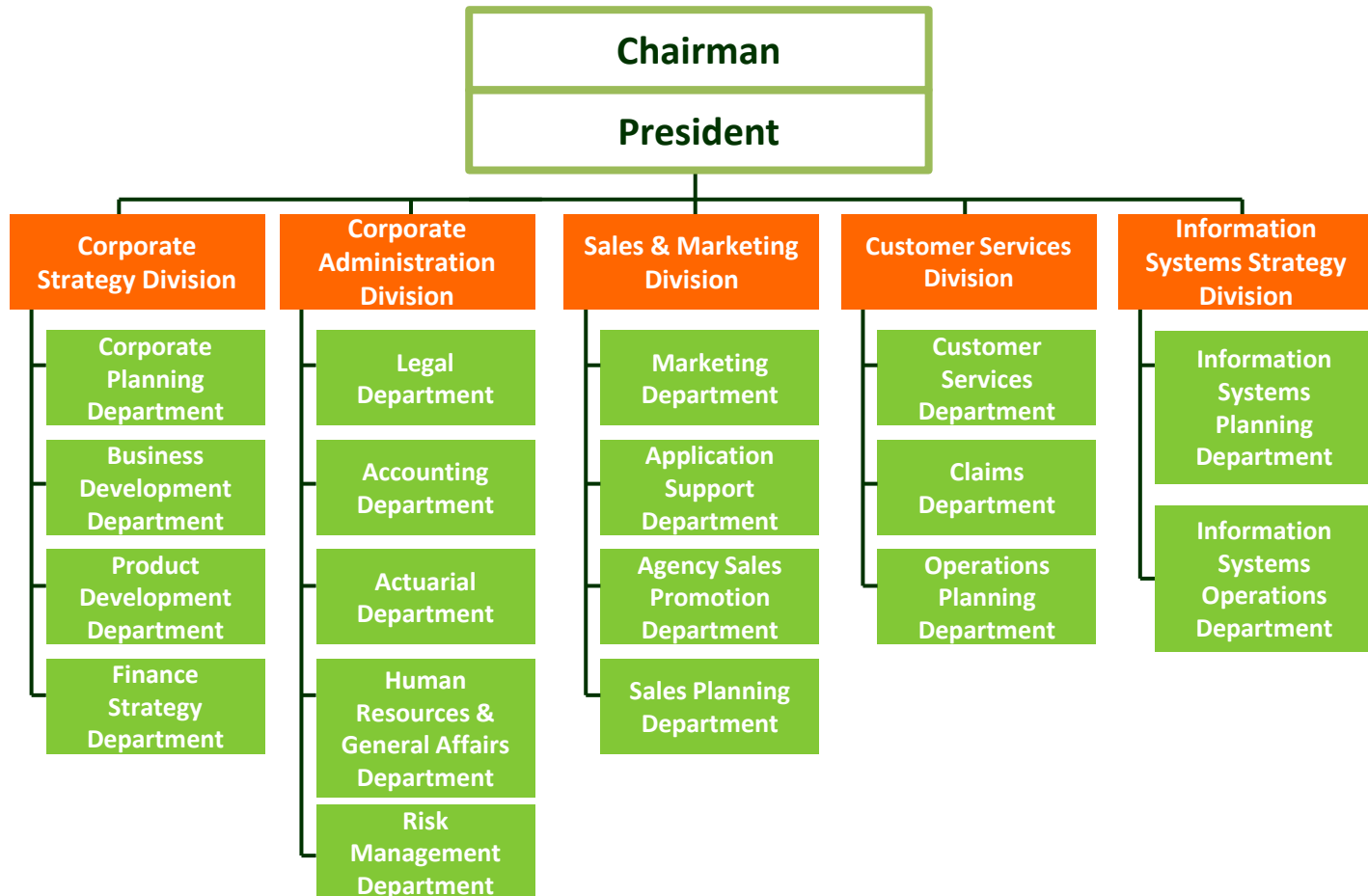
Business Strategy

■ Invest in new business and services



Organization Changes

- Into 5 divisional organization prior to new mid-term business plan from January 2016



Organization Strategy

■ Toward more organizational management

Change

Challenge

Unity

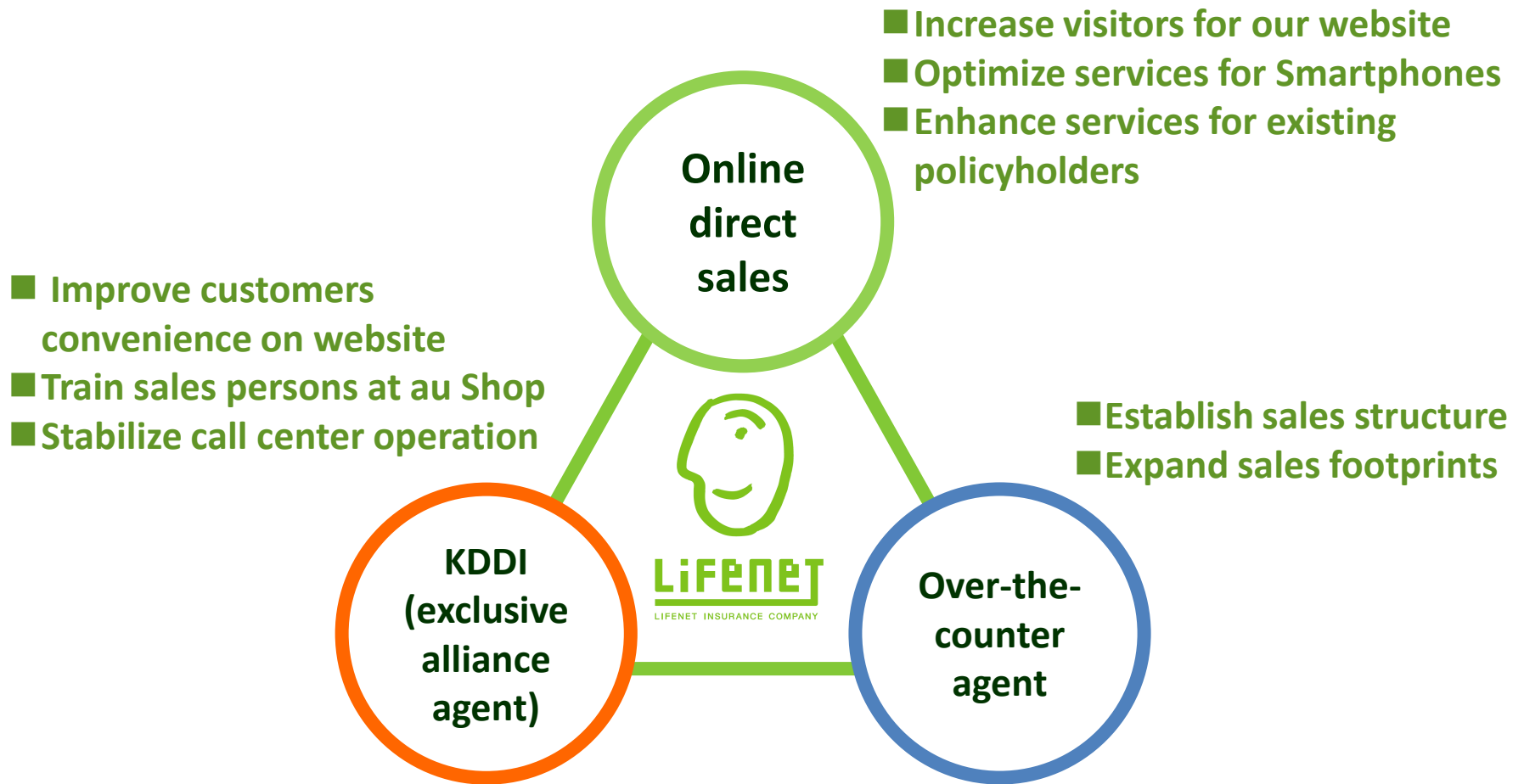


Key Accounting Points

- ☺ Completion of amortization of deferred assets under Article 113 of Insurance Business Act (end of FY2017)
- ☺ Changed calculation methods of policy reserves from 5-year Zillmer's method into net level premium method (in FY2018 onward)
- ☺ Dividend policy **to be considered** based on difference from standard policy reserve and amount of cumulative loss

Focus Areas in FY2016

■ Enhance each channel as pillar



New Product

■ Launch of new Long-term Disability product **in June**



Main points of Long-term Disability “Hataraku-Hito 2”

Newly added 60
days of initial
exclusion period

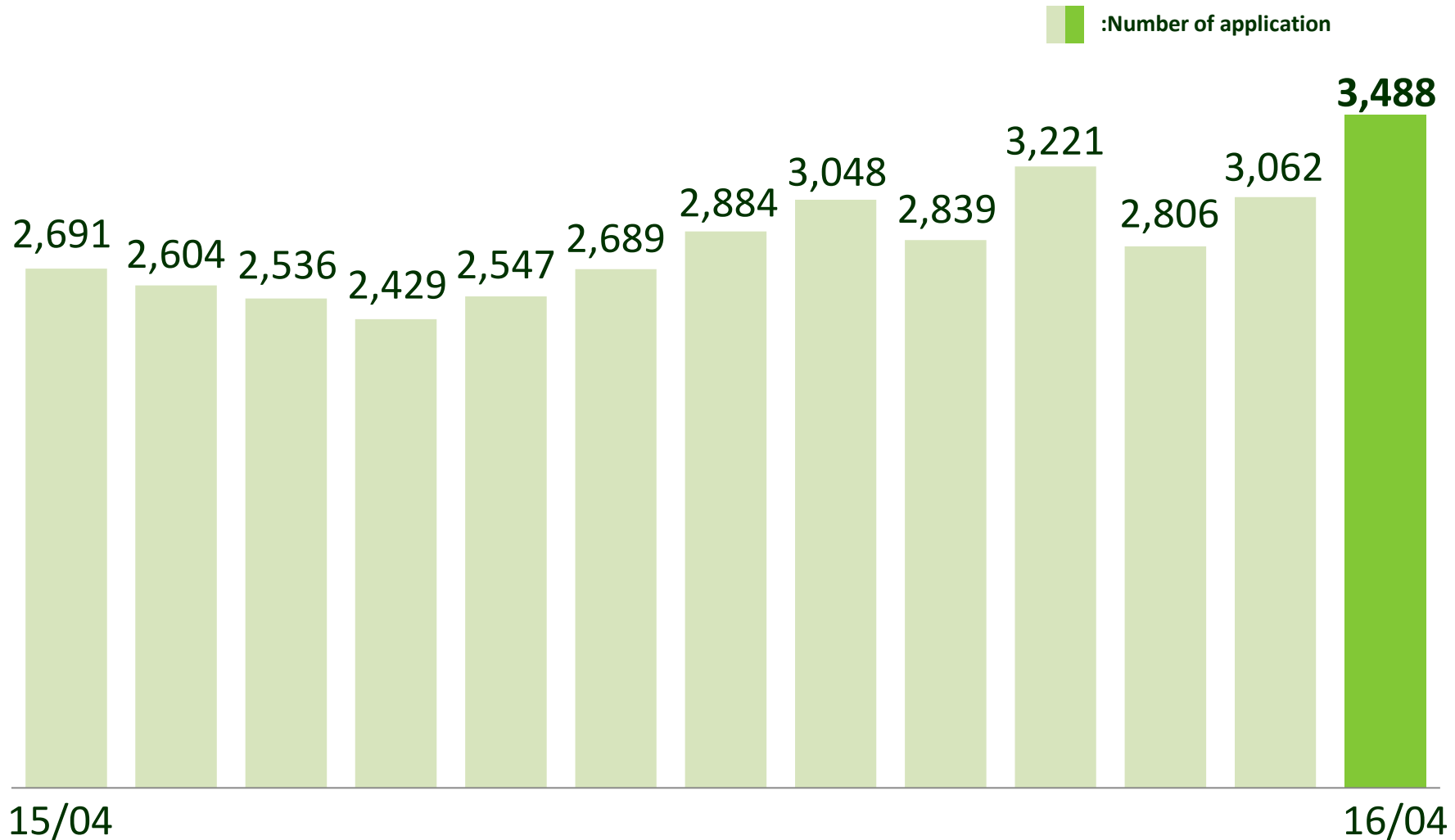
Newly added a
range of insurance
terms to choose

Newly added “Half-
type” for customers
who wish to lower
their premiums

Number of Application (Monthly)



■ “au Life Insurance” boosted



Business Forecast

- Aim for **JPY 10bn** (up 6.5%) in ordinary income

(JPY mn)

	Ordinary income	Ordinary profit ¹
Business forecast FY2016	10,000	Profitability
Results of FY2015	9,387	584

LIFENET Manifesto



I. Our Guiding Principles

- (1) We believe that our responsibility to society is to return life insurance to its original state. Life insurance is for the customers, not for the company. In order to achieve this goal, we will only offer products we can recommend with confidence.
- (2) We will be transparent. We will disclose information on our management, products and company as a whole on our website to actively communicate with customers and society.
- (3) We will be fair. We believe that our services will be more benevolent if the employees are free of any and all limitations they may feel in the work environment, and as such, we will not discriminate against education, gender, age, nationality, or familial situations.
- (4) We will adhere to laws protecting personal information and comply with laws, regulations, and other social standards. We pledge to be respectable global citizens, acting fairly and ethically.

III. Life Insurance will be Cost-Competitive

- (1) We believe that no one should pay premiums that are more expensive than necessary, and will be innovative and creative in order to develop and maintain the most cost-competitive products possible.
- (2) We will handle every step of the process in providing good products to our customers; from the development of the products to the sales. This allows for us to maintain our cost-competitive prices.
- (3) Our products will be cost-competitive, but the content of the products and our services will not be sacrificed. All communication with customers will be conducted accurately and quickly, including claim processes.
- (4) Life insurance is a very expensive purchase, and life is also very expensive. We want for our customers to spend less on life insurance, and more on enjoying life.

II. Life Insurance will be Comprehensive

- (1) Our products will be simple and comprehensible. There will not be complex policies with special provisions.
- (2) Life insurance is a financial product designed to mitigate risk, and we believe the customer should decide what products are necessary for them. As we feel it is critical for customers to be well informed of products and policies, we will make accessible any and all relevant information on our website for customers to make logical and rational decisions. The Customer Contact Center is also available for further clarifications and questions.
- (3) Our website will promote the understanding of not only our company's products, but of life insurance in general.
- (4) We will make life insurance products tangible via clearly written policies and comprehensible terms and conditions.

IV. Life Insurance will be Convenient

- (1) We know our customers have very busy lives. That is why our customers can apply for our life insurance policies via the internet, 24 hours a day, 7 days a week.
- (2) Our documents require only a signature. There are no other typical official items required to verify personal identification.
- (3) Our definition of "surgery" is aligned with the national healthcare insurance point table, making the claim process much more convenient and comprehensible.
- (4) We have a proxy claim system, allowing for the third party designated by the claim holder to file a claim. The appointed proxy need simply to make a phone call to our contact center for necessary documents.

**This manifesto is not simply as a declaration. This is how we do things.
Join us on our journey.**



All information on this document that is not historical fact constitutes forward-looking information and is based on assumptions and forecasts available to the company at the time of preparation. The company cannot guarantee the accuracy of these assumptions and forecasts. Earnings projections and other information on this may differ materially from actual performance due to various risks and uncertainties. This is a translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

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 E-mail Notices

Appendix

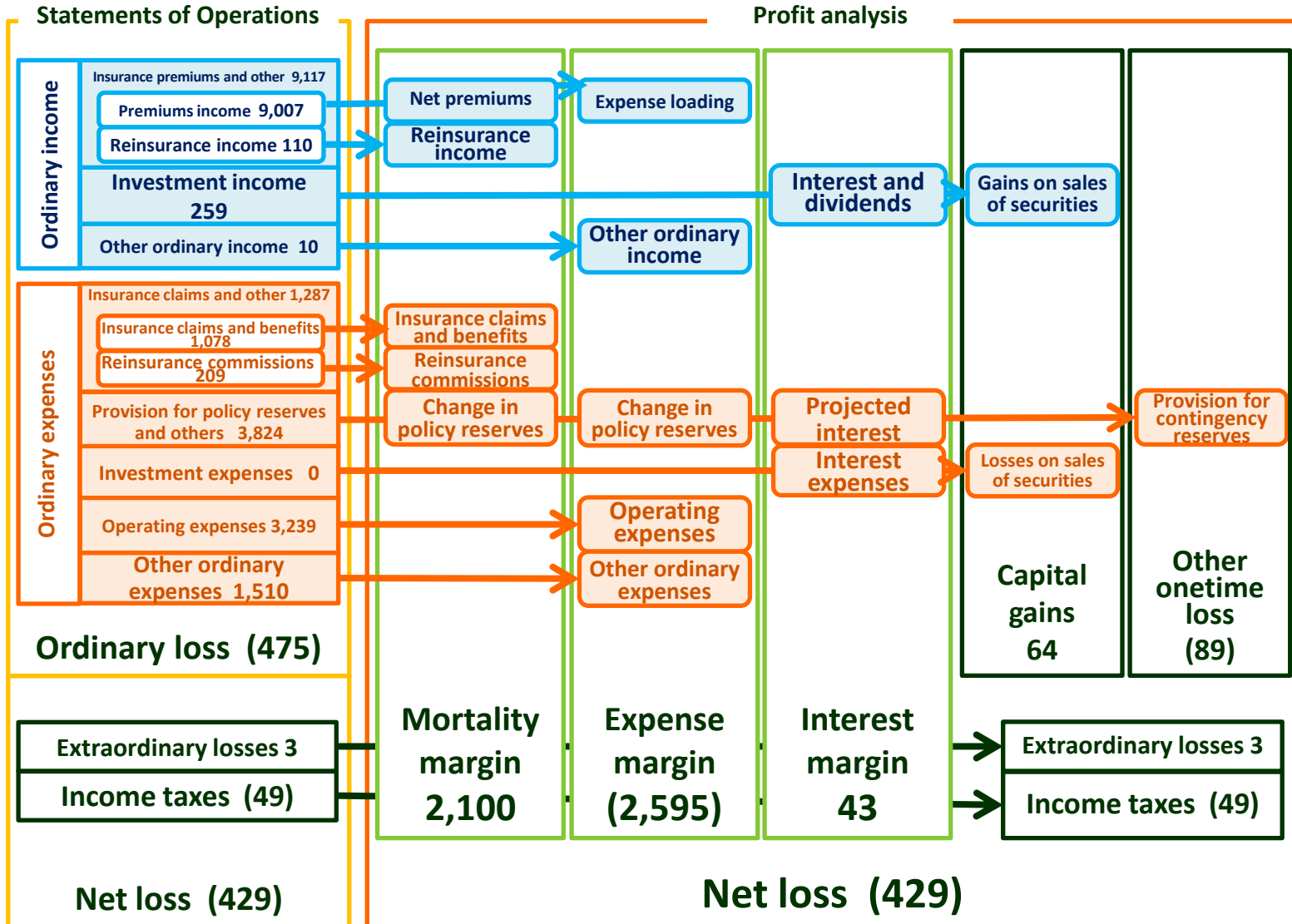


LIFENET

LIFENET INSURANCE COMPANY

Three Surplus Factors of Fundamental Profit

FY2015



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



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As of Mar. 31, 2016

$$\text{Solvency margin ratio } 2,805.5\% = \frac{\text{Total amount of solvency margin <numerator> } 19,301}{\text{Total amount of risk/2 <the denominator> } 1,375/2}$$

Cash and deposits 734	Other liabilities 569
Monetary claims bought 1,999	Deferred tax liabilities (excluding those on available-for-sale securities) 172
Money held in trust 1,035	Reserves for outstanding claims 357
Securities 23,067	Policy reserves 13,551
Tangible fixed assets 72	Contingency reserves 1,307
Intangible fixed assets 437	Excess over the full-Zillmerized reserve 4,529
Other assets 2,969	Price fluctuation reserves 12
Deferred assets under Article 113 of the Insurance Business Act 2,120	Deferred tax liabilities on available-for-sale securities 206 ¹
	Valuation difference on available-for-sale securities 531 ¹
	Capital stock and other assets 12,712
	Net assets 15,423

Add liabilities with strong capital characteristics such as price fluctuation reserves and contingency reserves

Subtract deferred assets under Article 113 of the Insurance Business Act from net assets

$$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4 / 2$$

Insurance risk R_1 1,016

Risk of change in mortality rate (calculated based on value of policies in force)

Medical insurance risk R_8 248

Risk of change in medical incidence rate (hospital admission rate, etc.)

Assumed interest rate risk R_2 1

Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves

[Minimum guarantee risk] R_7 —

Risk related to products, such as variable annuities with minimum guarantees

Asset management risk R_3 397

[Credit risk] Risk that asset values decline due to deterioration in financial condition of creditors

[Price fluctuation risk] Risk of incurring losses due to decline in market value of stocks and bonds, etc.

Business management risk R_4 49

3% of the total of the amounts of the other 5 risks (in the Company's case)

1. 90% of the valuation difference on available-for-sale securities (pre-tax) (if negative, 100%)
 2. Items that do not apply to the Company or for which the amount is minimal have been omitted, except for certain bracketed items.