

Securities Code:7157
TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

Reference Data
for
First Quarter
Fiscal 2016

LIFENET INSURANCE COMPANY

August 10, 2016

Contents



- 1. Progress of Mid-term Business Plan**
- 2. Results for 1Q of Fiscal 2016**

LIFENET is...



Comprehensible
Cost-Competitive
Convenient

- Returning to **the original purpose** of life insurance – mutual support –
- Plugged-in way to reach customers who need insurance products with necessary coverage

New Mid-term Business Plan



■ Summary of new Mid-term Business Plan

FY2018 Management Goal	13.5 billion yen in ordinary income Positive profitability of ordinary profit (loss)
Business Strategy	1. The pillars of business : “Online direct sales”, “KDDI (exclusive alliance agent)” and “Over- the-counter agent” 2. Continuous creation of unique sales point in all channels 3. Commitment to business development for future growth
Organization	Change, Challenge and Unity

To Achieve New Mid-term Business Plan

LIFENET

- Aiming for returning to growth in new business performance in fiscal 2016



Business Strategy

■ For reaching more customers **using channels**



Online direct sales

→ Realize Manifesto

KDDI (exclusive alliance agent)

→ Extend customer base

Over-the-counter agent

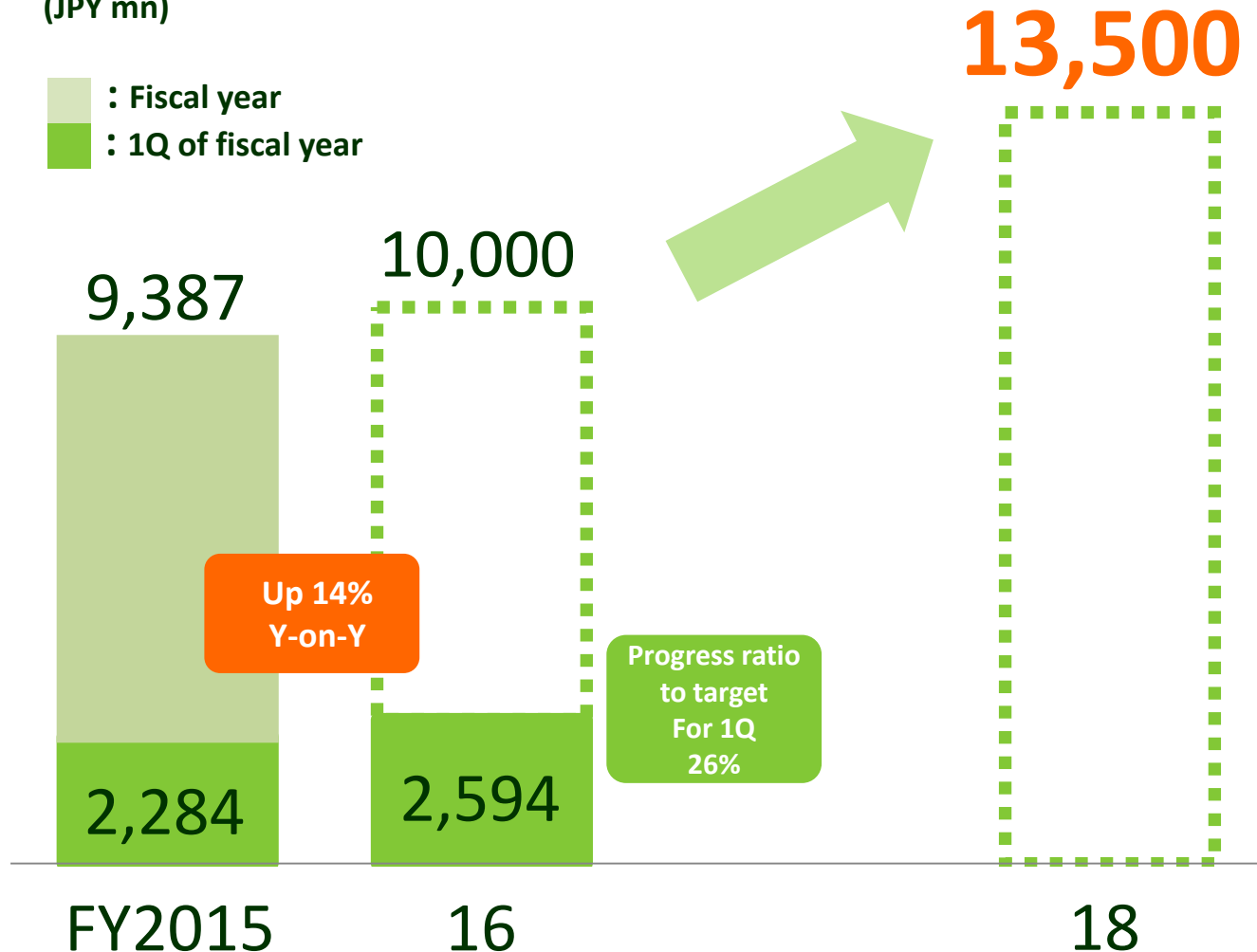
→ Develop the market for long-term disability

Progress of Mid-term Business Plan (Ordinary Income)

■ **14%** increase year on year

(JPY mn)

■ : Fiscal year
■ : 1Q of fiscal year



Progress of Mid-term Business Plan (Ordinary Profit / Loss)



- Aiming for **positive profitability¹ of ordinary profit (loss)** in fiscal 2018

(JPY mn)

	Business forecast FY2016	Management Goal FY2018	Results for 16/1Q
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA ²	Profitability	–	139
Amortization of deferred assets under Article 113 of IBA ²	(1,060)	–	(265)
Ordinary Profit (Loss)	N/A	Profitability	(125)

1. Management indicator is ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act until completion of amortization of deferred assets under Article 113 in FY2017. Management indicator in FY2018 is positive profitability of accounting ordinary profit (loss).
2. IBA: Insurance Business Act

Contents



- 1. Progress of Mid-term Business Plan**
- 2. Results for 1Q of Fiscal 2016**

Summary of 1Q for FY2016 Results



(JPY mn)

	2015/1Q	2016/1Q	Year on year
Ordinary income	2,284	2,594	113.6%
Operating expenses	751	861	114.7%
Ordinary profit (loss) ¹	161	139	86.4%
Cash flows from operating activities	1,057	758	71.8%
Mortality margin	513	549	107.1%
Annualized premium ² of policies-in-force	8,917	9,551	107.1%
Number of policies-in-force	217,335	228,846	105.3%
Annualized premium ² of new business	279	341	122.1%
Number of new business	5,756	7,307	126.9%

1. The 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.

Key Accomplishment in 1Q for FY2016



- ① Ordinary income **114% Y-o-Y**
- ① New business performance **grew Y-o-Y**
- ① **Continuously recorded** ordinary profit¹
- ① **Steadily recorded** mortality margin
- ① Commenced sales of **“au Life Insurance”**

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

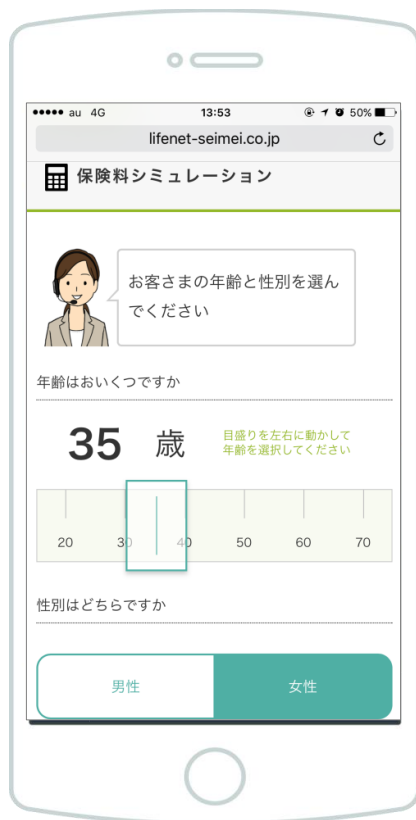
Promote Utilization of Smartphone



LIFENET

Realize consideration process suited to the times

(April 2016) Renewed Smartphone website
For customers convenience and satisfaction



(July 2016) Started consultation service via LINE
Making process convenient and accessible

Enhance Online Advertising

- Emphasize our strengths and features through **video advertising**



ライフネット生命で保険を見直して
保険料が安くなった方に聞きました!

月額保険料 (平均) 見直し後

¥8,437

年間平均

¥75,408相当

節約

※ 1ヶ月平均、6284円節約。

※ 他社乗換加入者:245件の内、当該項目における有効回答者数:183件



<https://www.youtube.com/watch?v=7UWWpu37LE8>

Business Alliance with KDDI



■ Commenced sales of “au Life Insurance” in April

万が一に備える



au Term Insurance

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 Medical Insurance
for Women

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 Medical Insurance

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！

“auの生命ほけん” ここがうれしい「3つのメリット」

au 定期ほけん

30歳 男性 

月額
保険料 **740** 円

保険金額 500万円 / 保険期間 10年

➡ ネット申込だから
お手頃な保険料！



➡ お申し込みは
いつでもカンタンに！

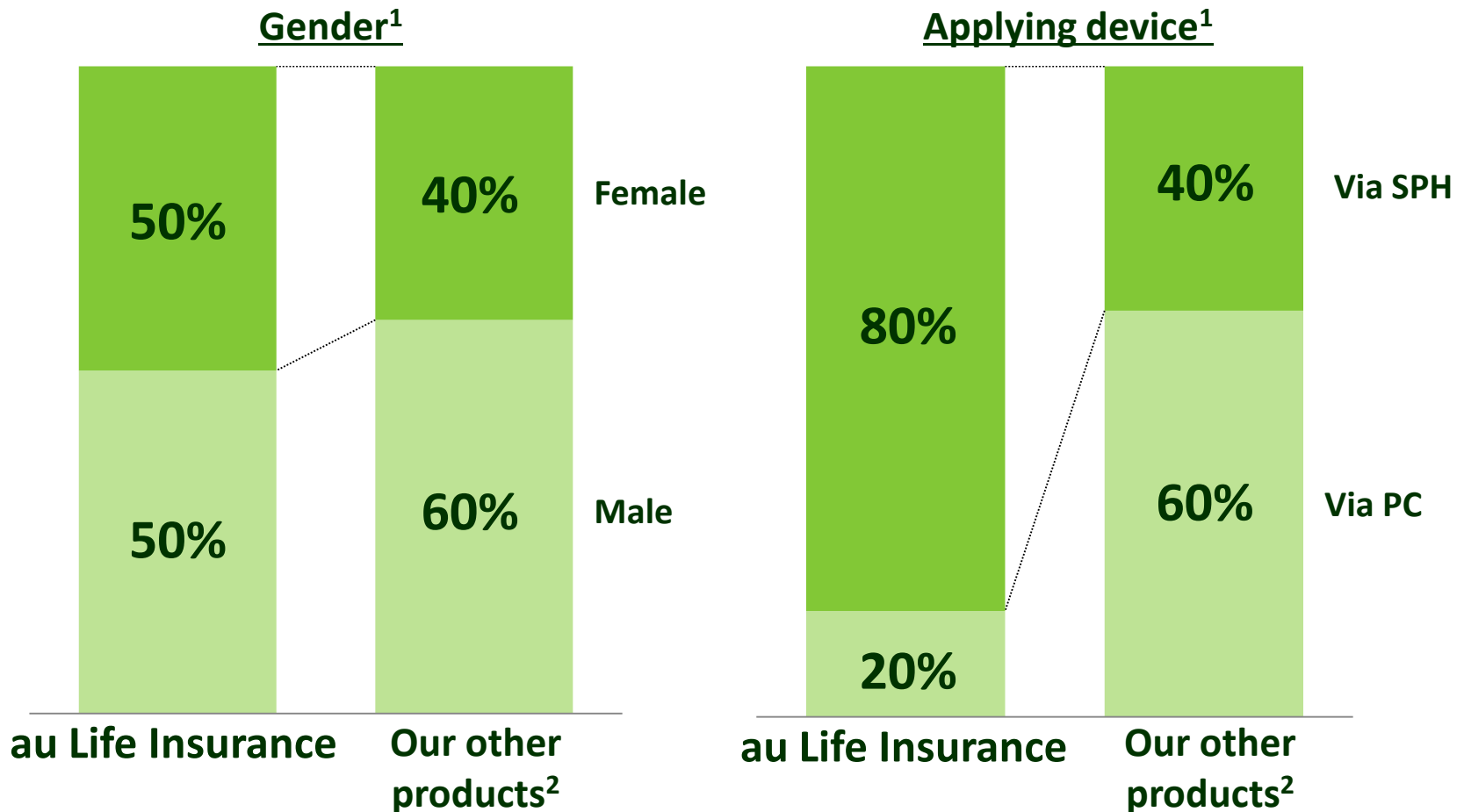
“auの生命ほけん” ご加入で
WALLET ポイント 500P
差し上げます！



➡ 成り立の方全員が対象

au Life Insurance

■ Approaching customers different from existing customers



1. Based on number of applications in June 2016

2. Our all products excluding au Life Insurance

Dedicated Product for KDDI



- **“au Life Insurance” with refunds¹ will be launched in December**

From April to November 2016



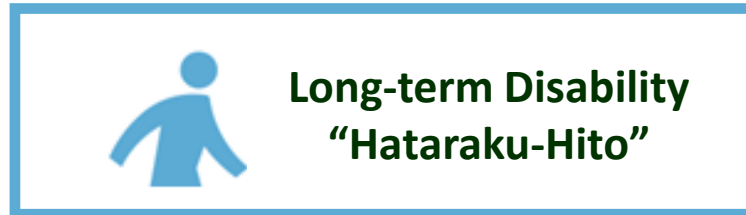
From December 2016



1. “au Life Insurance” with refunds is the product which adds refund from insurance premium on each “au Life Insurance” product sold from April 5, 2016 to November 30, 2016.

Promotion of Long-term Disability

■ **Highly evaluated** as pioneer in Japan market



Ranking of insurance recommended
by experts

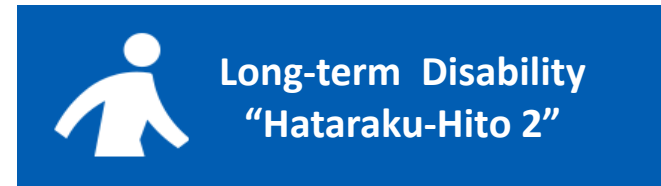
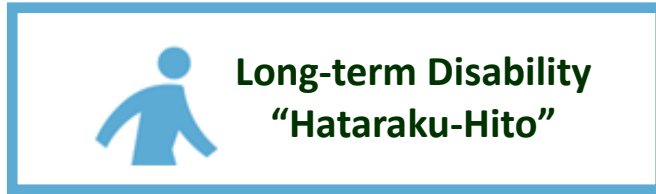
Ranked number 1 in “Long-term Disability
Product Category”

Weekly Diamond magazine (Diamond Inc., April 23, 2016)



New Long-term Disability Product

- Launched in June based on **customers requirements**



Elimination period:
only "180 days"



New

Choose from 60 days
and 180 days

Insurance term:
only "65 years old"



New

Choose from 55, 60,
65 and 70 years old

Receipt of benefit:
only "one type"

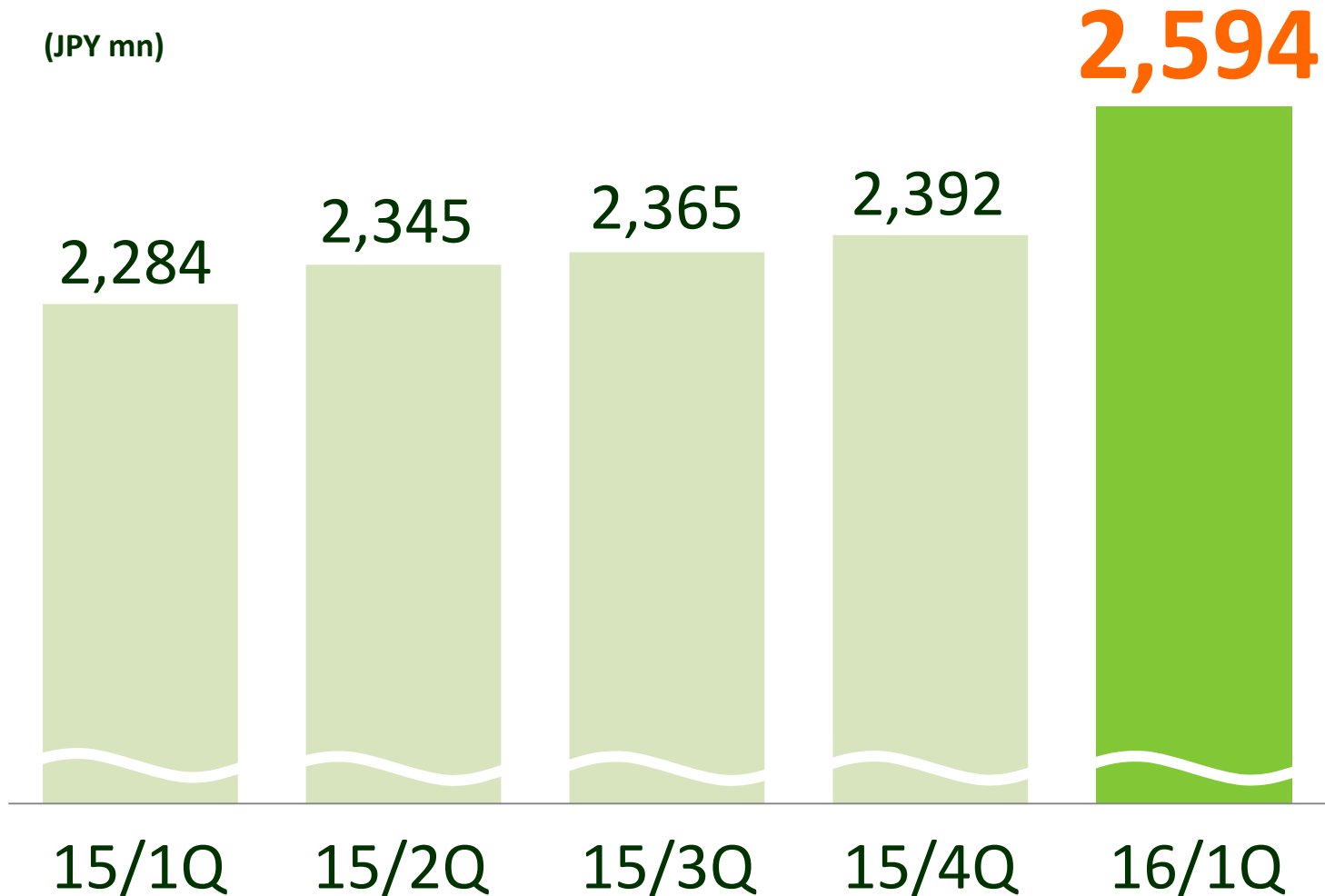


New

Choose from
Standard-type
and Half-type

Ordinary Income (Quarterly)

- **114%** year on year by increase of insurance premiums and other



Ordinary Income (Quarterly)

- In addition to increase of insurance premiums and other, recorded **reversal of reserves for outstanding claims**

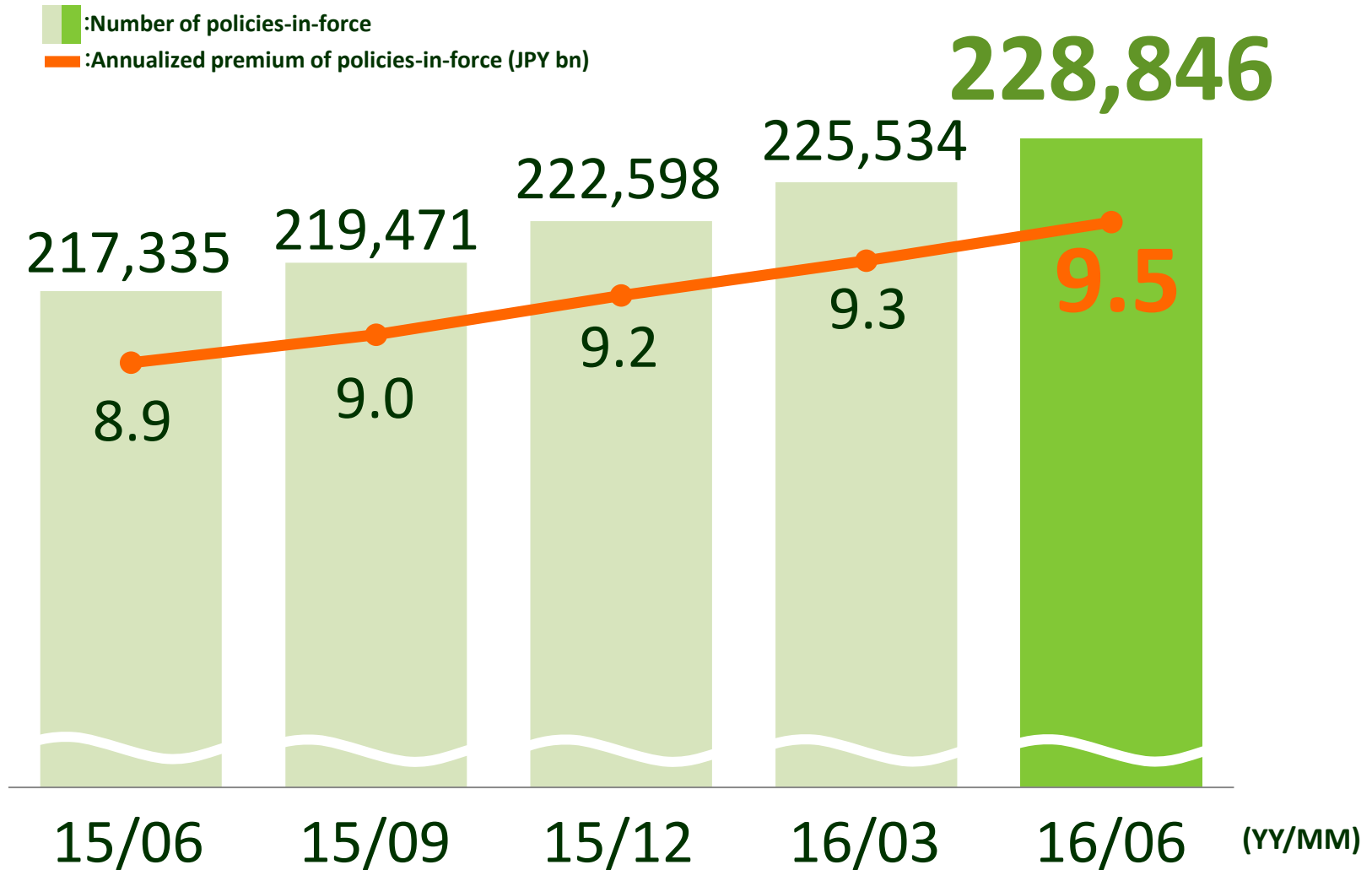
(JPY mn)

	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q
Insurance premiums and other	2,241	2,261	2,280	2,335	2,444
Investment income	41	50	113	54	51
Reversal of reserves for outstanding claims	—	31	(31)	—	96
Other (excl. Reversal of reserves for outstanding claims)	1	2	3	2	2
Ordinary income	2,284	2,345	2,365	2,392	2,594

Number of Policies-in-force / Annualized Premium (Quarterly)



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



Breakdown of Policies-in-force

■ **143,123** in-force policyholders (as of June 30)

(YY/MM)	15/06	16/06
Number of policies-in-force	217,335	228,846
- Term Life ¹	113,690	119,081
- Whole-Life Medical ¹	66,185	68,961
- Term Medical Care ¹	11,660	10,955
- Long-term Disability ¹	25,800	29,849
Sum insured of policies-in-force² (JPY mn)	1,850,441	1,924,095
Number of policyholders	133,102	143,123
	15/1Q	16/1Q
(Reference) Surrender and lapse ratio³	7.0%	7.0%

1. Term Life insurance: “Kazoku” and “au Term Insurance”, Whole-Life Medical insurance: “Jibun”, New “Jibun”, New “Jibun” for Women, “au Medical Insurance” and “au Medical Insurance for Women”, Term Medical Care insurance: “Jibun Plus”, Long-term Disability insurance: “Hataraku-Hito” and “Hataraku-Hito 2”.

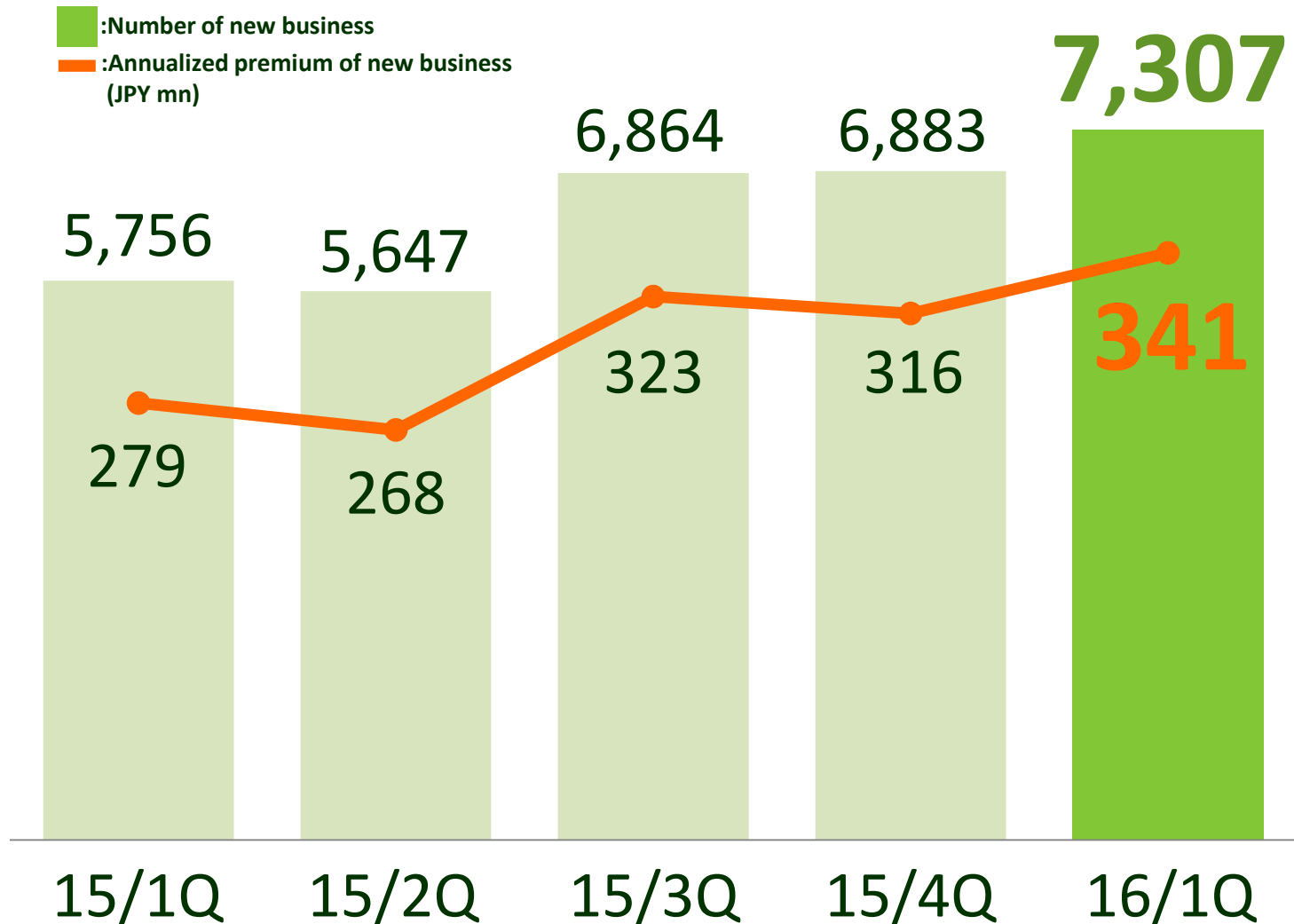
2. Sum insured of policies-in-force is the sum of death coverage, and does not include third-sector insurance.

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 (Quarterly)

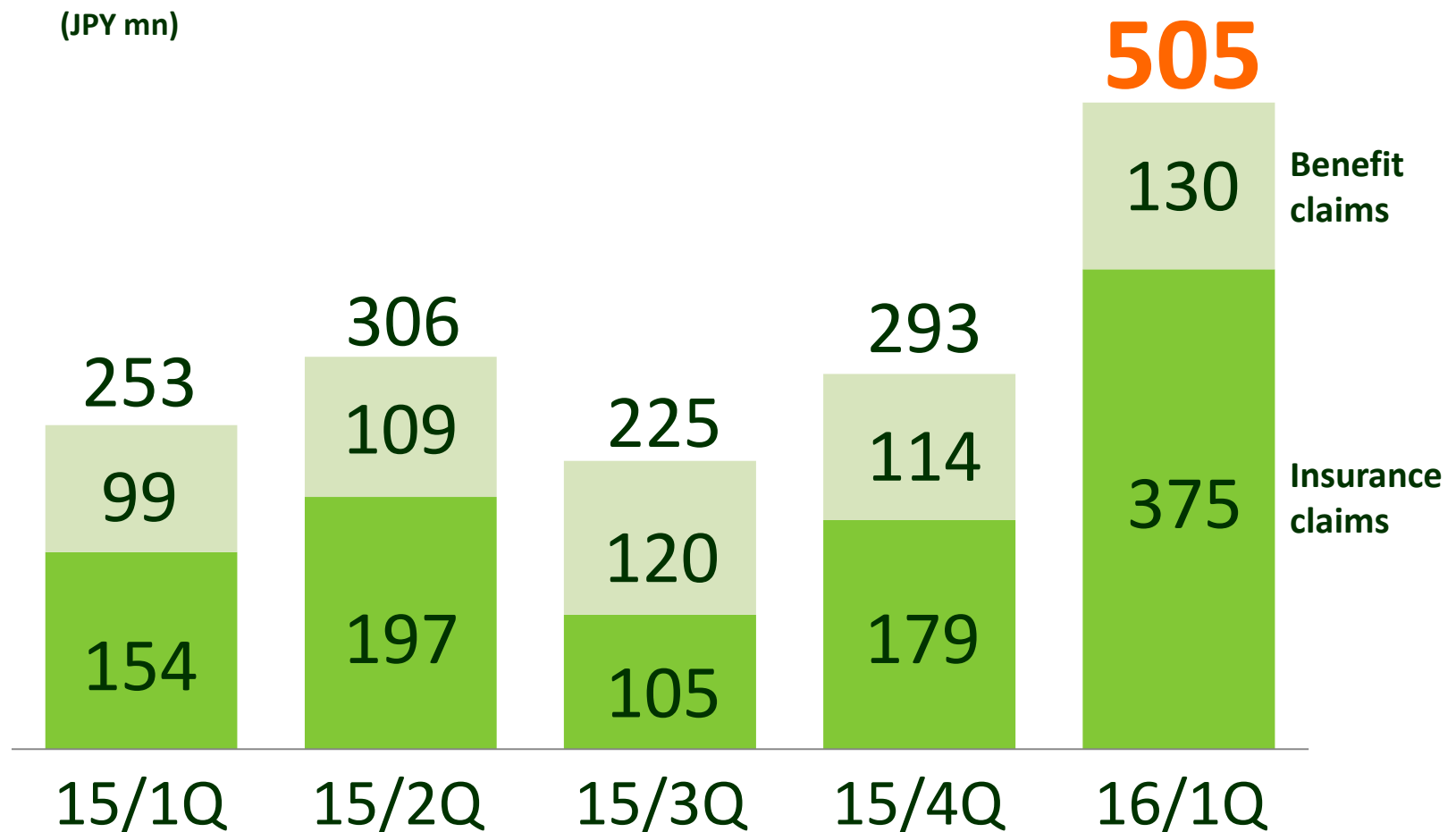


■ New business performance is **bottoming out**



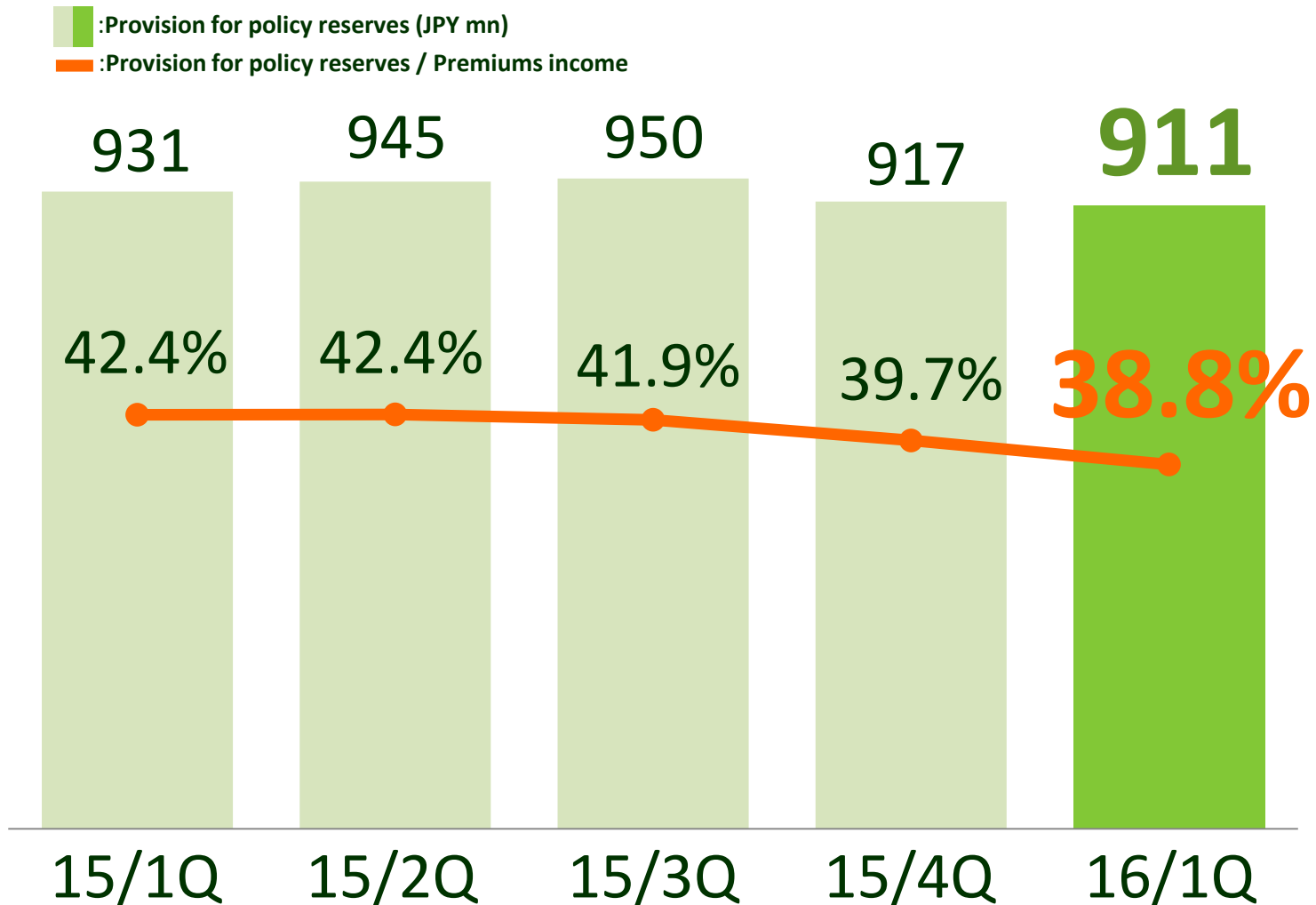
Amount of Insurance Claims and Benefits (Quarterly)

■ 23 benefit claims, 10 claims increased year on year



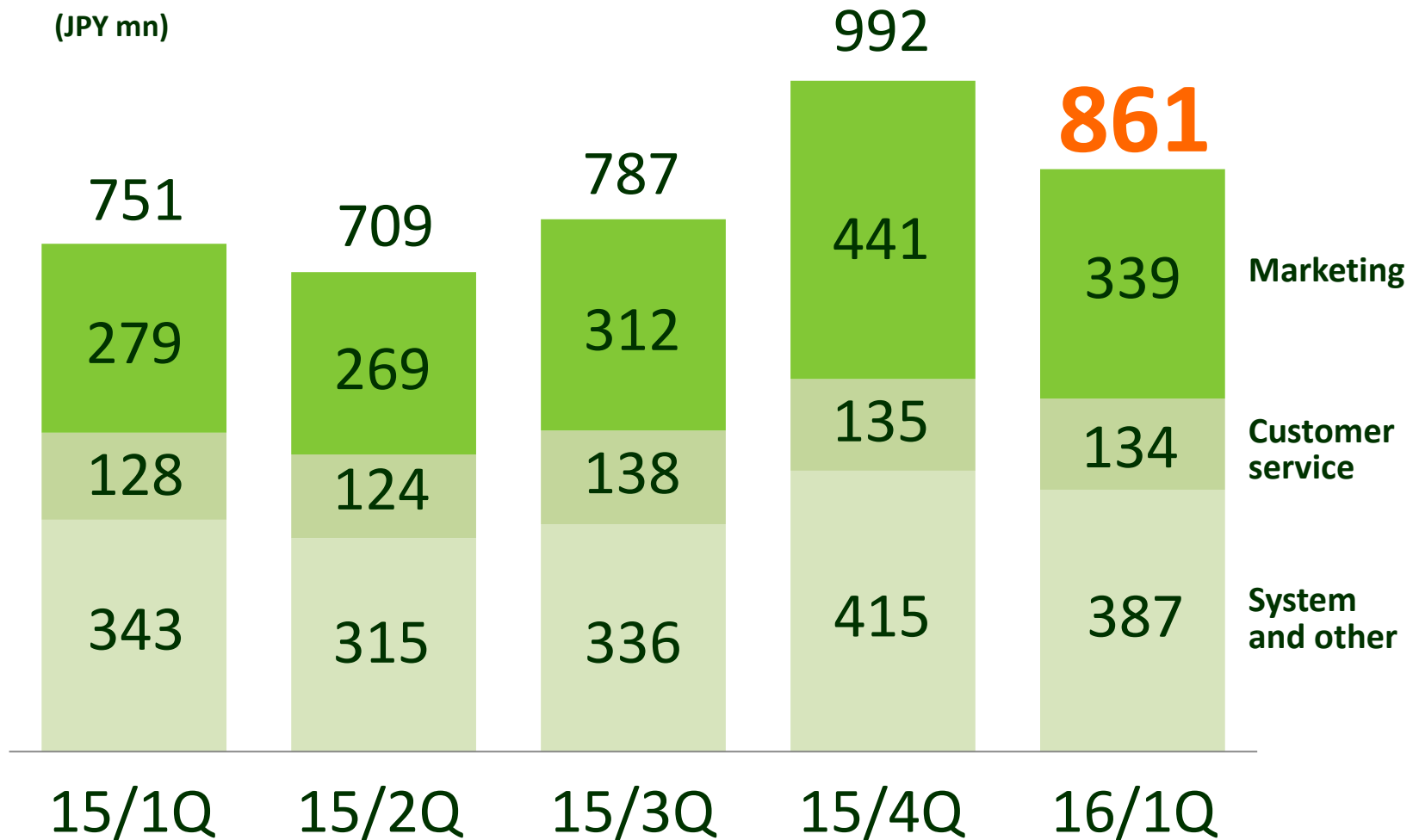
Provision for Policy Reserves (Quarterly)

■ Remaining at same level



Operating Expenses (Quarterly)

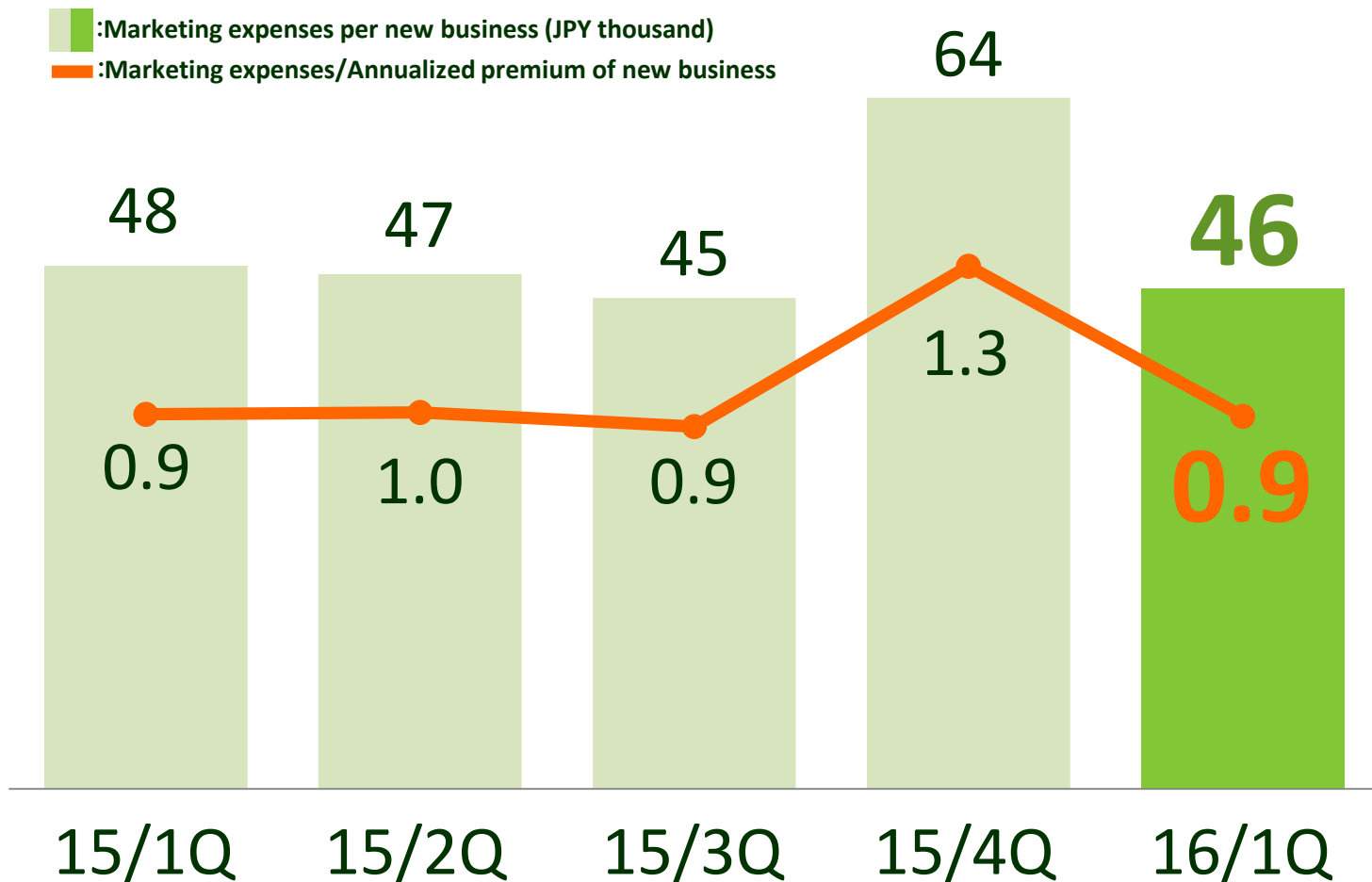
■ **Increased** in order to achieve Management Goal



Marketing Expenses per New Business (Quarterly)



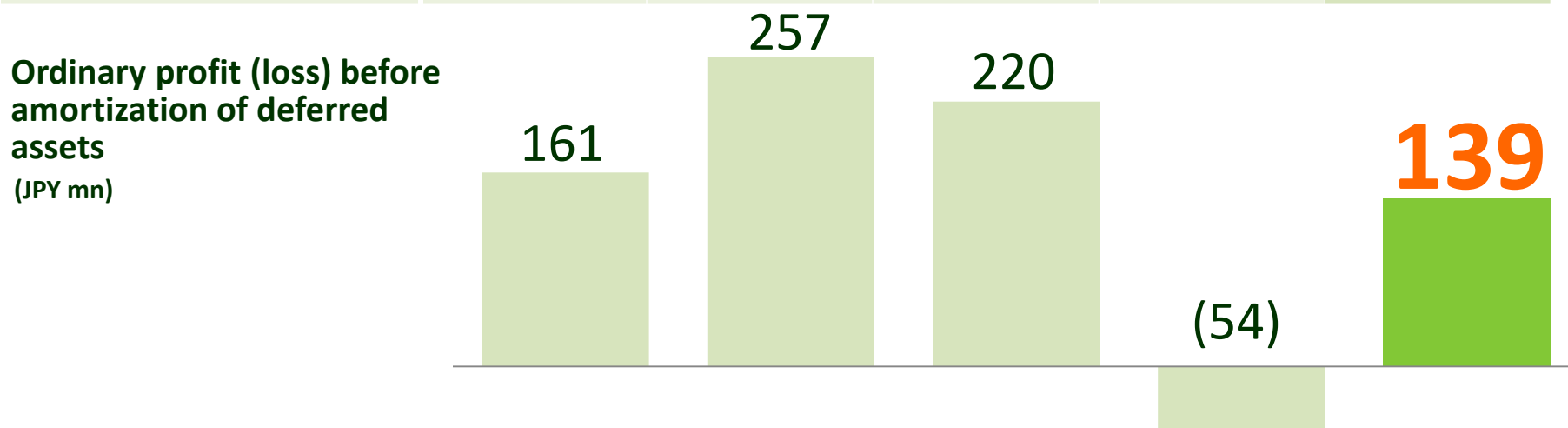
■ **Improved** year on year despite increase in marketing expenses



Ordinary Profit / Loss (Quarterly)

Recorded **profitability**¹ despite increase in expenses

	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q
	(JPY mn)				
Ordinary profit (loss) before amortization of deferred assets	161	257	220	(54)	139
Amortization cost	(265)	(265)	(265)	(265)	(265)
Ordinary profit (loss)	(103)	(7)	(44)	(319)	(125)

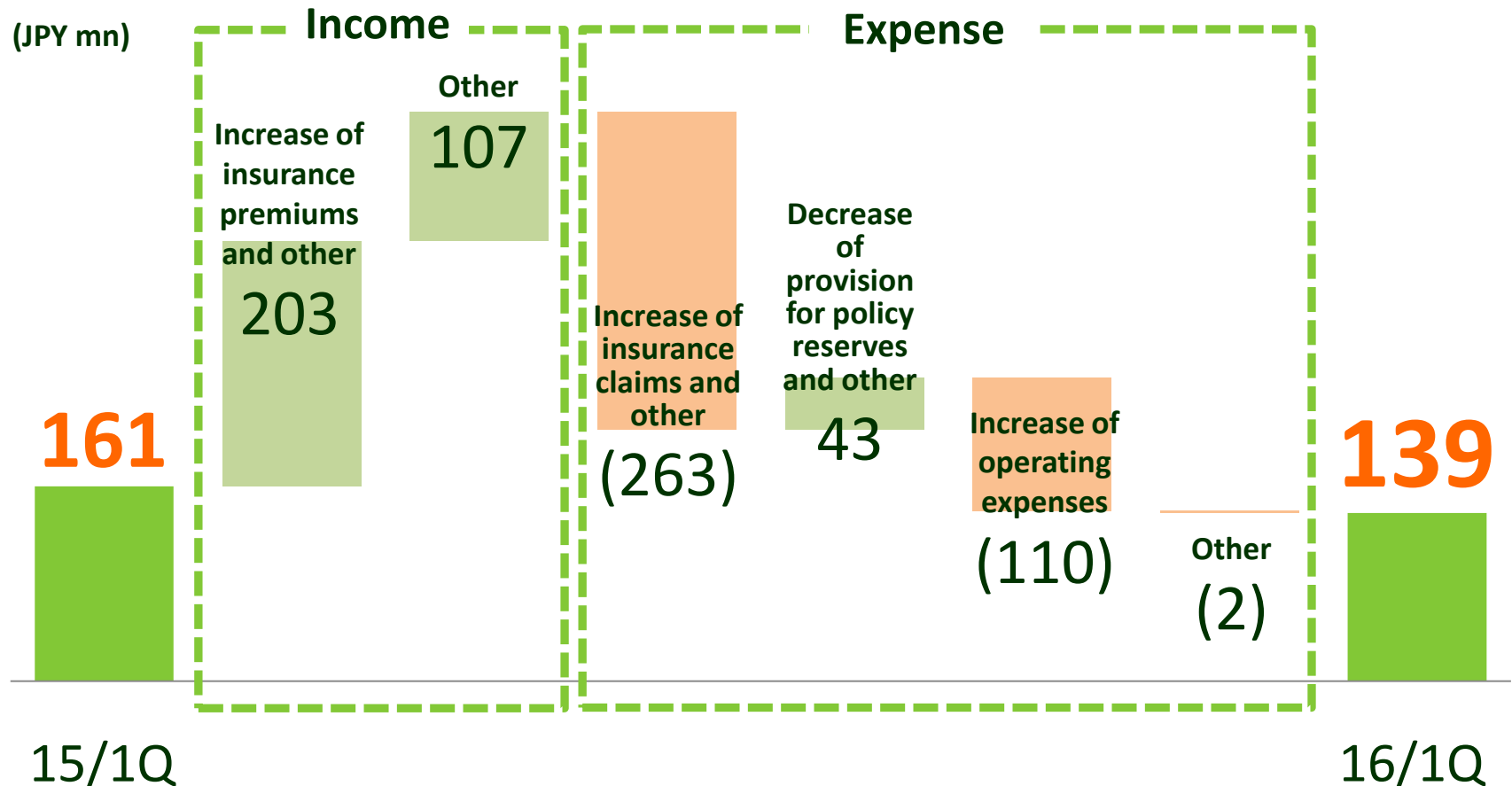


1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

Structure Breakdown of Ordinary Profit / Loss

Decreased due to increase in insurance payment year on year

Transition of ordinary profit (loss)¹



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

Condensed Statements of Operation (Quarterly)



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(JPY mn)

	15/1Q	16/1Q	Change
Insurance premiums and other	2,241	2,444	203
Other	42	150	107
Ordinary income (A)	2,284	2,594	310
Insurance claims and other	301	564	263
Provision for policy reserves and other	954	911	(43)
Operating expenses	751	861	110
Other	115	117	2
Ordinary expenses (B)	2,122	2,455	332
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA (A-B)	161	139	(21)
Amortization of deferred assets under Article 113 of IBA (C)	265	265	—
Ordinary loss (A-B)-(C)	(103)	(125)	(21)

Fundamental Profit

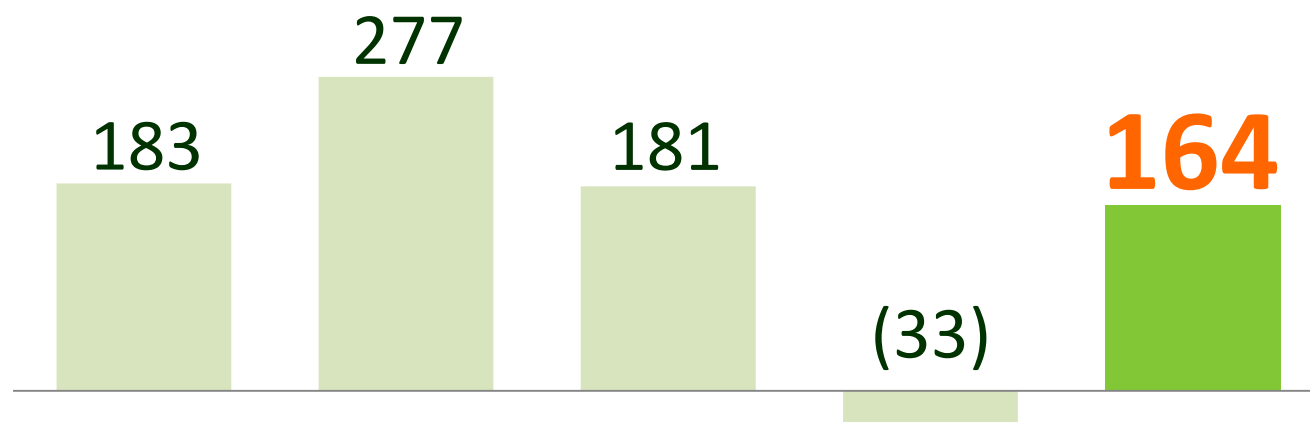
Continuously recorded mortality margin

(JPY mn)

	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q
Mortality margin	513	545	532	509	549
Expense margin (loss)	(602)	(547)	(625)	(819)	(655)
Interest margin	8	14	9	11	5
Fundamental profit	(81)	12	(83)	(298)	(100)
(ref.) Insurance premiums and other	2,241	2,261	2,280	2,335	2,444

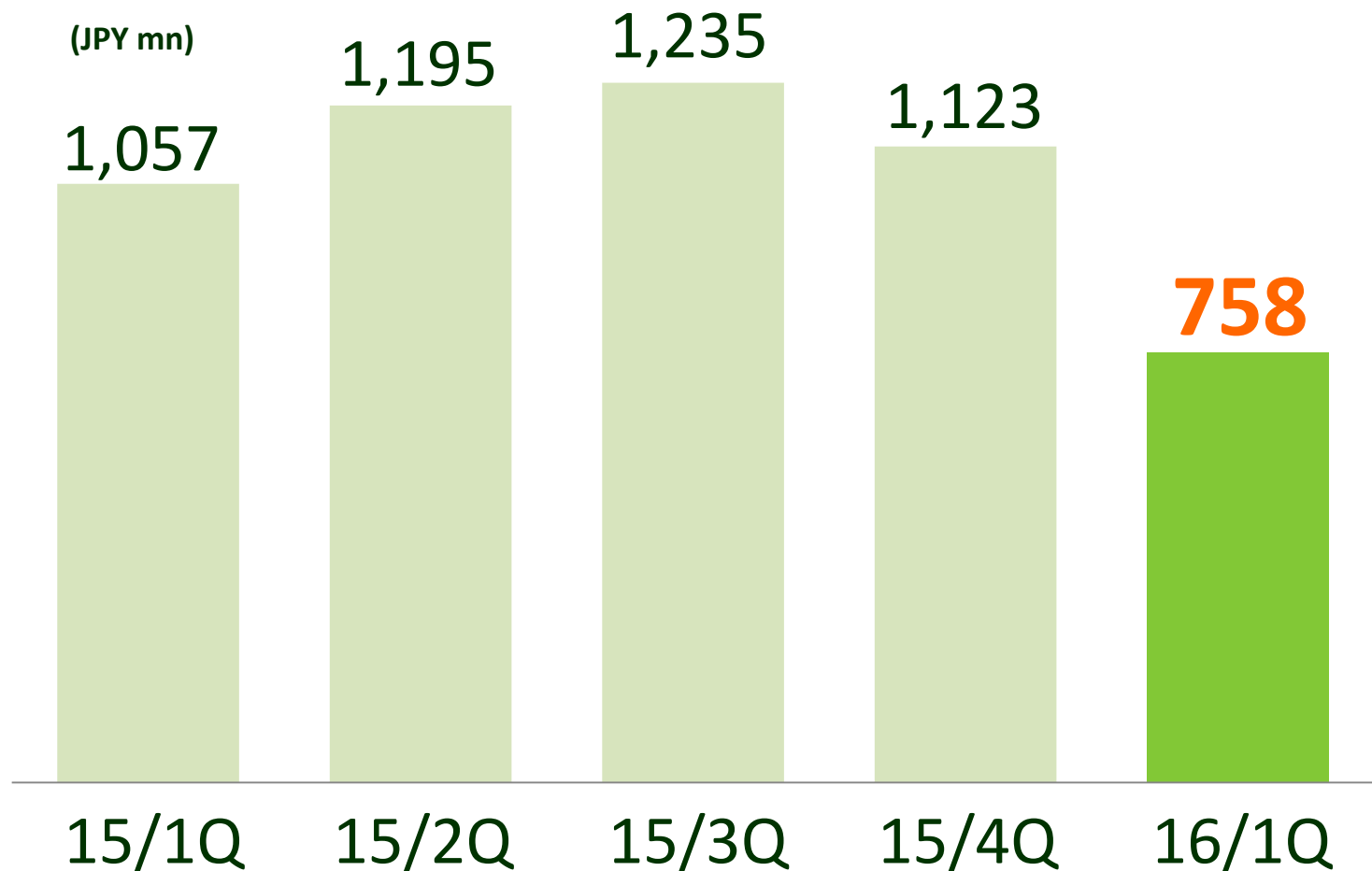
Adjusted fundamental profit¹

(JPY mn)



Operating Cash Flows (Quarterly)

- Maintain **positive** despite increase in insurance payment



Financial Condition

(JPY mn)	(YY/MM)	15/03	16/03	16/06
Total assets		23,387	30,317	31,179
Cash and deposits		731	734	1,101
Monetary claims bought		-	1,999	1,499
Money held in trust		1,033	1,035	999
Securities		17,082	23,067	24,252
Government bonds		8,227	10,102	10,264
Municipal bonds		851	1,521	1,566
Corporate bonds		6,894	10,428	10,967
Stocks ¹		222	211	213
Foreign securities ²		886	804	731
Other securities		-	-	509
Total liabilities		10,899	14,893	15,668
Policy reserves and other		10,084	13,908	14,723
Total net assets		12,487	15,423	15,511

■ Promote
diversification
 in investment
 assets

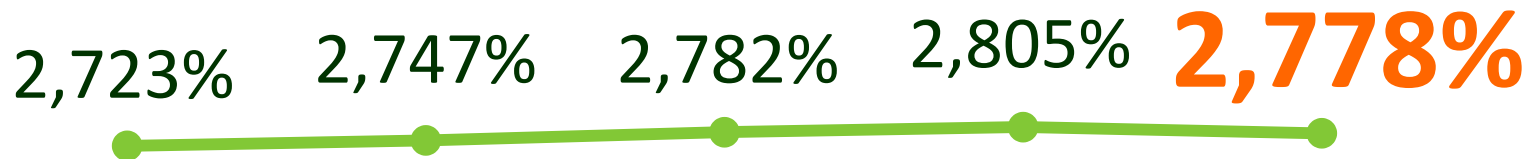
■ Modified
 duration
14.8years

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



■ **Maintain high level** despite investment risk increase



Average² of 4 major insurance companies as of September 30, 2015

909%

Average² of 4 major insurance companies as of March 31, 2016

894%

15/06

15/09

15/12

16/03

16/06

(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

Impact of Decline of Interest Rate

■ **Limited impact** in 1Q of fiscal 2016

- ☺ Impact on interest margin
 - Limited because our products are all protection type
- ☺ Impact on balance sheet
 - Increase in unrealized gains of government bonds and corporate bonds
- ☺ Investment policy
 - Promote diversification in investment assets

Business Forecast

- Business forecast for fiscal 2016 **remains unchanged**

(JPY mn)

	Ordinary income	Ordinary profit ¹
Business forecast FY2016	10,000	Profitability
(ref.) Results for 1Q of FY2016	2,594	139

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.

<http://ir.lifenet-seimei.co.jp/en/>

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 E-mail Notices

Appendix

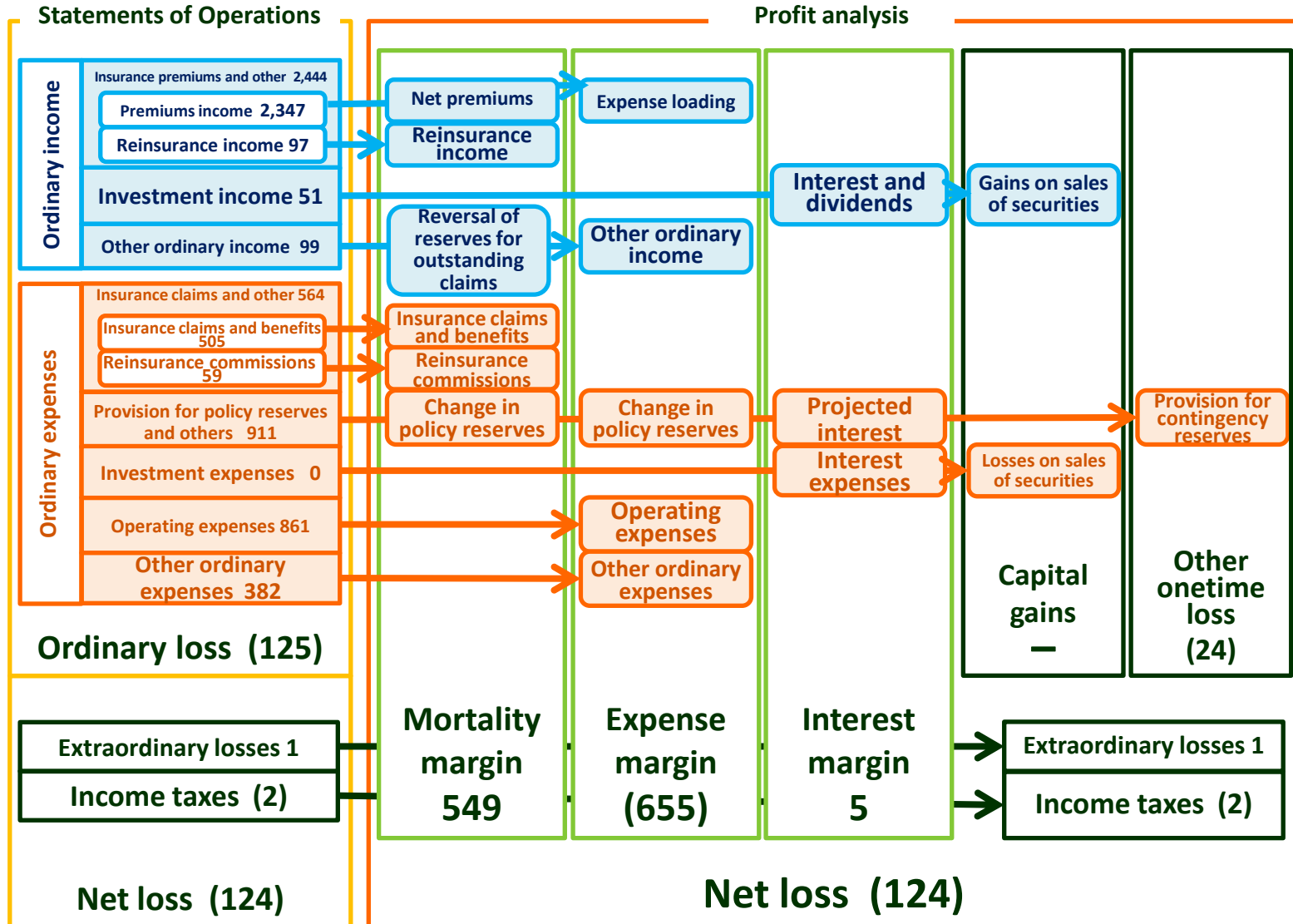


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LIFENET INSURANCE COMPANY

Three Surplus Factors of Fundamental Profit

1Q of FY2016



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of Jun 30, 2016

$$\text{Solvency margin ratio } 2,778.7\% = \frac{\text{Total amount of solvency margin <numerator> } 19,917}{\text{Total amount of risk/2 < the denominator> } 1,433/2} \div \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4 / 2$$

Cash and deposits 1,101	Other liabilities 449
Monetary claims bought 1,499	Deferred tax liabilities (excluding those on available-for-sale securities) 169
Money held in trust 999	Reserves for outstanding claims 260
Securities 24,252	Policy reserves 14,463
Tangible fixed assets 66	Contingency reserves 1,332
Intangible fixed assets 457	Excess over the full-Zillmerized reserve 4,714
Other assets 2,801	Price fluctuation reserves 14
Deferred assets under Article 113 of the Insurance Business Act 1,855	Deferred tax liabilities on available-for-sale securities 280 ¹
	Valuation difference on available-for-sale securities 722 ¹
	Capital stock and other assets 12,853
	Net assets 15,511

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

Insurance risk R_1 1,024

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

Medical insurance risk R_8 264

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_3 490

[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 53

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 and deferred gains or losses on hedges (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.