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

Financial Results for 3Q of Fiscal 2016 Ending March 31, 2017 Ordinary income of 7,568 million yen, year on year 8.2% up

TOKYO, February 9, 2017 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the third quarter of fiscal 2016 ending March 31, 2017.

1. Overview of the financial results for 3Q of fiscal 2016

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 3Q ended December 31, 2016 was 320 million yen (99.0% of 3Q of fiscal 2015). The number of applications was 9,236 (105.3% of 3Q of fiscal 2015), with the number of new business at 6,980 (101.7% of 3Q of fiscal 2015). Annualized premium^{*1} of new business for the nine months ended December 31, 2016 was 955 million yen (109.5% of the nine months ended December 31, 2015). The number of applications was 27,731 (114.3% of the nine months ended December 31, 2015), with the number of new business at 20,599 (112.8% of the nine months ended December 31, 2015).

Annualized premium^{*1} of policies-in-force as of the end of 3Q of fiscal 2016 stands at 9,856 million yen (105.1% of March 31, 2016). The number of policies-in-force resulted in a total of 234,828 (104.1% of March 31, 2016). Surrender and lapse ratio^{*2} for the nine months ended December 31, 2016 was 6.5% (6.7% of the nine months ended December 31, 2015).

*1: Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments, we calculate annualized premium as multiplying the monthly premium by 12 months.

*2: The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Results of operations

Insurance premiums and other for the nine months ended December 31, 2016 increased to 7,321 million yen (107.9% of the nine months ended December 31, 2015) due to an increase in the number of policies-in-force. Investment income was 160 million yen (78.3% of the nine months ended December 31, 2015). Other ordinary income was 86 million yen. As a result, ordinary income for the nine months ended December 31, 2016 amounted to 7,568 million yen (108.2% of the nine months ended December 31, 2015).

Insurance claims and other was 1,384 million yen (147.6% of the nine months ended December 31, 2015) mainly due to the increased number of insurance claims. The ratio of insurance payment amounts to insurance premiums increased to 16.7% for the nine months ended December 31, 2016, compared with 11.7% for the nine months ended December 31, 2015. Provision for policy reserves and other came to 2,754 million yen (96.7% of the nine months ended December 31, 2015). The ratio of provision for policy reserves to insurance premiums was 38.5% for the nine months ended December 31, 2016, compared with 42.2% for the nine months ended December 31, 2015. Operating expenses amounted to 2,714 million yen (120.8% of the nine months ended December 31, 2015). The components of operating expenses were 1,091 million yen in marketing expenses including advertising (126.7% of the nine months ended December 31, 2015), 427 million yen in customer service expenses (109.3% of the nine months ended December 31, 2015), and 1,195 million yen in system and other expenses (120.2% of the

nine months ended December 31, 2015). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 795 million yen because the deferred assets recognized before fiscal 2012 are expected to be amortized using the straight-line method until fiscal 2017, the tenth year after commencing business operations. Consequently, ordinary expenses for the nine months ended December 31, 2016 totaled 8,016 million yen (112.1% of the nine months ended December 31, 2015).

As a result, ordinary loss totaled 447 million yen for the nine months ended December 31, 2016, compared with 155 million yen for the nine months ended December 31, 2015. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act recorded profitable of 347 million yen, compared with ordinary profit of 639 million yen for the nine months ended December 31, 2015. Net loss was 424 million yen, compared with 151 million yen for the nine months ended December 31, 2015.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 381 million yen loss, compared with 152 million yen loss for the nine months ended December 31, 2015. The components of fundamental profit were 1,691 million yen in mortality margin, 2,088 million yen in expense loss and 15 million yen in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of December 31, 2016 amounted to 32,505 million yen (30,317 million yen as of March 31, 2016). The major account balance was 26,022 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Deferred assets under Article 113 of the Insurance Business Act decreased to 1,325 million yen due to amortization.

Liabilities amounted to 17,370 million yen as of December 31, 2016 (14,893 million yen as of March 31, 2016), owing to an increase in policy reserves as a result of the increased insurance premiums. The major account balances were 16,306 million yen in policy reserves (including 1,373 million yen in contingency reserves), and 283 million yen in reserves for outstanding claims.

Net assets decreased to 15,135 million yen as of December 31, 2016 (15,423 million yen as of March 31, 2016) mainly due to the recording of net loss for the nine months ended December 31, 2016.

The solvency margin ratio as of December 31, 2016 was 2,782.4% (2,805.5% as of March 31, 2016), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For the nine months ended December 31, 2016, net cash provided by operating activities amounted to 3,069 million yen (3,487 million yen provided for the nine months ended December 31, 2015) due to an increase in insurance premiums and other despite of increased insurance claims. Net cash used by investing activities amounted to 3,385 million yen (4,982 million yen used for the nine months ended December 31, 2015) due to acquisition of securities. Net cash provided by financing activities amounted to 204 million yen (3,033 million yen provided for the nine months ended December 31, 2015).

Based on these activities described above, cash and cash equivalents as of December 31, 2016 totaled 2,623 million yen (2,734 million yen as of March 31, 2016).

(3) Business forecasts

Business forecasts for fiscal 2016 remain unchanged as shown below since Lifenet announced on November 10, 2016. These are disclosed ordinary income and ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act.

(In millions of yen)

	Ordinary income	Ordinary profit (loss) ^{*1}
Business forecasts for fiscal 2016	10,000	(300)
(Ref.) Business results for fiscal 2015	9,387	584

*1 Based on ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

The deferred assets recognized before fiscal 2012 are to be amortized using the straight-line method until fiscal 2017, the tenth year after commencing business operations, and amortization of deferred assets will record 1,060 million yen each year onward. Accordingly, ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act, which is the effective ordinary profit, is disclosed as the business forecasts.

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

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell these products and services directly to customers over the Internet. By using the Internet, we are able to offer highly cost-competitive products and accept applications from customers at any given time.

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Disclaimer: This is a summarized translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

2. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31, 2016	Dec. 31, 2016
ASSETS		
Cash and deposits	734	1,123
Monetary claims bought	1,999	1,499
Money held in trust	1,035	1,001
Securities	23,067	26,022
Government bonds	10,102	10,024
Municipal bonds	1,521	1,505
Corporate bonds	10,428	11,271
Stocks	211	310
Foreign securities	804	789
Other securities	—	2,120
Tangible fixed assets	72	114
Intangible fixed assets	437	490
Agency accounts receivable	0	1
Reinsurance accounts receivable	27	35
Other assets	2,941	2,217
Accounts receivable	680	728
Deferred assets under Article 113 of the Insurance Business Act	2,120	1,325
Other	141	164
Total assets	30,317	32,505
LIABILITIES		
Policy reserves and other	13,908	16,590
Reserves for outstanding claims	357	283
Policy reserves	13,551	16,306
Agency accounts payable	8	26
Reinsurance accounts payable	56	65
Other liabilities	505	354
Reserves under the special laws	12	17
Reserve for price fluctuations	12	17
Deferred tax liabilities	401	315
Total liabilities	14,893	17,370
NET ASSETS		
Capital stock	12,020	12,136
Capital surplus	12,020	12,136
Retained earnings	(9,227)	(9,651)
Shareholders' equity	14,813	14,622
Valuation difference on available-for-sale securities	591	513
Valuation and translation adjustments	591	513
Subscription rights to shares	19	—
Total net assets	15,423	15,135
Total liabilities and net assets	30,317	32,505

(2) Statements of Operations

	(In millions of yen)	
	Nine months ended Dec. 31	
	2015	2016
Ordinary income.....	6,995	7,568
Insurance premiums and other	6,782	7,321
Premiums income	6,699	7,163
Reinsurance income.....	83	157
Investment income.....	204	160
Interest, dividends and other income.....	135	160
Gains on money held in trust.....	33	—
Gains on sales of securities	35	—
Other ordinary income	7	86
Reversal of reserves for outstanding claims.....	—	73
Other	7	12
Ordinary expenses	7,150	8,016
Insurance claims and other	937	1,384
Insurance claims	456	798
Benefits	329	399
Other refunds	0	0
Reinsurance commissions	152	187
Provision for policy reserves and other	2,847	2,754
Provision for reserves for outstanding claims	19	—
Provision for policy reserves	2,827	2,754
Investment expenses	0	0
Interest expenses	0	0
Losses on money held in trust	—	0
Operating expenses	2,247	2,714
Other ordinary expenses	1,118	1,162
Ordinary profit (loss)	(155)	(447)
Extraordinary losses	2	4
Provision of reserves under the special laws	2	4
Provision of reserve for price fluctuations	2	4
Income (loss) before income taxes	(158)	(452)
Income taxes-current	53	27
Income taxes-deferred.....	(61)	(56)
Income taxes.....	(7)	(28)
Net income (loss)	(151)	(424)

(3) Statements of Cash Flows

	(In millions of yen)	
	Nine months ended Dec. 31	
	2015	2016
Cash flows from operating activities		
Income (loss) before income taxes	(158)	(452)
Depreciation and amortization	164	180
Increase (decrease) in reserves for outstanding claims	19	(73)
Increase (decrease) in policy reserves.....	2,827	2,754
Increase (decrease) in reserve for price fluctuations	2	4
Interest, dividends and other income	(135)	(160)
Loss (gain) related to securities.....	(35)	—
Interest expenses	0	0
Decrease (increase) in agency accounts receivable	(0)	(0)
Decrease (increase) in reinsurance accounts receivable.....	14	(8)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	748	749
Increase (decrease) in agency accounts payable.....	3	18
Increase (decrease) in reinsurance accounts payable	8	9
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(92)	(70)
Other, net.....	(32)	1
Subtotal	<u>3,335</u>	<u>2,953</u>
Interest and dividends income received	157	228
Interest expenses paid	(0)	(0)
Income taxes paid	(3)	(111)
Net cash provided by (used in) operating activities	<u>3,487</u>	<u>3,069</u>
Cash flows from investing activities		
Purchase of securities.....	(7,012)	(4,410)
Proceeds from sales and redemption of securities	2,110	1,300
Total of net cash provided by (used in) investment transactions ...	<u>(4,901)</u>	<u>(3,110)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>(1,413)</u>	<u>(40)</u>
Purchase of tangible fixed assets	(5)	(36)
Purchase of intangible fixed assets	(75)	(238)
Net cash provided by (used in) investing activities	<u>(4,982)</u>	<u>(3,385)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock.....	3,040	—
Proceeds from issuance of stock resulting from exercise of subscription rights to shares ...	—	213
Repayments of lease obligations	(6)	(8)
Net cash provided by (used in) financing activities	<u>3,033</u>	<u>204</u>
Net increase (decrease) in cash and cash equivalents	<u>1,539</u>	<u>(110)</u>
Cash and cash equivalents, beginning of the year	<u>731</u>	<u>2,734</u>
Cash and cash equivalents, end of the period	<u>2,271</u>	<u>2,623</u>