



Securities Code:7157  
TSE Mothers



**LIFENET**


LIFENET INSURANCE COMPANY

# Investor Meeting Presentation for 2Q of Fiscal 2017

LIFENET INSURANCE COMPANY

**November 13, 2017**

# Key Highlight

-  Annualized premium of new business **up 15% year on year**
-  Ordinary income **up 6% year on year**
-  Ordinary profit (loss) **recorded profitability**
-  **Launched Cancer Insurance *Double Yell* and promoted investment in marketing**
-  **In line with Mid-term Business Plan**

# Summary of 2Q for FY2017 Results



LIFENET

(JPY mn)

	2016/1H	2017/1H	Year on year
Ordinary income	5,016	5,338	106.4%
Operating expenses	1,716	2,295	133.7%
Ordinary profit (loss) <sup>1</sup>	327	1	0.4%
Net income (loss)	(191)	(15)	—
Mortality margin	1,139	1,278	112.2%
Annualized premium <sup>2</sup> of policies-in-force	9,693	10,493	108.3%
Number of policies-in-force	231,538	248,635	107.4%
Annualized premium <sup>2</sup> of new business	635	730	115.1%
Number of new business	13,619	16,442	120.7%

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act for 1H of 2016

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.

**1. Progress of Mid-term Business Plan**

**2. Results for 2Q of Fiscal 2017**

# Mid-term Business Plan

## ■ Summary of Mid-term Business Plan

<b>FY2018 Management Goal</b>	<b>13.5 billion yen in ordinary income Positive profitability of ordinary profit (loss)</b>
<b>Business Strategy</b>	<b>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</b>
<b>Organization</b>	<b>Change, Challenge and Unity</b>

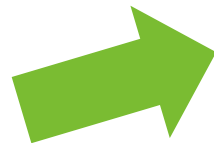
# To Achieve Mid-term Business Plan

- Aiming for **establishing system realizing sustainable profitability** in fiscal 2017

■ Achieve  
Management Goal

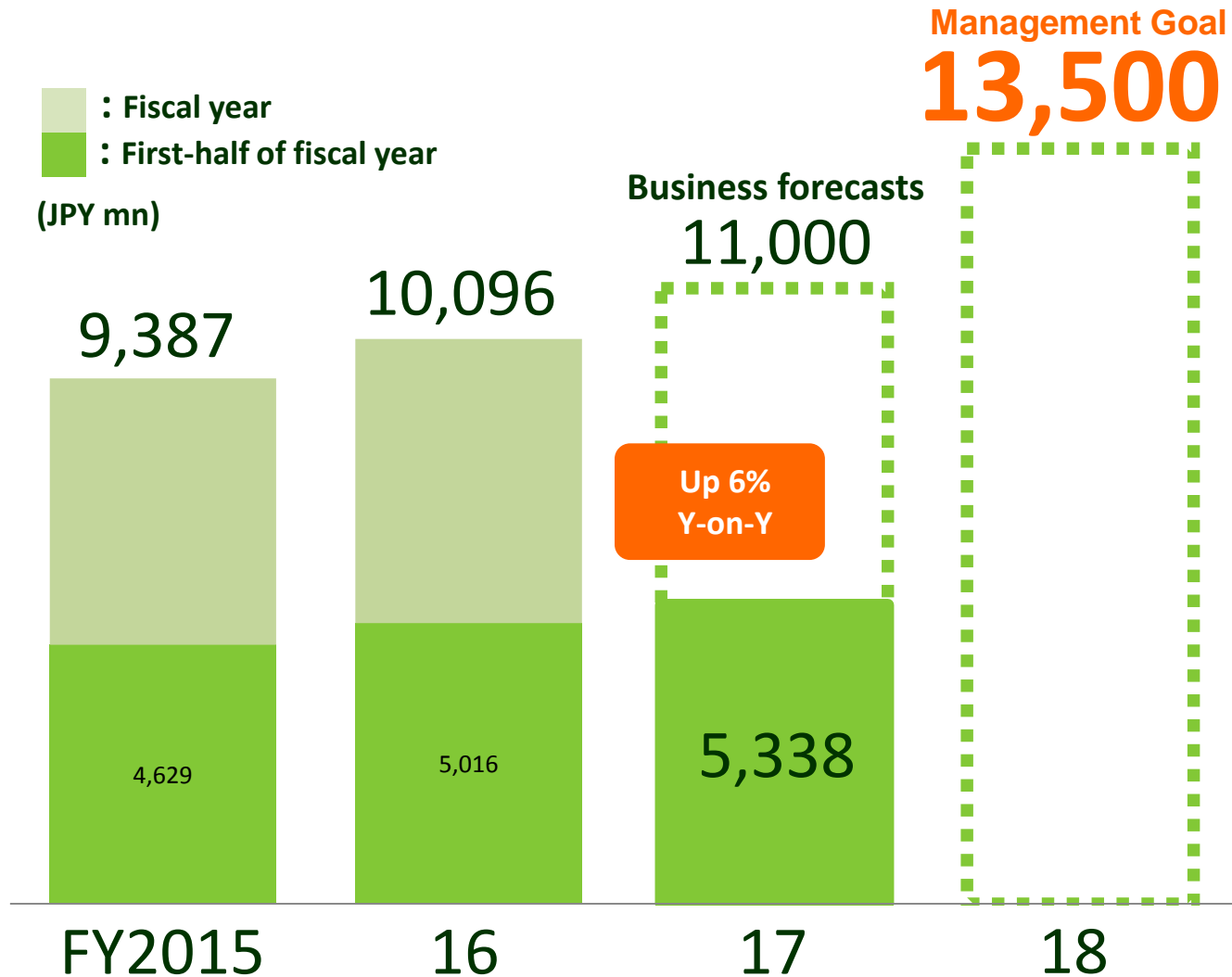
■ Return to  
growth in new  
business  
performance

■ Establish a system  
realizing sustainable  
profitability



# Progress of Mid-term Business Plan (Ordinary Income)

## ■ In line with Mid-term Business Plan



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



## ■ Aiming for **positive profitability<sup>1</sup>** of **ordinary profit (loss)** in fiscal 2018

(JPY mn)

	Results for FY2016	Business forecasts FY2017	Management Goal FY2018	Results for 17/1H
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA (A)	88	—	—	—
Amortization of deferred assets under Article 113 of IBA (B)	2,120 <sup>2</sup>	—	—	—
Ordinary profit (loss) (A)-(B)	(2,031)	(300)	Turn profitable	1

1. Management indicator for Mid-term Business Plan before FY2016 is the ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act, the ordinary profit (loss) is after FY2017.

2. Amortization of the deferred assets under Article 113 of the Insurance Business Act was 2,120 million yen due to the one-time amortization.



**1. Progress of Mid-term Business Plan**

**2. Results for 2Q of Fiscal 2017**

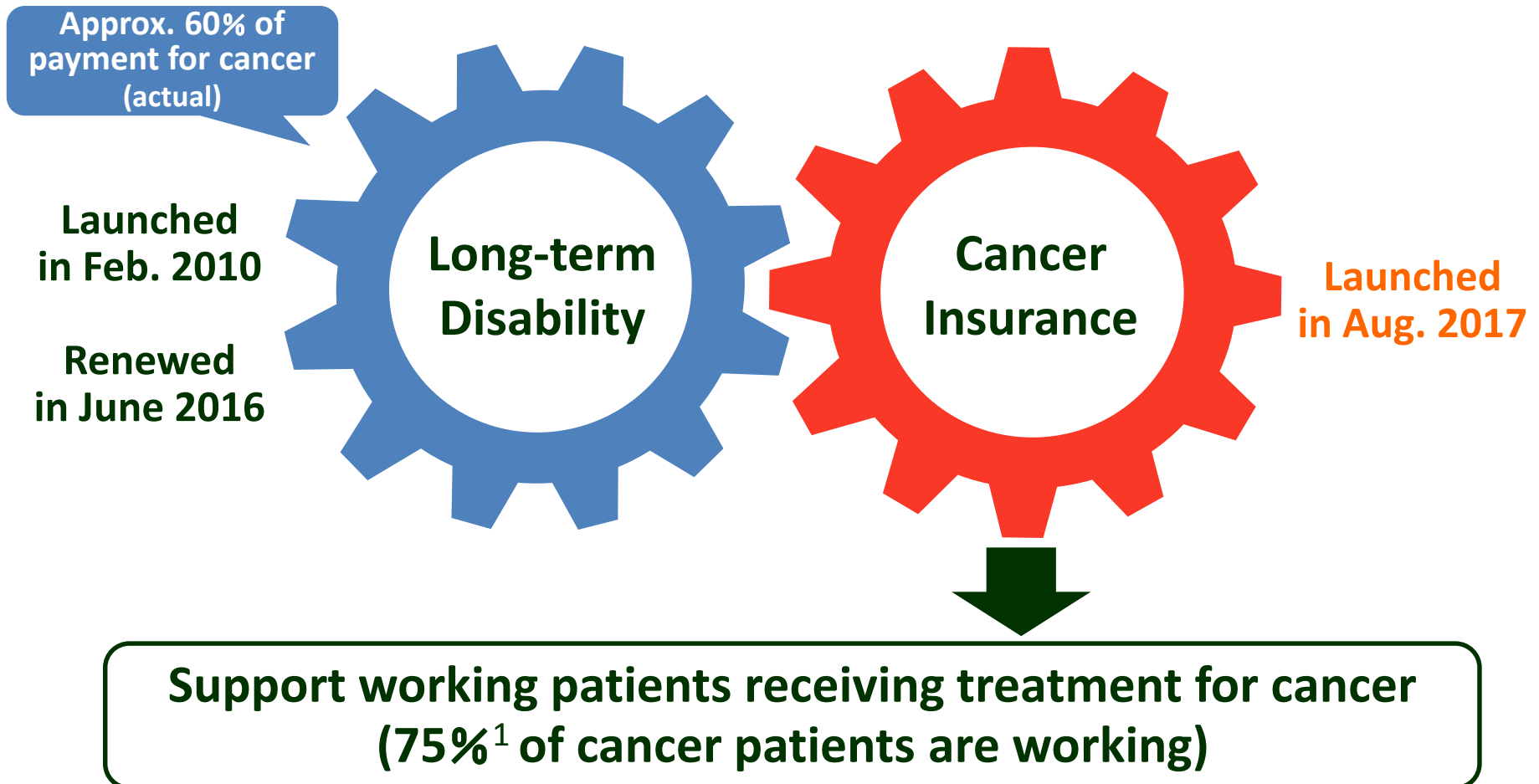
# Key Accomplishment in FY2017 1H



- ① Launched **Cancer Insurance *Double Yell*** with aggressive investment in marketing
- ① Improved **customers convenience**
  - Enhanced service via smartphone
  - Highest rating in 2017 HDI Benchmarking
- ① Annualized premium of new business **increased 15% year on year**

# Insurance for Workers

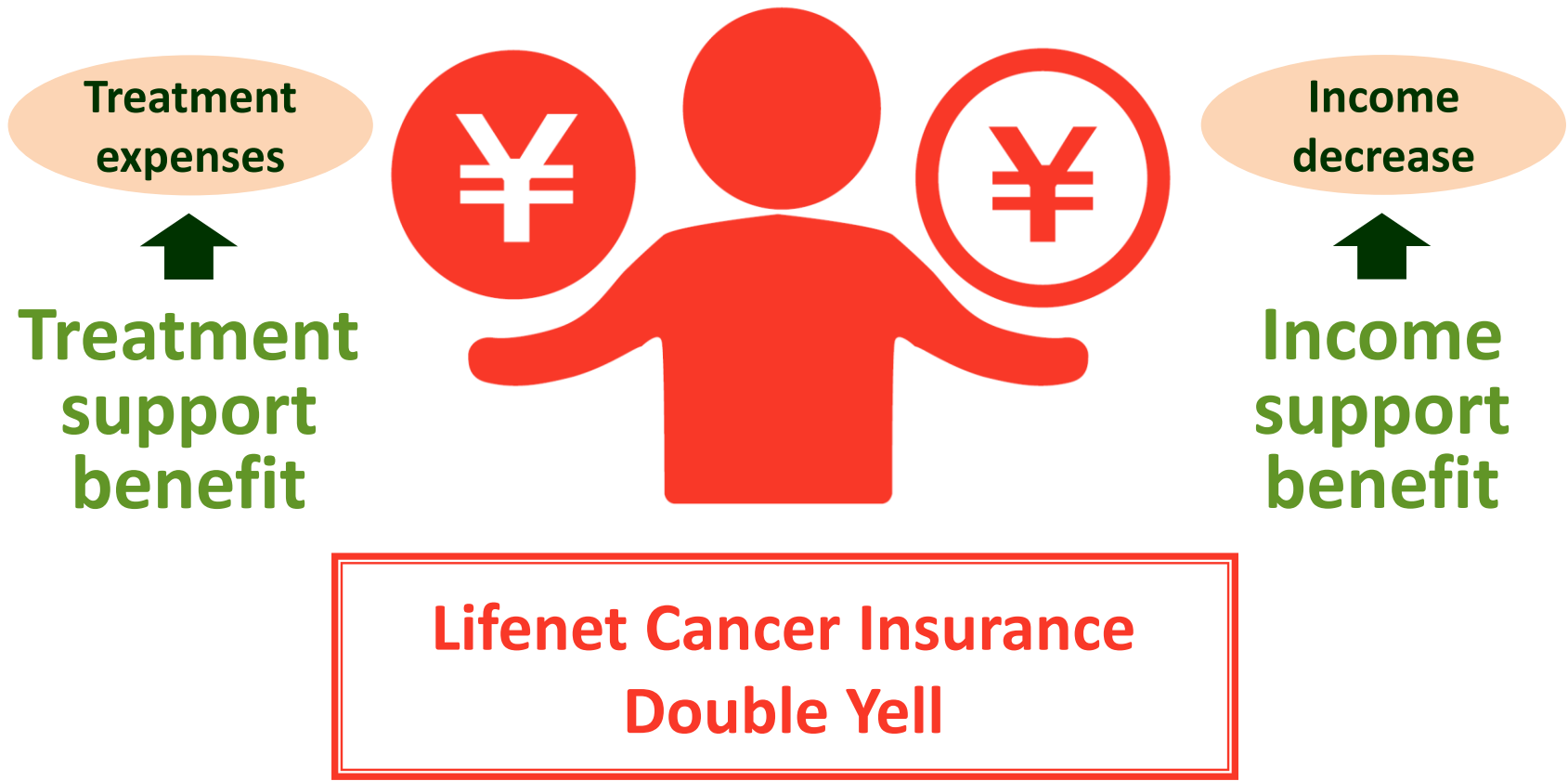
## ■ Cancer insurance as **new product** followed Long-term Disability



1. Data from Bureau of Social Welfare and Public Health, Tokyo Metropolitan Government

# Launched Cancer Insurance in August

- Provides double support for **treatment while working**



+ Survivorship Support Services

# Survivorship Support Services

- Introduces **necessary services** by partnering companies based on cancer survivors' voice

Appearance care



Housekeeping services



Support taxi



資生堂 ライフクオリティー ビューティーセンター  
SHISEIDO LIFE QUALITY BEAUTY CENTER



**DUSK!N**  
喜びのタネをまこう

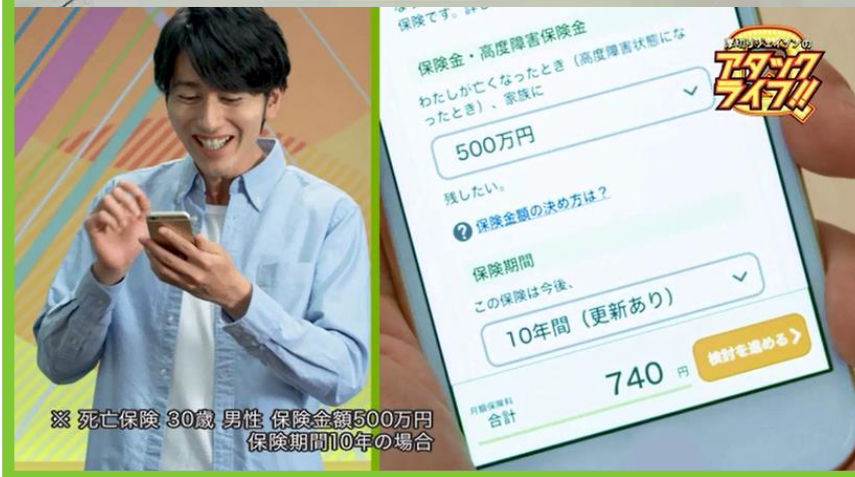
 日本交通株式会社

 全国タクシー

<http://www.lifenet-seimei.co.jp/survivorship/> (Japanese only)

# Enhance Advertisement

## Strengthened TV commercial and other with new product launch



# Enhance Service via Smartphone

- Enabled insurance consulting service **via LINE** for partner together



# Highest Rating in HDI Benchmarking

- Contact center and website **double-awarded highest rating 3 stars for 6th consecutive year<sup>1</sup>, longest record in life insurance industry<sup>2</sup>**

## ■ Phone Support (Contact Center)



## ■ Web Support (Website)



1. Awarded in the 2017 Benchmarking (Life Insurance Industry) hosted by HDI-Japan  
2. According to our own research



# Ordinary Income

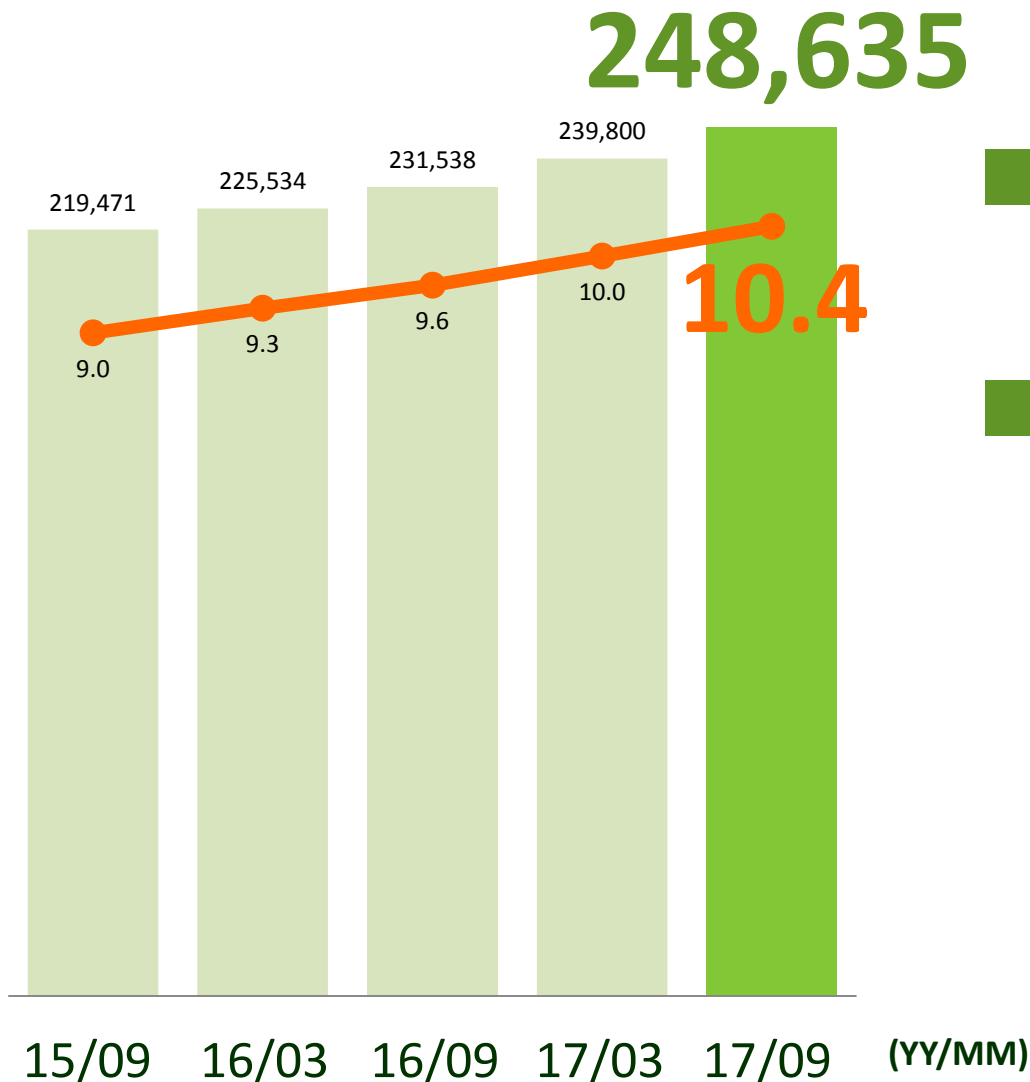


■ Steadily increased **6%** year on year

■ **5,196 million yen** of insurance premiums and other

# Annualized Premium / Number of Policies-in-force

■ :Number of policies-in-force  
■ :Annualized premium of policies-in-force (JPY bn)



■ **Steadily increased**

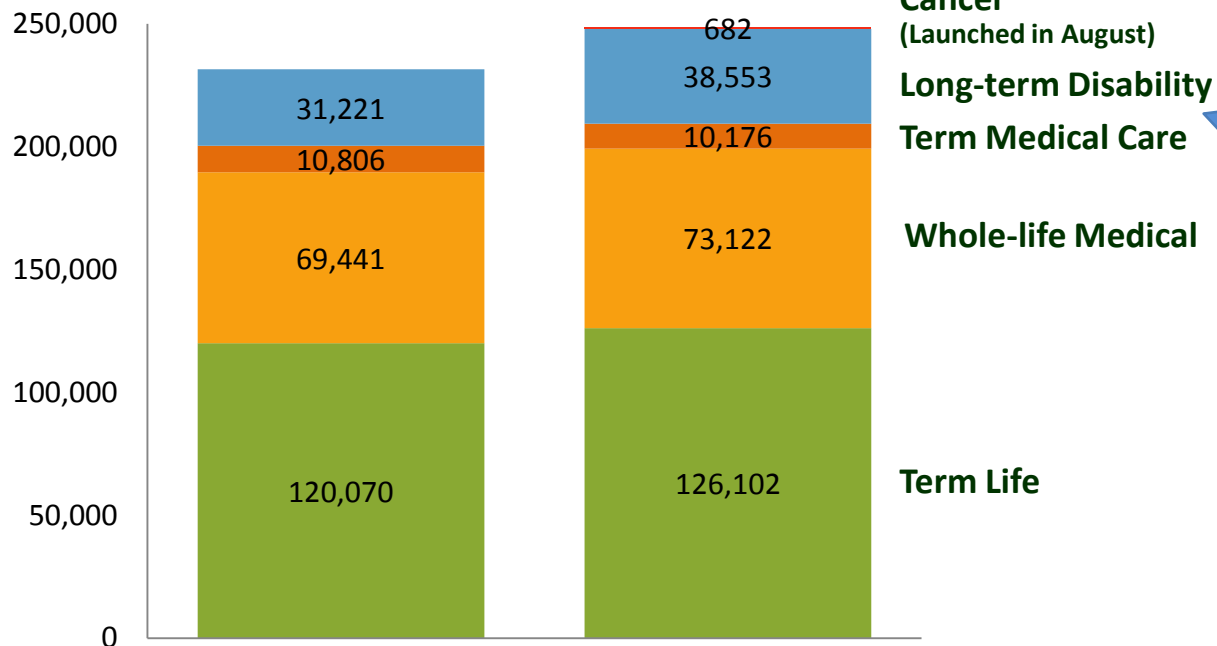
■ **Exceeded 250,000  
of number of  
policies-in-force  
in October**



# Breakdown of Policies-in-force

## Long-term Disability increased

Number of policies-in-force<sup>1</sup>



Y-on-Y up 23%

	2016/09	2017/09
Number of policies-in-force	231,538	248,635
Sum insured of policies-in-force <sup>2</sup> (JPY mn)	1,936,576	2,001,647
Number of policyholders	145,626	159,519
(reference) Surrender and lapse ratio <sup>3</sup>	6.6%	6.1%

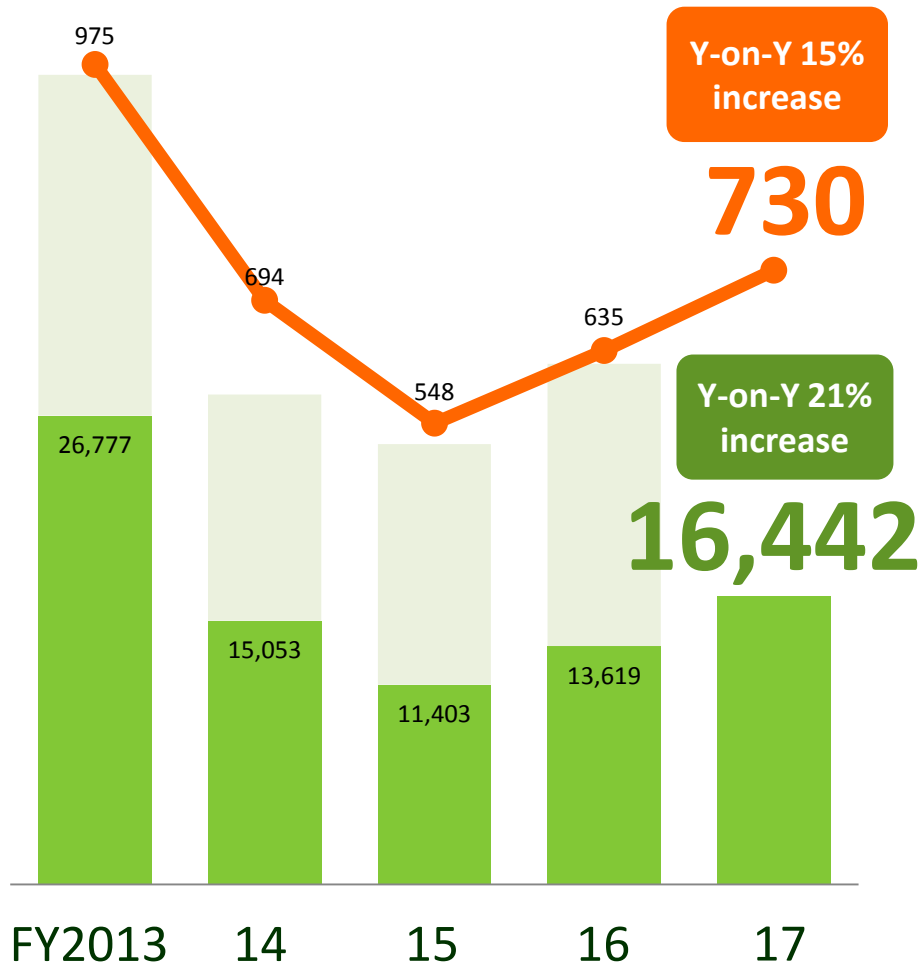
1. Term Life insurance: Kazoku and au Term Insurance, Whole-life Medical insurance: Jibun, New Jibun, New Jibun for Women, au Medical Insurance and au Medical Insurance for Women, Term Medical Care insurance: Jibun Plus, Long-term Disability insurance: Hataraku-Hito, Hataraku-Hito 2 and au Long-term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

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.

# Annualized Premium / Number of New Business

- :Number of new business in fiscal year
- :Number of new business in first-half of fiscal year
- :Annualized premium of new business in first-half of fiscal year (JPY mn)

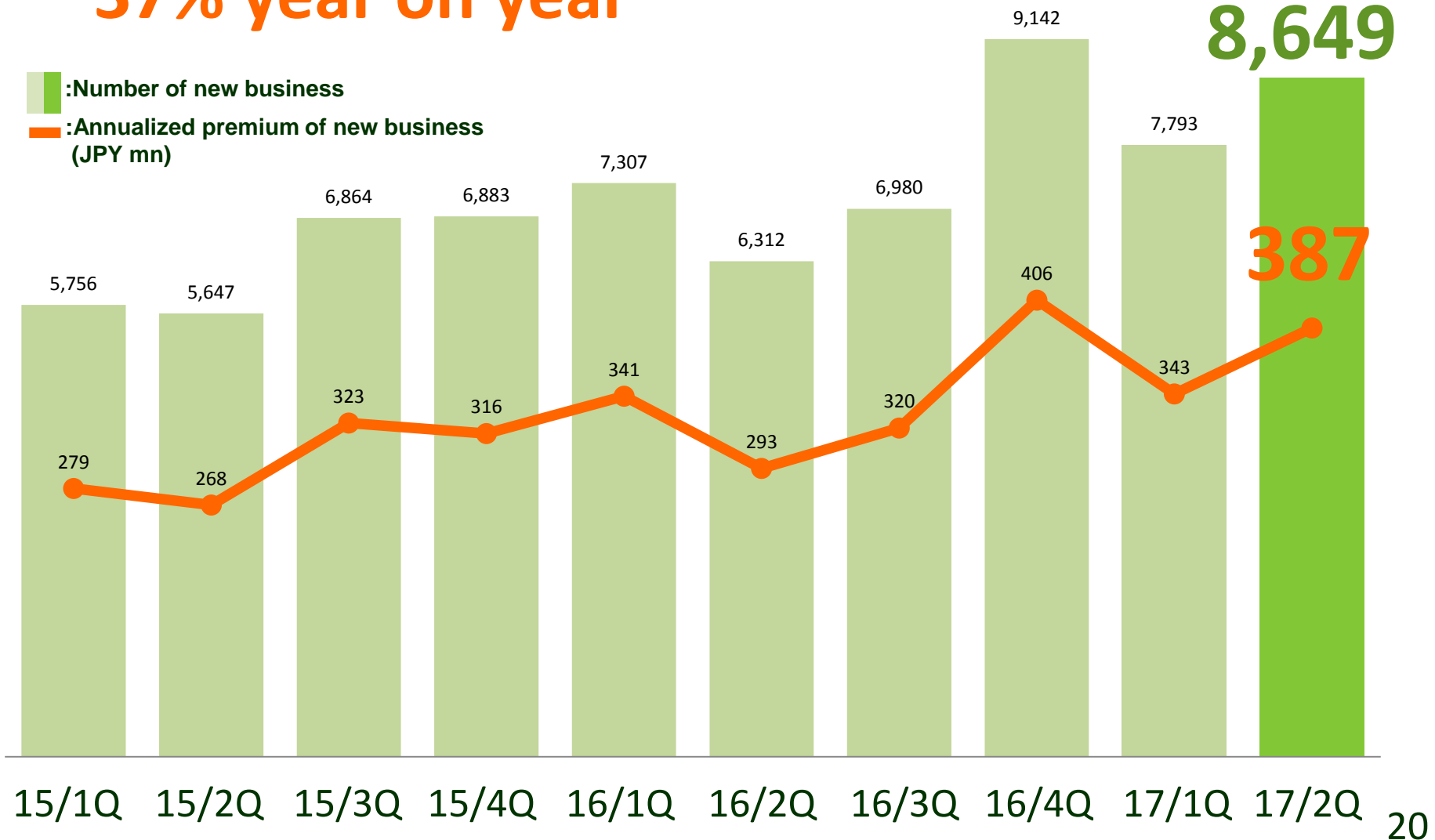


- Number of New Business increased 21% year on year
- Steady growth by new product launch and channel diversification

# Annualized Premium / Number of New Business(Quarterly)

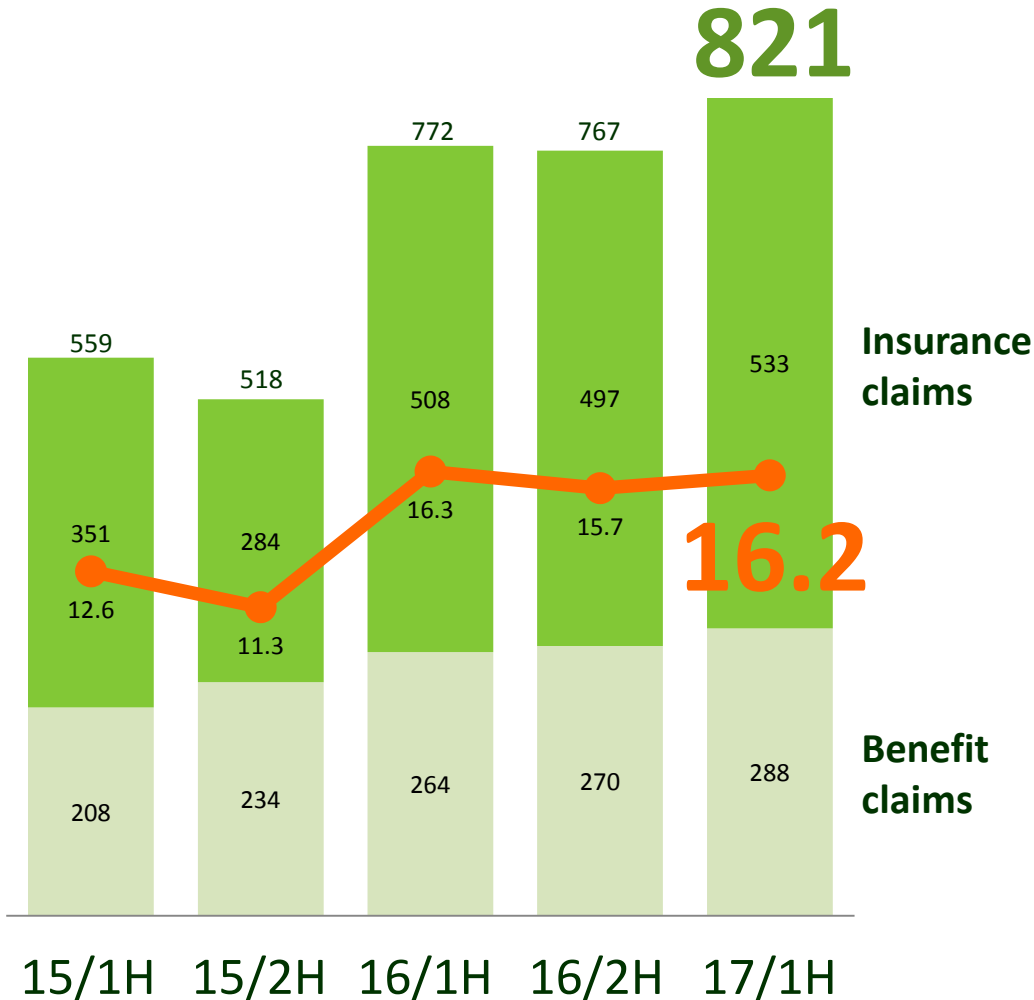


■ Number of new business increased  
**37% year on year**



# Amount of Insurance Claims and Benefits

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

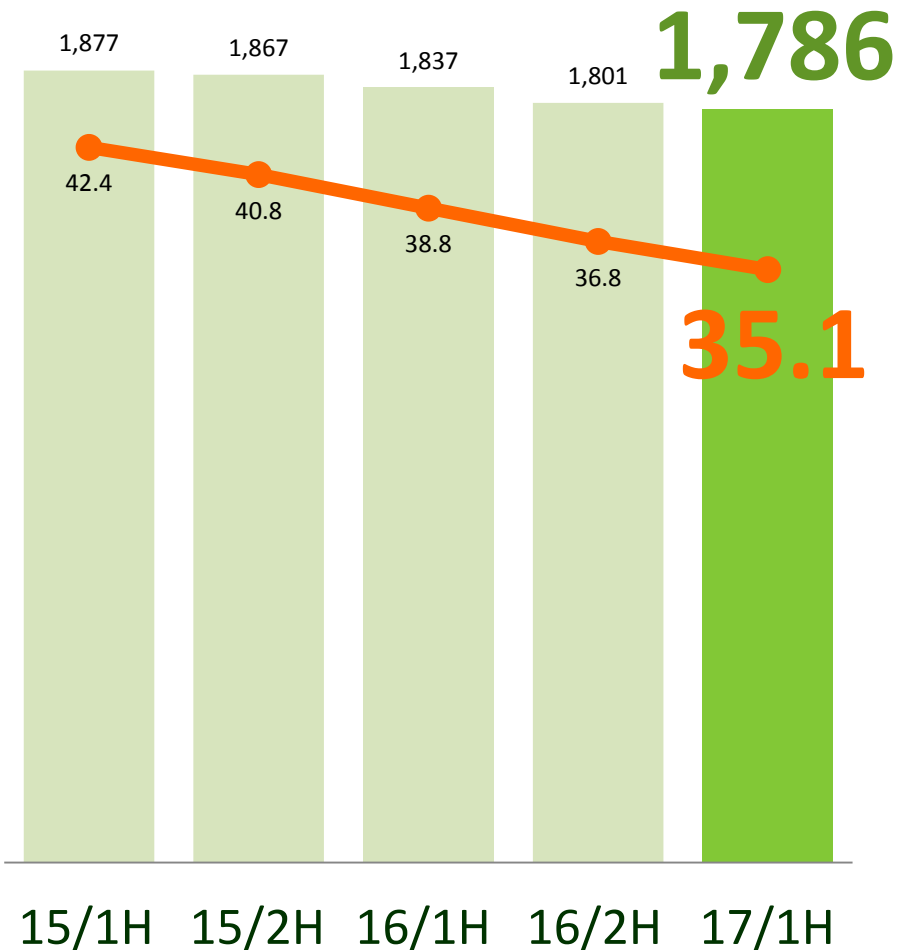


■ **35** insurance claims and **3,039** benefit claims

■ Ratio to premiums income **16%**

# Provision for Policy Reserves

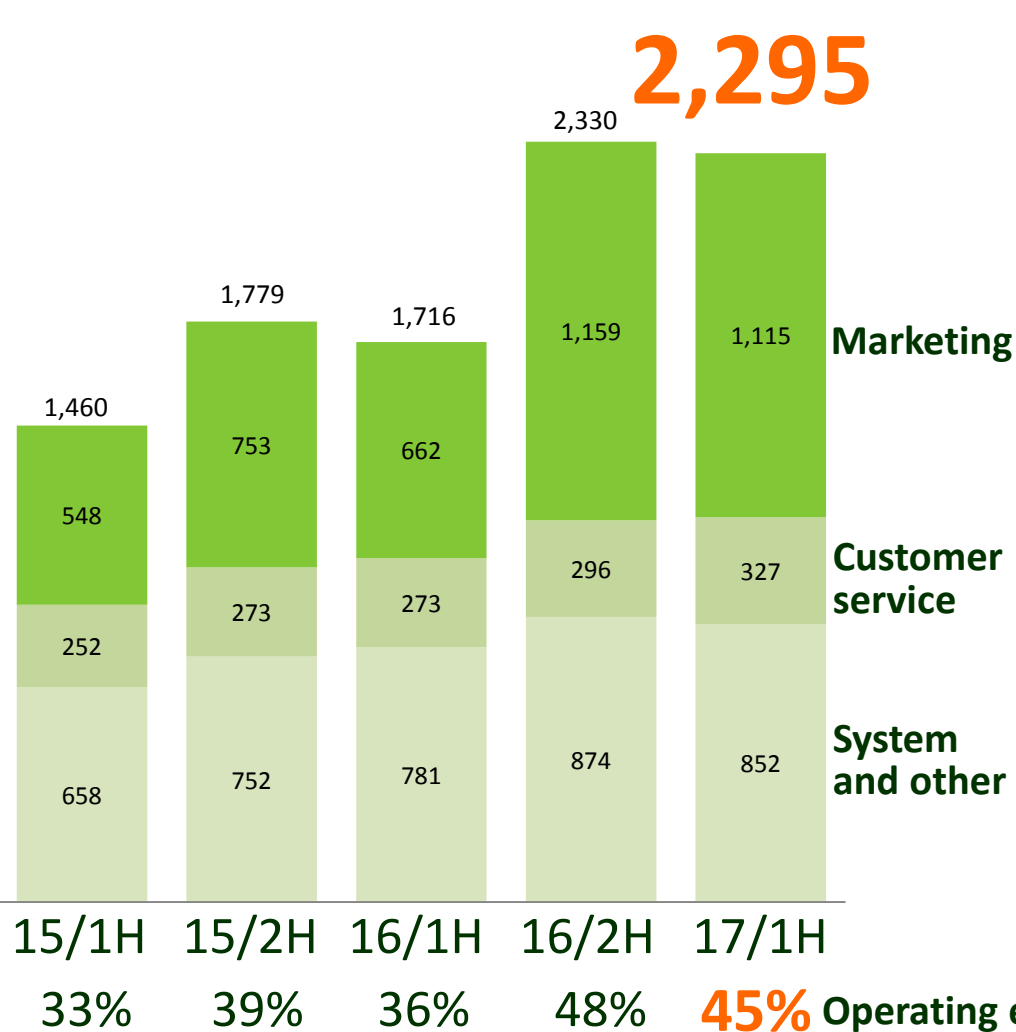
■ : Provision for policy reserves (JPY mn)  
■ : Provision for policy reserves / Premiums income (%)



■ Decreased in accordance with elapsed years and other

# Operating Expenses

(JPY mn)



■ **Aggressive investment in marketing expenses for further growth**

■ **Operating expenses ratio<sup>1</sup> 45%**

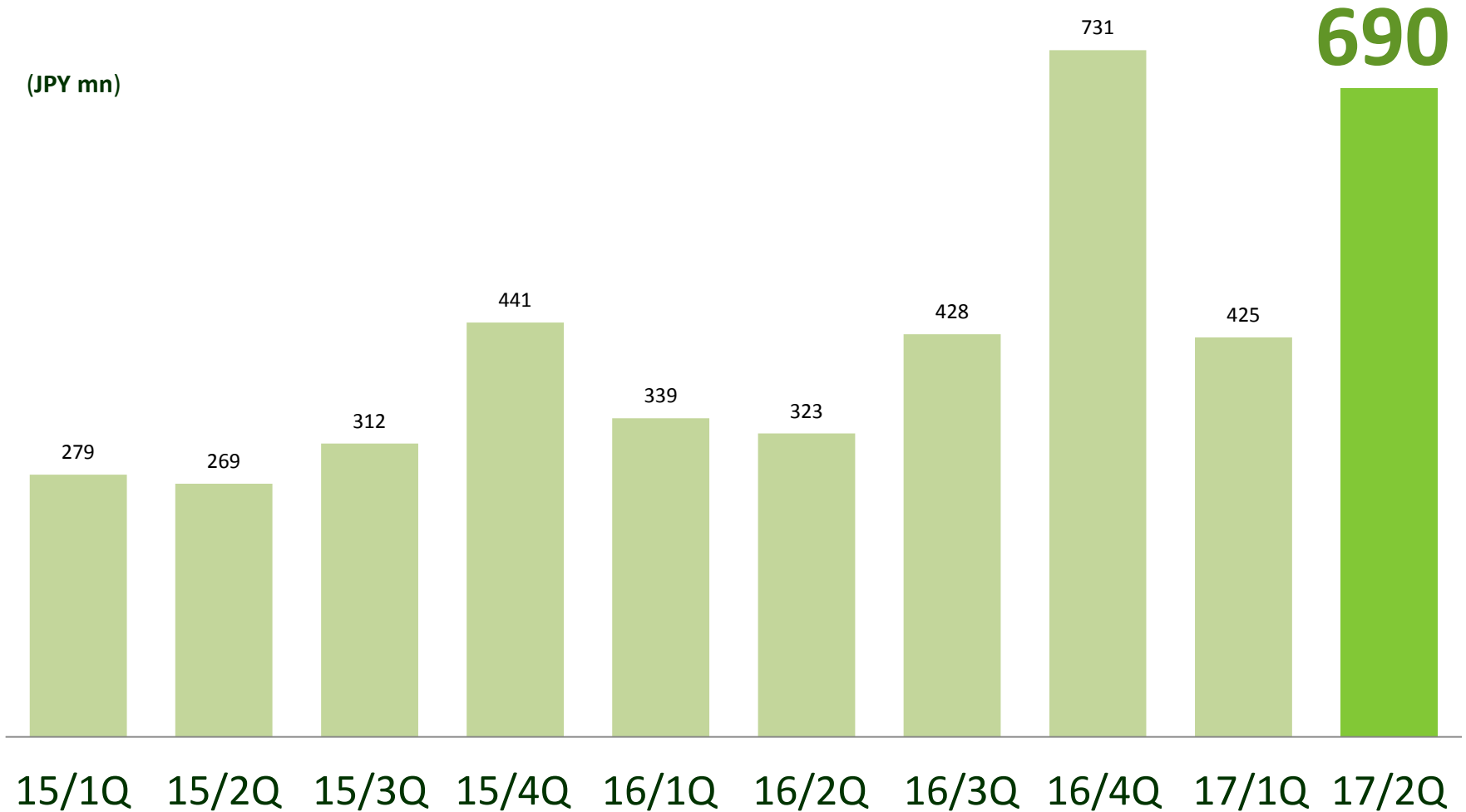
1. The ratio of operating expenses to premiums income



# Marketing Expenses (Quarterly)

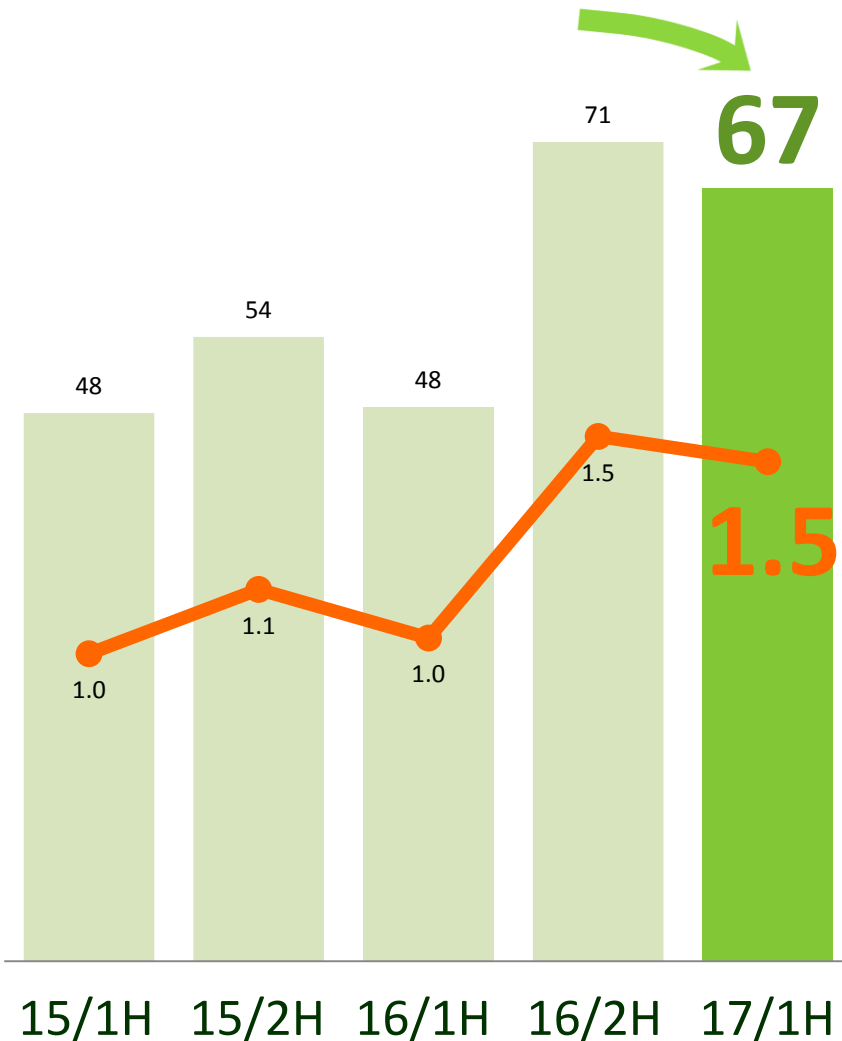
## ■ Enhanced advertisement with new product launch

(JPY mn)



# Marketing Expenses per New Business

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



■ **Improved efficiency** despite of aggressive investment in marketing expenses

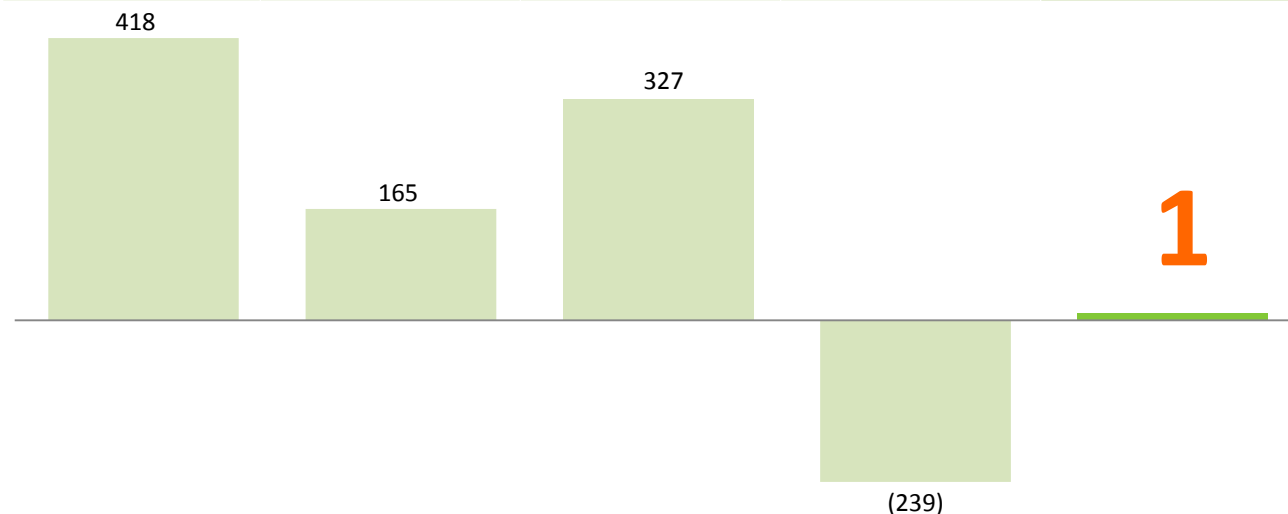
# Ordinary Profit/Loss and Net Income/Loss

## Recorded **profitability** by less payment than expected

(JPY mn)

	15/1H	15/2H	16/1H	16/2H	17/1H
<b>Ordinary profit (loss)<sup>1</sup> before amortization of deferred assets under Article 113 of IBA</b>	418	165	327	(239)	<b>1</b>
Amortization cost	(530)	(530)	(530)	(1,590) <sup>2</sup>	-
Ordinary profit (loss)	(111)	(364)	(202)	(1,829) <sup>2</sup>	<b>1</b>
Net income (loss)	(102)	(326)	(191)	(1,697)	<b>(15)</b>

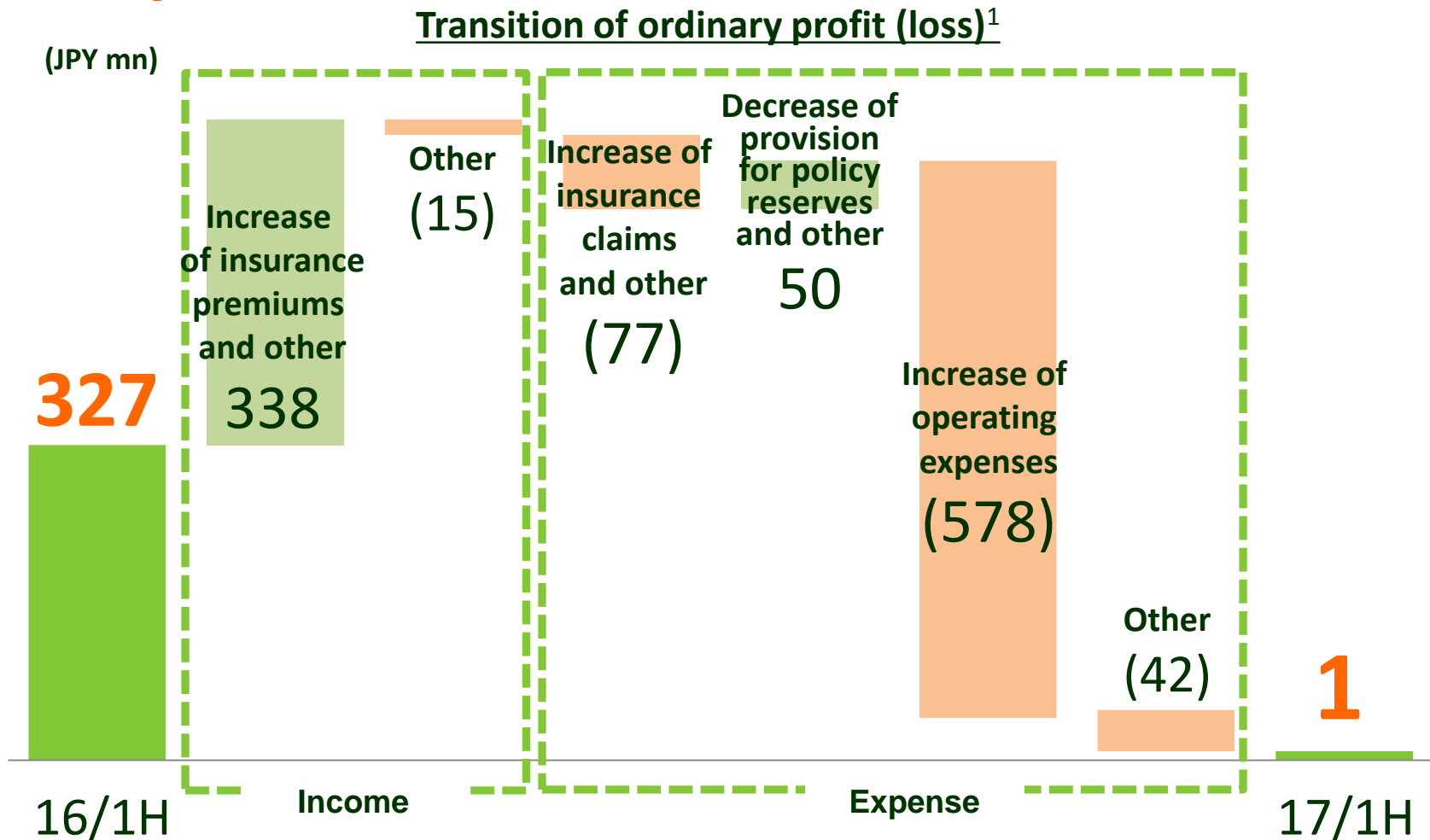
Ordinary profit (loss)<sup>1</sup>  
(JPY mn)



1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act until FY2016, the ordinary profit (loss) for FY2017
2. Amortization of the deferred assets under Article 113 of the Insurance Business Act was 1,590 million yen due to the one-time amortization.

# Structure Breakdown of Ordinary Profit/Loss<sup>1</sup>

## Declined due to increase of operating expenses



1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act for FY2016, the ordinary profit (loss) for FY2017

# Condensed Statements of Operation



(JPY mn)

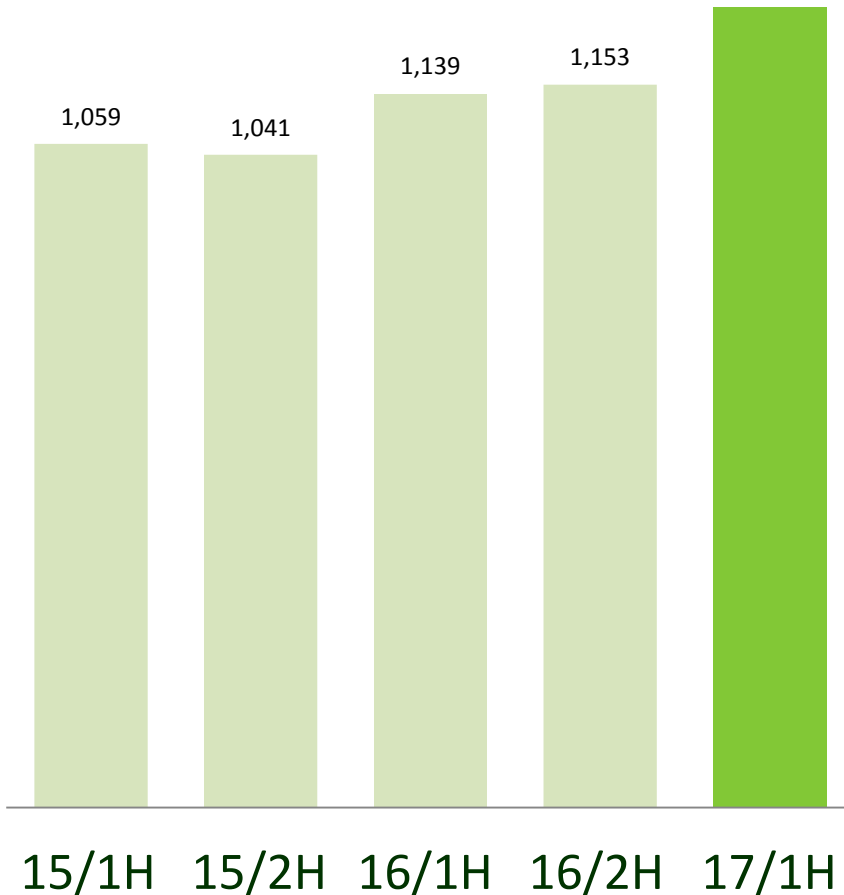
	16/1H	17/1H	Change
Insurance premiums and other	4,858	5,196	338
Other	158	142	(15)
<b>Ordinary income (A)</b>	<b>5,016</b>	<b>5,338</b>	<b>322</b>
Insurance claims and other	893	971	77
Provision for policy reserves and other	1,837	1,786	(50)
Operating expenses	1,716	2,295	578
Other	240	283	42
<b>Ordinary expenses (B)</b>	<b>4,688</b>	<b>5,337</b>	<b>648</b>
Ordinary profit before amortization of deferred assets under Article 113 of IBA (A-B)	327	1	(326)
Amortization of deferred assets under Article 113 of IBA (C)	530	-	(530)
<b>Ordinary profit (loss) (A-B)-(C)</b>	<b>(202)</b>	<b>1</b>	<b>203</b>

# Mortality Margin

(JPY mn)

Y-on-Y 12%  
increase

1,278



■ **Increased**  
**12% year on year**  
**due to premiums**  
**income up**

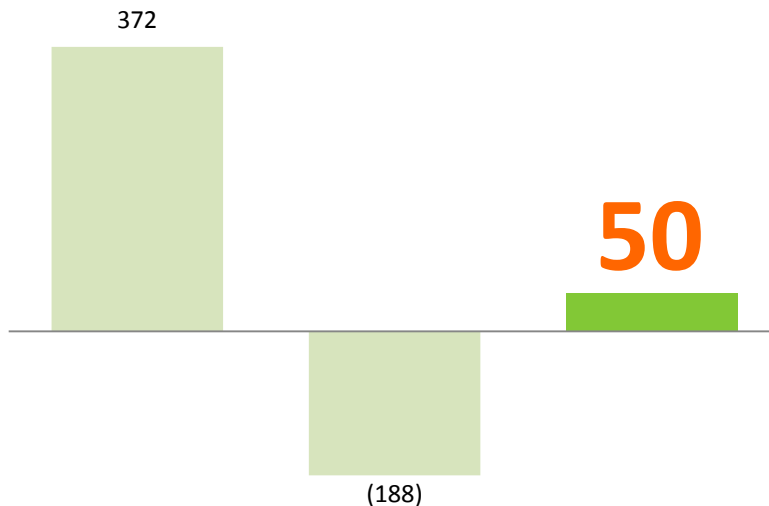
# Fundamental Profit

(JPY mn)

	2016/1H	2016/2H	2017/1H
Mortality margin	1,139	1,153	1,278
Expense margin (loss)	(1,311)	(2,936)	(1,232)
Interest margin	14	3	4
Fundamental profit	<b>(157)</b>	<b>(1,778)</b>	<b>50</b>
(ref.) Amortization cost under Article 113	(530)	(1,590) <sup>2</sup>	-
(ref.) Insurance premiums and other	4,858	4,958	5,196

Adjusted fundamental profit<sup>1</sup>

(JPY mn)



■ Expense loss remains same level year on year due to **marketing expenses increase**

■ **Recorded positive ordinary profit**

1. The fundamental profit before amortization of deferred assets under Article 113 of the Insurance Business Act until FY2016, the fundamental profit for FY2017  
 2. Amortization of the deferred assets under Article 113 of the Insurance Business Act was 1,590 million yen due to the one-time amortization.

# Financial Condition

(JPY mn)	(YY/MM)	16/09	17/03	17/09
<b>Total assets</b>		<b>31,883</b>	<b>31,934</b>	<b>33,706</b>
Cash and deposits		884	1,004	890
Monetary claims bought		1,499	1,999	1,999
Money held in trust		999	995	1,507
Securities		25,447	26,372	27,666
Government bonds		10,126	9,876	8,365
Municipal bonds		1,531	1,496	1,497
Corporate bonds		10,753	11,751	13,768
Stocks <sup>1</sup>		287	334	330
Foreign securities <sup>2</sup>		748	819	807
Other securities <sup>3</sup>		2,000	2,095	2,897
<b>Total liabilities</b>		<b>16,573</b>	<b>18,288</b>	<b>20,072</b>
Policy reserves and other		15,703	17,501	19,285
<b>Total net assets</b>		<b>15,310</b>	<b>13,645</b>	<b>13,633</b>
<b>Solvency margin ratio</b>		<b>2,809%</b>	<b>2,723%</b>	<b>2,599%</b>

■ Promoted asset diversification with investment trust

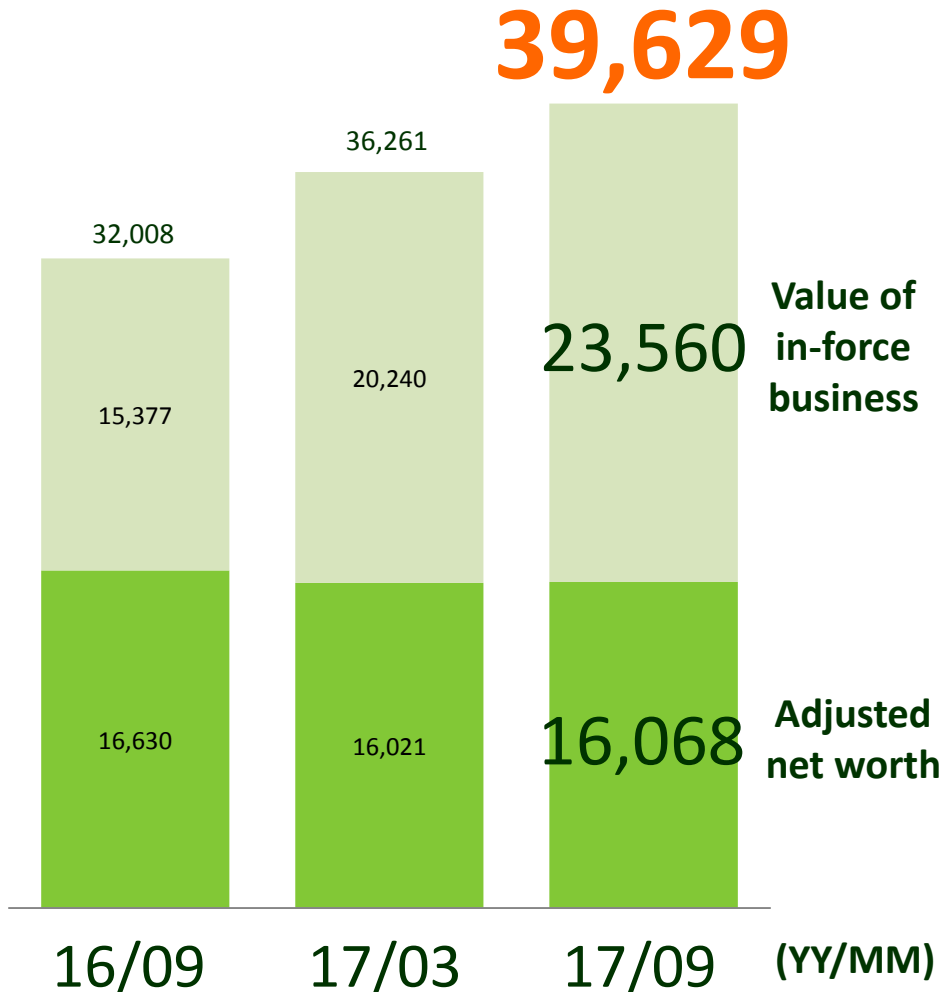
■ Modified duration 11.9 years

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
3. Investment trust including foreign bonds and stocks



# European Embedded Value (EEV)<sup>1</sup>

(JPY mn)



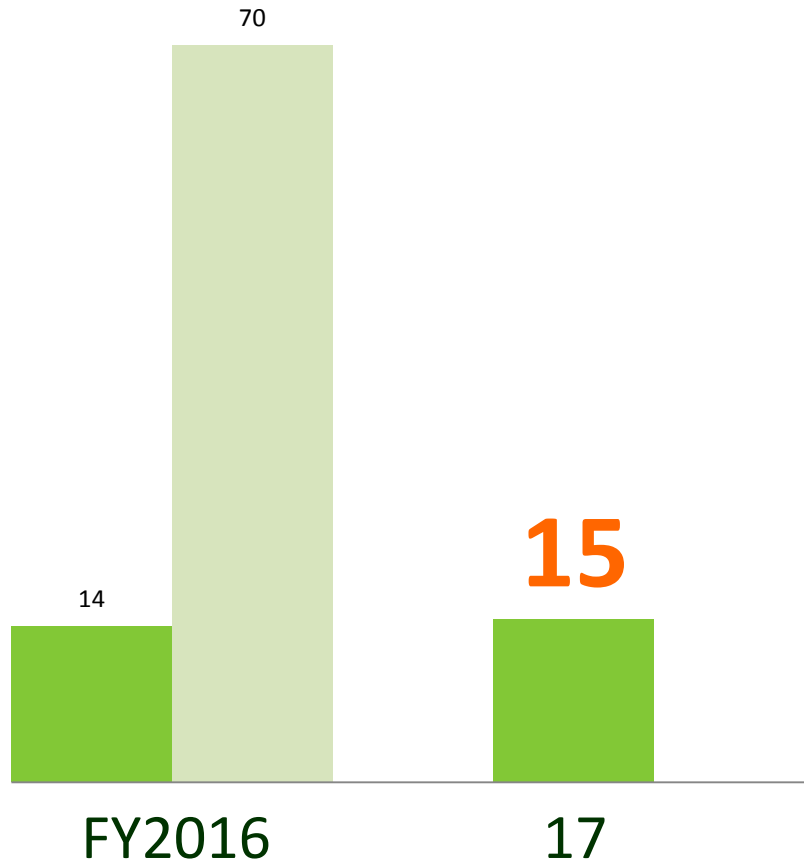
■ Increased 9% from the end of fiscal 2016 by incorporation of payment results

1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles© ) is referred.

# Value of New Business (VoNB)

■ : Fiscal year  
■ : First-half of fiscal year

(JPY mn)



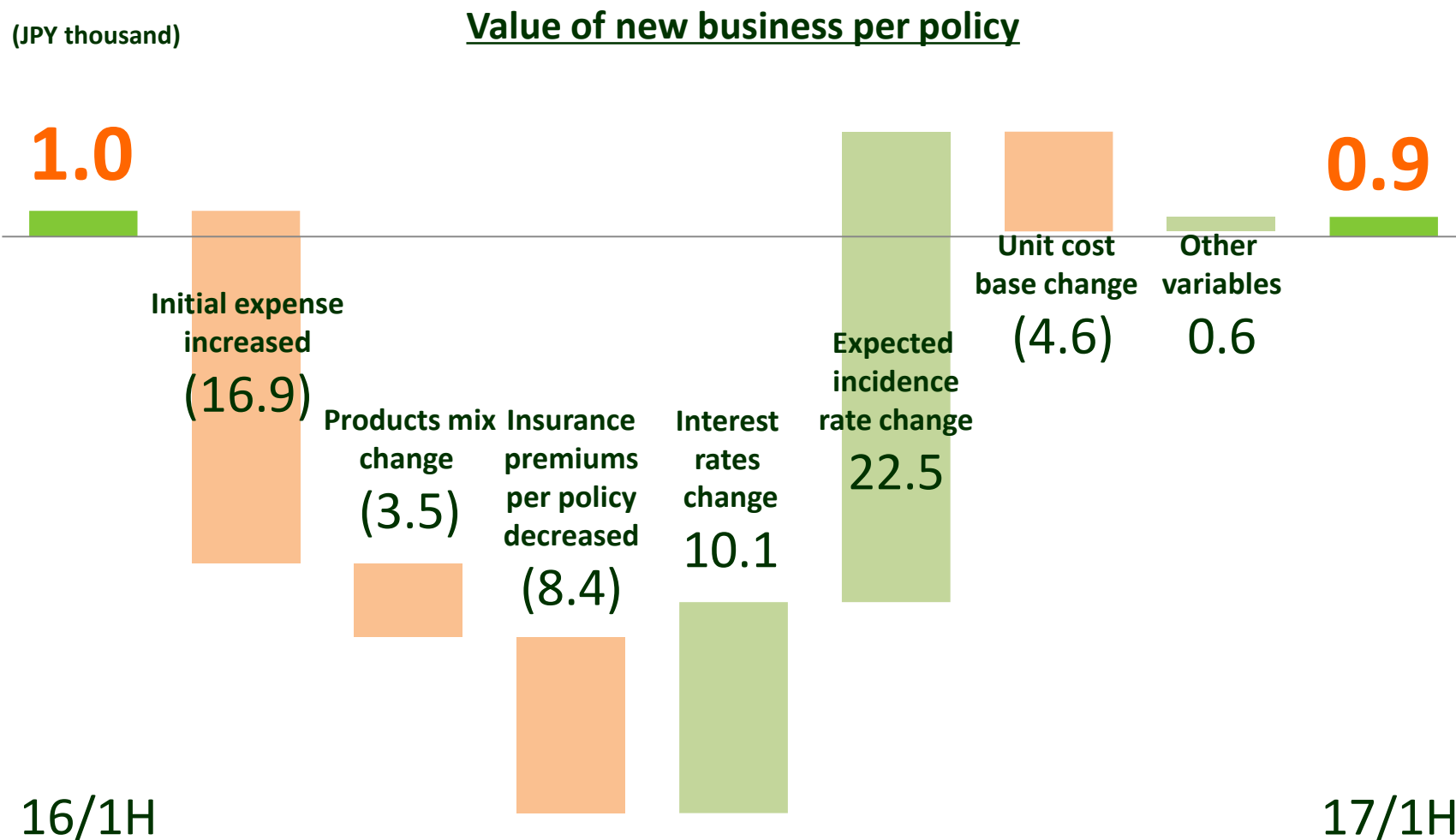
■ Same level year on year

■ Continuously challenge to improve marketing efficiency

# Structure Breakdown of VoNB per Policy



## ■ Increased initial expense due to marketing expenses increase



# Value of New Business (VoNB)

(JPY mn)		16/1H	17/1H	Per new business for 2017 1H (JPY thousand)
Certainty equivalent present value of future profit		<b>1,761</b>	<b>2,012</b>	<b>122.3</b>
－)	Time value of financial options and guarantees	-	-	-
－)	Frictional cost of capital	<b>(3)</b>	<b>(6)</b>	<b>(0.3)</b>
－)	Allowance for non-hedgeable risk	<b>(1,073)</b>	<b>(821)</b>	<b>(49.9)</b>
Value of in-force business		<b>684</b>	<b>1,184</b>	<b>72.0</b>
－)	Adjusted net worth	<b>(669)</b>	<b>(1,168)</b>	<b>(71.0)</b>
Value of new business		<b>14</b>	<b>15</b>	<b>0.9</b>
(Ref.) Present value of in-force business premiums		<b>9,824</b>	<b>10,100</b>	
Number of new business		<b>13,619</b>	<b>16,442</b>	

# EV Sensitivity Analysis<sup>1</sup>

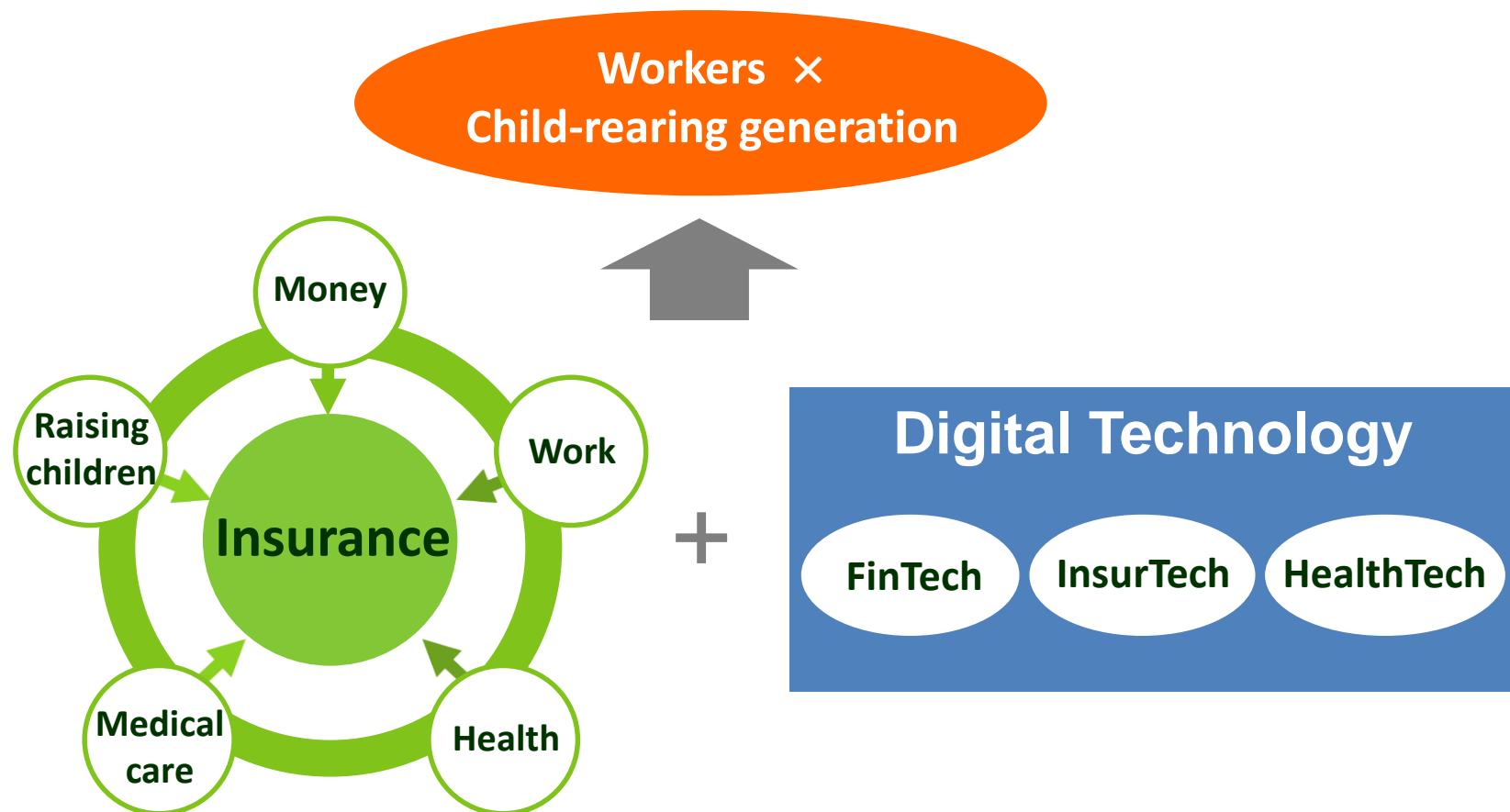
## ■ Impacts of changes in assumptions (sensitivities)

(JPY mn)	Change in EEV as of Sep. 30, 2017	Change in VoNB
EEV and new business value as of September 30, 2017	39,629	15
Sensitivity 1a: 1.0% increase in risk-free rate	332	142
Sensitivity 1b: 1.0% decrease in risk-free rate	(1,199)	(235)
Sensitivity 1c: 0.5% increase in risk-free rate	250	80
Sensitivity 1d: 0.5% decrease in risk-free rate	(465)	(103)
Sensitivity 1e: Interest rates based on JGB yields	238	22
Sensitivity 2: 10% decrease in equity and real estate value and other	(325)	-
Sensitivity 3: 10% decrease in operating expenses	2,107	133
Sensitivity 4: 10% decrease in lapse rate	(1,115)	(63)
Sensitivity 5: 5% decrease in claim incidence rates for life business	3,016	102
Sensitivity 6: 5% decrease in mortality for annuity business	-	-
Sensitivity 7: Change the required capital to the statutory minimum	74	4

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.

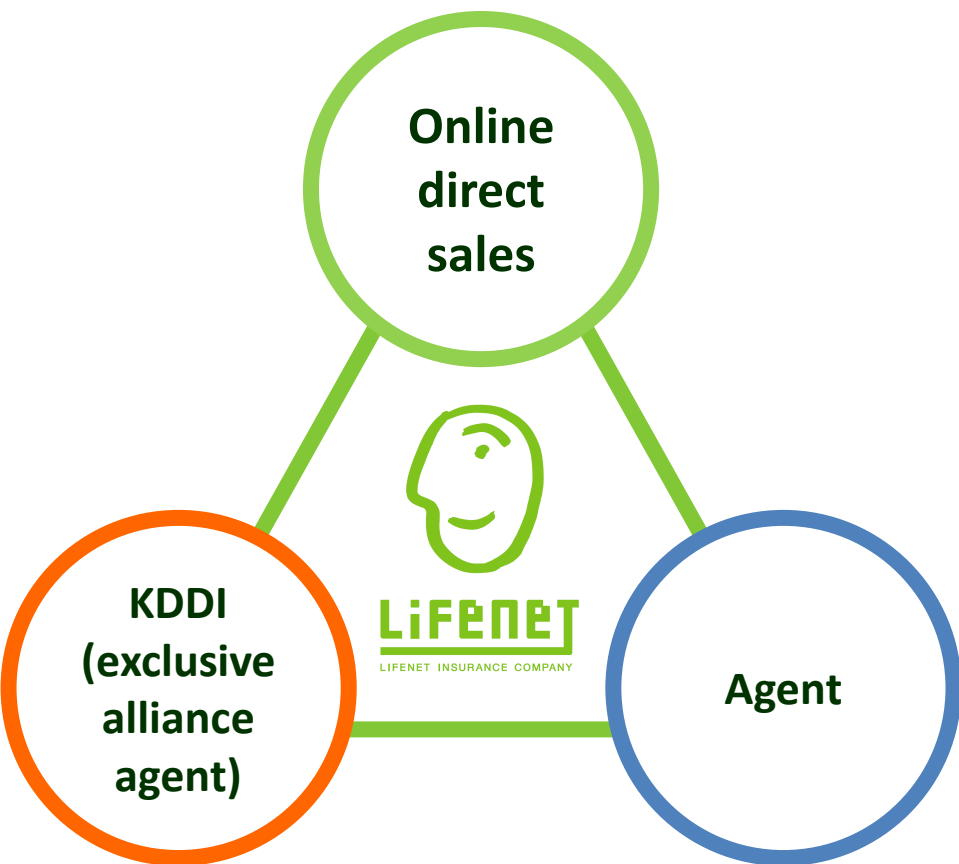
# Future Direction

- Supports life of **workers × child-rearing generation** utilizing **technology**



# New Challenge

## ■ Promotes new products development and enhances sales channel



### Online direct sales

→ Improve services via smartphone and promote Cancer Insurance *Double Yell*

### KDDI (exclusive alliance agent)

→ Utilize website, au Financial Support Center and au shops

### Agent

→ Promote Long-term Disability and Cancer insurance via over-the-counter agent

# Business Forecasts FY2017

## ■ Business forecasts disclosed in May 2017 remains unchanged

(JPY mn)

	Business forecasts for FY2017	(Reference) Results for FY2016
Ordinary income	11,000	10,096
Ordinary profit (loss)	(300)	(2,031) <sup>1</sup>
Net income (loss)	(300)	(1,889) <sup>1</sup>

1. Amortization of the deferred assets under Article 113 of the Insurance Business Act was 2,120 million yen due to the one-time amortization.



# 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

# 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.

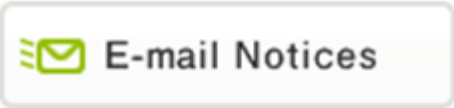
**This manifesto is not simply as a declaration. This is how we do things.  
Join us on our journey.**



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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# Appendix

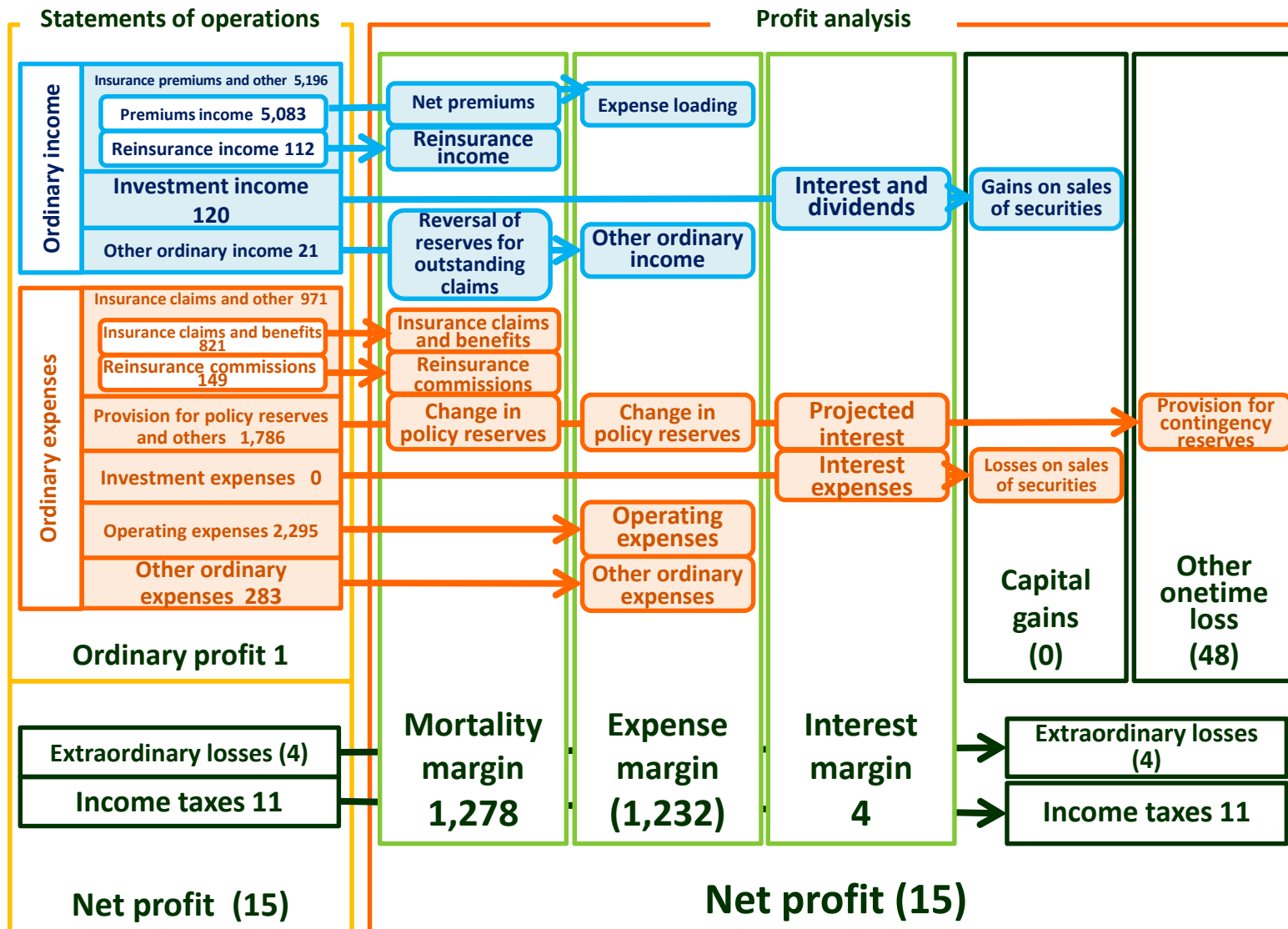


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# Three Surplus Factors of Fundamental Profit

2Q of FY2017



1. Some items with minimal amounts have been omitted.

# Solvency Margin Ratio Calculation



LIFENET

As of September 30, 2017

**Solvency margin ratio**  
2,599.6%

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**Total amount of solvency margin**  
<numerator>  
20,626

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**Total amount of risk/2**  
< the denominator>  
1,586/2

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

Cash and deposits 890	Other liabilities 571
Monetary claims bought 1,999	Reserves for outstanding claims 308
Money held in trust 1,507	Policy reserves 18,976
<b>Securities</b> 27,666	Contingency reserves 1,451
	Excess over the full-Zillmerized reserve 5,393
	Price fluctuation reserves 24
	Deferred tax liabilities on available-for-sale securities 172 <sup>1</sup>
	Valuation difference on available-for-sale securities 442 <sup>1</sup>
<b>Capital stock and other assets</b> 13,141	
Tangible fixed assets 116	<b>Net assets</b> 13,633
Intangible fixed assets 560	
<b>Other assets</b> 963	

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

**Insurance risk R<sub>1</sub> 1,060**

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

**Medical insurance risk R<sub>8</sub> 347**

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

**Assumed interest rate risk R<sub>2</sub> 2**

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

**[Minimum guarantee risk] R<sub>7</sub> —**

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

**Asset management risk R<sub>3</sub> 589**

[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<sub>4</sub> 59**

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.