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

Financial Results for 3Q of Fiscal 2017 Ending March 31, 2018 24.7% increase in annualized premium of new business

TOKYO, February 9, 2018 - 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 2017 ending March 31, 2018.

1. Overview of the financial results for 3Q of fiscal 2017

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 3Q ended December 31, 2017 was 460 million yen (143.7% of 3Q of fiscal 2016). The number of new business was 10,555 (151.2% of 3Q of fiscal 2016). Annualized premium^{*1} of new business for the nine months ended December 31, 2017 was 1,191 million yen (124.7% of the nine months ended December 31, 2016). The number of new business for the nine months ended December 31, 2017 was 26,997 (131.1% of the nine months ended December 31, 2016).

Annualized premium^{*1} of policies-in-force as of the end of 3Q of fiscal 2017 stands at 10,796 million yen (107.0% of March 31, 2017). The number of policies-in-force resulted in a total of 255,614 (106.6% of March 31, 2017). Surrender and lapse ratio^{*2} for the nine months ended December 31, 2017 was 5.9% (6.5% for the nine months ended December 31, 2016).

*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, 2017 increased to 7,867 million yen (107.5% of the nine months ended December 31, 2016) due to an increase in the number of policies-in-force. Investment income was 180 million yen (112.4% of the nine months ended December 31, 2016). Other ordinary income was 23 million yen. As a result, ordinary income for the nine months ended December 31, 2017 amounted to 8,071 million yen (106.6% of the nine months ended December 31, 2016).

Insurance claims and other was 1,426 million yen (103.0% of the nine months ended December 31, 2016). The ratio of insurance payment amounts to insurance premiums decreased to 15.5% for the nine months ended December 31, 2017, compared with 16.7% for the nine months ended December 31, 2016. Provision for policy reserves and other came to 2,737 million yen (99.4% of the nine months ended December 31, 2016). The ratio of provision for policy reserves to insurance premiums was 34.9% for the nine months ended December 31, 2017, compared with 38.5% for the nine months ended December 31, 2016. Operating expenses amounted to 3,484 million yen (128.4% of the nine months ended December 31, 2016) mainly due to active investment in marketing expenses including advertising. The components of operating expenses were 1,741 million yen in marketing expenses (159.6% of the nine months ended December 31, 2016), 509 million yen in customer service expenses (119.3% of the nine months ended December 31, 2016), and 1,232 million yen in system and other expenses (103.1% of the nine

months ended December 31, 2016). Other ordinary expenses was 434 million yen (37.4% of the nine months ended December 31, 2016) since the amortization of deferred assets under Article 113 of the Insurance Business Act is no longer recorded by the one-time amortization in the previous fiscal year. Consequently, ordinary expenses for the nine months ended December 31, 2017 totaled 8,082 million yen (100.8% of the nine months ended December 31, 2016).

As a result, ordinary loss totaled 11 million yen for the nine months ended December 31, 2017, compared with 447 million yen for the nine months ended December 31, 2016. Net loss was 42 million yen, compared with 424 million yen for the nine months ended December 31, 2016.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 67 million yen, compared with 381 million yen loss for the nine months ended December 31, 2016. The components of fundamental profit were 1,941 million yen in mortality margin, 1,875 million yen loss in expense margin and 1 million yen in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of December 31, 2017 amounted to 35,263 million yen (31,934 million yen as of March 31, 2017). The major account balance was 28,083 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 21,515 million yen as of December 31, 2017 (18,288 million yen as of March 31, 2017), owing to an increase in policy reserves as a result of the increased insurance premiums. The major account balances were 19,880 million yen in policy reserves (including 1,482 million yen in contingency reserves), and 359 million yen in reserves for outstanding claims.

Net assets was 13,747 million yen as of December 31, 2017 (13,645 million yen as of March 31, 2017).

The solvency margin ratio as of December 31, 2017 was 2,534.1% (2,723.0% as of March 31, 2017), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For the nine months ended December 31, 2017, net cash provided by operating activities amounted to 2,798 million yen (3,069 million yen provided for the nine months ended December 31, 2016) due to an increase in insurance premiums and other. Net cash used by investing activities amounted to 3,102 million yen (3,385 million yen used for the nine months ended December 31, 2016) mainly due to acquisition of securities. Net cash used by financing activities amounted to 14 million yen (204 million yen provided for the nine months ended December 31, 2016).

Based on these activities described above, cash and cash equivalents as of December 31, 2017 totaled 2,686 million yen (3,004 million yen as of March 31, 2017).

(3) Business forecasts

The business forecasts for fiscal 2017 remain unchanged as shown below. This will be disclosed ordinary income, ordinary profit (loss) and net income (loss).

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts (Fiscal 2017)	11,000	(300)	(300)
(Reference) Results (Fiscal 2016)	10,096	(2,031) *1	(1,889) *1

*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 in fiscal 2016. The ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act was 88 million yen.

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, 2017	Dec. 31, 2017
ASSETS		
Cash and deposits	1,004	1,186
Monetary claims bought	1,999	1,999
Money held in trust	995	2,283
Securities	26,372	28,083
Government bonds	9,876	8,380
Municipal bonds	1,496	1,500
Corporate bonds	11,751	13,872
Stocks	334	338
Foreign securities	819	866
Other securities	2,095	3,124
Tangible fixed assets	123	104
Intangible fixed assets	502	595
Agency accounts receivable	1	2
Reinsurance accounts receivable	30	56
Other assets	904	950
Accounts receivable	742	782
Other	161	168
Total assets	31,934	35,263
LIABILITIES		
Policy reserves and other	17,501	20,239
Reserves for outstanding claims	311	359
Policy reserves	17,189	19,880
Agency accounts payable	39	40
Reinsurance accounts payable	68	105
Other liabilities	469	857
Reserves under the special laws	19	27
Reserve for price fluctuations	19	27
Deferred tax liabilities	189	246
Total liabilities	18,288	21,515
NET ASSETS		
Capital stock	12,136	12,136
Capital surplus	12,136	12,136
Retained earnings	(11,116)	(11,159)
Shareholders' equity	13,157	13,114
Valuation difference on available-for-sale securities	488	632
Valuation and translation adjustments	488	632
Total net assets	13,645	13,747
Total liabilities and net assets	31,934	35,263

(2) Statements of Operations

	(In millions of yen)	
	Nine months ended Dec. 31	
	2016	2017
Ordinary income.....	7,568	8,071
Insurance premiums and other	7,321	7,867
Premiums income	7,163	7,718
Reinsurance income.....	157	149
Investment income.....	160	180
Interest, dividends and other income.....	160	167
Gains on money held in trust.....	—	13
Other ordinary income	86	23
Reversal of reserves for outstanding claims.....	73	—
Other	12	23
Ordinary expenses	8,016	8,082
Insurance claims and other	1,384	1,426
Insurance claims	798	761
Benefits	399	434
Other refunds	0	0
Reinsurance commissions.....	187	231
Provision for policy reserves and other	2,754	2,737
Provision for reserves for outstanding claims	—	47
Provision for policy reserves	2,754	2,690
Investment expenses.....	0	0
Interest expenses	0	0
Losses on money held in trust	0	—
Operating expenses	2,714	3,484
Other ordinary expenses	1,162	434
Ordinary profit (loss)	(447)	(11)
Extraordinary losses	4	8
Provision of reserves under the special laws	4	8
Provision of reserve for price fluctuations	4	8
Income (loss) before income taxes.....	(452)	(19)
Income taxes-current	27	23
Income taxes-deferred.....	(56)	—
Income taxes.....	(28)	23
Net income (loss)	(424)	(42)

(3) Statements of Cash Flows

	(In millions of yen)	
	Nine months ended Dec. 31	
	2016	2017
Cash flows from operating activities		
Income (loss) before income taxes	(452)	(19)
Depreciation and amortization	180	188
Increase (decrease) in reserves for outstanding claims	(73)	47
Increase (decrease) in policy reserves.....	2,754	2,690
Increase (decrease) in reserve for price fluctuations	4	8
Interest, dividends and other income	(160)	(167)
Interest expenses	0	1
Decrease (increase) in agency accounts receivable	(0)	(0)
Decrease (increase) in reinsurance accounts receivable.....	(8)	(25)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	749	(52)
Increase (decrease) in agency accounts payable.....	18	0
Increase (decrease) in reinsurance accounts payable	9	36
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(70)	(99)
Other, net	1	(12)
Subtotal	<u>2,953</u>	<u>2,595</u>
Interest and dividends income received	228	202
Interest expenses paid	(0)	(1)
Income taxes (paid) refund.....	(111)	1
Net cash provided by (used in) operating activities	<u>3,069</u>	<u>2,798</u>
Cash flows from investing activities		
Purchase of money held in trust	—	(1,200)
Purchase of securities.....	(4,410)	(4,302)
Proceeds from sales and redemption of securities	1,300	2,670
Total of net cash provided by (used in) investment transactions ...	<u>(3,110)</u>	<u>(2,832)</u>
Total of net cash provided by (used in) operating activities and investment transactions ...	<u>(40)</u>	<u>(33)</u>
Purchase of tangible fixed assets	(36)	(21)
Purchase of intangible fixed assets	(238)	(248)
Net cash provided by (used in) investing activities	<u>(3,385)</u>	<u>(3,102)</u>
Cash flows from financing activities		
Proceeds from issuance of stock resulting from exercise of subscription rights to shares ...	213	—
Repayments of lease obligations	(8)	(14)
Net cash provided by (used in) financing activities	<u>204</u>	<u>(14)</u>
Net increase (decrease) in cash and cash equivalents	<u>(110)</u>	<u>(318)</u>
Cash and cash equivalents, beginning of the year	<u>2,734</u>	<u>3,004</u>
Cash and cash equivalents, end of the period	<u><u>2,623</u></u>	<u><u>2,686</u></u>