



Securities Code:7157
TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

Reference Data for Third Quarter Fiscal 2017

LIFENET INSURANCE COMPANY

February 9, 2018

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Key Highlight of 3Q for Fiscal 2017



- ① Annualized premium sustains **strong**
 - Up 44% year on year in 3Q
 - Up 25% YTD year on year
- ① **Sales channel diversification and aggressive investment in marketing expenses drove growth**
- ① Ordinary income **up 7% year on year**
- ① Ordinary loss **11 million yen**, further investment to continue

Summary of 3Q for FY2017 Results



LIFENET

(JPY mn)

	First 9 months of FY2016	First 9 months of FY2017	Year on year
Ordinary income	7,568	8,071	106.6%
Operating expenses	2,714	3,484	128.4%
Ordinary profit (loss) ¹	347	(11)	-
Net income (loss)	(424)	(42)	-
Mortality margin	1,691	1,941	114.8%
Annualized premium ² of policies-in-force	9,856	10,796	109.5%
Number of policies-in-force	234,828	255,614	108.9%
Annualized premium ² of new business	955	1,191	124.7%
Number of new business	20,599	26,997	131.1%
	2016/3Q	2017/3Q	Year on year
Annualized premium ² of new business	320	460	143.7%
Number of new business	6,980	10,555	151.2%

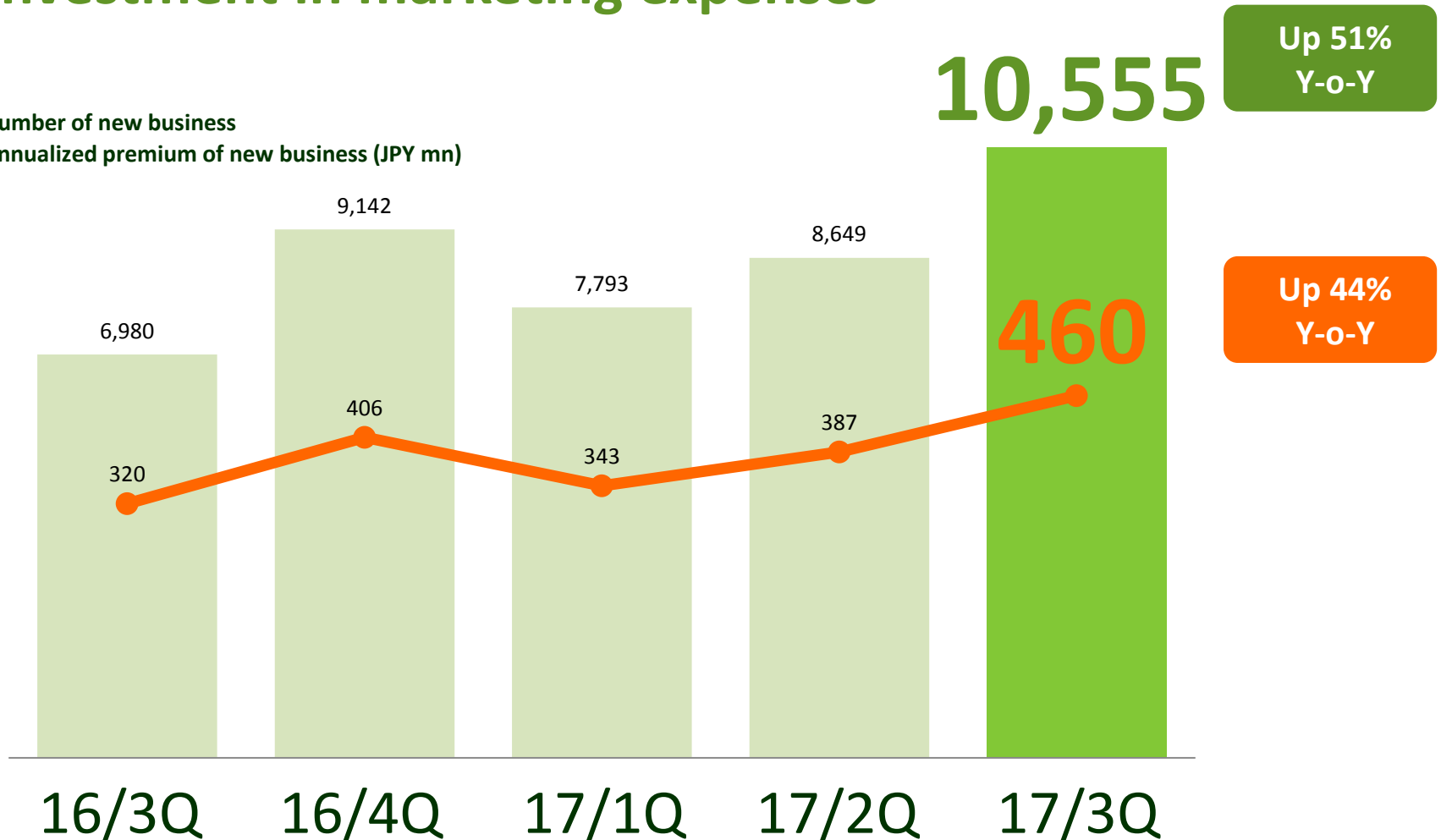
2. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

Annualized Premium / Number of New Business (Quarterly)



- Annualized premium **increased 44% year on year**
- Drove by channel diversification and aggressive investment in marketing expenses

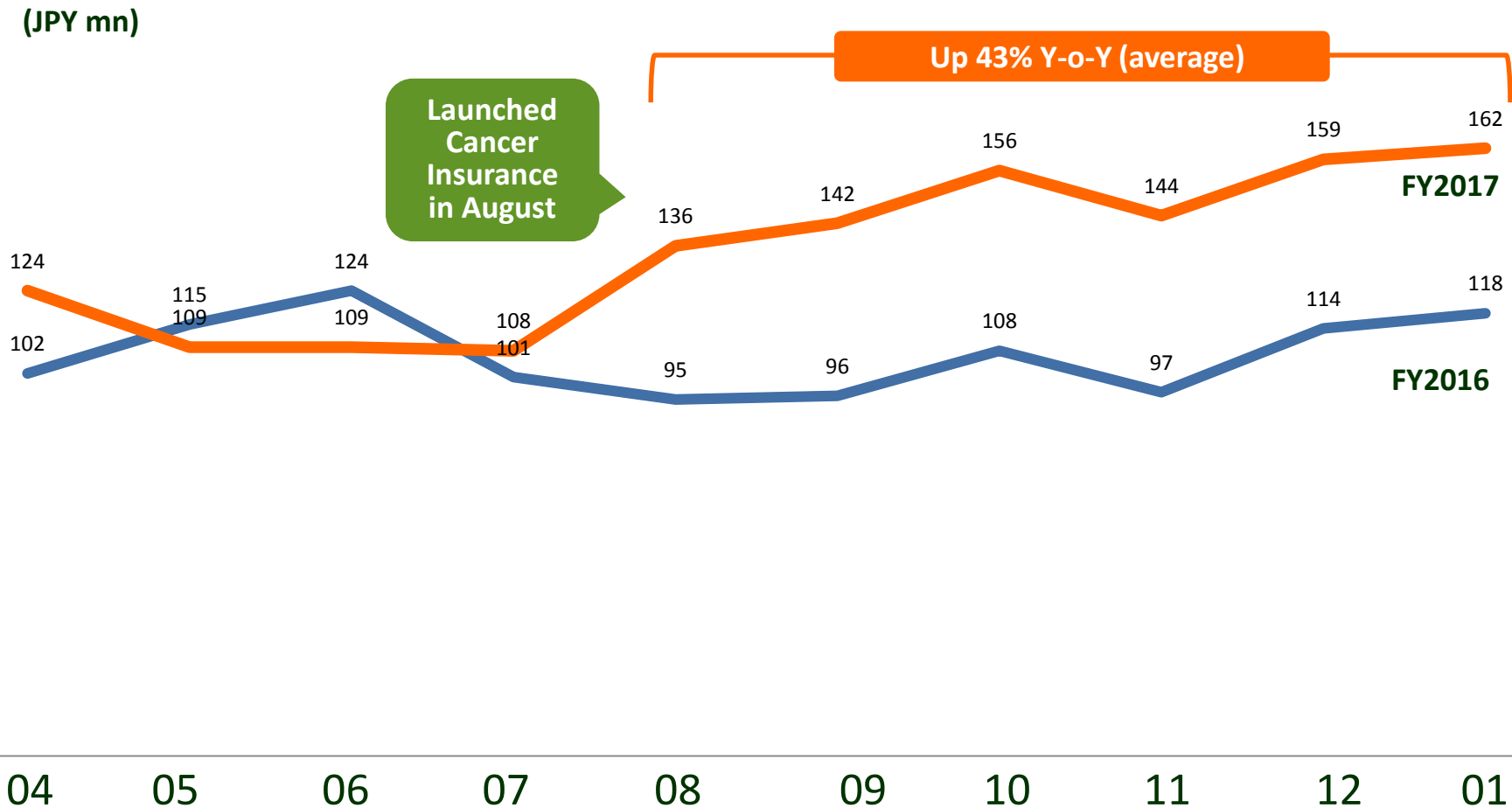
■ : Number of new business
■ : Annualized premium of new business (JPY mn)



Annualized Premium of New Business (Monthly)



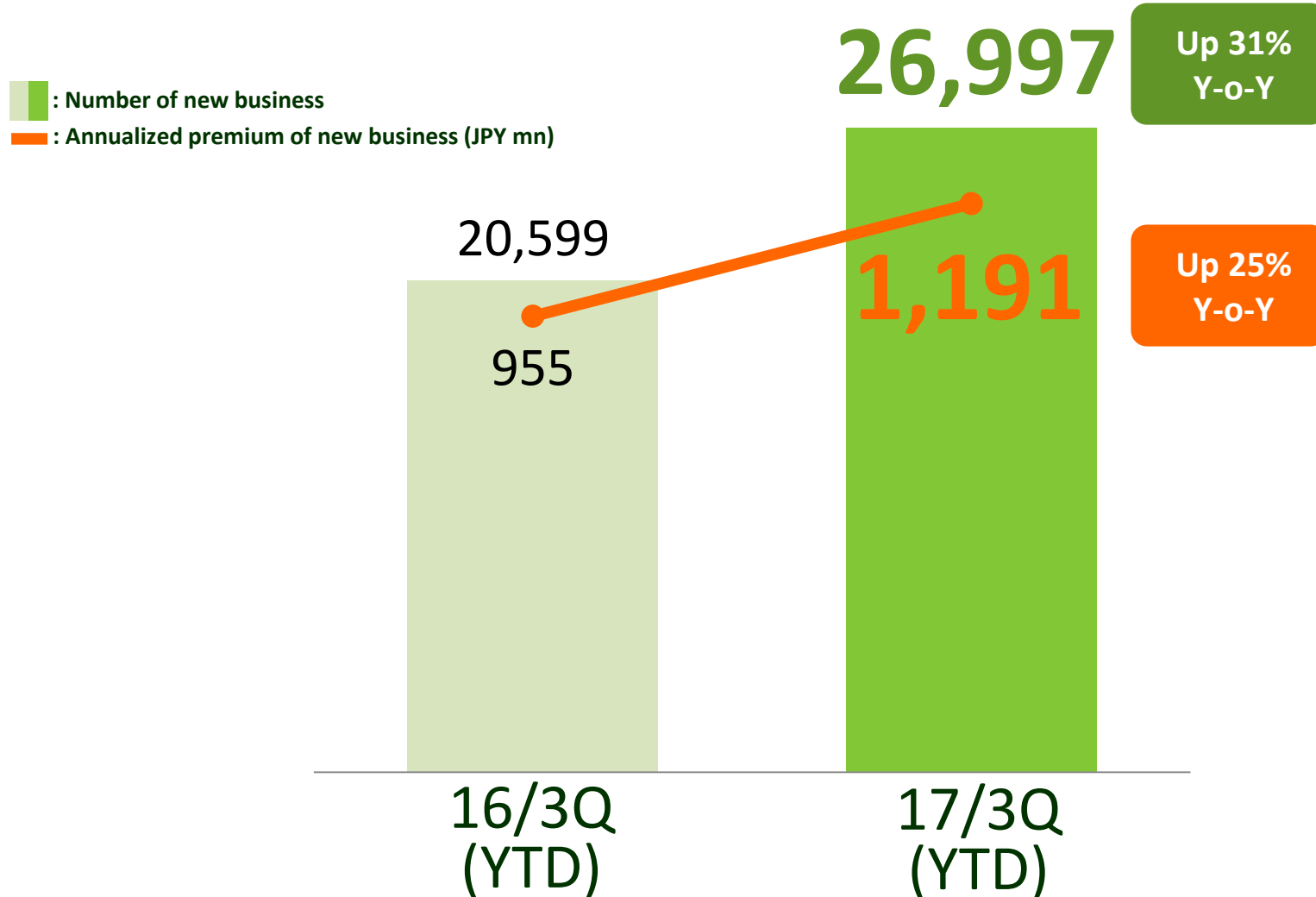
■ Continue to exceed year on year after new product launch



Annualized Premium / Number of New Business (Year to Date)



■ Annualized premium increased 25% year on year

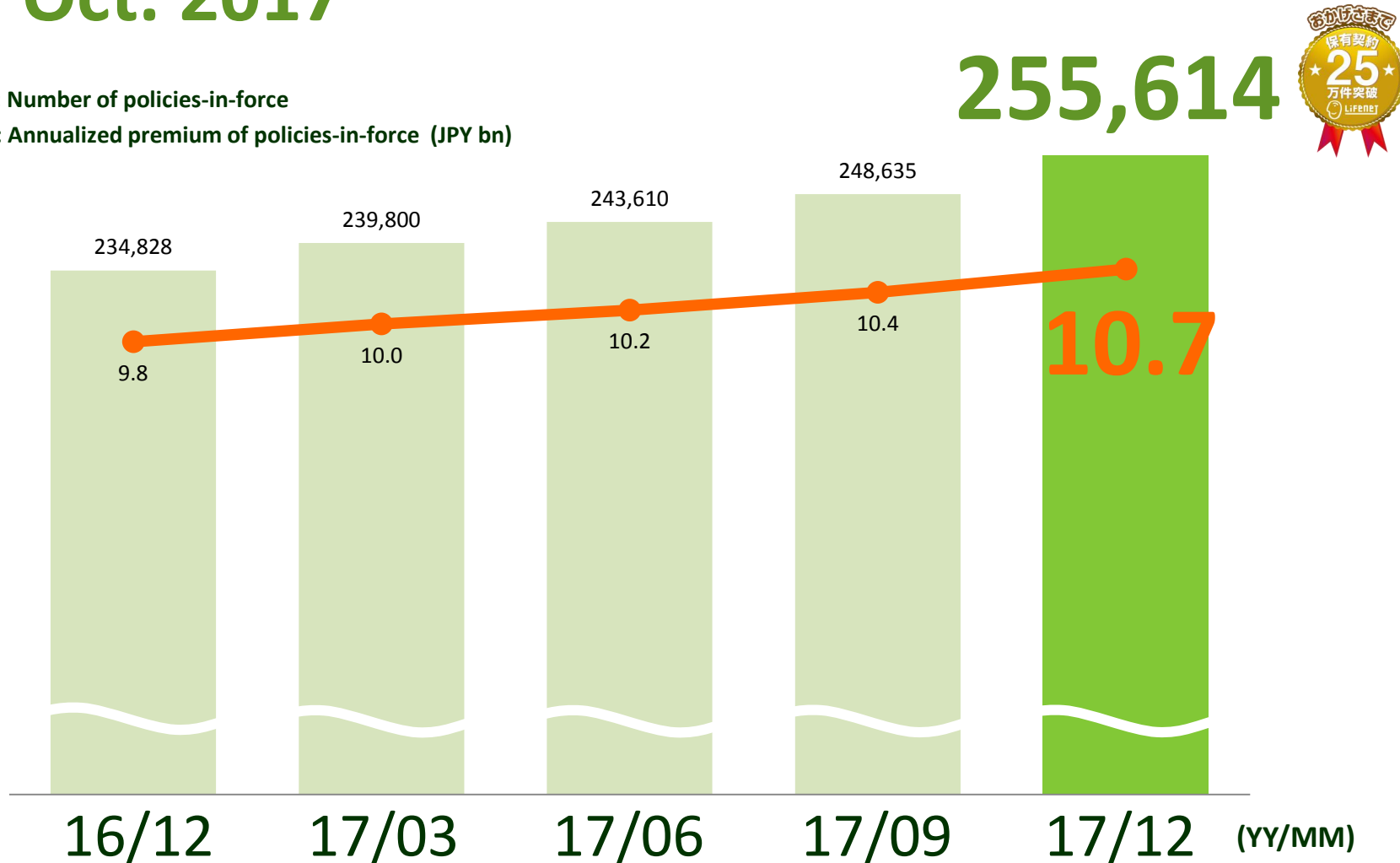


Annualized Premium / Number of Policies-in-force (Quarterly)



Steadily increased, exceeded 250,000 in Oct. 2017

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



Breakdown of Policies-in-force

■ Long-term Disability strongly increased

(YY/MM)	16/12	17/12	Component ratio
Number of policies-in-force	234,828	255,614	100.0%
- Term Life ¹	121,208	128,440	50.2%
- Whole-Life Medical ¹	70,033	74,699	29.2%
- Term Medical Care ¹	10,645	10,062	3.9%
- Long-term Disability ¹	32,942	40,491	15.8%
- Cancer ¹	-	1,922	0.8%
Sum insured of policies-in-force² (JPY mn)	1,948,424	2,028,245	
Number of policyholders	148,509	164,174	
	16/3Q	17/3Q	
(Reference) Surrender and lapse ratio³	6.5%	5.9%	

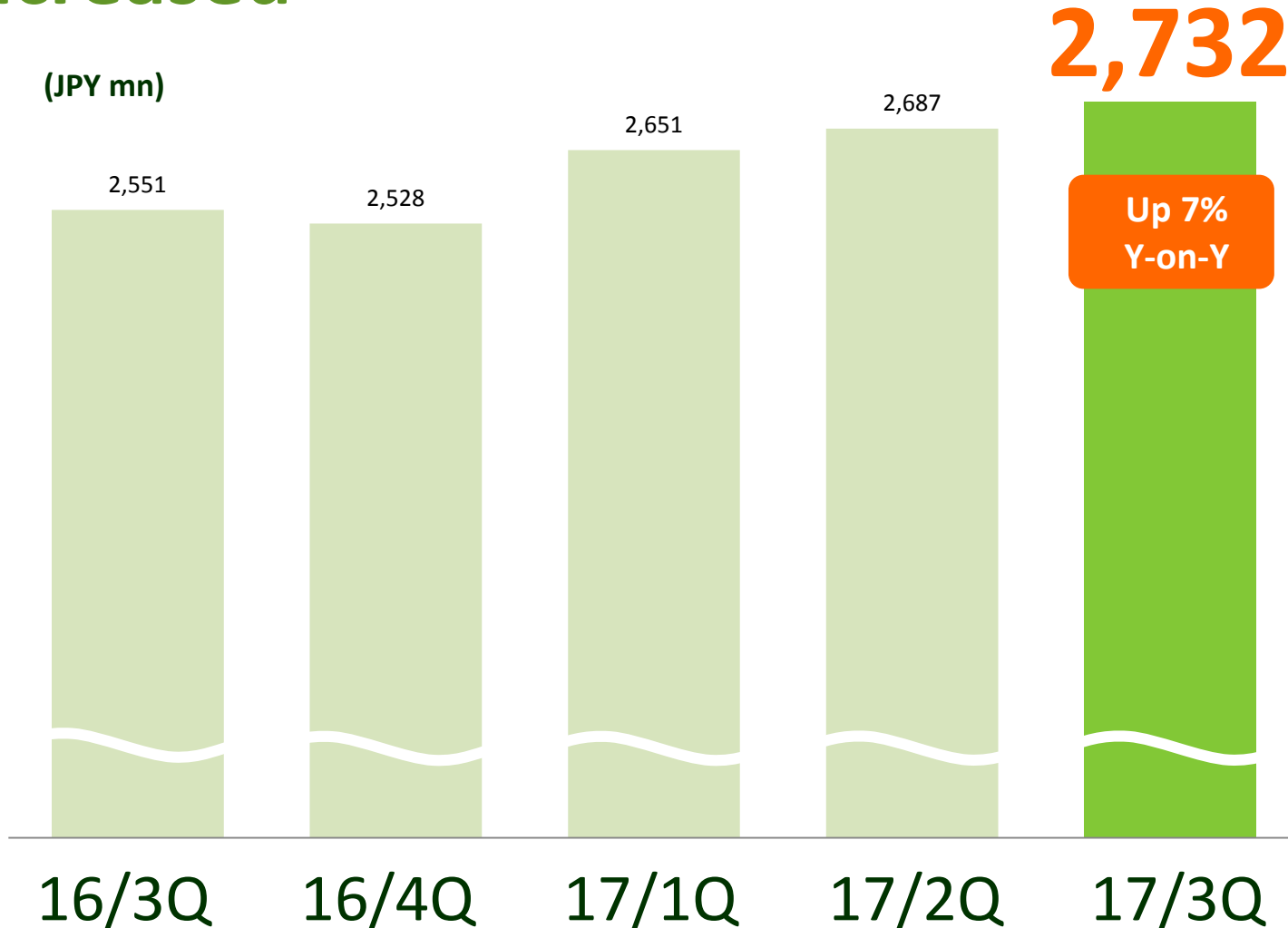
1. Term Life insurance: *Kazoku* and *au Term Insurance*, Whole-life Medical insurance: *Jibun*, *New Jibun*, *New Jibun for Women*, *au Medical Insurance* and *au Medical Insurance for Women*, Term Medical Care insurance: *Jibun Plus*, Long-term Disability insurance: *Hataraku-Hito*, *Hataraku-Hito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

Ordinary Income (Quarterly)

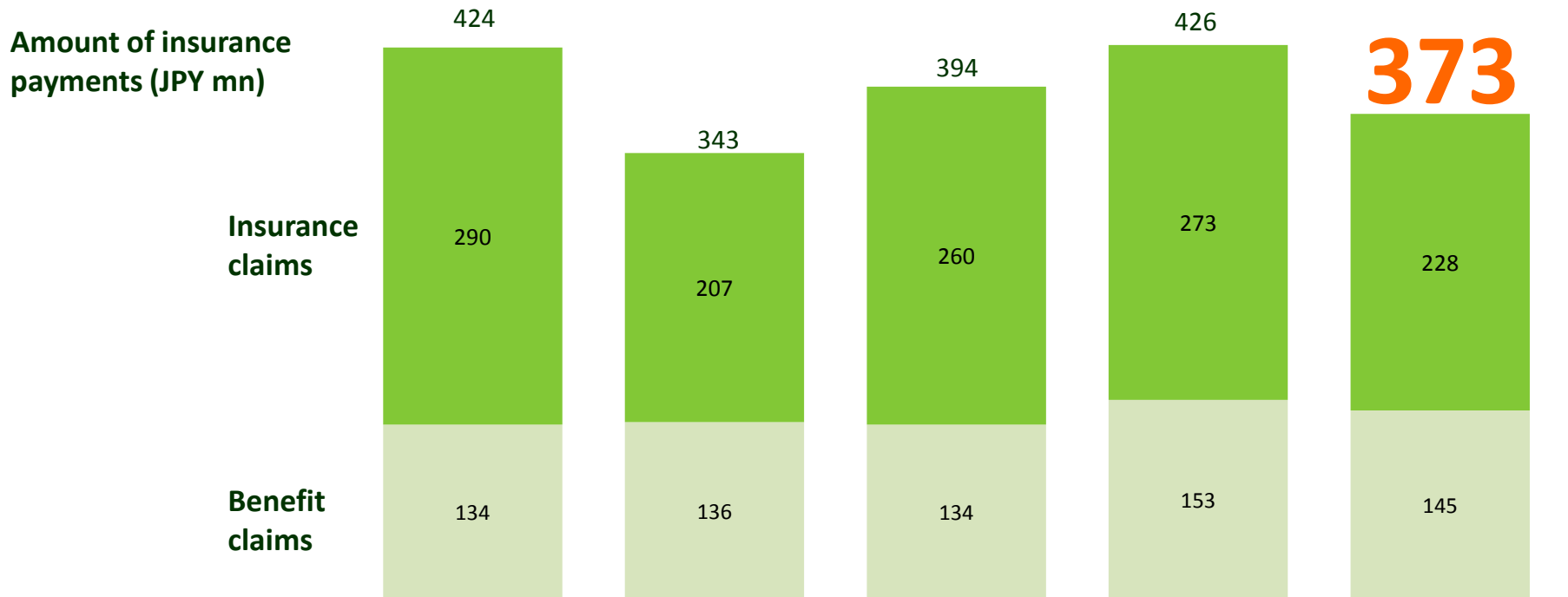
- **Up 7% year on year** as policies-in-force increased



Insurance Claims and Benefits (Quarterly)



■ Decreased as amount of insurance payments are **fluctuating**

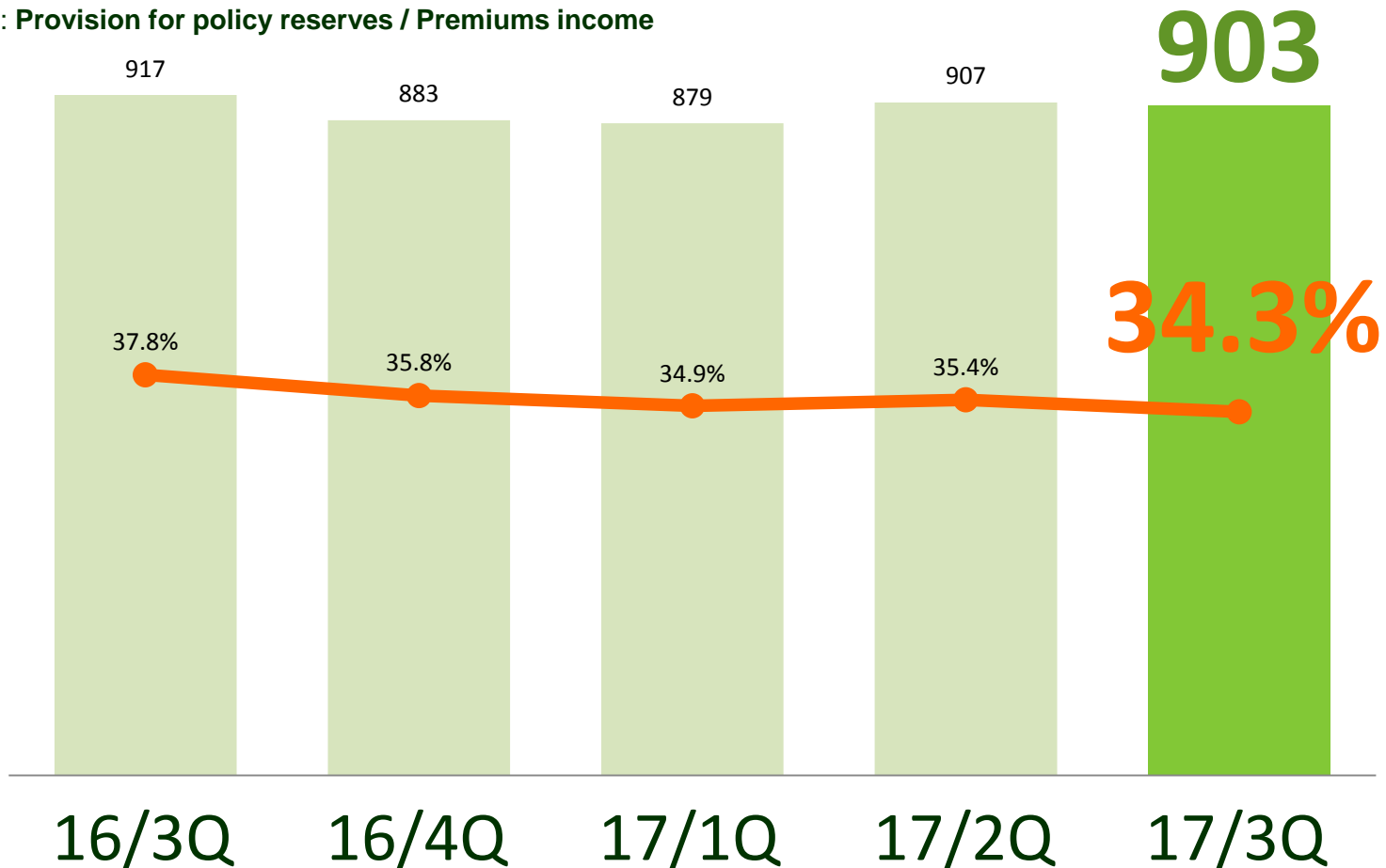


	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q
Insurance claims	21	14	20	15	20
Benefit claims	1,432	1,468	1,445	1,594	1,565
Sum	1,453	1,482	1,465	1,609	1,585

Provision for Policy Reserves (Quarterly)

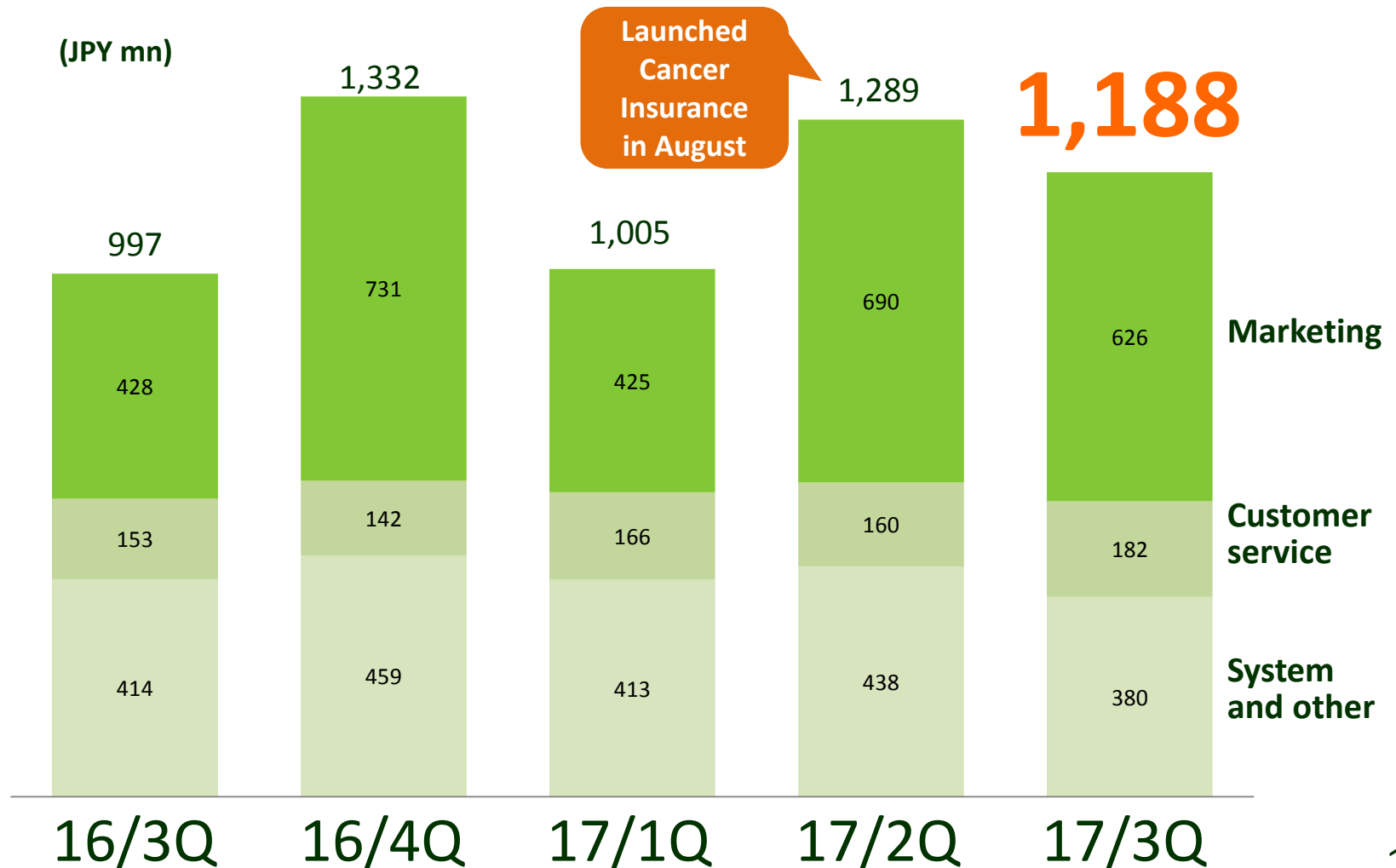
■ Remaining at **same level** mainly in accordance with elapsed year

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



Operating Expenses (Quarterly)

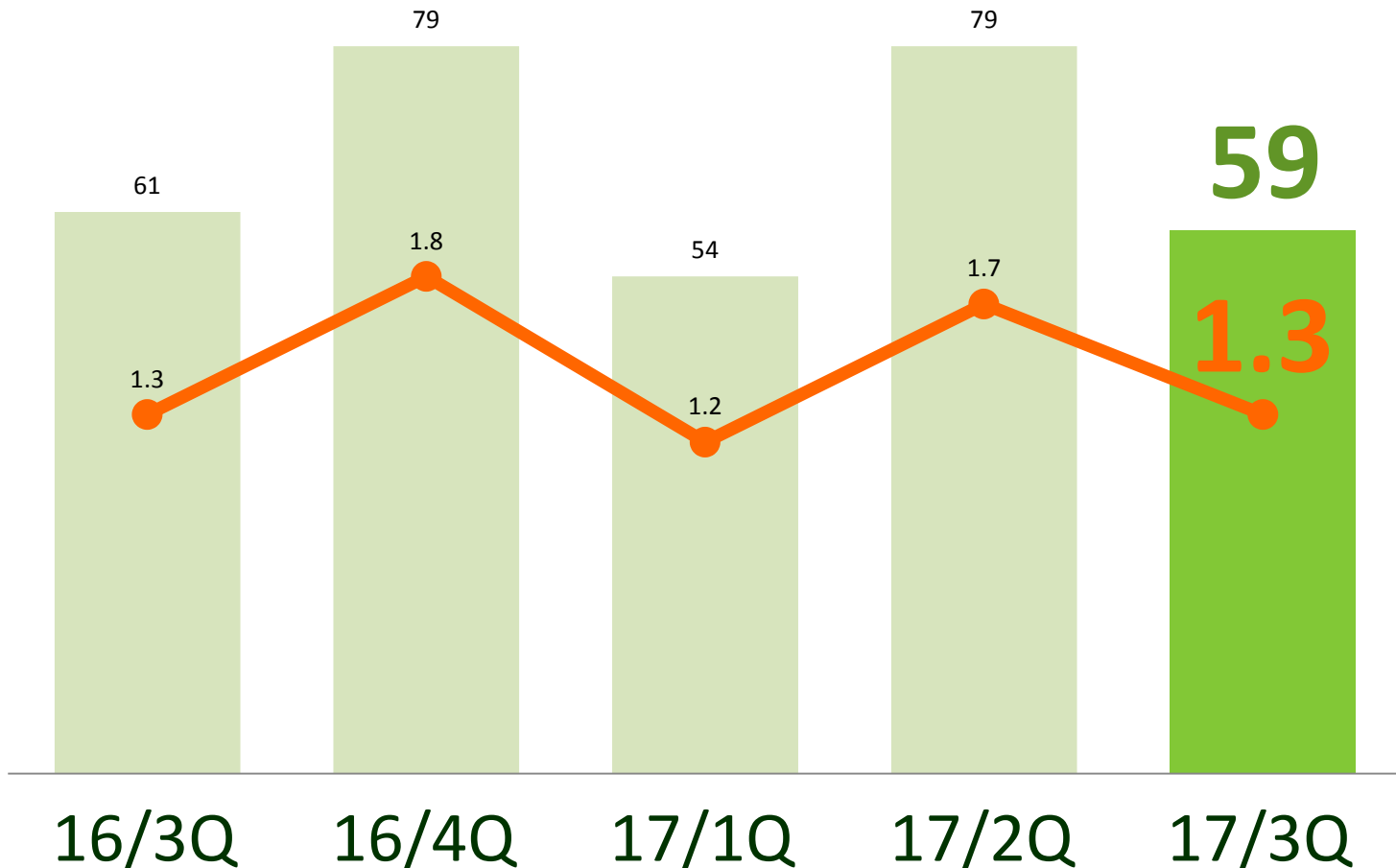
Aggressive investment in marketing expenses after new product launch



Marketing Expenses per New Business (Quarterly)

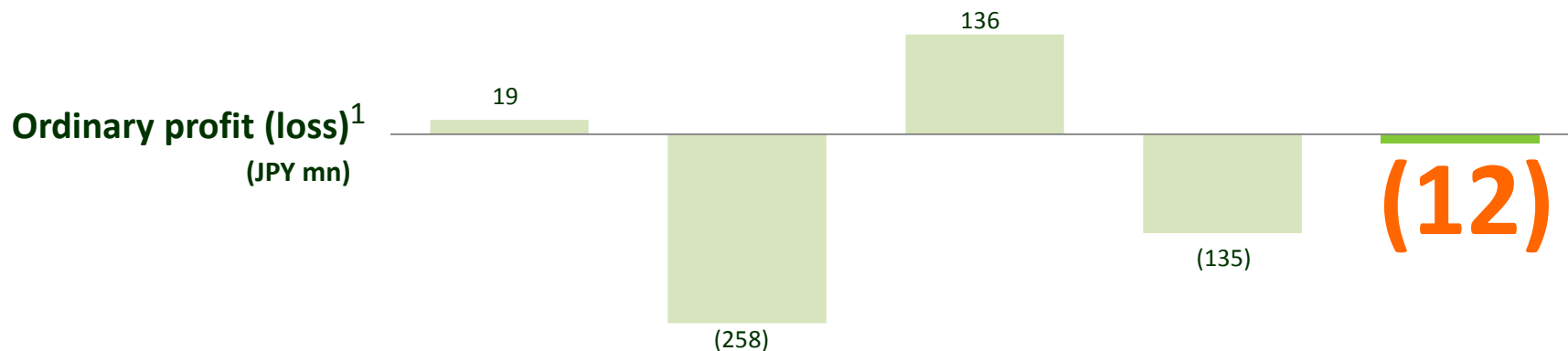
■ **Improved efficiency** despite of continuous investment in marketing expenses

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



Ordinary Profit/Loss (Quarterly)

- Same level year on year due to increase of marketing expenses



(JPY mn)	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q
Ordinary profit (loss) ¹ before amortization of deferred assets under Article 113 of IBA	19	(258)	136	(135)	(12)
Amortization cost	(265)	(1,325) ²	-	-	-
Ordinary profit (loss)	(245)	(1,584)²	136	(135)	(12)
Net income (loss)	(232)	(1,465)	109	(124)	(27)

- 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
- Amortization of the deferred assets under Article 113 of the Insurance Business Act was 1,325 million yen due to the one-time amortization.

Condensed Statements of Operation (YTD)



LIFENET

(JPY mn)

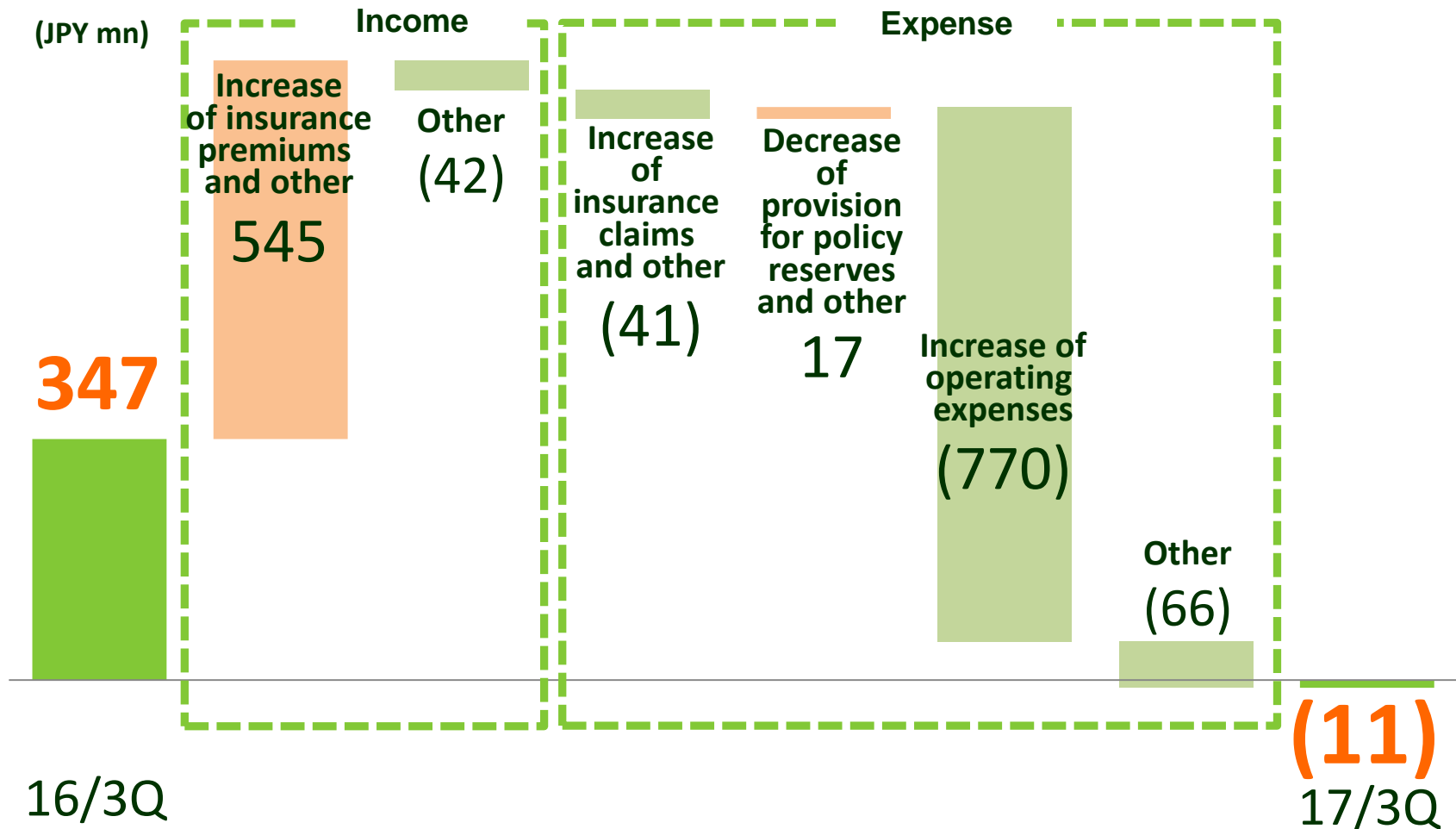
	16/3Q	17/3Q	Change
Insurance premiums and other	7,321	7,867	545
Other	246	203	(42)
Ordinary income	7,568	8,071	502
Insurance claims and other	1,384	1,426	41
Provision for policy reserves and other	2,754	2,737	(17)
Operating expenses	2,714	3,484	770
Other	367	434	66
Ordinary expenses	7,220	8,082	861
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA ¹	347	(11)	(358)
Amortization of deferred assets under Article 113 of IBA	795	-	(795)
Ordinary profit (loss)	(447)	(11)	436
Extraordinary losses and income taxes	(23)	31	55
Net income (loss)	(424)	(42)	381

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

Structure Breakdown of Ordinary Profit/Loss¹ (YTD)

Declined mainly due to **increase of marketing expenses**

Transition of ordinary profit (loss)¹ (Year to date)

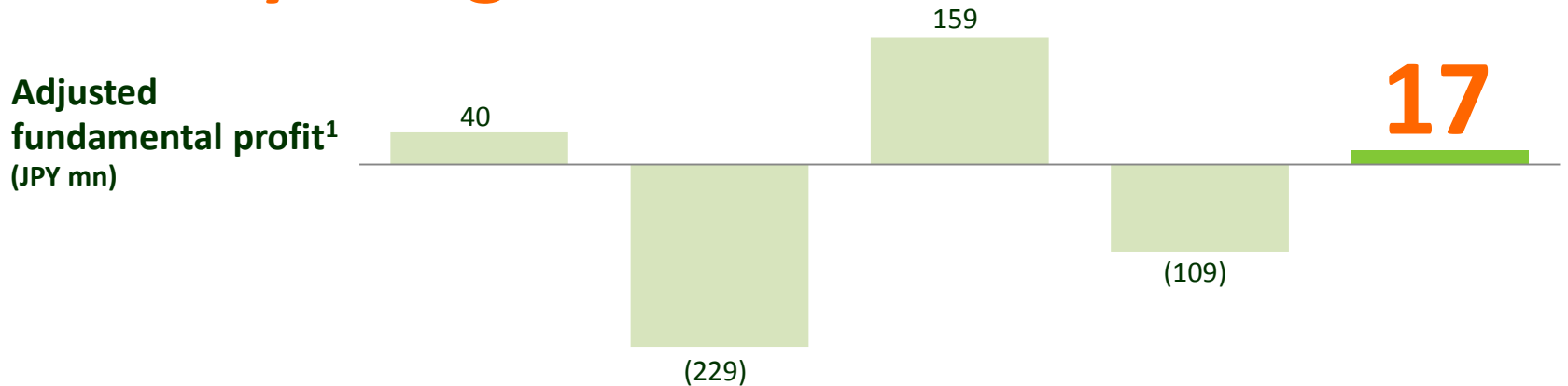


1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act for FY2016, the ordinary profit (loss) for FY2017

Fundamental Profit (Quarterly)



Positive result due to steady record of mortality margin



(JPY mn)	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q
Mortality margin	552	601	616	661	662
Expense margin (loss)	(777)	(2,158)	(454)	(778)	(642)
Interest margin	1	2	(2)	7	(2)
Fundamental profit	(224)	(1,554)	159	(109)	17
(ref.) Amortization cost under Article 113	265	1,325	-	-	-
(ref.) Insurance premiums and other	2,463	2,494	2,588	2,608	2,670

1. The fundamental profit before amortization of deferred assets under Article 113 of the Insurance Business Act until FY2016, the fundamental profit for FY2017

Financial Condition

(JPY mn)	(YY/MM)	16/03	17/03	17/12
Total assets		30,317	31,934	35,263
Cash and deposits		734	1,004	1,186
Monetary claims bought		1,999	1,999	1,999
Money held in trust		1,035	995	2,283
Securities		23,067	26,372	28,083
Government bonds		10,102	9,876	8,380
Municipal bonds		1,521	1,496	1,500
Corporate bonds		10,428	11,751	13,872
Stocks ¹		211	334	338
Foreign securities ²		804	819	866
Other securities ³		-	2,095	3,124
Total liabilities		14,893	18,288	21,515
Policy reserves and other		13,908	17,501	20,239
Total net assets		15,423	13,645	13,747
Solvency margin ratio		2,805%	2,723%	2,534%

■ Promoted **asset diversification** in investment asset

■ 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

Launched Cancer Insurance in August

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



Lifenet Cancer Insurance
Double Yell

Treatment support benefit

3 major cancer treatments



Surgery



Radiation therapy



Therapy with anti-cancer agents

Covers hospitalization and hospital visit

JPY 0.1 mn a month

Income decrease after suffering cancer and living expenses are supplemented

Income support benefit – once a year for up to a maximum of five times

Lump-sum payment upon cancer diagnosis: 1 million yen case

Lump-sum payment upon cancer diagnosis



50%



5 times in maximum



JPY 2.5 mn /5 times in max



Survivorship Support Services

Enhanced Survivorship Support Services



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

Remote second opinion services

NEW



亀田総合病院



Housekeeping services



DUSK!N
喜びのタネをまこう

Appearance care

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

アデランス

NEW

Commuting to hospital/work

 日本交通株式会社

 全国タクシー

Started Direct Payment for Advanced Medical Treatment

■ Direct payment from LIFENET to medical institutions **removes burden on customers**

従来



先進医療の
受療



医療機関へ
治療費お支払い



LIFENET

お客さまへ
給付金支払い

当サービス
ご利用時



サービス
ご利用申請^{*1}



先進医療の
受療



LIFENET

当社から医療機関へ
先進医療給付金を直接支払い

凡例



お客さまにご対応いただくこと



LIFENET

当社が対応すること

High Evaluation for Our Products

Term Life and Long-term Disability highly evaluated¹



Term Life
Kazoku



定期保険

総合

powered by Kakaku.com insurance

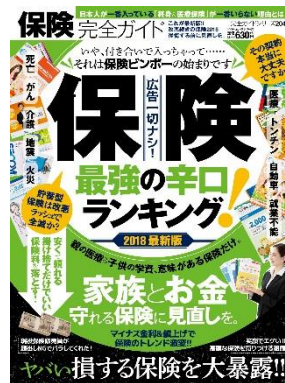


Long-term Disability
Hataraku-Hito2



powered by Kakaku.com insurance

Hoken Kanzen
Guide (Insurance
Perfect Guide)
magazine
published by
Shinyusha Co., Ltd



MONOQLO the
MONEY Vol.2
magazine
published by
Shinyusha Co.,
Ltd

広告一切なし! 本音の保険選びの強い味方



Yoi Hoken Warui
Hoken (Good
Insurance Bad
Insurance)
magazine
published by
TAKARAJIMASH
A, Inc.

1. The most popular insurance products in each category from January through December 2016, receiving the highest number of applications of Kakaku.com Insurance, the sales agent company of insurance products.

Highest Rating in HDI Benchmarking

- Contact center and website **double-awarded highest rating 3 stars for 6th consecutive year¹, longest record in life insurance industry²**

■ 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

KDDI Channel Progress

- KDDI's shareholding ratio increased from 15.6% to 25.0%
- Aim for further growth by **improving sales routes**



Website



Application increased by improvement of website and application process



au Financial Support Center



Application increased by expanding outbound list and consulting procedure improvement



KDDI directly-managed stores



Keeping on trial sales

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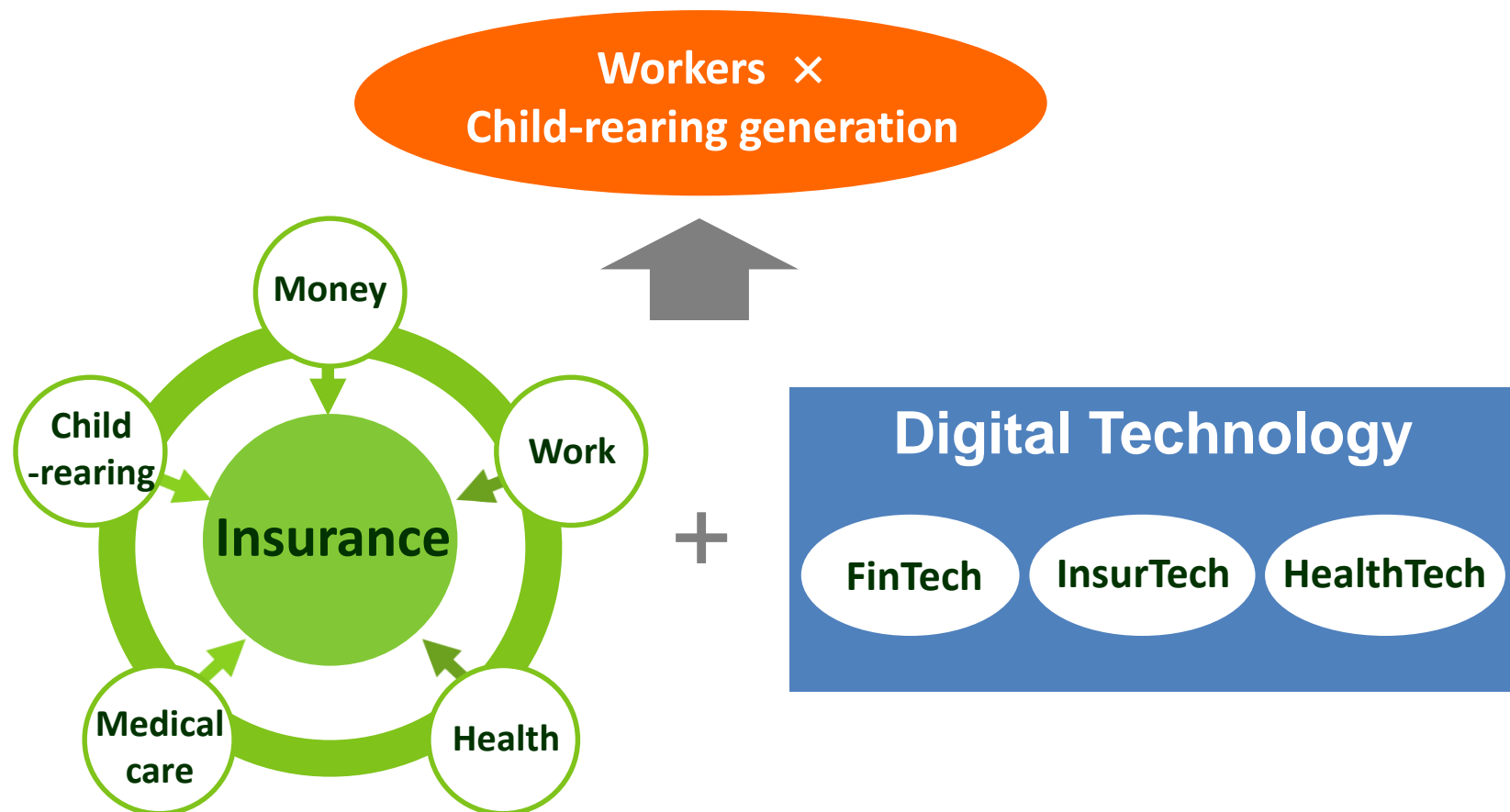
1. Results for 3Q of Fiscal 2017

2. Future Initiatives

3. Progress of Mid-term Business Plan

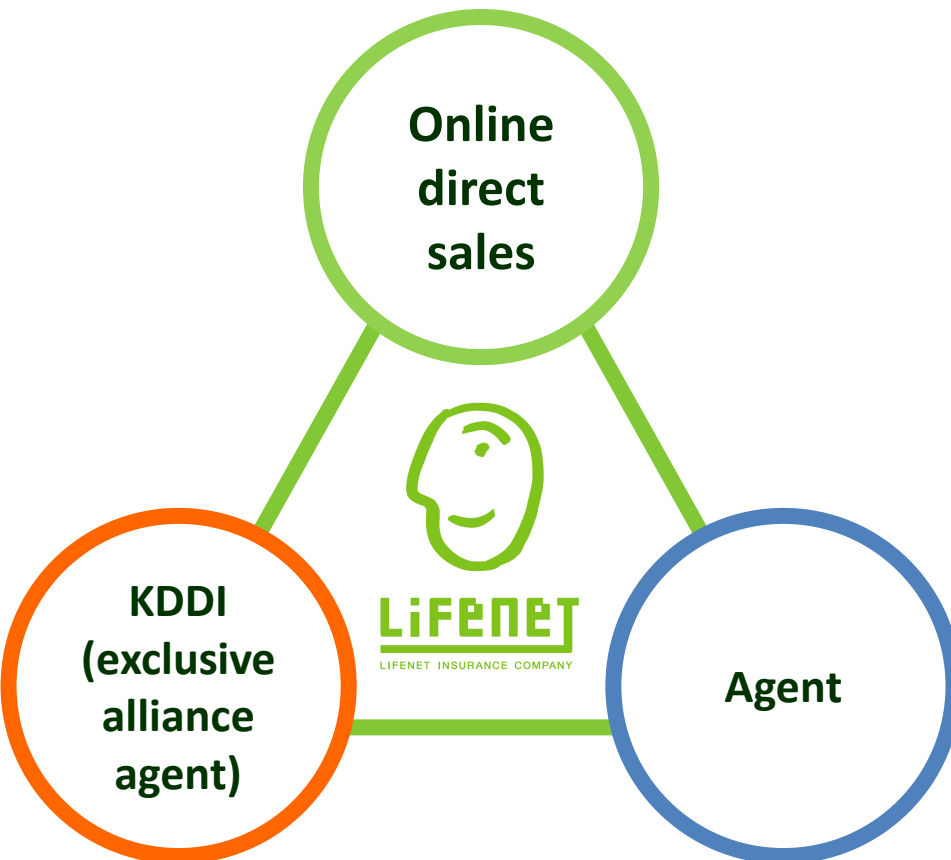
Future Direction

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



Utilization of Three Core Channels

- Aim for **steady growth** of new business performance



Online direct sales

→ Enrich services via smartphone and enhance customer-drawing power

KDDI (exclusive alliance agent)

→ Utilize au Financial Support Center and au shops

Agent

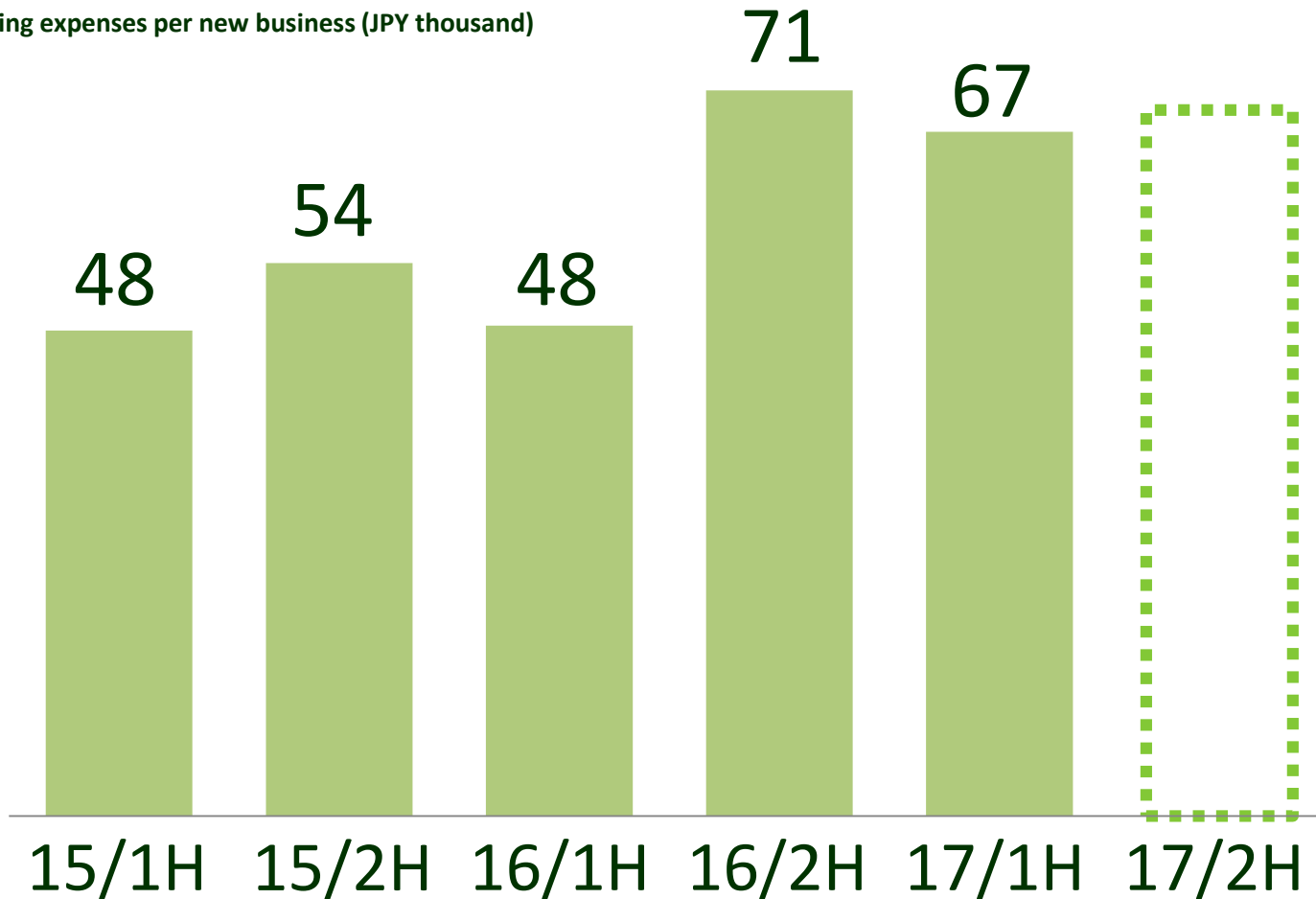
→ Promote Long-term Disability and Cancer Insurance via over-the-counter agent

Marketing Expenses per New Business



■ Further challenge to improve expenses efficiency with investment in marketing

■ : Marketing expenses per new business (JPY thousand)



Contents

1. Results for 3Q of Fiscal 2017

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Mid-term Business Plan

■ Summary of 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 Mid-term Business Plan

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

■ Achieve
Management Goal

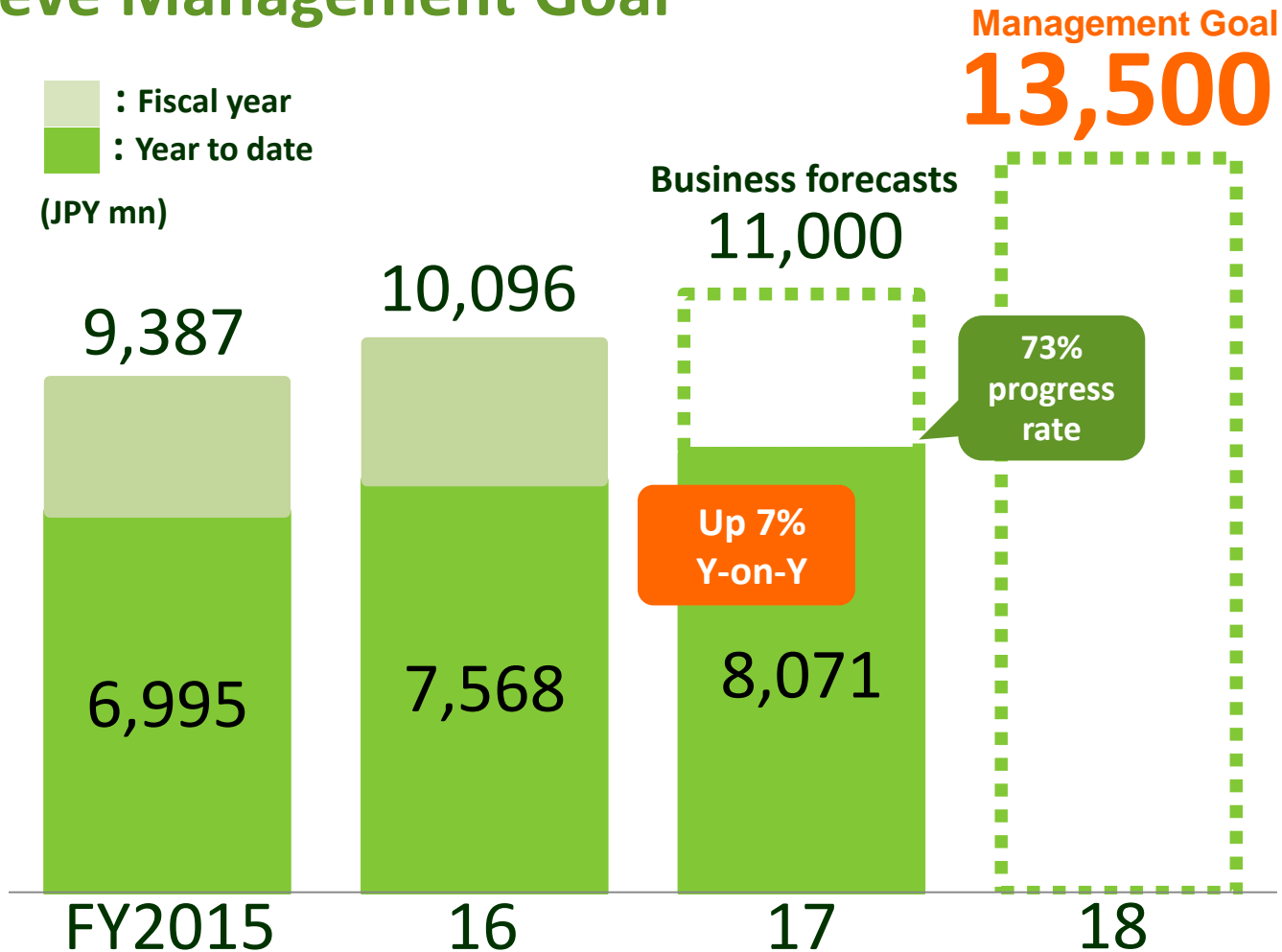
■ Return to
growth in new
business
performance

■ Establish a system
realizing sustainable
profitability



Progress of Mid-term Business Plan (Ordinary Income)

- Business forecast : **73% progressing**
- **Keep on establishing system realizing profitability to achieve Management Goal**



Progress of Mid-term Business Plan (Ordinary Profit/Loss)¹



■ **Keep on investment** in FY2017 to establish system realizing profitability for FY2018

(JPY mn)

	Results for FY2016	Business forecasts for FY2017	Management Goal FY2018	Results for 17/3Q
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 ²	—	—	—
Ordinary profit (loss) (A)-(B)	(2,031)	(300)	Turn profitable	(11)

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.

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) ¹
Net income (loss)	(300)	(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.

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.

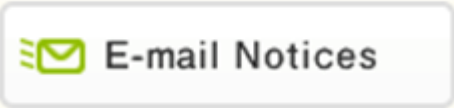
**This manifesto is not simply as a declaration. This is how we do things.
Join us on our journey.**



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

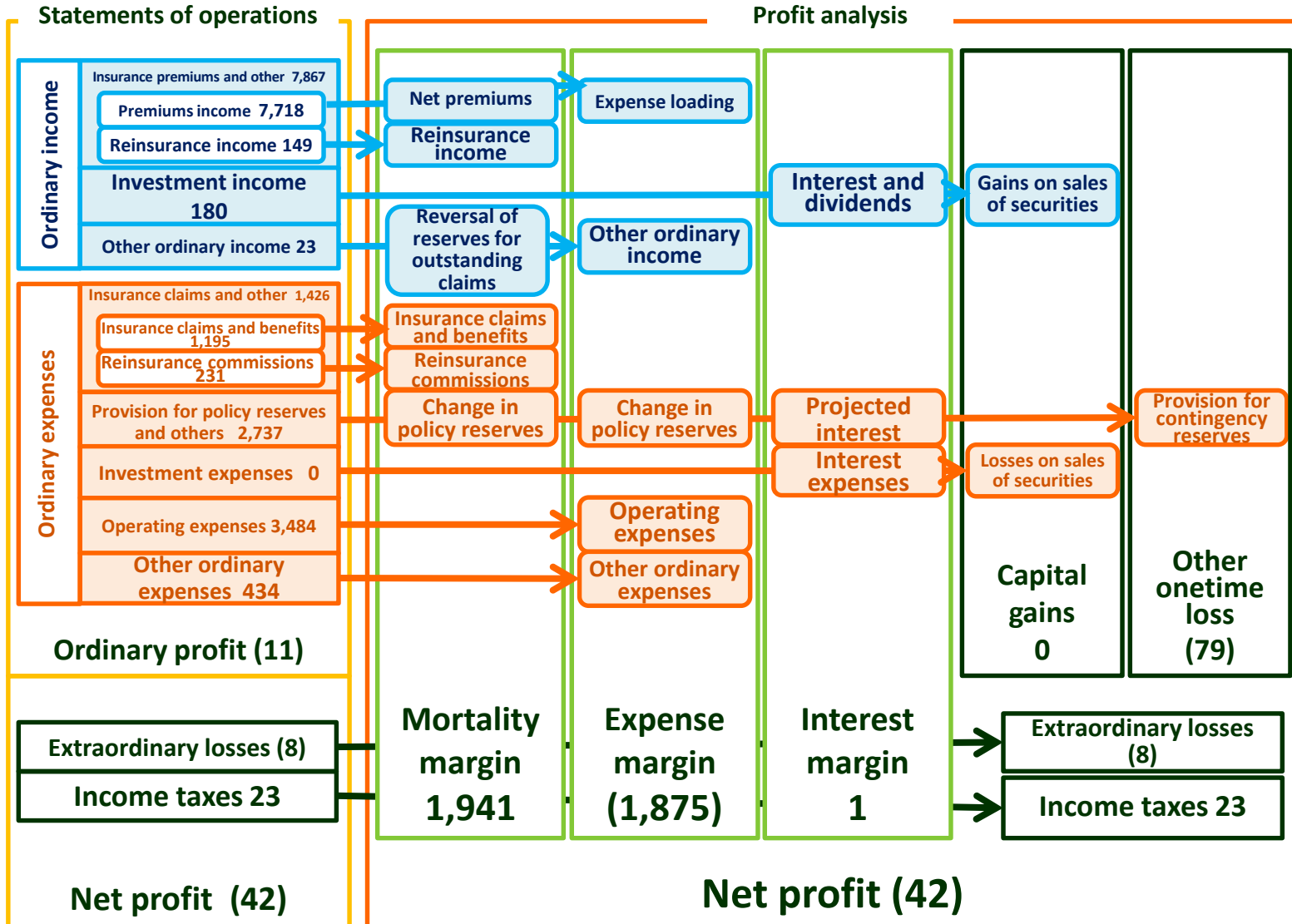


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LIFENET INSURANCE COMPANY

Three Surplus Factors of Fundamental Profit

First 9 months of FY2017



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation

As of December 31, 2017

$$\text{Solvency margin ratio } 2,354.1\% = \frac{\text{Total amount of solvency margin <numerator> } 20,900}{\text{Total amount of risk/2 <the denominator> } 1,649/2}$$

Cash and deposits 1,186	Other liabilities 1,002
Monetary claims bought 1,999	Reserves for outstanding claims 359
Money held in trust 2,283	Policy reserves 19,880
Securities 28,083	Contingency reserves 1,482
	Excess over the full-Zillmerized reserve 5,484
	Price fluctuation reserves 27
	Deferred tax liabilities on available-for-sale securities 221 ¹
	Valuation difference on available-for-sale securities 569 ¹
Tangible fixed assets 104	Capital stock and other assets 13,114
Intangible fixed assets 595	Net assets 13,747
Other assets 1,009	

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

- Insurance risk R₁ 1,072**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 365**
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk R₂ 2**
Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves
- [Minimum guarantee risk] R₇ —**
Risk related to products, such as variable annuities with minimum guarantees
- Asset management risk R₃ 666**
[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 R₄ 63**
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.