



Securities Code:7157
TSE Mothers



Presentation
Material for Investor
for 2Q
of Fiscal 2018

LIFENET

LIFENET INSURANCE COMPANY

LIFENET INSURANCE COMPANY

November 12, 2018

LIFENET is...



Comprehensible
Cost-Competitive
Convenient

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

Contents



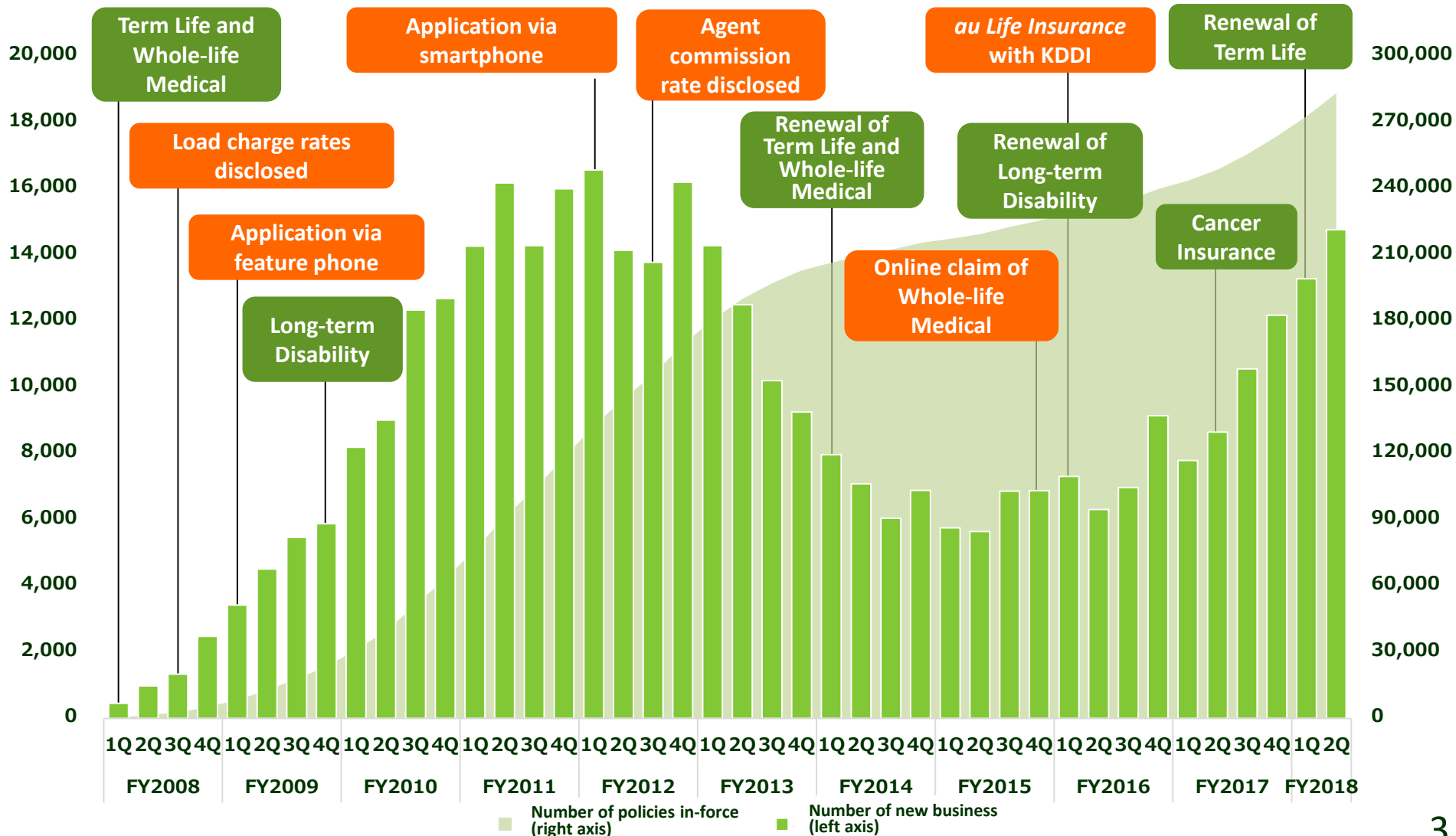
1. New Management Policy

2. Results for 2Q of Fiscal 2018

Looking Back on 10 Years since Business Commencement



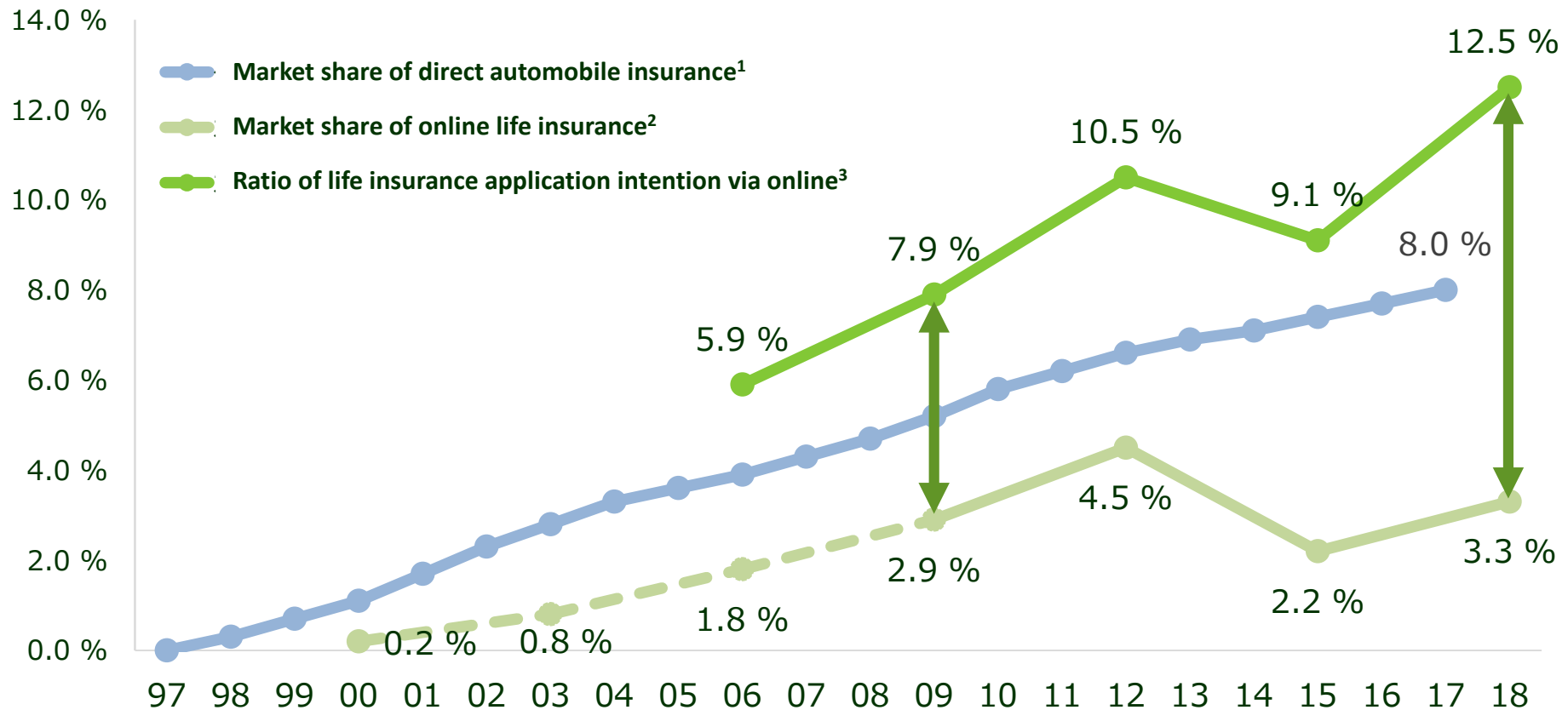
■ New business performance **back on growth track**



Growth Potential of Online Life Insurance Market



■ Expect growth of online insurance market based on growing consumers intension



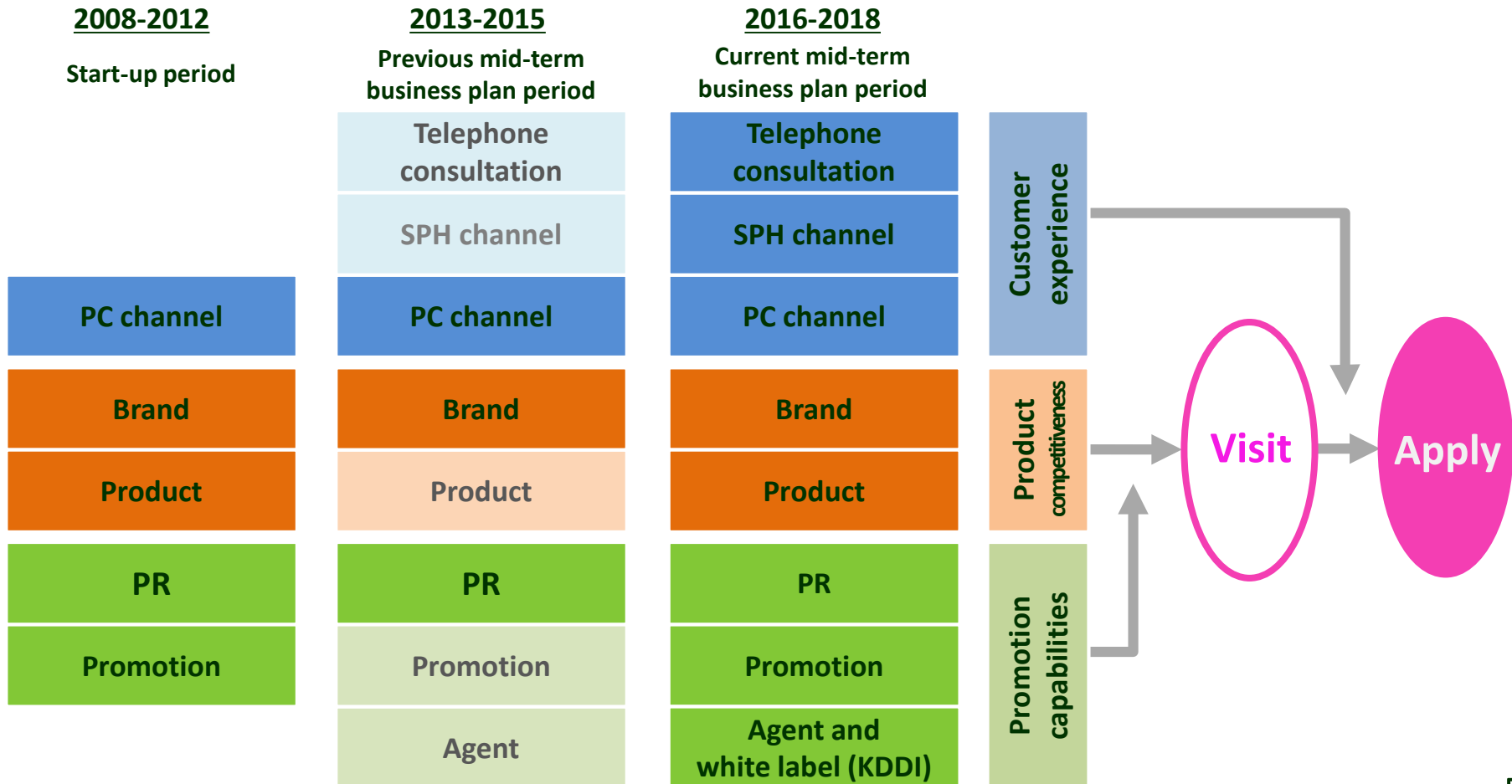
1. Ratio of direct automobile insurance to direct writing premiums in whole automobile insurance market

2. Ratio of online application to whole application channels of life insurance

3. Ratio of consumers who intend to apply via online in case he/she applies life insurance in the future

Priority Areas during 10 Years

■ Responding to changing customer needs for sustainable growth



New Management Policy



Mission

Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services

Vision

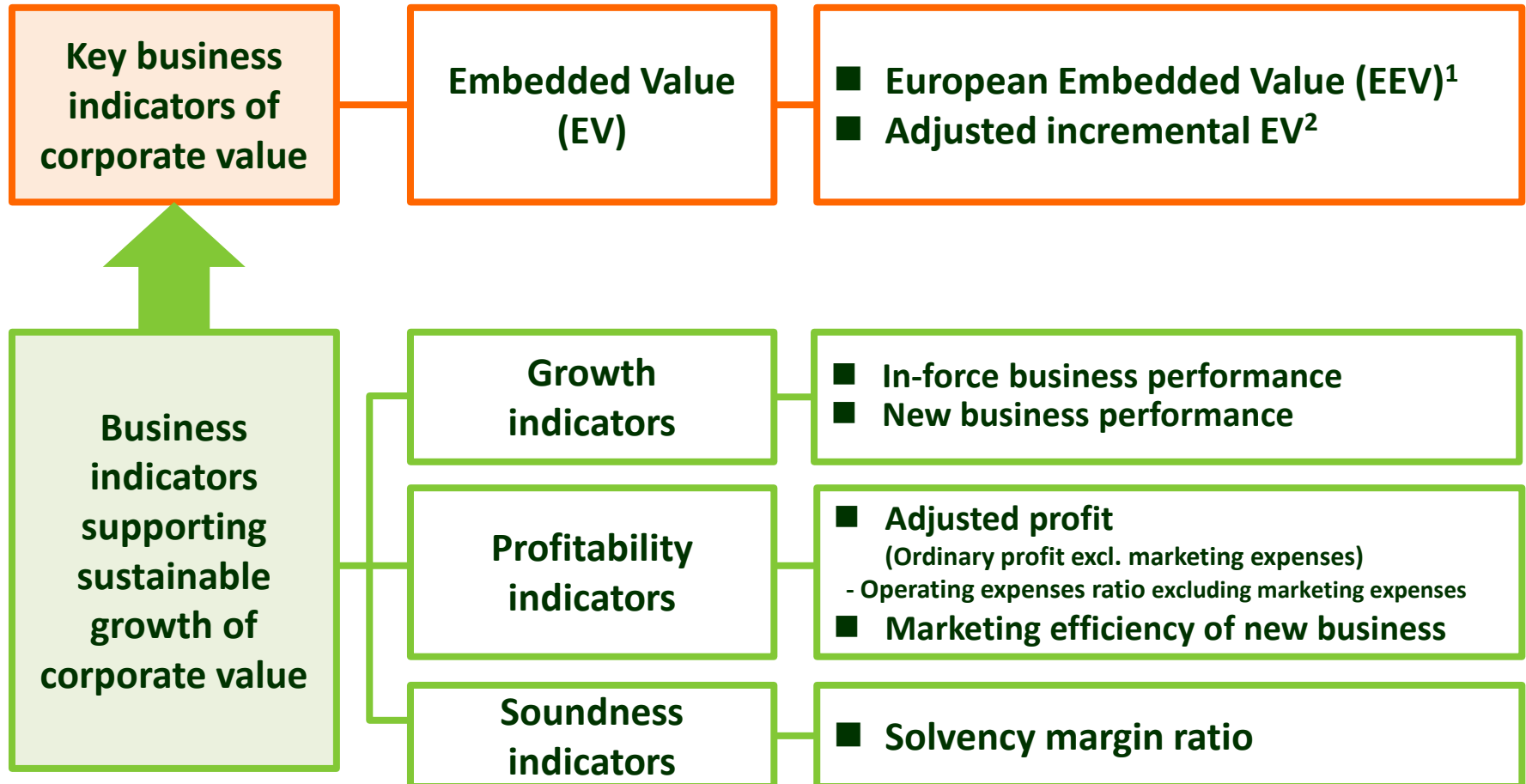
Be the leading company driving the growth of the online life insurance market

Priority areas

- **Innovation of customer experience**
Enhancing and evolving the quality of all services with digital technology
- **Enhancement of promotion capabilities**
Generating massive customer traffic by active promotion and expansion of agent sales and white label business

Business Indicators

■ Aim for sustainable growth of Embedded Value



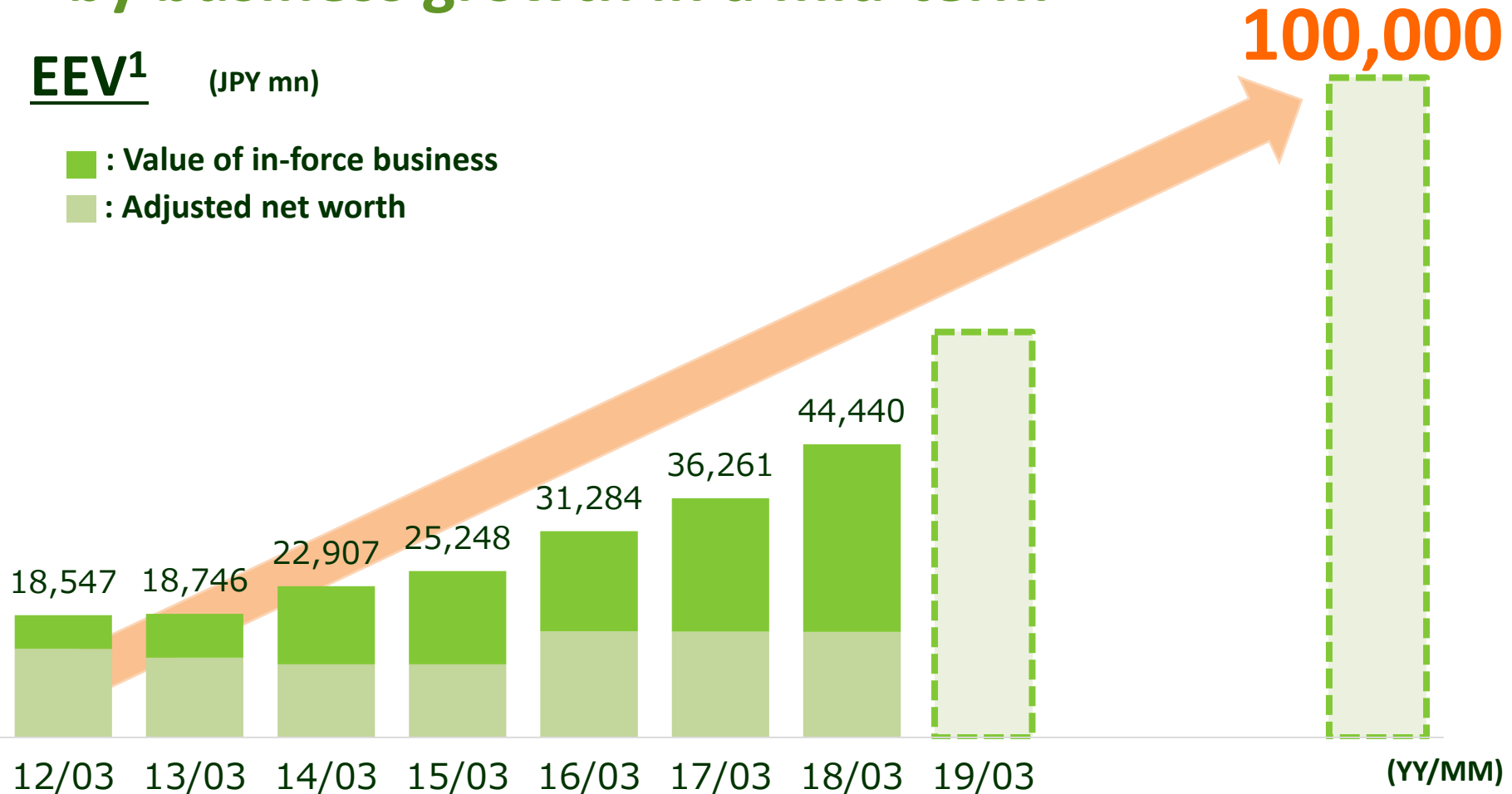
1. EEV is one of the calculation metrology of EV. The EEV Principles and related guidance were published in May 2004 by the CFO Forum, an organization comprising the chief financial officers of Europe's leading life insurers, in order to improve consistency and transparency in EV reporting.
2. Adjusted incremental EV consisted of components accurately reflecting our business growth in 1H of FY2018, see Page 23 for details.

Management Goal

- Aim to achieve **EEV of 100 billion yen** by business growth in a mid-term

EEV¹ (JPY mn)

- : Value of in-force business
- : Adjusted net worth



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. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate the level of ultra-long-term interest rates past the last liquid data point. This method of extrapolation has also been used to restate EEV as of March 31, 2016.

Contents



1. New Management Policy

2. Results for 2Q of Fiscal 2018

Overview of 2Q for FY2018



(JPY mn) LIFENET

Annualized premium¹ of policies-in-force

11,979

(vs end of FY2017 **107.5%**)

Annualized premium¹ of new business

1,209

(Y-on-Y **165.5%**)

Adjusted profit²

1,345

(Y-on-Y **120.4%**)

EEV (European Embedded Value)

61,465

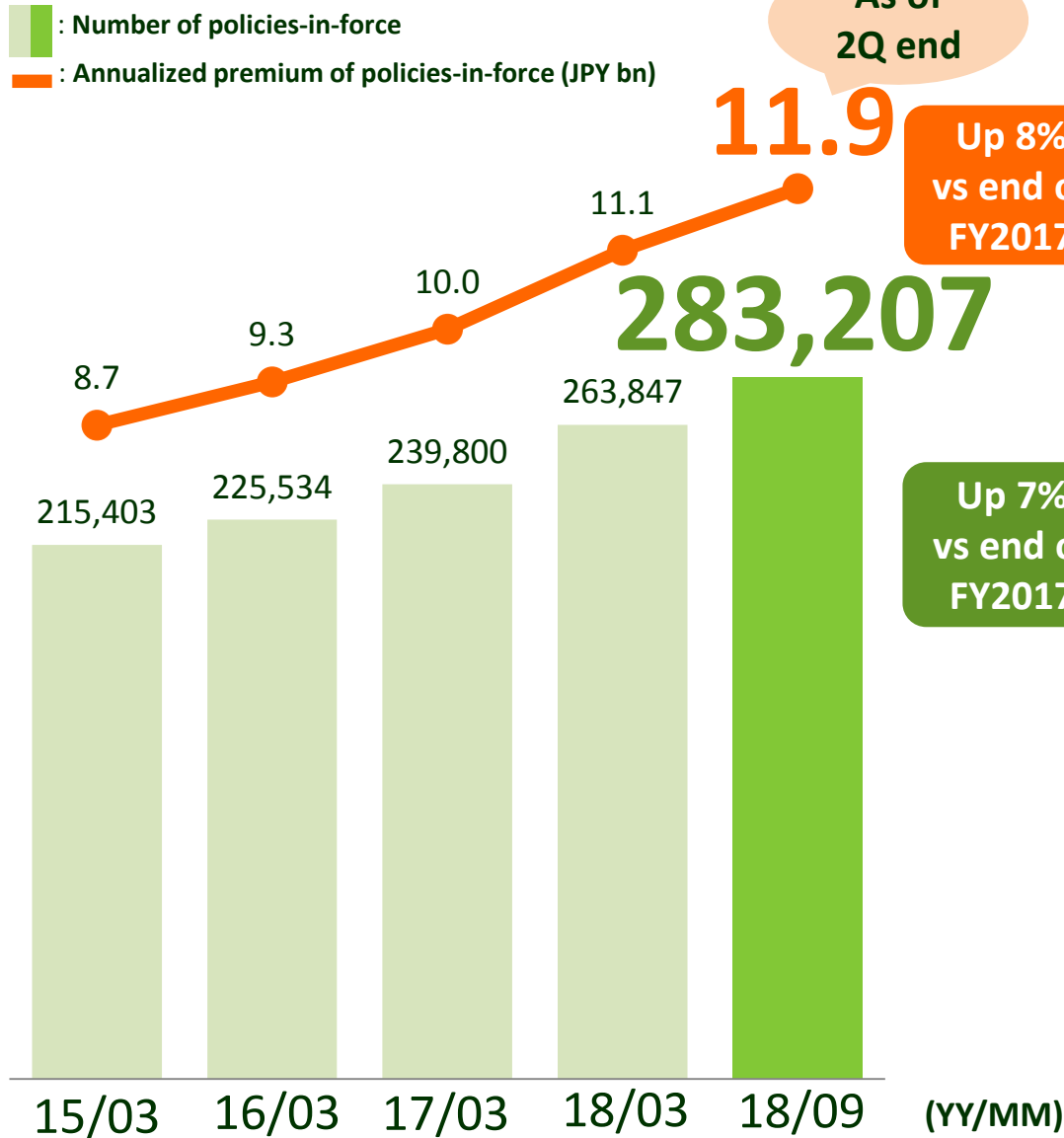
(Adjusted incremental EV³ **1,992**)

Products received external high evaluation



1. 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.
2. Ordinary profit excluding marketing expenses, see Page 19 and 20 for details.
3. Adjusted incremental EV consisted of components accurately reflecting our business growth in 1H of FY2018, see Page 23 for details.

Annualized Premium /Number of Policies-in-Force



- Policies-in-force exceeded 280,000
- Increased steadily and accelerated

Breakdown of Policies-in-force

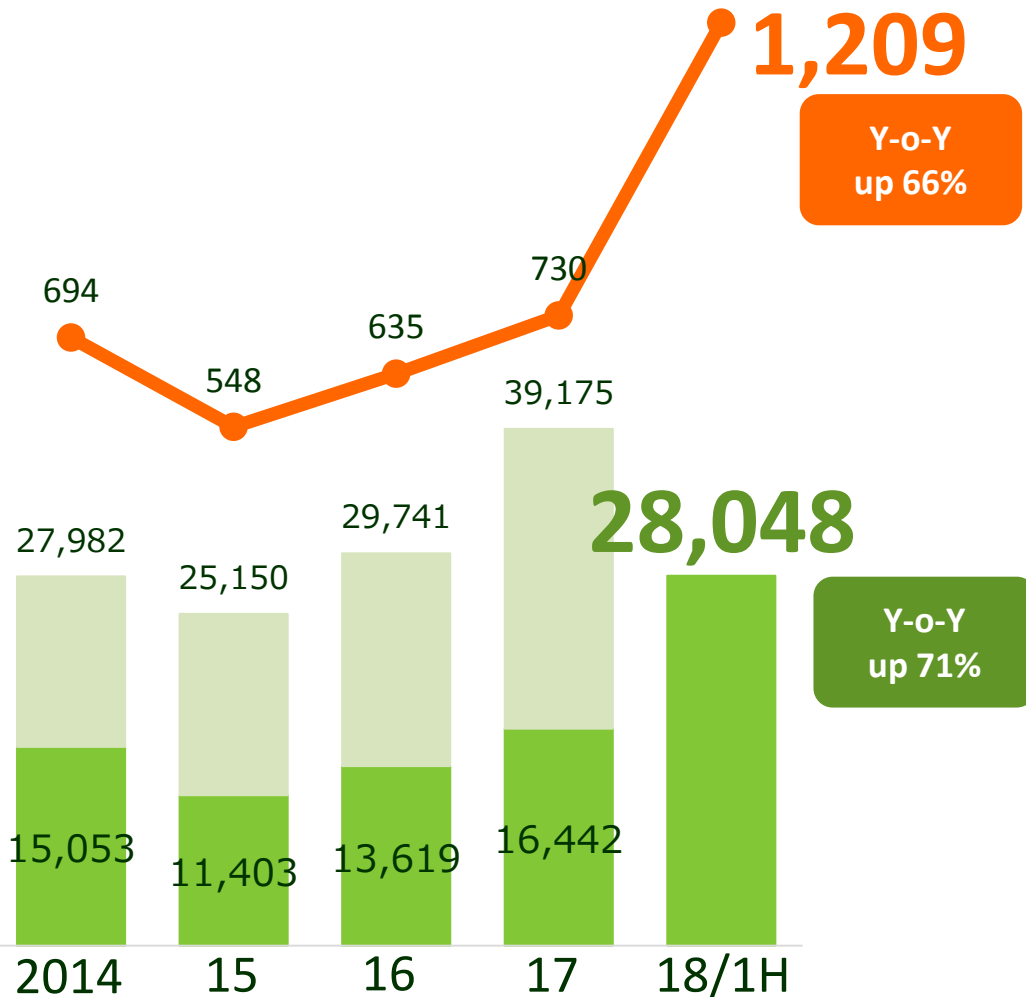
Exceeded 180,000 in-force policyholders

	18/03	18/09	Component ratio
Number of policies-in-force	263,847	283,207	100%
- Term Life ¹	131,256	139,479	49%
- Whole-Life Medical ¹	76,606	80,349	28%
- Term Medical Care ¹	9,924	9,726	3%
- Long-term Disability ¹	42,629	46,013	16%
- Cancer ¹	3,432	7,640	3%
Sum insured of policies-in-force² (JPY mn)	2,059,703	2,160,391	
Number of policyholders	169,532	181,936	
	17/1H	18/1H	
(Reference) Surrender and lapse ratio³	6.1%	6.2%	

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* and *au Cancer insurance*.
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 (Fiscal year)
 ■ :Number of new business (1H of fiscal year)
 ■ :Annualized premium of new business (1H of fiscal year, JPY mn)



■ Business result grew strongly

■ Factors of growth

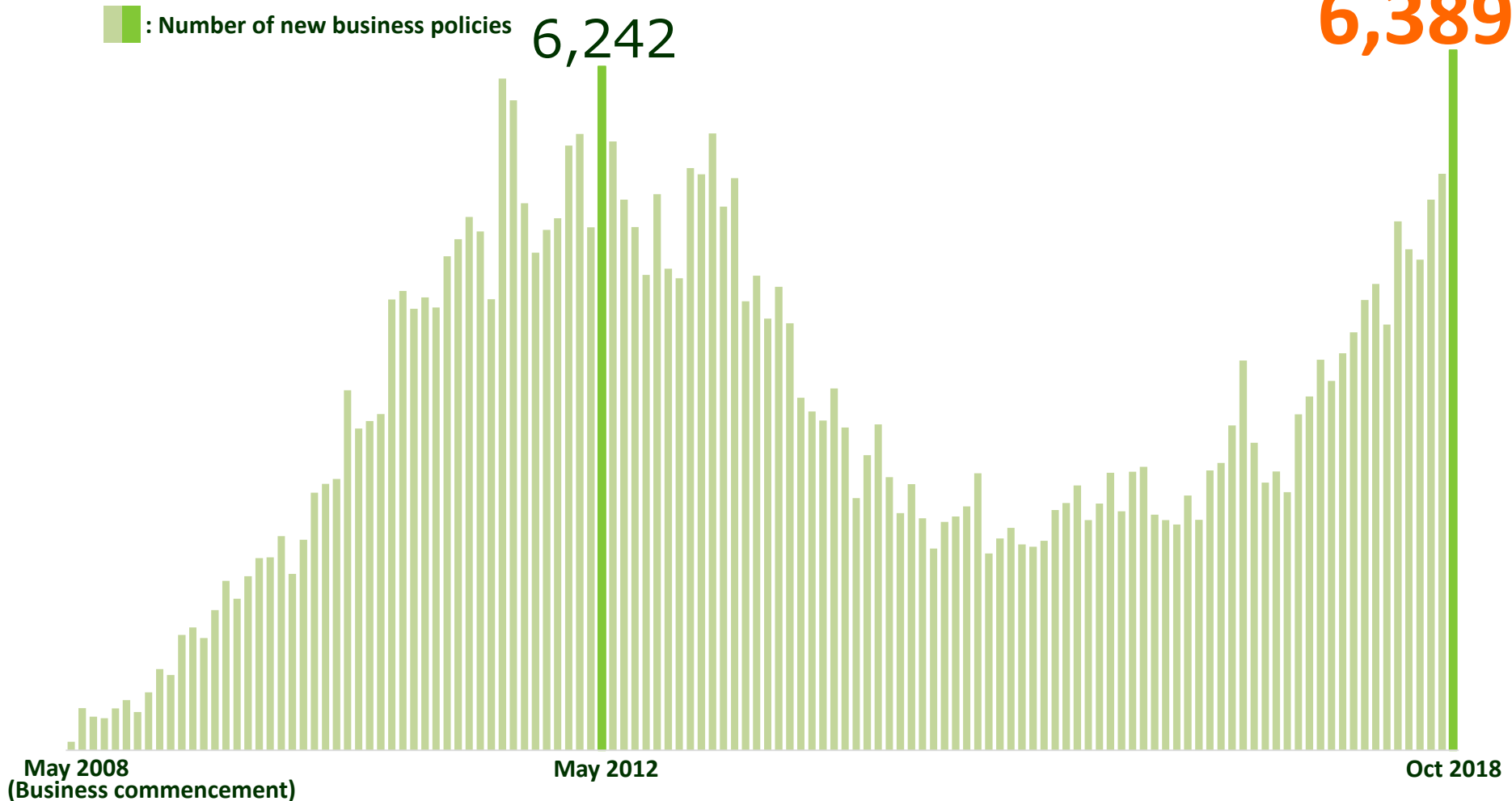
- Enhancement of our brand by advertising
- Increase of conversion rate by improvement of application website
- Effect of channel diversification

Business Performance Back on Track for Growth

■ Reached **record high** of monthly new business performance since May 2012

■ : Number of new business policies 6,242


6,389¹

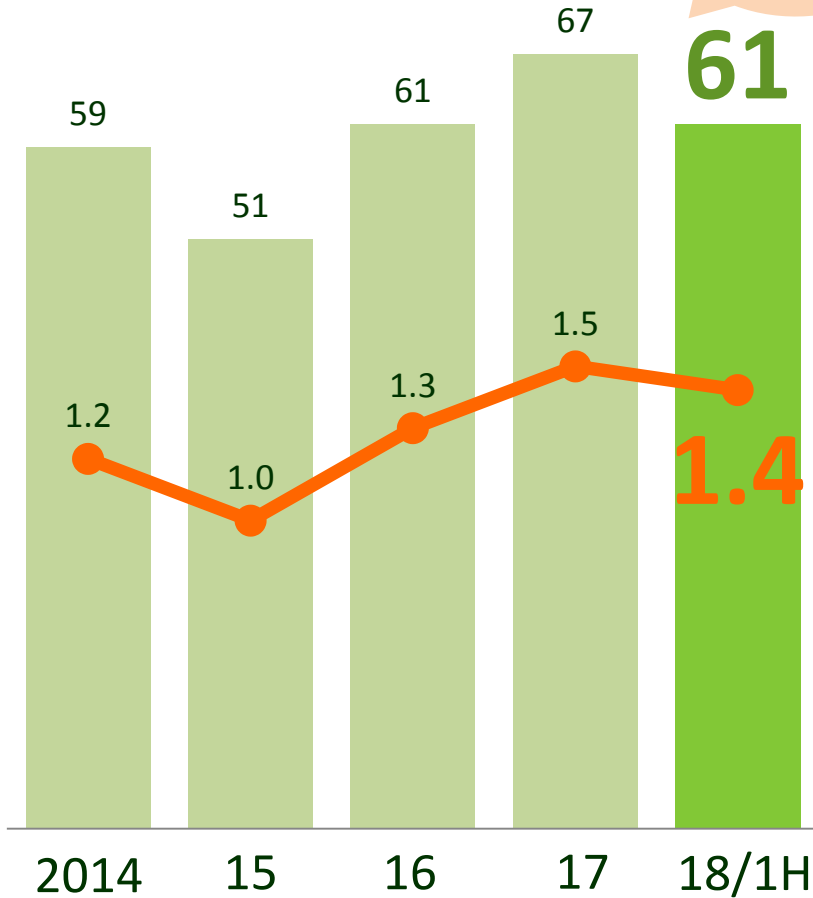


1. Preliminary figures

Marketing Expenses per New Business



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

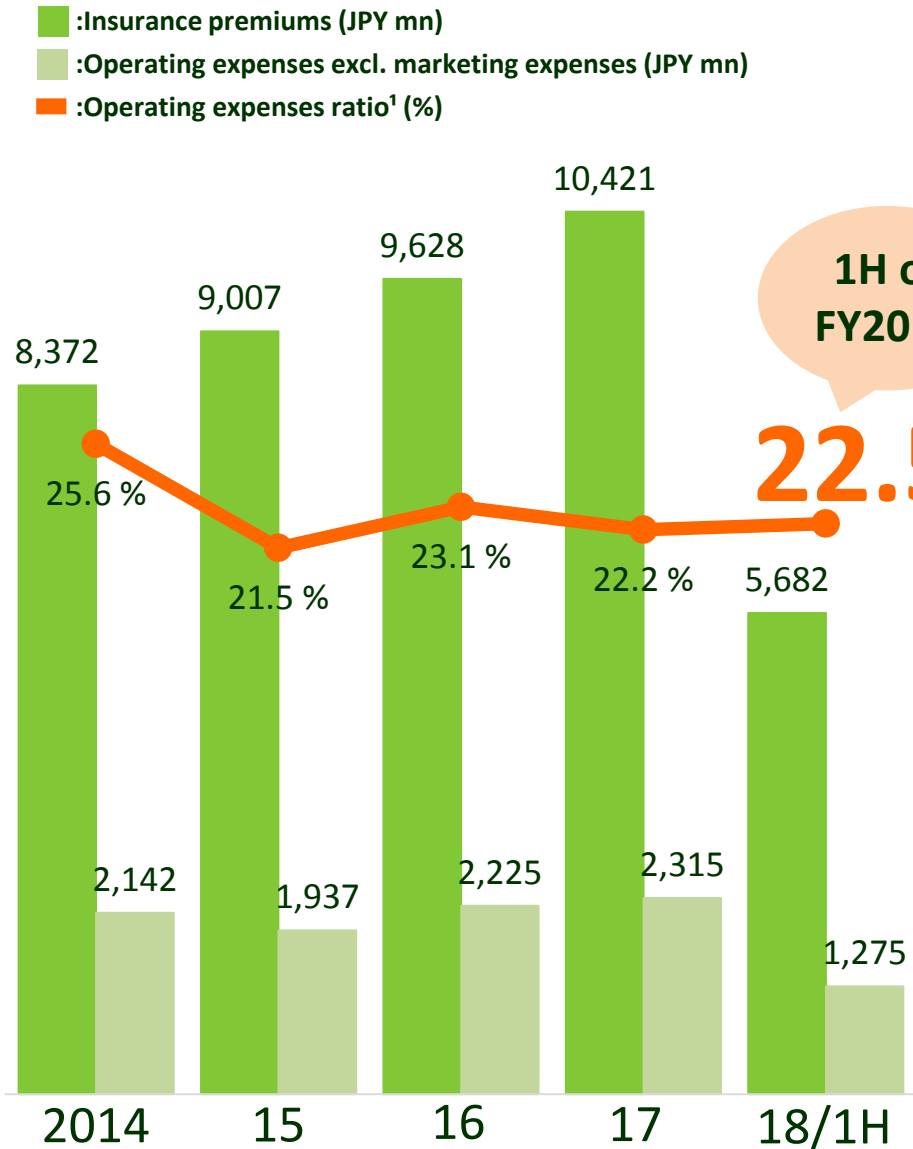


1H of
FY2018

- Maintained same level despite increase in marketing expenses
- Expecting around 60 thousand yen level for fiscal 2018

Marketing expenses (JPY mn)	2014	15	16	17	18/1H
	1,672	1,302	1,822	2,627	1,721

Operating Expenses Ratio¹



■ Operating expenses ratio¹

22.5%

■ Aim for improving operating expenses ratio¹ by **scale expansion** and **cost reduction**

1. The ratio of operating expenses excluding marketing expenses to premiums income

Long-term Profit Not Reflected under Current Statutory Accounting

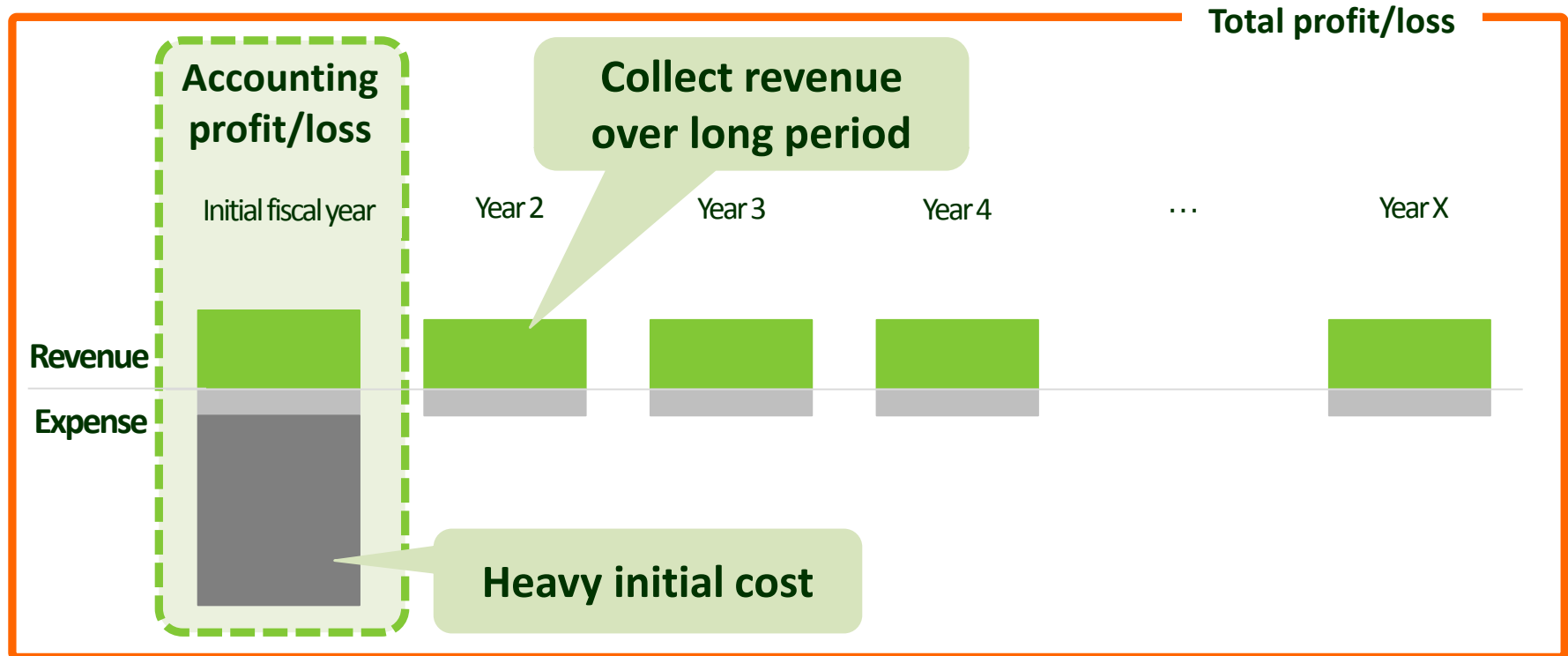
- **Taking time to generate profit**, as initial cost is recognized at the time of acquisition, and the revenue is collected gradually over long period

Approximate profit structure for one policy

■ : Premiums

■ : Operation expenses¹ excluding marketing expenses

■ : Marketing expenses



1. Costs for policy management, payment of insurance claims and benefit claims, etc.

Key Business Indicators of Corporate Value



- Disclosed as key indicators of **substantial profitability** of insurance companies

Adjusted Profit

(Ordinary profit(loss) excluding marketing expenses)
Indicator of profit generated from policies-in-force

EEV (European Embedded Value¹)

Indicator of long-term profitability of insurance companies

1. EEV is one of the calculation metrology of EV. The EEV Principles and related guidance were published in May 2004 by the CFO Forum, an organization comprising the chief financial officers of Europe's leading life insurers, in order to improve consistency and transparency in EV reporting.

Newly Disclosed Adjusted Profit

- Indicator of profit **generated from policies-in-force**

Significance of *Adjusted profit* disclosure

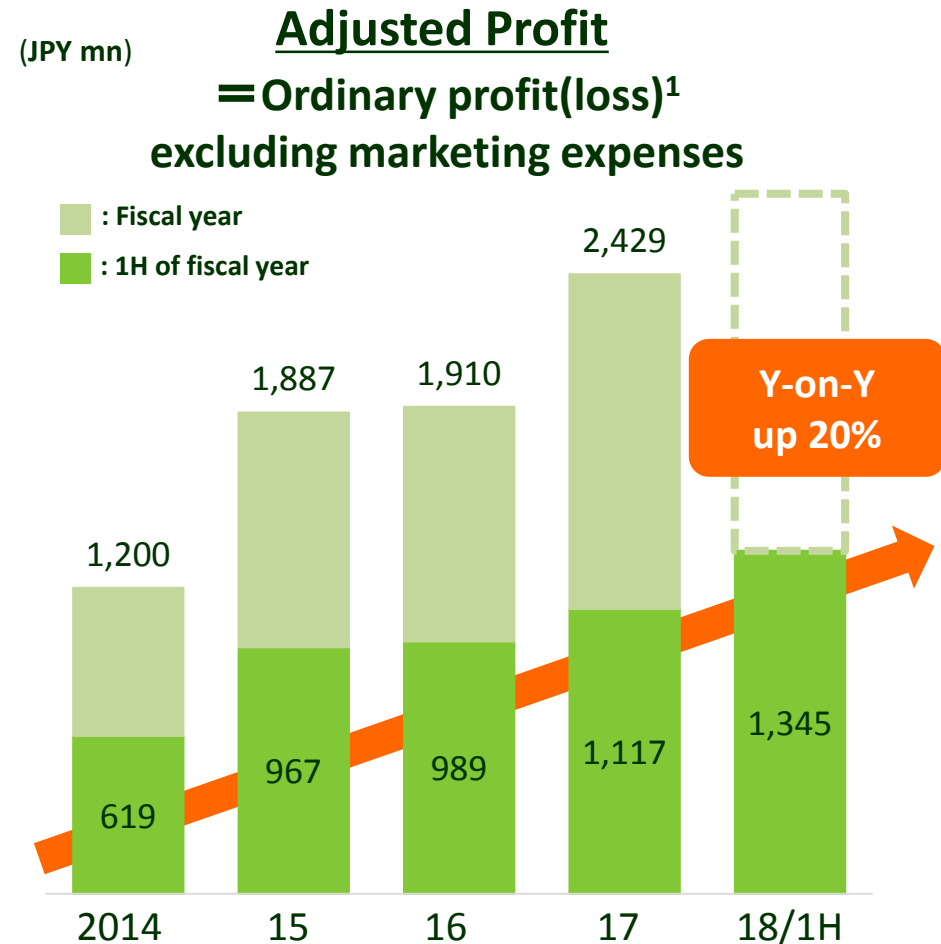
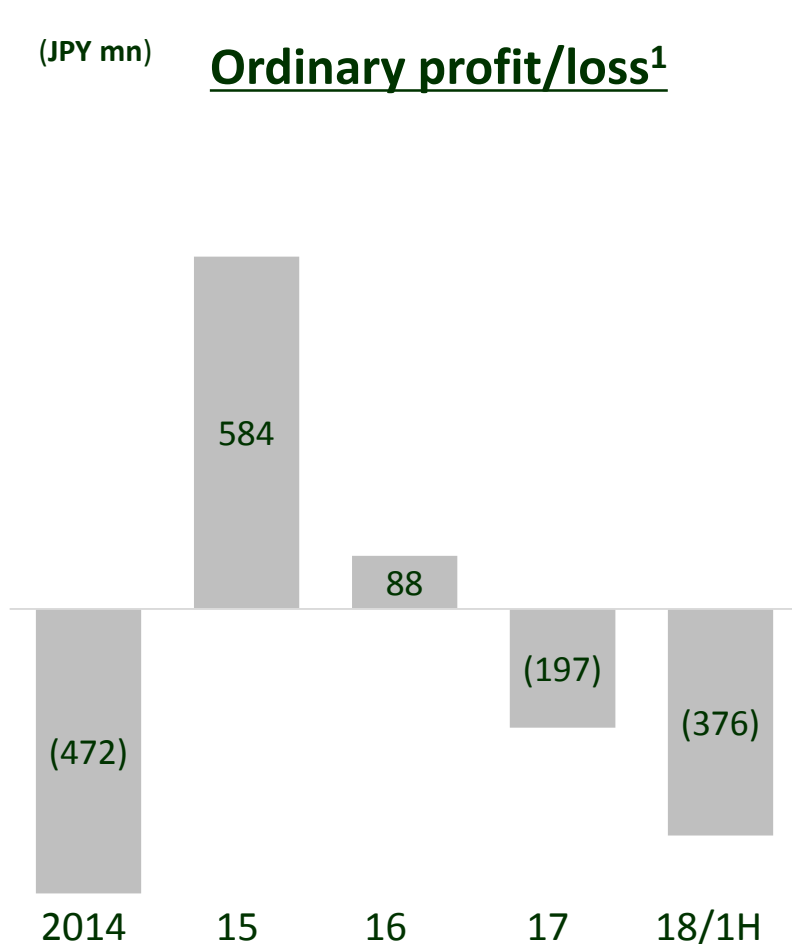
- As accrual timing of cost and revenue do not match, statutory accounting does not necessarily provide an accurate picture of profitability of our business
- Accrual timing of marketing expenses is far different from the one of revenue, therefore excluding marketing expenses from ordinary profit(loss) enables to indicate profit generated from policies-in-force

Ordinary profit excluding marketing expenses

Adjusted Profit

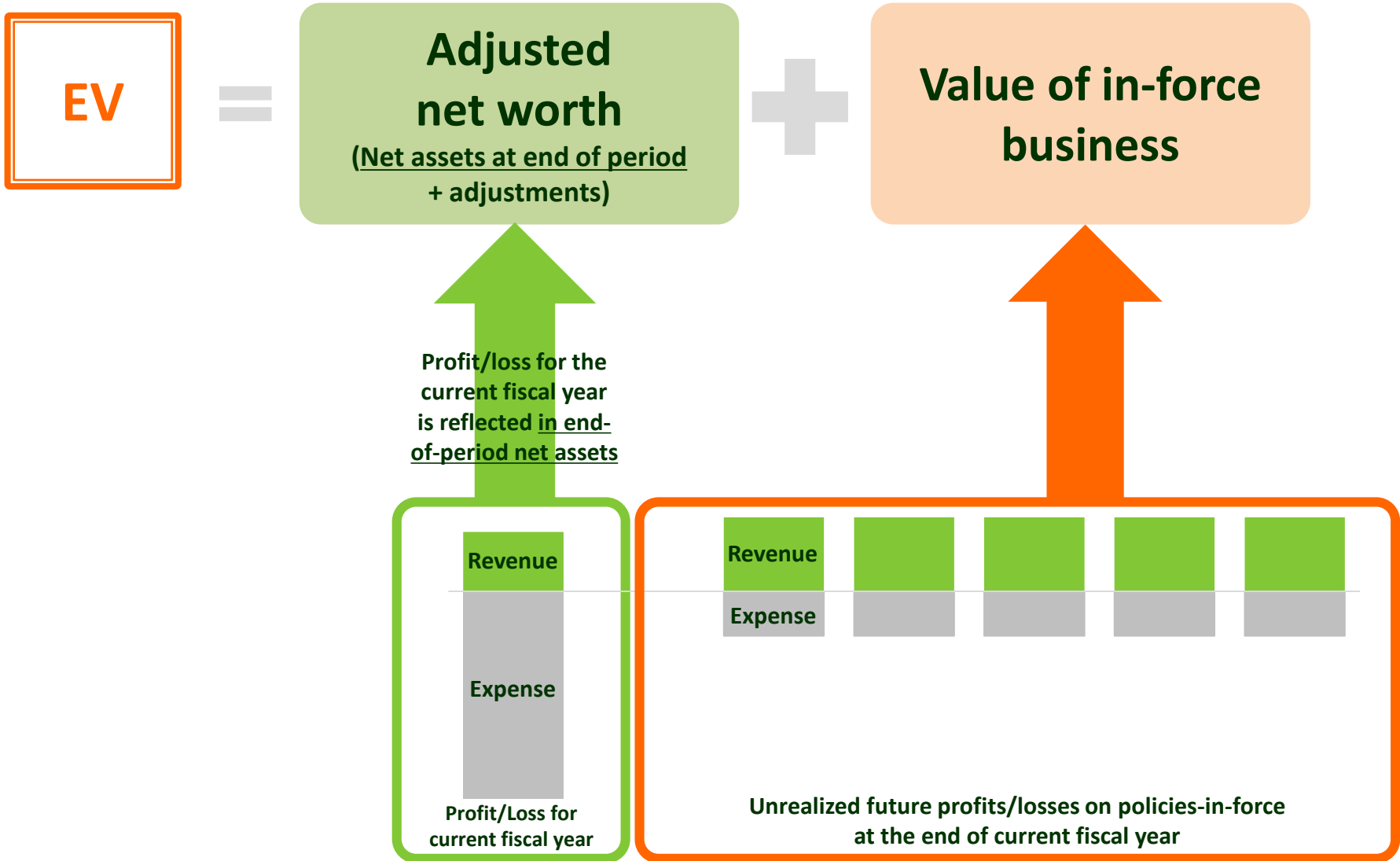
Newly Disclosed Adjusted Profit

- Adjusted profit **steadily increased** though ordinary profit(loss)¹ to be influenced by marketing expenses



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

Structure of Embedded Value



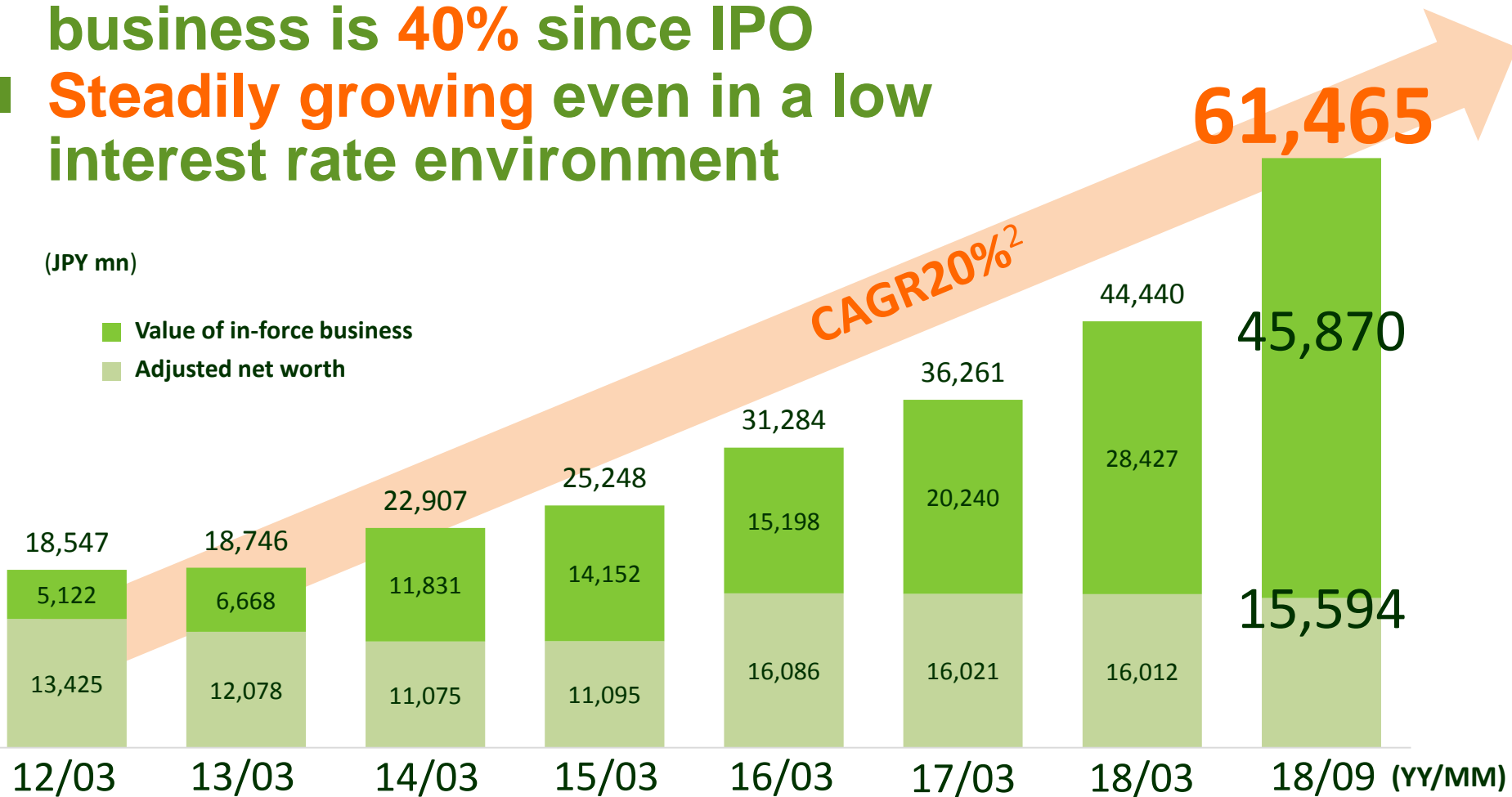
European Embedded Value¹ (EEV)



- CAGR of EEV is **20%**² and value of in-force business is **40%** since IPO
- **Steadily growing** even in a low interest rate environment

(JPY mn)

■ Value of in-force business
■ Adjusted net worth



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. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate the level of ultra-long-term interest rates past the last liquid data point. This method of extrapolation has also been used to restate EEV as of March 31, 2016.

2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015.

Newly Disclosed Adjusted Incremental EV



- Accurately indicates **our business growth in a certain period** among increase in EEV

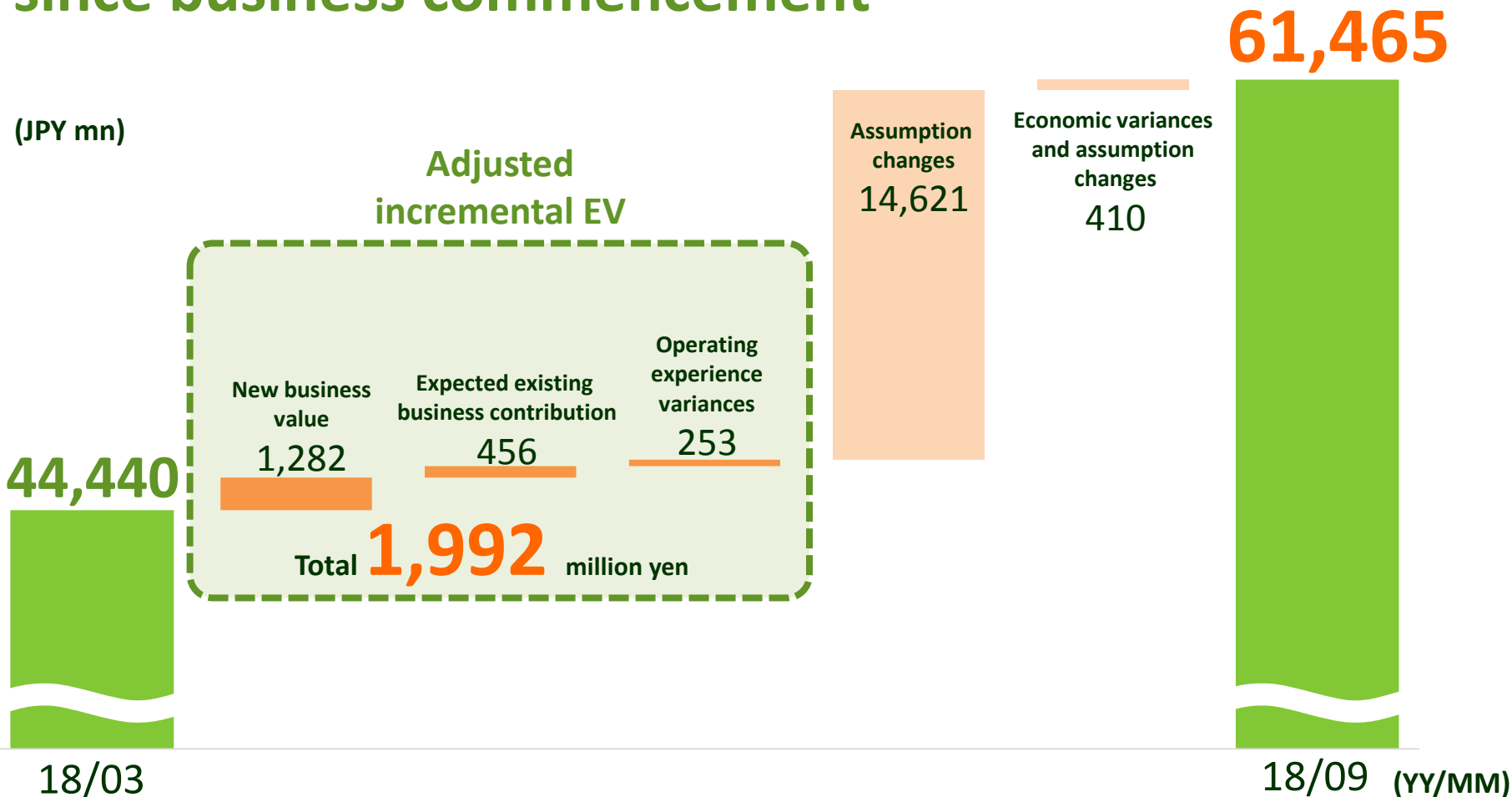
Adjusted incremental EV

Defined as constitution of components below

- New business value in the fiscal year
- Expected existing business contribution
- Operating experience variances

Structure Breakdown of EEV¹

- Adjusted incremental EV **1,992 million yen**
- Changed assumptions based on **10 years experience** since business commencement



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.

Financial Condition

(JPY mn)	(YY/MM)	18/03	18/09
Total assets		35,541	37,101
Cash and deposits		926	1,022
Monetary claims bought		1,999	999
Money held in trust		2,567	3,029
Securities		28,303	30,222
Government bonds		8,398	8,344
Municipal bonds		1,505	1,490
Corporate bonds		13,892	15,528
Stocks ¹		346	487
Other securities ²		4,161	4,370
Total liabilities		22,153	23,983
Policy reserves and other		21,186	22,965
Total net assets		13,387	13,118
Solvency margin ratio		2,455%	2,289%

- Modified duration **11.7 years**
- Maintain **sufficient financial stability** as Solvency margin ratio shows

1. Holds shares of Advance Create Co., Ltd. and others for the purpose of business partnership etc. in online sales
2. Investment trust including foreign bonds and others

Evaluation for Products

■ Products highly evaluated by professionals



Term Life



Long-term
Disability



Cancer



1. The most popular insurance products in each category from January through December 2017, receiving the highest number of applications of Kakaku.com Insurance, the sales agent company of insurance products
2. The Most Chosen Insurance Ranking 2018 of HOKEN ICHIBA is based on compiled date from the number of brochure request and application from January through December 2017.
3. Lifenet Cancer Insurance Double Yell received the Grand Prize in the cancer insurance product category in the Nikkei TRENDY magazine published by Nikkei Business Publications, Inc. of May 2018.
4. MONOQRO the MONEY magazine of December 2018


For Helping Customers Embrace Life More Fully



- Aim for **helping customers embrace life more fully** as well as embracing diversified life

 Enhanced *Survivorship Support Services*¹ to support those who are working while being treated for cancer



 Received Gold Rating in the *PRIDE Index* by wWP² for LGBT³ initiatives for 3rd consecutive year



1. For details URL: <https://www.lifenet-seimei.co.jp/survivorship/> (in Japanese only)
2. *work with Pride* is a private organization to support the promotion and institutionalization of diversity management relating to sexual minorities including lesbian, gay, bisexual and transgender in companies and organizations
3. Sexual minorities such as Lesbian, Gay, Bisexual and Transgenders

Revision of Business Forecast FY2018

- Given new management policy and strong new business result, **aim for reaching historical high** in a fiscal year

(JPY mn)

	【Original】 Business forecast for FY2018	【Revised in Aug】 Business forecast for FY2018	【Revised in Nov】 Business forecast for FY2018
Ordinary income	12,000	12,300	12,600
Ordinary profit (loss)	0	(800)	(1,600)
Net income (loss)	0	(600)	(1,600)
(Reference) Annualized premium ¹ of new business	1,800	2,200	2,600

1. 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.

New Management Policy



Mission

Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services

Vision

Be the leading company driving the growth of the online life insurance market

Priority areas

- **Innovation of customer experience**
Enhancing and evolving the quality of all services with digital technology
- **Enhancement of promotion capabilities**
Generating massive customer traffic by active promotion and expansion of agent sales and white label business

LIFENET Manifesto



Comprehensible, Cost-Competitive, Convenient

I. Our Guiding Principles

- (1) Creating the life insurance of the future without losing sight of its original premise: “an ounce of prevention is worth more than a pound of cure.”
- (2) Listening to what our customers are saying. Recognizing their needs and acting accordingly. Allowing our actions to be borne out of their voices and needs.
- (3) Delivering the caliber of products and services that we would feel confident recommending to our own friends and families.
- (4) Being a “straight-shooter”. Committing to transparency. Communicating openly about our management team, our products, and our employees.
- (5) Embracing diversity and dialogue to keep us abreast of changing needs and preferences. Delivering peace of mind that we’ll be around in 100 years.
- (6) Acting in good faith means always taking the high road when it comes to compliance and ethics.

III. Making Life Insurance Accessible Again - Affordable

- (1) Giving the customer what he/she needs. No more, no less at a fair price.
- (2) Staying vigilant as to how we can provide our products more cost-efficiently.
- (3) Always putting ourselves in our customers’ shoes in thinking about how to minimize their premiums.

II. Making Life Insurance Accessible Again - Headache-free

- (1) Helping the customers help themselves. By making our materials easy to understand, customers can determine which coverage is truly the best fit.
- (2) Turning “clauses” in the insurance contract into succinct points that your grandmother could grasp.
- (3) Making all touch points headache-free. Beyond the application process, ensuring the claims and billing processes are also easy to understand.

IV. Making Life Insurance Accessible Again - Convenient

- (1) Thinking about our customers’ convenience from every angle and every touch point along the way.
- (2) Forming alliances with like-minded partners who can add value above and beyond our products and services to our customers.
- (3) Providing health and wellness tips beyond the framework of life insurance to create value in our policyholders’ lives.
- (4) Creating a precedent for future generations as to what life insurance is (and should be) all about.

**We wish to be a company that helps our customers embrace life more fully.
In order to live out that vision, we continue to challenge ourselves.**



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.

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

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 E-mail Notices

Appendix



LIFENET

LIFENET INSURANCE COMPANY

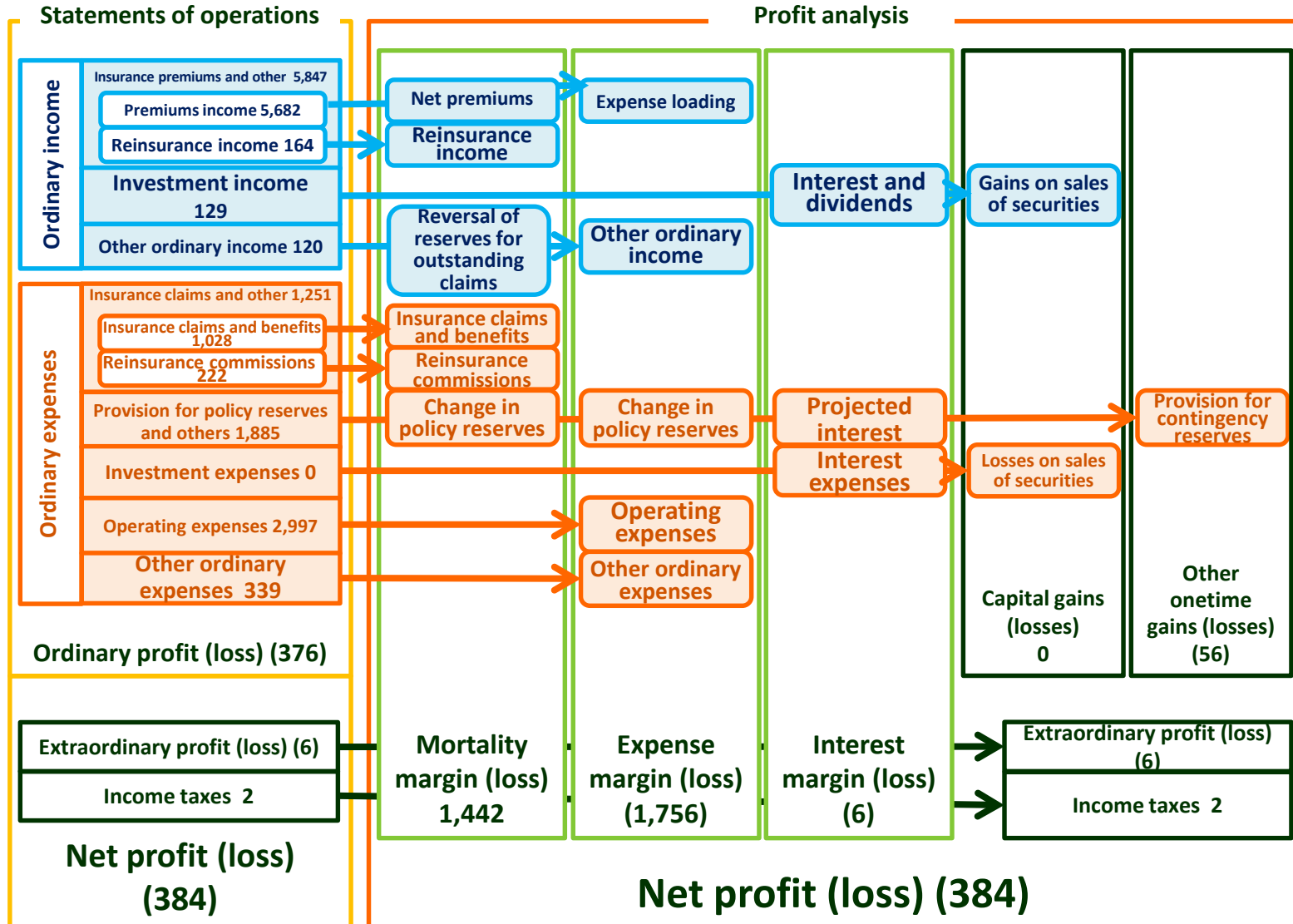
Condensed Statements of Operation / Fundamental Profit



		(JPY mn)	2017/1H	2018/1H	Change	Note
Condensed Statements of Operation	Insurance premiums and other		5,196	5,847	650	
	Other		142	250	107	
	Ordinary income		5,338	6,097	758	In-force policies business increase
	Insurance claims and other		971	1,251	280	Increased by In-force policies business increase. Percentage of insurance claims and benefit claims to insurance premiums is 18.1%.
	Insurance claims		533	710	177	Increased from 35 cases to 48 year on year (1H of 2018)
	Benefit claims		288	318	30	Increased from 3,039 cases to 3,331 year on year (1H of 2018)
	Provision for policy reserves and other		1,786	1,885	98	Increased slightly by transferring to standard policy reserves. Percentage of provision for policy reserves (1,885 million yen) to insurance premiums is 33.2%.
	Operating expenses		2,295	2,997	702	Marketing expenses mainly advertising expenses increased
	Marketing expenses		1,115	1,721	605	
	Customer service		327	367	40	
	System and other		852	908	56	
	Other		283	339	55	
	Ordinary expenses		5,337	6,473	1,136	
	Ordinary profit (loss)		1	(376)	(377)	
	Extraordinary losses and income taxes		16	8	(7)	
Net income (loss)		(15)	(384)	(369)		
Fundamental Profit	Mortality margin		1,278	1,442	164	
	Expense margin (loss)		(1,232)	(1,756)	(523)	Marketing expenses mainly advertising expenses increased
	Interest margin (loss)		4	(6)	(10)	
	Fundamental profit		50	(319)	(370)	

Three Surplus Factors of Fundamental Profit

2Q of FY2018



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation

As of Sep 30, 2018

$$\text{Solvency margin ratio } 2,289.3\% = \frac{\text{Total amount of solvency margin <numerator> } 20,678}{\text{Total amount of risk/2 <the denominator> } 1,806/2} \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4 / 2$$

Cash and deposits 1,022	Other liabilities 748
Monetary claims bought 999	Reserves for outstanding claims 323
Money held in trust 3,029	Policy reserves 22,642
Securities 30,222	Contingency reserves 1,575
	Excess over the full-Zillmerized reserve 5,798
	Price fluctuation reserves 37
	Deferred tax liabilities on available-for-sale securities 208 ¹
	Valuation difference on available-for-sale securities 535 ¹
Tangible fixed assets 92	Capital stock and other assets 12,523
Intangible fixed assets 633	Net assets 13,118
Other assets 1,102	

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

- Insurance risk R₁ 1,123**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 405**
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 819**
[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 70**
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.