



Securities Code: 7157
TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

**Presentation
Material for
Investor Meeting
for Fiscal 2018**

LIFENET INSURANCE COMPANY

May 13, 2019

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

- Remembering **the original purpose** of life insurance – mutual support
- Reaching customers with insurance needs with the necessary coverage in appropriate methods

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- 1. Financial Results for Fiscal 2018**
- 2. New Management Policy and Future Endeavors**

Overview of Fiscal 2018

Annualized premium¹ of policies-in-force

13,085 million yen
(117.4% vs end of FY2017)

Annualized premium¹ of new business

2,773 million yen
(Y-on-Y 161.8%)

Adjusted profit²

2,497 million yen
(Y-on-Y 102.8%)

EEV (European Embedded Value)

63,378 million yen
(Adjusted incremental EV³ 3,779 million yen)

Notable Achievements

Products Releases



Term Life



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High External Product Evaluations



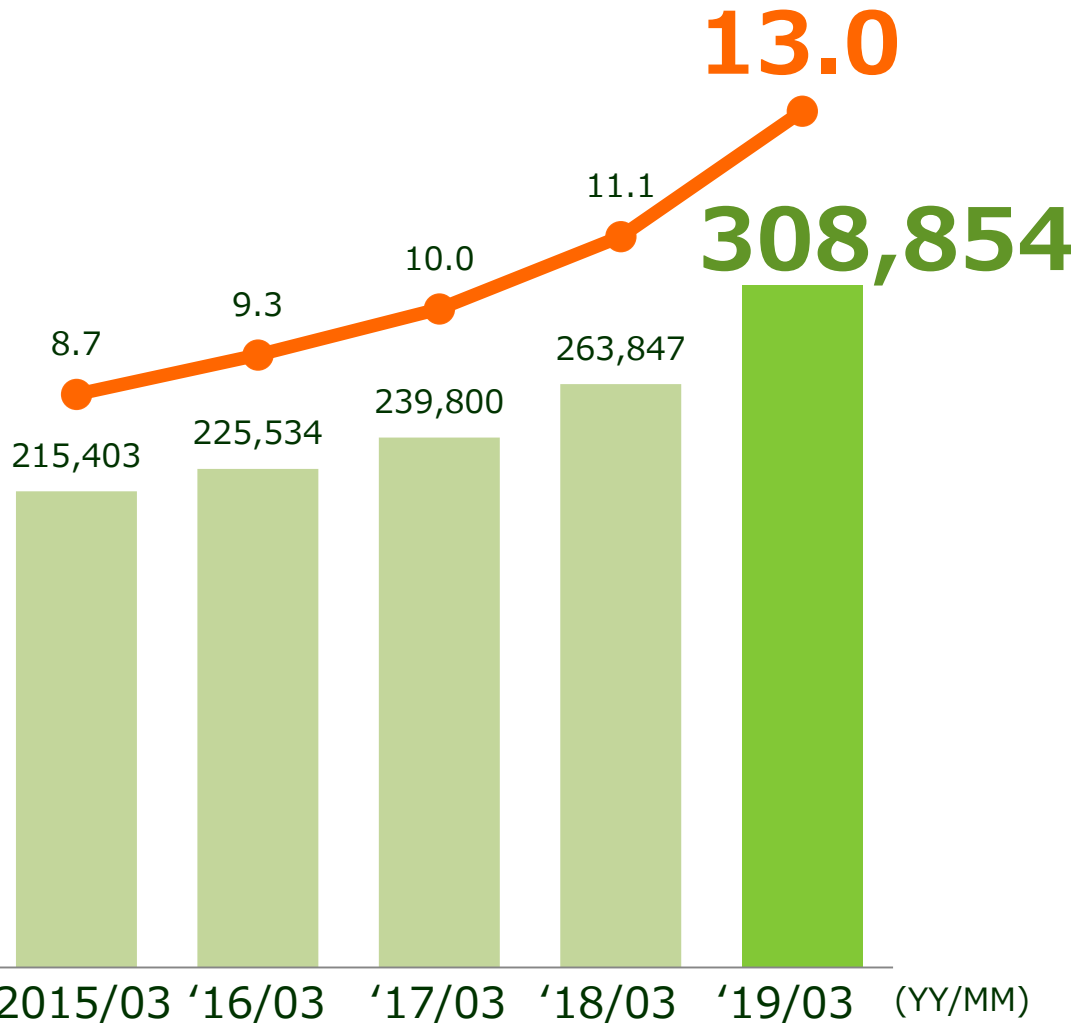
Expansion of SPH Services



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 11 and 12 for details.
3. Adjusted incremental EV consisted of components accurately reflecting our business growth for fiscal 2018, see page 15 for details.

Annualized Premium / Number of Policies-in-Force

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



- Annualized premium **117.4%**, number of policies-in-force **117.1%** vs end of FY2017
- Continued **strong growth trend**

Breakdown of Policies-in-Force

	18/03	19/03	Component ratio
Number of policies-in-force	263,847	308,854	100%
- Term Life ¹	131,256	150,808	49%
- Whole-life Medical ¹	76,606	85,968	28%
- Term Medical Care ¹	9,924	9,493	3%
- Long-term Disability ¹	42,629	49,214	16%
- Cancer ¹	3,432	13,371	4%
Sum insured of policies-in-force² (JPY mn)	2,059,703	2,289,567	
Number of policyholders	169,532	197,669	
	FY2017	FY2018	
(Reference) Surrender and lapse ratio³	5.9%	6.6%	

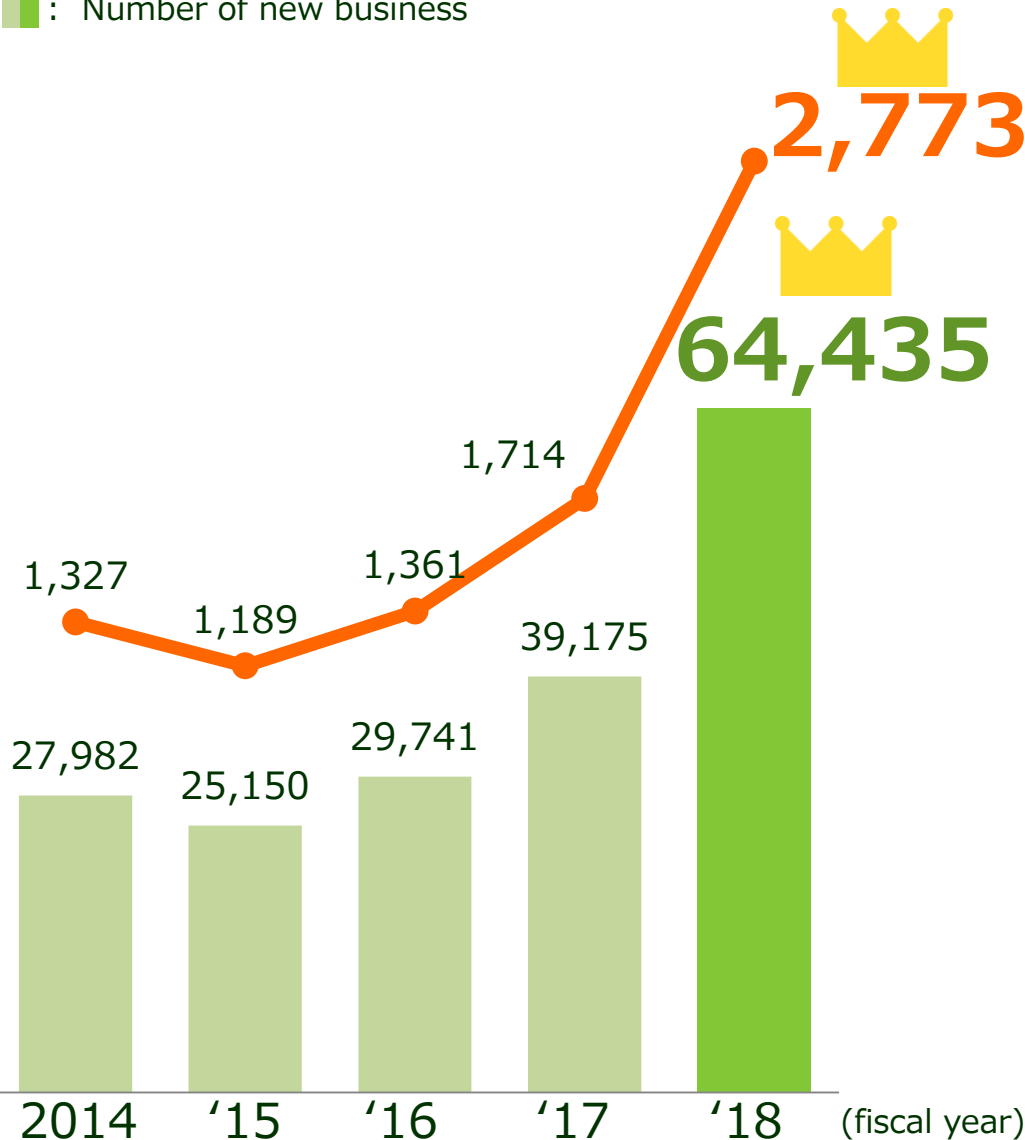
1. Term Life insurance: *Kazoku* and *au Term Insurance*, Whole-life Medical insurance: *Jibun*, *New Jibun*, *New Jibun for Women*, *au Medical Insurance* and *au Medical Insurance for Women*, Term Medical Care insurance: *Jibun Plus*, Long-term Disability insurance: *Hataraku-Hito*, *Hataraku-Hito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

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

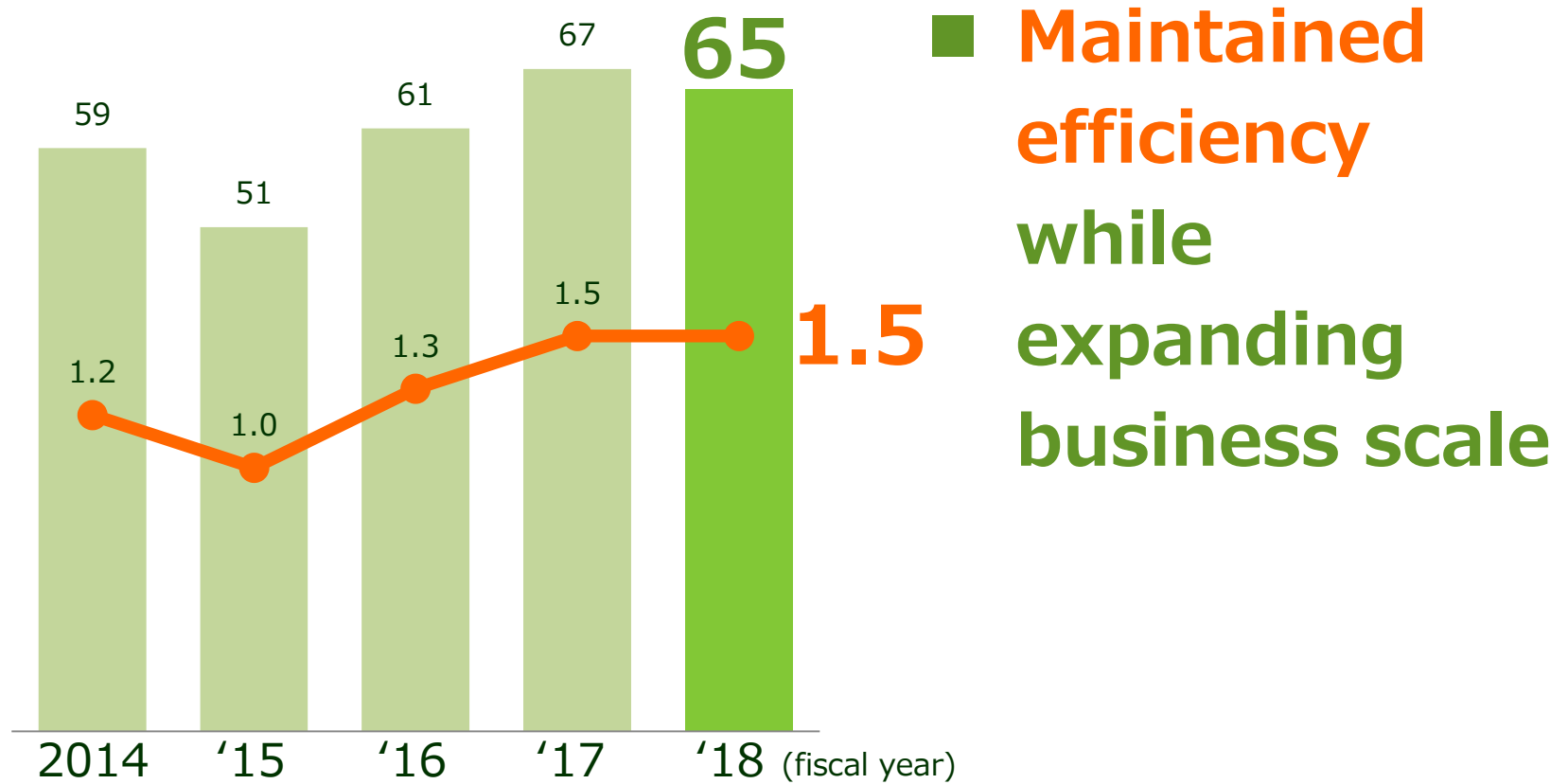


■ Recorded **historical high** of new business performance

■ Y-on-Y annualized premium **161.8%**, number of new business **164.5%**

Marketing Efficiency

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

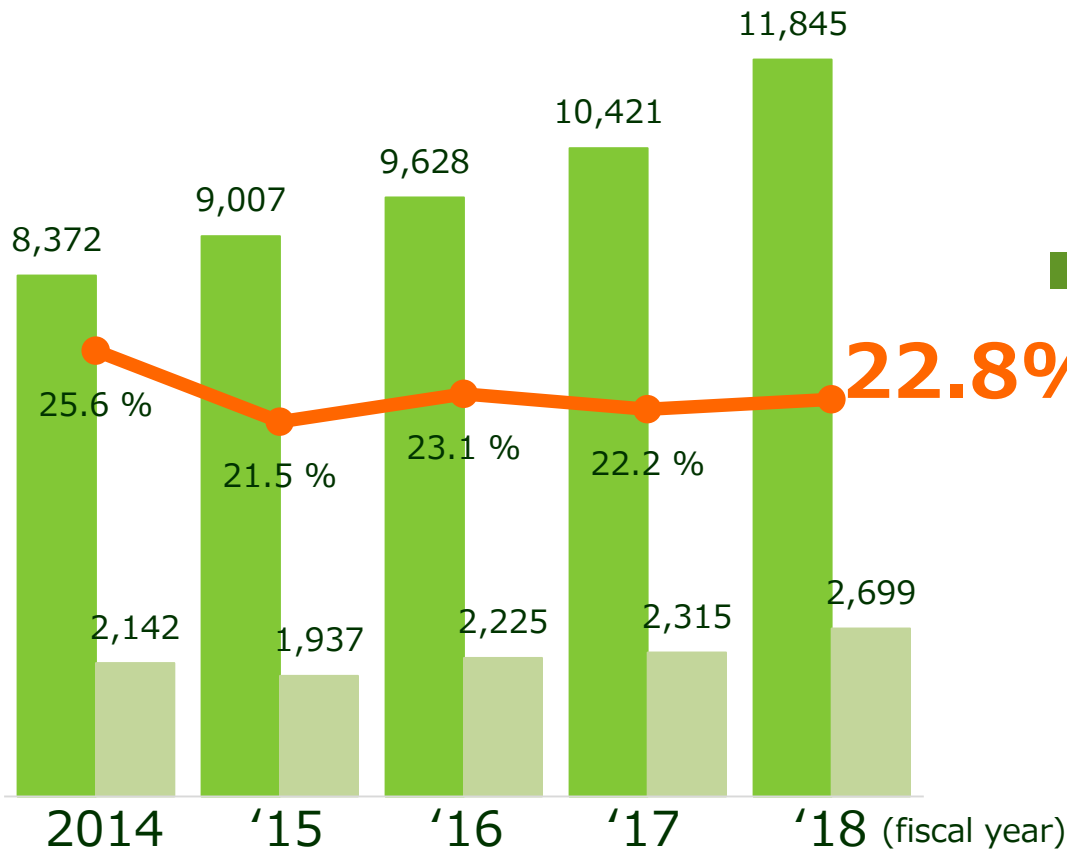


Marketing expenses (JPY mn)	2014	'15	'16	'17	'18
	1,672	1,302	1,822	2,627	4,216

Operating Expenses Ratio



- Insurance premiums (JPY mn)
- Operating expenses excl. marketing expenses (JPY mn)
- Operating expenses ratio¹ (%)



■ Prioritizing investment in growth

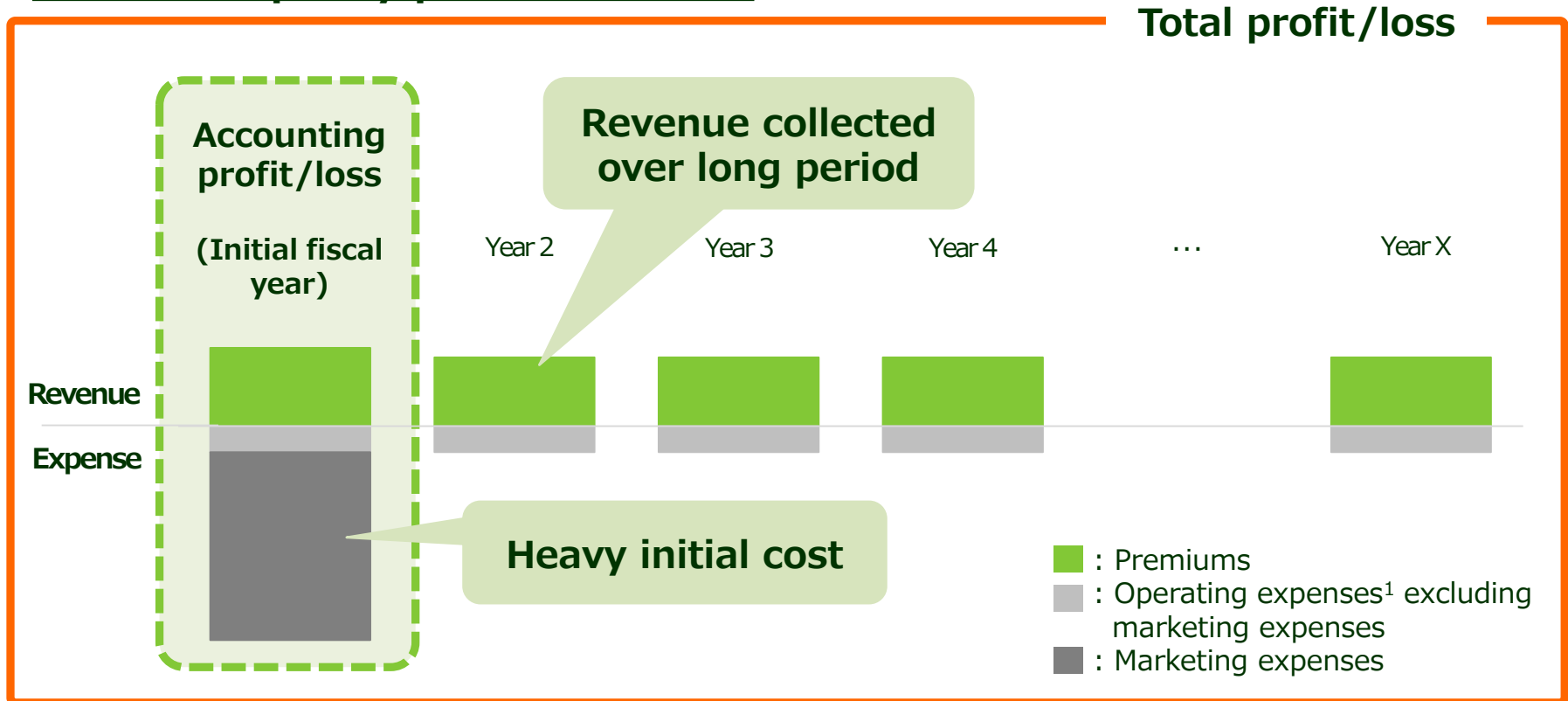
■ Strive for further business expansion and operational efficiency in mid- to long- term

1. Operating expenses ratio is calculated by dividing operating expenses excluding marketing expenses by insurance premium.

Profit Structure under Current Statutory Accounting

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

Insurance policy profit structure



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

Key Business Indicators of Corporate Value



- Key indicators of **substantial profitability** during current period of growth disclosed as follows:

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 calculation methodologies 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.

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 from that of revenue, therefore, excluding marketing expenses from ordinary profit/loss enables the indication of profit generated from policies-in-force.



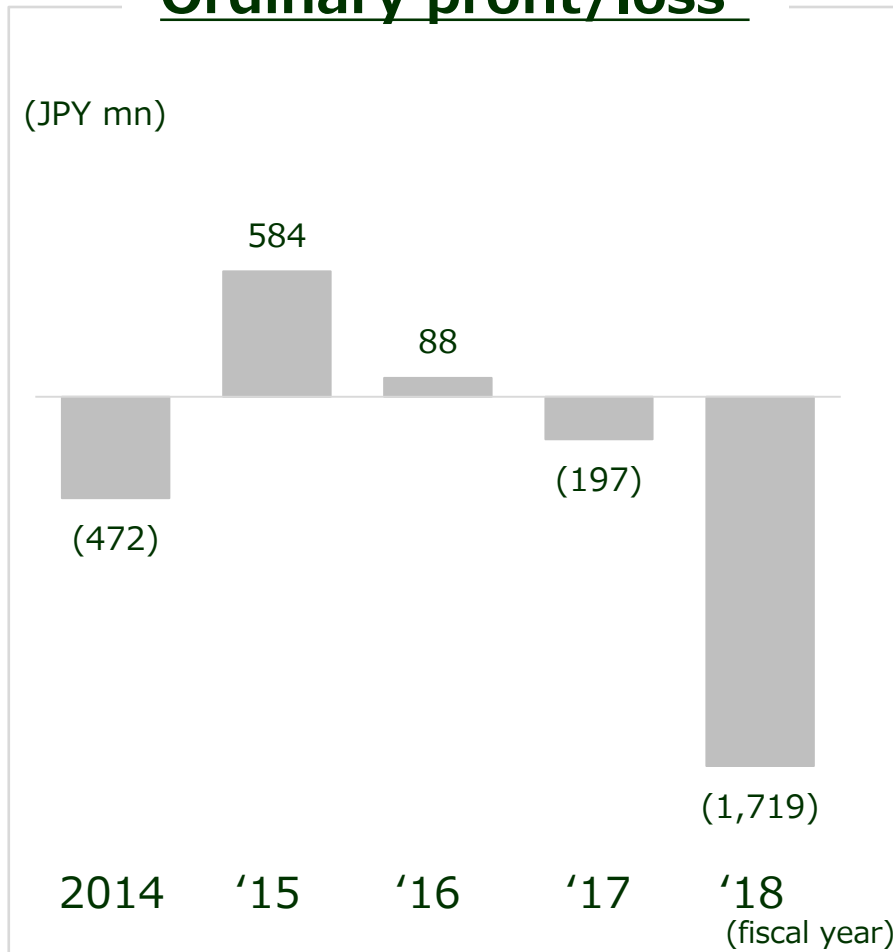
Ordinary profit excluding marketing expenses

Adjusted profit

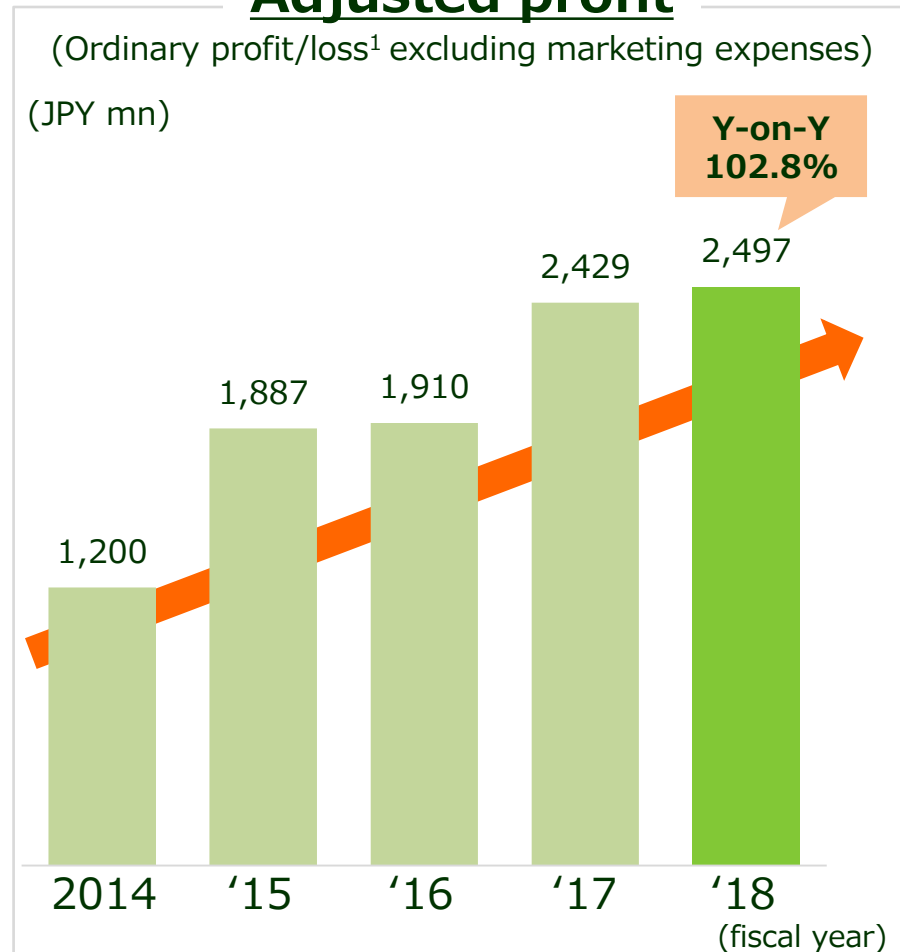
Adjusted Profit

- Slight increase in Adjusted profit due to change in policy reserves accumulation methodology

Ordinary profit/loss¹

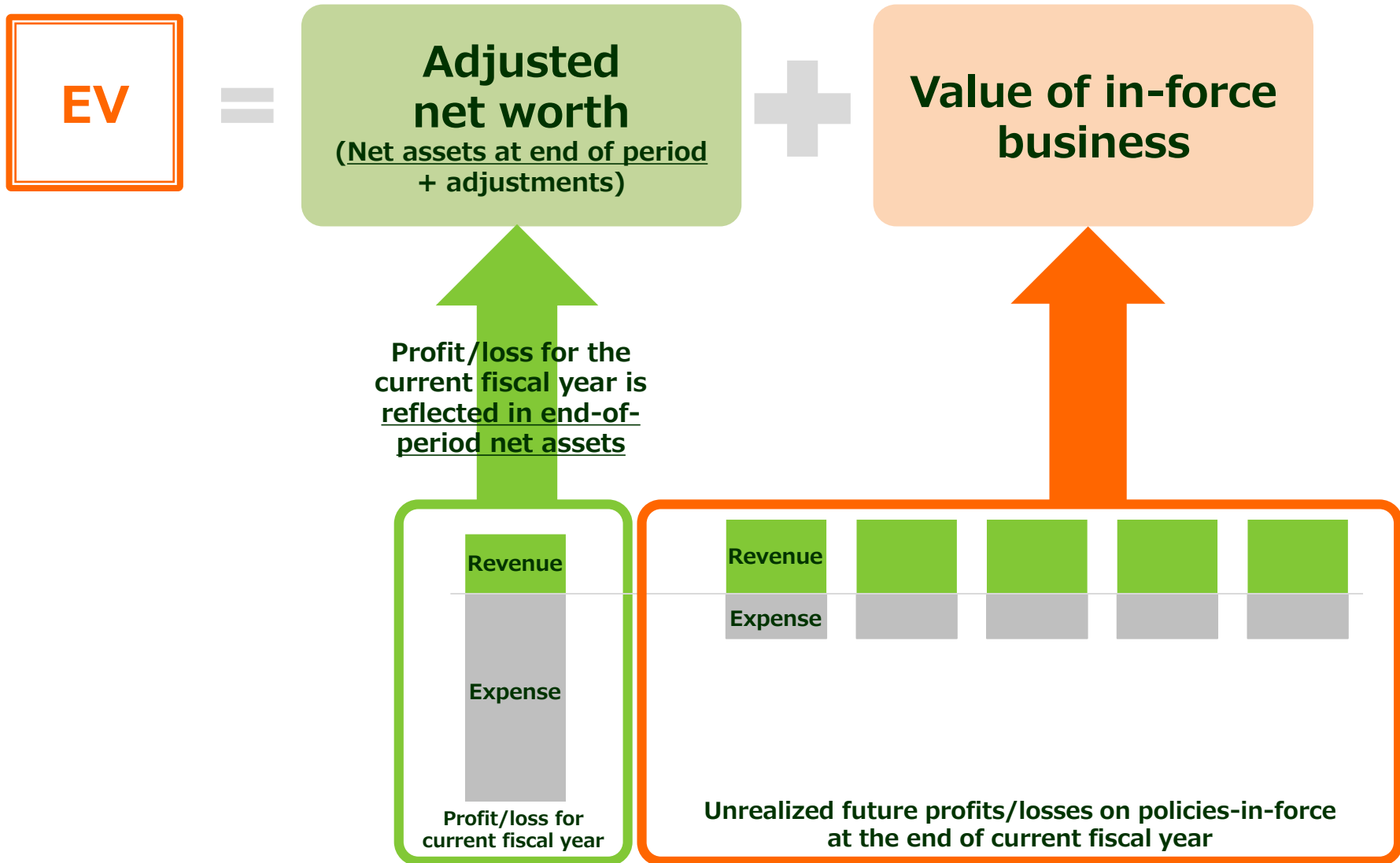


Adjusted profit



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

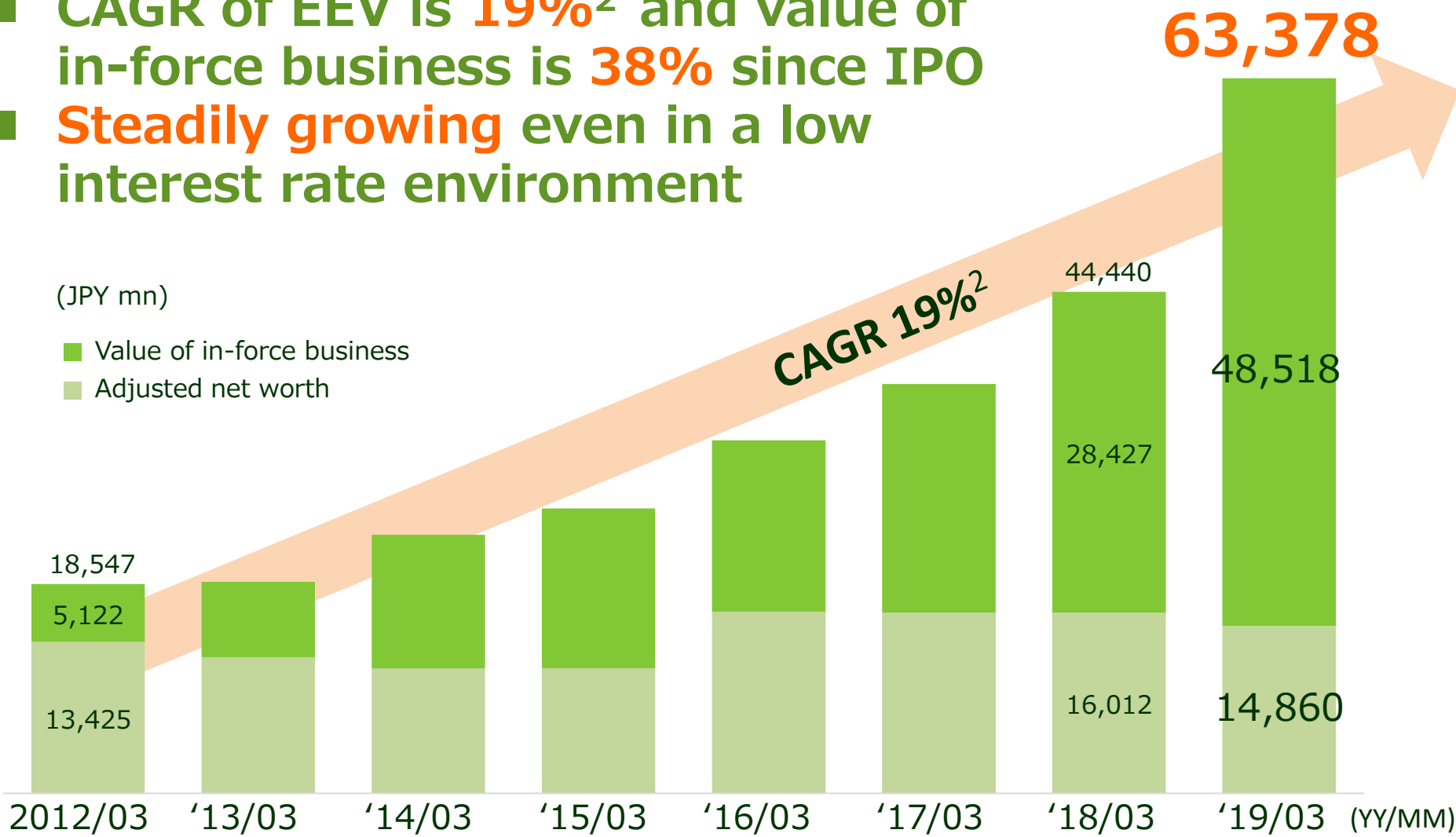
Structure of Embedded Value



European Embedded Value¹ (EEV)



- CAGR of EEV is **19%**² and value of in-force business is **38%** since IPO
- **Steadily growing** even in a low interest rate environment



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.

Adjusted Incremental EV



- Adjusted Incremental EV accurately indicates **our business growth during a certain period** within increase in EEV

Adjusted incremental EV

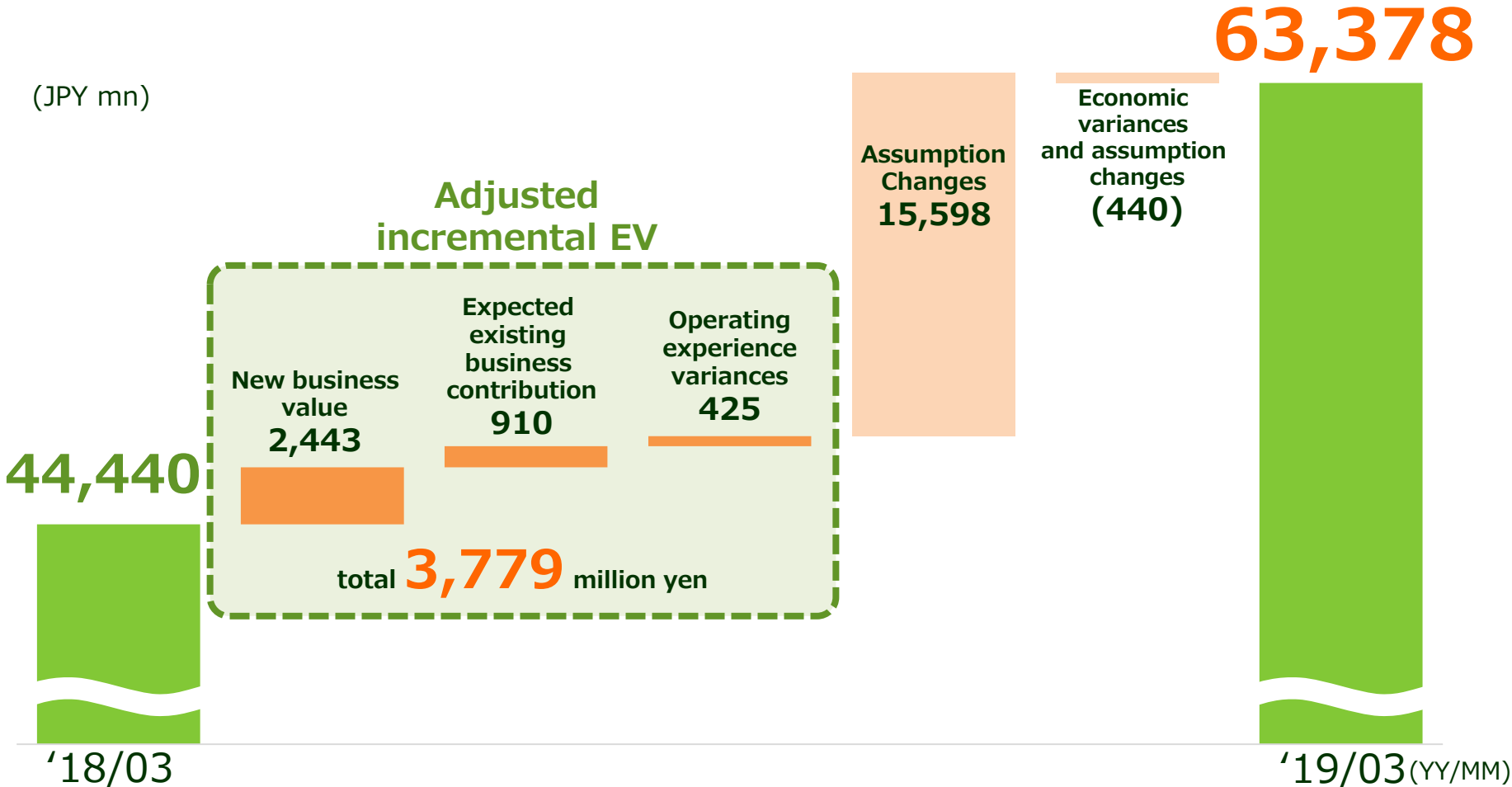
Defined as constitution of components below:

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

Structure Breakdown of EEV¹



■ Adjusted incremental EV indicating periodical growth at **3,779 million yen**

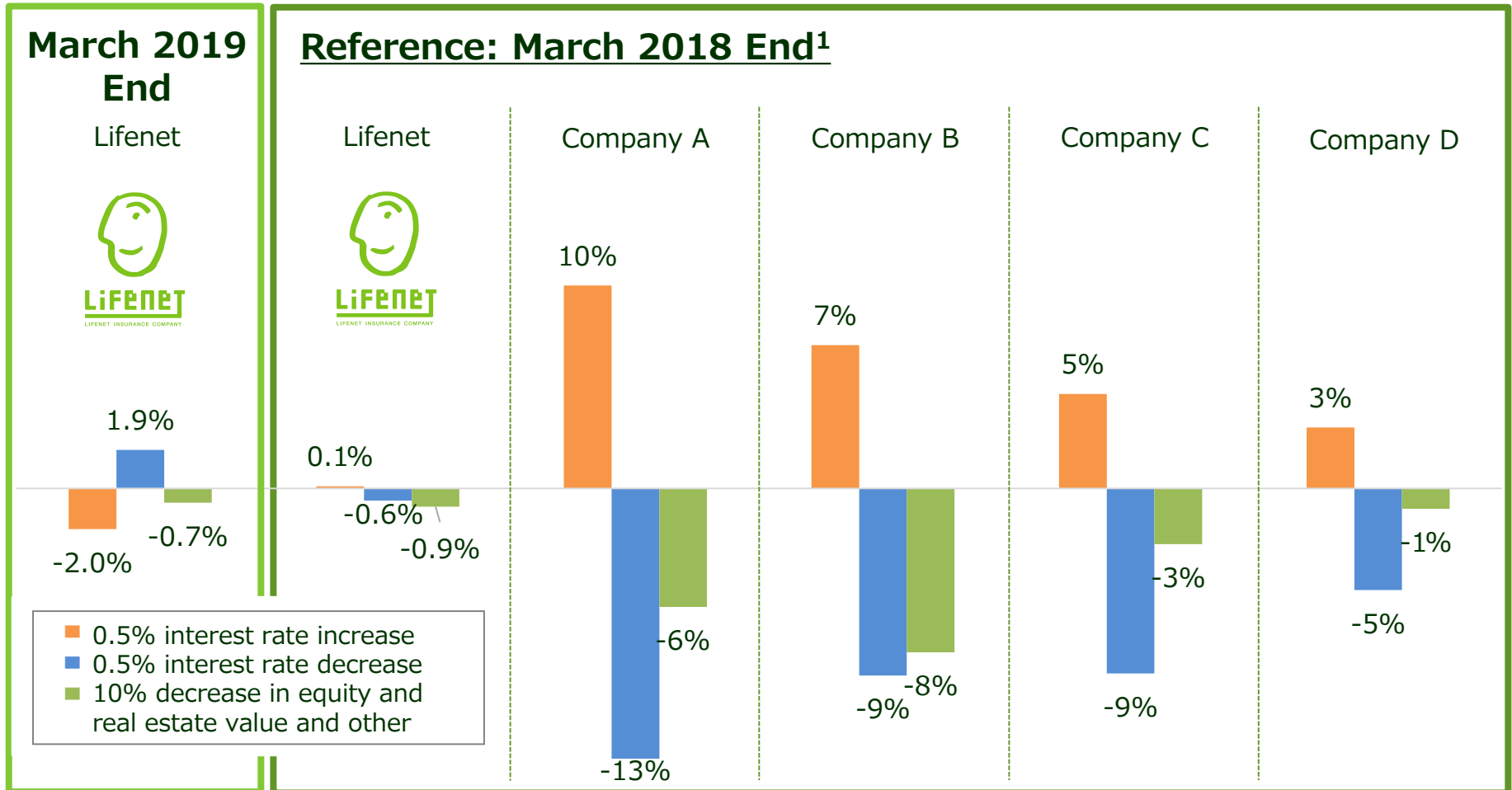


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred.

EV Sensitivity to Interest Rates and Stock Prices



■ Limited sensitivity to interest rates and stock prices



1. Prepared by Lifenet based on disclosed information of domestic public life insurance companies

Financial Condition

(JPY mn)	(YY/MM)	'18/03	'19/03
Total assets		35,541	38,247
Cash and deposits		926	1,192
Monetary claims bought		1,999	999
Money held in trust		2,567	3,114
Securities		28,303	30,989
Government bonds		8,398	8,071
Municipal bonds		1,505	1,394
Corporate bonds		13,892	16,763
Stocks ¹		346	363
Foreign securities		-	45
Other securities ²		4,161	4,352
Total liabilities		22,153	26,474
Policy reserves and other		21,186	25,256
Total net assets		13,387	11,773
Solvency margin ratio		2,455%	2,085%
Modified duration (year)		11.9	12.0

■ **Maintained sufficient financial stability as indicated by solvency margin ratio**

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

Competitive Product Lineup

- Extended coverage at reasonable prices continues to advance sales

Internet Channel

Renewed April 2018



Term Life



Whole-life Medical



Whole-life Medical
for Women



Long-term
Disability



Cancer

White Label Products

(KDDI channel)

Renewed April 2018



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au 定期ほけん



auの生命ほけん

au 医療ほけん



auの生命ほけん

au 医療ほけんレディース



auの生命ほけん

au 生活ほけん

Released April 2018



auの生命ほけん

au がんほけん

Evaluations of Products

■ Utilizing top ratings to promote sales

Term Life



Long-term Disability



Cancer

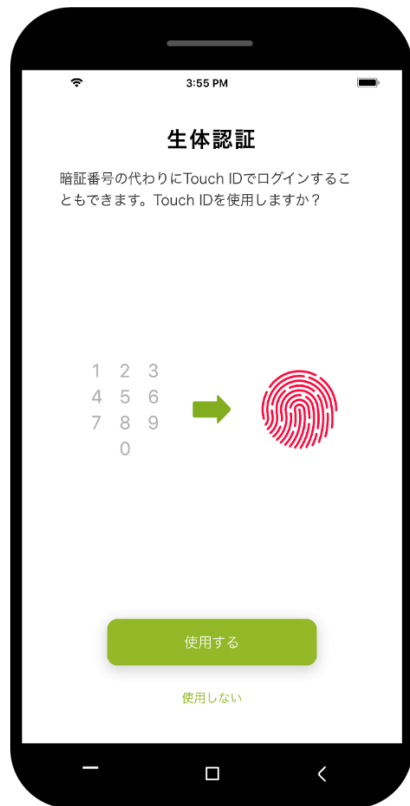


1. The most popular insurance products in each category from January through December 2018, receiving the highest number of applications of Kakaku.com Insurance, the sales agent company of insurance products
2. MONOQRO the MONEY magazine of December 2018
3. The 2019 Oricon Client Satisfaction Survey hosted by Oricon Inc. was conducted from August 20, 2018 to September 12, 2018, and evaluated by 30 financial planners.
4. The Most Chosen Insurance Ranking 2019 of HOKEN ICHIBA is based on compiled date from the number of brochure request and application from January through December 2018.

Continuously Providing Customer-Centric Services

■ Applying digital technology to enhance convenience and usability

Smartphone App



Fingerprints and facial recognition for login

Visual IVR



Visual service menu sent to customers telephoning Contact Center

Screen Sharing Support Service



Operator

Customer

Screen sharing to provide extensive support

Innovation of the Customer Experience

- Full renewal of website to **improve site performance and enhance customer experience**



- Feedback from customers after renewal

“The website was made for people who find insurance difficult to easily understand what it is.” (Male, 30s)

“The explanations were very easy to understand on the smartphone site, and I applied fully understanding the policy.” (Female, 40s)

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Looking Back

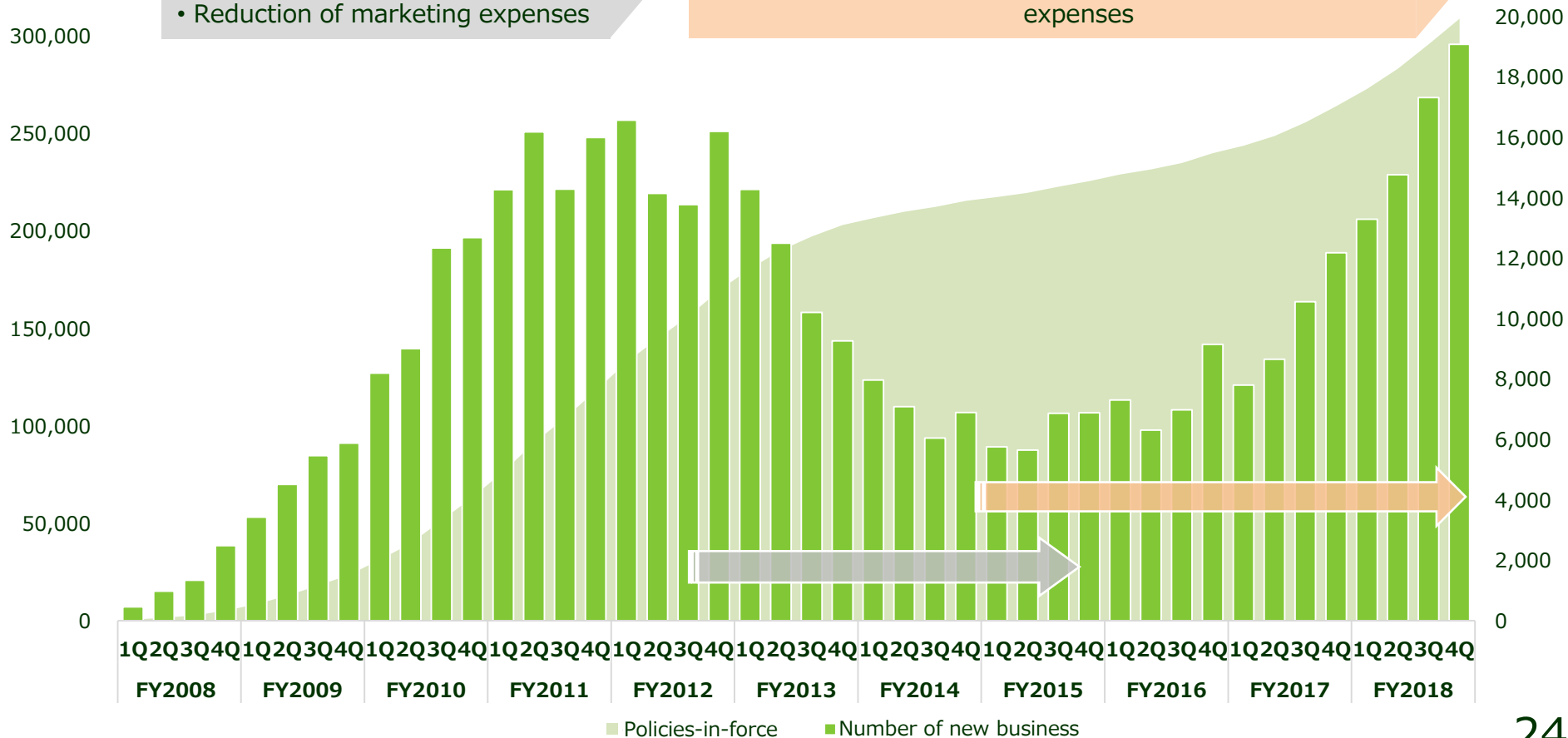
■ New business stalled briefly but making strong comeback

Reasons for stagnation

- Rapid shift from computers to smartphones
- Reduction of marketing expenses

Key areas of improvement

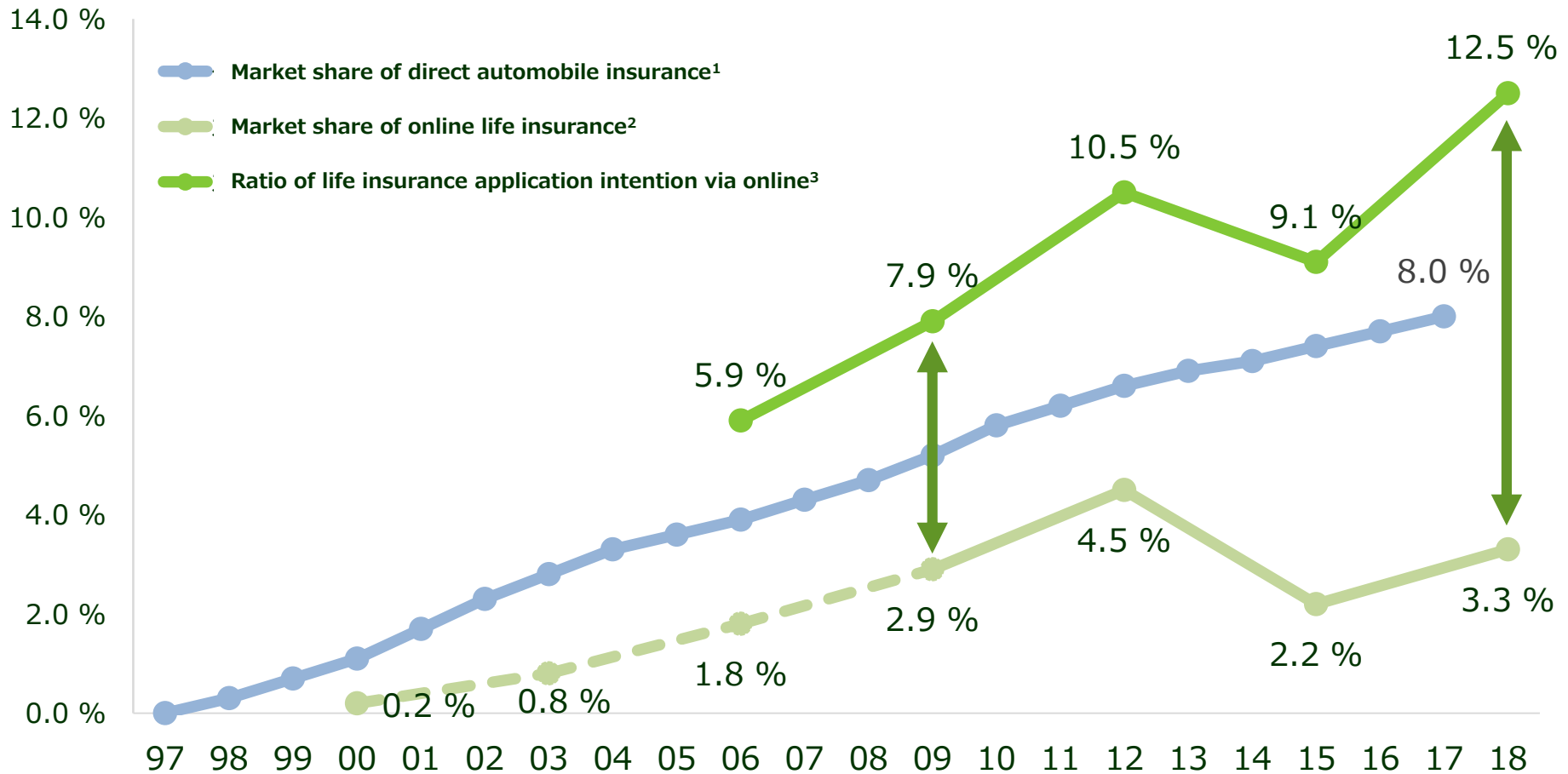
- Smartphone usability
- Product lineup
- Diversification of sales channels
- Active deployment of marketing expenses



Growth Potential of Online Life Insurance Market



Expect growth of online insurance market based on growing consumers intention



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

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

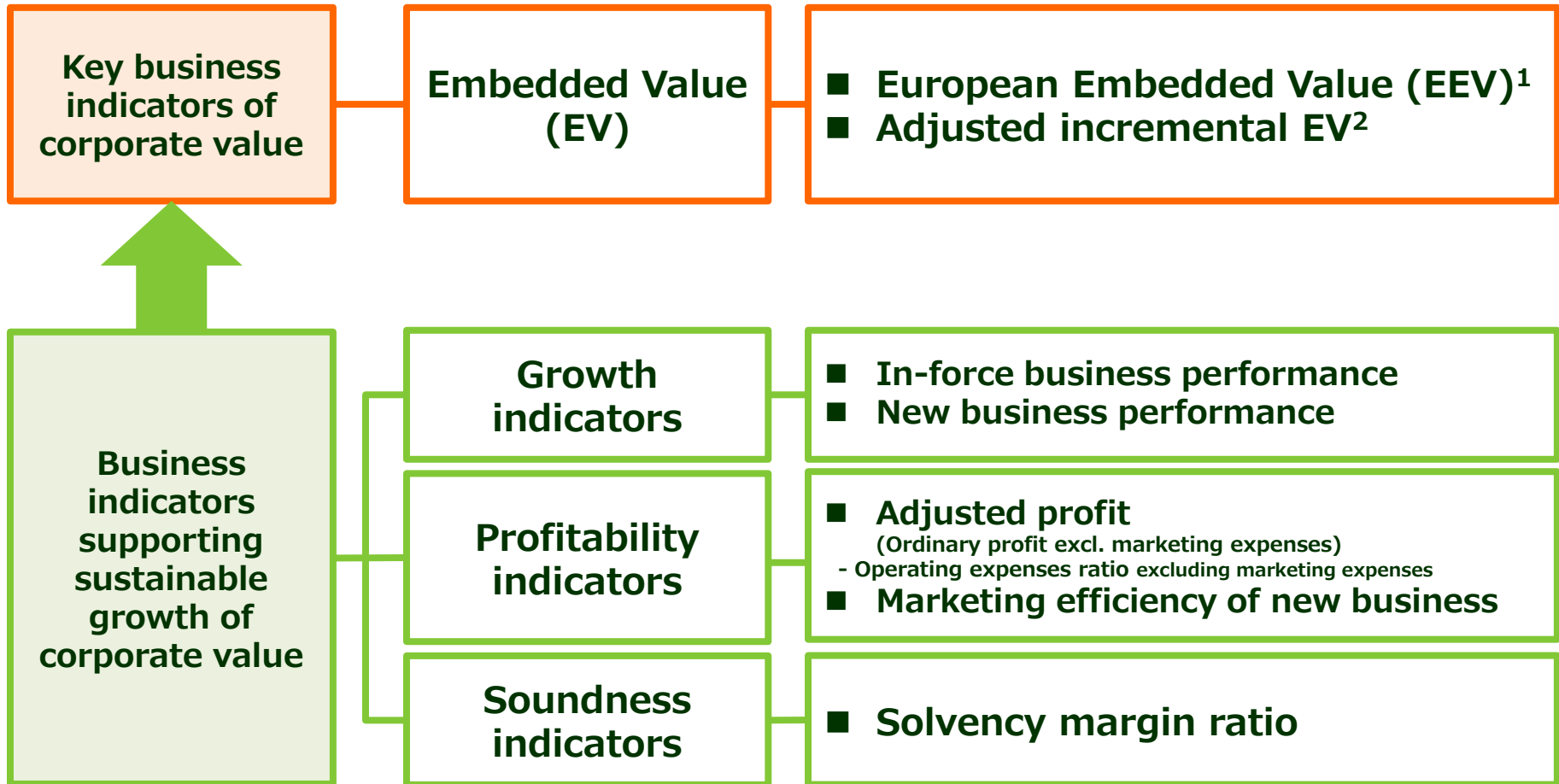
- **Innovation of customer experience**
Enhancing and evolving the quality of all services with digital technology
- **Enhancement of promotion capabilities**
Generating massive customer traffic by active promotion and expansion of agent sales and white label business

Management goal

Aim to achieve EEV (European Embedded Value) of 100 billion yen by business growth in a mid-term

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 for fiscal 2018, see page 15 for details.

Initiatives for EEV Growth

-  **Further growth of new business**
-  **Improvement of operating expenses efficiency**

Further Growth of New Business



- Aim to strengthen mid- to long-term growth base **focusing on two priority areas**

1. Innovation of customer experience

Create a world where the customer chooses their own life insurance

Increase convenience as an internet company in life insurance

Provide customers with insurance products and services that fully support their needs

Improve quality of all customer contact points

Products & services



Promotional activities, website, contact center, SNS, etc.

2. Enhancement of promotion capabilities

Internet channel

- Continue to actively deploy operating expenses

Agent channel

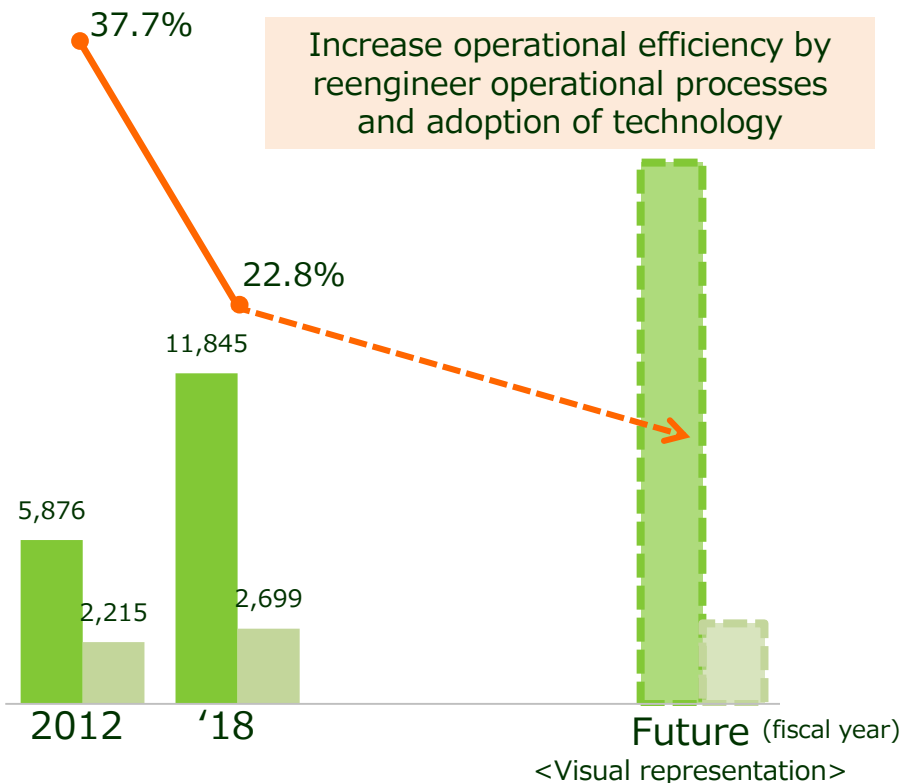
- Strengthen relationship with corporate partners
- Develop new corporate relationships

Improvement of Operating Expenses Efficiency

Aim to increase productivity company-wide and expand business

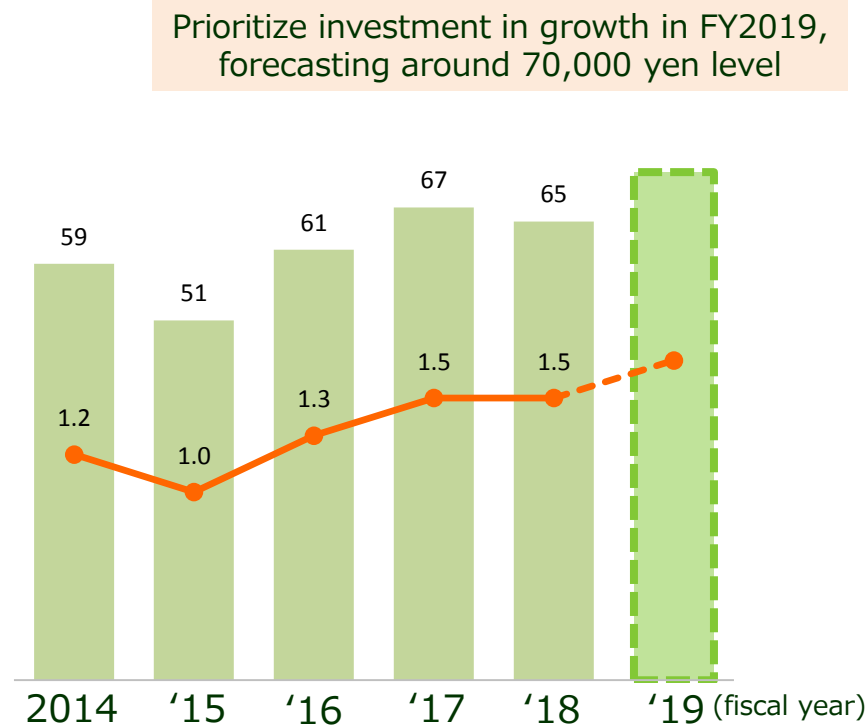
Operating expenses ratio¹ excluding marketing expenses

- : Insurance premiums (JPY mn)
- : Operating expenses excl. marketing expenses (JPY mn)
- : Operating expenses ratio¹ (%)



Marketing efficiency

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



1. Operating expenses ratio is calculated by dividing operating expenses excluding marketing expenses by insurance premium

Utilization of Reinsurance (Modified Co-Insurance)

- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

Illustration image of change in profit/loss structure by reinsurance

■ : Revenue ■ : Costs ■ : Effects of reinsurance

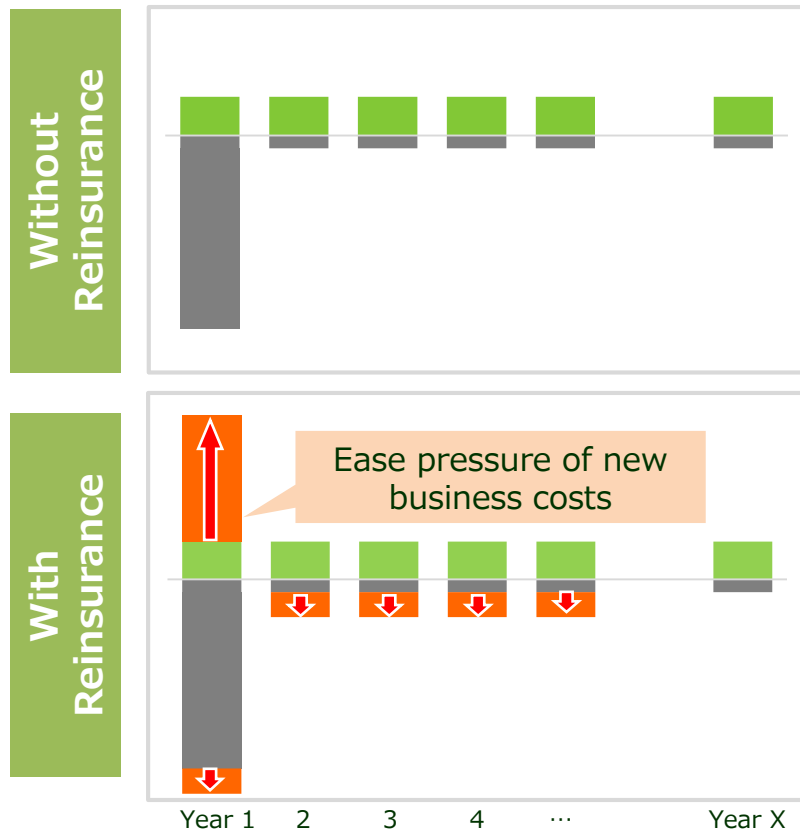
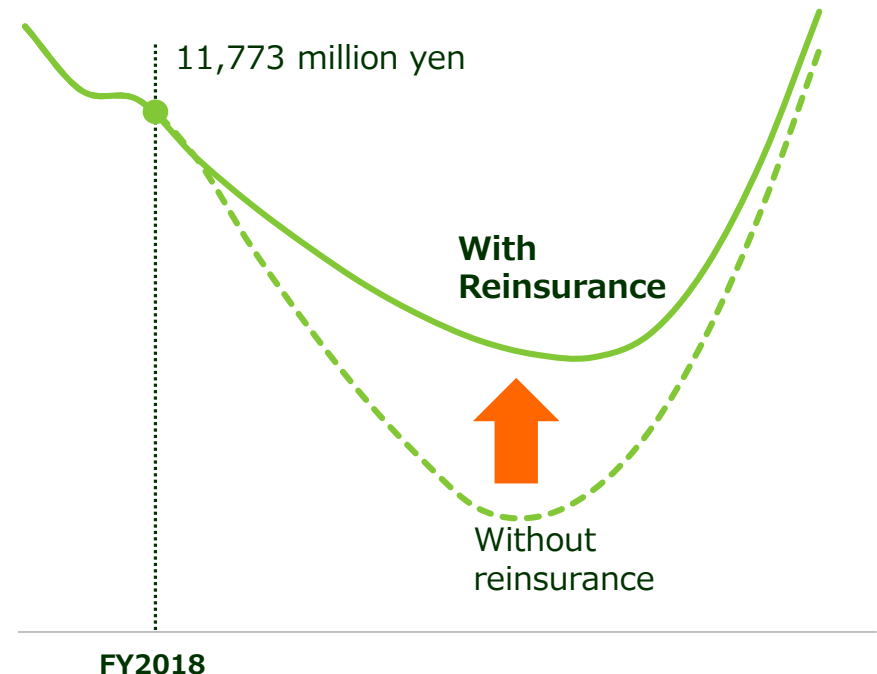


Illustration image of impact of reinsurance on net assets



Note: Illustration of P&L structure of reinsuring new business of single fiscal year, where illustration of impact on net assets of reinsuring new business for multiple years.

Business Forecast FY2019

- Prioritize **investing in growth** to increase mid- and long-term corporate value while utilizing modified co-insurance to alleviate pressure capital

(JPY mn)

	FY2019 Forecast		(Reference) FY2018 Results
		Impact of modified co-insurance*	
Ordinary income	16,200	2,000	12,560
Ordinary profit (loss)	(2,000)	1,400	(1,719)
Net income (loss)	(2,000)	1,400	(1,735)
(Reference) Annualized premium of new business ¹		3,000	2,773

Note: Business forecast for FY2019 includes modified co-insurance

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.

Change in Management Structure



■ Increasing corporate governance and decision making agility

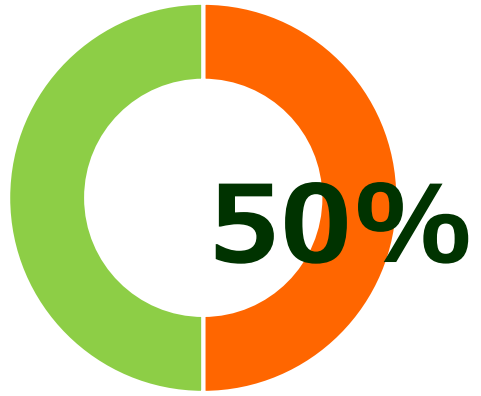
◆ Before June 2019



◆ After June 2019



Ratio of outside directors after change 



Note: Election of Directors is subject to approval at the 13th Annual General Meeting of the Shareholders on June 23, 2019.

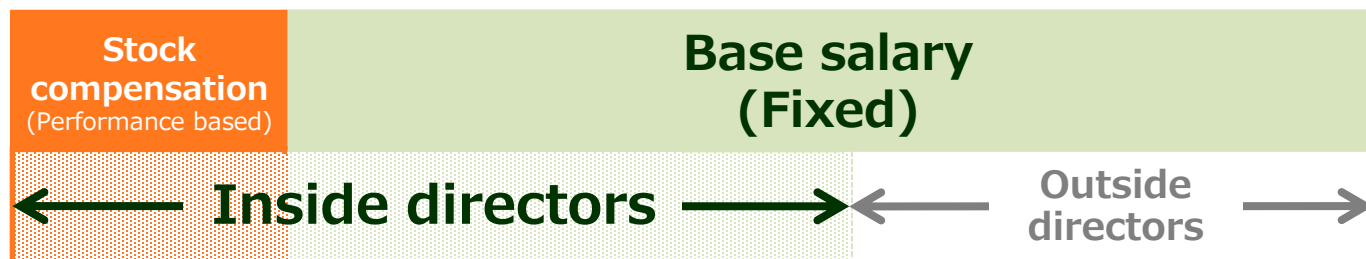
Implementation of Restricted Stock to Compensate Directors

- Continue to **enhance corporate value** by **granting restricted stock** to directors for additional incentive

Current compensation system



New compensation system



Note: Implementation of the above new system is subject to approval at the 13th Annual General Meeting of the Shareholders on June 23, 2019.

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

Management goal

Aim to achieve EEV (European Embedded Value) of 100 billion yen by business growth in a mid-term

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.

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Appendix



LIFENET

LIFENET INSURANCE COMPANY

Condensed Statements of Operation / Fundamental Profit



		(JPY mn)	FY2017	FY2018	Change	Note
Condensed statements of operation	Insurance premiums and other		10,616	12,159	1,542	
	Other		346	401	55	
	Ordinary income		10,962	12,560	1,598	Increase in in-force policies business
	Insurance claims and other		1,891	2,535	643	Increased due to growth in in-force policies. Percentage of insurance claims and benefit claims to insurance premiums is 17.3%.
	Insurance claims		978	1,353	375	Increased from 75 cases in FY17 to 89 in FY18
	Benefit claims		584	701	117	Increased from 6,165 cases in FY17 to 6,987 in FY18
	Provision for policy reserves and other		3,684	4,070	385	Increased slightly by transferring to standard policy reserves. Percentage of provision for policy reserves (4,029 million yen) to insurance premiums is 34.0%.
	Operating expenses		4,942	6,916	1,973	Increase in marketing expenses, mainly advertising expenses
	Marketing expenses		2,627	4,216	1,589	
	Customer service		687	786	99	
	System and other		1,628	1,913	284	
	Other		641	758	117	
	Ordinary expenses		11,160	14,280	3,120	
	Ordinary profit (loss)		(197)	(1,719)	(1,521)	
	Extraordinary losses and income taxes		51	16	(35)	
Net income (loss)		(249)	(1,735)	(1,486)		
Fundamental profit	Mortality margin		2,623	2,753	130	
	Expense margin (loss)		(2,752)	(4,395)	(1,642)	Increase in marketing expenses, mainly advertising expenses
	Interest margin (loss)		8	(14)	(23)	
	Fundamental profit		(120)	(1,656)	(1,535)	

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

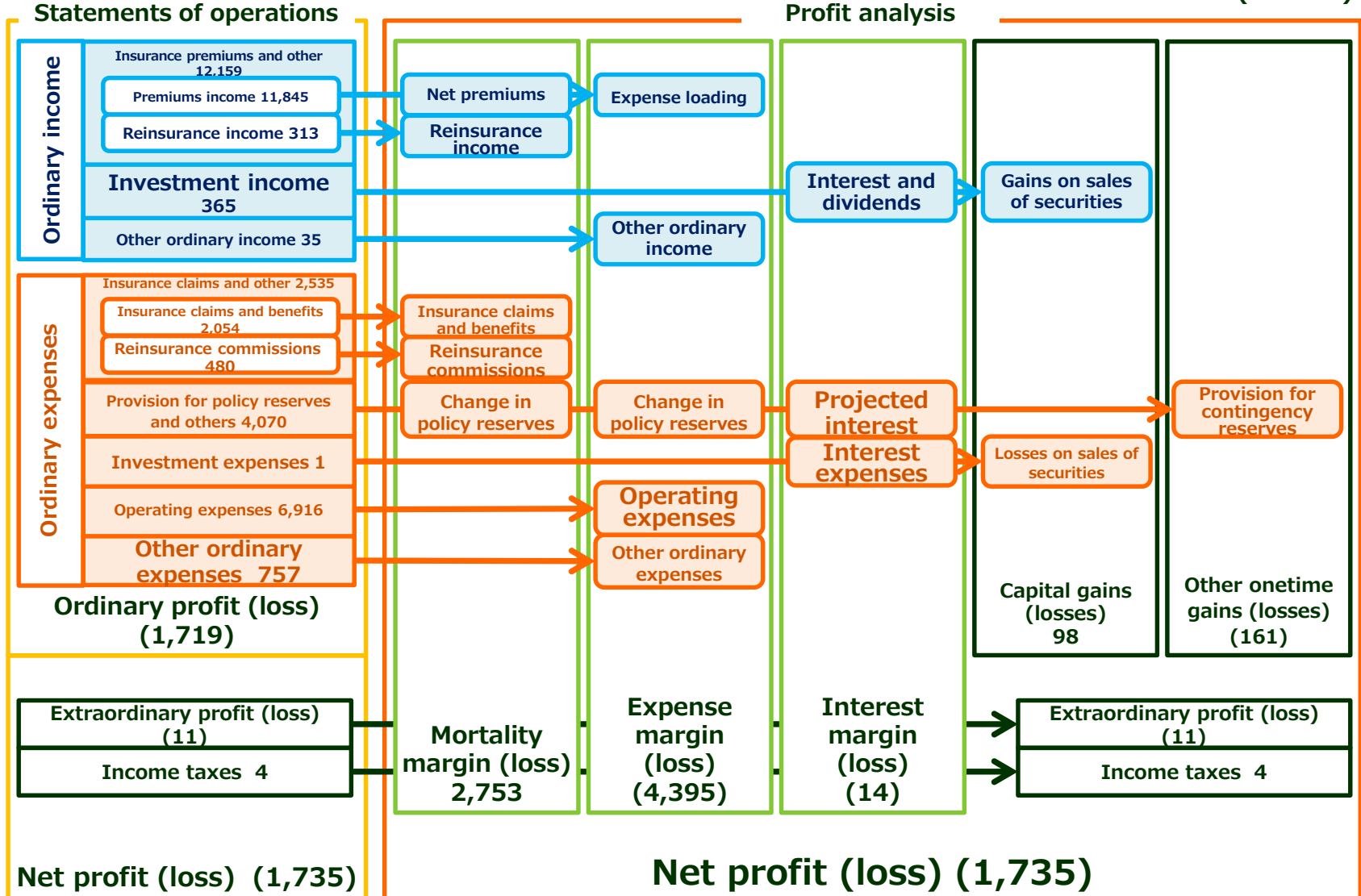
(JPY mn)	Change in EEV as of Mar. 31, 2019	Change in VoNB
EEV and new business value as of March 31, 2019	63,378	2,443
Sensitivity 1a: 1.0% increase in risk-free rate	(2,513)	98
Sensitivity 1b: 1.0% decrease in risk-free rate	2,253	(292)
Sensitivity 1c: 0.5% increase in risk-free rate	(1,239)	68
Sensitivity 1d: 0.5% decrease in risk-free rate	1,177	(116)
Sensitivity 1e: Interest rates based on JGB yields	398	68
Sensitivity 2: 10% decrease in equity and real estate value and other	(434)	-
Sensitivity 3: 10% decrease in operating expenses	2,580	496
Sensitivity 4: 10% decrease in lapse rate	150	(3)
Sensitivity 5: 5% decrease in claim incidence rates for life business	3,152	419
Sensitivity 6: Change the required capital to the statutory minimum	64	10

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.

Three Surplus Factors of Fundamental Profit

FY2018

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of Mar 31, 2019

$$\text{Solvency margin ratio } 2,085.2\% = \frac{\text{Total amount of solvency margin <numerator> } 19,920}{\text{Total amount of risk/2 <the denominator> } 1,910/2} \div \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2 + R_4/2} \quad (\text{JPY mn})$$

Cash and deposits 1,192	Other liabilities 941
Monetary claims bought 999	Reserves for outstanding claims 469
Money held in trust 3,114	Policy reserves 24,786
Securities 30,989	Contingency reserves 1,680
	Excess over the full-Zillmerized reserve 6,273
	Price fluctuation reserves 42
	Deferred tax liabilities on available-for-sale securities 210 ¹
	Valuation difference on securities available-for-sale 540 ¹
Tangible fixed assets 99	Capital stock and other assets 11,172
Intangible fixed assets 629	Net assets 11,773
Other assets 1,223	

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

- Insurance risk R₁ 1,182**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 449**
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk R₂ 3**
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 837**
[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 74**
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.