

**Securities Code: 7157**

**TSE Mothers**



**LIFENET**

LIFENET INSURANCE COMPANY

# **Presentation Material for Investors**

## **First Quarter for Fiscal 2020**

**LIFENET INSURANCE COMPANY**

**August 11, 2020**

# LIFENET is...



**Comprehensible  
Cost-Competitive  
Convenient**

- **Remembering the original purpose** of life insurance – mutual support
- **Helping our customers embrace life more fully**

# Overview of 1Q for Fiscal 2020



Annualized premium<sup>1</sup> of policies-in-force

**16,461** million yen  
(106.1% vs end of FY2019)

Annualized premium<sup>1</sup> of new business

**1,166** million yen  
(Y-on-Y 141.9%)

Adjusted profit<sup>2</sup>

**854** million yen

EEV (European Embedded Value)

**75,921** million yen  
(Adjusted incremental EV<sup>3</sup> 2,122 million yen)

## Notable Achievements

- Launched new white label product with brand of Seven Financial Service
- Ranked #1 in major price comparison websites
- Raised new capital in July

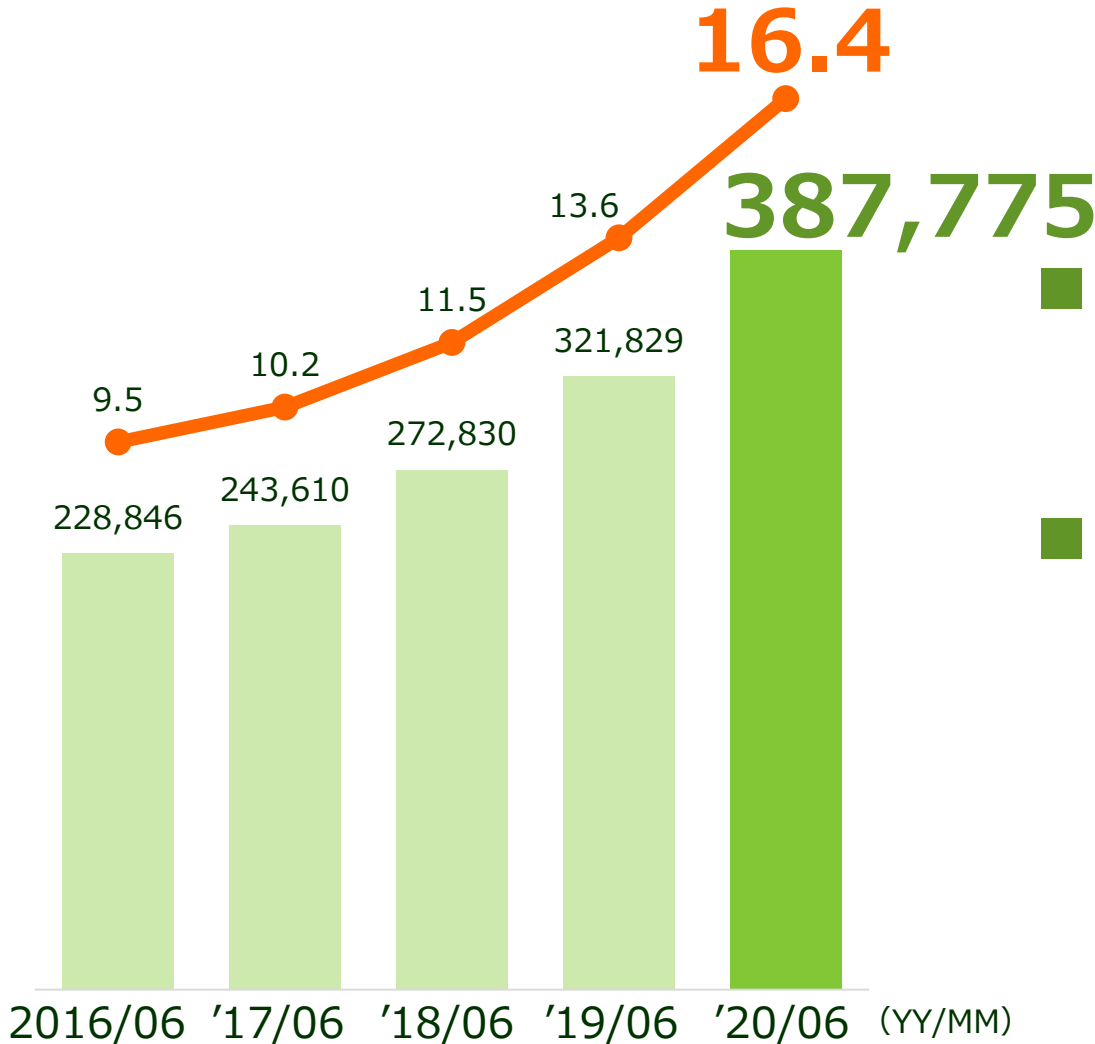


1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.  
2. See page 9, 32 and 33 for details.  
3. Adjusted incremental EV consisted of components accurately reflecting our business growth for fiscal 2020, see page 31 for details.

# Annualized Premium / Number of Policies-in-Force



■ : Annualized premium of policies-in-force<sup>1</sup> (JPY billions)  
■ : Number of policies-in-force



■ Accelerated  
growth pace

■ Year-on-year  
Annualized  
premium **120.6%**,  
number of policies-  
in-force **120.5%**

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.

# Breakdown of Policies-in-Force

## ■ Improved surrender and lapse ratio

|   | '20/03              | '20/06              | Component ratio |
|---|---------------------|---------------------|-----------------|
| Number of policies-in-force                                     | 365,171             | <b>387,775</b>      | <b>100%</b>     |
| - Term Life   | 175,713             | <b>186,984</b>      | <b>48%</b>      |
| - Whole-life Medical  | 100,280             | <b>106,508</b>      | <b>27%</b>      |
| - Term Medical Care   | 9,105               | <b>9,041</b>        | <b>2%</b>       |
| - Long-term Disability  | 54,665              | <b>56,416</b>       | <b>15%</b>      |
| - Cancer  | 25,408              | <b>28,826</b>       | <b>7%</b>       |
| Sum insured of policies-in-force <sup>1</sup><br>(JPY millions) | 2,565,269           | <b>2,701,514</b>    |                 |
| Number of policyholders   | 232,537             | <b>246,432</b>      |                 |
|   | <b>1Q of FY2019</b> | <b>1Q of FY2020</b> |                 |
| (Reference) Surrender and lapse ratio <sup>2</sup>              | 7.6%                | <b>5.5%</b>         |                 |

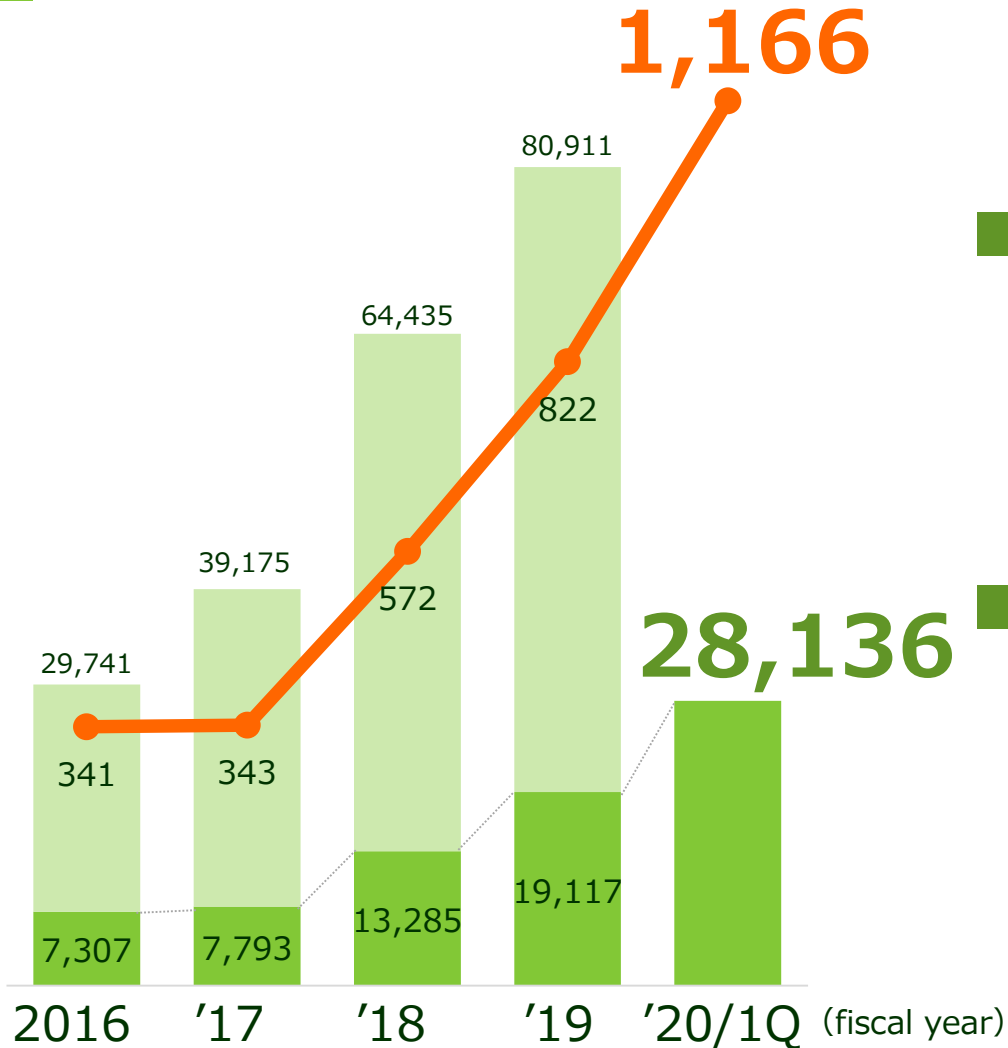
1. Sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.

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.

# Annualized Premium / Number of New Business



- : Annualized premium of new business (1Q of fiscal year, JPY millions)
- : Number of new business (fiscal year)
- : Number of new business (1Q of fiscal year)

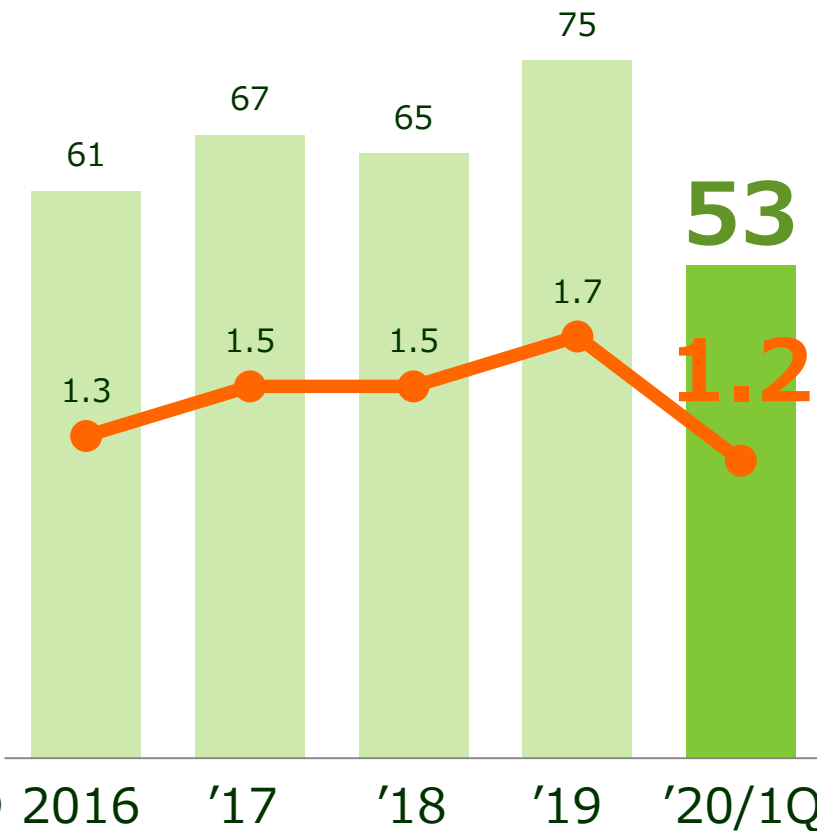


■ Achieved historical record high on a quarterly basis

■ Year-on-Year annualized premium **141.9%**, number of new business **147.2%**

# Marketing Efficiency

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

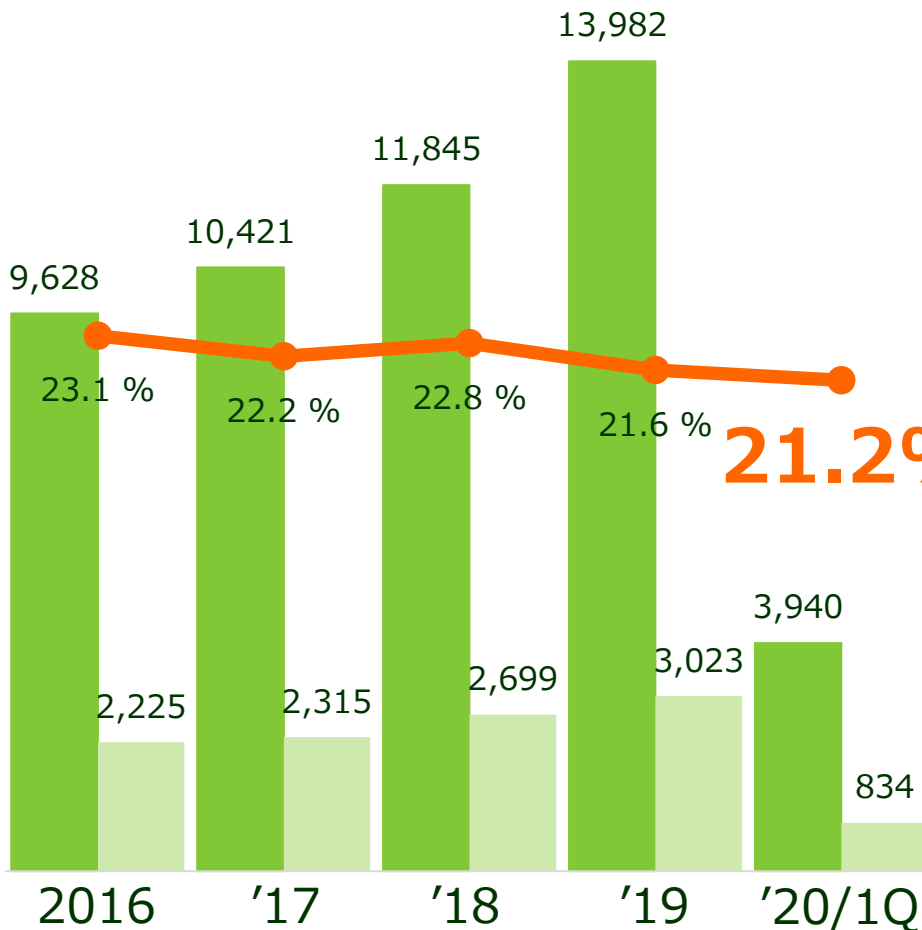


- Significantly improved under COVID-19 environment
- Aim to improve from the level in fiscal 2019

| (fiscal year)                     | 2016  | '17   | '18   | '19   | '20/1Q |
|-----------------------------------|-------|-------|-------|-------|--------|
| Marketing expenses (JPY millions) | 1,822 | 2,627 | 4,216 | 6,146 | 1,506  |

# Operating Expenses Ratio

- : Operating expenses ratio<sup>1</sup> (%)
- : Insurance premiums (JPY millions)
- : Operating expenses excl. marketing expenses (JPY millions)



■ **Aim to improve operational efficiency by further business expansion in mid-term**

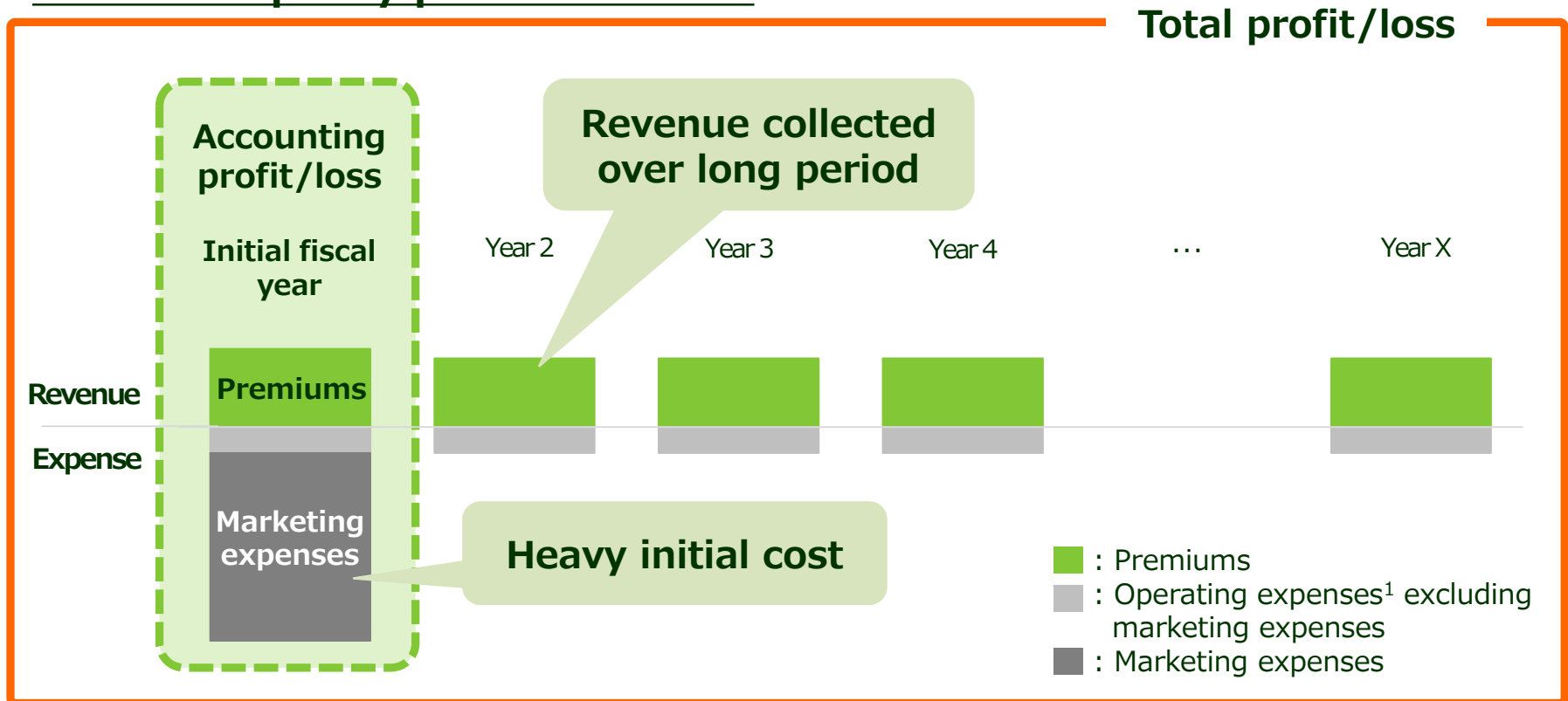
1. Operating expenses ratio is calculated by dividing operating expenses excluding marketing expenses by insurance premium.



# Profit Structure under Current Statutory Accounting

- **Time lag is caused between the recognition of costs and revenue** as marketing expenses 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.

# Adjusted Profit

## Steadily recorded adjusted profit generated from policies-in-force

### The method for calculating adjusted profit

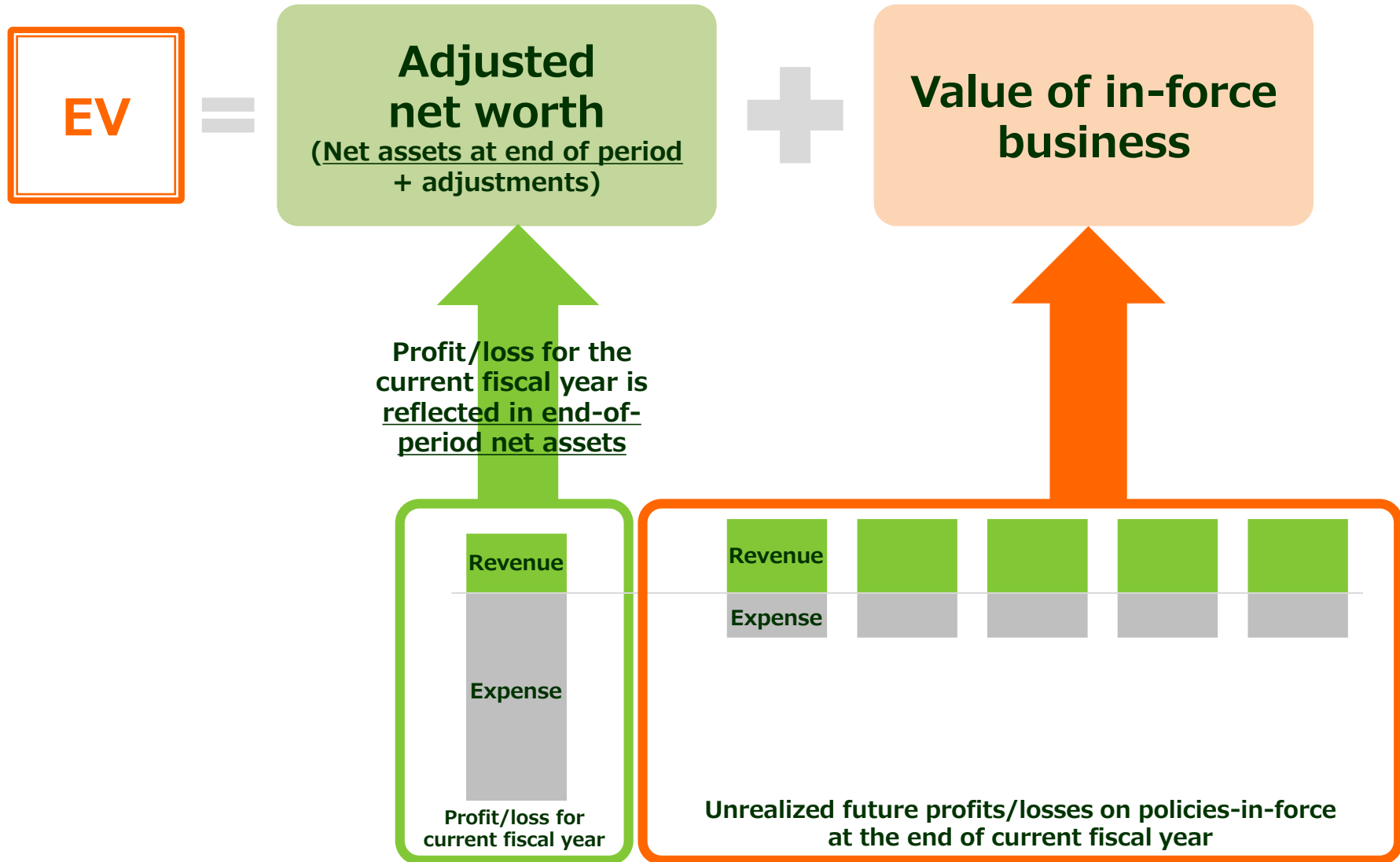
Adjusted profit = i ) Ordinary profit (loss)<sup>1</sup> + ii ) Marketing expenses  
 – iii ) Impact of modified co-insurance  
 ± iv ) Adjustment based on standard policy reserves<sup>2</sup>

| JPY millions / fiscal year  | 2016         | 2017         | 2018         | 2019         | 2020/1Q    |
|-----------------------------|--------------|--------------|--------------|--------------|------------|
| i ) Ordinary profit (loss)  | 88           | (197)        | (1,719)      | (2,382)      | (647)      |
| ii ) Marketing expenses     | 1,822        | 2,627        | 4,216        | 6,146        | 1,506      |
| iii ) Modified co-insurance | -            | -            | -            | (1,526)      | (212)      |
| iv ) Adjustment             | 543          | 319          | 347          | 546          | 208        |
| <b>Adjusted profit</b>      | <b>2,454</b> | <b>2,748</b> | <b>2,844</b> | <b>2,784</b> | <b>854</b> |

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

2. The amount of the adjustment to the policy reserve provision is the adjustment calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves.

# Structure of Embedded Value



- Characteristics of Lifenet's EEV are as follows:

## Strong growth

- **Maintaining increase** in EEV since listing in March 2012
- **Steadily growing** even in a low interest rate environment

## Resilience to interest rate changes

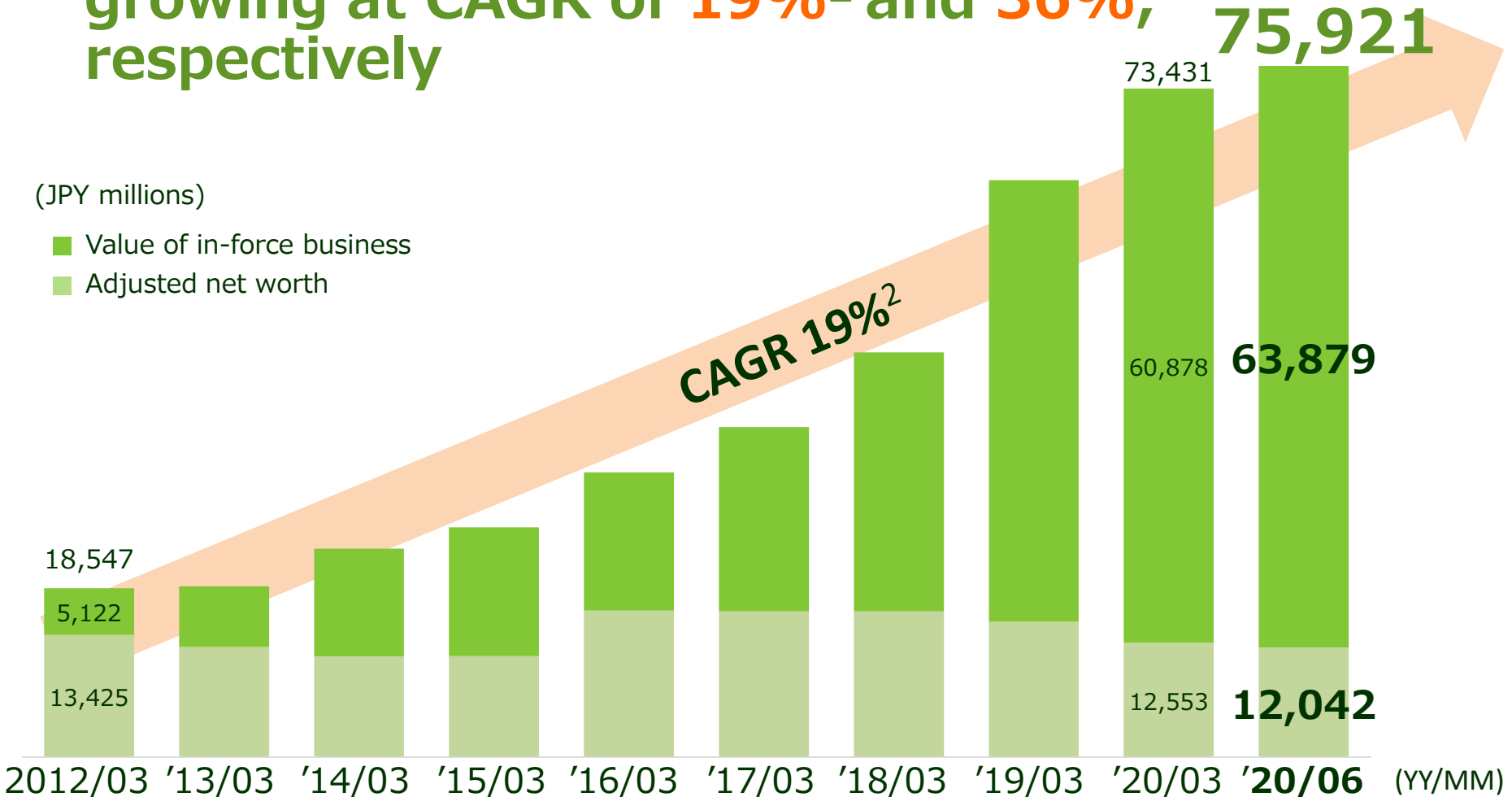
- **Limited sensitivity** to interest rate and stock fluctuations

# Strong EEV<sup>1</sup> Growth

■ EEV and value of in-force business have been growing at CAGR of **19%**<sup>2</sup> and **36%**, respectively

(JPY millions)

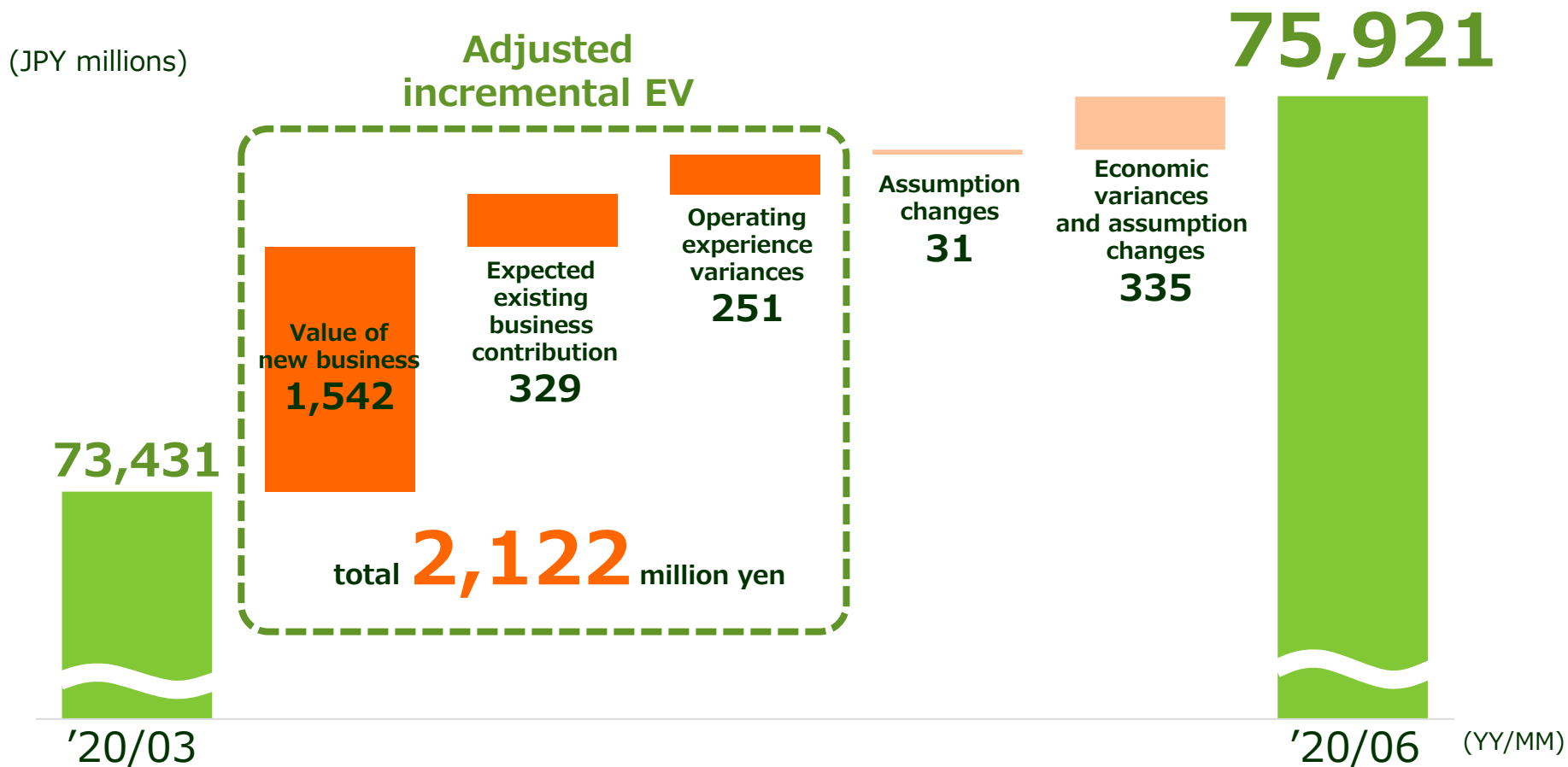
- Value of in-force business
- Adjusted net worth



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. EEV as of June 30, 2020 is calculated applying the same operating assumptions as those used for March 31, 2020, and is not reviewed by third-party specialists.
2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015.

# Changing Factors of EEV<sup>1</sup>

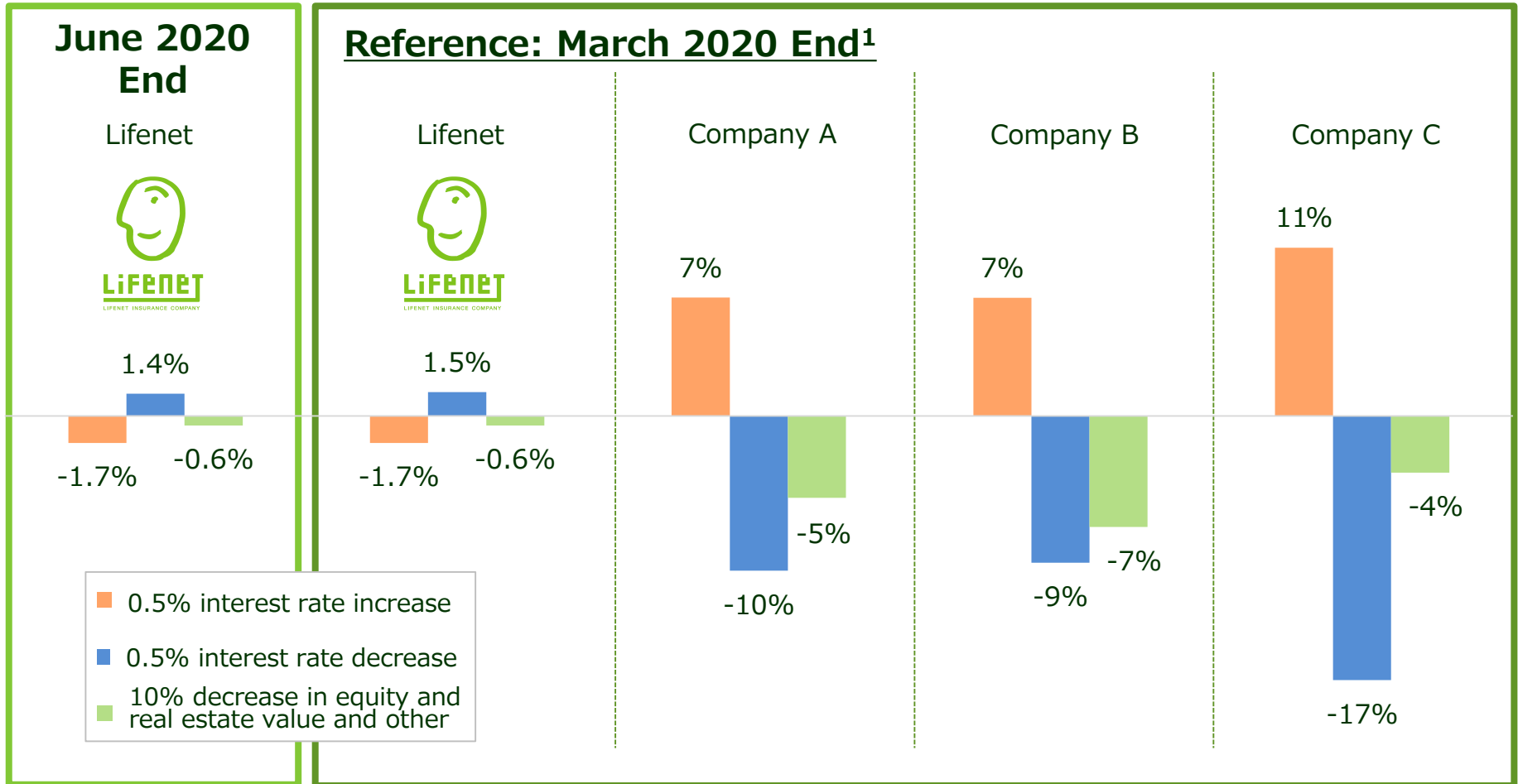
- Value of new business contributed to EEV growth because of strong new business performance



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. EEV as of June 30, 2020 is calculated applying the same operating assumptions as those used for March 31, 2020, and is not reviewed by third-party specialists.

# EV Resilience to Financial Changes

## ■ Limited sensitivity to interest rates and stock prices



# Financial Condition

| (JPY millions)                           | (YY/MM) | '20/03        | '20/06        |
|--|---------|---------------|---------------|
| <b>Total assets</b>                      |         | <b>41,144</b> | <b>42,298</b> |
| Cash and deposits                        |         | 1,377         | 1,566         |
| Monetary claims bought                   |         | 299           | –             |
| Money held in trust                      |         | 3,539         | 3,710         |
| Securities                               |         | 32,058        | 32,846        |
| Government bonds                         |         | 8,065         | 8,034         |
| Municipal bonds                          |         | 1,391         | 1,386         |
| Corporate bonds                          |         | 18,119        | 18,684        |
| Stocks                                   |         | 313           | 388           |
| Foreign securities                       |         | 0             | 0             |
| Other securities <sup>1</sup>            |         | 4,167         | 4,352         |
| <b>Total liabilities</b>                 |         | <b>31,744</b> | <b>33,346</b> |
| Policy reserves and other                |         | 30,328        | 31,822        |
| <b>Total net assets</b>                  |         | <b>9,400</b>  | <b>8,951</b>  |
| <b>Solvency margin ratio<sup>2</sup></b> |         | <b>2,117%</b> | <b>2,093%</b> |
| <b>Modified duration (year)</b>          |         | <b>11.3</b>   | <b>11.4</b>   |

■ Solvency margin ratio remained above 2,000%

■ Raised capital in July to accelerate growth momentum

1. Investment trust including foreign bonds and others.
2. The solvency margin ratio is a key benchmark for industry regulators. It measures a life insurance company's ability to pay out claims when unforeseen events occur.



# Notable Achievements

- Launched the second white label business with **Seven & i group**



- **Ranked number one** in major price comparison websites<sup>1,2</sup>

## Term Life



定期保険  
総合

## Whole-life Medical



## Long-term Disability



総合

## Cancer



総合

1. The most popular insurance products in each category from January through December 2019, receiving the highest number of applications of Kakaku.com Insurance, the sales agent company of insurance products
2. The Most Chosen Insurance Ranking 2020 of HOKEN ICHIBA is based on compiled date from the number of application from January through December 2019.

# Overseas Public Offering and Secondary Offering



- Successfully executed **full marketing while working remotely** under COVID-19

## Overview

- Offered shares totaled **13.8 billion yen**
- **Raised new capital of 9 billion yen** from overseas market, mainly Asia and Europe
- All the proceeds to be used for **future business growth**
- Low discount rate of **4.02%** due to excess demand
- Aim for improvement **market liquidity** by secondary offering

# Objectives for Offering



## ■ Aim for **Growth** and **Transformation**

### **Growth**

- Confirm the positioning as a financial institution with strong growth potential
- Accelerate growth of in-force business

### **Transformation**

- Realize the mid-term vision of “Internet Service Company of Life Insurance”
- Improve the market liquidity
- Multiple expansion in stock valuation

# 【Ref.】 Life Time Value and Customer Acquisition Cost



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## Key Metrics for a SaaS Company and Lifenet

### Commonly Used SaaS Glossary

#### ARR per Contract

(Annual Recurring Revenue)

- The value of the contracted recurring revenue components of the term subscriptions normalized to a one-year period

#### Life Time

(Term of Contract)

- Contract period: from date entered into contract until the contract is cancelled
- Calculated by reciprocal of churn rate

#### Gross Margin Rate

- Percentage of revenue left over after the cost of servicing that revenue is taken into account

#### LTV

(Life Time Value)

- Accumulated profit per client during the contract period
- Revenue from new client \* total revenue profitability (%) \* contract period

#### CAC

(Customer Acquisition Cost)

- Marketing and sales expenses incurred in bringing 1 client

### FY2019

Annualized Premiums per Policy-in-force

**JPY 42,486**

×

Average Policy Term

**14.3 years<sup>1</sup>**

×

**45%<sup>2</sup>**

||

(Annualized Premiums per Policy \* Life Time \* Gross Margin Rate)

**JPY 273,397**

Marketing Expenses per New Policy

**JPY 75,970<sup>3</sup>**

### FY2020/1Q

Annualized Premiums per Policy-in-force

**JPY 42,452**

×

Average Policy Term

**18.2 years<sup>1</sup>**

×

**44%<sup>2</sup>**

||

(Annualized Premiums per Policy \* Life Time \* Gross Margin Rate)

**JPY 339,956**

Marketing Expenses per New Policy

**JPY 53,541<sup>3</sup>**

1. 1 / Churn rate. Churn rate represents the percentage of users who cancelled out their insurance policies.  
 2. (Insurance premiums - Insurance claims and benefits - Provision for policy reserves and others) / Insurance premiums.  
 3. Marketing expenses / Number of new business.

# Business Forecast FY2020



- Aim for record high of new business performance under COVID-19 environment

(JPY millions)

|   | FY2020 Forecast |   | (Reference) FY2019 Results |   |
|---|-----------------|---|----------------------------|---|
|   |                 | Of which: impact of modified co-insurance |                            | Of which: impact of modified co-insurance |
| Ordinary income   | <b>20,000</b>   | 2,700                                     | 16,850                     | 2,034                                     |
| Ordinary profit (loss)                                      | <b>(3,200)</b>  | 650                                       | (2,382)                    | 1,526                                     |
| Net income (loss)   | <b>(3,200)</b>  | 650                                       | (2,400)                    | 1,526                                     |
| (Reference) Annualized premium of new business <sup>1</sup> | <b>4,000</b>    |   | 3,425                      |   |

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.

# 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.

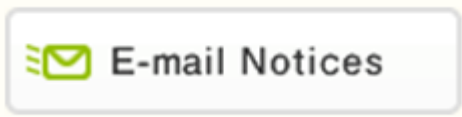
**We wish to be a company that helps our customers embrace life more fully.  
In order to live out that vision, we continue to challenge ourselves.**



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# Appendix



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# Impact of COVID-19 for 1Q of Fiscal 2020



- **New business performance achieved record high on a quarterly basis**
- **Surrender and lapse ratio improved**
- **No significant impact on payment of insurance claim**
- **Various special measures based on customer-oriented business**

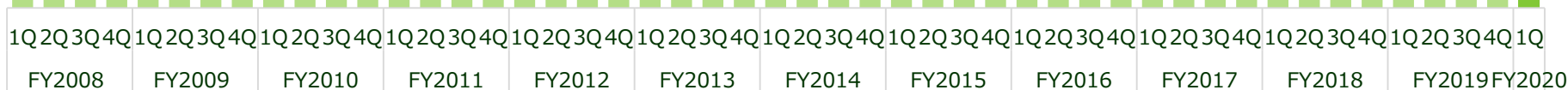
# Number of New Business (Quarter)



■ Recorded historical high

■ :Number of new business

  
**28,136**



# Condensed Statements of Operation / Fundamental Profit



| (JPY millions)                        |   | FY2019/1Q    | FY2020/1Q      | Change  | Note   |
|---------------------------------------|---|--------------|----------------|---|--|
| Condensed statements of operation     | Insurance premiums and other            | 3,774        | <b>4,633</b>   | 859   | Increased due to growth in in-force policies business and utilization of modified co-insurance   |
|                                       | Other                                   | 121          | <b>92</b>      | (28)  |  |
|                                       | Ordinary income                         | 3,895        | <b>4,726</b>   | 831   | Includes 558M increase for utilization of modified co-insurance  |
|                                       | Insurance claims and other              | 772          | <b>1,236</b>   | 463   | Increased due to growth in in-force policies. Percentage of insurance claims and benefit claims to insurance premiums is 18.1%.                        |
|                                       | Insurance claims                        | 386          | <b>447</b>     | 61  | Increased from 27 cases in 1Q of FY19 to 38 in 1Q of FY20.   |
|                                       | Benefit claims                          | 227          | <b>267</b>     | 40  | Increased from 1,960 cases in 1Q of FY19 to 2,201 in 1Q of FY20.   |
|                                       | Provision for policy reserves and other | 1,015        | <b>1,497</b>   | 481   | Increased by transferring to standard policy reserves. Percentage of provision for policy reserves (1,497 million yen) to insurance premiums is 38.0%. |
|                                       | Operating expenses                      | 2,199        | <b>2,341</b>   | 141   |  |
|                                       | Marketing expenses                      | 1,502        | <b>1,506</b>   | 3   |  |
|                                       | Customer service                        | 211          | <b>242</b>     | 31  |  |
|                                       | System and other                        | 486          | <b>592</b>     | 106   |  |
|                                       | Other                                   | 228          | <b>299</b>     | 71  |  |
|                                       | Ordinary expenses                       | 4,216        | <b>5,374</b>   | 1,157   |  |
|                                       | Ordinary profit (loss)                  | (321)        | <b>(647)</b>   | (326)   | Includes profit of 212M for utilization of modified co-insurance.  |
| Extraordinary losses and income taxes | 4                                       | <b>4</b>     | 0              |   |  |
| Net income (loss)                     | (325)                                   | <b>(652)</b> | (326)          | Includes profit of 212M for utilization of modified co-insurance. |  |
| Fundamental profit                    | Mortality margin                        | 757          | <b>877</b>     | 119   |  |
|                                       | Expense margin (loss)                   | (1,180)      | <b>(1,424)</b> | (243)   | Includes 263M expense margin for utilization of modified co-insurance.   |
|                                       | Interest margin (loss)                  | (5)          | <b>(15)</b>    | (10)  |  |
|                                       | Fundamental profit                      | (428)        | <b>(562)</b>   | (134)   |  |

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

## Impacts of changes in assumptions (sensitivities)

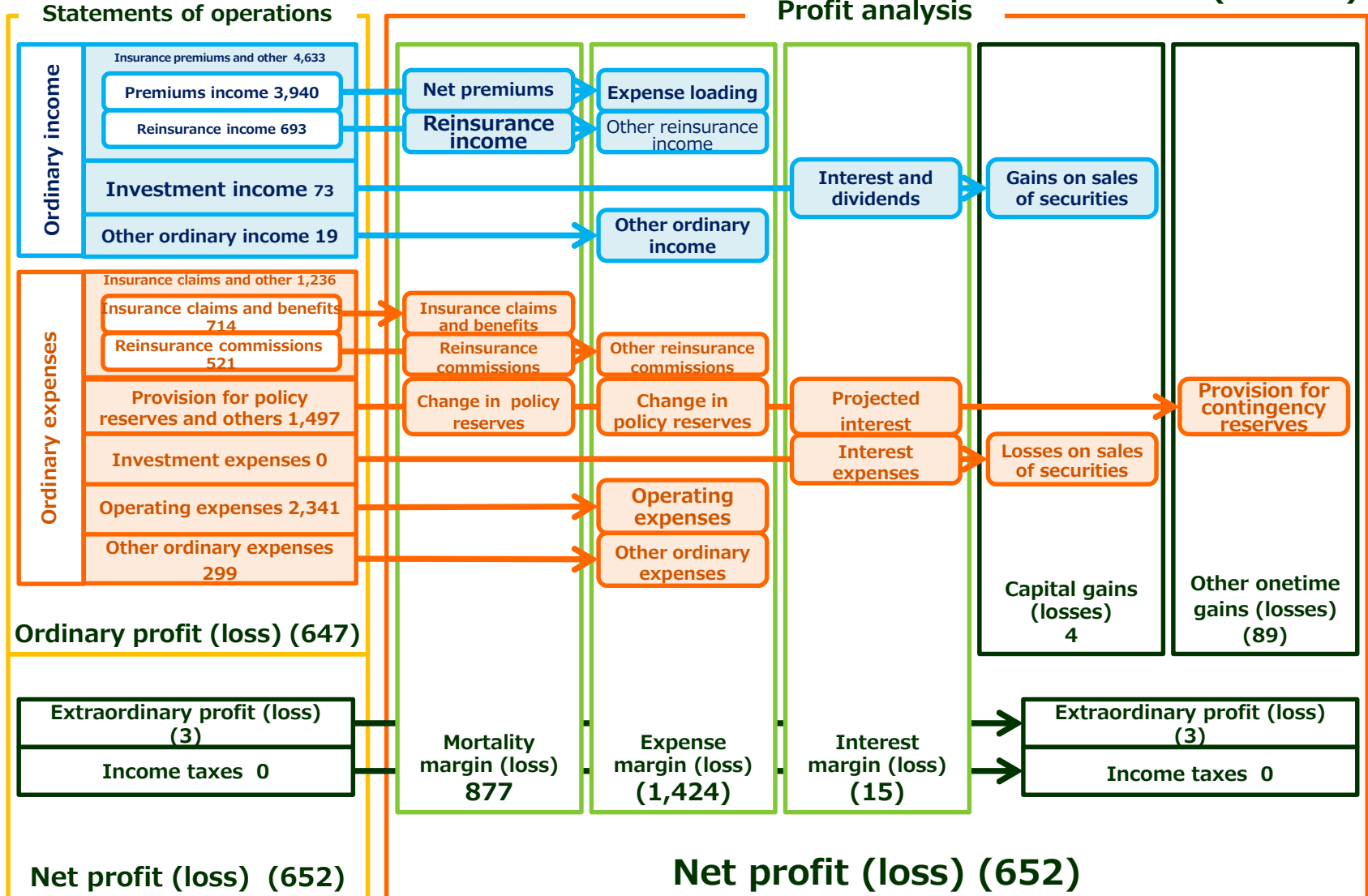
| (JPY millions)  | Change in EEV as of June 30, 2020 | Change in VoNB |
|---|-----------------------------------|----------------|
| EEV and new business value as of June 30, 2020                        | 75,921                            | 1,542          |
| Sensitivity 1a: 1.0% increase in risk-free rate                       | (2,612)                           | 9              |
| Sensitivity 1b: 1.0% decrease in risk-free rate                       | 1,969                             | (97)           |
| Sensitivity 1c: 0.5% increase in risk-free rate                       | (1,253)                           | 13             |
| Sensitivity 1d: 0.5% decrease in risk-free rate                       | 1,096                             | (34)           |
| Sensitivity 1e: Interest rates based on JGB yields                    | 962                               | 73             |
| Sensitivity 2: 10% decrease in equity and real estate value and other | (442)                             | —              |
| Sensitivity 3: 10% decrease in operating expenses                     | 3,301                             | 236            |
| Sensitivity 4: 10% decrease in lapse rate                             | 145                               | 12             |
| Sensitivity 5: 5% decrease in claim incidence rates for life business | 3,963                             | 183            |
| Sensitivity 6: Change the required capital to the statutory minimum   | 62                                | 3              |

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. EEV as of June 30, 2020 is calculated applying the same operating assumptions as those used for March 31, 2020, and is not reviewed by third-party specialists.

# Three Surplus Factors of Fundamental Profit

1Q of FY2020

(JPY mn)



1. Some items with minimal amounts have been omitted.

# Solvency Margin Ratio Calculation



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As of June 30, 2020

$$\text{Solvency margin ratio } 2,093.9\% = \frac{\text{Total amount of solvency margin <numerator> } 19,367}{\text{Total amount of risk/2 <the denominator> } 1,849/2} \div \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4/2 \text{ (JPY mn)}$$

|                                |  |
|--------------------------------|--|
| Cash and deposits<br>1,566     | Other liabilities<br>1,190   |
| Money held in trust<br>3,710   | Reserves for outstanding claims<br>634                                     |
|                                | Policy reserves<br>31,187  |
| <b>Securities</b><br>32,846    | Contingency reserves 1,812   |
|                                | Excess over the full-Zillmerized reserve 8,368                             |
|                                | Price fluctuation reserves 59  |
|                                | Deferred tax liabilities on available-for-sale securities 246 <sup>1</sup> |
|                                | Valuation difference on securities available-for-sale 634 <sup>1</sup>     |
| Tangible fixed assets<br>88    | <b>Capital stock and other assets</b><br>8,245                             |
| Intangible fixed assets<br>764 |  |
| <b>Other assets</b><br>3,320   | <b>Net assets</b><br>8,951   |

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

- Insurance risk R<sub>1</sub> 1,137**  
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R<sub>8</sub> 338**  
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk R<sub>2</sub> 3**  
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> 984**  
[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> 73**  
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.

# 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



# Adjusted Profit

## 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 business profit for a given fiscal year.
- We disclose adjusted profit as an indicator of profit generated by policies-in-force. It is calculated by excluding marketing expenses for periods other than the period in which income was generated from ordinary profit (loss) and adjusting for the benefit from modified co-insurance and the level of policy reserves.

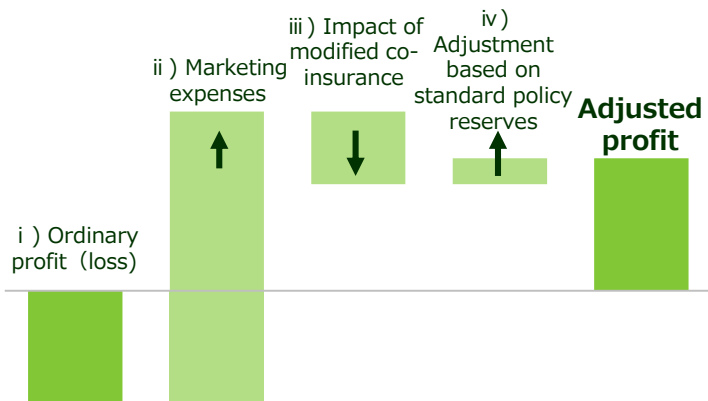


**Adjusted profit**

# Explanation of Adjusted profit

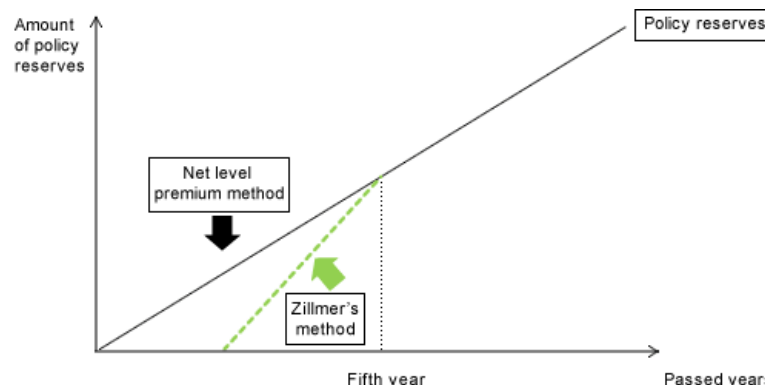
## Adjustments to provision for policy reserves based on standard policy reserves

### Calculation of adjusted profit



### Difference between methods of calculating provision for policy reserves

We are currently in the transitional period and will transition all business to standard policy reserves by the end of Fiscal 2022.



### Method of calculating the "iv) Adjustment based on standard policy reserves"

e.g. 1Q for fiscal 2020 (JPY millions)

|  |   |   |  |   |   |
|--|---|---|--|---|---|
| <b>Adjustment to provision for policy reserves<sup>1</sup></b><br><b>208</b> | = | + | <b>Provision for policy reserves</b><br><b>1,497</b> | - | <b>Increase in standard policy reserves<sup>2</sup></b><br><b>1,288</b> |
|--|---|---|--|---|---|

1. The amount of the adjustment to switch to provisioning based on standard policy reserves is calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves. Please note that the provision for contingency reserves is included in the provision for policy reserves, but is not included in the increase in standard policy reserves.
2. The increase in standard policy reserves is the amount of the increase (decrease) in the standard policy reserve balance for the current fiscal year from the balance in the previous fiscal year. The standard policy reserves is the amount calculated by excluding the provision for contingency reserves from actually provisioned policy reserves and adding the difference from the provision based on the standard policy reserves. The difference was 837 million yen as of June 30, 2020.

# Modified Co-Insurance

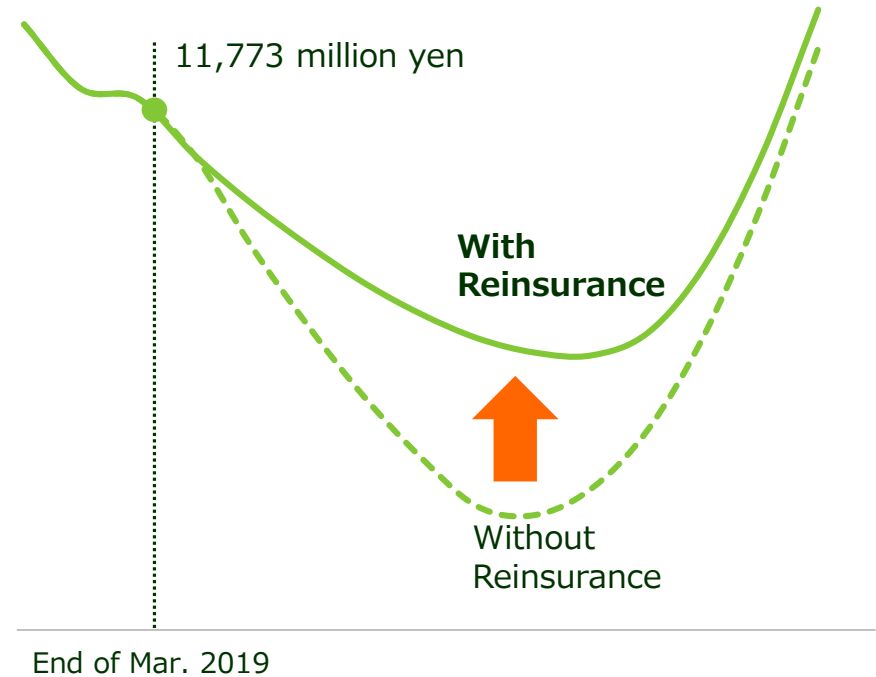
- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

## 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.