

November 11, 2020
Ryosuke Mori, President
LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

Financial Results for 2Q of Fiscal 2020 Ending March 31, 2021
Annualized premium of in-force business of 17,234 million yen,
up 11.1% from March 31, 2020

TOKYO, November 11, 2020 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the second quarter of fiscal 2020 ending March 31, 2021.

1. Overview of the financial results for 2Q of fiscal 2020

(1) Business results

Condition of policies-in-force

Annualized premium*¹ of new business in 2Q ended September 30, 2020 was 991 million yen (124.9% of 2Q of fiscal 2019). The number of new business was 23,369 (124.3% of 2Q of fiscal 2019). Annualized premium of new business for the six months ended September 30, 2020 was 2,158 million yen (133.5% of the six months ended September 30, 2019). The number of new business for the six months ended September 30, 2020 was 51,505 (135.9% of the six months ended September 30, 2019). Regarding the impact from the spread of the novel coronavirus disease for the six months ended September 30, 2020, it led to a great increase in the new business in the short term because of expanding consumers' needs for life insurance.

Annualized premium of policies-in-force as of the end of 2Q of fiscal 2020 stands at 17,234 million yen (111.1% of March 31, 2020). The number of policies-in-force exceeded 400,000 in September 2020 and resulted in a total of 405,403 (111.0% of March 31, 2020). Surrender and lapse ratio*² for the six months ended September 30, 2020 was 5.5% (7.3% for the six months ended September 30, 2019).

*1: Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments, we calculate annualized premium as multiplying the monthly premium by 12 months.

*2: The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Results of operations

Insurance premiums and other for the six months ended September 30, 2020 increased to 9,493 million yen (122.4% of the six months ended September 30, 2019) due to an increase in the number of policies-in-force and an increase in reinsurance income from modified co-insurance. Investment income was 237 million yen (136.1% of the six months ended September 30, 2019). Other ordinary income was 119 million yen. As a result, ordinary income for the six months ended September 30, 2020 amounted to 9,849 million yen (123.8% of the six months ended September 30, 2019).

Insurance claims and other was 2,574 million yen (152.5% of the six months ended September 30, 2019) mainly due to an increase in reinsurance commissions from modified co-insurance. The ratio of insurance payment amounts to insurance premiums decreased to 17.5% for the six months ended September 30, 2020, compared with 19.2% for the six months ended September 30, 2019. Provision for policy reserves and other came to 3,029 million yen (129.6% of the six months ended September 30, 2019). The ratio of provision for policy reserves to insurance premiums was 37.5% for the six months ended September 30, 2020, compared with 33.9% for the six months ended September 30, 2019. Operating expenses amounted to 4,633

million yen (100.6% of the six months ended September 30, 2019) mainly due to the investment in our marketing spend including advertising. The components of operating expenses were 3,054 million yen in marketing expenses (95.9% of the six months ended September 30, 2019), 478 million yen in customer service expenses (112.7% of the six months ended September 30, 2019), and 1,100 million yen in system and other expenses (110.8% of the six months ended September 30, 2019). Other ordinary expenses was 741 million yen (150.9% of the six months ended September 30, 2019) mainly due to share issuance costs for issuance of new shares through overseas public offering in July and an increase in the consumption tax rate in October 2019. Consequently, ordinary expenses for the six months ended September 30, 2020 totaled 10,978 million yen (119.7% of the six months ended September 30, 2019).

As a result, ordinary profit totaled 1,128 million yen loss for the six months ended September 30, 2020, compared with 1,214 million yen loss for the six months ended September 30, 2019. Net income was 1,138 million yen loss, compared with 1,223 million yen loss for the six months ended September 30, 2019.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 1,049 million yen loss, compared with 1,232 million yen loss for the six months ended September 30, 2019. The components of fundamental profit were 1,898 million yen in mortality margin, 2,938 million yen loss in expense margin and 9 million yen loss in interest margin.

We are participating in reinsurance transactions from fiscal 2019 by modified co-insurance on part of new business to achieve continuous growth. By utilizing reinsurance appropriately, we will ease the temporary burden imposed on statutory capital by expenses associated with new business and maintain fiscal soundness. The reinsurance transactions are agreements that transfer the risk and the profit (loss) structure of the reinsured business to the reinsurance company for a certain period of time. We receive ceding commission in accordance with the new business costs associated with the reinsured business in the initial fiscal year. This leads to an increase in ordinary income. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in ordinary profit and net profit. Once the balance of reinsurance accounts receivable is amortized to zero, the reinsurance agreement terminates, and subsequent profit on the reinsured business belongs to Lifenet. Accordingly, the modified co-insurance resulted in raising ordinary income by 1,153 million yen (852 million yen of the six months ended September 30, 2019), ordinary profit by 360 million yen (743 million yen of the six months ended September 30, 2019), and net income by 360 million yen (743 million yen of the six months ended September 30, 2019).

(2) Financial condition

Assets, liabilities and net assets

Total assets as of September 30, 2020 amounted to 52,270 million yen (41,144 million yen as of March 31, 2020). The major account balance was 36,419 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Reinsurance accounts receivable was 2,026 million yen including 1,901 million yen of the balance of unamortized ceding commission for modified co-insurance.

Liabilities amounted to 34,736 million yen as of September 30, 2020 (31,744 million yen as of March 31, 2020), owing to an increase in policy reserves. The major account balances were 32,719 million yen in policy reserves and 552 million yen in reserves for outstanding claims.

Net assets amounted to 17,533 million yen as of September 30, 2020 (9,400 million yen as of March 31, 2020) mainly due to raising new capital through overseas public offering despite the recording of net loss for the six months ended September 30, 2020. It includes the effect of raising retained earnings due to the utilization of modified co-insurance. On the other hand, after

the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in net assets accordingly.

The solvency margin ratio as of September 30, 2020 was 2,957.1% (2,117.1% as of March 31, 2020), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For the six months ended September 30, 2020, net cash provided by operating activities amounted to 1,546 million yen (586 million yen provided for the six months ended September 30, 2019) mainly because of an increase in insurance premium. Net cash used by investing activities amounted to 5,446 million yen (897 million yen used for the six months ended September 30, 2019) mainly due to acquisition of securities. Net cash provided by financing activities amounted to 8,865 million yen (7 million yen used for the six months ended September 30, 2019) mainly due to issuance of new shares through overseas public offering in July.

Based on these activities described above, cash and cash equivalents as of September 30, 2020 totaled 6,643 million yen (1,677 million yen as of March 31, 2020).

(3) Business forecasts

The business forecasts for fiscal 2020 which was announced on August 11, 2020 remain unchanged as shown below.

(In millions of yen)

	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts for fiscal 2020	20,000	(3,200)	(3,200)
(Reference) Business results for fiscal 2019	16,850	(2,382)	(2,400)
Change	18.7%	-	-

The business forecasts for fiscal 2020 includes the impact of reinsurance transactions from fiscal 2019 by modified co-insurance. We expect the impact on fiscal 2020 results forecasts to increase ordinary income by around 2,700 million yen, ordinary profit by around 650 million yen and net income by around 650 million yen, given that new business will be acquired as expected. This impact includes the effects of amortization of reinsurance accounts receivable generated from reinsured business in fiscal 2019. Subsequently, expecting annualized premium of new business for fiscal 2020 will be 4,000 million yen.

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

Remembering the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell these products and services directly to customers over the Internet. We aim to be the leading company driving the growth of the online life insurance market.

<p>Contact: Investor Relations, Corporate Planning Department Tel: +81-3-5216-7900 e-mail: ir@lifenet-seimei.co.jp</p>

Disclaimer: This is a summarized translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

2. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31, 2020	Sep. 30, 2020
<u>ASSETS</u>		
Cash and deposits.....	1,377	2,143
Monetary claims bought.....	299	4,499
Money held in trust	3,539	4,734
Securities	32,058	36,419
Government bonds.....	8,065	8,632
Municipal bonds	1,391	1,388
Corporate bonds.....	18,119	20,611
Stocks.....	313	393
Foreign securities	0	0
Other securities	4,167	5,394
Tangible fixed assets.....	96	92
Intangible fixed assets.....	742	873
Agency accounts receivable	9	7
Reinsurance accounts receivable.....	1,663	2,026
Other assets.....	1,356	1,472
Accounts receivable	1,132	1,244
Other	224	228
Total assets	<u>41,144</u>	<u>52,270</u>

	(In millions of yen)	
	March 31, 2020	Sep. 30, 2020
<u>LIABILITIES</u>		
Policy reserves and other	30,328	33,272
Reserves for outstanding claims	638	552
Policy reserves	29,690	32,719
Agency accounts payable	55	63
Reinsurance accounts payable	225	251
Other liabilities	882	802
Income taxes payable	3	1
Accrued expenses	775	674
Lease liabilities	7	5
Asset retirement obligations	33	33
Other	62	86
Reserves under the special laws	56	64
Reserve for price fluctuations	56	64
Deferred tax liabilities	195	282
Total liabilities	31,744	34,736
<u>NET ASSETS</u>		
Capital stock	12,200	16,723
Capital surplus	12,200	16,723
Legal capital surplus	12,200	16,723
Retained earnings	(15,502)	(16,641)
Other retained earnings	(15,502)	(16,641)
Retained earnings brought forward	(15,502)	(16,641)
Treasury shares	—	(0)
Shareholders' equity	8,898	16,806
Valuation difference on available-for-sale securities	502	727
Valuation and translation adjustments	502	727
Total net assets	9,400	17,533
Total liabilities and net assets	41,144	52,270

(2) Statements of Operations

	(In millions of yen)	
	Six months ended Sep. 30	
	2019	2020
Ordinary income.....	7,953	9,849
Insurance premiums and other	7,754	9,493
Premiums income	6,697	8,079
Reinsurance income.....	1,056	1,414
Investment income.....	174	237
Interest, dividends and other income.....	152	140
Gains on money held in trust.....	16	93
Gain on sales of securities.....	5	2
Other ordinary income	24	119
Reversal of reserves for outstanding claims.....	—	85
Other	24	33
Ordinary expenses	9,167	10,978
Insurance claims and other	1,688	2,574
Insurance claims	832	879
Benefits	455	537
Other refunds	0	0
Reinsurance commissions	400	1,157
Provision for policy reserves and other	2,337	3,029
Provision for reserves for outstanding claims	65	—
Provision for policy reserves	2,271	3,029
Investment expenses	46	0
Interest expenses	0	0
Loss on valuation of securities.....	46	—
Foreign exchange losses.....	0	0
Operating expenses	4,604	4,633
Other ordinary expenses	491	741
Ordinary profit (loss)	(1,214)	(1,128)
Extraordinary losses	6	8
Provision of reserves under the special laws.....	6	8
Provision of reserve for price fluctuations	6	8
Income (loss) before income taxes	(1,221)	(1,136)
Income taxes-current	1	1
Income taxes.....	1	1
Net income (loss)	(1,223)	(1,138)

(3) Statements of Changes in Net Assets

	(In millions of yen)	
	Six months ended Sep. 30	
	2019	2020
Shareholders' equity:		
Capital stock		
Balance at the beginning of the year.....	12,136	12,200
Changes of items during the period		
Issuance of new shares.....	—	4,502
Issuance of new shares-restricted stock.....	20	20
Total changes of items during the period	20	4,523
Balance at the end of the period	12,157	16,723
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year.....	12,136	12,200
Changes of items during the period		
Issuance of new shares.....	—	4,502
Issuance of new shares-restricted stock.....	20	20
Total changes of items during the period	20	4,523
Balance at the end of the period	12,157	16,723
Total capital surplus		
Balance at the beginning of the year.....	12,136	12,200
Changes of items during the period		
Issuance of new shares.....	—	4,502
Issuance of new shares-restricted stock.....	20	20
Total changes of items during the period	20	4,523
Balance at the end of the period	12,157	16,723
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year	(13,101)	(15,502)
Changes of items during the period		
Net income (loss).....	(1,223)	(1,138)
Total changes of items during the period	(1,223)	(1,138)
Balance at the end of the period	(14,324)	(16,641)
Total retained earnings		
Balance at the beginning of the year.....	(13,101)	(15,502)
Changes of items during the period		
Net income (loss).....	(1,223)	(1,138)
Total changes of items during the period	(1,223)	(1,138)
Balance at the end of the period	(14,324)	(16,641)
Treasury shares		
Balance at the beginning of the year.....	—	—
Changes of items during the period		
Purchase of treasury shares	—	(0)
Total changes of items during the period	—	(0)
Balance at the end of the period	—	(0)

	(In millions of yen)	
	Six months ended Sep. 30	
	2019	2020
Total shareholders' equity		
Balance at the beginning of the year.....	11,172	8,898
Changes of items during the period		
Issuance of new shares.....	—	9,005
Issuance of new shares-restricted stock.....	41	41
Net income (loss).....	(1,223)	(1,138)
Purchase of treasury shares.....	—	(0)
Total changes of items during the period.....	(1,181)	7,908
Balance at the end of the period.....	9,990	16,806
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year.....	600	502
Changes of items during the period		
Net changes of items other than shareholders' equity....	176	224
Total changes of items during the period.....	176	224
Balance at the end of the period.....	777	727
Total valuation and translation adjustments		
Balance at the beginning of the year.....	600	502
Changes of items during the period		
Net changes of items other than shareholders' equity....	176	224
Total changes of items during the period.....	176	224
Balance at the end of the period.....	777	727
Net assets:		
Balance at the beginning of the year.....	11,773	9,400
Changes of items during the period		
Issuance of new shares.....	—	9,005
Issuance of new shares-restricted stock.....	41	41
Net income (loss).....	(1,223)	(1,138)
Purchase of treasury shares.....	—	(0)
Net changes of items other than shareholders' equity ...	176	224
Total changes of items during the period.....	(1,004)	8,133
Balance at the end of the period.....	10,768	17,533

(4) Statements of Cash Flows

	(In millions of yen)	
	Six months ended Sep. 30	
	2019	2020
Cash flows from operating activities		
Income (loss) before income taxes	(1,221)	(1,136)
Depreciation and amortization	143	154
Increase (decrease) in reserves for outstanding claims	65	(85)
Increase (decrease) in policy reserves.....	2,271	3,029
Increase (decrease) in reserve for price fluctuations	6	8
Interest, dividends and other income	(152)	(140)
Loss (gain) related to securities.....	41	(2)
Interest expenses	0	0
Share issuance costs.....	—	137
Decrease (increase) in agency accounts receivable	(1)	1
Decrease (increase) in reinsurance accounts receivable.....	(773)	(363)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	(60)	(95)
Increase (decrease) in agency accounts payable.....	(24)	8
Increase (decrease) in reinsurance accounts payable	30	25
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	65	(98)
Other, net.....	(4)	(73)
Subtotal	386	1,369
Interest and dividends income received	192	172
Interest expenses paid	(0)	(0)
Income taxes (paid) refund.....	7	4
Net cash provided by (used in) operating activities	586	1,546
Cash flows from investing activities		
Purchase of money held in trust	(250)	(1,000)
Purchase of securities.....	(1,831)	(5,297)
Proceeds from sales and redemption of securities	1,407	1,110
Total of net cash provided by (used in) investment transactions ...	(674)	(5,186)
Total of net cash provided by (used in) operating activities and investment transactions ...	(87)	(3,640)
Purchase of tangible fixed assets	(34)	(23)
Purchase of intangible fixed assets	(188)	(236)
Net cash provided by (used in) investing activities	(897)	(5,446)
Cash flows from financing activities		
Proceeds from issuance of common stock.....	—	8,868
Purchase of treasury shares.....	—	(0)
Repayments of lease obligations	(7)	(2)
Net cash provided by (used in) financing activities	(7)	8,865
Net increase (decrease) in cash and cash equivalents	(317)	4,965
Cash and cash equivalents, beginning of the year	2,192	1,677
Cash and cash equivalents, end of the period	1,874	6,643

###