

Securities Code: 7157

TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

Presentation Material for Investors

Third Quarter for Fiscal 2020

LIFENET INSURANCE COMPANY

February 9, 2021

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

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

Overview of Cumulative 3Q for Fiscal 2020



LIFENET

Annualized premium¹ of
policies-in-force

17,922 million yen
(115.5% vs end of FY2019)

Annualized premium¹ of
new business

3,093 million yen
(Y-on-Y 127.0%)

EEV² (European Embedded Value)

93,176 million yen
(126.9% vs end of FY2019)

Adjusted incremental EV³

6,196 million yen
(Y-on-Y 269.0%)

Notable Achievements

- Awarded #1 in the medical insurance product ranking of the 2021 Oricon Customer Satisfaction Survey⁴
- Concluded Business Alliance Agreement with Money Forward, Inc.

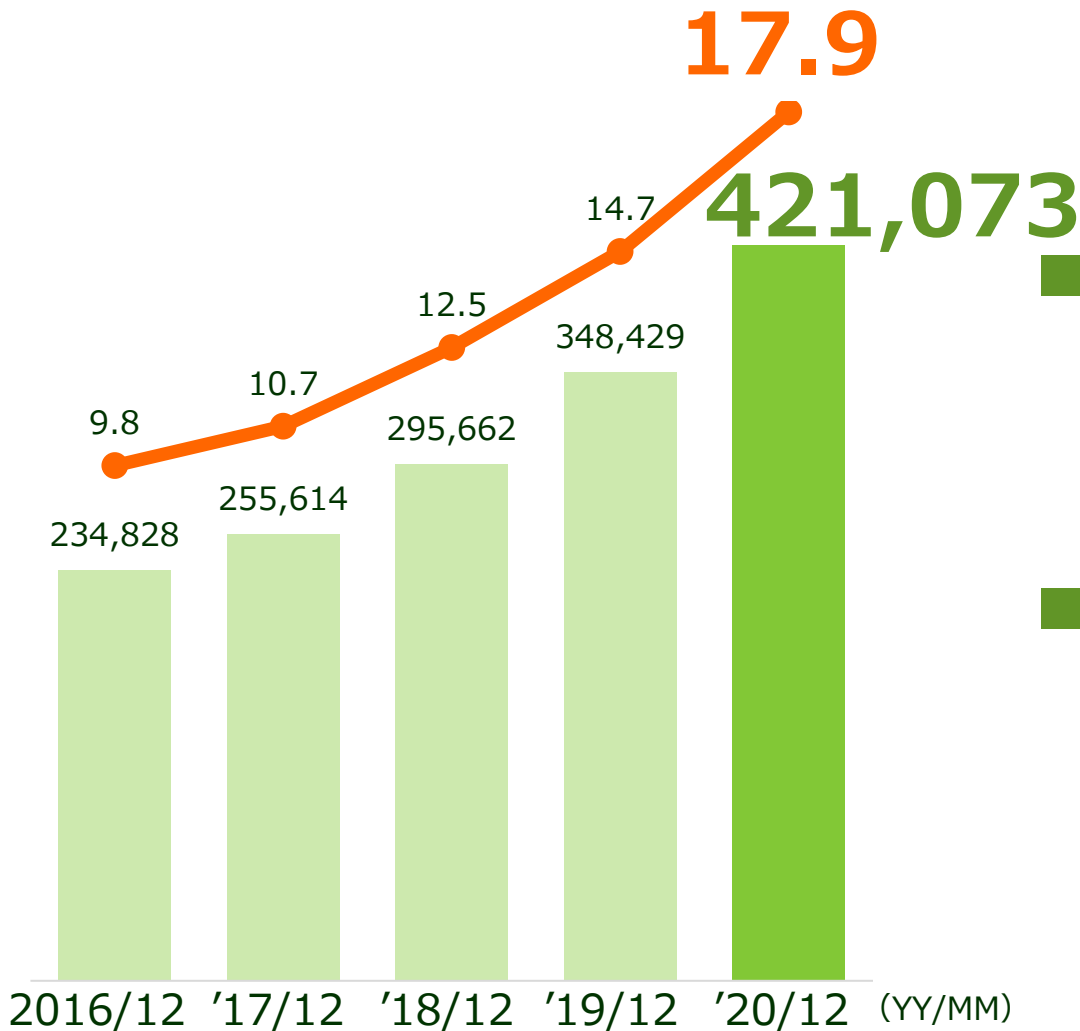


1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.
2. EEV as of December 31, 2020 is calculated applying the same operating assumptions as those used for September 30, 2020, and has not been reviewed by third-party specialists.
3. Adjusted incremental EV consisted of components adequately reflecting our business growth for fiscal 2020, see page 13 and 33 for details.
4. The 2021 Oricon Client Satisfaction Survey hosted by Oricon Inc.

Annualized Premium / Number of Policies-in-Force



■ : Annualized premium of policies-in-force¹ (JPY billions)
■ : Number of policies-in-force



- Maintaining a strong growth momentum
- Year-on-year Annualized premium **121.2%**, number of policies-in-force **120.8%**

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

■ Policies-in-force of Term Life exceeded 200,000

	'20/03	'20/12	Component ratio
Number of policies-in-force	365,171	421,073	100%
- Term Life	175,713	203,466	48%
- Whole-life Medical	100,280	115,501	27%
- Term Medical Care	9,105	8,944	2%
- Long-term Disability	54,665	58,521	14%
- Cancer	25,408	34,641	8%
Sum insured of policies-in-force ¹ (JPY millions)	2,565,269	2,885,844	
Number of policyholders	232,537	267,186	
	'19/3Q(YTD)	'20/3Q(YTD)	
Surrender and lapse ratio(annualized) ²	7.0%	5.6%	

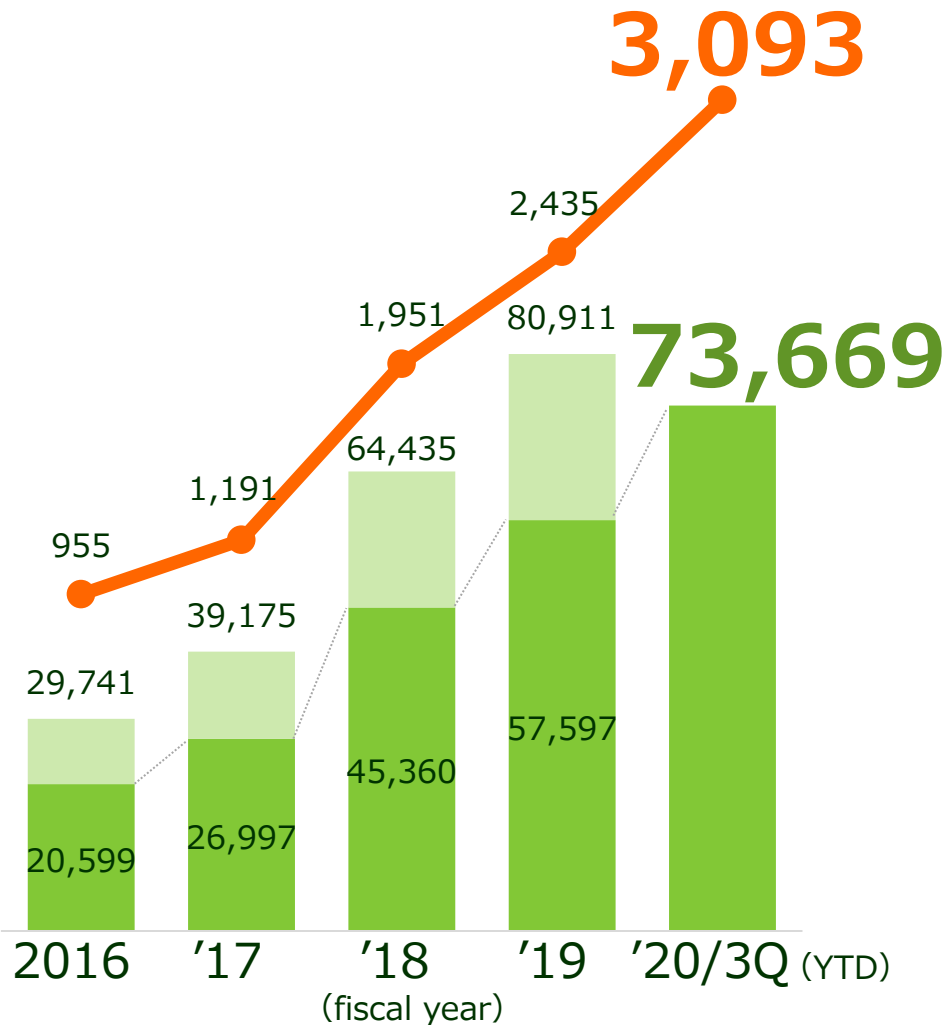
1. Sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.

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 business¹ (First 9 months of fiscal year, JPY millions)
- : Number of new business (Fiscal year)
- : Number of new business (First 9 months of fiscal year)



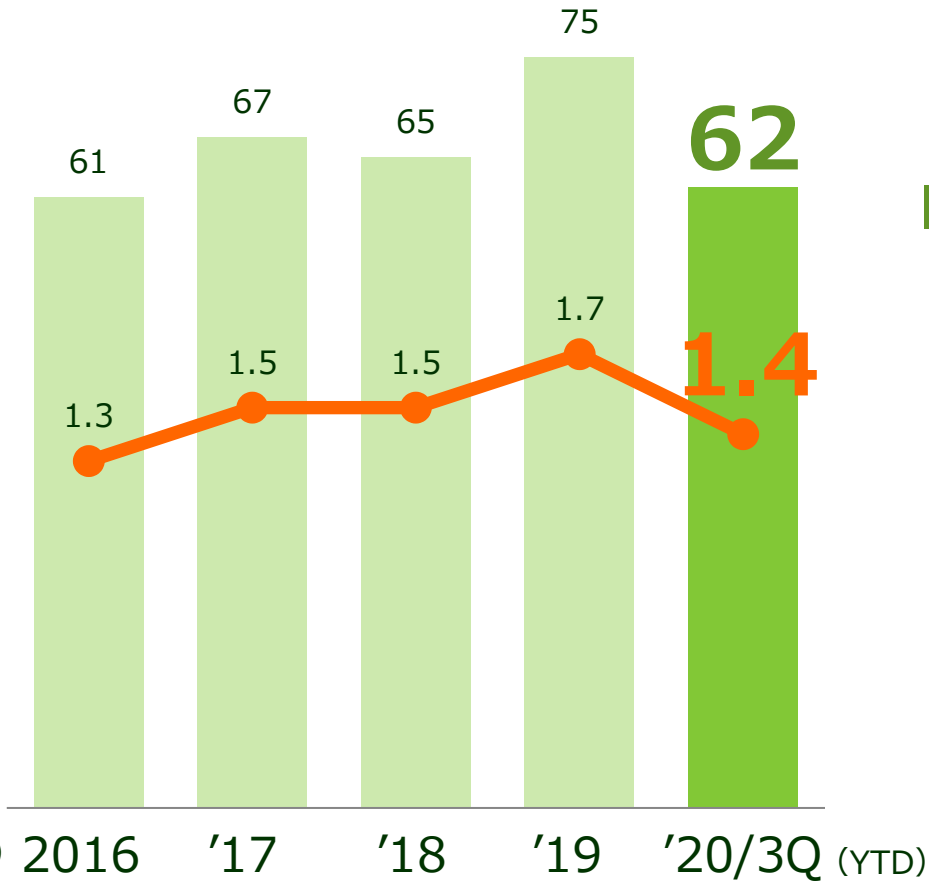
■ Achieved **new record** for the first nine months of fiscal year

■ Year-on-Year annualized premium **127.0%**, number of new business **127.9%**

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.

Marketing Efficiency

■ : Marketing expenses per new business (JPY thousands)
 ■ : Marketing expenses / Annualized premium of new business¹



■ **Improved** mainly due to temporary impact by COVID-19

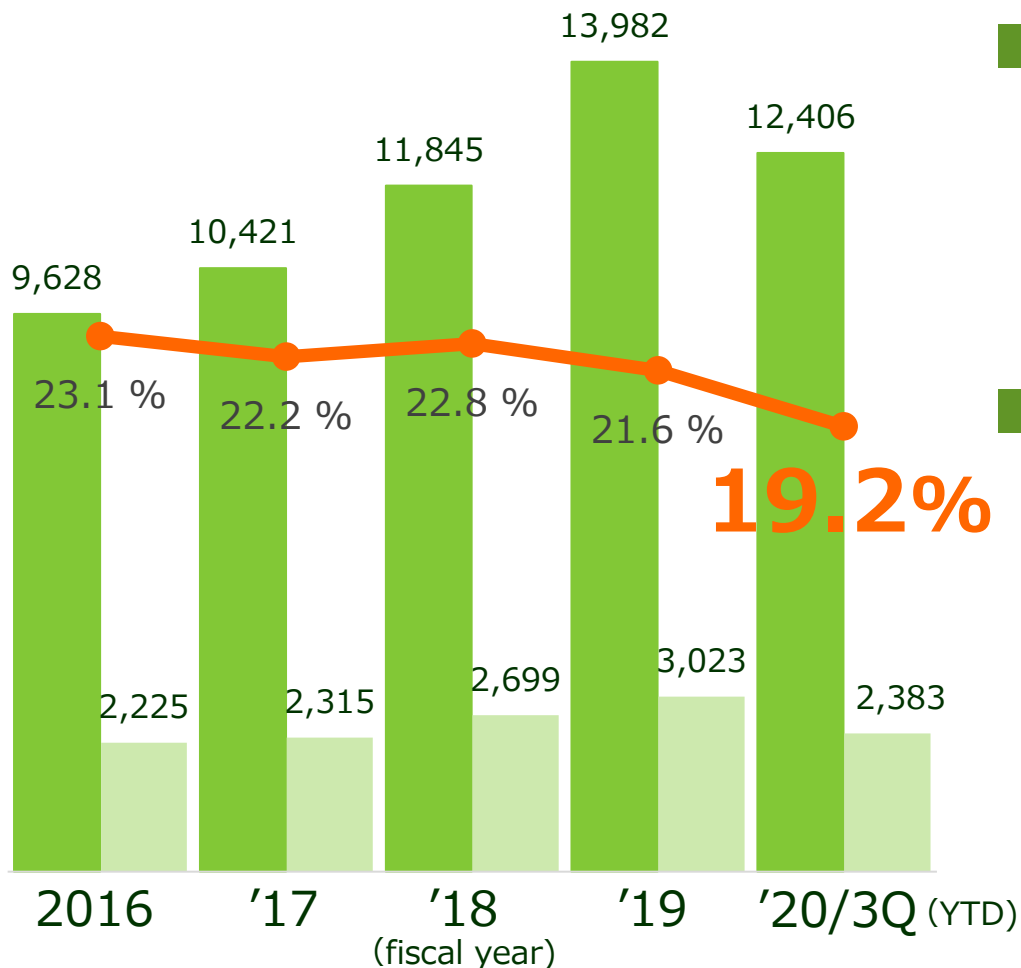
Marketing expenses (JPY millions)	2016	'17	'18	'19	'20/3Q (YTD)
	1,822	2,627	4,216	6,146	4,615

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.

Operating Expenses Ratio



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



■ Improved with the growth of in-force business

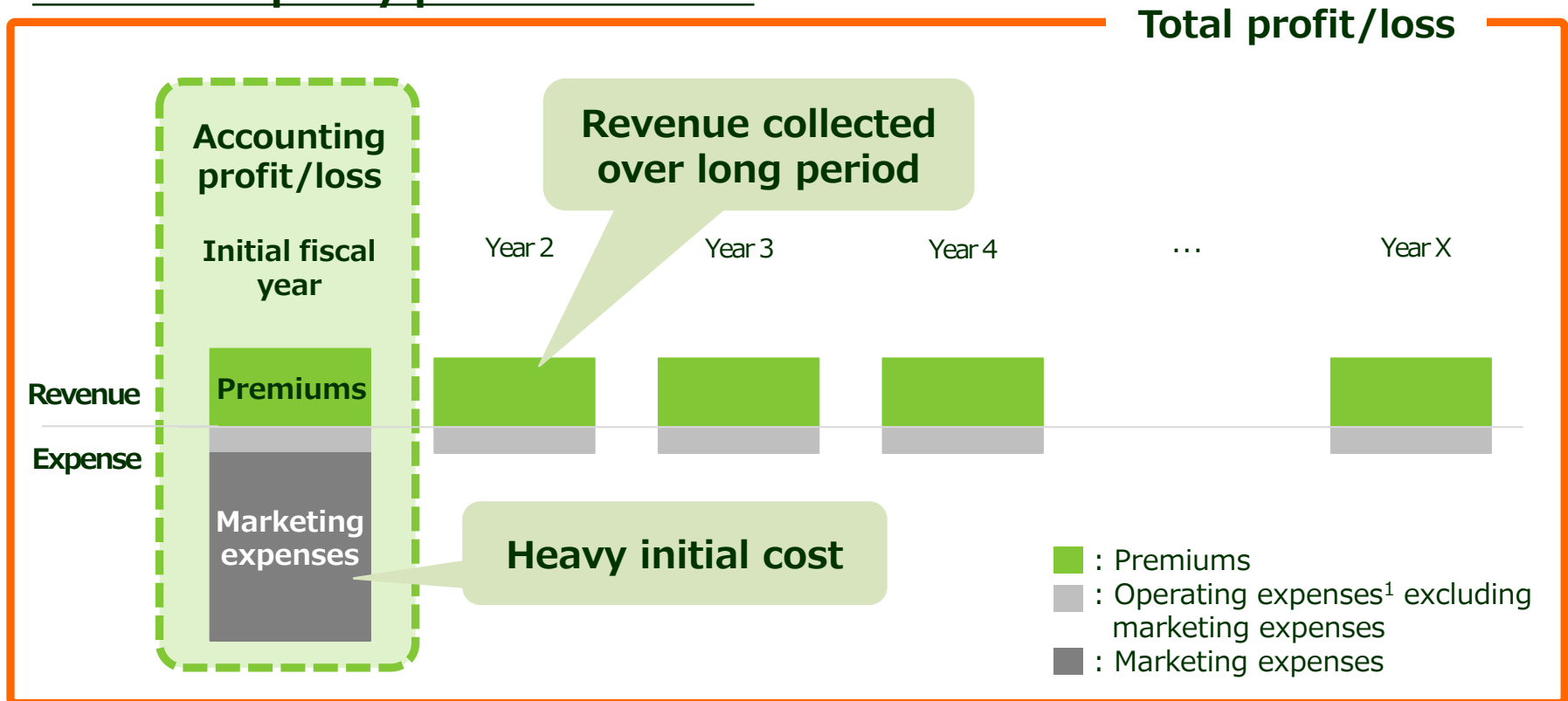
■ Aim to improve operational efficiency by further business expansion in mid-term

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

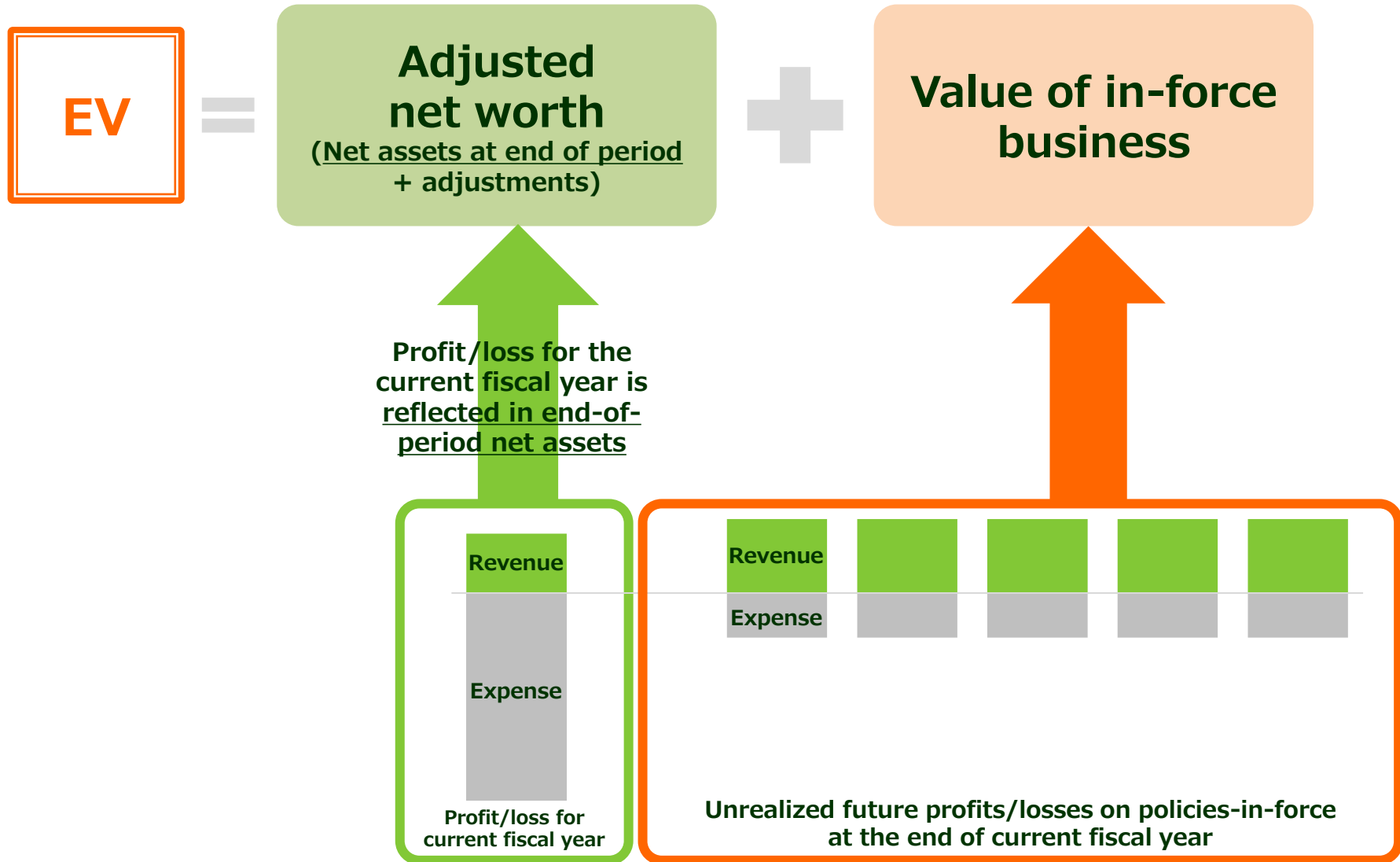
Adjusted profit = i) Ordinary profit (loss)¹ + ii) Marketing expenses
 – iii) Impact of modified co-insurance
 ± iv) Adjustment based on standard policy reserves²

JPY millions / fiscal year	2016	2017	2018	2019	2020/3Q (YTD)
i) Ordinary profit (loss)	88	(197)	(1,719)	(2,382)	(1,714)
ii) Marketing expenses	1,822	2,627	4,216	6,146	4,615
iii) Modified co-insurance	–	–	–	(1,526)	(555)
iv) Adjustment	543	319	347	546	560
Adjusted profit	2,454	2,748	2,844	2,784	2,905

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

Resilience to interest rate changes

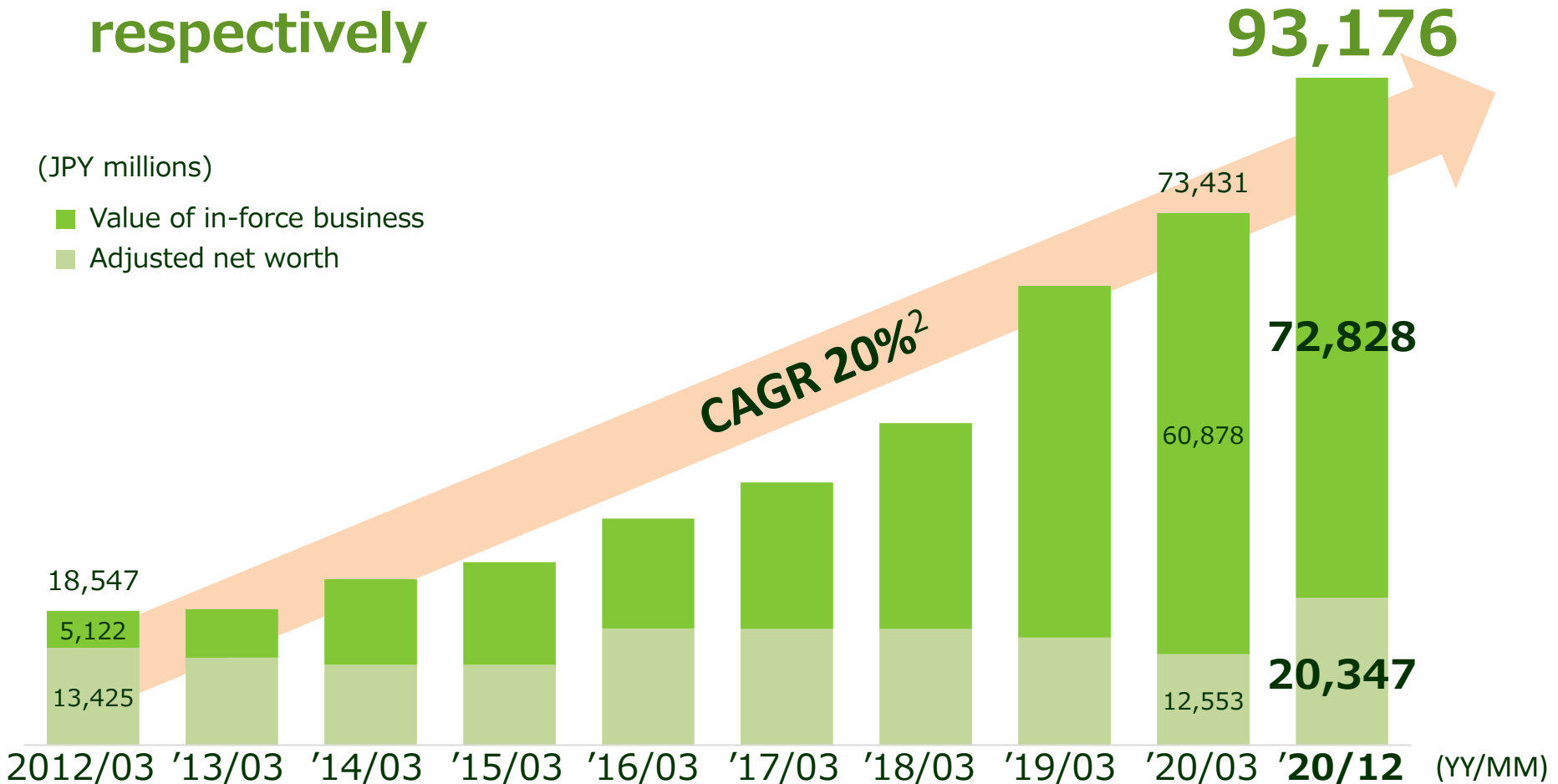
- **Limited sensitivity** to interest rate and stock fluctuations

Strong EEV¹ Growth

- EEV and value of in-force business have been growing at a CAGR of **20%**² and **35%**, respectively

(JPY millions)

- Value of in-force business
- Adjusted net worth

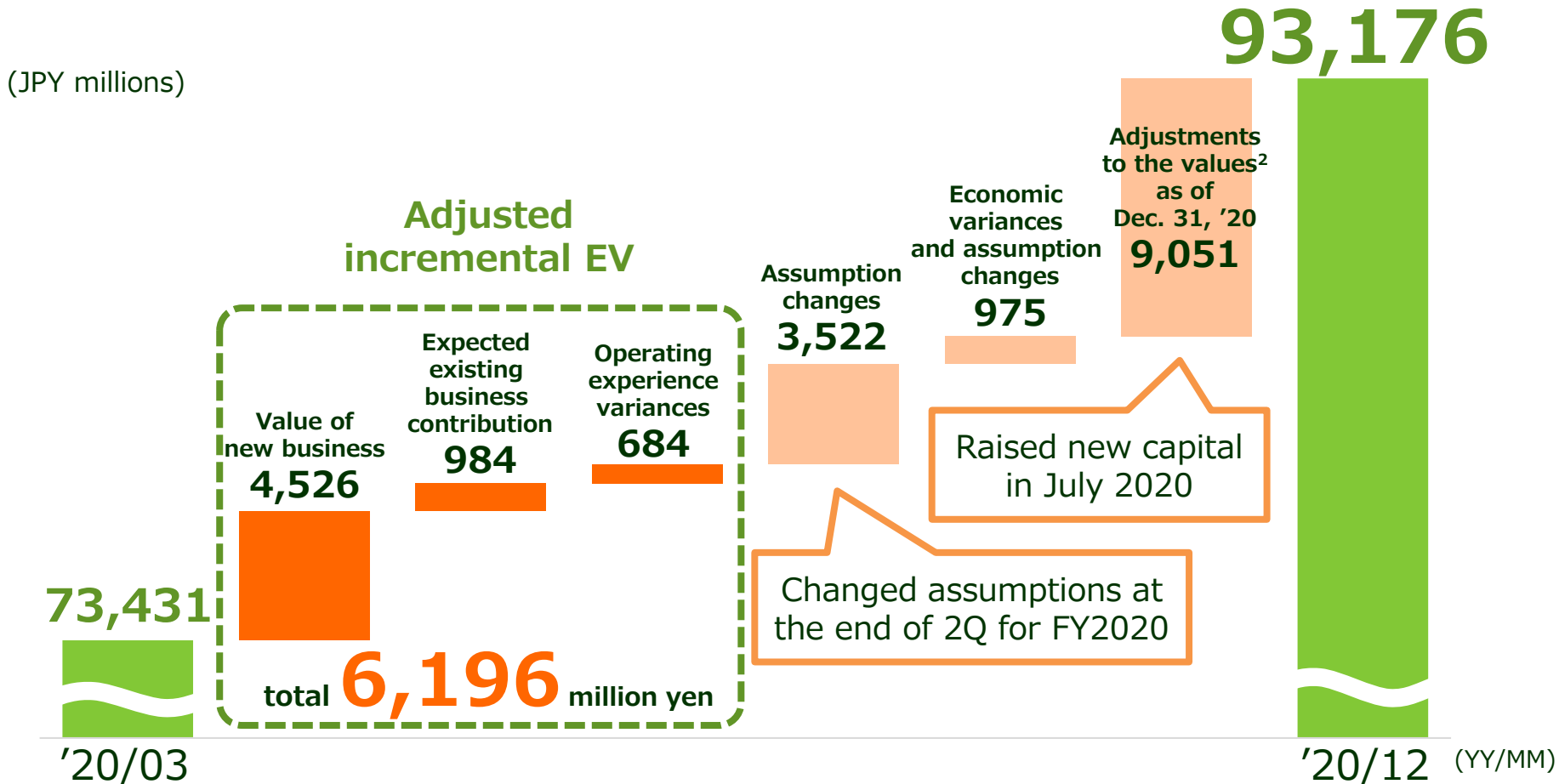


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate 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 December 31, 2020 is calculated applying the same operating assumptions as those used for September 30, 2020, and has not been reviewed by third-party specialists.
2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015 and 9,005 million yen from overseas public offering in July 2020.

Changing Factors of EEV¹



- Increased due to the strong new business performance, the improvement of operating expenses ratio and capital raising

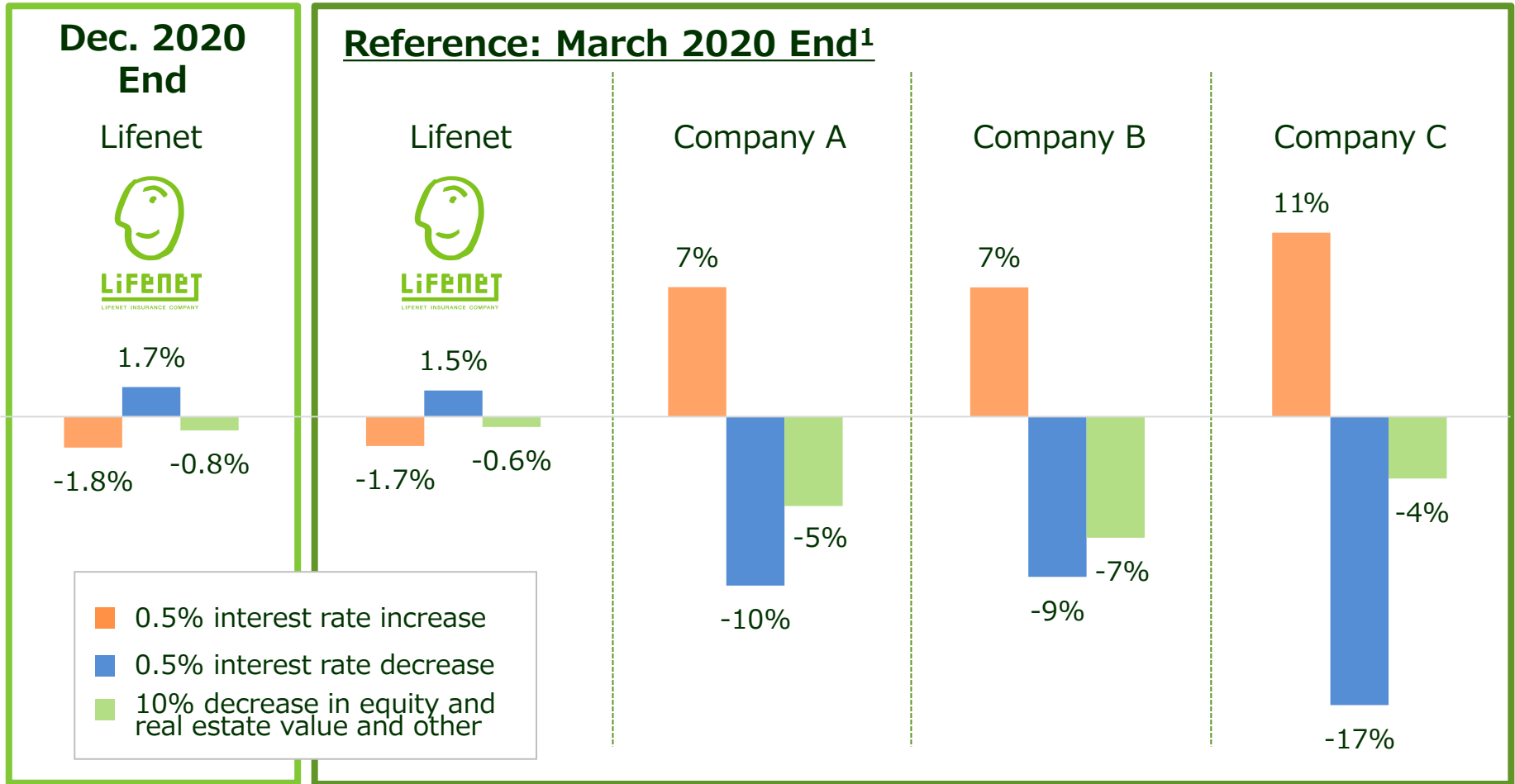


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. EEV as of December 31, 2020 is calculated applying the same operating assumptions as those used for September 30, 2020, and has not been reviewed by third-party specialists.

2. Item for change in capital

EV Resilience to Financial Changes

■ Limited sensitivity to interest rates and stock prices



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

[Ref.] Life Time Value and Customer Acquisition Cost



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 Profit Margin

- 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 years¹

×

45%²

||

(Annualized Premiums per Policy * Life Time * Gross Profit Margin)
JPY 273,397

Marketing Expenses per New Policy
JPY 75,970³

FY2020/3Q(YTD)

Annualized Premiums per Policy-in-force
JPY 42,564

×

Average Policy Term
17.9 years¹

×

45%²

||

(Annualized Premiums per Policy * Life Time * Gross Profit Margin)
JPY 342,853

Marketing Expenses per New Policy
JPY 62,653³

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.

Financial Condition

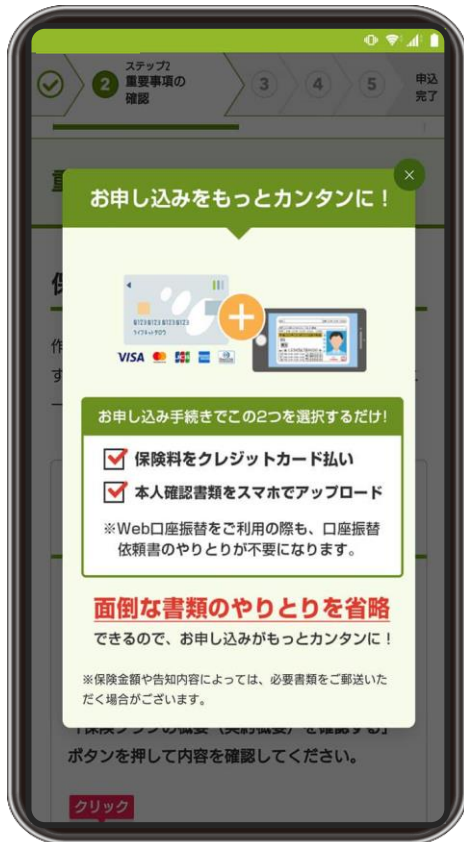
(JPY millions)	(YY/MM)	'20/03	'20/12
Total assets		41,144	53,751
Cash and deposits		1,377	2,516
Monetary claims bought		299	1,999
Money held in trust		3,539	5,422
Securities		32,058	38,865
Government bonds		8,065	9,024
Municipal bonds		1,391	1,488
Corporate bonds		18,119	21,219
Stocks		313	355
Foreign securities		0	0
Other securities ¹		4,167	6,778
Total liabilities		31,744	36,614
Policy reserves and other		30,328	34,832
Total net assets		9,400	17,136
Solvency margin ratio²		2,117%	2,811%
Modified duration (year)		11.3	11.4

■ **Maintained sufficient soundness as indicated by solvency margin ratio**

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.

Initiatives for Innovation of Customer Experience

Redesigned the application procedure on website in November



Easier and stress-free application procedure

<Feedback from policyholders >

I thought it'd be difficult to purchase policies online, but it was actually simple and easy. **I would like to recommend Lifenet to my family and friends.**

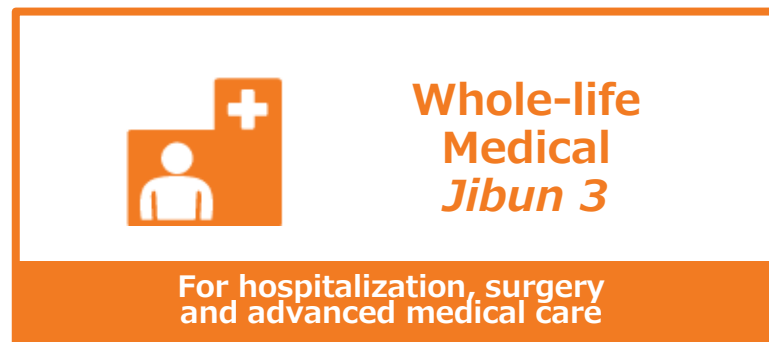
Application procedure with smartphone is very convenient. It didn't take a long time because there was no need to contact sales representative.

High Evaluation for Products and Services



- Whole-life Medical awarded No.1, evaluated by policyholders who received benefit payments

The medical insurance product ranking of the 2021 Oricon Customer Satisfaction Survey



Initiatives for Enhancement of Promotion Capabilities



- **Concluded Business Alliance Agreement with Money Forward, Inc., providing new customer experience to its 11.5 million users**



Money Forward

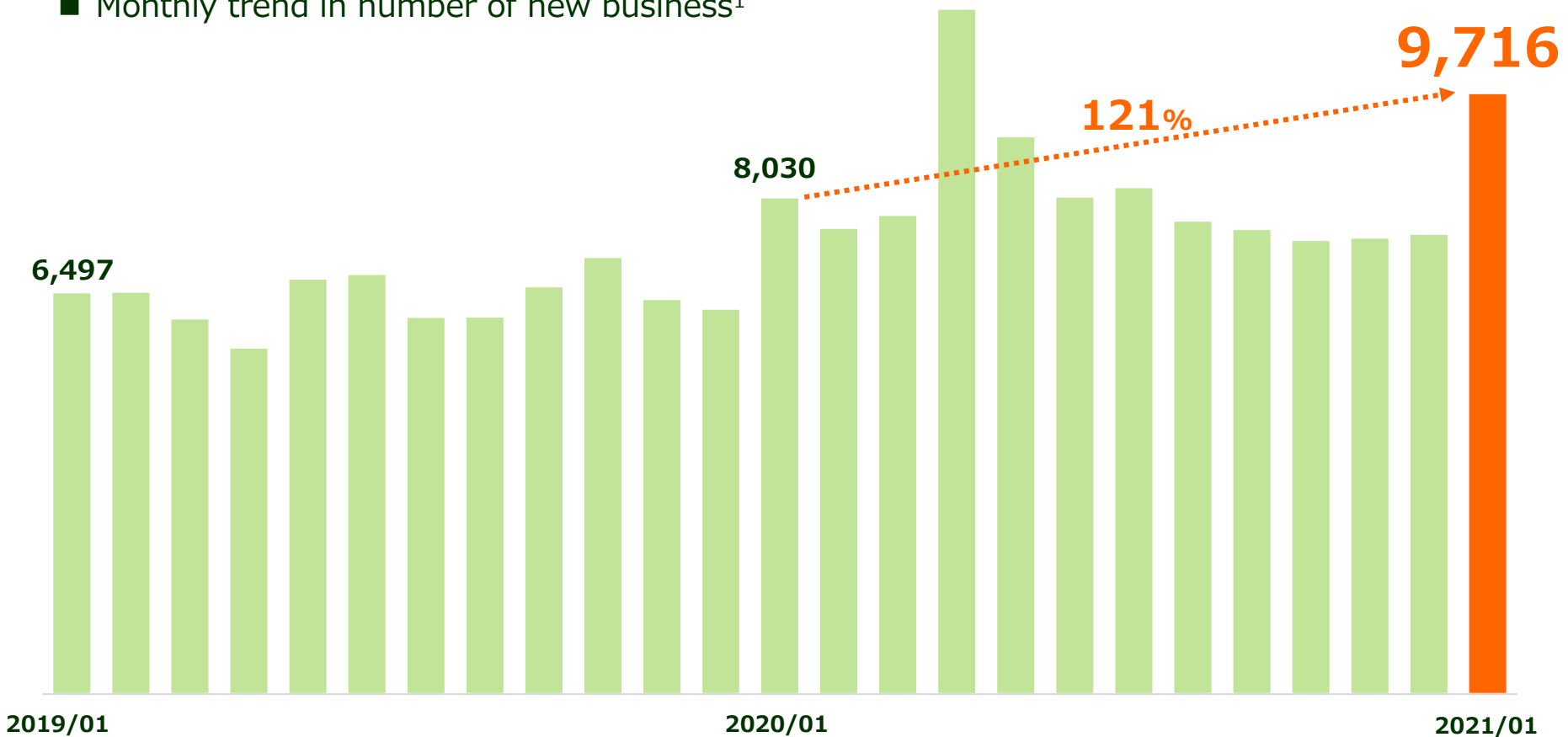
White label business initiative

Plan to launch new services this summer **to improve household finances** by combining PFM¹ app and online insurance

Recent Development

- Significant growth in new business performance in January 2021, second to that in April 2020

■ Monthly trend in number of new business¹



1. Based on Monthly Disclosure.

Future Direction

- Leveraging a lifestyle with “new normal”, aim for **double-digit growth in in-force business performance**
- **Invest in marketing expenses aggressively while focusing on its efficiency under the current business environment**
- **With expectation of early achievement of the current management goal, the revision of management target is under discussion**

Business Forecast FY2020



- No change from August 2020 announcement since **aggressive investment in marketing expenses is planned for the fourth quarter**

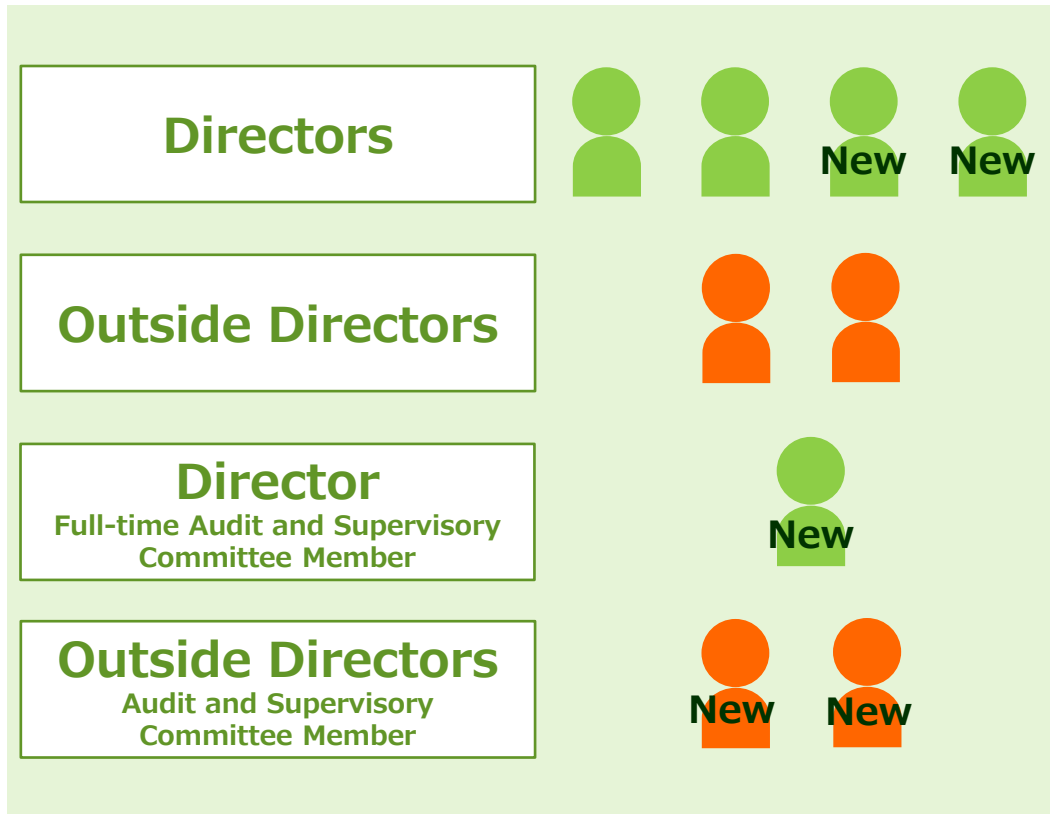
(JPY millions)

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

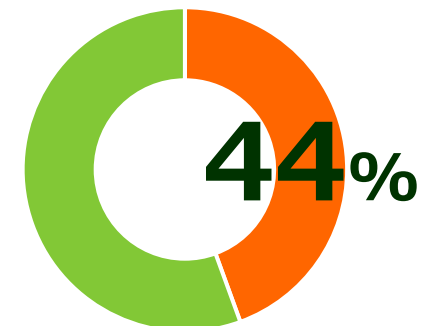
1. Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments; we calculate annualized premium as multiplying the monthly premium by 12 months.

Transition to Company with Audit and Supervisory Committee

- Aim for further strength of corporate governance and “growth and transformation”



Ratio of outside directors after change 



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

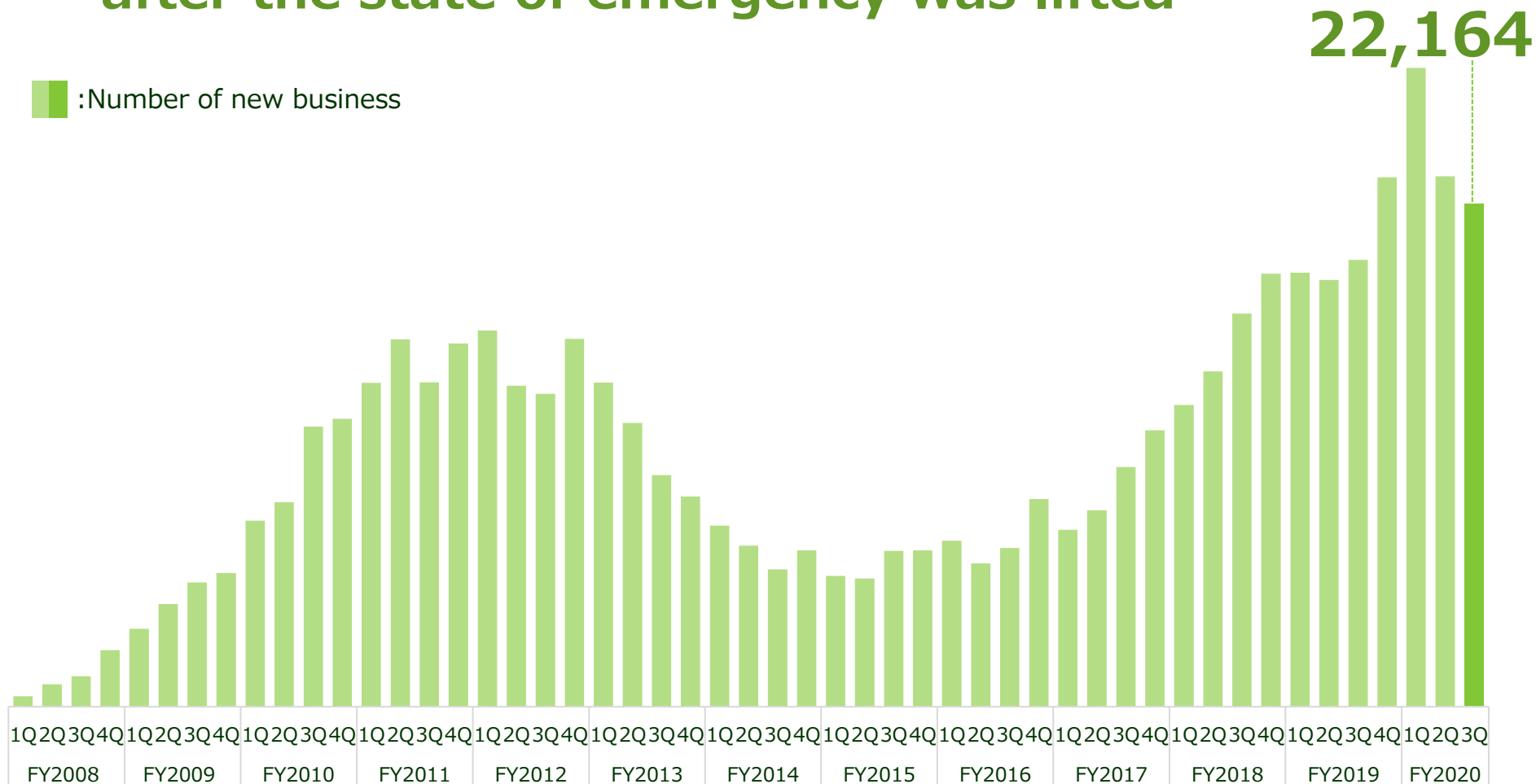
LIFENET INSURANCE COMPANY

Number of New Business (Quarter)



- **Refrained from additional investment in marketing expenses** due to temporary regression after the state of emergency was lifted

■ :Number of new business



Condensed Statements of Operation / Fundamental Profit (Cumulative 3Q)



(JPY millions)		FY2019/3Q	FY2020/3Q	Change	Note
Condensed statements of operation	Insurance premiums and other	11,945	14,694	2,749	Increased due to growth in in-force policies business and reinsurance income from modified co-insurance.
	Other	297	450	152	
	Ordinary income	12,242	15,144	2,901	Includes utilization of modified co-insurance of 1,892 million yen.
	Insurance claims and other	2,743	4,205	1,461	Increased due to an increase in reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 18.6%.
	Insurance claims	1,316	1,479	162	Increased from 96 cases in 3Q of FY19 to 120 in 3Q of FY20.
	Benefit claims	704	826	121	Increased from 6,274 cases in 3Q of FY19 to 7,345 in 3Q of FY20.
	Provision for policy reserves and other	3,604	4,597	993	Percentage of provision for policy reserves (4,597 million yen) to insurance premiums is 37.1%.
	Operating expenses	6,772	6,999	226	
	Marketing expenses	4,563	4,615	52	
	Customer service	667	758	91	
	System and other	1,542	1,625	83	
	Other	820	1,056	235	
	Ordinary expenses	13,941	16,858	2,917	
	Ordinary profit (loss)	(1,699)	(1,714)	(15)	Includes profit of 555M for utilization of modified co-insurance.
Extraordinary losses and income taxes	12	16	4		
Net income (loss)	(1,711)	(1,731)	(19)	Includes profit of 555M for utilization of modified co-insurance.	
Fundamental profit	Mortality margin	2,077	2,713	635	
	Expense margin (loss)	(3,771)	(4,260)	(489)	Includes 743M expense margin for utilization of modified co-insurance.
	Interest margin (loss)	17	(21)	(39)	
	Fundamental profit	(1,675)	(1,568)	107	

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

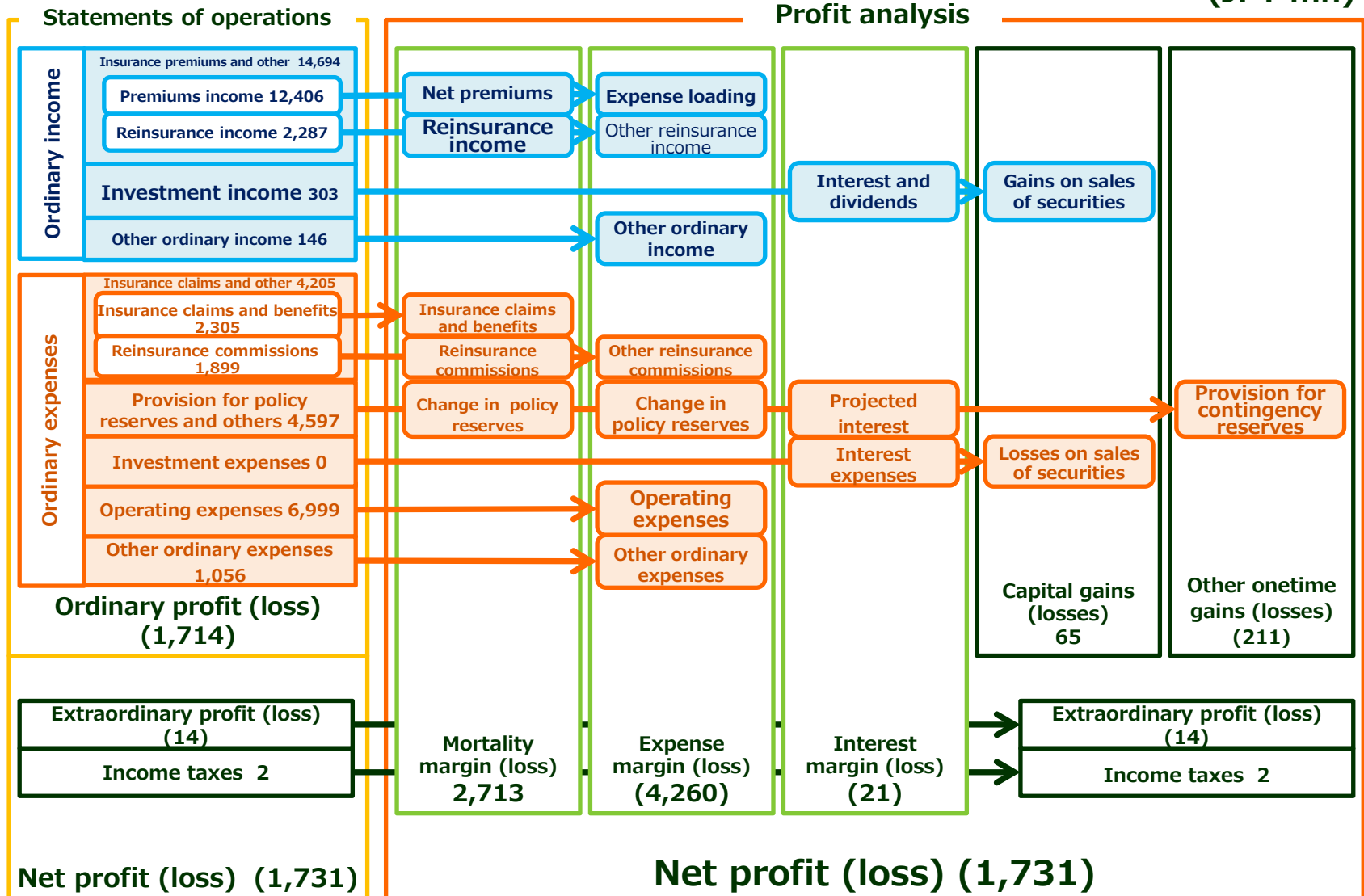
(JPY millions)	Change in EEV as of Dec. 31, 2020	Change in VoNB
EEV and new business value as of December 31, 2020	93,176	4,526
Sensitivity 1a: 1.0% increase in risk-free rate	(3,455)	(53)
Sensitivity 1b: 1.0% decrease in risk-free rate	2,941	(153)
Sensitivity 1c: 0.5% increase in risk-free rate	(1,689)	(6)
Sensitivity 1d: 0.5% decrease in risk-free rate	1,564	(43)
Sensitivity 1e: Interest rates based on JGB yields	751	140
Sensitivity 2: 10% decrease in equity and real estate value and other	(705)	—
Sensitivity 3: 10% decrease in operating expenses	3,506	603
Sensitivity 4: 10% decrease in lapse rate	284	39
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,367	516
Sensitivity 6: Change the required capital to the statutory minimum	78	11

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 December 31, 2020 is calculated applying the same operating assumptions as those used for September 30, 2020, and has not been reviewed by third-party specialists.

Three Surplus Factors of Fundamental Profit

First 9 months of FY2020

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of Dec. 31, 2020

$$\text{Solvency margin ratio } 2,811.8\% = \frac{\text{Total amount of solvency margin <numerator> } 29,080}{\text{Total amount of risk/2 <the denominator> } 2,068/2}$$

$$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4/2 \quad (\text{JPY mn})$$

Cash and deposits 2,516	Other liabilities 1,354
Monetary claims bought 1,999	Reserves for outstanding claims 544
Money held in trust 5,422	Policy reserves 34,288
Securities 38,865	Contingency reserves 1,934
	Excess over the full-Zillmerized reserve 9,709
	Price fluctuation reserves 70
	Deferred tax liabilities on available-for-sale securities 321 ¹
	Valuation difference on securities available-for-sale 827 ¹
Tangible fixed assets 105	Capital stock and other assets 16,217
Intangible fixed assets 1,042	Net assets 17,136
Other assets 3,797	

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

- Insurance risk R₁ 1,122**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 352**
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 1,323**
[Credit risk] Risk that asset values decline due to deterioration in financial condition of critees
[Price fluctuation risk] Risk of incurring losses due to decline in market value of stocks and bonds, etc.
- Business management risk R₄ 84**
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 profitability of our business
- We, therefore, disclose the indicator of profit level excluding marketing expenses as there is a time lag between the recognition of revenue and marketing expenses as acquisition cost

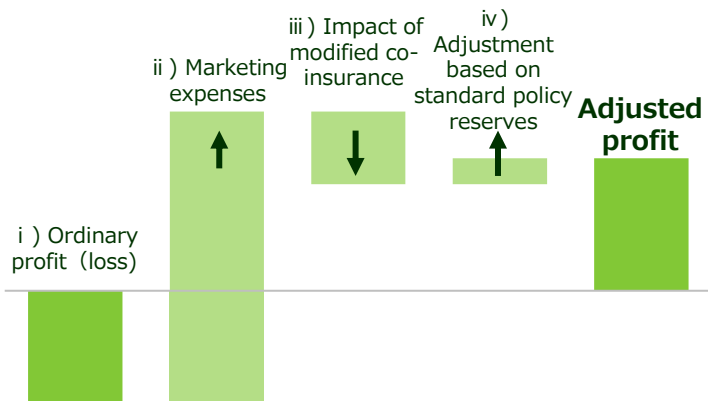
Ordinary profit excluding marketing expenses

Adjusted profit

Explanation of Adjusted profit

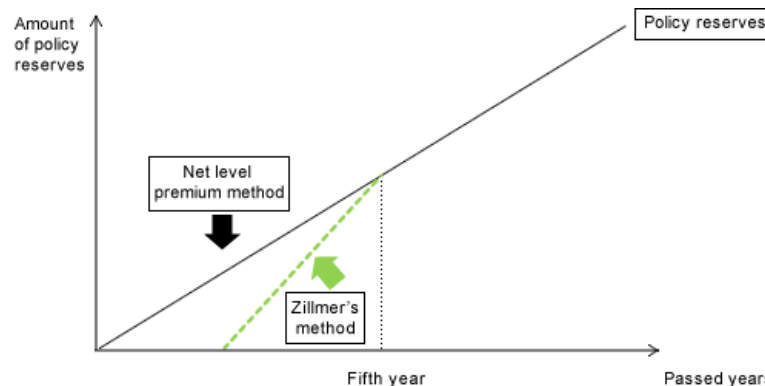
Adjustments to provision for policy reserves based on standard policy reserves

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. First 9 months of fiscal 2020 (JPY millions)

Adjustment to provision for policy reserves¹ 560	=	+	Provision for policy reserves 4,597	-	Increase in standard policy reserves² 4,037
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- 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.
- 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 607 million yen as of December 31, 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

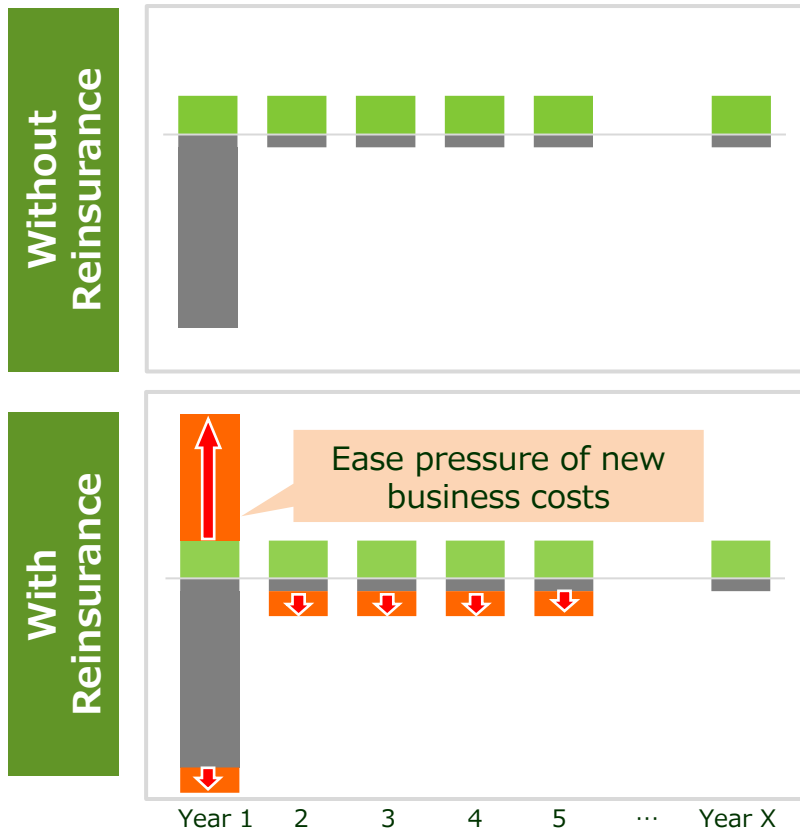
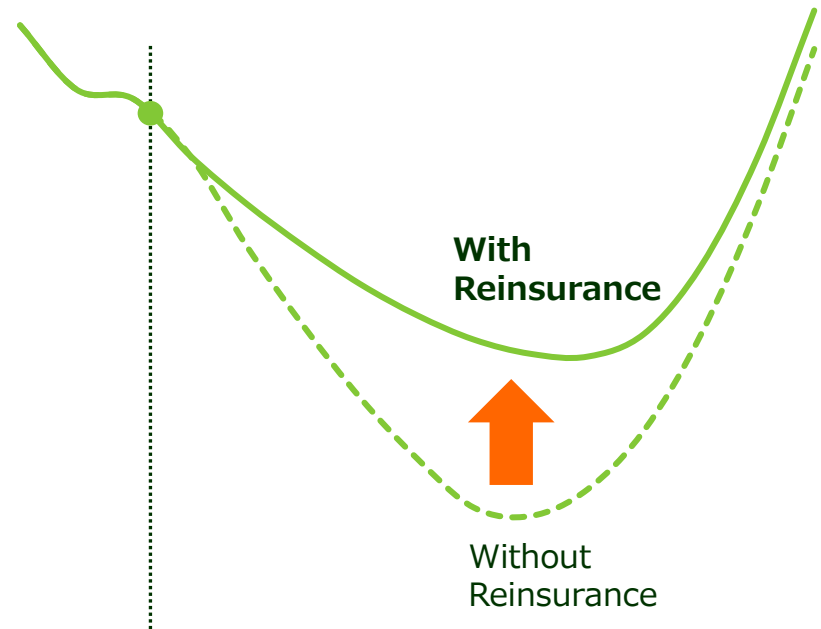


Illustration image of impact of reinsurance on net assets



End of Mar. 2019

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.

Lifenet has utilized reinsurance transactions by modified co-insurance method on part of new business since fiscal 2019.