



LIFENET

LIFENET INSURANCE COMPANY

Securities Code: 7157

TSE Mothers

Presentation Material for Investors

Fiscal 2020

LIFENET INSURANCE COMPANY

May 13, 2021

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

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

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- 1. Financial Results for Fiscal 2020**
- 2. Future Initiatives**

Overview of Fiscal 2020

Annualized premium¹ of policies-in-force

18,713 million yen
(120.6% vs end of FY2019)

Annualized premium¹ of new business

4,197 million yen
(Y-on-Y 122.5%)

EEV (European Embedded Value)

95,140 million yen
(129.6% vs end of FY2019)

Adjusted incremental EV²

7,553 million yen
(Y-on-Y 189.1%)

Notable Achievements

Raised new capital for future growth



Expanded white label business



Received high evaluation³

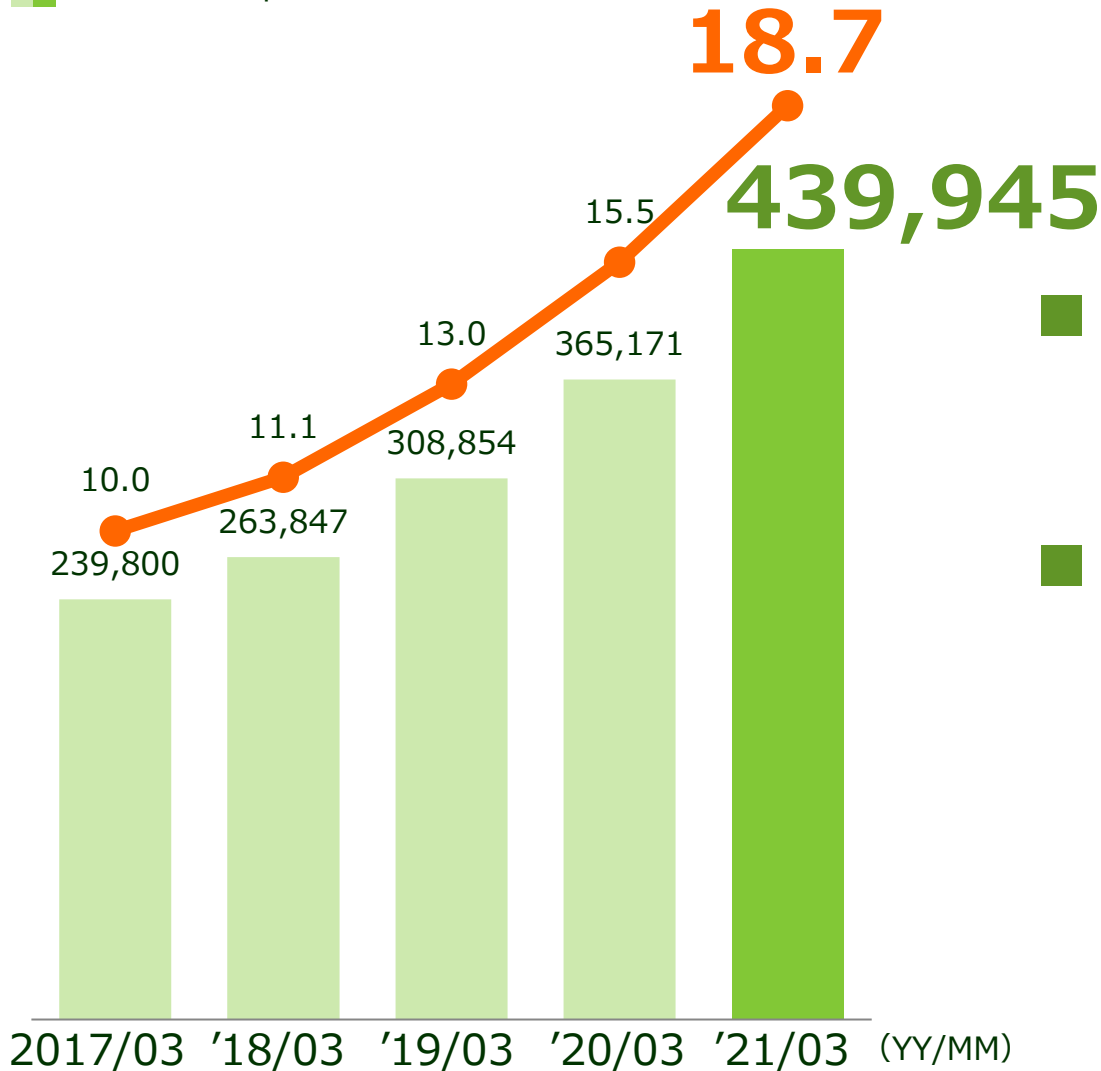


1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.
2. Adjusted incremental EV consisted of components adequately reflecting our business growth for fiscal 2020, see page 14 and 45 for details.
3. The 2021 Oricon Client Satisfaction Survey conducted by Oricon Inc., and J.D. Power 2021 #1 Life Insurance Contract Customer Satisfaction Study <Direct Distribution Channel>

Annualized Premium / Number of Policies-in-Force



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



■ Accelerated
growth momentum

■ 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.

Changing Factors of Policies-in-Force



- Increased due to **growth of new business and improvement of surrender and lapse ratio**

	Fiscal 2019	Fiscal 2020
Number of policies-in-force (BOP)	308,854	365,171
+) Number of new business	80,911	100,587
-) Decreased number of policies ¹	(24,594)	(25,813)
Surrender and lapse ratio ²	7.0%	6.0%
Number of policies-in-force (EOP)	365,171	439,945

1. Decreased number of policies include death, expiration and others in addition to surrender and lapse.

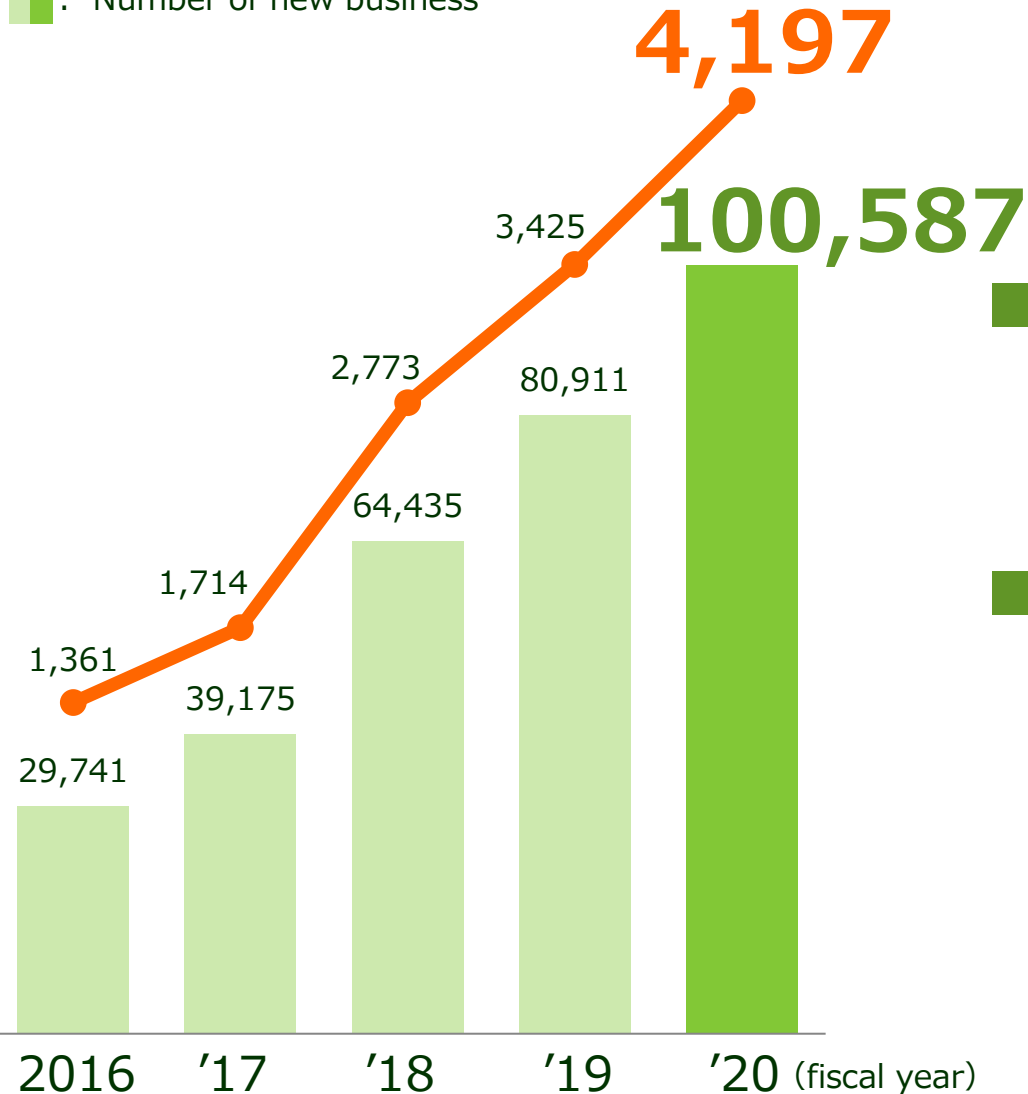
2. The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Annualized Premium / Number of New Business



— : Annualized premium of new business¹ (JPY millions)

■ : Number of new business



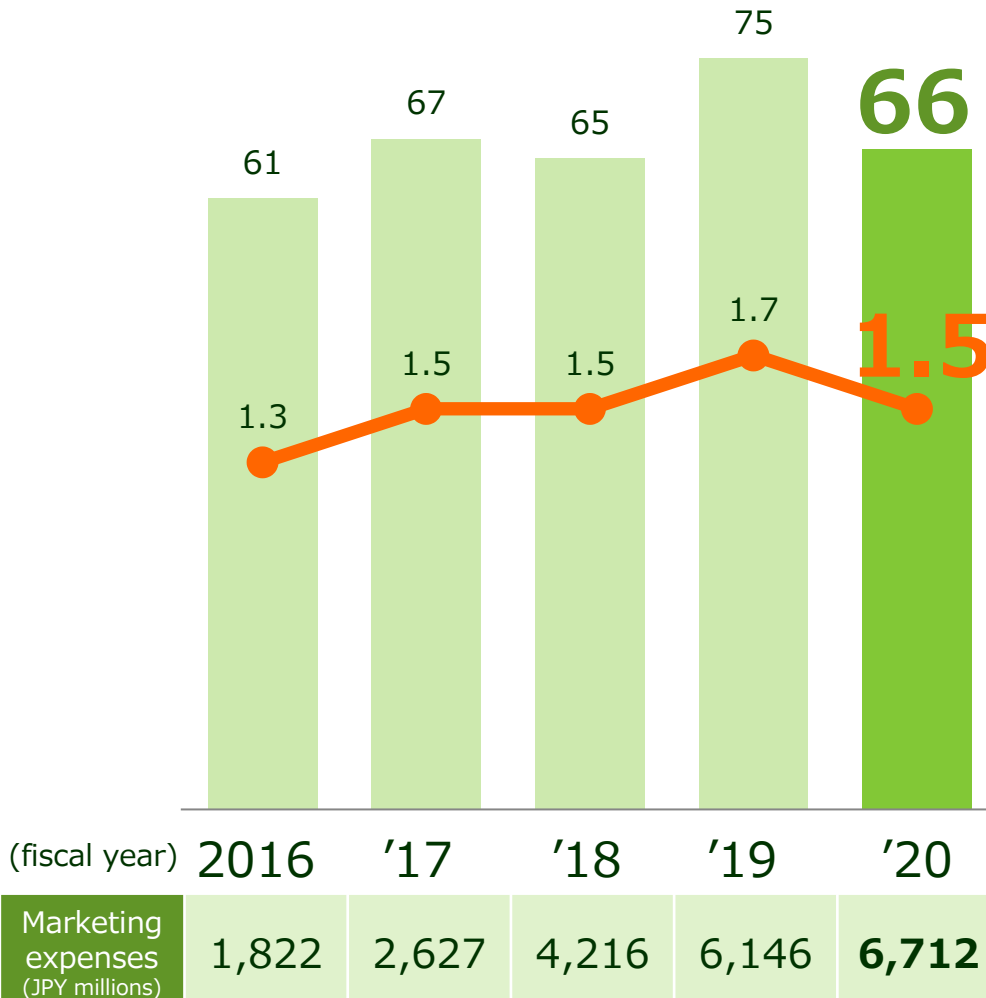
■ Recorded
historical high

■ Year-on-Year
annualized
premium **122.5%**,
number of new
business **124.3%**

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 (JPY)

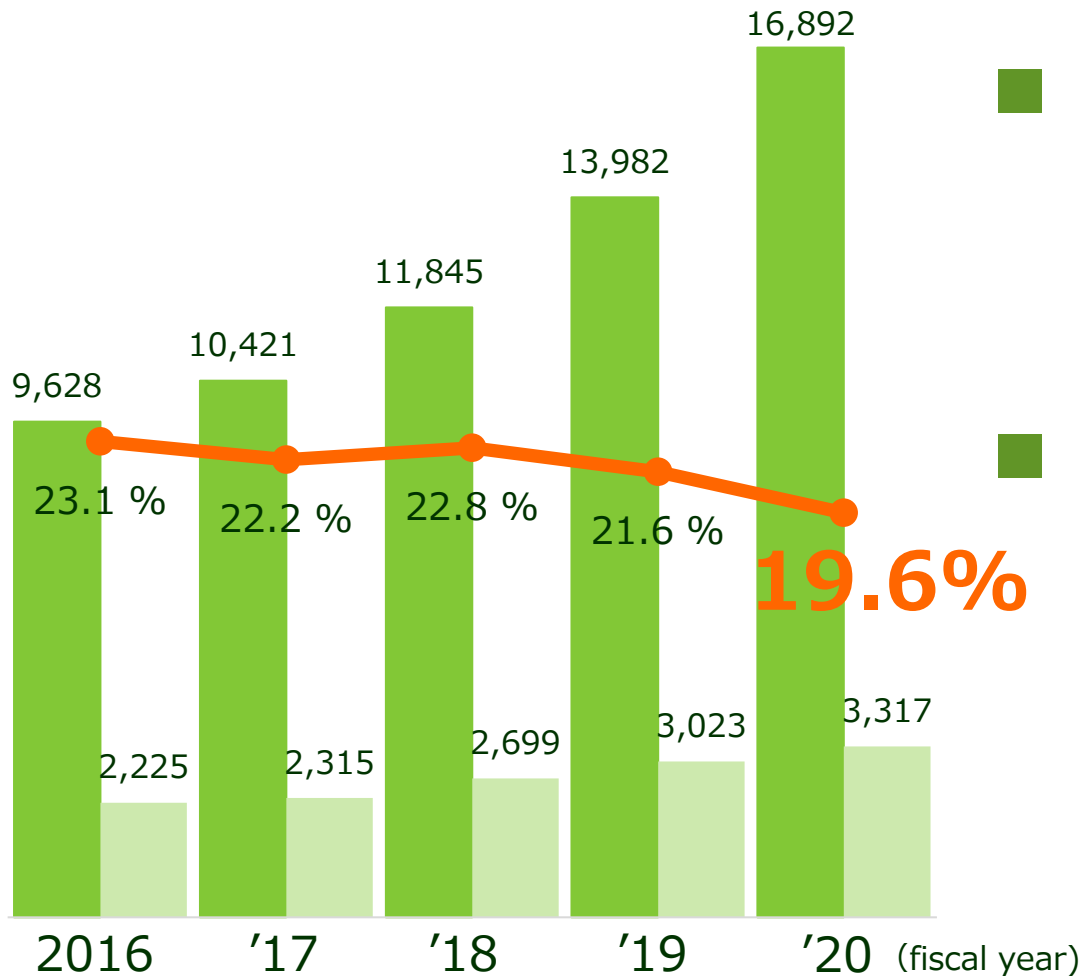


- **Aggressively invested in marketing in Q4 for further growth**
- **Improved mainly due to temporary impact by COVID-19**

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

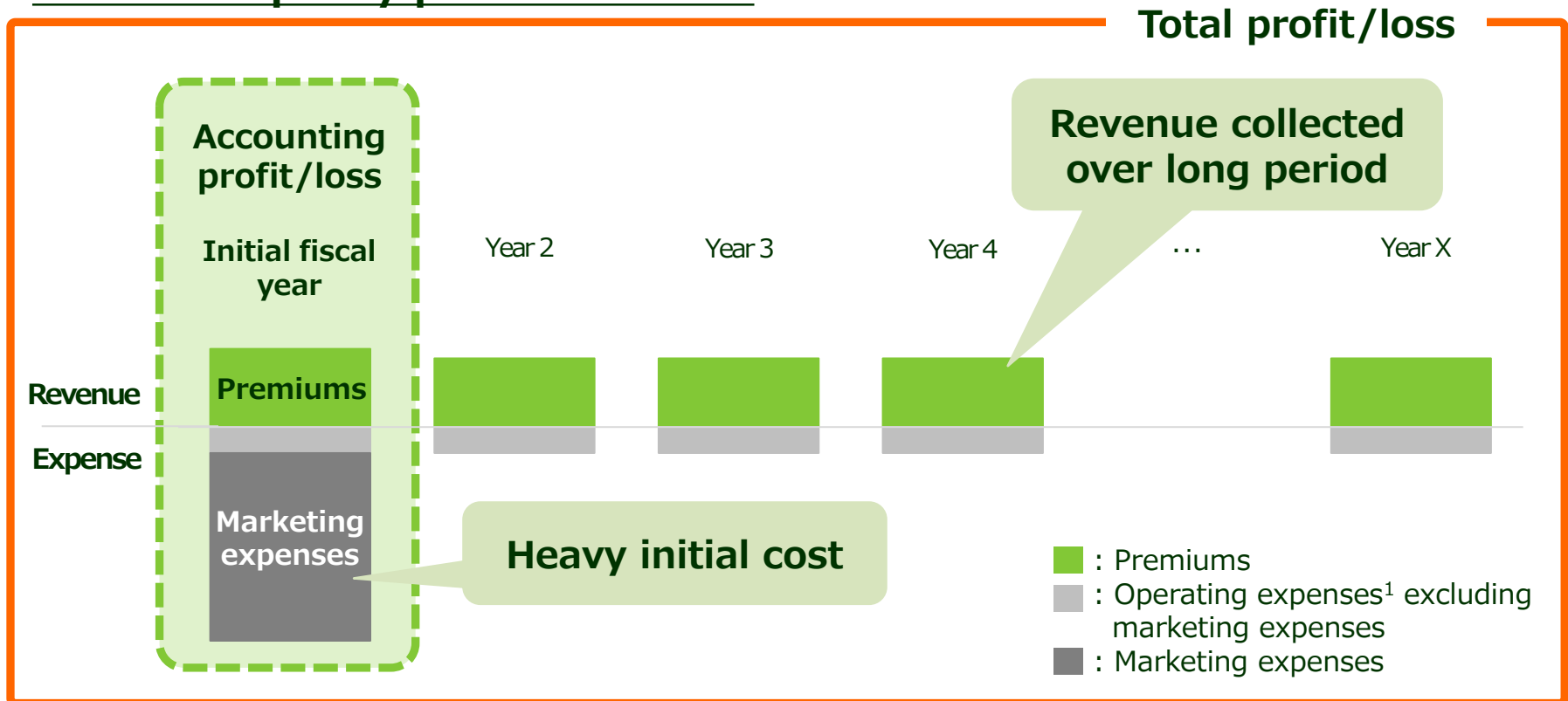
■ Aim to improve operational efficiency by further business expansion in mid-term

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

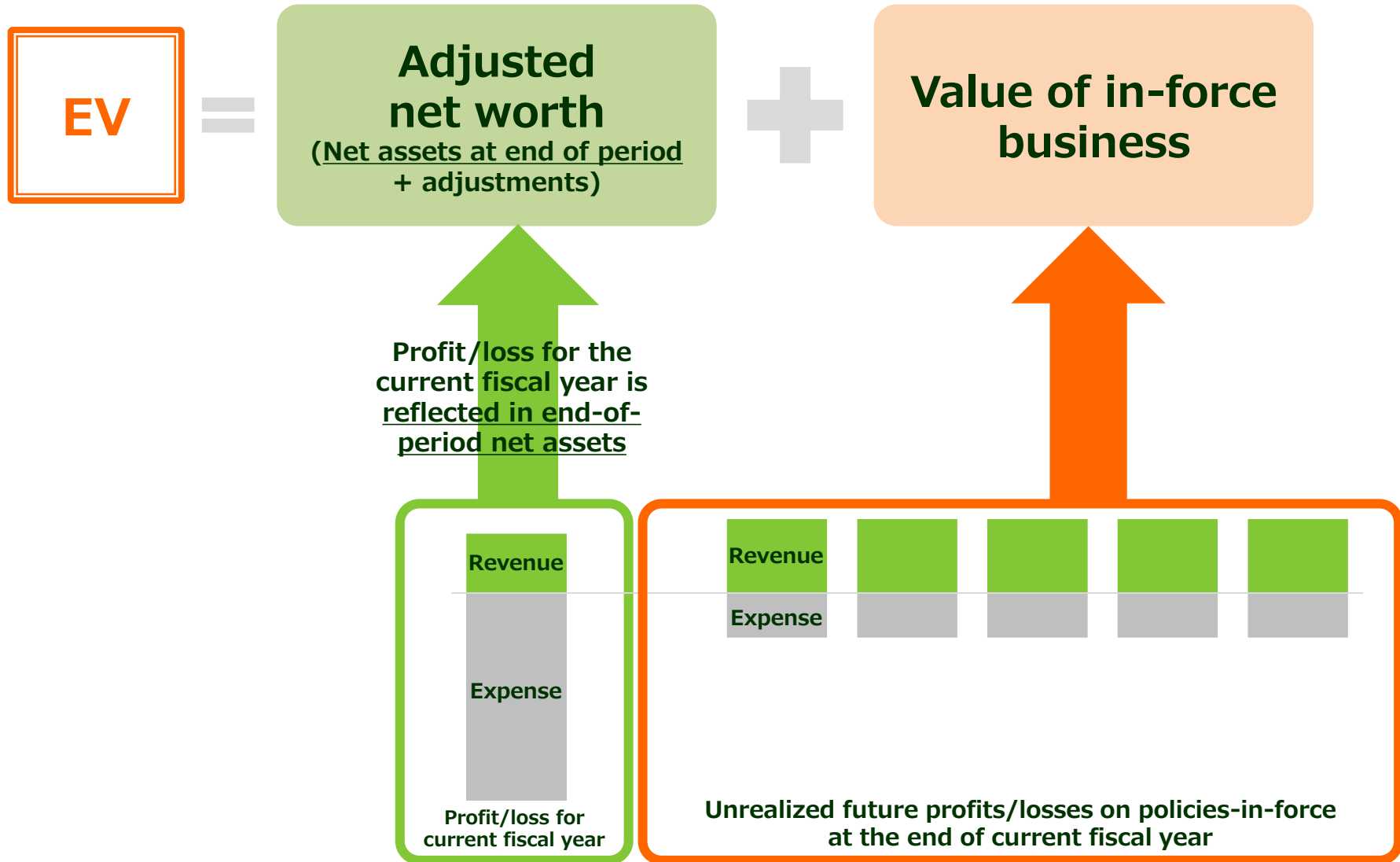
Adjusted profit = i) Ordinary profit (loss)¹ + ii) Marketing expenses
 – iii) Impact of modified co-insurance
 ± iv) Adjustment based on standard policy reserves²

JPY millions / fiscal year	2016	2017	2018	2019	2020
i) Ordinary profit (loss)	88	(197)	(1,719)	(2,382)	(3,089)
ii) Marketing expenses	1,822	2,627	4,216	6,146	6,712
iii) Modified co-insurance	–	–	–	(1,526)	(804)
iv) Adjustment	543	319	347	546	739
Adjusted profit	2,454	2,748	2,844	2,784	3,558

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act until fiscal 2016.

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

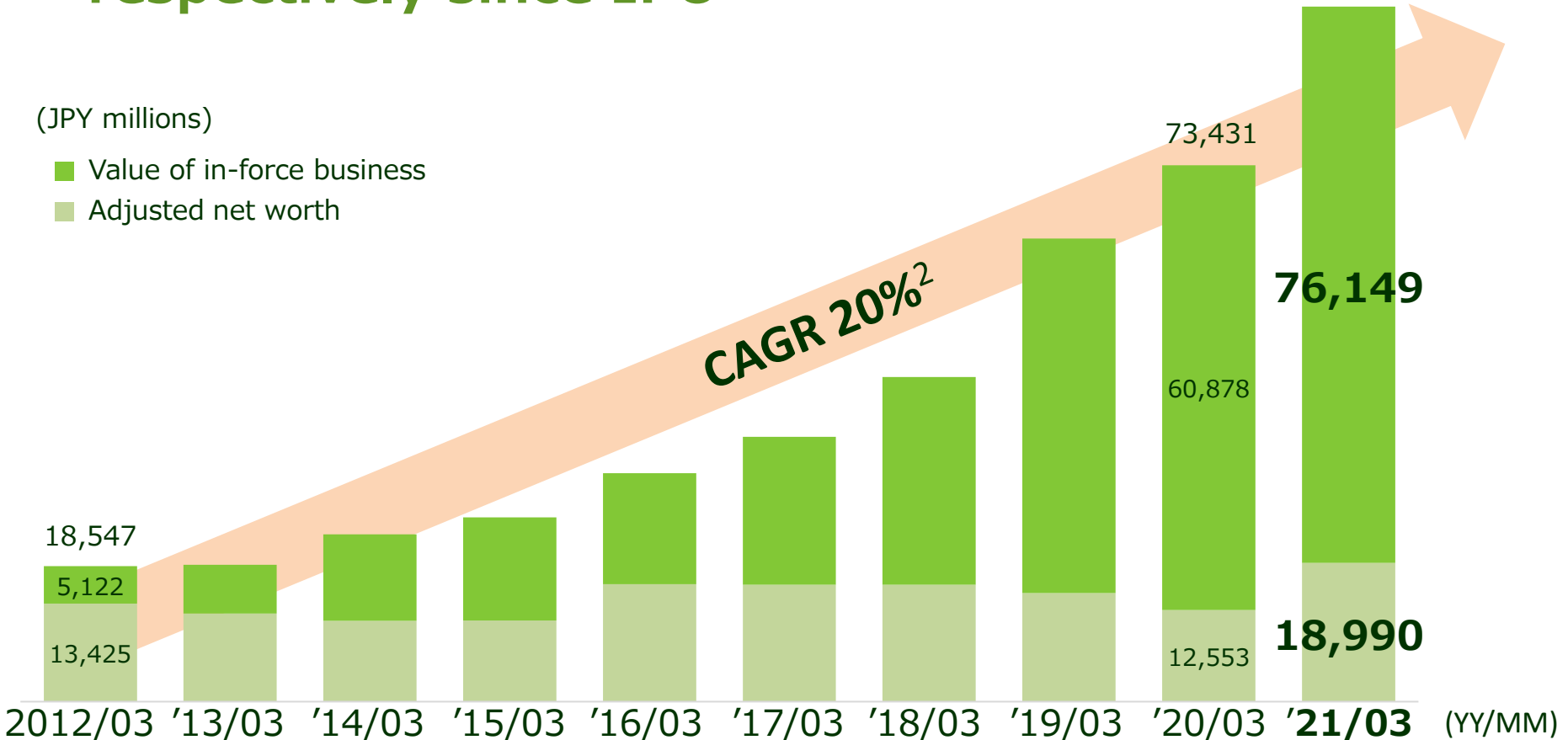
Strong EEV¹ Growth

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

95,140

(JPY millions)

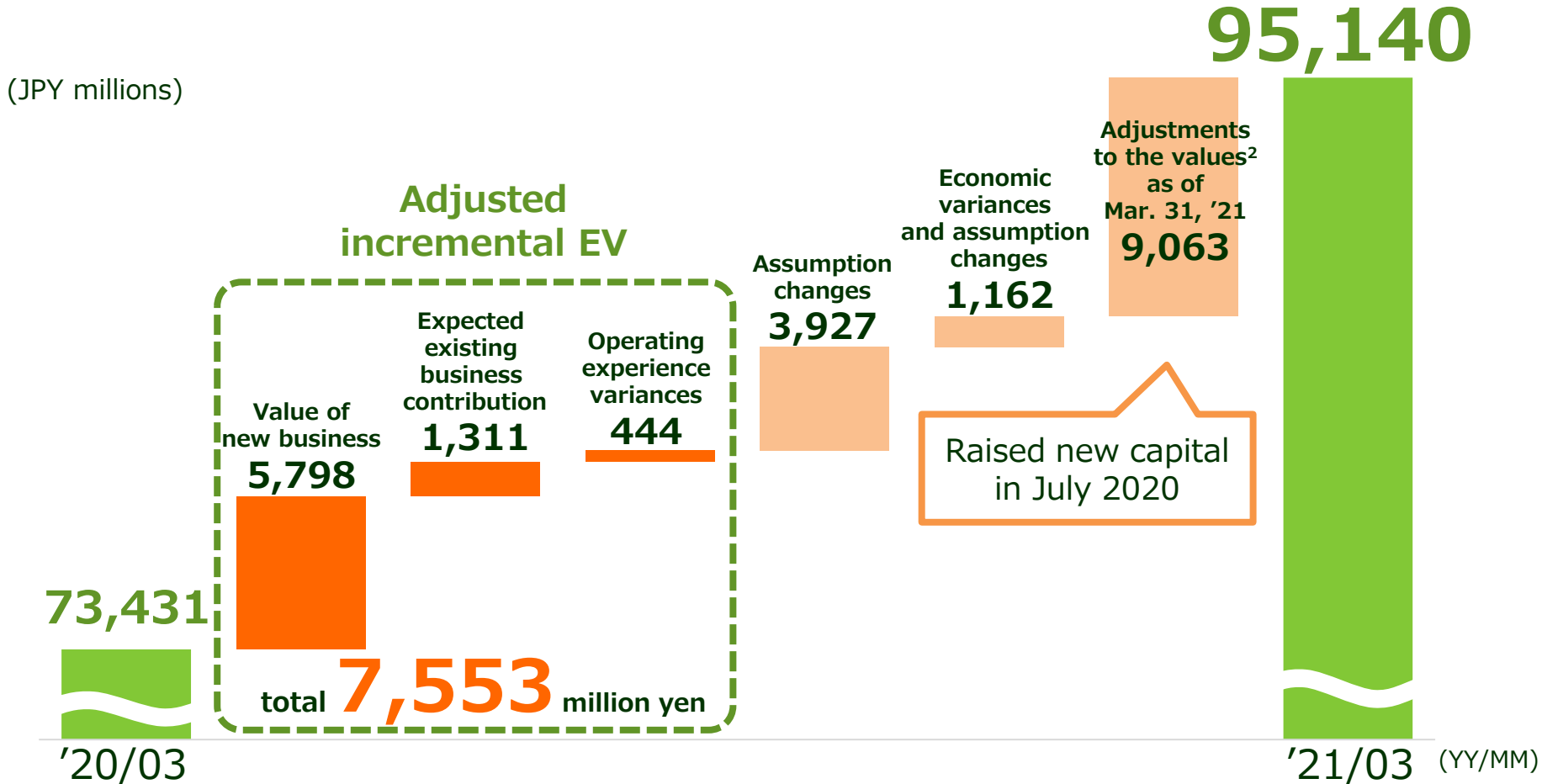
- Value of in-force business
- Adjusted net worth



- 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.
- 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

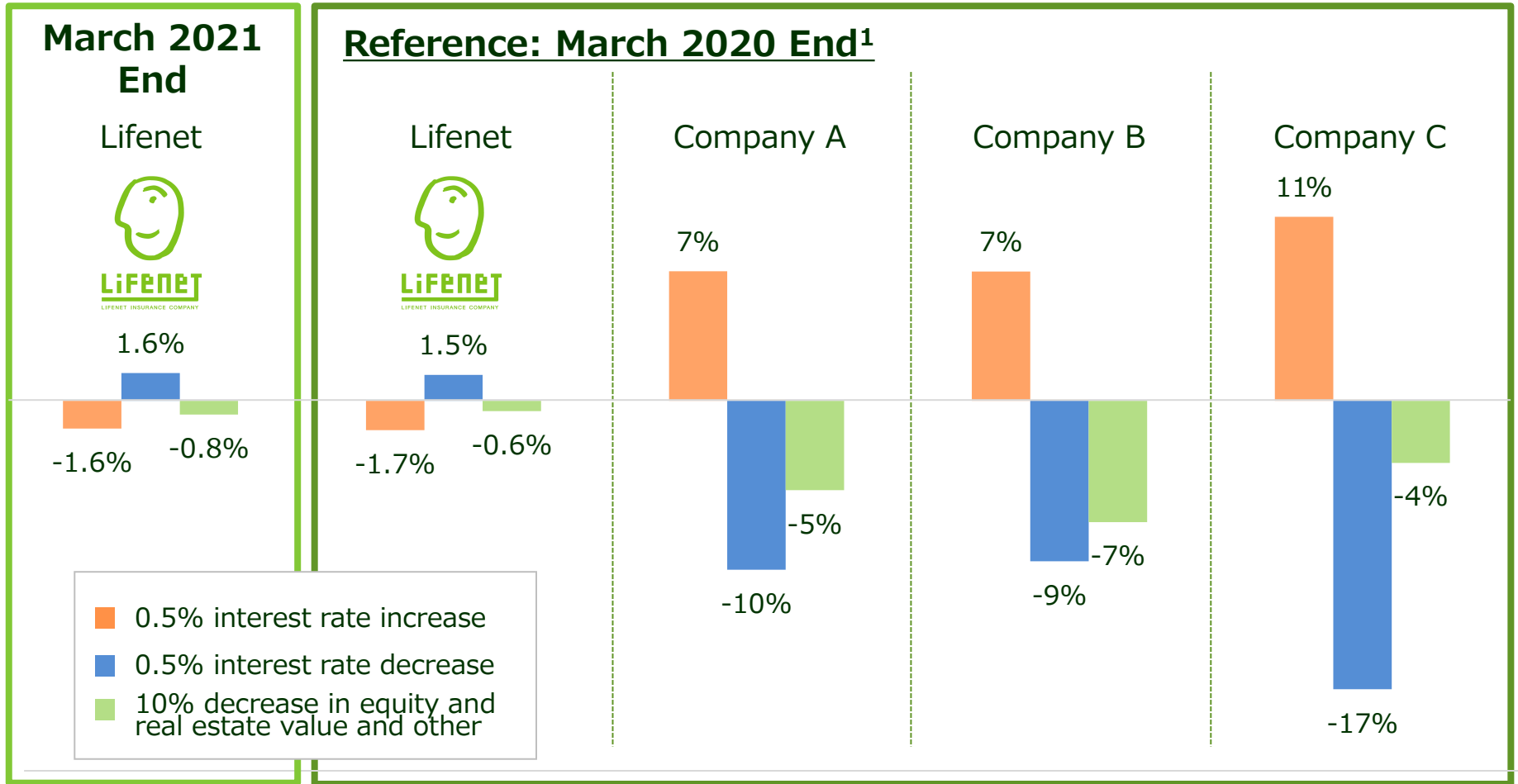


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred.

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

Annualized Premiums per Policy-in-force
JPY 42,536

×

Average Policy Term
16.7 years¹

×

43%²

||

(Annualized Premiums per Policy * Life Time * Gross Profit Margin)
JPY 305,451

Marketing Expenses per New Policy
JPY 66,737³

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	'21/03
Total assets		41,144	54,501
Cash and deposits		1,377	2,059
Monetary claims bought		299	999
Money held in trust		3,539	5,895
Securities		32,058	40,007
Government bonds		8,065	9,004
Municipal bonds		1,391	1,482
Corporate bonds		18,119	21,301
Stocks		313	397
Foreign securities		0	0
Other securities ¹		4,167	7,821
Total liabilities		31,744	38,694
Policy reserves and other		30,328	36,639
Total net assets		9,400	15,806
Solvency margin ratio²		2,117%	2,647%
Modified duration (year)		11.3	11.1

■ Maintained prudent investment management policy

■ Maintained sufficient soundness in terms of solvency margin ratio²

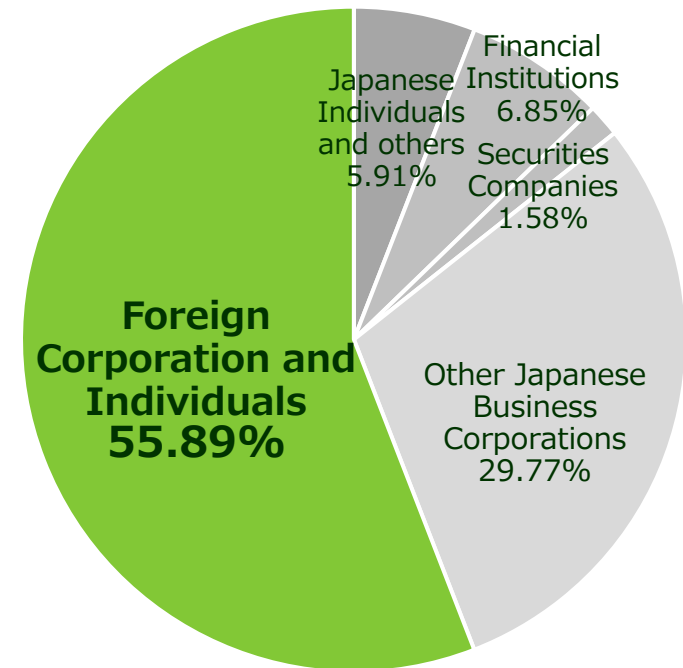
1. Investment trust including foreign bonds and others.
2. The solvency margin ratio is a key benchmark for industry regulators. It measures a life insurance company's ability to pay out claims when unforeseen events occur.

Overseas Public Offering and Secondary Offering

■ Raised new capital for future business growth through overseas public offering in July 2020

- Offered shares totaled **13.8 billion yen**
- **Raised new capital of 9 billion yen** from overseas market, mainly Asia and Europe
- **Aim for improvement of market liquidity** by secondary offering
- **Expanded investor base** after overseas public offering

Distribution of share ownership as of Mar. 31, 2021



Total number of issued shares :
60,611,136

Expanded White Label Business



- Gained more partners for mid to long-term growth



Launched products from April 2020 by leveraging the brand power and strong customer base of Seven & i Group



*Seven Financial Service
Life Insurance*



Money Forward

Plan to distribute products from summer 2021 as a part of *Money Forward Fixed Cost Review* to improve household finances

 **Money Forward** 固定費の見直し

High Evaluation for Products and Services



■ Achieved high level of customer satisfaction

J.D. Power 2021 #1 Japan Life Insurance Contract Customer Satisfaction StudySM
<Direct Distribution Channel Segment>



Highest in the all factors

- Interaction channel Satisfaction Ranking
- Types of products Satisfaction Ranking
- Price Satisfaction Ranking
- Forms and documents Satisfaction Ranking

Main awards for fiscal 2020

Contact Center¹



Website¹



Medical insurance²



LGBTQ initiatives³

work with Pride



1. 2020 HDI Benchmarking (Life Insurance Industry) hosted by HDI-Japan
2. The 2021 Oricon Client Satisfaction Survey conducted by Oricon Inc., and J.D. Power 2021 Japan Life Insurance Contract Customer Satisfaction StudySM
3. PRIDE Index 2020 hosted by work with Pride

Raise the Competitiveness of Products and Services

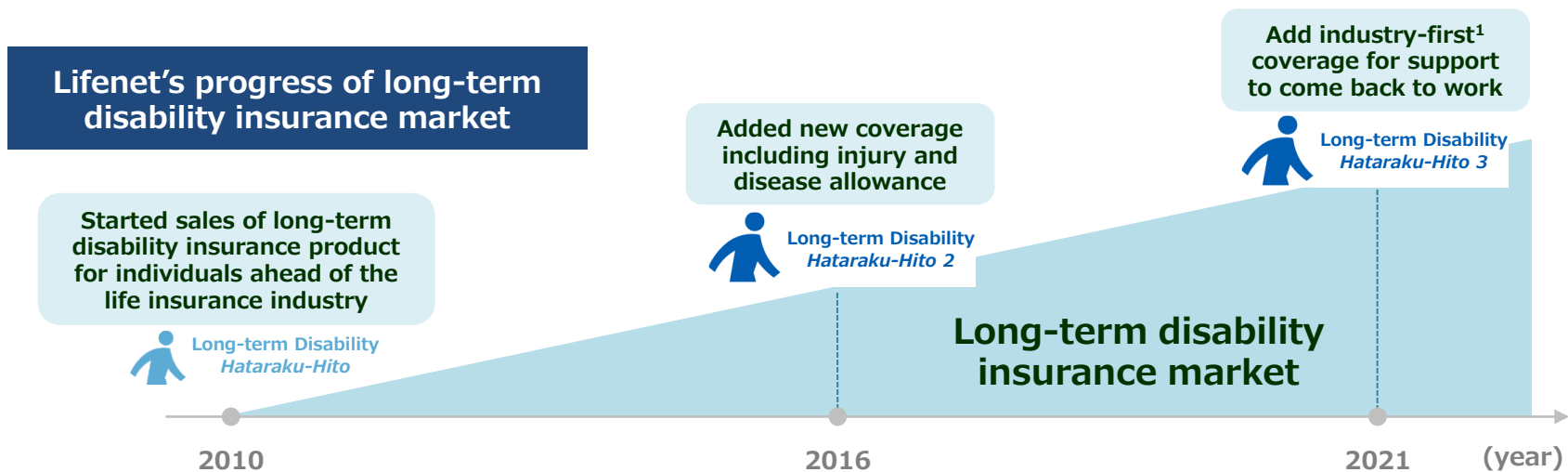
- **Launch new long-term disability product with industry-first coverage in June 2021**

New



**Long-term Disability
Hataraku-Hito 3**

Support “living expenses” which cannot be covered by social welfare and medical insurance when one is not able to work due to disease or injury



1. Industry-first full-scale long-term disability insurance for individuals (Lifenet Research as of the end of April, 2021)

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Aim to Realize Lifenet Manifesto



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.**

Impact of COVID-19

■ Temporary changes and structural changes brought by the Pandemic

Temporary changes

- Emerging customer needs for life insurance due to health concerns
- Restricted business activities because of work-from-home requests

Structural changes

- Change in consumers' behavior from offline to online

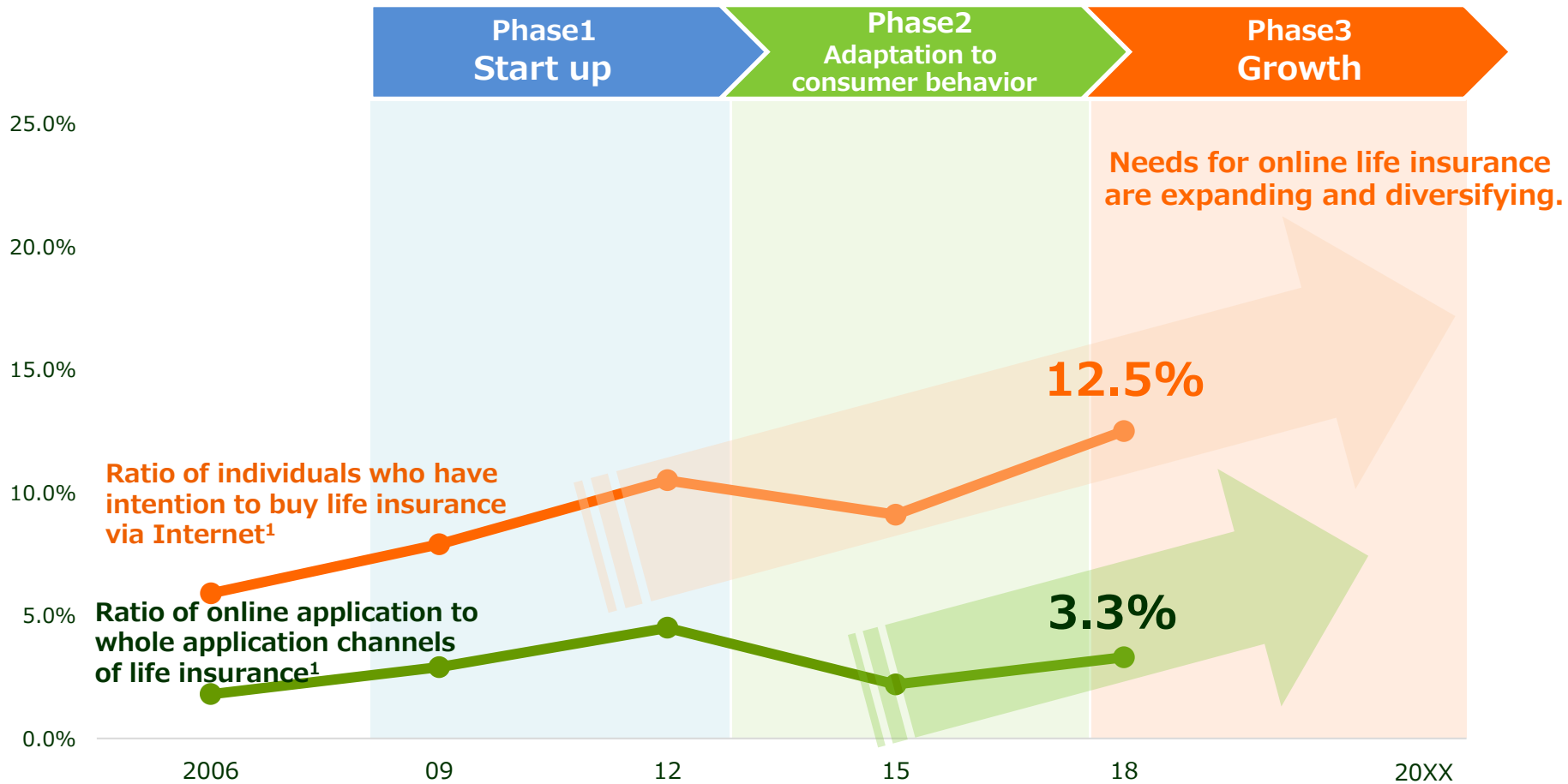


For life insurers with super-long-term business, structural changes contribute to sustainable growth opportunities

Business Environment surrounding Online Life Insurance Market



- Financial digitalization is proceeding driven by COVID-19, and structural growth of online life insurance is expected in the future



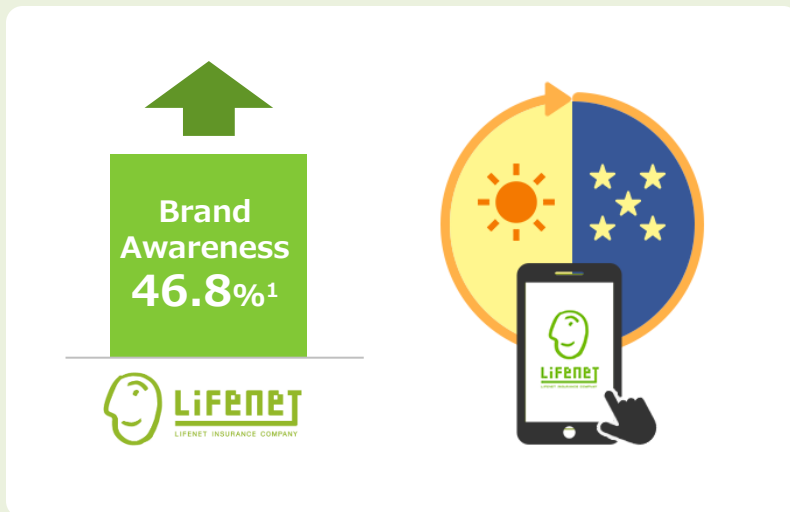
1. a nationwide report on the life insurance industry (2018) by the Japan Institute of Life Insurance

Investment in Priority Areas

- **Innovation of customer experience and enhancement of promotion capabilities** are key sources of competitiveness

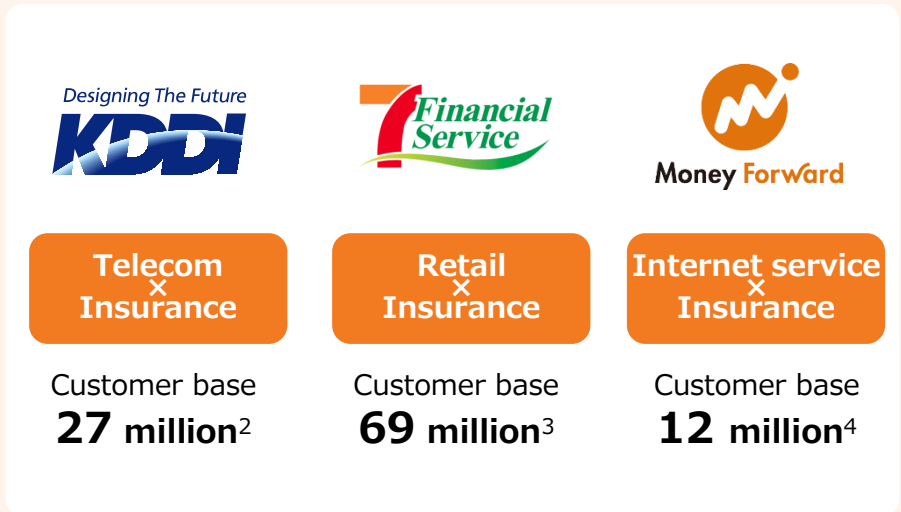
Internet Channel

Further improve brand awareness and frictionless CX



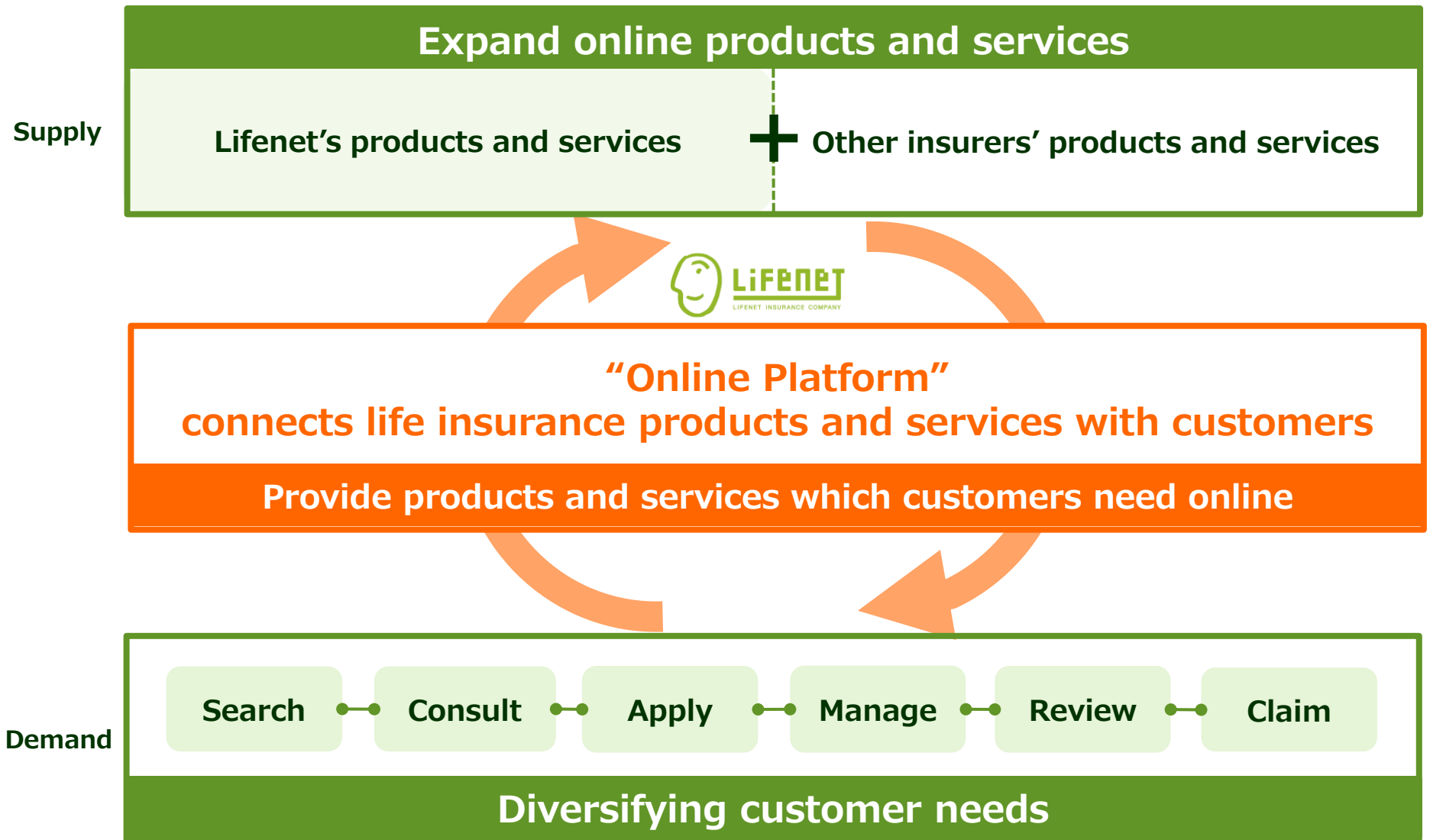
White Label Channel

Expand strategic partners



1. Source: "MyVoice Communications survey on awareness rate of insurance companies"
2. Source: "KDDI Integrated Report 2019" The sum of the number of contractors from au and MVNO as of March 31, 2019.
3. Source: Seven Financial Service's company numbers: The number of issued Nanaco cards as of February 2020.
4. Source: "Presentation Material for FY11/21 1Q Financial Results" The number of Money Forward ME users

Develop Online Life Insurance Platform



Established New Joint Venture



- Launch **online insurance agency services** in July 2021

New company

LIFENET MIRAI Inc.

Comparison of insurance products

Proposal for insurance review

Policy maintenance

Support for insurance claims



(Investment ratio: 80%)

- Create a stress-free CX
- Generate website traffic
- Bring expertise in life insurance area



(Investment ratio: 20%)

- Build data infrastructure
- Utilize AI technologies such as machine learning, OCR and others
- Bring expertise in financial engineering

Update the Management Goal



- **Our commitment to the current Management Policy remains unchanged to aim for further growth**

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 200 billion yen by business growth in a mid-term

change

Initiatives for Sustainability

■ Aim to increase the value provided to stakeholders **based on Manifesto**

Lifenet Manifesto

Comprehensible, Cost-Competitive, Convenient

Enhancement of Corporate Governance

- Board of Directors includes outside directors and independent outside directors since our business commencement in 2008
- Established the discretionary Nomination and Compensation Committee
- Introduced restricted stock compensation as director's remuneration
- Disclose securities report before Annual General Meeting of Shareholders (Japanese version only)

Customer-focused business operations

- Disclose the policy for customer-focused business operations, performance indicators and the accomplishments
- Promote efforts for diversity including LGBTQ
- Disclose the breakdown of insurance premiums for the first time in life insurance industry¹
- Evaluated as #1 by policy holders², realizing stress-free CX online

Adaptation to social changes

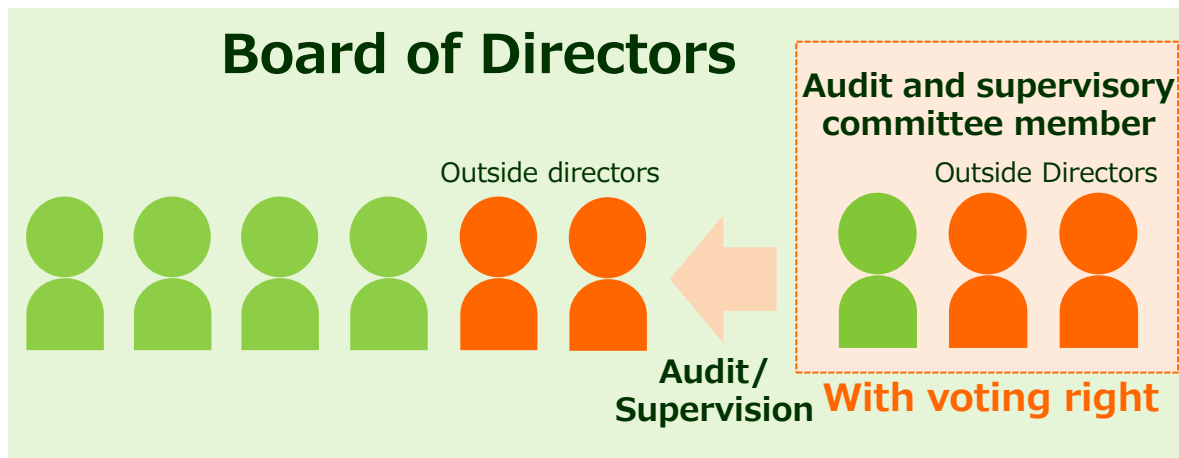
- Work on reduction of the policyholders' burden on procedures and development of comfortable work environment for employees under COVID-19 pandemic
- Widely provide more convenient services by partnering with cross-industrial partners
- Plan to provide customer-centered services online through new joint venture³

1. According to Lifenet's research (as of the end of April, 2021)
 2. J.D. Power 2021 Japan Life Insurance Contract Customer Satisfaction StudySM
 3. New joint venture (subsidiary) LIFENET MIRAI Inc. will launch its business in July 2021

Further Strengthen Governance

■ Establish a management structure for strong growth and transformation

■ Transition to a company with audit and supervisory committee¹



Number of directors
11 ▶ **9**

Ratio of outside directors



■ New management remuneration system



1. Subject to the approval at the 15th Annual General Meeting of the shareholders on June 20, 2021

2. Excluding director who is a full-time audit and supervisory committee member

Future Direction

FY 2018

Established a new management policy to achieve EEV of 100 billion yen in a mid-term as a management goal

FY 2020

Accelerated business growth by adapting to the COVID-19 environment, and getting closer to the management goal of EEV 100 billion yen

FY 2021

- Adapt to new business environment and change in customer behavior
- Transform into “Internet Service Company of Life Insurance”
- Aim for double-digit growth in in-force business

Aim to achieve new management goal of 200 billion yen in EEV in a mid-term and turn into the black in operating profit in the mid-2020s

Business Forecast FY 2021

■ Aim for double-digit growth in in-force business performance

(JPY millions)

	FY 2021 Forecast	FY 2020 Results
Annualized premium ¹ of policies-in-force	21,800	18,713
Annualized premium ¹ of new business	4,400	4,197

		Of which: impact of modified co-insurance		Of which: impact of modified co-insurance
Ordinary income	25,500	4,400	20,789	2,778
Ordinary profit (loss)	(3,800)	700	(3,089)	804
Net income (loss)	(3,800)	700	(3,114)	804

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.



All information on this document that is not historical fact constitutes forward-looking information and is based on assumptions and forecasts available to the company at the time of preparation. The company cannot guarantee the accuracy of these assumptions and forecasts. Earnings projections and other information on this may differ materially from actual performance due to various risks and uncertainties. This is a translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

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

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 E-mail Notices

Appendix



LIFENET

LIFENET INSURANCE COMPANY

New Management Team¹

Directors



Ryosuke Mori
Representative Director and President

Goldman Sachs Japan Co., Ltd.
Head of Corporate Planning Department and
General Manager of Corporate Strategy Division
at Lifenet



Yasuhiro Koba
Director, Executive Vice President
General Manager of Sales & Marketing Division

Ministry of Health, Labour and Welfare
Head of Legal Department and General Manager of
Corporate Administration Division at Lifenet
Director, LIFENET MIRAI INC.



Ryosuke Kondo
Director
Executive Officer of Corporate Planning, Product
Development and Investment

JAPAN POST INSURANCE CO., Ltd.
Head of Corporate Planning Department and General
Manager of Sales & Marketing Division at Lifenet



Junpei Yokozawa
Director
General Manager of Customer Services Division
General Manager of Information Systems Strategy
Division

NTT DATA Net's CORPORATION
Head of KDDI Business Department and head of
Operations Planning Department at Lifenet



Yutaka Mizukoshi
Outside
Senior Advisor, The Boston Consulting Group



Takeshi Saito
Outside
General Manager of Corporate Strategy
Planning Department,
Managing Executive Officer,
au Financial Holdings Corporation

Directors (the Audit and Supervisory Committee Member)



Takahiro Yamasaki
Full-time
Nippon Life Insurance Company
Nippon Venture Capital Co., Ltd.
Full-time audit and supervisory
board member at Lifenet



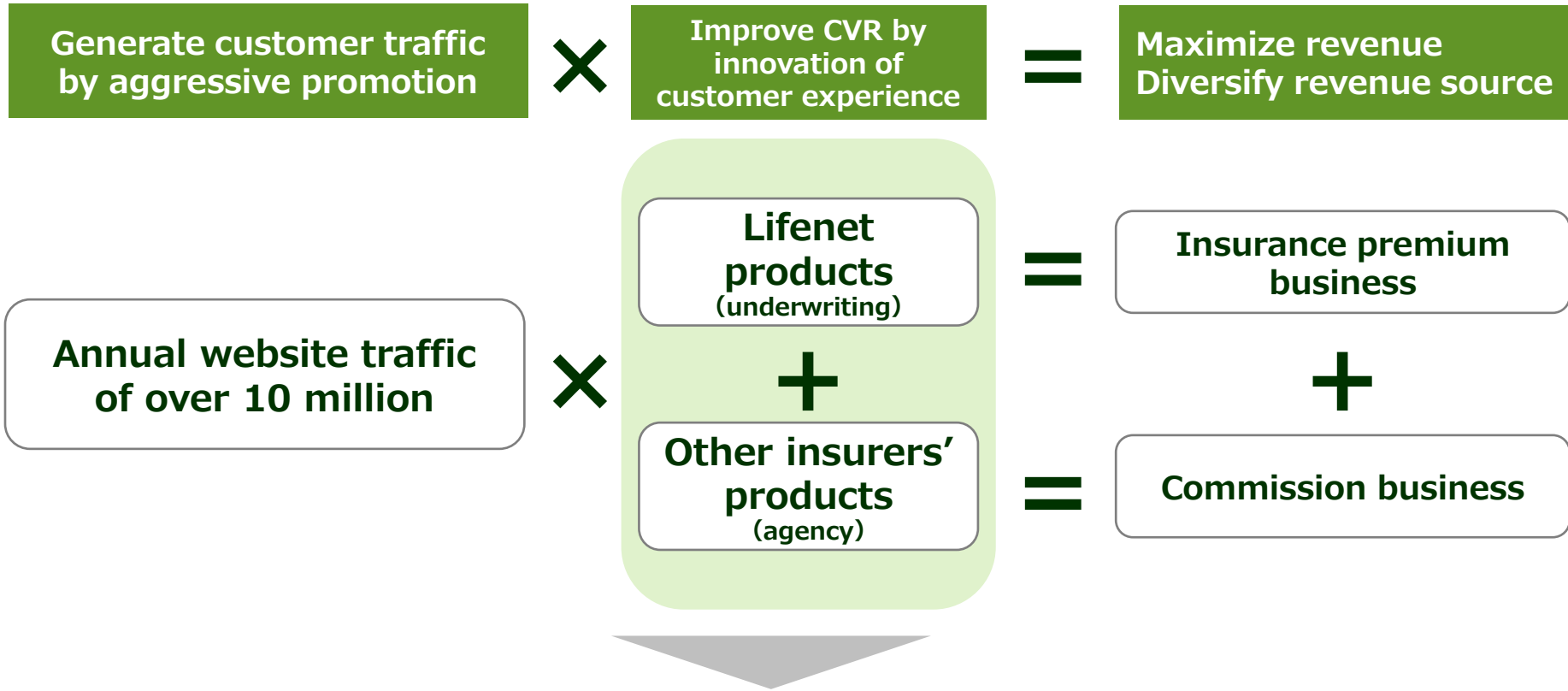
Keiko Hayashi
Outside
Executive Board Member,
The Japanese Institute of Certified
Public Accountants Partner, Deloitte
Touche Tohmatsu LLC



Tomoyuki Yamashita
Outside
Representative Director and
President, Aon Solutions Japan
Ltd.

1. Election of Directors is subject to approval at the 15th Annual General Meeting of the Shareholders on June 20, 2021

Expand Online Life Insurance Market with Lifenet's Strengths

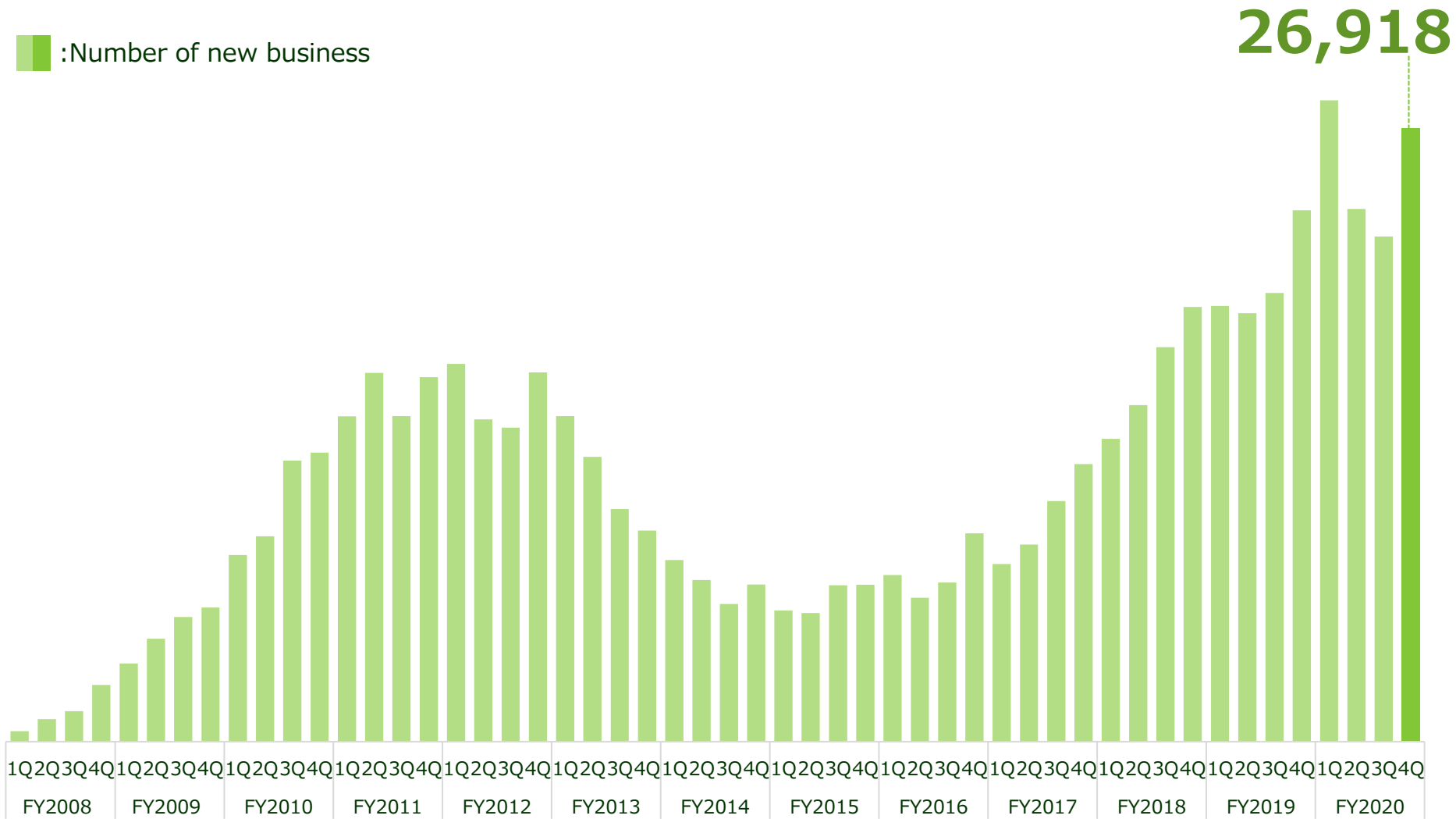


Aim to become a central presence in the online life insurance industry and further expand the market

Number of New Business (Quarter)



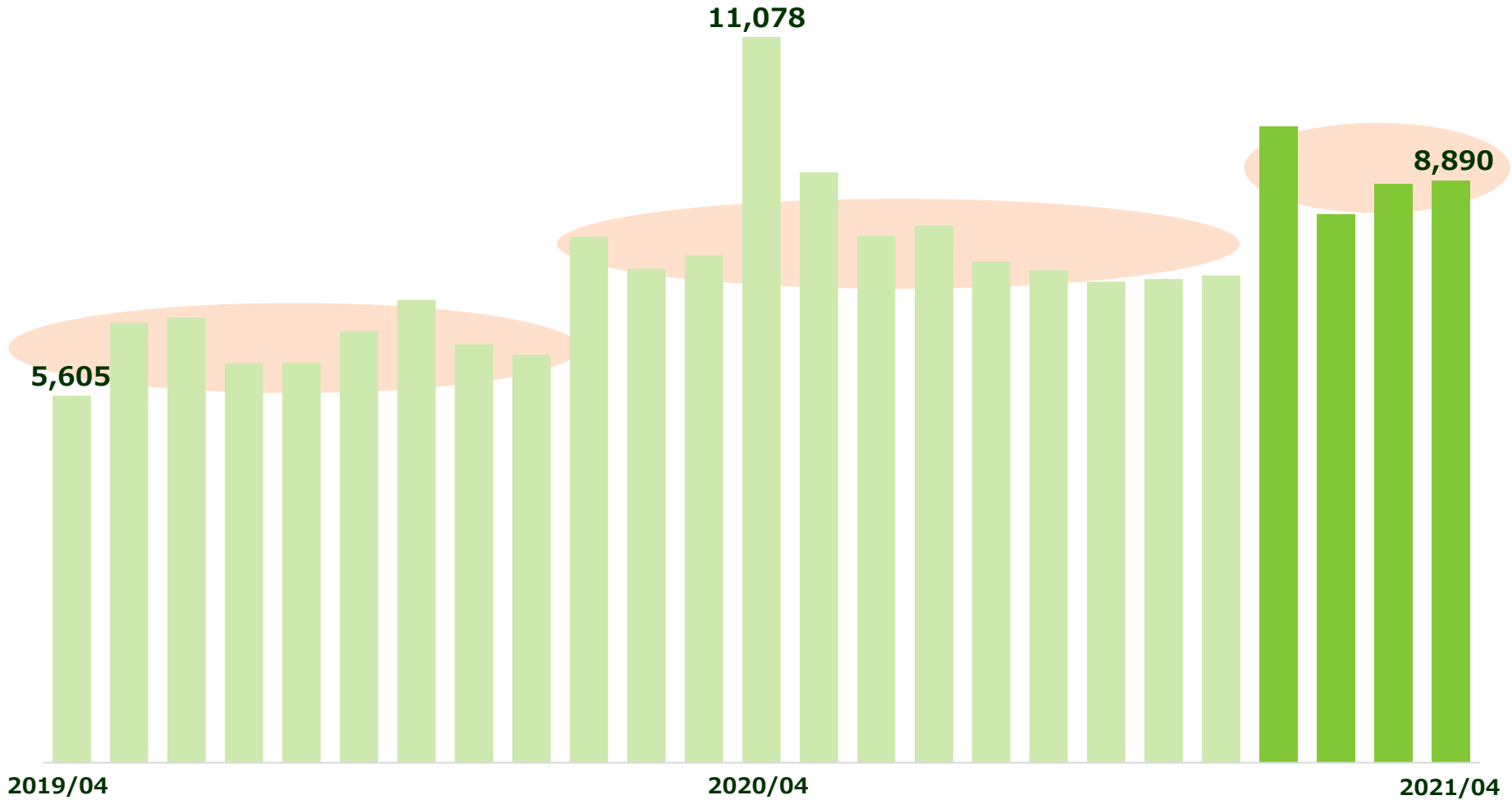
■ :Number of new business



Number of New Business (Monthly)



■ :Monthly trend in number of new business¹



1. Based on Monthly Disclosure

Breakdown of Policies-in-Force

	'20/03	'21/03	Component ratio
Number of policies-in-force	365,171	439,945	100%
- Term Life	175,713	213,597	49%
- Whole-life Medical	100,280	120,216	27%
- Term Medical Care	9,105	8,840	2%
- Long-term Disability	54,665	59,567	14%
- Cancer	25,408	37,725	9%
Sum insured of policies-in-force¹ (JPY millions)	2,565,269	2,994,198	
Number of policyholders	232,537	279,243	

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

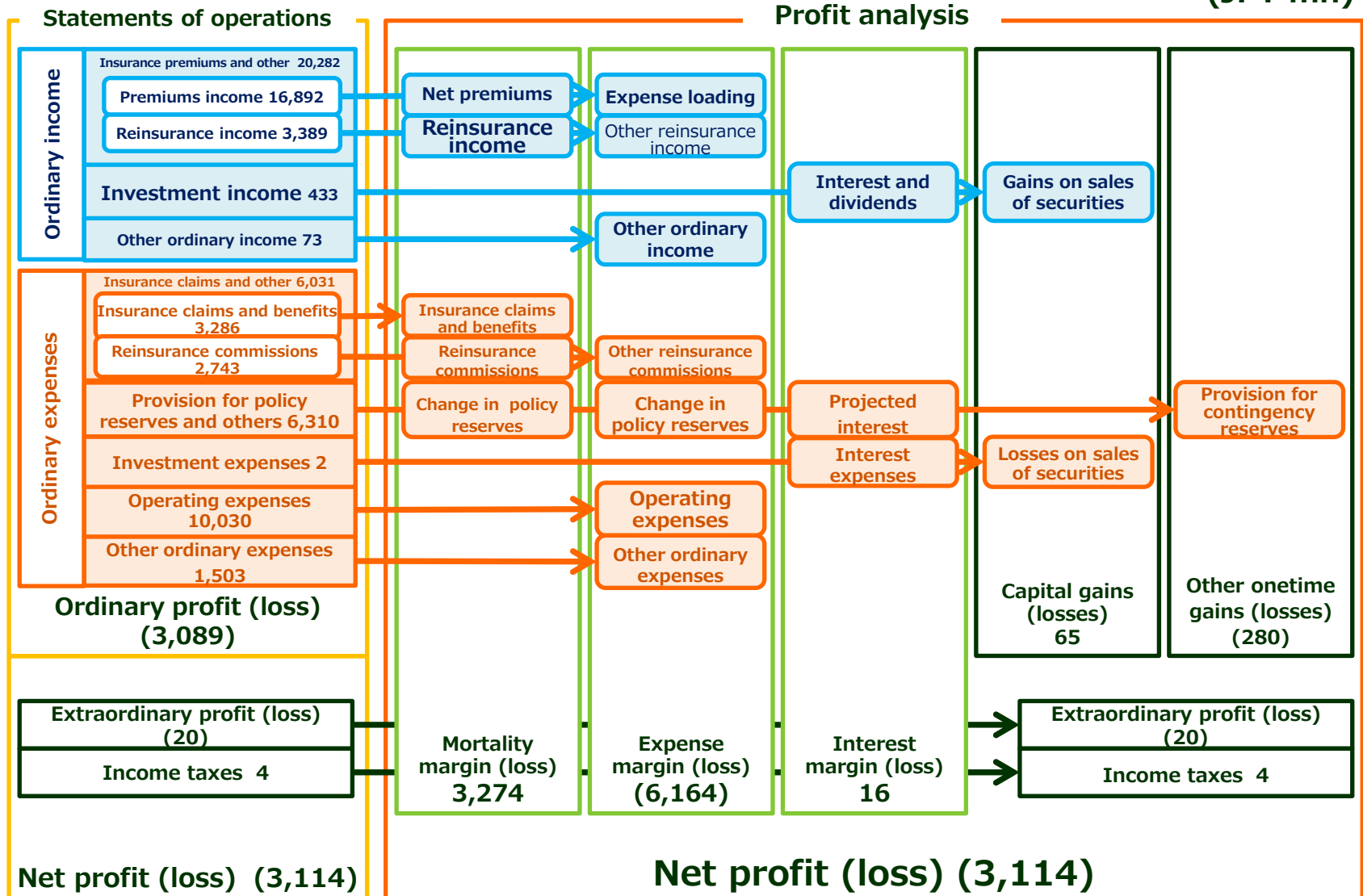
Condensed Statements of Operation / Fundamental Profit

		(JPY millions)	FY 2019	FY 2020	Change	Note
Condensed statements of operation	Insurance premiums and other		16,455	20,282	3,827	Increased due to growth in in-force policies business and reinsurance income from modified co-insurance.
	Other		395	507	112	
	Ordinary income		16,850	20,789	3,939	Includes utilization of modified co-insurance of 2,778 million yen.
	Insurance claims and other		3,759	6,031	2,272	Increased due to an increase in reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 19.5%.
	Insurance claims		1,694	2,146	451	Increased from 132 cases in FY19 to 172 in FY20.
	Benefit claims		941	1,140	198	Increased from 8,473 cases in FY19 to 10,206 in FY20.
	Provision for policy reserves and other		5,072	6,310	1,238	Percentage of provision for policy reserves (6,111 million yen) to insurance premiums is 36.2%.
	Operating expenses		9,169	10,030	860	
	Marketing expenses		6,146	6,712	566	
	Customer service		892	1,071	179	
	System and other		2,130	2,246	115	
	Other		1,232	1,506	273	
	Ordinary expenses		19,233	23,879	4,645	Increased due to an increase in reinsurance commissions from modified co-insurance and provision for policy reserves and other.
	Ordinary profit (loss)		(2,382)	(3,089)	(706)	Includes profit of 804M for utilization of modified co-insurance.
Extraordinary losses and income taxes		17	25	7		
Net income (loss)		(2,400)	(3,114)	(713)	Includes profit of 804M for utilization of modified co-insurance.	
Fundamental profit	Mortality margin		2,851	3,274	422	Includes 283M loss due to utilization of modified co-insurance.
	Expense margin (loss)		(5,064)	(6,164)	(1,100)	Includes 1,087M expense margin for utilization of modified co-insurance.
	Interest margin (loss)		17	16	(1)	
	Fundamental profit		(2,195)	(2,874)	(678)	Includes profit of 804M for utilization of modified co-insurance.

Three Surplus Factors of Fundamental Profit

FY2020

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of March 31, 2021

Solvency margin ratio
2,647.1%

=

Total amount of solvency margin
<numerator>
28,455

÷

Total amount of risk/2
< the denominator >
2,149/2

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

Cash and deposits 2,059	Other liabilities 1,605
Monetary claims bought 999	Reserves for outstanding claims 837
Money held in trust 5,895	Policy reserves 35,801
Securities 40,007	Contingency reserves 2,003
	Excess over the full-Zillmerized reserve 10,328
	Price fluctuation reserves 76
	Deferred tax liabilities on available-for-sale securities 336 ¹
	Valuation difference on securities available-for-sale 864 ¹
Tangible fixed assets 95	Capital stock and other assets 14,846
Intangible fixed assets 1,252	Net assets 15,806
Other assets 4,190	

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

Insurance risk R₁ 1,113

Risk of change in mortality rate (calculated based on value of policies in force)

Medical insurance risk R₈ 358

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 1,440

[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 87

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.

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

(JPY millions)	Change in EEV as of Mar. 31, 2021	Change in VoNB
EEV and new business value as of March 31, 2021	95,140	5,798
Sensitivity 1a: 1.0% increase in risk-free rate	(3,213)	(120)
Sensitivity 1b: 1.0% decrease in risk-free rate	2,733	(97)
Sensitivity 1c: 0.5% increase in risk-free rate	(1,505)	(29)
Sensitivity 1d: 0.5% decrease in risk-free rate	1,533	(1)
Sensitivity 1e: Interest rates based on JGB yields	635	127
Sensitivity 2: 10% decrease in equity and real estate value and other	(807)	—
Sensitivity 3: 10% decrease in operating expenses	3,655	783
Sensitivity 4: 10% decrease in lapse rate	405	111
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,410	699
Sensitivity 6: Change the required capital to the statutory minimum	196	32

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.

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

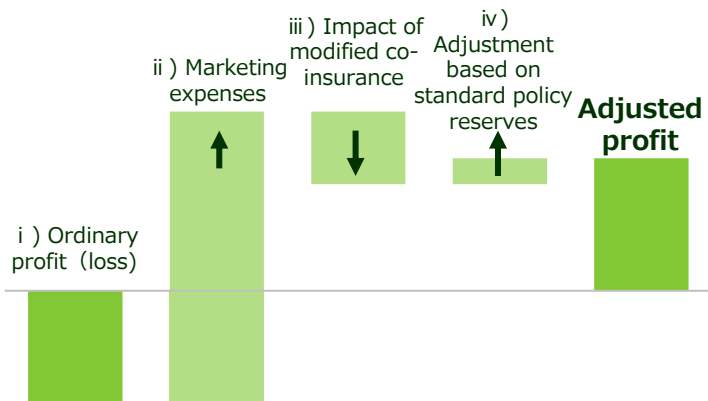
Ordinary profit excluding marketing expenses

Adjusted Profit

Explanation of Adjusted Profit

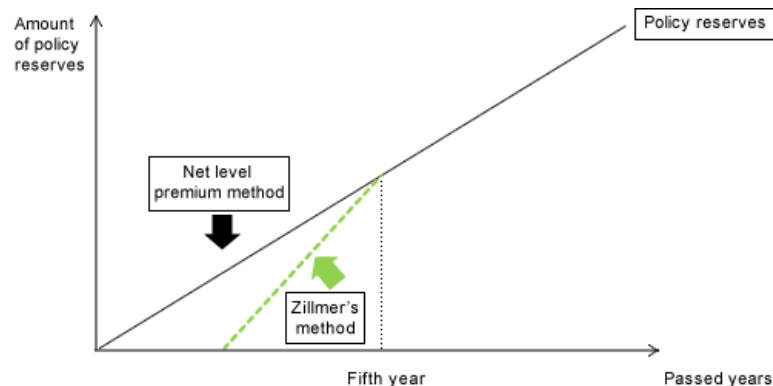
Adjustments to provision for policy reserves based on standard policy reserves

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. fiscal 2020 (JPY millions)

Adjustment to provision for policy reserves¹ 739	=	+	Provision for policy reserves 6,111	-	Increase in standard policy reserves² 5,371
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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 498 million yen as of March 31, 2021.

Modified Co-Insurance

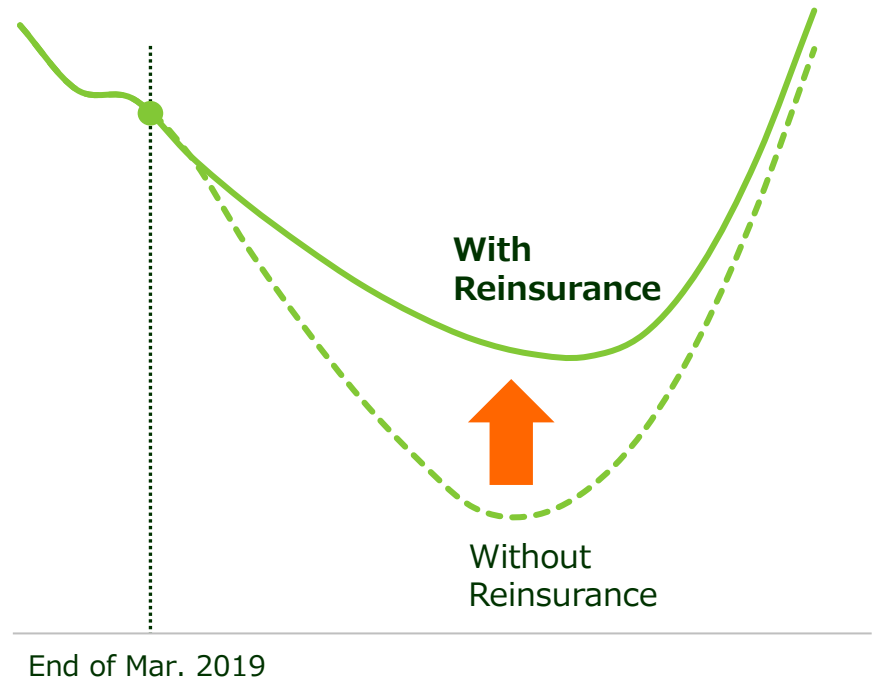
- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

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