

**Securities Code: 7157**

**TSE Mothers**



**LIFENET**

LIFENET INSURANCE COMPANY

**Presentation  
Material for  
Investors**

**First Quarter  
for Fiscal 2021**

**LIFENET INSURANCE COMPANY**

**August 11, 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 1Q for Fiscal 2021



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

**19,473** million yen  
(104.1% vs end of FY2020)

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

**1,123** million yen  
(Y-on-Y 96.2%)

**EEV** (European Embedded Value)

**97,015** million yen  
(102.0% vs end of FY2020)

Adjusted incremental EV<sup>2</sup>

**1,630** million yen  
(Y-on-Y 76.8%)

## Notable Achievements

Launched a new product



Long-term Disability  
*Hataraku-Hito 3*

Expanded the White Label business



Money Forward

Transformation to an online platform



betterChoice

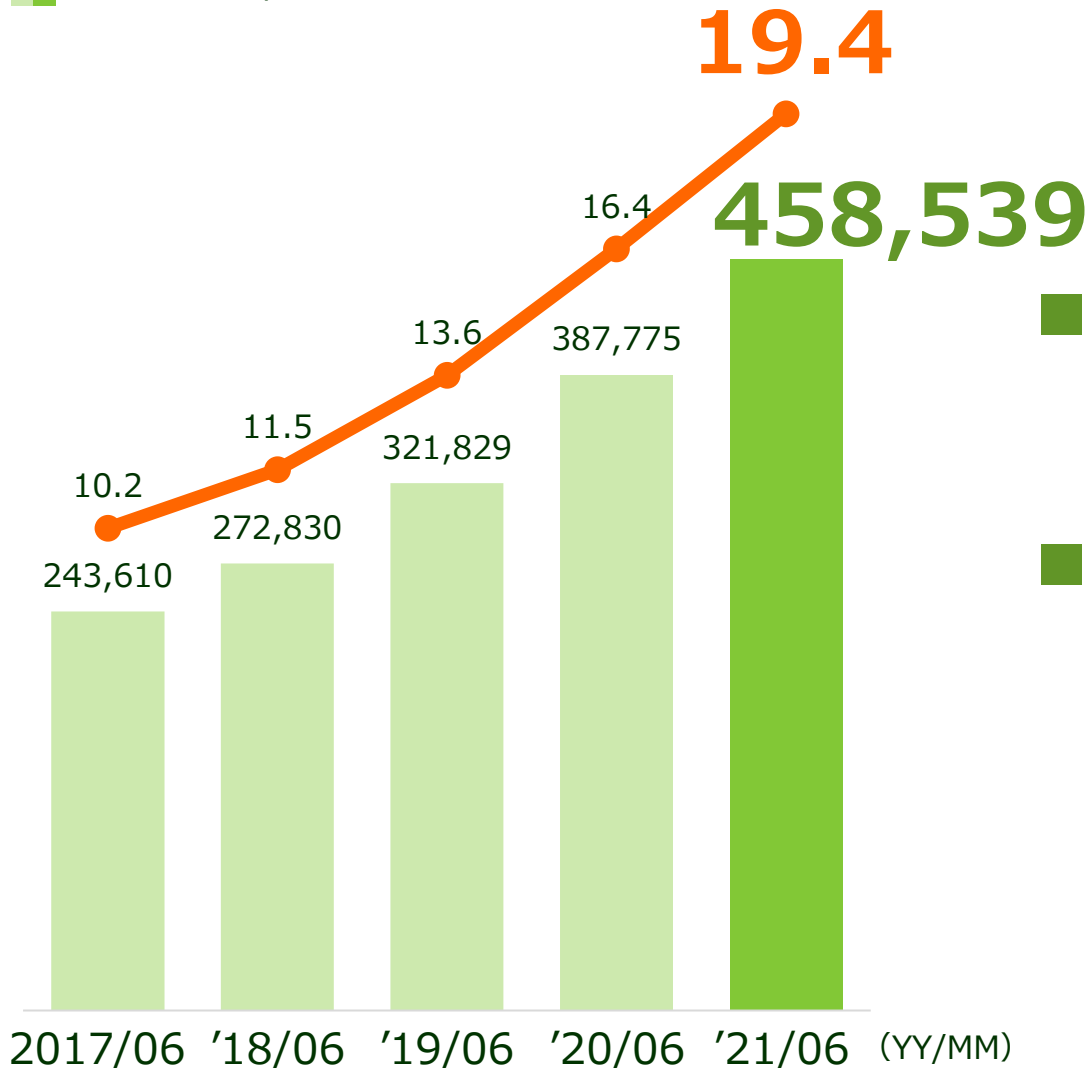
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

2. Adjusted incremental EV consisted of components adequately reflecting our business growth for fiscal 2020, see page 14 and 40 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



■ Exceeded 450,000 policies-in-force

■ Year-on-year Annualized premium **118.3%**, number of policies-in-force **118.2%**

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



Number / Fiscal Year	FY2020/1Q	FY2021/1Q
<b>Number of policies-in-force (BOP)</b>	365,171	<b>439,945</b>
+ ) Number of new business	28,136	<b>27,553</b>
- ) Decreased number of policies <sup>1</sup>	(5,532)	<b>(8,959)</b>
<div style="border: 1px solid black; padding: 5px; display: inline-block;">                     Non-recurring record of lapsed policies※                 </div>	-	<b>(527)</b>
<b>Number of policies-in-force (EOP)</b>	387,775	<b>458,539</b>

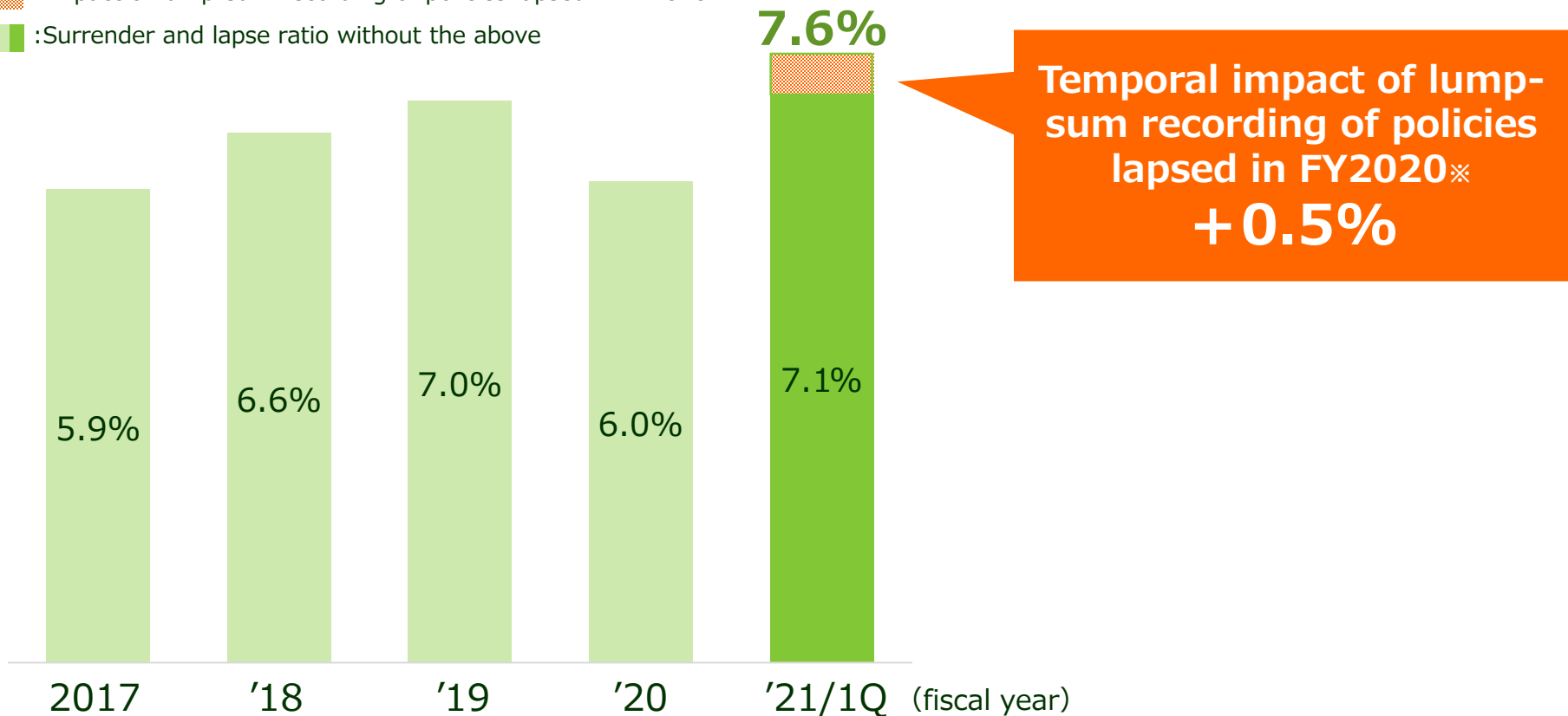
※Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Decreased number of policies includes the impact of extended policies that were recorded as lapsed policies in a lump sum.

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

# Surrender and Lapse Ratio

## ■ Increased partly due to the temporal impact of lapsed policies

■ :Impact of lump-sum recording of policies lapsed in FY2020  
■ :Surrender and lapse ratio without the above



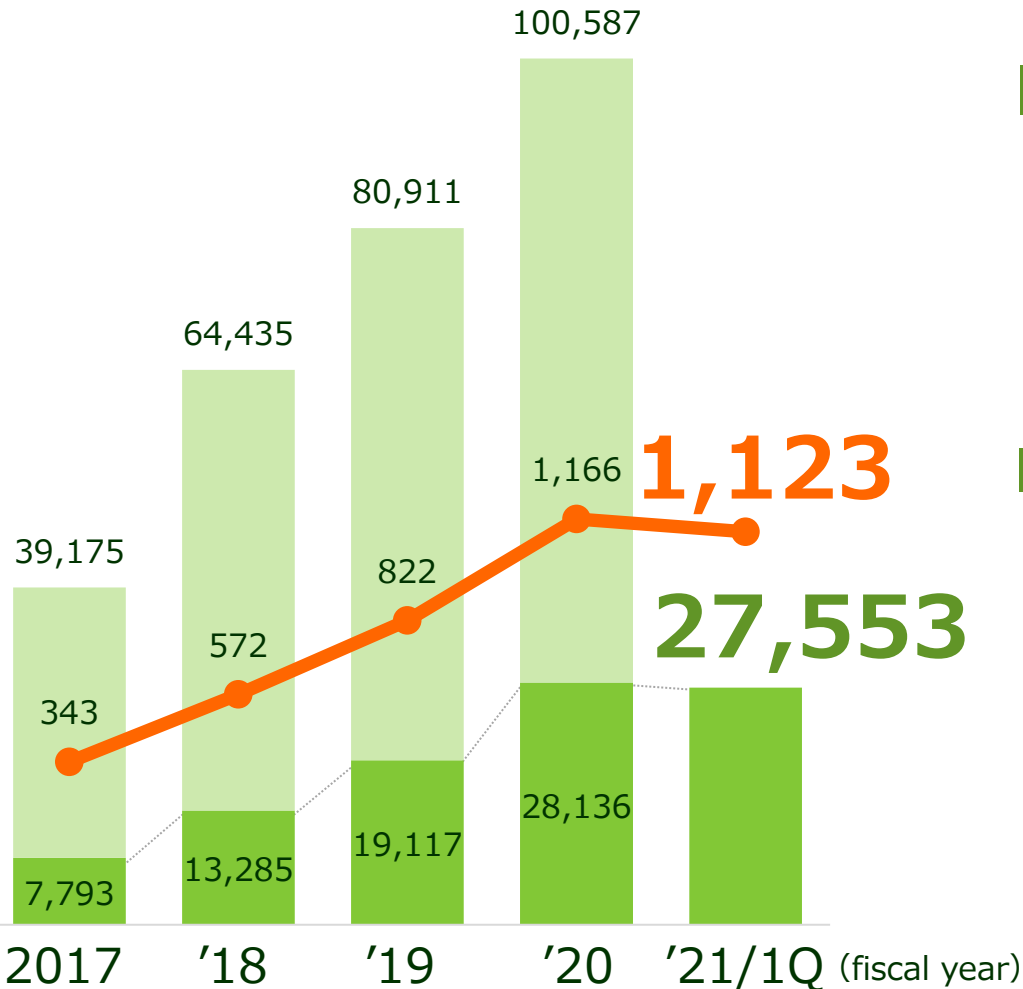
※Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Surrender and lapse ratio includes the impact of extended policies that were recorded as lapsed policies in a lump sum.

1. 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<sup>1</sup> (1Q of fiscal year, JPY millions)
- : Number of new business (fiscal year)
- : Number of new business (1Q of fiscal year)



- Exceeded **27,000** in new business
- Year-on-Year annualized premium **96.2%**, number of new business **97.9%**

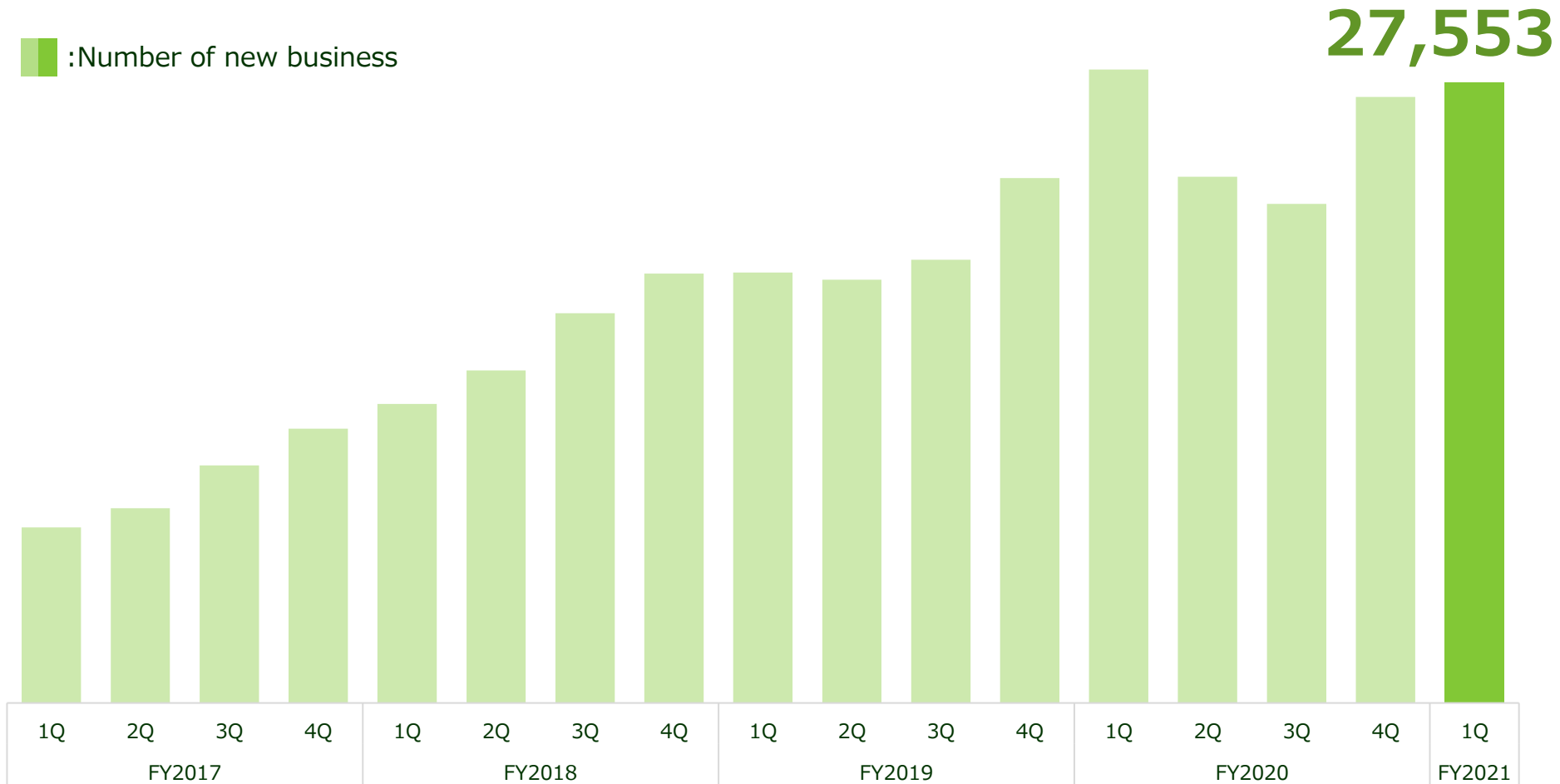
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

# Number of New Business (Quarter)



- **The second highest level** after 1Q of FY2020

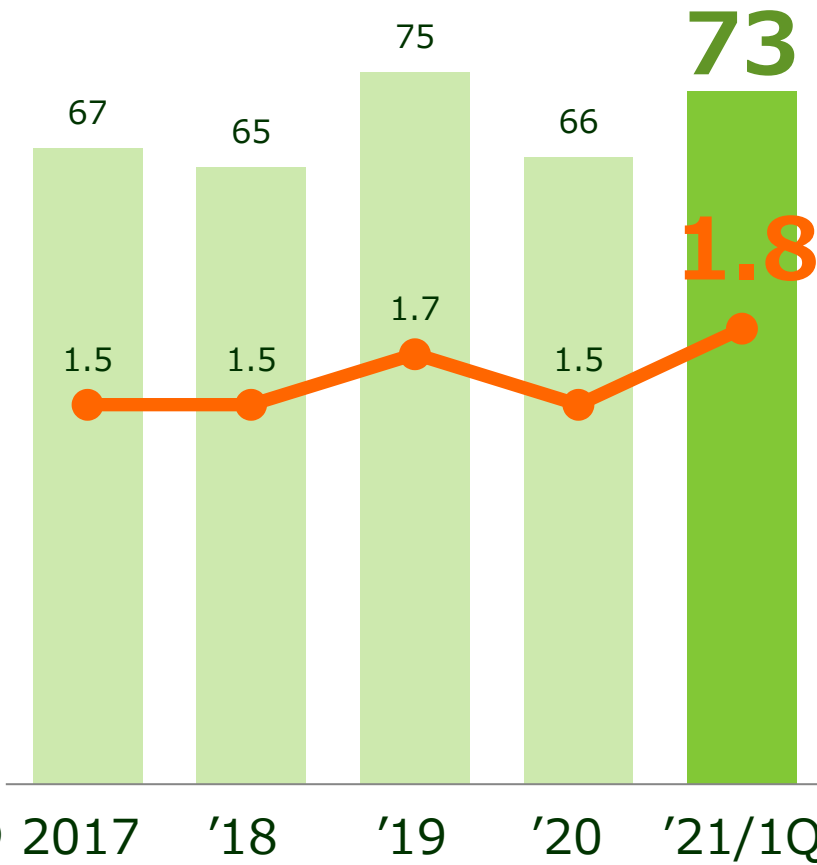
■ :Number of new business





# Marketing Efficiency

■ : Marketing expenses per new business (JPY thousands)  
 ■ : Marketing expenses / Annualized premium of new business<sup>1</sup> (JPY)



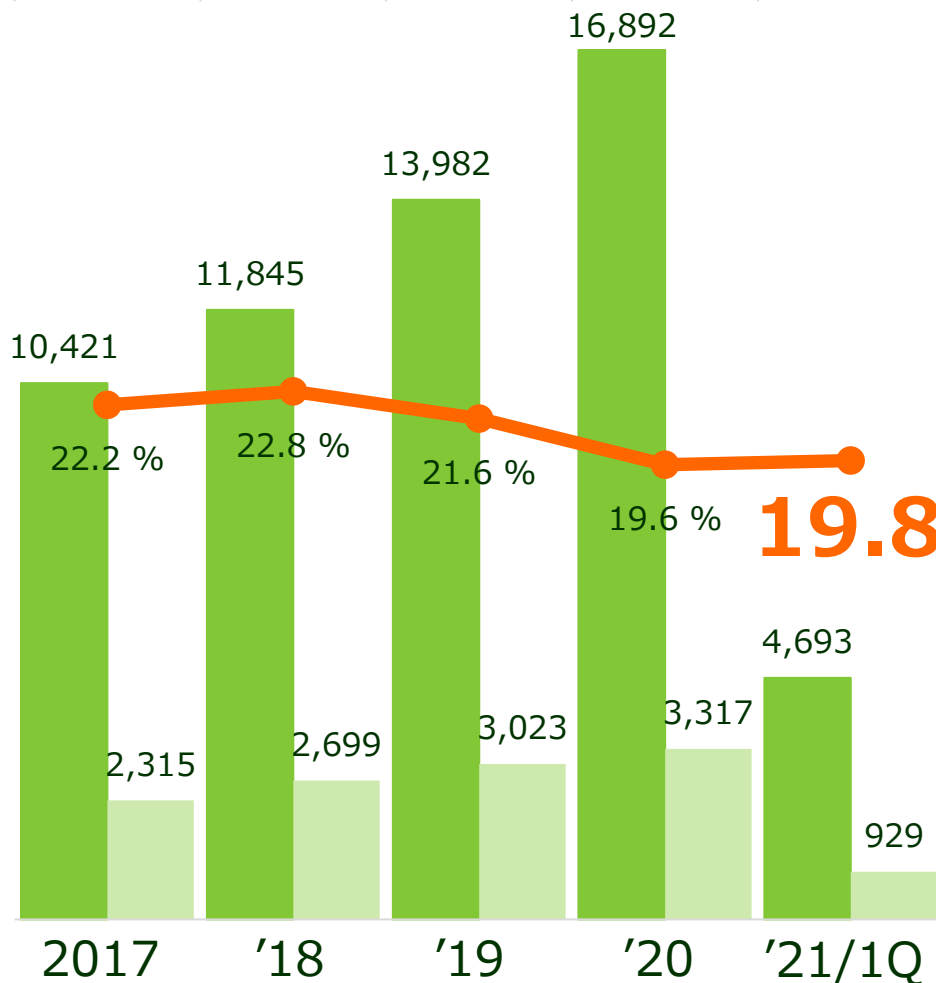
■ Aggressively invested in marketing for further growth

(fiscal year)	2017	'18	'19	'20	'21/1Q
Marketing expenses (JPY millions)	2,627	4,216	6,146	6,712	2,033

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



■ Maintained below 20%

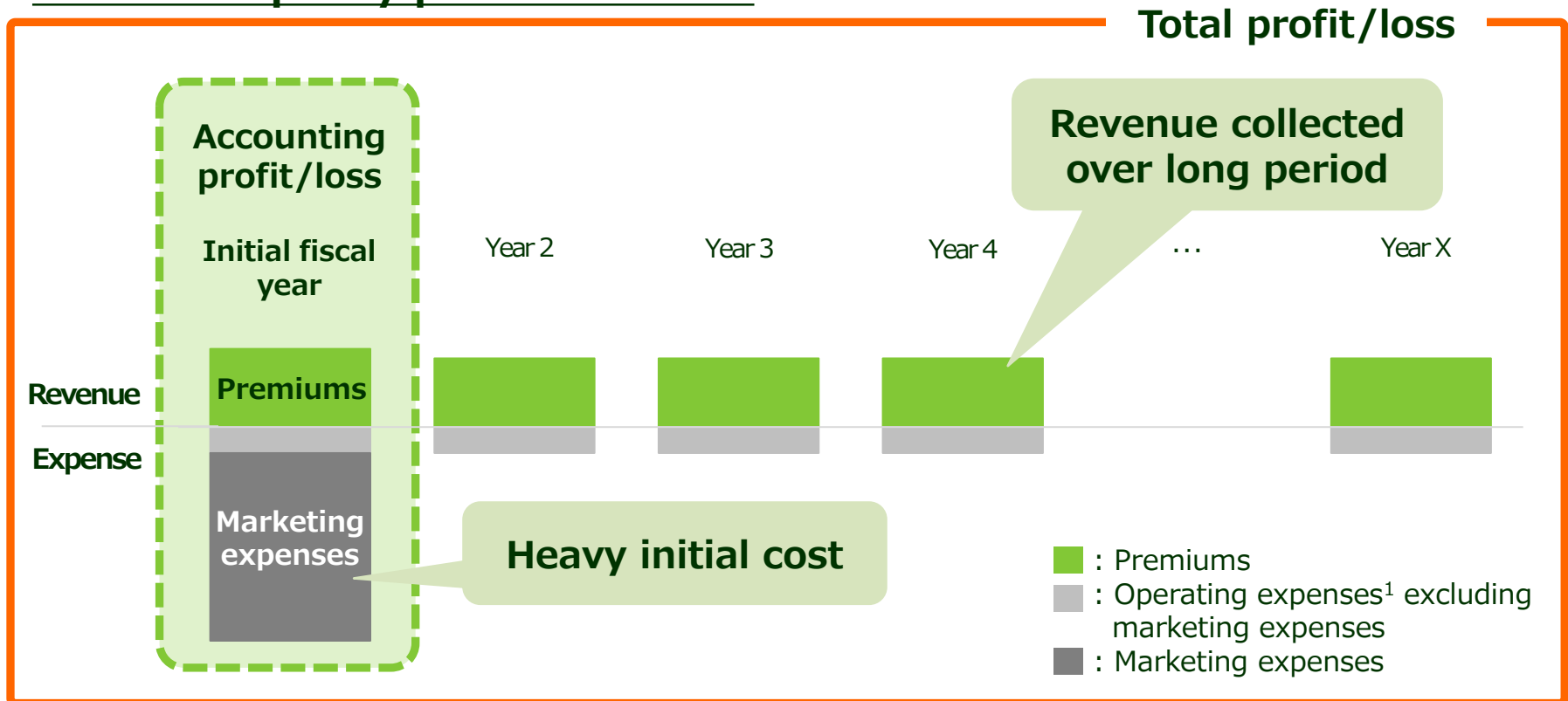
■ Aim to improve operational efficiency by further business expansion in mid-term

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

# Profit Structure under Current Statutory Accounting

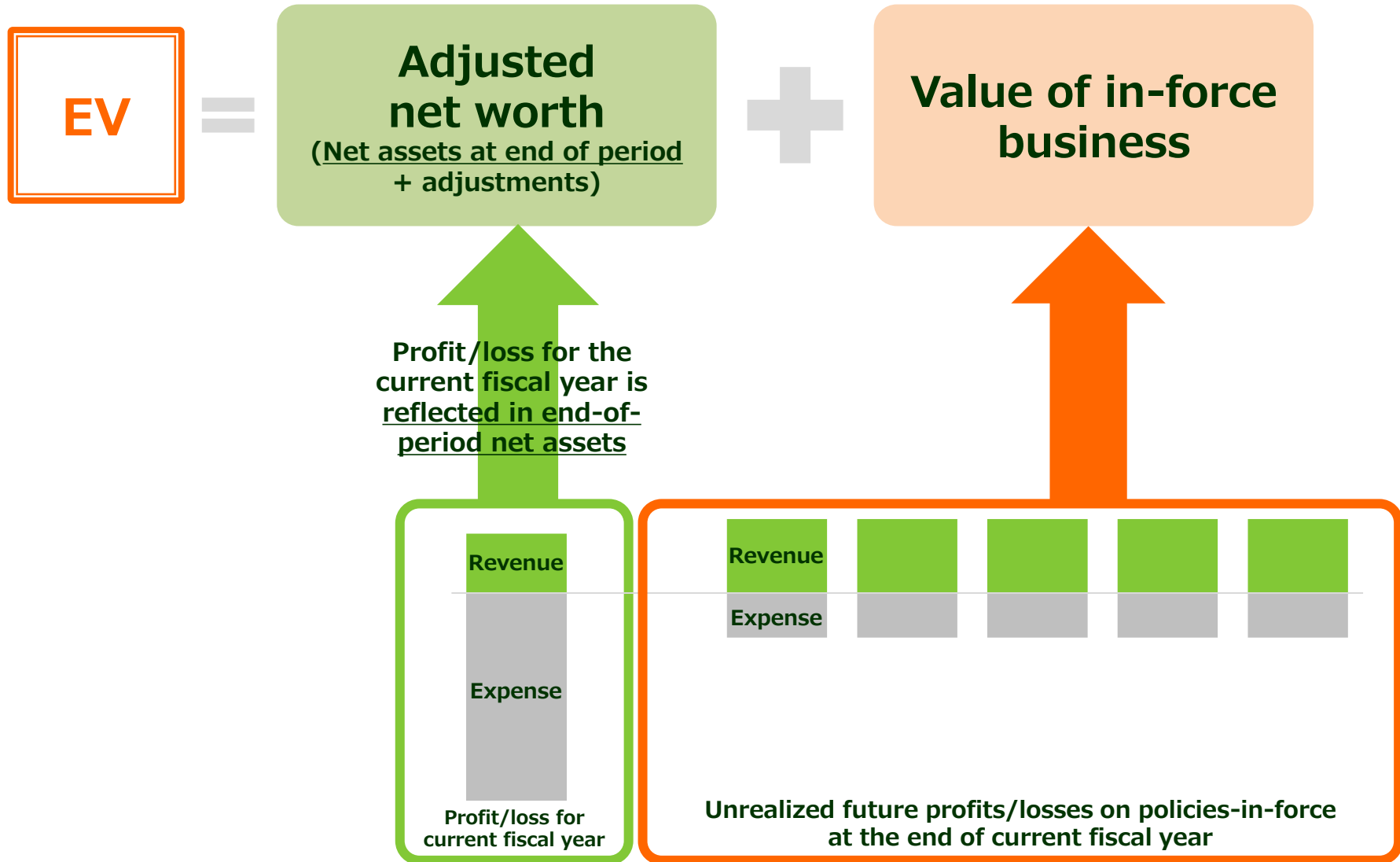
- **Time lag is caused between the recognition of costs and revenue** as marketing expenses is recognized at the time of acquisition, and revenue is collected gradually over a long period.

## Insurance policy profit structure



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

# Structure of Embedded Value



# EEV (European 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 a CAGR of **20%<sup>2</sup>** and **34%**, respectively since IPO

(JPY millions)

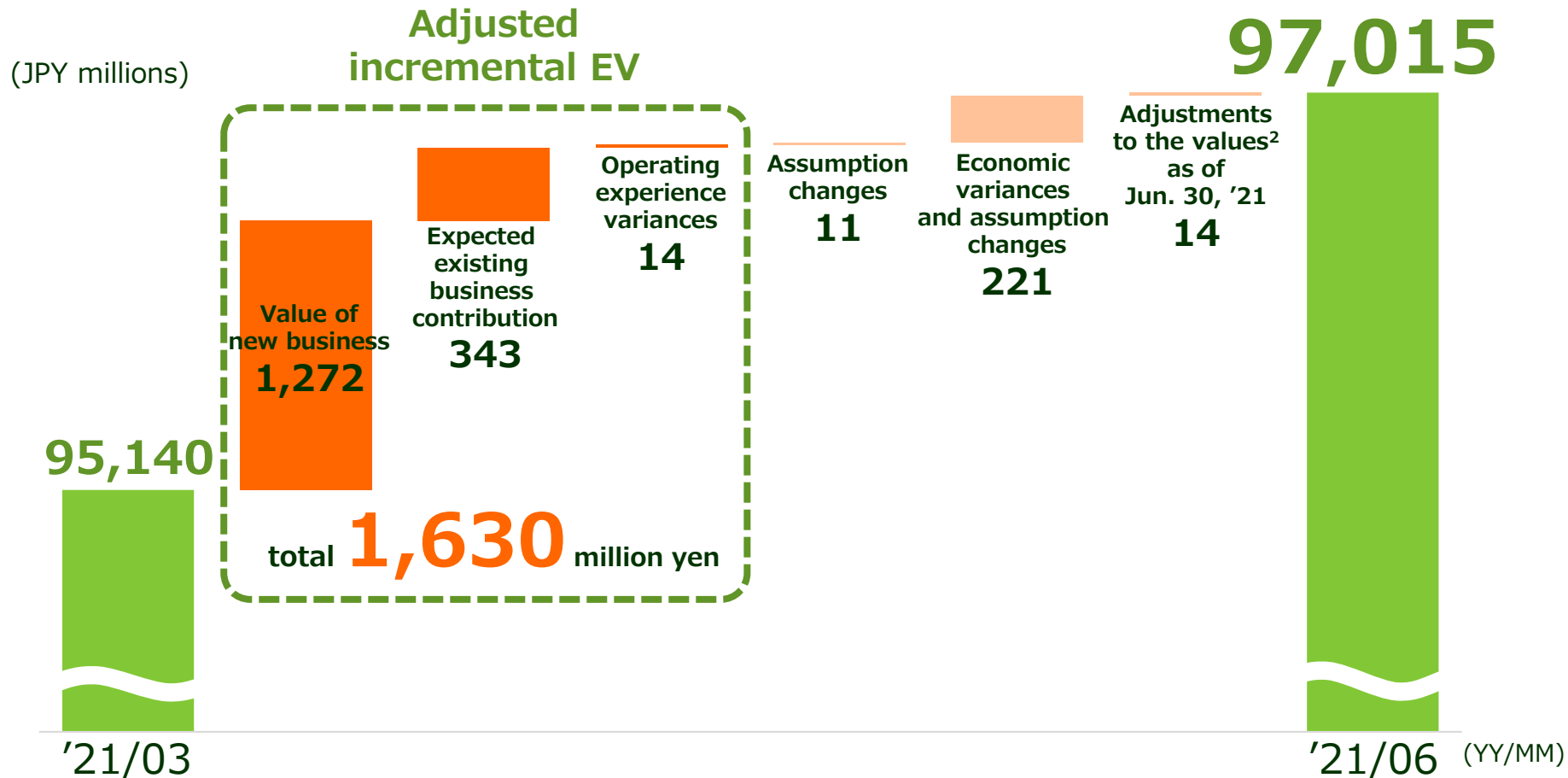
- Value of in-force business
- Adjusted net worth



- 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. EEV as of June 30, 2021 is calculated applying the same operating assumptions as those used for March 31, 2021, and is not reviewed by third-party specialists.
- 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 EEV<sup>1</sup>

- EEV growth driven by increase in adjusted incremental EV, mainly due to **value of new business**



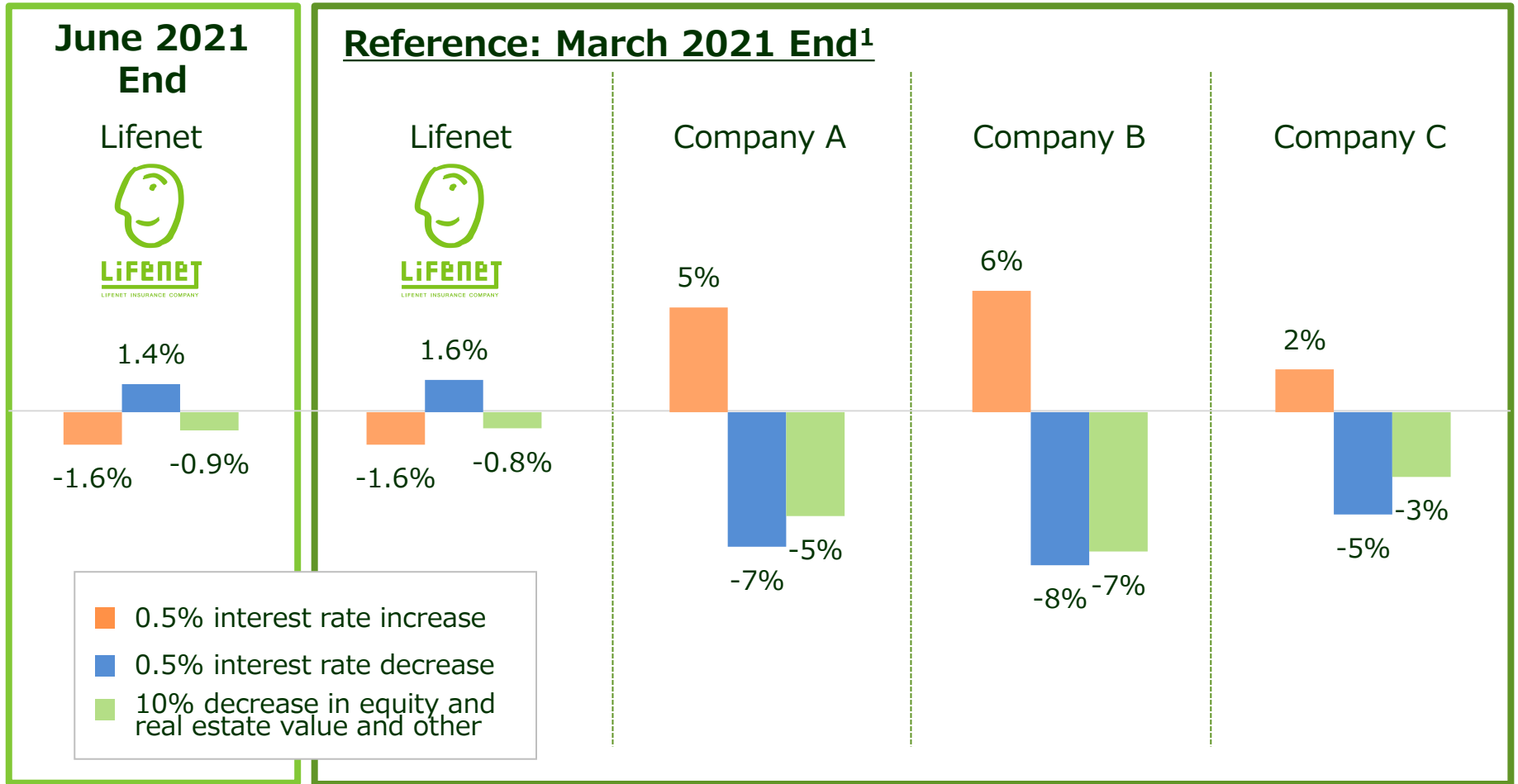
1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. EEV as of June 30, 2021 is calculated applying the same operating assumptions as those used for March 31, 2021, and is not 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



LIFENET

## Key Metrics for a SaaS Company and Lifenet

	FY2019	FY2020	FY2021/1Q
<b>ARR per Contract</b> (Annual Recurring Revenue)	Annualized Premiums per Policy-in-force <b>JPY 42,486</b> ×	Annualized Premiums per Policy-in-force <b>JPY 42,536</b> ×	Annualized Premiums per Policy-in-force <b>JPY 42,468</b> ×
<b>Life Time<sup>1</sup></b> (Term of Contract)	Average Policy Term <b>14.3 years</b> ×	Average Policy Term <b>16.7 years</b> ×	Average Policy Term <b>13.9 years<sup>2</sup></b> ×
<b>Gross Profit Margin<sup>3</sup></b>	<b>45%</b> 	<b>43%</b> 	<b>46%</b> 
<b>Life Time Value</b> (Annualized Premiums per Policy * Life Time * Gross Profit Margin)	<b>JPY 273,397</b>	<b>JPY 305,451</b>	<b>JPY 271,540</b>
<b>Customer Acquisition Cost<sup>4</sup></b> (Marketing Expenses per New Policy)	<b>JPY 75,970</b>	<b>JPY 66,737</b>	<b>JPY 73,811</b>

1. 1 / Churn rate. Churn rate represents the percentage of users who cancelled out their insurance policies.

2. Exclude the impact of lump-sum recording for lapsed policies in FY2020.

3. (Insurance premiums - Insurance claims and benefits - Provision for policy reserves and others) / Insurance premiums.

4. Marketing expenses / Number of new business.

# Financial Condition

(JPY millions)	(YY/MM)	'21/03	'21/06
<b>Total assets</b>		<b>54,501</b>	<b>55,333</b>
Cash and deposits		2,059	2,158
Monetary claims bought		999	–
Money held in trust		5,895	5,890
Securities		40,007	41,458
Government bonds		9,004	9,006
Municipal bonds		1,482	1,484
Corporate bonds		21,301	22,144
Stocks		397	391
Foreign securities		0	100
Other securities <sup>1</sup>		7,821	8,331
<b>Total liabilities</b>		<b>38,694</b>	<b>40,282</b>
Policy reserves and other		36,639	38,231
<b>Total net assets</b>		<b>15,806</b>	<b>15,050</b>
<b>Solvency margin ratio<sup>2</sup></b>		<b>2,647%</b>	<b>2,599%</b>
<b>Modified duration (year)</b>		<b>11.1</b>	<b>10.8</b>

■ Maintained prudent investment management policy

■ Maintained sufficient soundness in terms of solvency margin ratio<sup>2</sup>

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.

# Launched a New Long-term Disability Product in June 2021

## ■ Added the industry-first coverage<sup>1</sup>

**New**



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

Support for “living expenses” when one is unable to work due to disease or injury, as well as “medical expenses” or “decrease in income” after returning to work



30歳 男性	30歳 女性
月額保険料 <b>1,807円</b>	月額保険料 <b>1,576円</b>

就業不能給付金月額：10万円  
支払対象外期間：180日  
受け取り方：標準タイプ  
保険期間・保険料払込期間：65歳まで  
復帰支援一時金：なし

**無料で10秒見積り**

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

## ■ Plan to implement a new service by September



Money Forward 固定費の見直し

### 保険の見直し診断

あなたの情報を元に診断を行います。必要事項を入力してください。なお、連携いただいている内容はすでに入力項目に記載されていますが、必要に合わせて変更ください。

現在の月額保険料 (生命・医療保険のみ ※1)

10000 円

ご本人

生年月日

1980年 7月 1日



Money Forward 固定費の見直し

### 保険の見直し診断

必要な保険に絞って固定費を削減！  
Assessment of current insurance policy

Reduce fixed costs by only purchasing necessary insurance

診断結果

1分で診断

今の保険は不要かも？

保険の見直しで

年間	-106,480 円
----	------------

となる可能性があります

現在の保険料	216,480 円 / 年
改善後の保険料	110,000 円 / 年

あなたに必要な保険

死亡	医療 / がん	就業不能
必要	不要	不要

Part of the data that the customer has recorded in Money Forward ME<sup>1</sup> is automatically reflected in the information needed for the review of life insurance contracts

# Established Subsidiary in May 2021



- Meet various needs and drive growth of the online life insurance market

New company

## LIFENET MIRAI Inc.

Comparison of insurance products

Proposal for insurance review

Policy maintenance

Support for insurance claims



(Investment ratio: 80%)

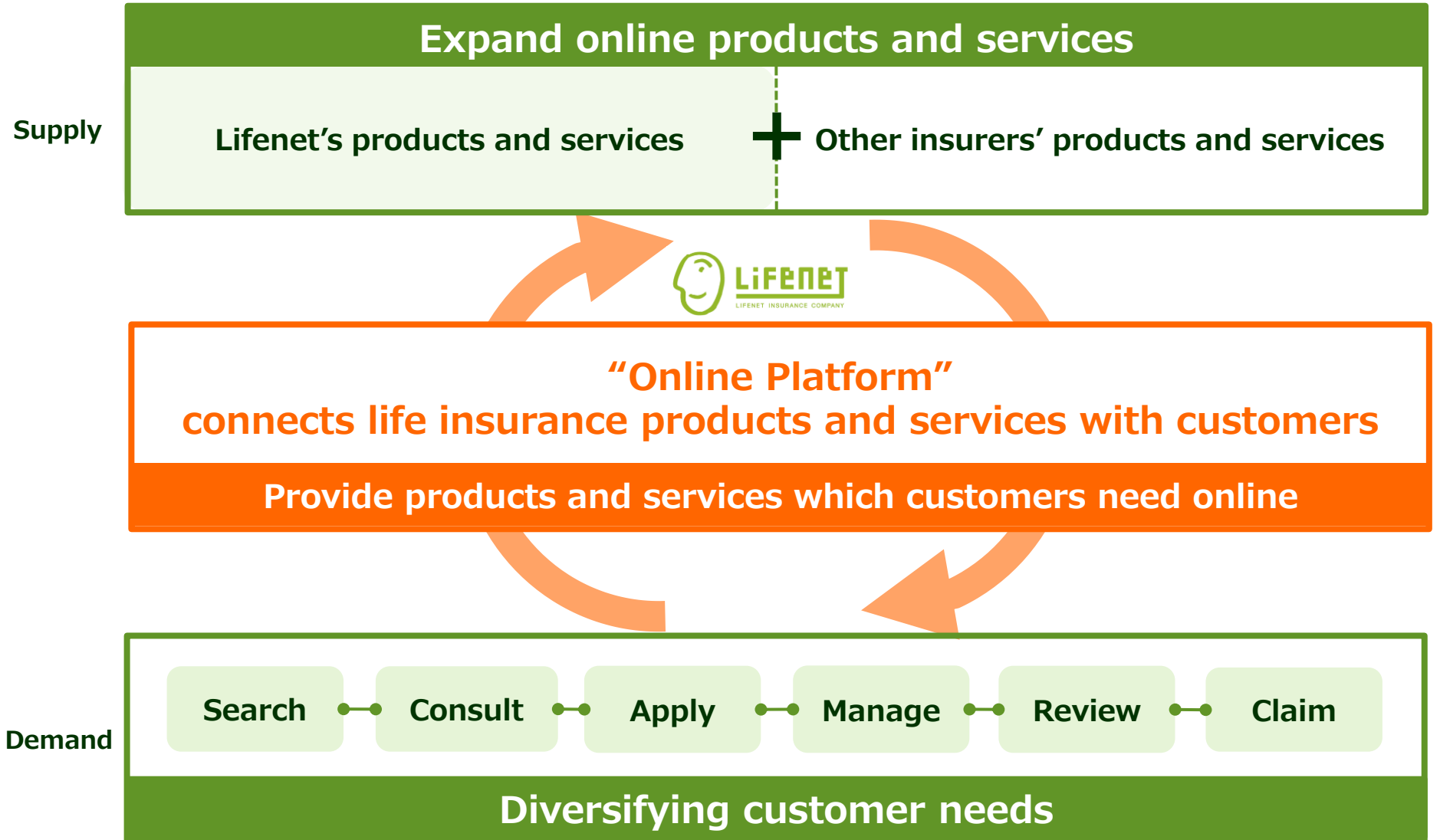
- Create a stress-free CX
- Generate website traffic
- Bring expertise in life insurance area



(Investment ratio: 20%)

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

# Develop Online Life Insurance Platform



# Transformation to an Online Life Insurance Platform

## Started online insurance agency business



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収入保障保険

終身保険

定期死亡保険

医療保険

がん保険

就業不能保険

30歳

男性

女性

🔍 今すぐ見積りスタート



<https://www.better-choice.com/>

※Japanese Version Only

# Transformation to an Online Life Insurance Platform

## Started to offer insurance policy management service



Manage policies



Assess current insurance



Support a claim

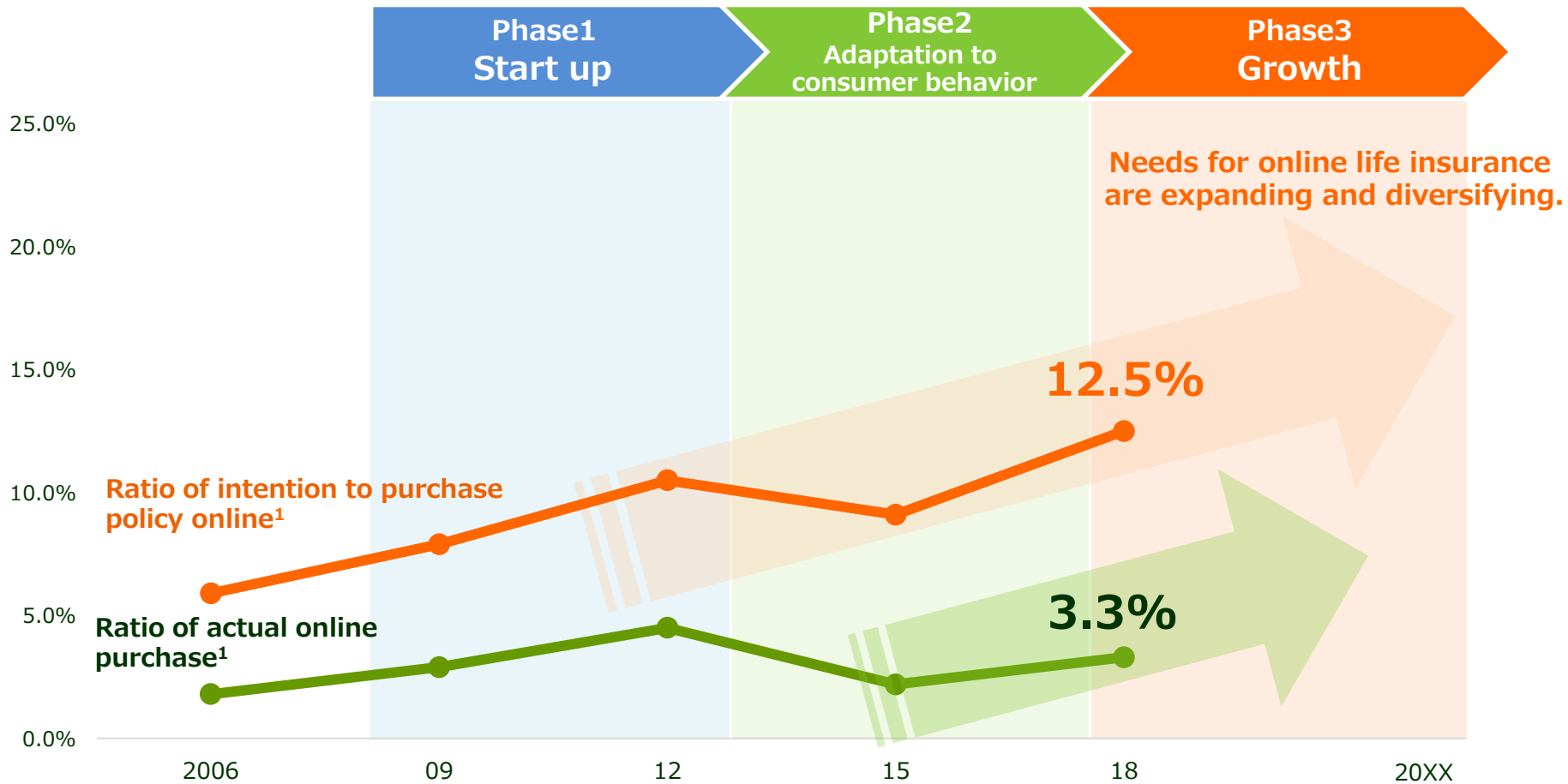




# Business Environment surrounding Online Life Insurance Market



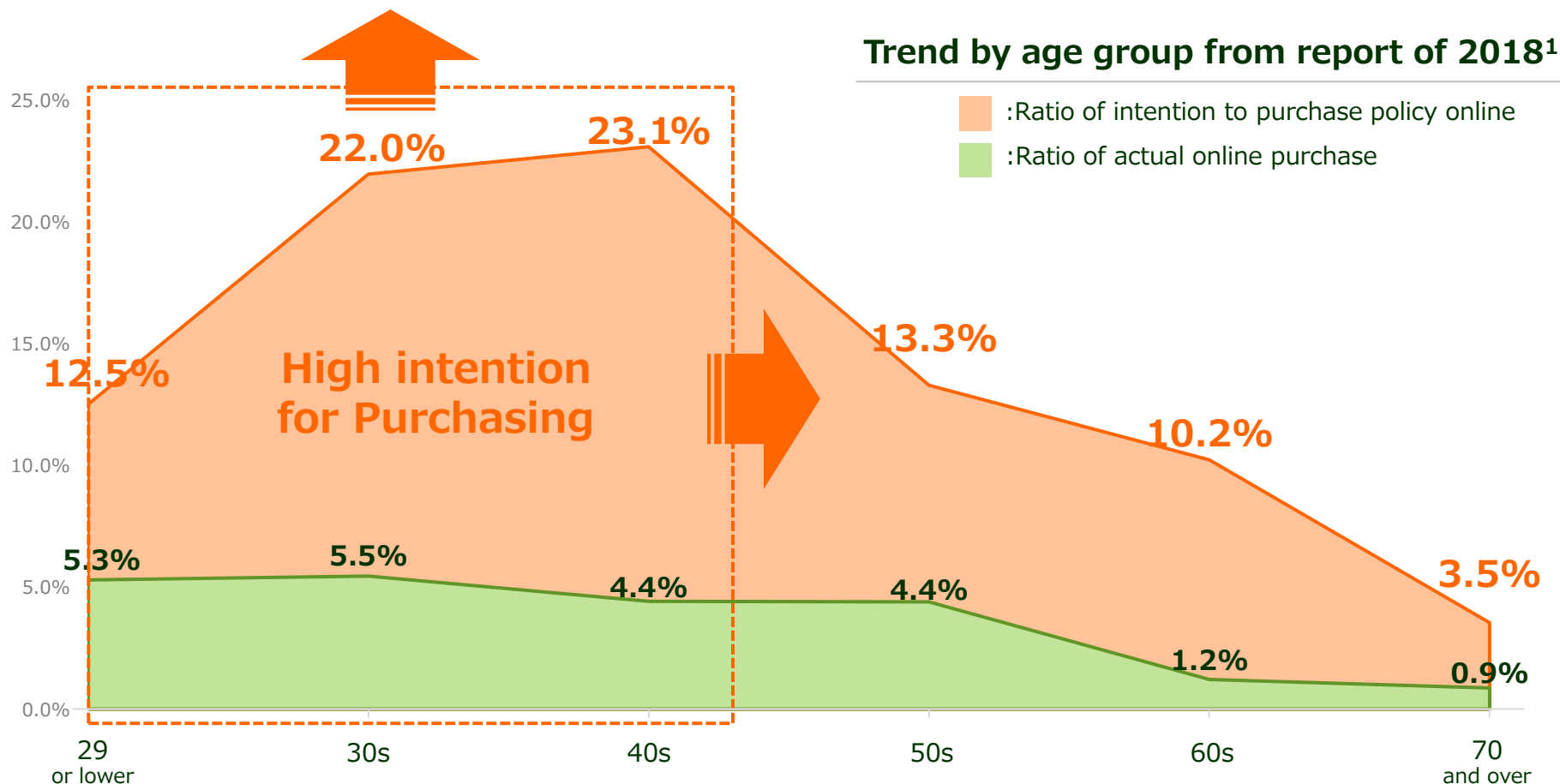
- Financial digitalization is proceeding driven by COVID-19, and structural growth of online life insurance is expected in the future



1. Nationwide Report on the Life Insurance Industry (2018) by the Japan Institute of Life Insurance

# Structural Growth Potential of Online Insurance Market

■ Assumed expansion driven by people grown up in the digital age



1. Based on a Nationwide Report on the Life Insurance Industry (2018) by the Japan Institute of Life Insurance

# Management Policy



■ **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

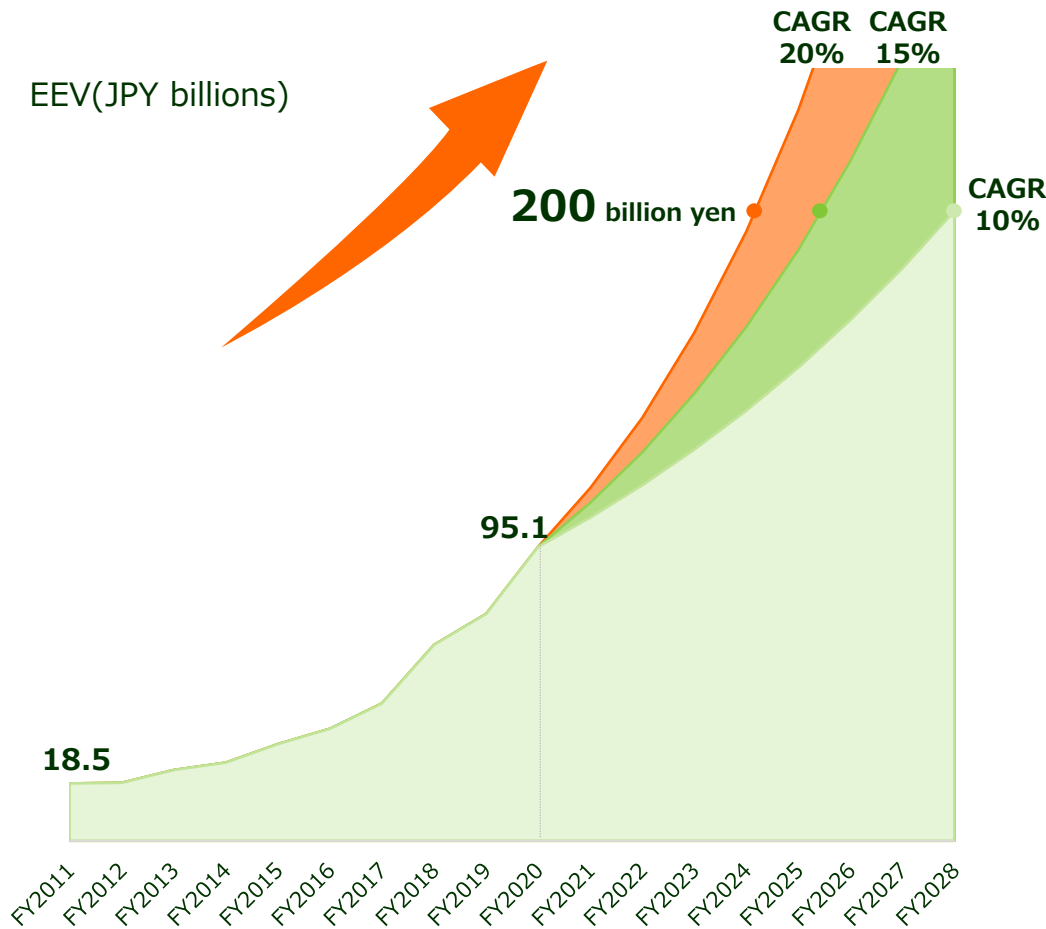
## Management Goal

**Aim to achieve EEV (European Embedded Value) of 200 billion yen by business growth in a mid-term**

# Time Scale for the New Management Goal



## ■ Aim to achieve double-digit growth of EEV



- Become the leading company driving the growth of the online insurance market
- Double policies-in-force and significantly improve operating expenses ratio (excl. marketing)

# Business Forecast FY 2021

- Aim for double-digit growth in in-force policy performance** through record-high in new business

(JPY millions)

	FY 2021 Forecast		FY 2020 Results	
Annualized premium <sup>1</sup> of policies-in-force	<b>21,800</b>		18,713	
Annualized premium <sup>1</sup> of new business	<b>4,400</b>		4,197	
		Of which: impact of modified co-insurance		Of which: impact of modified co-insurance
Ordinary income	<b>25,500</b>	<b>4,400</b>	20,789	2,778
Ordinary profit (loss)	<b>(3,800)</b>	<b>700</b>	(3,089)	804
Net income (loss)	<b>(3,800)</b>	<b>700</b>	(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.

# 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.

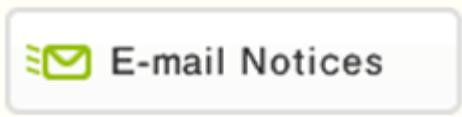
**We wish to be a company that helps our customers embrace life more fully.  
In order to live out that vision, we continue to challenge ourselves.**



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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# Appendix



**LIFENET**

LIFENET INSURANCE COMPANY



# 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 industry<sup>1</sup>
- Evaluated as #1 by policy holders<sup>2</sup>, realizing stress-free CX online

### Adaptation to social changes

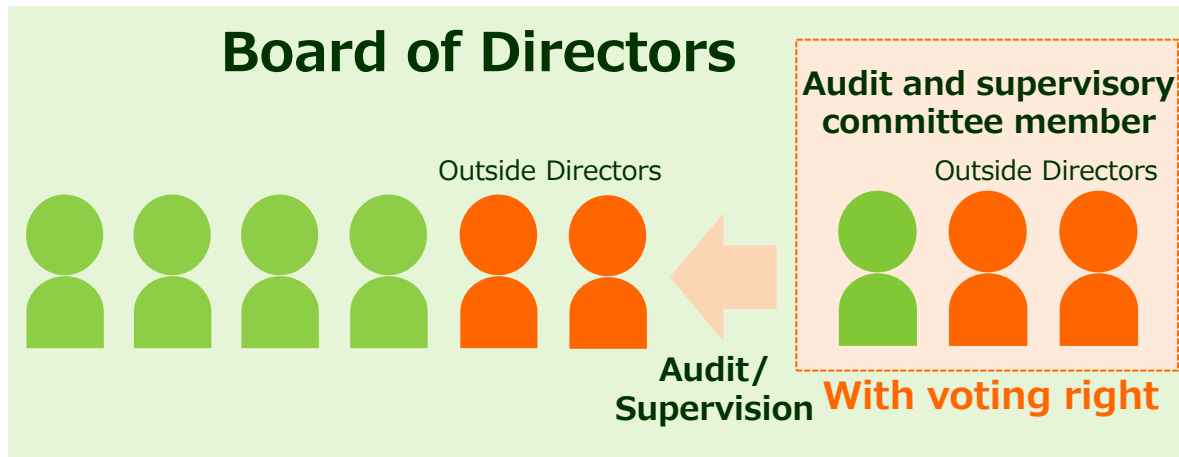
- Work on reduction of the policyholders' burden on procedures and development of comfortable work environment for employees under COVID-19 pandemic
- Widely provide more convenient services by partnering with cross-industrial partners
- Provide customer-centered services online through new joint venture

1. According to Lifenet's research (as of the end of June, 2021)  
 2. J.D. Power 2021 Japan Life Insurance Contract Customer Satisfaction Study <sup>SM</sup>

# Further Strengthen Governance

## ■ Establish a management structure for strong growth and transformation

- Transition to a company with audit and supervisory committee in June 2021



Number of directors  
**11** ▶ **9**

Ratio of outside directors



- New management remuneration system



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

# New Management Team from June 2021



## Transformation into an Internet Service Company of Life Insurance

### 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.

# Breakdown of Policies-in-Force

	'21/03	'21/06	Component ratio
<b>Number of policies-in-force</b>	439,945	<b>458,539</b>	<b>100%</b>
- Term Life	213,597	<b>222,984</b>	<b>49%</b>
- Whole-life Medical	120,216	<b>125,342</b>	<b>27%</b>
- Term Medical Care	8,840	<b>8,740</b>	<b>2%</b>
- Long-term Disability	59,567	<b>60,602</b>	<b>13%</b>
- Cancer	37,725	<b>40,871</b>	<b>9%</b>
<b>Sum insured of policies-in-force<sup>1</sup></b> (JPY millions)	2,994,198	<b>3,093,646</b>	
<b>Number of policyholders</b>	279,243	<b>291,262</b>	

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

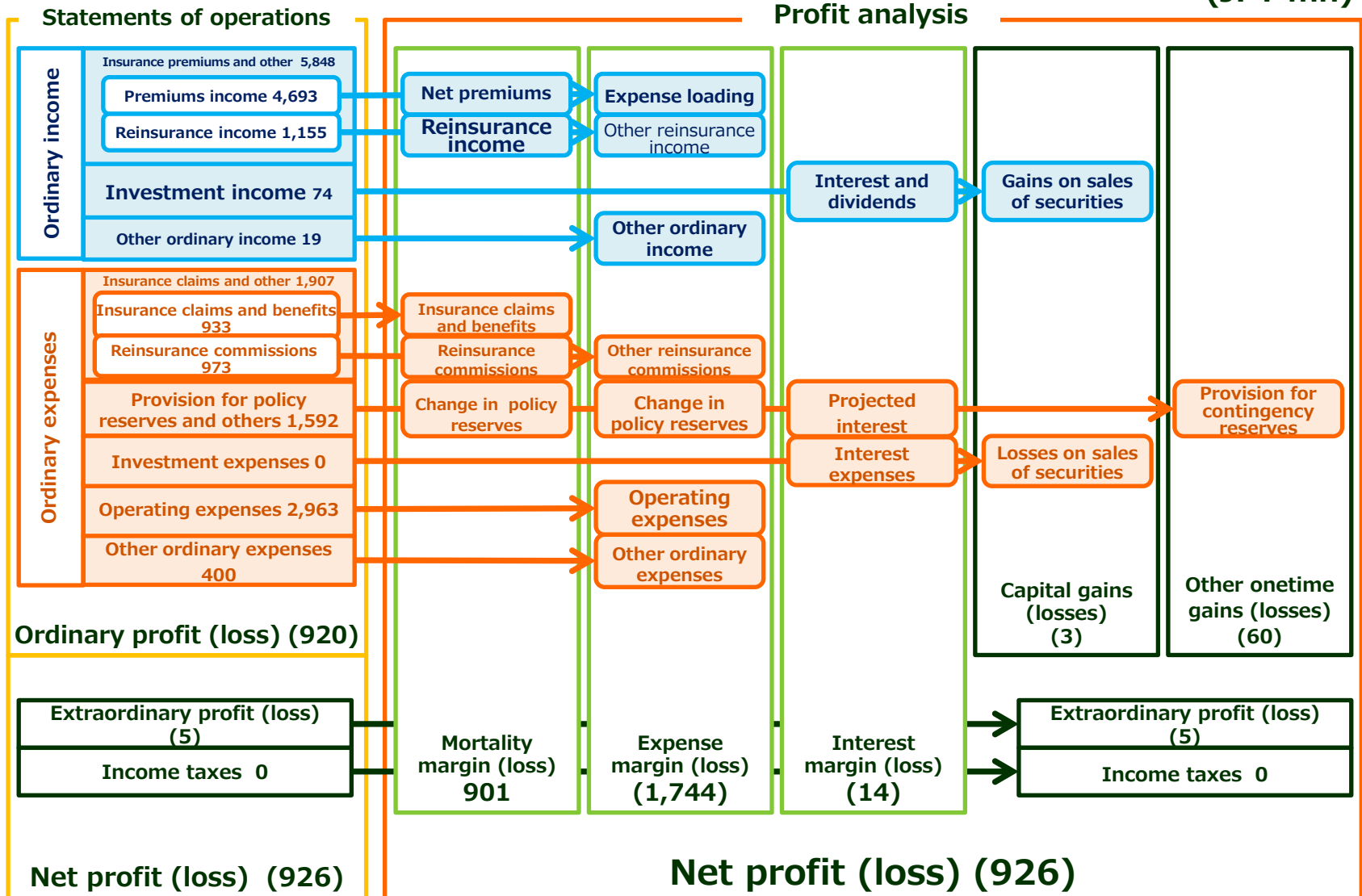
# Condensed Statements of Operation / Fundamental Profit

		(JPY millions)	FY2020/1Q	FY2021/1Q	Change	Note
Condensed statements of operation	Insurance premiums and other		4,633	<b>5,848</b>	1,214	Increased due to growth in in-force policies business and reinsurance income from modified co-insurance.
	Other		92	<b>93</b>	0	
	<b>Ordinary income</b>		4,726	<b>5,942</b>	1,215	Includes utilization of modified co-insurance of 956 million yen.
	Insurance claims and other		1,236	<b>1,907</b>	670	Increased due to an increase in reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 19.9%.
	Insurance claims		447	<b>605</b>	158	Increased from 38 cases in 1Q of FY20 to 56 in 1Q of FY21.
	Benefit claims		267	<b>328</b>	60	Increased from 2,201 cases in 1Q of FY20 to 3,033 in 1Q of FY21.
	Provision for policy reserves and other		1,497	<b>1,592</b>	94	Percentage of provision for policy reserves (1,528 million yen) to insurance premiums is 32.6%.
	Operating expenses		2,341	<b>2,963</b>	622	
	Marketing expenses		1,506	<b>2,033</b>	527	Includes 1,659 million yen for promotion expenses.
	Customer service		242	<b>306</b>	64	
	System and other		592	<b>622</b>	30	
	Other		299	<b>400</b>	100	
	<b>Ordinary expenses</b>		5,374	<b>6,862</b>	1,488	Increased due to an increase in reinsurance commissions from modified co-insurance and provision for policy reserves and other.
	<b>Ordinary profit (loss)</b>		(647)	<b>(920)</b>	(272)	Includes profit of 206M for utilization of modified co-insurance.
Extraordinary losses and income taxes		4	<b>6</b>	1		
<b>Net income (loss)</b>		(652)	<b>(926)</b>	(274)	Includes profit of 206M for utilization of modified co-insurance.	
Fundamental profit	Mortality margin		877	<b>901</b>	24	Includes 92M loss due to utilization of modified co-insurance.
	Expense margin (loss)		(1,424)	<b>(1,744)</b>	(319)	Includes 298M expense margin for utilization of modified co-insurance.
	Interest margin (loss)		(15)	<b>(14)</b>	1	
	<b>Fundamental profit</b>		(562)	<b>(856)</b>	(293)	Includes profit of 206M for utilization of modified co-insurance.

# Three Surplus Factors of Fundamental Profit

1Q of FY2021

(JPY mn)



1. Some items with minimal amounts have been omitted.

# Solvency Margin Ratio Calculation



LIFENET

As of June 30, 2021

$$\text{Solvency margin ratio } 2,599.9\% = \frac{\text{Total amount of solvency margin <numerator> } 28,438}{\text{Total amount of risk/2 <the denominator> } 2,187/2} \div \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4/2 \quad (\text{JPY mn})$$

Cash and deposits 2,158	Other liabilities 1,534
Money held in trust 5,890	Reserves for outstanding claims 901
<b>Securities</b> 41,458	<b>Policy reserves</b> 37,330
	Contingency reserves 2,063
	Excess over the full-Zillmerized reserve 10,963
	Price fluctuation reserves 81
	Deferred tax liabilities on available-for-sale securities 391 <sup>1</sup>
Tangible fixed assets 91	Valuation difference on securities available-for-sale 1,005 <sup>1</sup>
Intangible fixed assets 1,262	<b>Capital stock and other assets</b> 13,933
Other assets 4,471	<b>Net assets</b> 15,050

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

- Insurance risk R<sub>1</sub> 1,103**  
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R<sub>8</sub> 364**  
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> 1,496**  
[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> 89**  
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 Analysis<sup>1</sup>

## Impacts of changes in assumptions (sensitivities)

(JPY millions)	Change in EEV as of Jun. 30, 2021	Change in VoNB
EEV and new business value as of June 30, 2021	97,015	1,272
Sensitivity 1a: 1.0% increase in risk-free rate	(3,177)	(46)
Sensitivity 1b: 1.0% decrease in risk-free rate	2,375	(21)
Sensitivity 1c: 0.5% increase in risk-free rate	(1,522)	(16)
Sensitivity 1d: 0.5% decrease in risk-free rate	1,326	0
Sensitivity 1e: Interest rates based on JGB yields	1,075	56
Sensitivity 2: 10% decrease in equity and real estate value and other	(851)	—
Sensitivity 3: 10% decrease in operating expenses	3,751	220
Sensitivity 4: 10% decrease in lapse rate	243	36
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,523	171
Sensitivity 6: Change the required capital to the statutory minimum	94	4

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**

# Adjusted Profit

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

The method for calculating adjusted profit

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

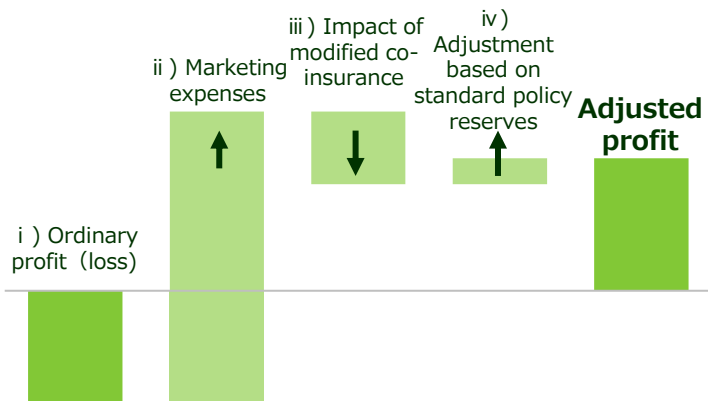
JPY millions / fiscal year	2017	2018	2019	2020	2021/1Q
i ) Ordinary profit (loss)	(197)	(1,719)	(2,382)	(3,089)	(920)
ii ) Marketing expenses	2,627	4,216	6,146	6,712	2,033
iii ) Modified co-insurance	–	–	(1,526)	(804)	(206)
iv ) Adjustment	319	347	546	739	163
<b>Adjusted profit</b>	<b>2,748</b>	<b>2,844</b>	<b>2,784</b>	<b>3,558</b>	<b>1,070</b>

1. 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.

# Explanation of Adjusted Profit

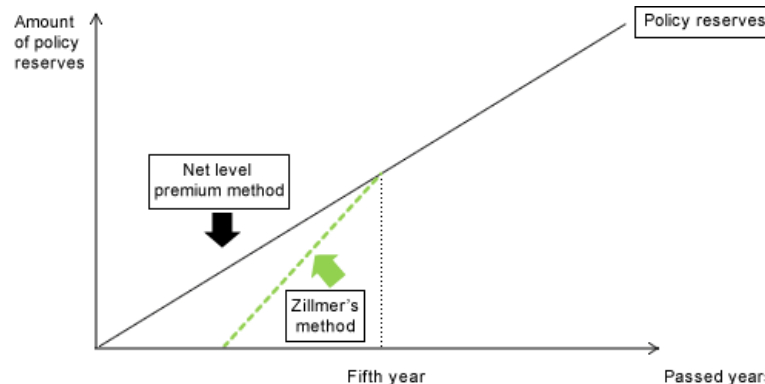
## Adjustments to provision for policy reserves based on standard policy reserves

### 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 2021 (JPY millions)

<b>Adjustment to provision for policy reserves<sup>1</sup></b> <b>163</b>	=	+	<b>Provision for policy reserves</b> <b>1,528</b>	-	<b>Increase in standard policy reserves<sup>2</sup></b> <b>1,364</b>
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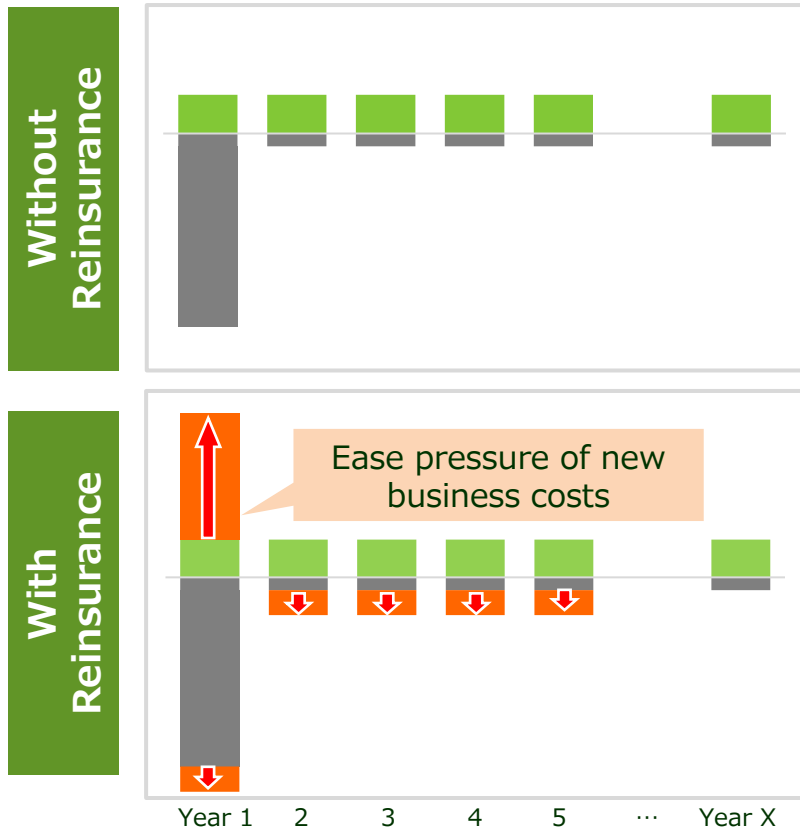
- The amount of the adjustment to switch to provisioning based on standard policy reserves is calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves. 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 394 million yen as of June 30, 2021.

# Modified Co-Insurance

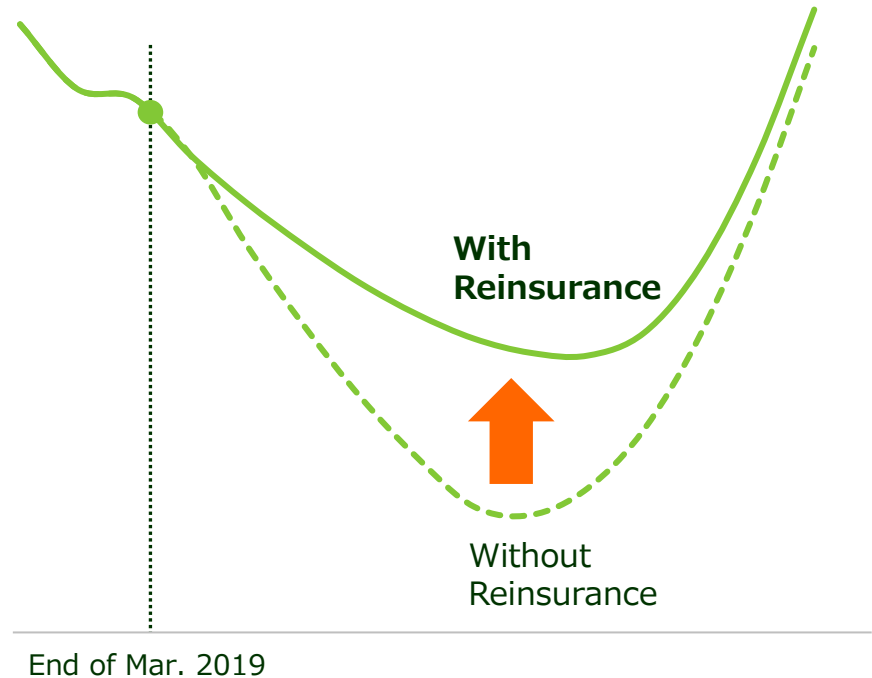
- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

## 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.