

May 15, 2014

Daisuke Iwase, President & COO

LIFENET INSURANCE COMPANY

(Securities Code: 7157, TSE Mothers)

## Financial Results for Fiscal 2013 Ended March 31, 2014

Ordinary income of 7,603 million yen, year on year 27.2% up,  
 Ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act of 1,198 million yen, year on year 28.0% improved,  
 Operating cash flow recorded 1,976 million yen; turned positive for the first time on a fiscal year basis

TOKYO, May 15, 2014 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President & COO Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the fiscal 2013 ended March 31, 2014.

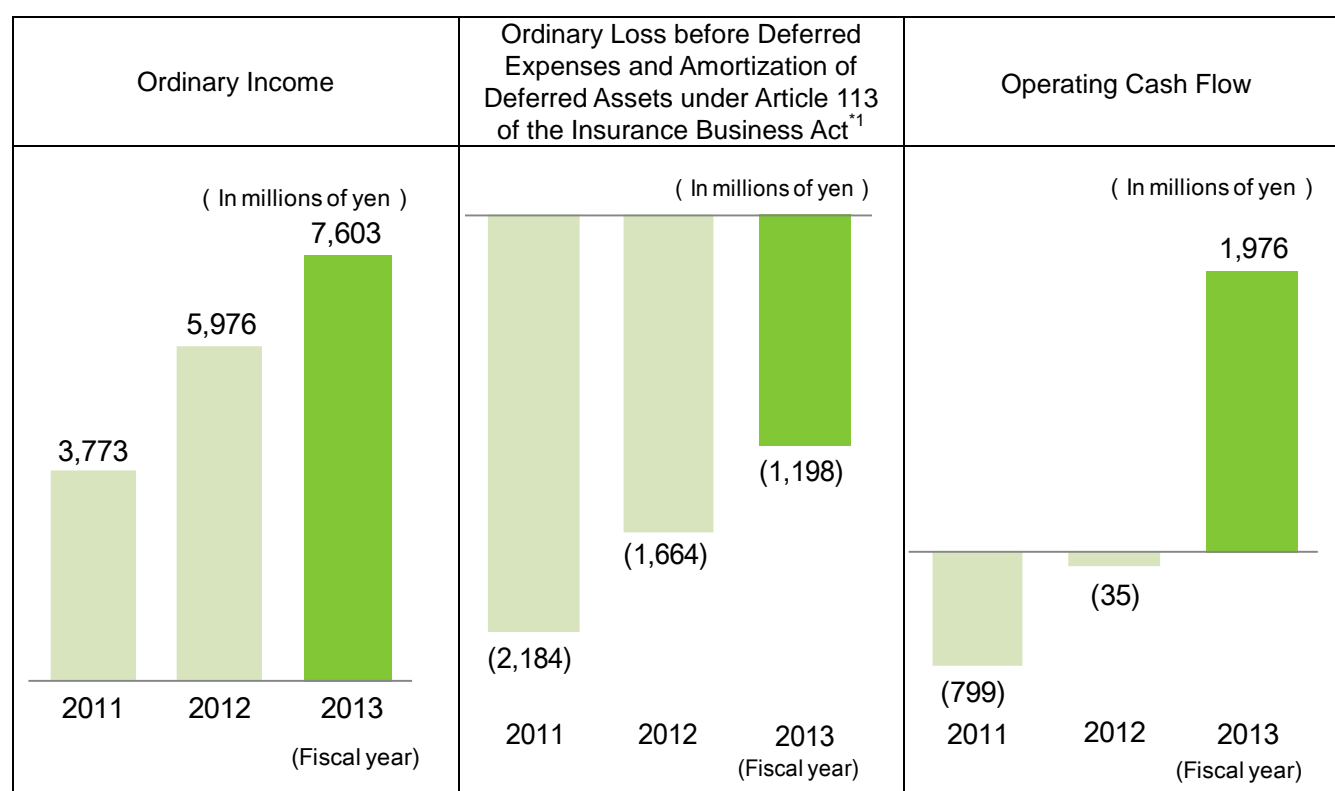
### 1. Overview of the financial results for fiscal 2013

#### (1) Business results

#### Highlight of fiscal 2013

Highlight of fiscal 2013 is as follows.

- Ordinary income of 7,603 million yen, year on year 27.2% up
- Ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act of 1,198 million yen, year on year 28.0% improved
- Operating cash flow recorded 1,976 million yen; turned positive for the first time on a fiscal year basis

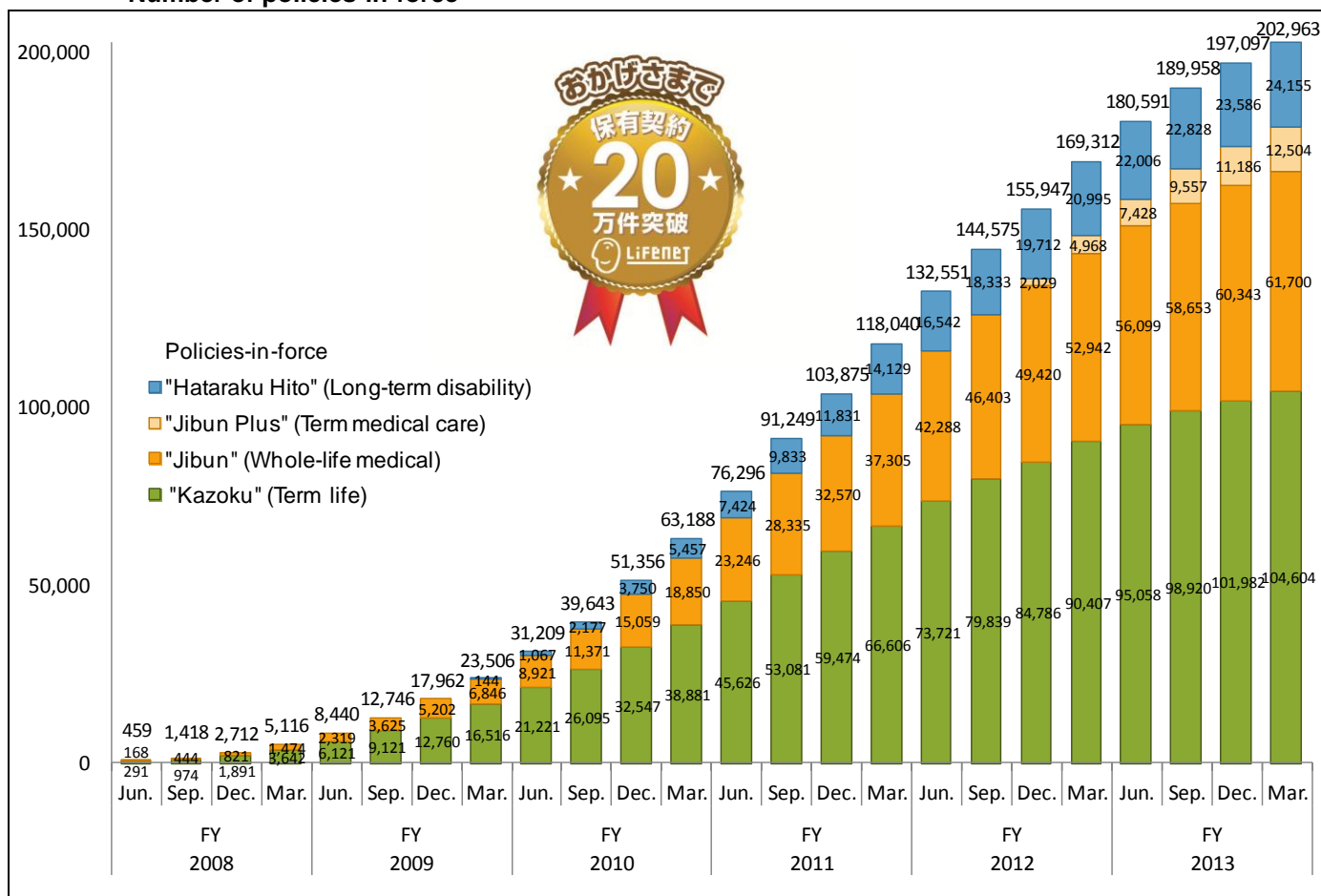


\*1. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act for the fiscal 2012 ended March 31, 2013 included the effect of changing calculation formula of policy reserves on provision, 501 million yen. When excluding the effect, it was 2,165 million yen (44.7% improved from fiscal 2012).

## Condition of policies-in-force

The number of new business in the 4Q ended March 31, 2014 was 9,256 (57.1% of fiscal 2012), with the number of new business in fiscal 2013 at 46,237 (76.2% of fiscal 2012). Policies-in-force exceeded 200,000 on February 12, 2014. The number of policies-in-force as of March 31, 2014 resulted in a total of 202,963 (119.9% of March 31, 2013), annualized premium at 8,077 million yen (117.5% of March 31, 2013). Surrender and lapse ratio for fiscal 2013 was 6.6% (6.4% for fiscal 2012).

## Number of policies-in-force



<b>New Business (4Q)</b>	<b>FY2013</b>	<b>FY2012</b>	<b>Percentage</b>
Number of applications	13,278	23,831	55.7%
Number of new business	9,256	16,200	57.1%
Sum insured of new business (In millions of yen)* <sup>1</sup>	64,138	110,365	58.1%
Annualized premium (In millions of yen)	355	605	58.7%
- excl. death coverage	182	308	59.2%

<b>New Business (Fiscal year)</b>	<b>FY2013</b>	<b>FY2012</b>	<b>Percentage</b>
Number of applications	63,544	88,250	72.0%
Number of new business	46,237	60,685	76.2%
Sum insured of new business (In millions of yen)* <sup>1</sup>	309,710	448,728	69.0%
Annualized premium (In millions of yen)	1,707	2,409	70.9%
- excl. death coverage	895	1,204	74.3%

<b>Policies-in-Force</b>	<b>Mar. 31, 2014</b>	<b>Mar. 31, 2013</b>
Number of policies-in-force	202,963	169,312
- "Kazoku": Term Life	104,604	90,407
- "Jibun": Whole-life Medical	61,700	52,942
- "Jibun Plus": Term Medical Care	12,504	4,968
- "Hataraku Hito": Long-term Disability	24,155	20,995
Sum insured of policies-in-force (In millions of yen)* <sup>1</sup>	1,702,381	1,480,395
Annualized premium (In millions of yen)	8,077	6,875
- excl. death coverage	3,613	2,992
Number of policy holders	121,745	103,816

<b>Surrender and Lapse</b>	<b>FY2013</b>	<b>FY2012</b>
Surrender and lapse ratio* <sup>2</sup>	6.6%	6.4%

\*1: Sum insured of new business and 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.

## Results of operations

Insurance premiums and other for the fiscal 2013 ended March 31, 2014 increased to 7,537 million yen (127.4% of fiscal 2012 ended March 31, 2013) due to the increase in the number of policies-in-force. Investment income grew to 57 million yen (111.2% of fiscal 2012). Other ordinary income was 7 million yen. As a result, ordinary income for fiscal 2013 amounted to 7,603 million yen (127.2% of fiscal 2012).

Insurance claims and other increased significantly to 1,196 million yen (207.9% of fiscal 2012) due largely to the increased number of policies-in-force and claim payments for the term life insurance “Kazoku”. The percentage of insurance payment amounts in insurance premiums increased by 15.0% in fiscal 2013, compared with 8.9% of fiscal 2012. Provision for policy reserves and other came to 3,072 million yen (191.6% of fiscal 2012). As the calculation formula of policy reserves was changed for refinement in the 3Q ended December 31, 2012, the effect of changing the calculation formula of policy reserves on provision for policy reserves in fiscal 2012 was a 501 million yen decrease. Mainly due to tighter control of advertising expenses, operating expenses amounted to 4,131 million yen (83.0% of fiscal 2012). The components of operating expenses are 1,948 million yen in marketing expenses including advertising (70.6% of fiscal 2012), 612 million yen in customer service expenses (111.3% of fiscal 2012), and 1,570 million yen in system and other expenses (94.3% of fiscal 2012). Marketing expenses per number of new business totaled 42,148 yen, compared with 45,513 yen for fiscal 2012.

Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 1,060 million yen because the deferred assets recognized before fiscal 2012 are expected to be amortized using the straight-line method until fiscal 2017, the tenth year after commencing business operations. In fiscal 2013, the sixth year after commencing business operations, newly incurred expenses can no longer be recognized as deferred assets under Article 113 of the Insurance Business Act, which recorded 2,701 million yen in fiscal 2012.

Consequently, ordinary expenses for fiscal 2013 totaled 9,861 million yen (164.4% of fiscal 2012).

As a result, ordinary loss totaled 2,258 million yen for fiscal 2013, compared with 23 million yen for fiscal 2012 mainly due not to defer operating expenses. Ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act improved to 1,198 million yen, compared with 1,664 million yen in fiscal 2012. Accordingly, net loss was 2,194 million yen, compared with 126 million yen for fiscal 2012.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to a 2,089 million yen loss (fundamental profit of 244 million yen for fiscal 2012). For details, please refer to “(4) Fundamental profit” on page 12.

(In millions of yen)

<b>Business Results (Fiscal year)</b>	<b>FY2013</b>	<b>FY2012</b>	<b>Percentage</b>
Ordinary income	7,603	5,976	127.2%
Insurance premiums and other	7,537	5,915	127.4%
Investment income	57	51	111.2%
Other ordinary income	7	9	82.0%
Ordinary expenses	9,861	5,999	164.4%
Insurance claims and other	1,196	575	207.9%
Provision for policy reserves and other	3,072	1,603 <sup>*1</sup>	191.6%
Provision for contingency reserves	169	268	63.2%
Investment expenses	0	0	32.0%
Operating expenses	4,131	4,976	83.0%
Marketing expenses	1,948	2,761	70.6%
Customer service expenses	612	550	111.3%
System and other expenses	1,570	1,664	94.3%
Other ordinary expenses	1,461	1,544	94.6%
Amortization of deferred assets under Article 113 of the Insurance Business Act	1,060	1,060	100.0%
Deferred expenses under Article 113 of the Insurance Business Act	-	(2,701)	-
Ordinary profit (loss)	(2,258)	(23)	-
Net income (loss)	(2,194)	(126)	-
Fundamental profit	(2,089)	244	-
(Reference) Ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act	(1,198)	(1,664) <sup>*2</sup>	-

\*1: Provision for policy reserves and other before 501 million yen of the effect of changing the calculation formula of policy reserves on provision was 2,105 million yen, 145.9% of fiscal 2012.

\*2: Ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act before 501 million yen of the effect of changing the calculation formula of policy reserves on provision was 2,165 million yen.

## Insurance payment results

In the 4Q of fiscal 2013, there were 1,284 insurance payment cases resulting in 287 million yen; 173 million yen in 11 insurance claims and 114 million yen in 1,273 benefits. As a result, the amount of insurance payments made in fiscal 2013 was 1,124 million yen in 4,622 cases, 701 million yen in 44 of which were insurance claims and 423 million yen in 4,578 benefits.

Lifenet believes the most important responsibility for an insurance company is to make claim payments accurately without delay, based on our Manifesto (<http://ir.lifenet-seimei.co.jp/en/company/manifesto.html>), and we strive to continue to accomplish this. Lifenet makes every effort possible to ensure payment of insurance claims and benefits are made to the designated account within 5 business days of receiving all necessary documents. In fiscal 2013, the average insurance payments were made in average of 3.51 business days.

In order for our customers to understand the payment process as well, we have conducted interviews with customers who have received insurance benefits and have made the content available on our website from January 27, 2014.

(In millions of yen)

<b>Insurance Payments Results (4Q)</b>		<b>FY2013</b>	<b>FY2012</b>	<b>Percentage</b>
Number of insurance payments		1,284	661	194.3%
Insurance claims		11	8	137.5%
Insurance benefits		1,273	653	194.9%
Amount of insurance payments		287	198	145.0%
Insurance claims		173	135	128.1%
Insurance benefits		114	63	181.1%

(In millions of yen)

<b>Insurance Payments Results (Fiscal year)</b>		<b>FY2013</b>	<b>FY2012</b>	<b>Percentage</b>
Number of insurance payments		4,622	2,356	196.2%
Insurance claims		44	18	244.4%
Insurance benefits		4,578	2,338	195.8%
Amount of insurance payments		1,124	520	215.9%
Insurance claims		701	286	245.1%
Insurance benefits		423	234	180.4%

## Customer inquiry report

In the 4Q of fiscal 2013, we received a total of 14,188 inquiries, with 243 cases being complaints. The total number of inquiries received in fiscal 2013 stands at 63,624 with a total of 1,154 complaints. At Lifenet, we view customer inquiries as a valuable asset to continuously better our products and services. All inquiries received are compiled and analyzed, and are reflected directly in our daily operations by the company as a whole for the purpose of maximizing customer satisfaction. Such unending efforts were acknowledged, and Lifenet had been given the rating of three stars in the 2013 HDI Contact Center Rankings (Life Insurance Industry) in two categories, "Contact Center" and "Support Portal (Website)" for second consecutive years, hosted by HDI-Japan (Help Desk Institute/ThinkService Inc.) in November, 2013.

### Contact Center



### Support Portal (Website)



<b>Customer Inquiries (4Q)</b>	<b>FY2013</b>	<b>FY2012</b>	<b>Percentage</b>
Number of customer inquiries	14,188	18,920	75.0%
Number of complaints	243	234	103.8%

<b>Customer Inquiries (Fiscal year)</b>	<b>FY2013</b>	<b>FY2012</b>	<b>Percentage</b>
Number of customer inquiries	63,624	69,761	91.2%
Number of complaints	1,154	607	190.1%

## Asset management

Through fiscal 2013, all assets under management excluding securities held for capital alliances continued to be invested in yen-denominated interest-bearing assets such as public and corporate bonds with high credit ratings, centered on Japanese government bonds. Lifenet recognizes the impact of changes in the macro investment environment on its investment income is limited, given that its assets are managed based on its policy of limiting risks as explained above. Lifenet invested in money held in trust to consider the possibility of diversifying of its asset management by foreign bonds and other measures in the future. Lifenet is holding shares of Advance Create Co., Ltd., an insurance sales agent for the purpose of maintaining equity and business partnerships, and Kyobo Lifeplanet Life Insurance Company, which is an online life insurer jointly established with Kyobo Life Insurance Co., Ltd in September 2013.

Under this asset management policy, total assets as of March 31, 2014 amounted to 21,188 million yen (20,450 million yen as of March 31, 2013). Among these, assets under management totaled 15,573 million yen (13,841 million yen as of March 31, 2013), which is the sum of cash and deposits, and securities. In fiscal 2013, the yield rate of all assets under management was 0.40%, and the modified duration of the securities was approximately 3.49 years as of March 31, 2014, compared with approximately 2.20 years as of March 31, 2013, due to the investment in long-term bonds.



## Other accomplishments

On April 25, 2013, Lifenet has entered into a Strategic Alliance Agreement with Swiss Reinsurance Company Ltd, a leading wholesale provider of reinsurance in Switzerland. Lifenet and Swiss Reinsurance Company Ltd established a joint committee to oversee the implementation of the alliance which will contribute to mutual business expansion through knowledge and personnel exchange in areas such as online distribution, product development and underwriting. This resulted in a change in the largest major shareholder of Lifenet, holding 5,683,900 shares, to Swiss Reinsurance Company Ltd.

Kyobo Lifeplanet Life Insurance Company, the new joint venture, founded in Korea by Lifenet and Kyobo Life Insurance Co., Ltd., acquired a formal life insurance license from the Financial Services Commission in Korea and commenced business operations on December 2, 2013. The Korean life insurance market is the world's eighth-largest in terms of insurance premium revenue (Swiss Re sigma (No 3/2013)), and is in a time of significant change due to a deregulation, leading to changes such as the diversification of sales channels. Kyobo Lifeplanet aims to become the leading online life insurance company in Korea, firstly by achieving 100,000 policies-in-force by the end of 2016. The number of policies-in-force of Kyobo Lifeplanet was 422 as of December 31, 2013.

On February 3, 2014, Lifenet launched new services in order to provide customers with even more comprehensible and convenient assistance for considering life insurance products; an online tool to support the selection of the most suitable life insurance products and coverage for the customer, and free consultation service. These initiatives enabled Lifenet to meet demands of customers who are uncertain about how to choose a life insurance policy that suits them and who request consultation upon selecting an insurance policy, and to enhance convenience for customers as online life insurer.

In April and October 2013, Lifenet renewed its Smartphone website, and in June 2013 enhanced the services for iPad<sup>\*1</sup>, product brochure viewable from iPad (available only in Japanese). In addition, Lifenet launched various convenient services such as detailed medical declarations via the smartphone site, between smartphones and computers throughout the entire application process, and expanded "My Page" functions ; various administrative processes more convenient for policy holders. Lifenet's smartphone application service had been awarded the "2013 Good Design Award", hosted by the Japan Institute of Design Promotion, offering a new way to consider and apply for life insurance.

In our website, Lifenet also updated our customer support website with the new FAQ content under the banner "What you want to know about Lifenet", to help customers find answers and dispel any uncertainties, providing direct replies from our executives and employees regarding a variety of questions regarding the overall company, pointers for selecting insurance policies, specifics of our products, the process of making an insurance claim, etc. As a result, we are now able to relieve customers' anxiety of not speaking to a representative in person, while addressing concerns they may have regarding the online insurance application process.

In the annual customer satisfaction survey, the number one expectation for insurance is "reasonable insurance premiums." Average saving in insurance premiums was 9,014 yen/month as a result of switching to Lifenet.

Please refer to (3) Topics on page 10 .

\*1. iPad is a registered trademark of Apple Inc.



## (2) Financial condition

### Assets, liabilities and net assets

Total assets as of March 31, 2014 amounted to 21,188 million yen (20,450 million yen as of March 31, 2013). To diversify of its asset management, money held in trust was newly held in 1,000 million yen. The major account balances were 14,154 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Lifenet has invested 764 million yen in the new joint venture Kyobo Lifeplanet Life Insurance Company with Kyobo Life in Korea and 4,240 million yen in deferred assets under Article 113 of the Insurance Business Act due to amortization.

Liabilities amounted to 7,252 million yen as of March 31, 2014 (4,379 million yen as of March 31, 2013), owing to an increase in policy reserves as a result of the increased number of policies-in-force. The major account balances were 6,240 million yen in policy reserves (including 1,167 million yen in contingency reserves), and 375 million yen in reserves for outstanding claims.

Net assets decreased to 13,935 million yen as of March 31, 2014 (16,071 million yen as of March 31, 2013), as a result of recording a net loss for fiscal 2013.

The solvency margin ratio as of March 31, 2014 was 1,922.2% (2,266.0% as of March 31, 2013), which indicated that an adequate level of payment capacity was maintained. For details, please refer to “(5) Solvency margin ratio” on page 14.

(In millions of yen)

<b>Assets, Liabilities and Net Assets</b>	<b>Mar. 31, 2014</b>	<b>Mar. 31, 2013</b>
Total assets	21,188	20,450
Money held in trust	1,000	-
Securities	14,154	13,488
Government bonds	6,636	7,331
Corporate bonds	6,547	5,982
Stocks	206	174
Foreign securities	764	-
Deferred assets under Article 113 of the Insurance Business Act	4,240	5,300
Total liabilities	7,252	4,379
Reserves for outstanding claims	375	265
Policy reserves	6,240	3,278
Contingency reserves	1,167	997
Total net assets	13,935	16,071
Solvency margin ratio	1,922.2%	2,266.0%

## Cash flows

For fiscal 2013, net cash provided by operating activities amounted to 1,976 million yen (35 million yen used for fiscal 2012), recording 1,976 million yen; turned positive for the first time on a fiscal year basis. This is attributable to the fact that, despite an increase in insurance payments, there was an increase in insurance premiums and other and controlled operating expenses. Net cash used by investing activities amounted to 1,933 million yen (33 million yen used for fiscal 2012). Net cash provided by financing activities amounted to 22 million yen (5 million yen used for fiscal 2012).

Based on these activities described above, cash and cash equivalents as of March 31, 2014 totaled 418 million yen (353 million yen as of March 31, 2013).

(In millions of yen)

<b>Cash Flows (Fiscal year)</b>	<b>FY2013</b>	<b>FY2012</b>	<b>Increase/ Decrease</b>
Cash flows from operating activities	1,976	(35)	2,012
Cash flows from investing activities	(1,933)	(33)	(1,899)
Cash flows from financing activities	22	(5)	27
Cash and cash equivalents, beginning of the period	353	428	-
Cash and cash equivalents, end of the period	418	353	-

## (3) Topics

### Fiscal 2013

Apr. 8	Policies-in-force Exceeded 170,000 <a href="http://pdf.irpocket.com/C7157/qzIz/jVIP/tQhw.pdf">http://pdf.irpocket.com/C7157/qzIz/jVIP/tQhw.pdf</a>
Apr. 25	Entered into a Corresponding Strategic Alliance Agreement with Swiss Reinsurance Company Ltd. <a href="http://pdf.irpocket.com/C7157/qzIz/uQK2/oOdZ.pdf">http://pdf.irpocket.com/C7157/qzIz/uQK2/oOdZ.pdf</a>
Apr. 25	Renewed Smartphone Site <a href="http://pdf.irpocket.com/C7157/qzIz/M3cs/OPWa.pdf">http://pdf.irpocket.com/C7157/qzIz/M3cs/OPWa.pdf</a>
May 15	Disclosed Mid-term Business Plan Leading Up to Fiscal 2015 <a href="http://pdf.irpocket.com/C7157/qzIz/XNOI/Ywud.pdf">http://pdf.irpocket.com/C7157/qzIz/XNOI/Ywud.pdf</a>
May 18	5th Year Anniversary since the Commencement of Business Operations <a href="http://www.lifenet-seimei.co.jp/newsrelease/2013/4811.html">http://www.lifenet-seimei.co.jp/newsrelease/2013/4811.html</a> (Japanese only)
Jun. 12	Enhanced the Services for iPad <a href="http://pdf.irpocket.com/C7157/qnwX/CoQT/tnyU.pdf">http://pdf.irpocket.com/C7157/qnwX/CoQT/tnyU.pdf</a>
Jun. 23	Haruaki Deguchi and Daisuke Iwase Assumed the Post of Representative Director, Chairman & CEO and Representative Director, President & COO <a href="http://ir.lifenet-seimei.co.jp/en/company/management.html">http://ir.lifenet-seimei.co.jp/en/company/management.html</a>
Jun. 24	Policies-in-force Exceeded 180,000 <a href="http://pdf.irpocket.com/C7157/qnwX/pV1o/CT5p.pdf">http://pdf.irpocket.com/C7157/qnwX/pV1o/CT5p.pdf</a>
Sep.13	Signed a Shareholders' Agreement with Kyobo Life Insurance Co., Ltd. Regarding the Establishment of a Joint Venture in Korea <a href="http://pdf.irpocket.com/C7157/qnwX/YtOj/w5mz.pdf">http://pdf.irpocket.com/C7157/qnwX/YtOj/w5mz.pdf</a>
Oct. 2	Policies-in-force Achieved 190,000 <a href="http://pdf.irpocket.com/C7157/GpH7/h319/XeY1.pdf">http://pdf.irpocket.com/C7157/GpH7/h319/XeY1.pdf</a>
Oct. 28	Renewed Smartphone Site <a href="http://pdf.irpocket.com/C7157/GpH7/Vtu0/oPyP.pdf">http://pdf.irpocket.com/C7157/GpH7/Vtu0/oPyP.pdf</a>
Oct. 28	Policies-in-force of Term Life "Kazoku" Exceeded 100,000 <a href="http://pdf.irpocket.com/C7157/GpH7/afPf/wk5H.pdf">http://pdf.irpocket.com/C7157/GpH7/afPf/wk5H.pdf</a>
Nov. 14	Contact Center and Website Awarded Three Stars in the 2013 HDI Contact Center Rankings for 2nd Consecutive Year <a href="http://pdf.irpocket.com/C7157/GpH7/BHSd/MkIN.pdf">http://pdf.irpocket.com/C7157/GpH7/BHSd/MkIN.pdf</a>
Dec. 2	Kyobo Lifeplanet to Commence Business Operations <a href="http://pdf.irpocket.com/C7157/GpH7/fyU5/YXUw.pdf">http://pdf.irpocket.com/C7157/GpH7/fyU5/YXUw.pdf</a>
Feb. 3	New Online Tool to Support Insurance Selection and Free Life Insurance Consultation Service Via Phone and Email to Start to Better Support Customers <a href="http://pdf.irpocket.com/C7157/GpH7/YwjZ/iuQr.pdf">http://pdf.irpocket.com/C7157/GpH7/YwjZ/iuQr.pdf</a>
Feb. 3	Allowed Insurance Claims and Benefits to Be Made in 2 Days <a href="http://pdf.irpocket.com/C7157/GpH7/YwjZ/sMzC.pdf">http://pdf.irpocket.com/C7157/GpH7/YwjZ/sMzC.pdf</a>
Feb. 12	Policies-in-force Exceeded 200,000 <a href="http://pdf.irpocket.com/C7157/GpH7/qyVN/lj1J.pdf">http://pdf.irpocket.com/C7157/GpH7/qyVN/lj1J.pdf</a>
Feb. 28	Disclosed Customer Survey Results <a href="http://pdf.irpocket.com/C7157/GpH7/k5fN/mxnu.pdf">http://pdf.irpocket.com/C7157/GpH7/k5fN/mxnu.pdf</a>
Mar. 25	Started to Accept Medical Insurance Benefits Claims to Be Made Online <a href="http://pdf.irpocket.com/C7157/YWWN/ajGQ/TztW.pdf">http://pdf.irpocket.com/C7157/YWWN/ajGQ/TztW.pdf</a>
Mar. 30	Ended Some Feature Phone Services <a href="http://pdf.irpocket.com/C7157/GpH7/LQDy/sL0N.pdf">http://pdf.irpocket.com/C7157/GpH7/LQDy/sL0N.pdf</a>

## (4) Fundamental profit

Life insurance premiums are calculated based on three factors: expected incidence rate (mortality rate, hospitalization rate, etc), expected business expense rate (covered by expense loading), and expected return. Profits (basic income) at a life insurance company are generated by the difference between these expected rates and actual rates. Profit analysis, in the case of life insurers, means identifying the factors that affect basic income by calculating the difference between expected rates and actual rates.\*<sup>1</sup>

- Mortality margin : The difference between expected insurance claim and benefit payouts (expected incidence rate) and actual payouts
- Expense margin : The difference between expected business expenses (expected business expense rate) and actual business expenses
- Interest margin : The difference between the expected asset management yield (expected return) and the actual yield

\*1: Lifenet has adopted actuarially reasonable methods for its profit analysis. Details of calculation methods, however, may differ from those adopted by other life insurance companies. The five-year Zillmer method is used for calculations of premium breakdowns, and gains from lapsed or surrendered policies are included in the expense margin.

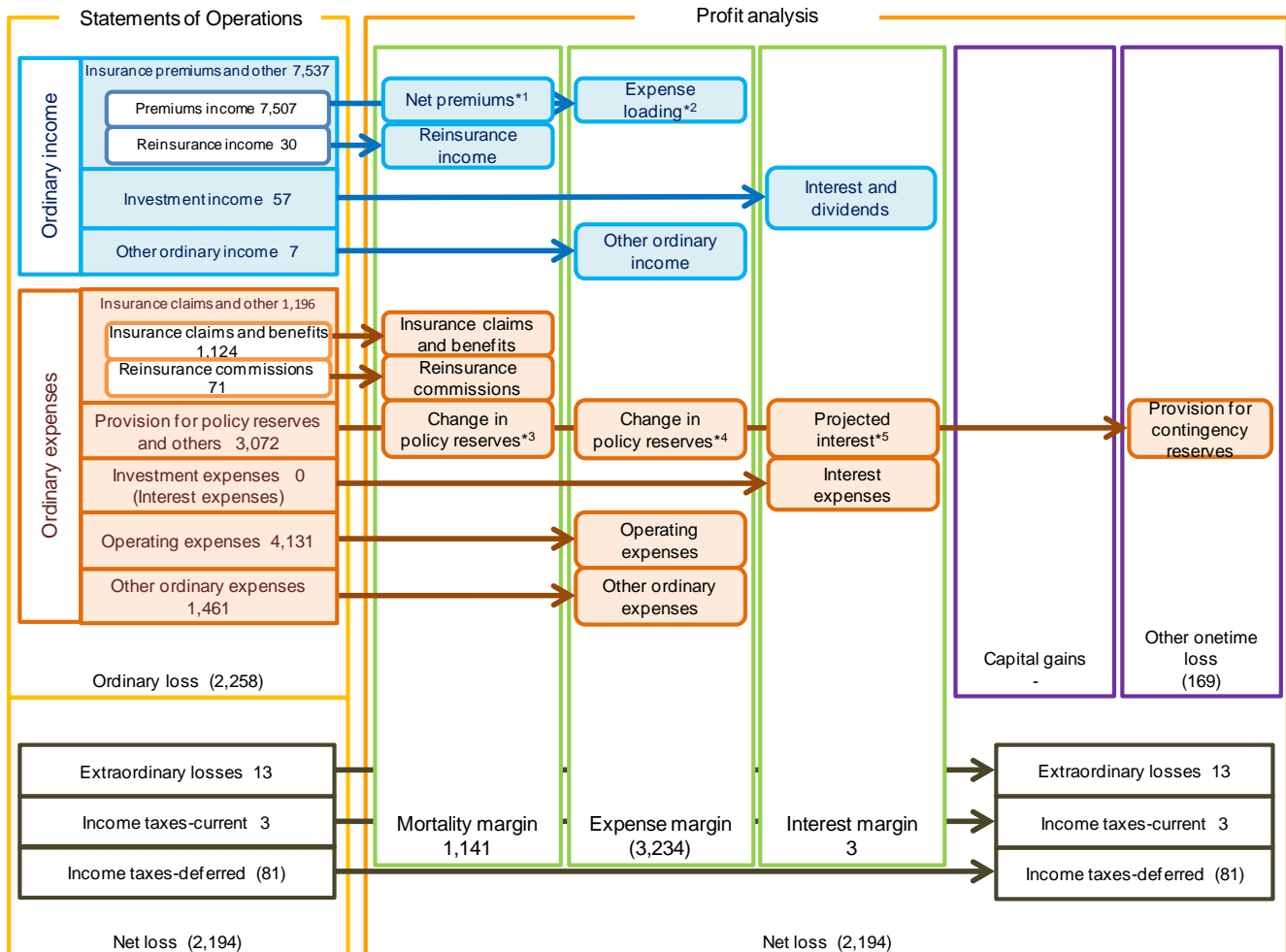
In fiscal 2013, fundamental profit and three surplus factors are as follows: the mortality margin decreased to a profit of 1,141 million yen due to the effect of changing the calculation formula of policy reserves on provision for policy reserves in fiscal 2012 in spite of an increase in insurance premiums, the interest margin was 3 million yen due to investment income and the expense margin was a 3,234 million yen loss because newly incurred expenses can no longer be recognized as deferred assets under Article 113 of the Insurance Business Act from this fiscal year. As a result, fundamental profit recorded 2,089 million yen loss.

(In millions of yen)

Fundamental Profit (Fiscal year)		FY2013	FY2012	Percentage
Fundamental profit	(i)	(2,089)	244	-
Mortality margin		1,141	1,437	79.5%
Expense margin (loss)		(3,234)	(1,219)	-
Interest margin		3	27	12.2%
Capital gains	(ii)	-	-	-
Other onetime loss	(iii)	(169)	(268)	-
Ordinary loss	(iv)=(i)+(ii)+(iii)	(2,258)	(23)	-
Extraordinary loss, income tax, etc.	(v)	63	(103)	-
Net loss	(vi)=(iv)+(v)	(2,194)	(126)	-

## Three surplus factors (Fiscal 2013)

(In millions of yen)



- \*1: Insurance premiums are comprised of the "risk premium," which is applied to the payment of insurance claims for the applicable year, and the "investment portion of the premium," which is applied to accumulate the premium reserve in preparation for future payments
- \*2: The portion of the insurance premium that is applied to business expenses and other company expenditures.
- \*3: Change in the claim reserve, comprised of the net increase in the premium reserve (covered by the investment portion of the premium) and the portion that is tapped in order to make payments, such as on death policies, etc.
- \*4: The premium reserve that is tapped due to the fact that accumulation is no longer necessary as a result of policy surrender or lapse.
- \*5: The interest portion factored into the calculation of the premium reserve in advance.
- \*6: Some items with minimal amounts have been omitted.

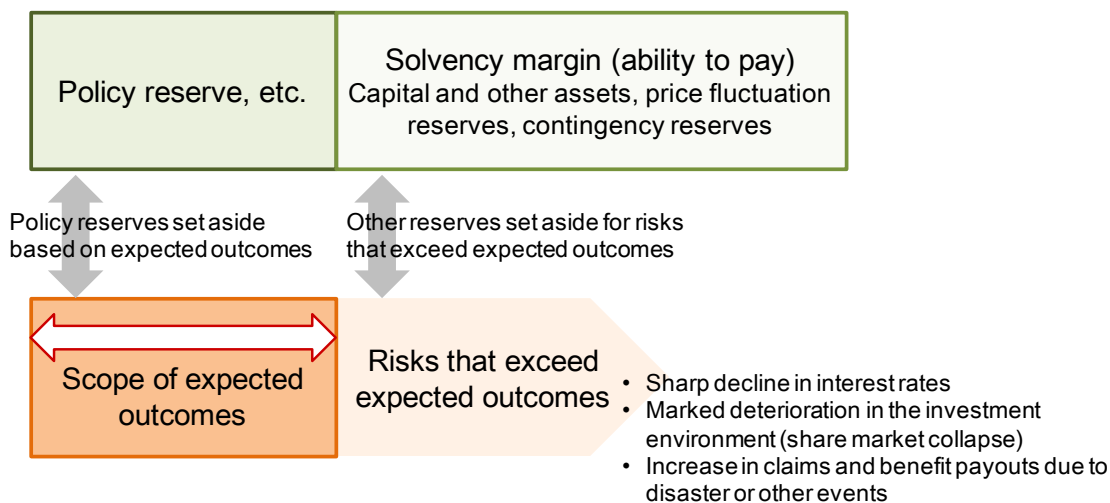
## (5) Solvency margin ratio

As of March 31, 2014, the solvency margin ratio was 1,922.2%, a decrease from March 31, 2013. This is mainly due to the decrease in net assets, increase in policies-in-force and the investment in Kyobo Lifeplanet, the joint venture in Korea leading to a rise in the amount of total risks.

	Solvency margin	÷	Risk total×(1/2)	=	(In millions of yen) Solvency margin ratio
March 31, 2014	12,173		1,266×(1/2)		1,922.2%
March 31, 2013	11,790		1,040×(1/2)		2,266.0%

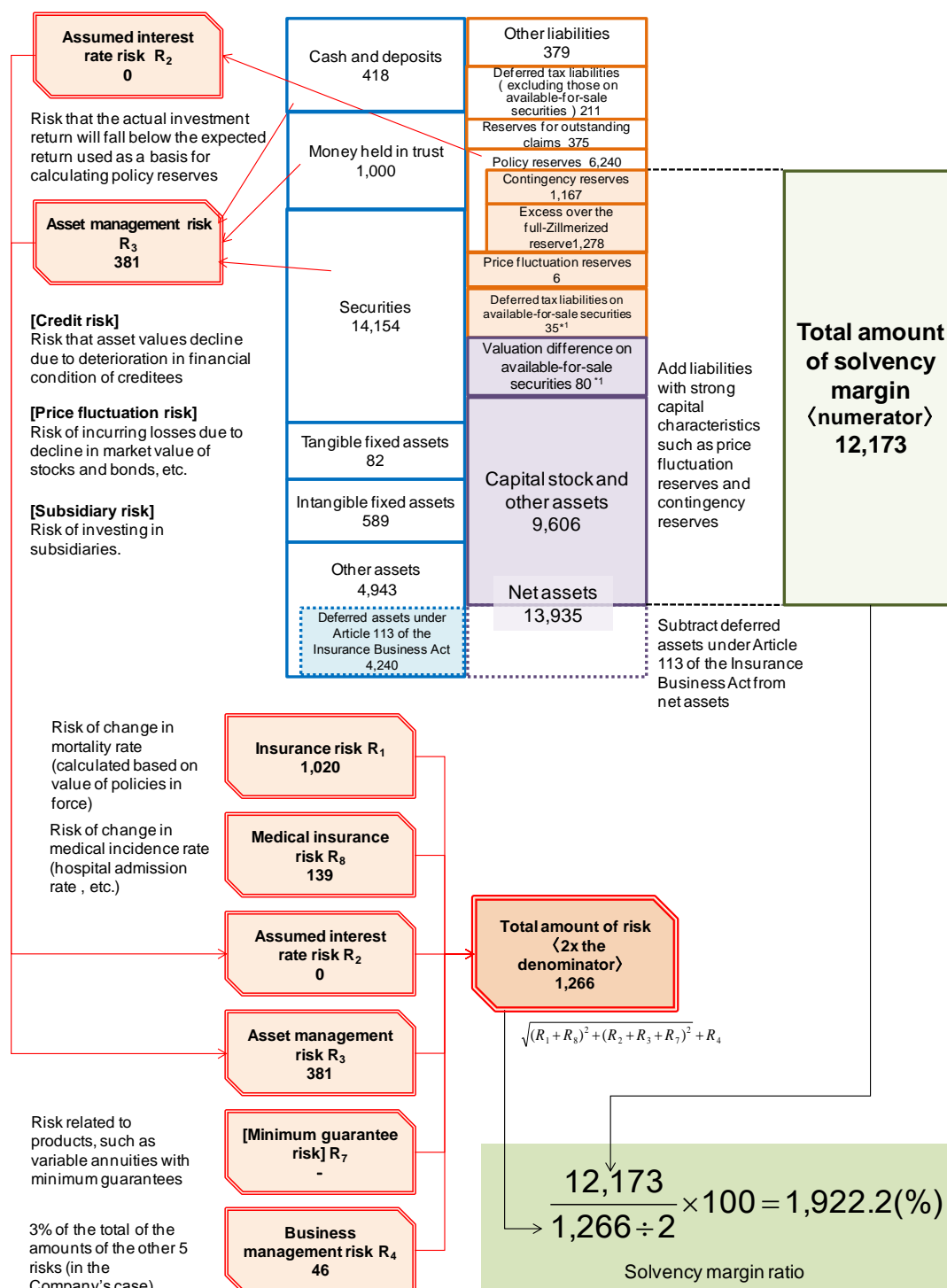
### What is the solvency margin ratio?

The solvency margin ratio is an important financial indicator and a key benchmark for industry regulators. It measures a life insurance company's ability to pay out claims when unforeseen events occur, such as a natural disaster or a stock market collapse. Specifically, the solvency margin ratio is calculated by dividing the total for net assets and other internal reserves and items such as unrealized gains (solvency margin total = ability to pay) by the total for quantified risks. In Japan, a solvency margin ratio of at least 200% is seen by industry regulators as one indicator for a healthy life insurance company.



## Solvency margin ratio calculation (as of March 31, 2014)

(In millions of yen)



Items that do not apply to the Company or for which the amount is minimal have been omitted, except for certain bracketed items.

\*1: 90% of the valuation difference on available-for-sale securities (pre-tax) (if negative, 100%)



## **(6) Dividend policy**

Lifenet is currently in the process of building its life insurance business, and has not accumulated sufficient profits to fund dividend payments. As stated in Article 17-6 of the Insurance Business Act, the company is not permitted to distribute retained earnings as dividends while deferred assets under Article 113 of the Insurance Business Act are held on its balance sheet. Consequently, no interim dividends have been paid to shareholders, and in addition, year-end dividends will not be paid. Expenses assets under Article 113 of the Insurance Business Act are planned to complete amortization by the end of March 2018, ten years after the approval of our life insurance business license.

Lifenet will consider paying dividends in the future; however at this point, the company has yet to finalize its dividend policy or determine a date for the start of dividend payments. Lifenet also states in its Articles of Incorporation that, except as otherwise determined by law, dividend payments are to be approved by its Board of Directors.

## **2. Business policy**

### **(1) Basic management policy**

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell these products and services directly to customers over the Internet. By using the Internet, we are able to offer highly cost-competitive products and accept applications from customers at any given time.

### **(2) Target indicator**

Lifenet, having a short history of six years since commencing its business operations, will aim to increase the embedded value and the value of new business by working toward sustained growth in insurance premium income led by the further improvement in name recognition and the strengthening of credibility, and a continual boost of business efficiency. In addition, Lifenet will try to achieve profitability in its business results as well as maintain the high-level solvency margin ratio. By making these as key management indicators, Lifenet will pursue early stabilization of its management foundation and continuous improvement of its corporate value.

### (3) Mid and long term business strategy and challenges

Lifenet formulated its medium-term business plan as shown below in an effort to transition to a new growth stage in May 2013.

<b>LIFENET2015</b>	<b>Offer new products and services as an “innovator” to create the future of life insurance that resonate with stakeholders, and achieve the highest sustainable growth among online life insurance businesses.</b>
<b>Management Goal</b>	<b>Achieve 15 billion yen in ordinary income, pushing the company toward profitability*<sup>1</sup> in FY 2015</b>
<b>Priority Areas</b>	<b>1. Sustainable growth in insurance premium income (top-line)</b> <b>2. Improvement in productivity</b> <b>3. Being an “innovator” (front-runner) in life insurance</b>
<b>Risk Management Area</b>	<b>Sophisticate risk management and establish risk-based business management</b>

\*1. Based on ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act

With the background and the details of the formulation of Lifenet’s medium-term business plan, the following are the major challenges for Lifenet to address:

#### 1. Sustainable growth in insurance premium income (top line)

In November 2012, Lifenet achieved its management target of reaching “150,000 policies-in-force within five years of commencing business operations”, which it set when it commenced business operations in May 2008. Moreover, policies-in-force exceeded 200,000 in February 2014. It is important that insurance premium income continues to increase through the growth in the embedded value and the value of new business for the improvement of the company’s corporate value. To this end, it is essential that Lifenet restore the growth momentum in new policies, and Lifenet will promote our revised term life insurance product “Kazoku” and new whole-life medical products New “Jibun” and New “Jibun” for Women, and undertake various measures to improve its recognition and credibility in consideration of the change in customer segments, so that customers can apply for insurance policies with a sense of security. In addition, through such initiatives as starting a consultation service staffed with insurance planners and beginning to offer the new online tool to support insurance selection, Lifenet will strengthen measures to follow up with potential customers leading to applications through its contact center and website.

#### 2. Continual boost in operating expense efficiency

In general, life insurance policies provide a steady level of premium income over a long period of time, while advertising expenses, agency commissions, policy appraisal costs, etc. are expensed intensively in a short period around the time of policy sales.

As a result, newly established life insurance companies tend to record accounting losses, and Lifenet, in its sixth year since its establishment, is also reporting ordinary losses. With the

objective of early stabilization of the management foundation, Lifenet aims to produce top-line growth, continually boost operating expense efficiency using the advantages of its online sales approach, and strengthen its platform to allow it to manage costs appropriately in order to achieve profitability.

### **3. Pursuit of comprehensible and convenient customer services**

Since commencing its business operations, Lifenet has been pursuing comprehensible and convenient customer services based on its manifesto, including: 1) Contact center operating until 10 p.m. on weekdays; 2) Starting to accept applications via mobile phones and smartphones (mobile phone application was discontinued at the end of March 2014); and 3) Sending out the lifenet letter to confirm policies and encourage claims.

Lifenet recognizes, in particular, that the insurance payment is an insurance company's most important responsibility. Lifenet has continued to be innovative with respect to providing reliable payments of benefits. Such efforts include: 1) Removing the need for medical certificates when claiming benefits in principle; 2) Shortening the days until benefits are paid down to minimum 2 days; and 3) Allowing customers to file benefits claims from the website. Going forward, Lifenet aims to become an innovator (front-runner) in the life insurance industry through its groundbreaking and convenient services.

### **4. Response to the changing competitive environment**

In the life insurance industry where sales channels have become more diverse, the competition in online sales of life insurance has been especially intensifying with more competitors entering the market in recent years. This is expected to make it more common for people to buy life insurance policies online, and provides the possibility for the market to expand. This shift in the insurance market landscape is also causing other insurance sales channels besides online sales to increasingly offer life insurance at prices lower than before. Furthermore, it has become critical to have strategies for making optimal use of devices such as smartphones and tablets that have spread rapidly among consumers. In response to these changes in the competitive environment, Lifenet will strive to lead the online life insurance industry by developing new initiatives utilizing its expertise as a pioneer.

### **5. Sophistication of risk management and establishment of risk-based business management**

Due to the highly public nature of the life insurance business, Lifenet recognizes that managing its diverse business-related risks in an integrated manner is important for protecting its policyholders, and can have an impact on the stability and growth potential of the business.

Going forward, as a part of bolstering its overall business management, Lifenet will strive to create a more sophisticated risk-based business management platform in stages by building, and continually upgrading its risk management platform in accordance with the company's size, profile, and business conditions.

Lifenet will pursue efforts for the above challenges with its goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity.

#### (4) Business forecasts

In the mid-term business plan for fiscal 2015, announced on May 15, 2013, Lifenet decided its management goal of achieving 15 billion yen in ordinary income, pushing the company toward profitability (based on ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act) in fiscal 2015. Lifenet will not be disclosing earnings forecasts for fiscal 2014, however, for the following reasons:

- \* There is a significant risk of fluctuation in profit and loss due to insurance claims and benefits payments, as the number of policies-in-force is still insufficient.
- \* Results in financial statements tend to differ from economic reality due to the conservative stance of life insurance accounting pursuant to the Insurance Business Act which emphasizes the protection of policyholders.

Lifenet will strive to gain support and understanding from all of its stakeholders by promoting active information disclosure in accordance with its Manifesto. This includes enhanced and accelerated disclosure of various reports such as quarterly financial statements and monthly sales results, and enrichment of the content of its mid- to long-term business plans and strategies amongst other efforts.

In fiscal 2013 ended March 31, 2014, the sixth year after commencing business operations, newly incurred expenses can no longer be recognized as deferred assets under Article 113 of the Insurance Business Act, while the deferred assets recognized before fiscal 2012 will continue to be amortized using the straight-line method until fiscal 2017, the tenth year after commencing business operations. Therefore, only the negative impact of the amortization of deferred assets will be recognized in the business results for the fiscal years from fiscal 2013 through fiscal 2017 and amortization of deferred assets will record 1,060 million yen each year from fiscal 2013 onward.

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

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell these products and services directly to customers over the Internet. By using the Internet, we are able to offer highly cost-competitive products and accept applications from customers at any given time.

**Contact:**

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

## 3. Non-consolidated Financial Statements

*For readers' convenience, Lifenet has partly changed the name of accounting title for the financial statements from third quarter ended December 31, 2012.*

### (1) Balance Sheets

		(In millions of yen)	
		March 31	
		2013	2014
<b>ASSETS</b>			
Cash and deposits .....	¥	353	¥ 418
Bank deposits .....		353	418
Money held in trust .....		—	1,000
Securities .....		13,488	14,154
Government bonds .....		7,331	6,636
Corporate bonds .....		5,982	6,547
Stocks .....		174	206
Foreign securities .....		—	764
Tangible fixed assets .....		97	82
Buildings .....		21	12
Leased assets .....		8	5
Other tangible fixed assets .....		68	64
Intangible fixed assets .....		590	589
Software .....		378	485
Software in progress .....		199	72
Leased assets .....		8	29
Other intangible fixed assets .....		2	2
Agency accounts receivable .....		0	0
Reinsurance accounts receivable .....		13	1
Other assets .....		5,907	4,941
Accounts receivable .....		498	590
Prepaid expenses .....		9	14
Accrued income .....		23	20
Deposits .....		75	75
Suspense payments .....		0	0
Deferred assets under Article 113 of the Insurance Business Act ..		5,300	4,240
Total assets .....	¥	20,450	¥ 21,188

(In millions of yen)

March 31

	2013	2014
<b>LIABILITIES</b>		
Policy reserves and other .....	¥ 3,544	¥ 6,616
Reserves for outstanding claims .....	265	375
Policy reserves .....	3,278	6,240
Agency accounts payable .....	3	4
Reinsurance accounts payable .....	15	19
Other liabilities .....	493	356
Income taxes payable .....	3	3
Accounts payable .....	106	31
Accrued expenses .....	320	240
Deposits received .....	11	10
Lease liabilities .....	18	34
Asset retirement obligations .....	32	32
Suspense receipt .....	0	2
Reserves under the special laws .....	3	6
Reserve for price fluctuations .....	3	6
Deferred tax liabilities .....	318	250
Total liabilities .....	¥ 4,379	¥ 7,252
<b>NET ASSETS</b>		
Capital stock .....	¥ 10,484	¥ 10,500
Capital surplus .....	10,484	10,500
Legal capital surplus .....	10,484	10,500
Retained earnings .....	(4,978)	(7,173)
Other retained earnings .....	(4,978)	(7,173)
Retained earnings brought forward .....	(4,978)	(7,173)
Shareholders' equity .....	15,990	13,827
Valuation difference on available-for-sale securities .....	60	89
Valuation and translation adjustments .....	60	89
Subscription rights to shares .....	20	19
Total net assets .....	16,071	13,935
Total liabilities and net assets .....	¥ 20,450	¥ 21,188

## (2) Statements of Operations

	(In millions of yen)	
	Year ended March 31	
	2013	2014
Ordinary income.....	¥ 5,976	¥ 7,603
Insurance premiums and other .....	5,915	7,537
Premiums income .....	5,876	7,507
Reinsurance income .....	39	30
Investment income .....	51	57
Interest, dividends and other income .....	51	57
Interest from deposits .....	0	0
Interest and dividends from securities.....	51	57
Gain on money held in trust.....	—	0
Other ordinary income.....	9	7
Other.....	9	7
Ordinary expenses .....	5,999	9,861
Insurance claims and other.....	575	1,196
Insurance claims.....	286	701
Benefits .....	234	423
Other refunds .....	0	0
Reinsurance commissions .....	54	71
Provision for policy reserves and other.....	1,603	3,072
Provision for reserves for outstanding claims.....	68	110
Provision for policy reserves .....	1,535	2,961
Investment expenses .....	0	0
Interest expenses.....	0	0
Operating expenses.....	4,976	4,131
Other ordinary expenses.....	1,544	1,461
Taxes .....	250	198
Depreciation .....	228	201
Amortization of deferred assets under Article 113 of the Insurance Business Act.....	1,060	1,060
Other.....	4	1
Deferred expenses under Article 113 of the Insurance Business Act .....	(2,701)	—
Ordinary profit (loss) .....	(23)	(2,258)
Extraordinary losses .....	1	13
Impairment loss .....	—	10
Provision of reserves under the special laws .....	1	2
Provision of reserve for price fluctuations .....	1	2
Income (loss) before income taxes .....	(24)	(2,272)
Income taxes-current .....	3	3
Income taxes-deferred.....	98	(81)
Income taxes.....	101	(77)
Net income (loss) .....	¥ (126)	¥ (2,194)



## (3) Statements of Changes in Net Assets

(In millions of yen)

	Year ended March 31	
	2013	2014
Shareholders' equity:		
Capital stock		
Capital stock .....	¥ 10,478	¥ 10,484
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares .....	6	15
Total changes of items during the period .....	6	15
Capital stock .....	10,484	10,500
Capital surplus		
Legal capital surplus		
Legal capital surplus .....	10,478	10,484
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares .....	6	15
Total changes of items during the period .....	6	15
Legal capital surplus .....	10,484	10,500
Total capital surplus		
Capital surplus .....	10,478	10,484
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares .....	6	15
Total changes of items during the period .....	6	15
Capital surplus .....	10,484	10,500
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward .....	(4,852)	(4,978)
Total changes of items during the period		
Net income (loss) .....	(126)	(2,194)
Total changes of items during the period .....	(126)	(2,194)
Retained earnings brought forward .....	(4,978)	(7,173)
Total retained earnings		
Retained earnings .....	(4,852)	(4,978)
Changes of items during the period		
Net income (loss) .....	(126)	(2,194)
Total changes of items during the period .....	(126)	(2,194)
Retained earnings .....	(4,978)	(7,173)
Total shareholders' equity		
Shareholders' equity .....	16,103	15,990
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares .....	13	31
Net income (loss) .....	(126)	(2,194)
Total changes of items during the period .....	(112)	(2,163)
Shareholders' equity .....	¥ 15,990	¥ 13,827

		(In millions of yen)	
		Year ended March 31	
		2013	2014
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities			
Valuation difference on available-for-sale securities ...	¥	35	¥ 60
Changes of items during the period			
Net changes of items other than shareholders' equity .....		24	28
Total changes of items during the period .....		24	28
Valuation difference on available-for-sale securities		60	89
Total valuation and translation adjustments			
Total valuation and translation adjustments .....		35	60
Changes of items during the period			
Net changes of items other than shareholders' equity .....		24	28
Total changes of items during the period .....		24	28
Total valuation and translation adjustments .....		60	89
Subscription rights to shares:			
Subscription rights to shares .....		20	20
Changes of items during the period			
Net changes of items other than shareholders' equity .....		—	(0)
Total changes of items during the period .....		—	(0)
Subscription rights to shares .....		20	19
Net assets:			
Net assets .....		16,159	16,071
Changes of items during the period			
Issuance of new shares-exercise of subscription rights to shares .....		13	31
Net income (loss) .....		(126)	(2,194)
Net changes of items other than shareholders' equity .....		24	28
Total changes of items during the period .....		(88)	(2,135)
Net assets .....	¥	16,071	¥ 13,935

## (4) Statements of Cash Flows

	(In millions of yen)	
	Year ended March 31	
	2013	2014
Cash flows from operating activities		
Income (loss) before income taxes .....	¥ (24)	¥ (2,272)
Depreciation and amortization .....	228	201
Impairment loss .....	—	10
Increase (decrease) in reserves for outstanding claims .....	68	110
Increase (decrease) in policy reserves .....	1,535	2,961
Increase (decrease) in reserve for price fluctuations .....	1	2
Interest, dividends and other income .....	(51)	(57)
Interest expenses .....	1	0
Decrease (increase) in agency accounts receivable .....	(0)	0
Decrease (increase) in reinsurance accounts receivable .....	(12)	11
Decrease (increase) in other assets <excluding assets for investing and financing activities> ..	(1,785)	963
Increase (decrease) in agency accounts payable .....	0	0
Increase (decrease) in reinsurance accounts payable .....	4	3
Increase (decrease) in other liabilities <excluding assets for investing and financing activities> ..	(116)	(79)
Other, net .....	(17)	(0)
Subtotal .....	(168)	1,859
Interest and dividends income received .....	137	122
Interest expenses paid .....	(0)	(0)
Income taxes paid .....	(3)	(3)
Net cash provided by (used in) operating activities .....	(35)	1,976
Cash flows from investing activities		
Purchase of money held in trust .....	—	(1,000)
Purchase of securities .....	(18,323)	(15,806)
Proceeds from sales and redemption of securities .....	18,600	15,120
Total of net cash provided by (used in) investment transactions ...	276	(1,686)
Total of net cash provided by (used in) operating activities and investment transactions ...	240	290
Purchase of tangible fixed assets .....	(60)	(45)
Purchase of intangible fixed assets .....	(249)	(200)
Net cash provided by (used in) investing activities .....	(33)	(1,933)
Cash flows from financing activities		
Proceeds from issuance of stock resulting from exercise of subscription rights to shares ...	13	30
Repayments of lease liabilities .....	(18)	(8)
Net cash provided by (used in) financing activities .....	(5)	22
Net increase (decrease) in cash and cash equivalents .....	(75)	65
Cash and cash equivalents, beginning of year .....	428	353
Cash and cash equivalents, end of year .....	¥ 353	¥ 418

# Financial Summary for Fiscal 2013, Ended March 31, 2014

May 15, 2014

Name of Company: LIFENET INSURANCE COMPANY  
 Stock Exchange Listings: Tokyo Stock Exchange, Mothers  
 Stock code: 7157  
 URL: <http://ir.lifenet-seimei.co.jp/en/>  
 Representative: Daisuke Iwase, President & COO

(Amounts of less than one million yen are truncated.)

## 1. Financial Data for the Fiscal Year Ended March 31, 2014 (April 1, 2013 - March 31, 2014)

### (1) Results of Operations

(% changes are presented in comparison with the corresponding period of the previous fiscal year.)

	Ordinary Income		Ordinary Profit (Loss)		Net Income (Loss)	
	millions of yen	%	millions of yen	%	millions of yen	%
Fiscal Year ended March 31, 2014	7,603	27.2	(2,258)	—	(2,194)	—
March 31, 2013	5,976	58.4	(23)	—	(126)	—

	Net Income (Loss) per Share	Diluted Net Income per Share	Net Income (Loss) on Shareholders' Equity	Ordinary Profit (Loss) on Total Assets	Ordinary Profit (Loss) on Ordinary Revenues
	yen		%	%	%
Fiscal Year ended March 31, 2014	(52.11)	—	(14.6)	(10.8)	(29.7)
March 31, 2013	(3.00)	—	(0.8)	(0.1)	(0.4)

### (2) Financial Conditions

	Total Assets	Total Net Assets	Ratio of Shareholders' Equity to Total Assets	Total Net Assets per Share
	millions of yen	millions of yen	%	yen
Fiscal Year ended March 31, 2014	21,188	13,935	65.7	329.96
March 31, 2013	20,450	16,071	78.5	381.40

Note: Net assets attributable to the Company's shareholders as of March 31, 2014 and March 31, 2013 were 13,916 million yen and 16,051 million yen, respectively.

### (3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
	millions of yen	millions of yen	millions of yen	millions of yen
Fiscal Year ended March 31, 2014	1,976	(1,933)	22	418
March 31, 2013	(35)	(33)	(5)	353

## 2. Dividends

	Dividend per Share					Total dividends (Annual)	Dividend Payout Ratio	Dividend on Net Assets
	1Q	2Q	3Q	4Q	Total			
Fiscal Year ended	yen	yen	yen	yen	yen	millions of yen	%	%
March 31, 2013	—	0.00	—	0.00	0.00	—	—	—
March 31, 2014	—	0.00	—	0.00	0.00	—	—	—
March 31, 2015 (forecast)		0.00	—	0.00	0.00		—	

## 3. Earnings Forecasts for the Fiscal Year ending March 31, 2015

LIFENET will not disclose earnings forecasts for fiscal year 2014, ending March 31, 2015.

## 4. Other

### (1) Changes in Accounting Principles, Procedures and Presentation Methods for Financial Statements:

1. Changes due to the revision of accounting standards: None
2. Changes due to other factors: None

### (2) Number of shares outstanding (common stock)

	As of March 31, 2014	As of March 31, 2013
Total shares outstanding	42,175,000 shares	42,085,000 shares
Number of treasury stock	—	—
	Year ended March 31, 2014	Year ended March 31, 2013
Average outstanding shares	42,122,874 shares	42,073,737 shares