

August 11, 2015
Daisuke Iwase, President & COO
LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

Financial Results for 1Q of Fiscal 2015 Ending March 31, 2016 **Ordinary profit before amortization of deferred assets under Article 113 of** **the Insurance Business Act recorded profitable on a quarterly basis**

TOKYO, August 11, 2015 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President & COO Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the first quarter of fiscal 2015 ending March 31, 2016.

1. Overview of the financial results for 1Q of fiscal 2015

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 1Q ended June 30, 2015 was 279 million yen (80.3% of 1Q of fiscal 2014). The number of new business was 5,756 (72.2% of 1Q of fiscal 2014). Annualized premium^{*1} of policies-in-force as of the end of 1Q of fiscal 2015 stands at 8,917 million yen (101.4% of March 31, 2015). The number of policies-in-force resulted in a total of 217,335 (100.9% of March 31, 2015). Surrender and lapse ratio^{*2} for 1Q of fiscal 2015 was 7.0% (8.7% of 1Q of fiscal 2014).

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

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

Results of operations

Insurance premiums and other for the 1Q of fiscal 2015 increased to 2,241 million yen (108.7% of 1Q of fiscal 2014) due to an increase in the number of policies-in-force. Investment income grew to 41 million yen (203.3% of 1Q of fiscal 2014). Other ordinary income was 1 million yen. As a result, ordinary income for 1Q of fiscal 2015 amounted to 2,284 million yen (108.3% of 1Q of fiscal 2014).

Insurance claims and other was 301 million yen (71.7% of 1Q of fiscal 2014) mainly due to the decreased number of insurance claims. The ratio of insurance payment amounts to insurance premiums decreased to 11.5% for 1Q of fiscal 2015, compared with 18.9% for 1Q of fiscal 2014. Provision for policy reserves and other came to 954 million yen (122.6% of 1Q of fiscal 2014) mainly due to the reversal of contingency reserves resulting from new cession of reinsurance in 1Q of fiscal 2014 and the increased insurance premiums. The ratio of provision for policy reserves to insurance premiums was 42.4% for 1Q of fiscal 2015, compared with 38.6% for 1Q of fiscal 2014. Mainly due to control of advertising expenses, operating expenses amounted to 751 million yen (64.0% of 1Q of fiscal 2014). The components of operating expenses were 279 million yen in marketing expenses including advertising (43.8% of 1Q of fiscal 2014), 128 million yen in customer service expenses (91.5% of 1Q of fiscal 2014), and 343 million yen in system and other expenses (87.0% of 1Q of fiscal 2014). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 265 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. Consequently, ordinary expenses for 1Q of fiscal 2015 totaled 2,387 million yen (85.8% of 1Q of fiscal 2014).

As a result, ordinary loss totaled 103 million yen for 1Q of fiscal 2015, compared with 672 million yen for 1Q of fiscal 2014. Ordinary profit before amortization of deferred assets under

Article 113 of the Insurance Business Act recorded profitable of 161 million yen, compared with ordinary loss of 407 million yen for 1Q of fiscal 2014. Net loss was 94 million yen, compared with 668 million yen for 1Q of fiscal 2014.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 81 million yen loss, compared with 720 million yen loss for 1Q of fiscal 2014. The components of fundamental profit were 513 million yen in mortality margin, 602 million yen in expense loss and 8 million yen in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of June 30, 2015 amounted to 27,192 million yen (23,387 million yen as of March 31, 2015). The major account balance was 19,671 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Deferred assets under Article 113 of the Insurance Business Act decreased to 2,915 million yen due to amortization.

Liabilities amounted to 11,762 million yen as of June 30, 2015 (10,899 million yen as of March 31, 2015), owing to an increase in policy reserves as a result of the increased insurance premiums. The major account balances were 10,738 million yen in policy reserves (including 1,240 million yen in contingency reserves), and 300 million yen in reserves for outstanding claims.

Net assets increased to 15,430 million yen as of June 30, 2015 (12,487 million yen as of March 31, 2015) due to raising new capital of 3,040 million yen through the third-party allotment of new shares to KDDI CORPORATION despite the recording of net loss for 1Q of fiscal 2015.

The solvency margin ratio as of June 30, 2015 was 2,723.2% (2,244.7% as of March 31, 2015), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For 1Q of fiscal 2015, net cash provided by operating activities amounted to 1,057 million yen (448 million yen provided for 1Q of fiscal 2014) due to an increase in insurance premiums and other and control of operating expenses. Net cash used by investing activities amounted to 2,614 million yen (259 million yen used for 1Q of fiscal 2014) due to acquisition of securities. Net cash provided by financing activities amounted to 3,037 million yen (2 million yen used for 1Q of fiscal 2014) due to the third-party allotment of new shares to KDDI CORPORATION.

Based on these activities described above, cash and cash equivalents as of June 30, 2015 totaled 2,212 million yen (731 million yen as of March 31, 2015).

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:

Investor Relations, Corporate Development Department
Tel: +81-3-5216-7900
e-mail: ir@lifenet-seimei.co.jp

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

2. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31, 2015	June 30, 2015
ASSETS		
Cash and deposits	731	712
Monetary claims bought	—	1,499
Money held in trust	1,033	1,032
Securities	17,082	19,671
Government bonds	8,227	9,326
Municipal bonds	851	840
Corporate bonds	6,894	8,363
Stocks	222	248
Foreign securities	886	892
Tangible fixed assets	114	103
Intangible fixed assets	468	431
Agency accounts receivable	0	0
Reinsurance accounts receivable	23	42
Other assets	3,933	3,698
Accounts receivable	639	652
Deferred assets under Article 113 of the Insurance Business Act	3,180	2,915
Other	113	130
Total assets	<u>23,387</u>	<u>27,192</u>
LIABILITIES		
Policy reserves and other	10,084	11,039
Reserves for outstanding claims	277	300
Policy reserves	9,806	10,738
Agency accounts payable	4	4
Reinsurance accounts payable	45	48
Other liabilities	353	279
Reserves under the special laws	9	10
Reserve for price fluctuations	9	10
Deferred tax liabilities	403	380
Total liabilities	<u>10,899</u>	<u>11,762</u>
NET ASSETS		
Capital stock	10,500	12,020
Capital surplus	10,500	12,020
Retained earnings	(8,798)	(8,892)
Shareholders' equity	<u>12,202</u>	<u>15,148</u>
Valuation difference on available-for-sale securities	265	263
Valuation and translation adjustments	265	263
Subscription rights to shares	19	19
Total net assets	<u>12,487</u>	<u>15,430</u>
Total liabilities and net assets	<u>23,387</u>	<u>27,192</u>

(2) Statements of Operations

(In millions of yen)

	Three months ended June 30	
	2014	2015
Ordinary income.....	2,109	2,284
Insurance premiums and other	2,061	2,241
Premiums income	2,019	2,198
Reinsurance income	41	42
Investment income	20	41
Interest, dividends and other income	20	38
Gains on money held in trust	0	2
Gains on sales of securities.....	0	0
Other ordinary income.....	26	1
Reversal of reserves for outstanding claims	24	—
Other.....	2	1
Ordinary expenses	2,781	2,387
Insurance claims and other.....	420	301
Insurance claims.....	270	154
Benefits	112	99
Other refunds	0	0
Reinsurance commissions	37	48
Provision for policy reserves and other.....	778	954
Provision for reserves for outstanding claims.....	—	23
Provision for policy reserves	778	931
Investment expenses	0	0
Interest expenses.....	0	0
Losses on sales of securities	0	—
Other investment expenses	0	—
Operating expenses.....	1,172	751
Other ordinary expenses.....	409	380
Ordinary profit (loss)	(672)	(103)
Extraordinary losses	0	0
Provision of reserves under the special laws	0	0
Provision of reserve for price fluctuations	0	0
Income (loss) before income taxes	(673)	(104)
Income taxes-current	0	11
Income taxes-deferred.....	(6)	(22)
Income taxes.....	(5)	(10)
Net income (loss)	(668)	(94)

(3) Statements of Cash Flows

	(In millions of yen)	
	Three months ended June 30	
	2014	2015
Cash flows from operating activities		
Income (loss) before income taxes	(673)	(104)
Depreciation and amortization	52	54
Increase (decrease) in reserves for outstanding claims	(24)	23
Increase (decrease) in policy reserves.....	778	931
Increase (decrease) in reserve for price fluctuations	0	0
Interest, dividends and other income	(20)	(38)
Loss (gain) related to securities.....	0	(0)
Interest expenses	0	0
Decrease (increase) in agency accounts receivable	(0)	(0)
Decrease (increase) in reinsurance accounts receivable.....	(40)	(18)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	252	253
Increase (decrease) in agency accounts payable.....	(0)	0
Increase (decrease) in reinsurance accounts payable	18	2
Increase (decrease) in other liabilities <excluding assets for investing and financing activities > ..	83	(77)
Other, net	(0)	(2)
Subtotal	429	1,025
Interest and dividends income received	23	36
Interest expenses paid	(0)	(0)
Income taxes paid	(4)	(4)
Net cash provided by (used in) operating activities	448	1,057
Cash flows from investing activities		
Purchase of securities.....	(3,176)	(3,179)
Proceeds from sales and redemption of securities	3,015	574
Total of net cash provided by (used in) investment transactions ...	(160)	(2,604)
Total of net cash provided by (used in) operating activities and investment transactions ...	287	(1,547)
Purchase of tangible fixed assets	(18)	(5)
Purchase of intangible fixed assets	(80)	(4)
Net cash provided by (used in) investing activities	(259)	(2,614)
Cash flows from financing activities		
Proceeds from issuance of common stock.....	—	3,040
Repayments of lease liabilities	(2)	(2)
Net cash provided by (used in) financing activities	(2)	3,037
Net increase (decrease) in cash and cash equivalents	186	1,480
Cash and cash equivalents, beginning of the year	418	731
Cash and cash equivalents, end of the period	605	2,212