

<b>Amendment to Financial Results for Fiscal 2012          Ended March 31, 2013</b>
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TOKYO, June 19, 2013 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President/Founder Haruaki Deguchi <http://ir.lifenet-seimei.co.jp/en/>) announces an amendment to financial results for the fiscal year 2012 ended March 31, 2013. The full amended version of the financial results for Fiscal 2012 follows this summary of the amendments below.

**Financial Results for Fiscal 2012 Ended March 31, 2013** (Underlines denote amendments)

**1. Overview of the financial results for Fiscal 2012**

**(1) Business results: Condition of policies-in-force, Page 2**

**(Before Amendment)**

New Business (Fiscal 2012)	FY2012	FY2011	Percentage
<i>(omitted)</i>			
Annualized premium (In millions of yen)	2,409	2,468	97.6%
- excl. death coverage	<u>1,061</u>	1,177	102.3%

**(After Amendment)**

New Business (Fiscal 2012)	FY2012	FY2011	Percentage
<i>(omitted)</i>			
Annualized premium (In millions of yen)	2,409	2,468	97.6%
- excl. death coverage	<u>1,204</u>	1,177	102.3%

**(1) Business results: Results of operations, Page 4**

**(Before Amendment)**

(In millions of yen)

Business Results (Fiscal 2012)	FY2012	FY2011	Percentage
<i>(omitted)</i>			
Amortization cost of deferred <u>expenses</u> under Article 113 of the Insurance Business Act	1,060	609	173.8%
<i>(omitted)</i>			

**(After Amendment)**

(In millions of yen)

Business Results (Fiscal 2012)	FY2012	FY2011	Percentage
<i>(omitted)</i>			
Amortization cost of deferred <u>assets</u> under Article 113 of the Insurance Business Act	1,060	609	173.8%
<i>(omitted)</i>			

**(4) Business forecasts, Page 17 Line 22**

**(Before Amendment)**

(omitted) amortization cost of deferred expenses will record 1,059 million yen each year from fiscal 2013 onward.

**(After Amendment)**

(omitted) amortization cost of deferred assets will record 1,060 million yen each year from fiscal 2013 onward.

**3. Non-consolidated Financial Statements**

**(3) Statements of Changes in Net Assets, Page 22**

**(Before Amendment)**

	(In millions of yen)	
	Year ended March 31	
	2012	2013
<i>(omitted)</i>		
Total changes of items during the period .....	<u>(6,866)</u>	<u>(88)</u>
Net assets .....	<u>¥ 16,159</u>	<u>¥ 16,071</u>

**(After Amendment)**

	(In millions of yen)	
	Year ended March 31	
	2012	2013
<i>(omitted)</i>		
Total changes of items during the period .....	<u>6,866</u>	<u>(88)</u>
Net assets .....	<u>¥ 16,159</u>	<u>¥ 16,071</u>

May 15, 2013  
 Haruaki Deguchi, President/Founder  
 LIFENET INSURANCE COMPANY  
 (Securities Code: 7157, TSE Mothers)

**Financial Results for Fiscal 2012 Ended March 31, 2013**  
**Achieves management target of reached 150,000 policies-in-force**  
**and exceeded 100,000 policy holders**

TOKYO, May 15, 2013 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President/Founder Haruaki Deguchi <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the fiscal year 2012 ended March 31, 2013.

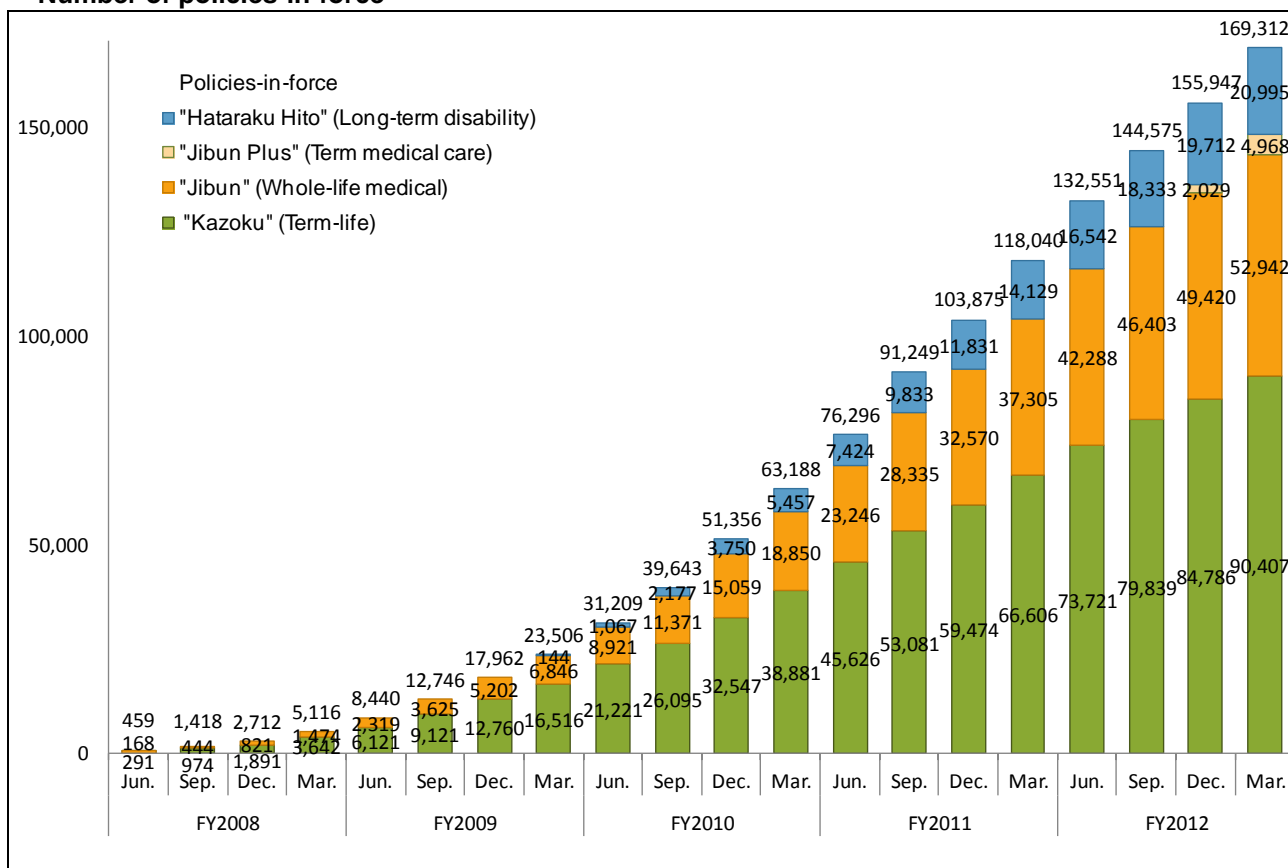
**1. Overview of the financial results for Fiscal 2012**

**(1) Business results**

**Condition of policies-in-force**

The number of new business in the 4Q ended March 31, 2013 was 16,200 (101.3% of fiscal 2011), with the number of new business in fiscal 2012 at 60,685 (99.9% of fiscal 2011). Policies-in-force exceeded 150,000 on November 12, 2012, achieving the management target to reach 150,000 policies-in-force within 5 years of commencing business operations in four and a half years, with the number of the policy holders has exceeded 100,000 individuals in February 2013. Lifenet has steadily continued to gain the support of the younger generations; 72.4% of the policy holders are in their 20s and 30s. The number of policies-in-force as of March 31, 2013 resulted in a total of 169,312 (143.4% of March 31, 2012), annualized premium at 6,875 million yen (141.2% of March 31, 2012). In addition, policies-in-force exceeded 170,000 on April 8, 2013. Surrender and lapse ratio for fiscal 2012 was 6.4% (6.4% for fiscal 2011).

**Number of policies-in-force**



<b>New Business (4Q)</b>	FY2012	FY2011	Percentage
Number of applications	23,831	25,219	94.5%
Number of new business	16,200	15,997	101.3%
Sum insured of new business (In millions of yen)* <sup>1</sup>	110,365	127,650	86.5%
Annualized premium (In millions of yen)	605	654	92.6%
- excl. death coverage	308	317	97.3%

<b>New Business (Fiscal 2012)</b>	FY2012	FY2011	Percentage
Number of applications	88,250	91,561	96.4%
Number of new business	60,685	60,725	99.9%
Sum insured of new business (In millions of yen)* <sup>1</sup>	448,728	487,141	92.1%
Annualized premium (In millions of yen)	2,409	2,468	97.6%
- excl. death coverage	1,204	1,177	102.3%

<b>Policies-in-Force</b>	Mar. 31, 2013	Mar. 31, 2012
Number of policies-in-force	169,312	118,040
- "Kazoku": Term Life	90,407	66,606
- "Jibun": Whole-life Medical	52,942	37,305
- "Jibun Plus": Term Medical Care	4,968	-
- "Hataraku Hito": Personal Long-term Disability	20,995	14,129
Sum insured of policies-in-force (In millions of yen)* <sup>1</sup>	1,480,395	1,105,302
Annualized premium (In millions of yen)	6,875	4,870
- excl. death coverage	2,992	1,992
Number of policy holders	103,816	75,622

<b>Surrender and lapse</b>	FY2012	FY2011
Surrender and lapse ratio* <sup>2</sup>	6.4%	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 medical and survival coverage.

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

## Results of operations

Insurance premiums and other for the fiscal 2012 ended March 31, 2013 increased significantly to 5,915 million yen (159.0% of fiscal 2011 ended March 31, 2012) due to the increase in the number of policies-in-force. Investment income grew to 51 million yen (108.8% of fiscal 2011). Other ordinary income was 9 million yen. As a result, ordinary income for fiscal 2012 amounted to 5,976 million yen (158.4% of fiscal 2011).

Insurance claims and other increased to 575 million yen (140.1% of fiscal 2011) due largely to an increase in benefit payments for the whole-life medical insurance “Jibun” attributable to the increased number of policies-in-force. As the calculation formula of policy reserves was changed for refinement in fiscal 2012, provision for policy reserves and others came to 1,603 million yen (141.9% of fiscal 2011). The effect of changing the calculation formula of policy reserves on provision for policy reserves was a 501 million yen decrease. This change in calculations has been applied to all policies-in-force. Active advertising aimed at enhancing brand recognition for the six months ended September 30, 2012 led to operating expenses amounting to 4,976 million yen (124.9% of fiscal 2011). The components of operating expenses are 2,761 million yen in marketing expenses including advertising, 550 million yen in customer service expenses, and 1,664 million yen in investments, labor costs and other expenses on systems. Consequently, ordinary expenses for fiscal 2012 totaled 5,999 million yen (134.5% of fiscal 2011). Included in this was 2,701 million yen out of operating expenses deferred under Article 113 of the Insurance Business Act.

As a result, ordinary loss recorded 23 million yen for fiscal 2012, compared with ordinary loss of 687 million yen for fiscal 2011. This was mainly due to the increase in ordinary income attributed to the rise in the number of policies-in-force as well as the changed calculation formula of policy reserves, and the deferred assets under Article 113 of the Insurance Business Act. Accordingly, net loss was 126 million, compared with net loss of 900 million yen for fiscal 2011.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 244 million yen (fundamental profit of 391 million yen loss for fiscal 2011). For details, please refer to [(4) Fundamental profit] on page 12.

(In millions of yen)

<b>Business Results (Fiscal 2012)</b>	<b>FY2012</b>	<b>FY2011</b>	<b>Percentage</b>
Ordinary income	5,976	3,773	158.4%
Insurance premiums and other	5,915	3,720	159.0%
Investment income	51	47	108.8%
Other ordinary income	9	5	173.8%
Ordinary expenses	5,999	4,461	134.5%
Insurance claims and other	575	410	140.1%
Provision for policy reserves and others	1,603	1,130	141.9%
Provision for contingency reserves	268	295	90.6%
Investment expenses	0	0	53.7%
Operating expenses	4,976	3,984	124.9%
Marketing expenses	2,761	2,160	127.9%
Customer service expenses	550	446	123.3%
System and other expenses	1,664	1,378	120.8%
Other ordinary expenses	1,544	1,041	148.3%
Amortization cost of deferred assets under Article 113 of the Insurance Business Act	1,060	609	173.8%
Deferred expenses under Article 113 of the Insurance Business Act	(2,701)	(2,106)	-
Ordinary profit (loss)	(23)	(687)	-
Net income (loss)	(126)	(900)	-
Fundamental profit	244	(391)	-

\*1: For readers' convenience, Lifenet has partly changed the name of accounting titles for the financial statements from third quarter ended December 31, 2012.

## Insurance payments results

In the fourth quarter of fiscal 2012, the amount of insurance payments resulted in 198 million yen in 661 cases; 135 million yen in 8 of which was an insurance claim and 63 million yen in 653 benefits. Consequently, the amount of insurance payments made in fiscal 2012 was 520 million yen in 2,356 cases, 286 million yen in 18 of which were insurance claims and 234 million yen in 2,338 benefits.

Lifenet believes the most important responsibility for an insurance company is for claim payments to be made accurately and without delay, and we thrive 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 2012, the average insurance payment was made in 3.25 business days.

Lifenet has simplified the conditions under which claimants can make medical policy claims by removing medical certificates or other certificates signed by a doctor from October 2, 2012.\*<sup>1</sup> With this new process, we were able to eliminate the period of time from when a request is made to a medical institution for documents to the issuance of such documents, and the time required for the payment of medical benefits has been shortened considerably from 43 days\*<sup>2</sup> to 23 days\*<sup>3</sup> on average. Due to this, claimants additionally are able to save around 5,000 yen in costs\*<sup>4</sup>, time and effort, while medical institutions who prepare the medical certificates are able to save considerable time and effort.

Furthermore, Lifenet has started mailing “Lifenet Letters” in April 2013, a printed document with which customers can confirm their registered information and contents of their policies. Lifenet will continue to promote efforts to ensure that customers can easily make their insurance payments.

- \*1: Note that in the following cases, Lifenet may require the submission of medical certificates or request to a medical institution, etc. for the confirmation of facts:
- ✓ In cases where submission of a medical treatment statement is not possible
  - ✓ In cases where the claimant is not the insurance carrier (e.g. an assigned claimant)
  - ✓ In cases of specified injuries and diseases (e.g. cancer, etc.) stipulated by Lifenet
  - ✓ In cases where a treatment period exceeds the period stipulated by Lifenet
- \*2: Based on our data on medical policy claims received from the commencement of business to August 2012.
- \*3: Based on our data on applicable medical policy claims received from October 2, 2012 to March 31, 2013.
- \*4: Based on “2007 Research on Documentation Fees at Medical Institutions” issued by SANRO Research Institute, Inc.

(In millions of yen)

<b>Insurance payments results (4Q)</b>	<b>FY2012</b>	<b>FY2011</b>	<b>Percentage</b>
Number of insurance payments	661	432	153.0%
Insurance claims	8	4	200.0%
Insurance benefits	653	428	152.6%
Amount of insurance payments	198	87	225.4%
Insurance claims	135	48	281.3%
Insurance benefits	63	39	158.3%

(In millions of yen)

<b>Insurance payments results (Fiscal 2012)</b>	<b>FY2012</b>	<b>FY2011</b>	<b>Percentage</b>
Number of insurance payments	2,356	1,284	183.5%
Insurance claims	18	17	105.9%
Insurance benefits	2,338	1,267	184.5%
Amount of insurance payments	520	370	140.5%
Insurance claims	286	251	113.9%
Insurance benefits	234	119	196.4%

### Customer inquiry report

In the fourth quarter of fiscal 2012, we received a total of 18,920 inquiries, with 234 cases being complaints. This was mainly due to a new measure we have implemented to increase the number of applications where we make outbound telephone calls to potential customers who requested brochures about Lifenet's insurance products but have not submitted an application. The total number of inquiries received in fiscal 2012 stands at 69,761 with a total of 607 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 ranked first place and given the highest rating of three stars in the 2012 HDI Contact Center Rankings (Life Insurance Industry) in two categories, "Contact Center" and "Support Portal (Website)", hosted by HDI-Japan (Help Desk Institute/ThinkService Inc.) this past November.



Contact Center



Support Portal (Website)

<b>Customer inquiries (4Q)</b>	<b>FY2012</b>	<b>FY2011</b>	<b>Percentage</b>
Number of customer inquiries	18,920	20,171	93.8%
Number of complaints	234	144	162.5%

<b>Customer inquiries (Fiscal 2012)</b>	<b>FY2012</b>	<b>FY2011</b>	<b>Percentage</b>
Number of customer inquiries	69,761	72,001	96.9%
Number of complaints	607	488	124.4%



## **Asset Management**

Through fiscal 2012, all assets under management excluding securities held for capital alliance 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 is holding shares of Advance Create Co., Ltd., its insurance sales agent, for the purpose of maintaining equity and business partnership. Lifenet recognizes the impact of changes in the macro investment environment on its investment income as limited, given that its assets are managed based on its policy of limiting risks as explained above. However, with consideration for the impact of the change of government and the easy monetary policy by the Bank of Japan, Lifenet will consider the possibility of diversification of its asset management by investing in foreign bonds and other measures in the future. In addition, all Tokyo Electric Power Company corporate bonds were held until maturity and redeemed in December 2012.

Under such an asset management policy, total assets as of March 31, 2013 amounted to 20,450 million yen (18,861 million yen as of March 31, 2012). Among these, assets under management totaled 13,841 million yen (14,229 million yen as of March 31, 2012), which is the sum of cash and deposits, and securities. In fiscal 2012, the yield rate of the all assets under management is 0.38% and the average remaining period of securities was approximately 2.6 years as of March 31, 2013.

## **Other Accomplishments**

On October 2, 2012, Lifenet commenced sales of its copayment-linked medical insurance “Jibun Plus” (with cancer and advanced medical care coverage), which is the first new product in two and half years. This medical insurance product not only offers copayment-linked benefits that help reduce policyholders’ copayment in the public health care insurance system, but also meets wide-ranging needs related to medical expenses with its coverage for cancers and advanced medical care, considering the Japanese current medical environment, phenomena such as shorter hospitalization periods, higher hospitalization costs per day, and the shift from hospitalization to out-patient in the treatment of cancer can be observed. The number of policies-in-force of “Jibun Plus” was 4,968 in six months after its launch. In addition, Lifenet started underwriting medical insurance under exclusion of specific organs on October 2. One example of this type of coverage is those who have undergone a Caesarian section when giving birth in the past.

On October 4, Lifenet started the recruitment of affiliated insurance planners (salespersons of life insurance agencies) who support Lifenet’s principles and the concept of its products to further promote the spread of Lifenet Insurance products and also disclosed its agent commission rates. This is based on our thinking that disclosure of information is the basis for building a trusting relationship with our customers. In addition, Lifenet started sales of life insurance products by affiliated insurance planners from February 1, 2013. The number of affiliated insurance planners is 15 as of April 30, 2013.

In April 2012, our website was largely redesigned for the first time since commencing business operations, and in June 2012 a service was started to accept applications for life insurance products via its website for smartphones. Lifenet has been continuing to improve its services to provide customers with the most comprehensible website possible, and in April 2013, our smartphone website has been enhanced to improve usability. Our website has been awarded the

Easy-To-Understand Award in the life insurance website category in the UCDA Awards 2012. This award is hosted by the Universal Communication Design Association (UCDA). Our systems division has been certified to meeting the criteria of ISO27001, an international standard for information security management systems.

Furthermore, long-term disability product “Hataraku-Hito” has been ranked number one by the Weekly Economist, published by The Mainichi Newspapers, in the November 27 edition. Hataraku-Hito was first place in the product rankings evaluated by top financial planners in the Long-Term Disability and Income Protection Insurance category.

In order to enhance brand recognition, we have started airing new TV commercial series in December 2012, and have also devised more intricate web-based marketing and some unique research were conducted.

Please refer to (3) Topics on page 11.

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 will establish 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. Regarding a transfer of Monex Group, Inc.’s entire stake in Lifenet (13.50%) to Swiss Reinsurance Company Ltd on a negotiated basis, this resulted in a change in the largest major shareholder of Lifenet.

## (2) Financial condition

### Assets, Liabilities and Net Assets

Total assets as of March 31, 2013 amounted to 20,450 million yen (18,861 million yen as of March 31, 2012) due to an increase in deferred assets under Article 113 of the Insurance Business Act, which was attributable to the partial deferral of operating expenses. The major account balances were 13,488 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings and 5,300 million yen in deferred assets under Article 113 of the Insurance Business Act. As for a breakdown of securities, the government bonds purchased with the fund financed through the listing on Tokyo Stock Exchange Mothers in March 2012 were redeemed and switched to corporate bonds. This resulted in a decrease in the amount of government bonds and an increase in the amount of corporate bonds from March 31, 2012. As for deferred assets under Article 113 of the Insurance Business Act were added 2,701 million yen, though amortized deferred assets recorded 1,060 million yen. In the fiscal year 2013 ending March 31, 2014, the sixth year after commencing business operations, newly incurred expenses can no more be recognized as deferred assets under Article 113 of the Insurance Business Act, while the deferred assets recognized before fiscal year 2012 will continue to be amortized using the straight-line method until fiscal year 2017, the tenth year after commencing business operations.

Liabilities, although the calculation formula of policy reserves was changed, amounted to 4,379 million yen as of March 31, 2013 (2,702 million yen as of March 31, 2012), owing to an increase in policy reserves as a result of the increased number of policies-in-force. The major account balances were 3,278 million yen in policy reserves (including 997 million yen in contingency reserves), 320 million yen in accrued liabilities and 265 million yen in reserves for outstanding claims.

Net assets decreased to 16,071 million yen as of March 31, 2013 (16,159 million yen as of March 31, 2012), as a result of recording a net loss for fiscal 2012.

The solvency margin ratio as of March 31, 2013 was 2,266.0% (3,499.1% as of March 31, 2012), which indicated that an adequate level of payment capacity was maintained. For details, please refer to (5) Solvency margin ratio on page 13.

(In millions of yen)

<b>Assets, Liabilities and Net Assets</b>	<b>Mar. 31, 2013</b>	<b>Mar. 31, 2012</b>
Total assets	20,450	18,861
Securities	13,488	13,800
Government bonds	7,331	9,939
Corporate bonds	5,982	3,721
Stocks	174	139
Deferred assets under Article 113 of the Insurance Business Act	5,300	3,659
Total liabilities	4,379	2,702
Reserves for outstanding claims	265	196
Policy reserves	3,278	1,743
Contingency reserves	997	729
Total net assets	16,071	16,159
Solvency margin ratio *1	2,266.0%	3,499.1%

\*1 The solvency margin ratio as of Mar. 31, 2012 and Mar. 31, 2013 are calculated based on the stricter standards set at the end of fiscal 2011.

## Cash flows

For fiscal 2012, net cash used in operating activities amounted to 35 million yen (799 million yen used for fiscal 2011). This is attributable to the fact that, despite an increase in insurance premium and other, there was an increase in operating expenses due to active advertising for six months ended September 30, 2012. On the other hand, for the fourth quarter ended March 31, 2013, net cash provided by operating activities amounted 165 million yen (251 million yen used for the fourth quarter ended March 31, 2012), recording profit following the third quarter ended December 31, 2012 for the first time since commencing business operations due to an increase in insurance premium and other and a decrease in insurance claims. Net cash used by investing activities amounted to 33 million yen (6,881 million yen used for fiscal 2011), mainly due to proceeds from redemption of securities. Net cash used in financing activities amounted to 5 million yen (7,728 million yen provided for fiscal 2011). Net cash used in investing activities and net cash provided by financing activities in the fiscal year ended March 31, 2012 are mainly the results of the new issue of shares associated with the company's listing and the purchase of securities with the funds financed through it.

Based on these activities described above, cash and cash equivalents as of March 31, 2013 totaled 353 million yen (428 million yen as of March 31, 2012).

(In millions of yen)

<b>Cash flows</b>	FY2012	FY2011
Cash flows from operating activities	(35)	(799)
Cash flows from investing activities	(33)	(6,881)
Cash flows from financing activities	(5)	7,728
Cash and cash equivalents, beginning of the period	428	380
Cash and cash equivalents, end of the period	353	428

## (3) Topics

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Fiscal 2012

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- Apr. 25      Redesigned the Company's website
- June 24      Annual general meeting of shareholders held for the first time since being listed
- Oct. 2      Started sales of the new copayment-linked medical insurance "Jibun Plus" (with cancer and advanced medical care coverage)  
<http://pdf.irpocket.com/C7157/JA1b/TIOW/Npp6.pdf>
- Oct. 2      Started underwriting medical insurance under exclusion of specific organs  
<http://pdf.irpocket.com/C7157/JA1b/TIOW/G0qY.pdf>
- Oct. 2      Simplified claims process –Medical certification submission no longer necessary for most medical policy claims  
<http://pdf.irpocket.com/C7157/JA1b/Ow7f/G835.pdf>
- Nov. 12      Policies-in-force exceeded 150,000  
<http://pdf.irpocket.com/C7157/JA1b/RaY/axBQ.pdf>
- Nov. 14      Contact center and website awarded three stars in the 2012 HDI Contact Center Rankings  
<http://pdf.irpocket.com/C7157/JA1b/RaY/mtGe.pdf>
- Nov. 28      Long-term disability product ranked #1 Weekly Economist's "Product ranking by influential financial planners" long-term disability and income protection insurance category  
<http://pdf.irpocket.com/C7157/JA1b/fl6F/RlrE.pdf>
- Dec. 24      Started airing new TV commercial series
- Feb. 1      Started sales of insurance products by affiliated insurance planners  
<http://pdf.irpocket.com/C7157/qzIz/s4j8/UCgq.pdf>
- Feb. 13      Policy holders exceeded 100,000
- Mar. 19      Achieved ISO27001 Certification  
<http://pdf.irpocket.com/C7157/qzIz/iz3S/DiLP.pdf>

## (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 2012, fundamental profit and three surplus factors are as follows. In fiscal 2012, mortality margin largely increased to 1,437 million yen due to the decrease in insurance payments and insurance claims less than expected and the change of the calculation formula of policy reserves, interest margin was 27 million yen due to investment income and expense margin was 1,219 million yen caused by active advertising expense. As a result, fundamental profit resulted recorded in 244 million yen.

(In millions of yen)

Fundamental profit	FY2012	FY2011	Percentage
Fundamental profit (i)	244	(391)	-
Mortality margin	1,437	490	293.1%
Expense margin (loss)	(1,219)	(919)	-
Interest margin	27	37	72.0%
Capital gains (ii)	-	-	-
Other onetime loss (iii)	(268)	(295)	-
Ordinary loss (iv)=(i)+(ii)+(iii)	(23)	(687)	-
Extraordinary loss, income tax, etc. (v)	(103)	(212)	-
Net loss (vi)=(iv)+(v)	(126)	(900)	-

## (5) Solvency margin ratio

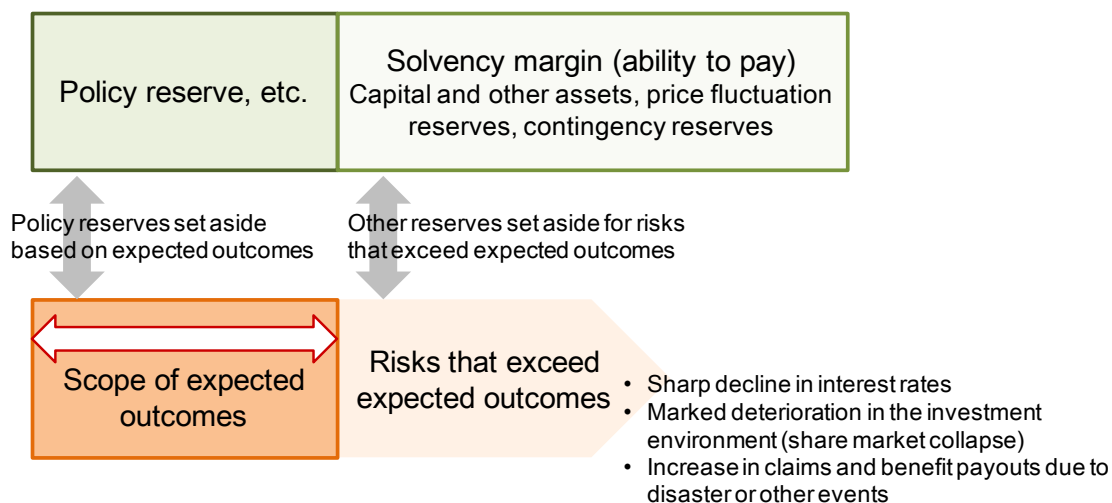
As of March 31, 2012, the solvency margin ratio was 2,260.0%, a decrease from March 31, 2012. This is due to the increase in policies-in-force leading to a rise in the amount of total risks.

(In millions of yen)

	Solvency margin	÷	Risk total × (1/2)	=	Solvency margin ratio
March 31, 2013	11,790		1,040 × (1/2)		2,260.0%
March 31, 2012	13,242		756 × (1/2)		3,499.1%

### 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.



## **(6) Dividend policy**

Lifenet Insurance Company 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 Law, the company is not permitted to distribute retained earnings as dividends while deferred assets under Article 113 of the Insurance Business Law 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 determined 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 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 five 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

Policies-in-force exceeded 150,000 in November 2012, achieving the initial management target to reach “150,000 within five years of commencing business operations”. Lifenet has formulated its medium-term business plan as shown below in an effort to transition to a new growth stage.

For details, please refer to Announcement of Medium-term Business Plan released today.

<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>	<ol style="list-style-type: none"> <li><b>1. Sustainable growth in insurance premium income (top-line)</b></li> <li><b>2. Improvement in productivity</b></li> <li><b>3. Being an “innovator” (front-runner) in life insurance</b></li> </ol>
<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

In November 2012, Lifenet achieved its management target of reaching “150,000 policies-in-force within five years of commencing business operations”. 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 a company’s corporate value. Therefore, Lifenet will take various measures to improve its name recognition and credibility in consideration of the change in customer segments, so that the customers can apply for insurance policies with a sense of security. In addition, Lifenet will strengthen measures to follow up with potential customers leading to applications through its contact center and the internet.

#### 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 incur accounting losses and Lifenet is also reporting ordinary losses. With the objective of early stabilization of management foundation, Lifenet will work to produce top-line growth, continually boost operating expense

efficiency using the advantages of its online sales approach, and strengthen the system for adequate cost management in order to achieve profitability.

### **3 Continual boost in operating expense efficiency**

Since its establishment of business in May 2008, Lifenet has pursued comprehensible and convenient customer services based on its manifesto such as: 1. Contact center operating until 10 p.m. on weekdays, 2. Encouraging policy holders to claim benefits by providing typical examples of hospitalizations and surgeries they tend to think not covered by the policy, 3. Application via feature phones and smartphones, and 4. elimination of need for medical certificates in principle at the time of claiming medical benefits. Lifenet will aim 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 into the market. This is expected to make it more common to buy life insurance policies online, and provides an excellent opportunity for the expansion of the market. Furthermore, optimization strategies for devices have become indispensable due to the rapid spread of various devices such as smartphones and tablets. Lifenet will strive to lead the “online life insurance” industry utilizing its expertise as a pioneer and committing to new efforts simultaneously.

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

As the economy becomes more diverse and globalized, companies face a growing number of risks that increasingly need to be managed in an integrated manner. Due to the highly public nature of a life insurance company, Lifenet is fully aware that appropriate management of all types of risks is important to protect its policy holders and ensure the stability and growth potential of the business.

In the coming year, Lifenet will strive for the sophistication of its risk management and overall work processes to establish risk-based business management while assessing their suitability to operating conditions as part of the enhancement of its business management.

Lifenet will pursue efforts aimed at 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 fiscal 2013, Lifenet is devoting its energies to three priority areas: sustainable growth in insurance premium income (top line), improvement in productivity, and being an “innovator” (front-runner) in life insurance.

Lifenet will not be disclosing earnings forecasts for fiscal 2013, 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 Law 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 year 2013 ending 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 year 2012 will continue to be amortized using the straight-line method until fiscal year 2017, the tenth year after commencing business operations. Therefore, the 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 cost 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/>

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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	
	2012	2013
<b>ASSETS</b>		
Cash and deposits.....	¥ 428	¥ 353
Deposits.....	428	353
Securities.....	13,800	13,488
Government bonds.....	9,939	7,331
Corporate bonds.....	3,721	5,982
Stocks.....	139	174
Tangible fixed assets.....	90	97
Buildings.....	34	21
Leased assets.....	21	8
Other tangible fixed assets.....	34	68
Intangible fixed assets.....	424	590
Software.....	393	378
Software in progress.....	28	199
Leased assets.....	—	8
Other intangible fixed assets.....	3	2
Agency accounts receivable.....	0	0
Reinsurance accounts receivable.....	0	13
Other assets.....	4,116	5,907
Accounts receivable.....	348	498
Prepaid expenses.....	11	9
Accrued income.....	18	23
Deposits.....	78	75
Suspense payments.....	0	0
Deferred assets under Article 113 of the Insurance Business Law.....	3,659	5,300
Assets.....	<u>¥ 18,861</u>	<u>¥ 20,450</u>

(In millions of yen)

March 31

	2012	2013
<u>LIABILITIES</u>		
Policy reserves and others.....	¥ 1,940	¥ 3,544
Reserves for outstanding claims .....	196	265
Policy reserves .....	1,743	3,278
Agency accounts payable .....	2	3
Reinsurance accounts payable .....	11	15
Other liabilities.....	535	493
Income taxes payable.....	3	3
Accounts payable .....	26	106
Accrued expenses .....	441	320
Deposits received .....	7	11
Lease liabilities .....	23	18
Asset retirement obligations .....	32	32
Suspense receipt.....	0	0
Reserves under the special laws .....	2	3
Reserve for price fluctuations .....	2	3
Deferred tax liabilities .....	209	318
Total liabilities .....	<u>¥ 2,702</u>	<u>¥ 4,379</u>
<u>NET ASSETS</u>		
Capital stock.....	¥ 10,478	¥ 10,484
Capital surplus.....	10,478	10,484
Legal capital surplus.....	10,478	10,484
Retained earnings .....	(4,852)	(4,978)
Other retained earnings.....	(4,852)	(4,978)
Retained earnings brought forward .....	(4,852)	(4,978)
Shareholders' equity.....	<u>16,103</u>	<u>15,990</u>
Valuation difference on available-for-sale securities .....	35	60
Valuation and translation adjustments .....	35	60
Subscription rights to shares.....	20	20
Net assets .....	<u>16,159</u>	<u>16,071</u>
Liabilities and net assets .....	<u>¥ 18,861</u>	<u>¥ 20,450</u>

## (2) Statements of Operations

(In millions of yen)

	Year ended March 31	
	2012	2013
Ordinary income .....	¥ 3,773	¥ 5,976
Insurance premiums and other .....	3,720	5,915
Premiums income .....	3,707	5,876
Reinsurance income .....	12	39
Investment income .....	47	51
Interest, dividends and other income .....	47	51
Interest from deposits .....	0	0
Interest and dividends from securities .....	47	51
Other ordinary income .....	5	9
Other .....	5	9
Ordinary expenses .....	4,461	5,999
Insurance claims and other .....	410	575
Insurance claims .....	251	286
Benefits .....	119	234
Other refunds .....	—	0
Reinsurance premiums .....	40	54
Provision for policy reserves and others .....	1,130	1,603
Provision for reserves for outstanding claims .....	66	68
Provision for policy reserves .....	1,063	1,535
Investment expenses .....	0	0
Interest expenses .....	0	0
Operating expenses .....	3,984	4,976
Other ordinary expenses .....	1,041	1,544
Taxes .....	192	250
Depreciation .....	192	228
Amortization of deferred assets under Article 113 of the Insurance Business Law .....	609	1,060
Other .....	46	4
Deferred expenses under Article 113 of the Insurance Business Law .....	(2,106)	(2,701)
Ordinary profit (loss) .....	(687)	(23)
Extraordinary losses .....	14	1
Impairment loss .....	13	—
Provision of reserves under the special laws .....	0	1
Provision of reserve for price fluctuations .....	0	1
Income (loss) before income taxes .....	(702)	(24)
Income taxes-current .....	3	3
Income taxes-deferred .....	194	98
Income taxes .....	197	101
Net income (loss) .....	¥ (900)	¥ (126)

## (3) Statements of Changes in Net Assets

(In millions of yen)

	Year ended March 31	
	2012	2013
Shareholders' equity:		
Capital stock		
Capital stock .....	¥ 6,600	¥ 10,478
Changes of items during the period		
Issuance of new shares .....	3,878	—
Issuance of new shares-exercise of subscription rights to shares .....	—	6
Total changes of items during the period .....	3,878	6
Capital stock .....	10,478	10,484
Capital surplus		
Legal capital surplus		
Legal capital surplus .....	6,600	10,478
Changes of items during the period		
Issuance of new shares .....	3,878	—
Issuance of new shares-exercise of subscription rights to shares .....	—	6
Total changes of items during the period .....	3,878	6
Legal capital surplus .....	10,478	10,484
Total capital surplus		
Capital surplus .....	6,600	10,478
Changes of items during the period		
Issuance of new shares .....	3,878	—
Issuance of new shares-exercise of subscription rights to shares .....	—	6
Total changes of items during the period .....	3,878	6
Capital surplus .....	10,478	10,484
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Retained earnings brought forward .....	(3,952)	(4,852)
Total changes of items during the period		
Net income (loss) .....	(900)	(126)
Total changes of items during the period .....	(900)	(126)
Retained earnings brought forward .....	(4,852)	(4,978)
Total retained earnings		
Retained earnings .....	(3,952)	(4,852)
Changes of items during the period		
Net income (loss) .....	(900)	(126)
Total changes of items during the period .....	(900)	(126)
Retained earnings .....	(4,852)	(4,978)
Total shareholders' equity		
Shareholders' equity .....	9,247	16,103
Changes of items during the period		
Issuance of new shares .....	7,756	—
Issuance of new shares-exercise of subscription rights to shares .....	—	13
Net income (loss) .....	(900)	(126)
Total changes of items during the period .....	6,856	(112)
Shareholders' equity .....	¥ 16,103	¥ 15,990

(In millions of yen)

	Year ended March 31	
	2012	2013
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities ....	¥ 24	¥ 35
Changes of items during the period		
Net changes of items other than shareholders' equity .....	10	24
Total changes of items during the period .....	10	24
Valuation difference on available-for-sale securities	35	60
Total valuation and translation adjustments		
Total valuation and translation adjustments .....	24	35
Changes of items during the period		
Net changes of items other than shareholders' equity .....	10	24
Total changes of items during the period .....	10	24
Total valuation and translation adjustments .....	35	60
Subscription rights to shares:		
Subscription rights to shares .....	20	20
Changes of items during the period		
Net changes of items other than shareholders' equity ..	-	-
Total changes of items during the period .....	-	-
Subscription rights to shares .....	20	20
Net assets:		
Net assets .....	9,292	16,159
Changes of items during the period		
Issuance of new shares .....	7,756	—
Issuance of new shares-exercise of subscription rights to shares .....	—	13
Net income (loss) .....	(900)	(126)
Net changes of items other than shareholders' equity ..	10	24
Total changes of items during the period .....	6,866	(88)
Net assets .....	¥ 16,159	¥ 16,071



## (4) Statements of Cash Flows

	(In millions of yen)	
	Year ended March 31	
	2012	2013
Cash flows from operating activities		
Income (loss) before income taxes .....	¥ (702)	¥ (24)
Depreciation and amortization .....	192	228
Impairment loss .....	13	-
Increase (decrease) in reserves for outstanding claims .....	66	68
Increase (decrease) in policy reserves .....	1,063	1,535
Increase (decrease) in reserve for price fluctuations .....	0	1
Interest, dividends and other income .....	(47)	(51)
Interest expenses .....	2	1
Decrease (increase) in agency accounts receivable .....	(0)	(0)
Decrease (increase) in reinsurance accounts receivable .....	7	(12)
Decrease (increase) in other assets <excluding assets for investing and financing activities >..	(1,685)	(1,785)
Increase (decrease) in agency accounts payable .....	0	0
Increase (decrease) in reinsurance accounts payable .....	2	4
Increase (decrease) in other liabilities <excluding assets for investing and financing activities >..	200	(116)
Other, net.....	2	(17)
Subtotal .....	(882)	(168)
Interest and dividends income received.....	88	137
Interest expenses paid .....	(1)	(0)
Income taxes paid .....	(3)	(3)
Net cash provided by (used in) operating activities .....	(799)	(35)
Cash flows from investing activities		
Purchase of securities .....	(9,314)	(18,323)
Proceeds from sales and redemption of securities.....	2,689	18,600
Total of net cash provided by (used in) investment transactions ....	(6,625)	276
Total of net cash provided by (used in) operating activities and investment transactions ....	(7,424)	240
Purchase of tangible fixed assets .....	(49)	(60)
Purchase of intangible fixed assets.....	(206)	(249)
Net cash provided by (used in) investing activities .....	(6,881)	(33)
Cash flows from financing activities		
Proceeds from issuance of common stock .....	7,756	-
Proceeds from issuance of stock resulting from exercise of subscription rights to shares.....	-	13
Repayments of lease liabilities .....	(27)	(18)
Net cash provided by (used in) financing activities.....	7,728	(5)
Net increase (decrease) in cash and cash equivalents .....	47	(75)
Cash and cash equivalents, beginning of year .....	380	428
Cash and cash equivalents, end of year .....	¥ 428	¥ 353

## Financial Summary for Fiscal 2012, Ended March 31, 2013

May 15, 2013

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: Haruaki Deguchi, President/Founder

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

### 1. Financial Data for the Fiscal Year Ended March 31, 2013 (April 1, 2012 - March 31, 2013)

#### (1) Results of Operations

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

	Ordinary Revenues		Ordinary Profit (Loss)		Net Income (Loss)	
	millions of yen	%	millions of yen	%	millions of yen	%
Fiscal Year ended						
March 31, 2013	5,976	58.4	(23)	—	(126)	—
March 31, 2012	3,773	106.4	(687)	—	(900)	—

	Net Income (Loss) per Share	Diluted Net Income per Share	Net Income (Loss) on Shareholders' Equity	Ordinary Income (Loss) on Total Assets	Ordinary Income (Loss) on Ordinary Revenues
Fiscal Year ended	yen		%	%	%
March 31, 2013	(3.00)	—	(0.8)	(0.1)	(0.4)
March 31, 2012	(26.37)	—	(7.1)	(4.7)	(18.2)

#### (2) Financial Conditions

	Total Assets	Total Net Assets	Ratio of Shareholders' Equity to Total Assets	Total Net Assets per Share
Fiscal Year ended	millions of yen	millions of yen	%	yen
March 31, 2013	20,450	16,071	78.5	381.40
March 31, 2012	18,861	16,159	85.6	383.75

Note: Net assets attributable to the Company's shareholders as of March 31, 2013 and March 31, 2012 were 16,051 million yen and 16,139 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
Fiscal Year ended	millions of yen	millions of yen	millions of yen	millions of yen
March 31, 2013	(35)	(33)	(5)	353
March 31, 2012	(799)	(6,881)	7,728	428

## 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, 2012	—	0.00	—	0.00	0.00	—	—	—
March 31, 2013	—	0.00	—	0.00	0.00	—	—	—
March 31, 2014 (forecast)		0.00	—	0.00	0.00		—	

## 3. Earnings Forecasts for the Fiscal Year ending March 31, 2014

LIFENET will not disclose earnings forecasts for fiscal year 2013, ending March 31, 2014.

## 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: Yes

With the coming change in standard interest rates in April of 2013, Lifenet has revised the calculation formula of policy reserves to an alternative calculation formula which we deemed to be more precise in estimating policy reserves. The usage of this formula was approved by the Financial Services Agency of Japan on January 25, 2013, with the calculations to be applied from December 31, 2012.

Due to this change in calculations, the provision for policy reserves decreased by 501 million yen, and ordinary loss and net loss both decreased by 501 million yen for fiscal 2012.

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

	As of March 31, 2013	As of March 31, 2012
Total shares outstanding	42,085,000 shares	42,057,000 shares
Number of treasury stock	—	—
	Year ended March 31, 2013	Year ended March 31, 2012
Average outstanding shares	42,073,737 shares	34,127,164 shares