

This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation. The notice in Japanese is also available on the Company's Investor Relations website at <http://ir.lifenet-seimei.co.jp/ja/>.

(Securities Code: 7157)

May 29, 2018

To Our Shareholders:

Daisuke Iwase
President and Representative Director
LIFENET INSURANCE COMPANY
2-14-2 Kojimachi, Kojimachi NK Building
Chiyoda-Ku, Tokyo 102-0083

Notice of Convocation of the 12th Annual General Meeting of Shareholders to be held on June 24, 2018

Notice is hereby given that the 12th Annual General Meeting of Shareholders (the "Meeting") of LIFENET INSURANCE COMPANY (the "Company") will be held as described hereunder. You are cordially invited to attend the Meeting. If you are unable to attend the Meeting, please review the attached documents and exercise your voting rights in writing or via the Internet*¹ no later than 5:30 p.m. on Friday, June 22, 2018, Japan time.

Description

1. Date and time: Sunday, June 24, 2018 at 2:00 p.m., Japan time
2. Place: Nikkei Hall, 3F Nikkei Building, 1-3-7 Otemachi, Chiyoda-ku, Tokyo, Japan
3. Objectives of the Meeting:

Matter to be reported

Reports on the Business Report and Non-consolidated Financial Statements for the 12th Accounting Period (from April 1, 2017 to March 31, 2018)

Matters to be resolved

Proposal 1: Election of Ten (10) Directors

Proposal 2: Revision to Amount of Remuneration for Directors

*1. Trust management bank or other nominal shareholders may use the electronic voting platform for institutional investors operated by ICJ, Inc. subject to prior request for the use of that.

REFERENCE MATERIAL FOR THE MEETING

Proposal 1: Election of Ten (10) Directors

As the term of office for the current nine (9) Directors will expire at the conclusion of the Meeting, the election of ten (10) Directors is proposed. The Board of Directors nominated the candidates following the deliberations at the Nomination and Compensation Committee.

The candidates for Directors are as follows:

No.	Name			Current Position
1	Daisuke Iwase	Reelected		President and Representative Director
2	Ryosuke Mori	Reelected		Director, Executive Officer, General Manager of Sales & Marketing Division
3	Masayuki Nishida	Reelected		Director, Executive Vice President, Executive Officer, General Manager of Corporate Administration Division
4	Hitoshi Hatta	Reelected		Executive Managing Director, Executive Officer, Chief Compliance Officer
5	Masanori Sakasai	Newly elected		-
6	Yasuhiro Koba	Reelected		Director, Executive Officer, General Manager of Corporate Strategy Division
7	Eiko Shinotsuka	Reelected	Outside	Outside Director
8	Masanobu Takatani	Reelected	Outside	Outside Director
9	Yutaka Mizukoshi	Reelected	Outside	Outside Director
10	Tomohiko Katsuki	Reelected	Outside	Outside Director

No.
1

Daisuke Iwase (Date of birth: March 17, 1976 Age 42) Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 1998	Joined The Boston Consulting Group
December 2001	Joined Ripplewood Japan
October 2006	Director, Executive Vice President, Lifenet Insurance Company
February 2009	Executive Vice President and Representative Director
July 2011	Executive Vice President and Representative Director, Executive Officer
June 2013	President & COO and Representative Director, Executive Officer
September 2013	Director, Kyobo Lifeplanet Life Insurance Company (Korea)
June 2016	President and Representative Director, Lifenet Insurance Company (incumbent)

<Number of Company Shares Owned> 18,700

Reason for nomination

After founding the Company in October 2006, Daisuke Iwase served as Executive Vice President and President and Representative Director, contributed for the Company's initial public offering on TSE Mothers, coordinated business alliances with other industries, and achieved growth for the Company. The Company proposes the reelection of Daisuke Iwase as Director for drawing on his extensive experience and knowledge and executing his duties appropriately.

No.
2

Ryosuke Mori (Date of birth: March 10, 1984 Age 34) Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 2007	Joined Goldman Sachs Japan Co., Ltd.
September 2012	Joined Lifenet Insurance Company
May 2013	Head of Corporate Planning Department
January 2016	Executive Officer, General Manager of Corporate Strategy Division
April 2017	Executive Officer, General Manager of Sales & Marketing Division
June 2017	Director, Executive Officer, General Manager of Sales & Marketing Division (incumbent)

<Number of Company Shares Owned> 4,400

Reason for nomination

Ryosuke Mori has primarily engaged in corporate planning, business management, and contributed for sales performance growth since April 2017, leading Sales and Marketing Division at the Company. The Company proposes the reelection of Ryosuke Mori as Director for demonstrating strong leadership in each area of operations, and for executing his duties appropriately such as pursuing the Company's business strategies aimed at growth as Director since June 2017.

No.
3

Masayuki Nishida (Date of birth: June 4, 1963 Age 54) Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 1987	Joined Sanyo Securities Company Ltd.
July 2000	Director of Business Development, Strategic Alliance and Marketing & Communication, Frank Russel Japan, Ltd. (currently Russel Investments Japan Ltd.)
September 2004	Director of Client Services, Mercer Human Resource Consulting Ltd. (currently Mercer Japan Ltd.)
June 2006	Member of Board, Director of Client Services Representative
February 2013	Member of Board, Director & COO
June 2015	Director, Executive Vice President, Executive Officer, Lifenet Insurance Company
January 2016	Director, Executive Vice President, Executive Officer, General Manager of Sales & Marketing Division
April 2017	Director, Executive Vice President, Executive Officer, General Manager of Corporate Administration Division (incumbent)

<Number of Company Shares Owned> 12,000

Reason for nomination

Utilizing his experience and accomplishments achieved at a human resource consulting company, Masayuki Nishida has primarily overseen sales and marketing and personnel affairs operations as Director and Executive Vice President of the Company since June 2015, and pursues the Company's business strategies aimed at growth and strength of our management foundation. The Company proposes the reelection of Masayuki Nishida as Director for drawing on his extensive experience and knowledge and executing his duties appropriately.

No.
4

Hitoshi Hatta

(Date of birth: March 21, 1955 Age 63) Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 1980	Joined Ministry of Finance Japan
May 1995	Director of General, JETRO Zurich
August 2005	Director, Planning Division, Planning and Coordination Bureau, Financial Services Agency of Japan
July 2007	Director, Supervisory Coordination Division, Supervisory Bureau
July 2008	Director-General, Fukuoka Local Finance Branch Bureau, Ministry of Finance
August 2010	Director-General, Ministry of Health, Labour and Welfare
July 2013	Director-General, Yokohama Customs, Ministry of Finance
October 2014	Director-General, The Financial Futures Association of Japan
May 2016	Corporate Advisor, Lifenet Insurance Company
June 2016	Executive Managing Director, Executive Officer, Chief Compliance Officer (incumbent)

<Number of Company Shares Owned> 4,600

Reason for nomination

Hitoshi Hatta has served as Executive Managing Director at the Company since June 2016 in light of his experience and accomplishments gained at the Ministry of Finance and the Financial Services Agency. He utilizes his extensive knowledge and experience pertaining to all aspects of life insurance business in his current position as Chief Compliance Officer. The Company proposes the reelection of Hitoshi Hatta as Director for drawing on his extensive experience and knowledge and executing his duties appropriately.

No.
5

Masanori Sakasai (Date of birth: April 25, 1965 Age 53) New



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 1988	Joined The Dai-ichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Company, Limited)
October 2002	Joined Towers, Perrin, Forster & Crosby, Inc. (currently TOWARDS WATSON K.K.)
July 2006	Joined The Gibraltar Life Insurance Co., Ltd.
July 2009	Executive Officer, Chief Actuary
June 2015	Director and Executive Officer, Chief Actuary

<Number of Company Shares Owned> None

Reason for nomination

Masanori Sakasai has served for many years as an actuary, and has extensive knowledge and experience pertaining to life insurance business operations. On the basis of his achievements in managing a life insurance company including his experience as Director at such company, the Company proposes the election of Masanori Sakasai for a new Director.

No.
6

Yasuhiro Koba (Date of birth: April 9, 1979 Age 39) Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 2002	Joined Ministry of Health, Labour and Welfare
September 2010	Joined Lifenet Insurance Company
October 2013	Head of Legal Department
June 2015	Executive Officer, Chief Compliance Officer
January 2016	Executive Officer, General Manager of Corporate Administration Division, Chief Compliance Officer
June 2016	Executive Officer, General Manager of Corporate Administration Division, Head of Legal Department
April 2017	Executive Officer, General Manager of Corporate Strategy Division
June 2017	Director, Executive Officer, General Manager of Corporate Strategy Division (incumbent)

<Number of Company Shares Owned> 4,100

Reason for nomination

Yasuhiro Koba has primarily engaged in operations including legal affairs, risk management, personnel and general affairs, corporate planning and business management, and has extensive knowledge and experience pertaining to life insurance business operations. The Company proposes the reelection of Yasuhiro Koba as Director since he has been engaged in corporate management and executed his duties appropriately as Director of the Company since June 2017.

No.
7

Eiko Shinotsuka (Date of birth: May 1, 1942 Age 76) Outside Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 1965	Joined Japan Center for Economic Research
April 1993	Professor, Faculty of Human Life and Environmental Sciences, Ochanomizu University
April 1998	Member of the Policy Board, Bank of Japan
April 2001	Visiting Researcher, Japan Center for Economic Research (incumbent)
July 2005	Outside Audit & Supervisory Board Member, SUMITOMO LIFE INSURANCE COMPANY
March 2008	Professor Emeritus, Ochanomizu University (incumbent)
April 2010	Commissioner, National Personnel Authority
May 2013	Executive Advisor
June 2015	Outside Director, Japan Securities Finance Co., Ltd. (incumbent)
	Outside Audit & Supervisory Board Member, Komatsu Ltd. (incumbent)
April 2016	Part-time Auditor, Shimane University (incumbent)
June 2016	Outside Director, Lifenet Insurance Company (incumbent)

<Number of Company Shares Owned> 300

Reason for nomination

The Company proposes the reelection of Eiko Shinotsuka since, although she has never been directly engaged in company management, she has rich experiences and a wealth of expertise in economics, labour and laws as several public officers.

No.
8

Masanobu Takatani (Date of birth: May 2, 1951 Age 67) Outside Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 1976	Joined The Norinchukin Bank
July 2001	General Manager, Fixed Income Investment Division
July 2003	General Manager, Financial Planning & Control Division
June 2004	Managing Director
June 2007	Senior Managing Director
June 2010	President and Representative Director, Norinchukin Zenkyoren Asset Management Co., Ltd.
June 2016	Outside Director, Lifenet Insurance Company (incumbent)

<Number of Company Shares Owned> 300

Reason for nomination

The Company proposes the reelection of Masanobu Takatani since he has rich experiences and a wealth of expertise in corporate management of financial institutions.

No.
9

Yutaka Mizukoshi (Date of birth: August 29, 1956 Age 61) Outside Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

April 1980	Joined NIPPON STEEL CORPORATION
May 2004	Senior Vice President, The Boston Consulting Group
January 2005	Japan Co-chair
January 2016	Senior Partner and Managing Director
June 2016	Outside Director, Lifenet Insurance Company (incumbent)
	Outside Director, ASAGAMI CORPORATION (incumbent)
January 2018	Senior Advisor, The Boston Consulting Group (incumbent)

<Number of Company Shares Owned> None

Reason for nomination

The Company proposes the reelection of Yutaka Mizukoshi since he has rich experiences and a wealth of expertise in corporate management from his experience as a representative of a consulting firm.

No.
9

Tomohiko Katsuki (Date of birth: February 22, 1967 Age 51) Outside Reelect



Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet

March 1989	Joined DDI Corporation (currently KDDI CORPORATION)
April 2007	Deputy Director, Financial Business Department, Consumer Business Strategy Division
June 2008	Director, Jibun Bank Corporation
October 2013	Director, Smartphone Business Department, Advanced Business Development Division, KDDI CORPORATION
April 2014	Director, Business Strategy Department, Advanced Business Development Division
April 2015	General Manager, Financial and Commerce Business Division, Value Business Sector
June 2015	Outside Director, Lifenet Insurance Company (incumbent)
June 2016	Outside Director, au Insurance Company, Limited (incumbent)
January 2017	President, KDDI Reinsurance Corporation (incumbent)
April 2017	Deputy General Manager, Life Design Business Sector, KDDI CORPORATION
April 2018	General Manager, Financial and Commerce Division, Life Design Business Sector (incumbent)

<Number of Company Shares Owned> None

Reason for nomination

The Company proposes the reelection of Tomohiko Katsuki since he has rich experiences and a wealth of expertise in advanced and financial businesses in KDDI CORPORATION.

- (Notes) 1. Tomohiko Katsuki is the President of KDDI Reinsurance Company, which has a reinsurance business agreement and transactions with the Company. There are no special interests between other candidates and the Company.
2. Daisuke Iwase will assume the position of Group Chief Digital Officer at AIA Group Limited (Hong Kong) on July 1, 2018.
3. Yutaka Mizukoshi will assume the position of External Director at CAPCOM CO., LTD. on June 11, 2018.
4. Eiko Shinotsuka, Masanobu Takatani, Yutaka Mizukoshi and Tomohiko Katsuki are candidates for Outside Directors of the Company under the provision of Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. The matters regarding candidates for Outside Directors are as follows:
- (1) The Company has entered into agreements, with each outside director, that stipulate that, in the event that an outside director in his/her tenure of office neglects his/her duties resulting in damages incurred to the Company, his/her liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act will be limited, if the relevant Outside Director is without knowledge and is not grossly negligent in performing his/her duties; provided, however, such amount shall be limited to the extent of the amount stipulated in Article 425, Paragraph 1 of the Companies Act.
 - (2) Tomohiko Katsuki is an executing person of the major business partner, KDDI CORPORATION, which the Company has important business partnership with.

- (3) Eiko Shinotsuka, Masanobu Takatani, Yutaka Mizukoshi and Tomohiko Katsuki are incumbent Outside Directors of the Company. The term of office of Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi will be two years and the term of office of Tomohiko Katsuki will be three years upon conclusion of the Meeting.
- (4) The Company has notified the Tokyo Stock Exchange of our designation of Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi as independent Directors under the regulations of the exchange because there is no chance of conflicts of interest arising between each candidate and general shareholders. In the event that they are reelected, the Company will designate of Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi as such.

(Reference) Nomination Policy of Candidates for Directors

To enhance the independence, objectivity, and accountability of the Board of Directors functions pertaining to the nomination of Directors and officer remuneration, the Company has voluntarily established a Nomination and Compensation Committee. The Nomination and Compensation Committee comprises three Independent Outside Directors and the Representative Directors. The nomination policy of candidates for Director is established by the Board of Directors following the deliberations at the Nomination and Compensation Committee. The policy is as follows.

1. With regard to candidates for Internal Directors, following the deliberations at the Nomination and Compensation Committee, the Board of Directors shall nominate the candidates who fulfill the following particulars.
 - Individuals with knowledge and experience to carry out business management in appropriate, fair and efficient manner.
 - Individuals who have sufficient social credibility.
2. With regard to candidates for Outside Directors, following the deliberations at the Nomination and Compensation Committee, the Board of Directors shall nominate the candidates who fulfill the following particulars in principle.
 - Individuals with high level of expertise and rich experience in the specialty field such as corporate management, risk management, compliance, finance, economics, accounting and financial affairs and marketing, as well as adequate accomplishments in the specialty field.
 - Individuals with the qualities necessary for providing advices on management policies and improvements from the viewpoints of promoting sustainable growth of the Company and aiming for the medium- and long-term enhancement of corporate value based on their insight.
 - With regard to “Independent Outside Directors,” individuals without any risk of conflict of interest with general shareholders. In this case, the existence of the risk of conflict of interest with general shareholders shall be judged in accordance with the following criteria.

3. Independence Criteria for Outside Directors

The Company deems that any Outside Directors or candidates for Outside Directors that fall under any of the following items do not possess independence from the Company as Independent Outside Directors.

- (1) Executing person of the Company;
- (2) Person whose major business partner is the Company or the executing person of the same;
- (3) Major business partner of the Company or the executing person of the same;
- (4) Executing person of the Company where executing person of the Company serves as officer;
- (5) Major shareholder of the Company holding either directly or indirectly 10% or more of total number of the voting rights of the Company or the executing person of the same;
- (6) Person providing professional services such as consultant, professionals in accounting or law who receives from the Company a large amount of money or other property other than officer remuneration;
- (7) Person who has fallen under (1) above during any period in the past ten years;
- (8) Person who has fallen under any of (2) to (7) above during any period in the past three years; or
- (9) Close relative of the person who falls under any of (1) to (8) above (excluding the one who is not important).

Proposal 2: Revision to Amount of Remuneration for Directors

The current amount of remuneration for Directors was approved to be no more than 160 million yen (including no more than 30 million yen for Outside Directors) per year at the 9th Annual General Meeting of Shareholders on June 21, 2015, and has been valid to date. The Company obtained approval to abolish the remuneration limit for Outside Directors (30 million yen) at the 11th Annual General Meeting of Shareholders on June 25, 2017.

The Company proposes to increase the amount of remuneration for Directors to no more than 180 million yen to increase the number of Directors to enhance the management foundation for further growth. The amount of remuneration for Directors does not include salaries paid as the employee portion for Directors who also work as employees the same as before.

The number of Directors will be ten (10) (including four (4) Outside Directors) if the Proposal 1 is approved as proposed.

(Attached)

BUSINESS REPORT

1 Business results

Condition of policies-in-force

Annualized premium*¹ of new business for fiscal 2017 was 1,714 million yen (125.9% of fiscal 2016). Sum insured of new business was 184,857 million yen (116.3% of fiscal 2016). The number of new business was 39,175 (131.7% of fiscal 2016).

Annualized premium*¹ of policies-in-force as of March 31, 2018 stands at 11,147 million yen (110.5% of March 31, 2017). Sum insured of policies-in-force was 2,059,703 million yen (104.7% of March 31, 2017). The number of policies-in-force resulted in a total of 263,847 (110.0% of March 31, 2017), exceeding 260,000 in February 2018. The number of policyholders was 169,532. Surrender and lapse ratio*² for fiscal 2017 was 5.9% (6.6% for fiscal 2016).

*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 fiscal 2017 increased to 10,616 million yen (108.2% of fiscal 2016) due to an increase in the number of policies-in-force. Investment income was 317 million yen (146.4% of fiscal 2016). Other ordinary income was 28 million yen. As a result, ordinary income for fiscal 2017 amounted to 10,962 million yen (108.6% of fiscal 2016).

Insurance claims and other was 1,891 million yen (105.3% of fiscal 2016). The ratio of insurance payment amounts to insurance premiums decreased to 15.0% for fiscal 2017, compared with 16.0% for fiscal 2016. Provision for policy reserves and other came to 3,684 million yen (101.3% of fiscal 2016). The ratio of provision for policy reserves to insurance premiums was 34.2% for fiscal 2017, compared with 37.8% for fiscal 2016. Operating expenses amounted to 4,942 million yen (122.1% of fiscal 2016). The components of operating expenses were 2,627 million yen in marketing expenses including advertising (144.2% of fiscal 2016), 687 million yen in customer service expenses (120.6% of fiscal 2016), and 1,628 million yen in system and other expenses (98.4% of fiscal 2016). Other ordinary expenses was 613 million yen (23.2% of fiscal 2016) since the amortization of deferred assets under Article 113 of the Insurance Business Act is no longer recorded by the one-time amortization in fiscal 2016. Consequently, ordinary expenses for fiscal 2017 totaled 11,160 million yen (92.0% of fiscal 2016).

As a result, ordinary loss totaled 197 million yen for fiscal 2017, compared with 2,031 million yen for fiscal 2016. Net loss was 249 million yen, compared with 1,889 million yen for fiscal 2016.

In addition, fundamental profit, which is one of the indicators for the profitability of life insurance companies, amounted to 120 million yen loss, compared with 1,936 million yen

loss for fiscal 2016 mainly due to the one-time amortization of the deferred assets in fiscal 2016. The components of fundamental profit were 2,623 million yen in mortality margin, 2,752 million yen loss in expense margin and 8 million yen in interest margin.

Assets, liabilities and net assets

Total assets as of March 31, 2018 amounted to 35,541 million yen (31,934 million yen as of March 31, 2017). The major account balance was 28,303 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Lifenet is holding shares of Advance Create Co., Ltd., an insurance sales agent for maintaining equity and business partnerships while selling shares of Kyobo Lifeplanet Life Insurance Company in March 2018, which is an online life insurer jointly established with Kyobo Life Insurance Co., Ltd. in Korea.

Liabilities amounted to 22,153 million yen as of March 31, 2018 (18,288 million yen as of March 31, 2017), owing to an increase in policy reserves as a result of the increased insurance premiums. The major account balances were 20,757 million yen in policy reserves (including 1,519 million yen in contingency reserves), and 429 million yen in reserves for outstanding claims. Our current policy reserves by 5-year Zillmer's method will be transferred to standard policy reserves from fiscal 2018 through fiscal 2022. The difference between current policy reserves and standard policy reserves is 1,648 million yen, to be enhanced over 5 fiscal years.

Net assets decreased to 13,387 million yen as of March 31, 2018 (13,645 million yen as of March 31, 2017) due to the recording of net loss for fiscal 2017.

Solvency margin ratio as of March 31, 2018 was 2,455.8% (2,723.0% as of March 31, 2017), which indicated that an adequate level of payment capacity was maintained.

2 Challenges

Mid and long term business strategy and challenges

Lifenet formulated the Mid-term Business Plan through fiscal 2018 as follows, aiming to achieve its stable growth in the future.

Summary of Mid-term Business Plan

FY2018 Management Goal	13.5 billion yen in ordinary income Positive profitability of ordinary profit (loss)
Business Strategy	<ol style="list-style-type: none"> 1. The pillars of business: “Online direct sales”, “KDDI (exclusive alliance agent)” and “Over-the-counter agent” 2. Continuous creation of unique sales point in all channels 3. Commitment to business development for future growth
Organizational Strategy	Change, Challenge and Unity
Risk Management Area	Sophisticate systems for risk management and customer protection that support business strategy

In fiscal 2016, the first year of Mid-term Business Plan, new business performance returned to growth, exceeding the performance of the previous fiscal year for the first time in five fiscal years. As a result of sales channel diversification and proactive allocation of marketing expenses, the number of new business have continued to exceed year on year since the launch of Cancer Insurance *Double Yell* in August 2017 and new business performance is growing strongly.

However, the target for ordinary income 13.5 billion yen set forth in the Management Goal of Mid-term Business Plan, is not expected to be achieved in fiscal 2018, since sales operation efficiency of online direct sales channel has not been improved as expected and we have not fully utilized KDDI and other agency channels as planned.

Despite this situation, considering our favorable performance in fiscal 2016 and 2017, Lifenet recognizes that we are in a phase of regrowth and aim to continue to improve the business performance steadily also in fiscal 2018 by enhancing sales channels and allocating marketing expenses.

Aiming to achieve its stable growth in the future and to create unique customer value, Lifenet promotes its initiatives for the following issues to be addressed based on its principle of “offering simple, convenient and competitively priced products and services based on the highest levels of business integrity.”

(1) Further growth of new business performance with three channels

Lifenet aims to further grow in new business performance by reinforcing a foundation that

will allow for achieving sustainable profitability through the utilization of three channels.

First, in the online direct sales channel we will be further expanding sales of Lifenet products such as *Double Yell*, Cancer Insurance launched in August 2017, by actively allocating marketing expenses. In addition, by strengthening our website for better accommodation of smartphone users and providing information to customers based on their characteristics, we will be able to increase applicant numbers, and ultimately gain new businesses. Furthermore, considering that Lifenet has been primarily supported by, and seen growth in, child-raising generations— customers aged 20 to 49 comprise 85% of our policyholder base, we will be leveraging the expertise and technologies that we have developed over 10 years since business commencement to reach the younger generations as we work to strengthen our approach to the working and child-raising generations again.

For the KDDI channel, in April 2018 we added *au Cancer Insurance* as a new product to the product line of the *au Life Insurance* fully launched in December 2016, and KDDI and Lifenet are currently working together to boost the products' recognition and expand their sales. While repeating trial and error, we are aiming at cultivating new sales channels through continued trial marketing at au shops. Furthermore, the au Financial Support Center, a call center of the KDDI, is working to improve customers satisfaction as we focus on sales of life insurance products for KDDI's wide-ranging customer platform. The au Financial Support Center is highly evaluated, given the highest rating of three stars in the HDI Rating Benchmark hosted by HDI-Japan in March 2018 for the life insurance industry's "Contact Center" category. We will continue to plan the development of new products leveraging KDDI channel features.

Finally, for the agency channel, we will enhance sales structure to provide our products, Long-term Disability *Hataraku-Hito 2* in particular, to a greater number of customers by expanding over-the-counter agents. Although the competition in the long-term disability insurance market is getting intense, we are promoting our product sales, utilizing our advantage of expertise as a pioneer to sell for individuals and external high evaluation. For Internet agents, we will aim to increase the number of new business through online agencies by making the features and technologies of online insurer while taking measures that include considering new ways to provide insurance together with the agents.

(2) Expanding and improving products and services through the use of technologies

Lifenet has established its future direction that support the lives of customers beyond providing life insurance products with using a range of technologies. First, we improve the policy continuation ratio through means such as developing a smartphone application for our policyholders by striving to communicate in such a way that policyholders can feel familiar with and appreciate the convenience of Lifenet services, even after becoming a policyholder, while working to build relationship of trust with them over long term. We will then promote research and development, which includes developing new insurance products and new ways to provide those products. This will involve analyzing healthcare and other data and considering use of technologies highly useful for selling life insurance. Along with continuing to search for ways to use technologies in order to accommodate an

increasingly competitive environment, we will again commit ourselves to offering products and services with convenience for the customers.

(3) Continuous improvement of operating expenses efficiency

With the goal of achieving low-cost business operations, Lifenet continuously strives to improve its operating expenses efficiency. In order to further improve in new business performance in fiscal 2018, we plan to conduct aggressive sales activities with a primary focus on advertising. On the other hand, we will aim at improving sales efficiency by securing new inflow channels other than TV commercials in addition to improving efficiency and optimizing regarding investing advertising expenses in the online direct sales channel. We will also focus on improving sales operations efficiency in our agency channel including KDDI, using each agency's customer base and brand power to provide Lifenet products to more customers. Along with these efforts, we will review our business processes throughout the company and put effort into developing human resource in order to improve each employee's productivity and enhance operating expenses efficiency.

In order to realize the stated above plan, we continue to challenge to meet the needs of the times and customers. By means of taking a solid implementation of the strategy, we will aim to achieve its stable growth in the future.

3 Others

Dividend policy

Lifenet has yet to determine its specific dividend policies and dates for the start of distributing retained earnings as dividends because we still record cumulative loss. Lifenet will consider paying dividends in the future.

Lifenet's Articles of Incorporation stipulates that a decision on the distribution of retained earnings as specified in each Item of Paragraph 1, Article 459 of the Companies Act can be made by a resolution of the Board of Directors, except as otherwise determined by law.

NON-CONSOLIDATED FINANCIAL STATEMENTS

1 Balance Sheets

	(In millions of yen)
	March 31, 2018
ASSETS	
Cash and deposits	926
Bank deposits	926
Monetary claims bought	1,999
Money held in trust	2,567
Securities	28,303
Government bonds	8,398
Municipal bonds	1,505
Corporate bonds	13,892
Stocks	346
Other securities	4,161
Tangible fixed assets	109
Buildings	18
Leased assets	40
Other tangible fixed assets	50
Intangible fixed assets	621
Software	465
Software in progress	138
Leased assets	17
Other intangible fixed assets	0
Agency accounts receivable	4
Reinsurance accounts receivable	45
Other assets	964
Accounts receivable	802
Prepaid expenses	50
Accrued income	36
Deposits	73
Suspense payments	1
Total assets	35,541

(In millions of yen)

March 31, 2018

LIABILITIES

Policy reserves and other	21,186
Reserves for outstanding claims	429
Policy reserves	20,757
Agency accounts payable	59
Reinsurance accounts payable	108
Other liabilities	581
Income taxes payable	23
Accounts payable	45
Accrued expenses	427
Deposits received	13
Lease liabilities	33
Asset retirement obligations	33
Suspense receipt	5
Reserves under the special laws	30
Reserve for price fluctuations	30
Deferred tax liabilities	186
Total liabilities	<u>22,153</u>
<u>NET ASSETS</u>	
Capital stock	12,136
Capital surplus	12,136
Legal capital surplus	12,136
Retained earnings	(11,365)
Other retained earnings	(11,365)
Retained earnings brought forward	(11,365)
Shareholders' equity	<u>12,907</u>
Valuation difference on available-for-sale securities	<u>480</u>
Valuation and translation adjustments	<u>480</u>
Total net assets	<u>13,387</u>
Total liabilities and net assets	<u><u>35,541</u></u>

2 Statements of Operations

	(In millions of yen)
	Year ended
	March 31, 2018
Ordinary income.....	10,962
Insurance premiums and other	10,616
Premiums income	10,421
Reinsurance income	194
Investment income	317
Interest, dividends and other income	232
Interest from deposits	0
Interest and dividends from securities.....	232
Other interest and dividends.....	0
Gain on money held in trust.....	17
Gain on sales of securities	47
Gain on derivative financial instruments	19
Other ordinary income	28
Other.....	28
Ordinary expenses	11,160
Insurance claims and other.....	1,891
Insurance claims.....	978
Benefits	584
Other refunds	0
Reinsurance commissions	329
Provision for policy reserves and other.....	3,684
Provision for reserves for outstanding claims.....	117
Provision for policy reserves	3,567
Investment expenses	27
Interest expenses.....	0
Foreign exchange losses	26
Other investment expenses	0
Operating expenses.....	4,942
Other ordinary expenses.....	613
Taxes	355
Depreciation	254
Other.....	3
Ordinary profit (loss)	(197)
Extraordinary losses	11
Provision of reserves under the special laws	11
Provision of reserve for price fluctuations	11
Income (loss) before income taxes	(209)
Income taxes-current	39
Income taxes.....	39
Net income (loss)	(249)

3 Statements of Changes in Net Assets

	(In millions of yen)
	Year ended
	March 31, 2018
Shareholders' equity:	
Capital stock	
Capital stock	12,136
Changes of items during the period	—
Capital stock	12,136
Capital surplus	
Legal capital surplus	
Legal capital surplus	12,136
Changes of items during the period	—
Legal capital surplus	12,136
Total capital surplus	
Capital surplus	12,136
Changes of items during the period	—
Capital surplus	12,136
Retained earnings	
Other retained earnings	
Retained earnings brought forward	
Retained earnings brought forward	(11,116)
Total changes of items during the period	
Net income (loss)	(249)
Total changes of items during the period	(249)
Retained earnings brought forward	(11,365)
Total retained earnings	
Retained earnings	(11,116)
Changes of items during the period	
Net income (loss)	(249)
Total changes of items during the period	(249)
Retained earnings	(11,365)
Total shareholders' equity	
Shareholders' equity	13,157
Changes of items during the period	
Net income (loss)	(249)
Total changes of items during the period	(249)
Shareholders' equity	12,907

	(In millions of yen)
	Year ended
	March 31, 2018
Valuation and translation adjustments:	
Valuation difference on available-for-sale securities	
Valuation difference on available-for-sale securities	488
Changes of items during the period	
Net changes of items other than shareholders' equity.....	(8)
Total changes of items during the period	(8)
Valuation difference on available-for-sale securities	480
Total valuation and translation adjustments	
Total valuation and translation adjustments	488
Changes of items during the period	
Net changes of items other than shareholders' equity.....	(8)
Total changes of items during the period	(8)
Total valuation and translation adjustments	480
Net assets:	
Net assets	13,645
Changes of items during the period	
Net income (loss)	(249)
Net changes of items other than shareholders' equity.....	(8)
Total changes of items during the period.....	(257)
Net assets	13,387

###