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LIFENET INSURANCE COMPANY

(Securities Code: 7157, TSE Mothers)

Financial Results for 1Q of Fiscal 2017 Ending March 31, 2018 **The number of policies-in-force exceeded 240,000**

TOKYO, August 9, 2017 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Daisuke Iwase, URL: <http://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the first quarter of fiscal 2017 ending March 31, 2018.

1. Overview of the financial results for 1Q of fiscal 2017

(1) Business results

Condition of policies-in-force

Annualized premium^{*1} of new business in 1Q ended June 30, 2017 was 343 million yen (100.5% of 1Q of fiscal 2016). The number of new business was 7,793 (106.7% of 1Q of fiscal 2016). Annualized premium^{*1} of policies-in-force as of the end of 1Q of fiscal 2017 stands at 10,263 million yen (101.7% of March 31, 2017). The number of policies-in-force resulted in a total of 243,610 (101.6% of March 31, 2017). Surrender and lapse ratio^{*2} for 1Q of fiscal 2017 was 6.5% (7.0% for 1Q of 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 the 1Q of fiscal 2017 increased to 2,588 million yen (105.9% of 1Q of fiscal 2016) due to an increase in the number of policies-in-force. Investment income grew to 54 million yen (106.2% of 1Q of fiscal 2016). Other ordinary income was 9 million yen. As a result, ordinary income for 1Q of fiscal 2017 amounted to 2,651 million yen (102.2% of 1Q of fiscal 2016).

Insurance claims and other was 467 million yen (82.9% of 1Q of fiscal 2016). The ratio of insurance payment amounts to insurance premiums decreased to 15.7% for 1Q of fiscal 2017, compared with 21.5% for 1Q of fiscal 2016. Provision for policy reserves and other came to 912 million yen (100.1% of 1Q of fiscal 2016). The ratio of provision for policy reserves to insurance premiums was 34.9% for 1Q of fiscal 2017, compared with 38.8% for 1Q of fiscal 2016. Operating expenses amounted to 1,005 million yen (116.8% of 1Q of fiscal 2016). The components of operating expenses were 425 million yen in marketing expenses (125.4% of 1Q of fiscal 2016), 166 million yen in customer service expenses (123.9% of 1Q of fiscal 2016), and 413 million yen in system and other expenses (106.7% of 1Q of fiscal 2016). Other ordinary expenses was 128 million yen (33.6% of 1Q 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 the previous fiscal year. Consequently, ordinary expenses for 1Q of fiscal 2017 totaled 2,514 million yen (92.4% of 1Q of fiscal 2016).

As a result, ordinary profit totaled 136 million yen for 1Q of fiscal 2017, compared with 125 million yen loss for 1Q of fiscal 2016. Net profit was 109 million yen, compared with 124 million yen loss for 1Q of fiscal 2016.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 159 million yen, compared with 100 million yen loss for 1Q of fiscal 2016. The components of fundamental profit were 616 million yen in mortality margin, 454 million yen loss in expense margin and 2 million yen loss in interest margin.

(2) Financial condition

Assets, liabilities and net assets

Total assets as of June 30, 2017 amounted to 32,826 million yen (31,934 million yen as of March 31, 2017). The major account balance was 26,691 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 19,068 million yen as of June 30, 2017 (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 18,068 million yen in policy reserves (including 1,425 million yen in contingency reserves), and 345 million yen in reserves for outstanding claims.

Net assets increased to 13,757 million yen as of June 30, 2017 (13,645 million yen as of March 31, 2017) mainly due to the recording of net profit for 1Q of fiscal 2017.

The solvency margin ratio as of June 30, 2017 was 2,689.5% (2,723.0% as of March 31, 2017), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For 1Q of fiscal 2017, net cash provided by operating activities amounted to 902 million yen (758 million yen provided for 1Q of fiscal 2016) due to an increase in insurance premiums and other. Net cash used by investing activities amounted to 927 million yen (889 million yen used for 1Q of fiscal 2016) mainly due to acquisition of securities. Net cash used by financing activities amounted to 4 million yen (2 million yen used for 1Q of fiscal 2016).

Based on these activities described above, cash and cash equivalents as of June 30, 2017 totaled 2,974 million yen (3,004 million yen as of March 31, 2017).

(3) Business forecasts

The business forecasts for fiscal 2017 is as shown below. This will be disclosed ordinary income, ordinary profit (loss) and net income (loss).

	(In millions of yen)		
	Ordinary income	Ordinary profit (loss)	Net income (loss)
Business forecasts (Fiscal 2017)	11,000	(300)	(300)
(Reference) Results (Fiscal 2016)	10,096	(2,031) ^{*1}	(1,889) ^{*1}

^{*1} Amortization of the deferred assets under Article 113 of the Insurance Business Act was 2,120 million yen due to the one-time amortization in fiscal 2016. The ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act was 88 million yen.

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.

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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.

2. Non-consolidated Financial Statements

(1) Balance Sheets

	(In millions of yen)	
	March 31, 2017	June 30, 2017
ASSETS		
Cash and deposits	1,004	974
Monetary claims bought	1,999	1,999
Money held in trust	995	1,501
Securities	26,372	26,691
Government bonds	9,876	8,772
Municipal bonds	1,496	1,496
Corporate bonds	11,751	12,566
Stocks	334	337
Foreign securities	819	800
Other securities	2,095	2,717
Tangible fixed assets	123	114
Intangible fixed assets	502	534
Agency accounts receivable	1	1
Reinsurance accounts receivable	30	66
Other assets	904	941
Accounts receivable	742	761
Other	161	180
Total assets	<u>31,934</u>	<u>32,826</u>
LIABILITIES		
Policy reserves and other	17,501	18,414
Reserves for outstanding claims	311	345
Policy reserves	17,189	18,068
Agency accounts payable	39	32
Reinsurance accounts payable	68	73
Other liabilities	469	337
Reserves under the special laws	19	21
Reserve for price fluctuations	19	21
Deferred tax liabilities	189	190
Total liabilities	<u>18,288</u>	<u>19,068</u>
NET ASSETS		
Capital stock	12,136	12,136
Capital surplus	12,136	12,136
Retained earnings	(11,116)	(11,007)
Shareholders' equity	<u>13,157</u>	<u>13,266</u>
Valuation difference on available-for-sale securities	488	491
Valuation and translation adjustments	488	491
Total net assets	<u>13,645</u>	<u>13,757</u>
Total liabilities and net assets	<u>31,934</u>	<u>32,826</u>

(2) Statements of Operations

	(In millions of yen)	
	Three months ended June 30	
	2016	2017
Ordinary income.....	2,594	2,651
Insurance premiums and other	2,444	2,588
Premiums income	2,347	2,521
Reinsurance income.....	97	66
Investment income.....	51	54
Interest, dividends and other income.....	51	51
Gains on money held in trust.....	—	2
Other ordinary income	99	9
Reversal of reserves for outstanding claims.....	96	—
Other	2	9
Ordinary expenses	2,720	2,514
Insurance claims and other	564	467
Insurance claims	375	260
Benefits	130	134
Reinsurance commissions	59	73
Provision for policy reserves and other	911	912
Provision for reserves for outstanding claims	—	33
Provision for policy reserves	911	879
Investment expenses.....	0	0
Interest expenses	0	0
Losses on money held in trust	0	—
Operating expenses	861	1,005
Other ordinary expenses	382	128
Ordinary profit (loss)	(125)	136
Extraordinary losses	1	1
Provision of reserves under the special laws	1	1
Provision of reserve for price fluctuations	1	1
Income (loss) before income taxes	(126)	134
Income taxes-current	0	25
Income taxes-deferred.....	(3)	—
Income taxes.....	(2)	25
Net income (loss)	(124)	109

(3) Statements of Cash Flows

	(In millions of yen)	
	Three months ended June 30	
	2016	2017
Cash flows from operating activities		
Income (loss) before income taxes	(126)	134
Depreciation and amortization	58	59
Increase (decrease) in reserves for outstanding claims	(96)	33
Increase (decrease) in policy reserves	911	879
Increase (decrease) in reserve for price fluctuations	1	1
Interest, dividends and other income	(51)	(51)
Interest expenses	0	0
Decrease (increase) in agency accounts receivable	(0)	(0)
Decrease (increase) in reinsurance accounts receivable	(69)	(35)
Decrease (increase) in other assets <excluding assets for investing and financing activities> ...	251	(25)
Increase (decrease) in agency accounts payable	10	(6)
Increase (decrease) in reinsurance accounts payable	2	4
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities>	(146)	(136)
Other, net	0	(2)
Subtotal	745	853
Interest and dividends income received	87	52
Interest expenses paid	(0)	(0)
Income taxes paid	(73)	(3)
Net cash provided by (used in) operating activities	758	902
Cash flows from investing activities		
Purchase of money held in trust	—	(500)
Purchase of securities	(1,001)	(2,100)
Proceeds from sales and redemption of securities	200	1,770
Total of net cash provided by (used in) investment transactions ..	(801)	(830)
Total of net cash provided by (used in) operating activities and investment transactions ..	(42)	71
Purchase of tangible fixed assets	—	(8)
Purchase of intangible fixed assets	(87)	(88)
Net cash provided by (used in) investing activities	(889)	(927)
Cash flows from financing activities		
Repayments of lease obligations	(2)	(4)
Net cash provided by (used in) financing activities	(2)	(4)
Net increase (decrease) in cash and cash equivalents	(132)	(29)
Cash and cash equivalents, beginning of the year	2,734	3,004
Cash and cash equivalents, end of the period	2,601	2,974