



**Securities Code:7157**  
**TSE Mothers**



**LIFENET**

LIFENET INSURANCE COMPANY

# **Reference Data for First Quarter Fiscal 2017**

**LIFENET INSURANCE COMPANY**

**August 9, 2017**

# Contents

- 1. Progress of Mid-term Business Plan**
- 2. Results for 1Q of Fiscal 2017**

# Mid-term Business Plan

## ■ Summary of mid-term business plan

<b>FY2018 Management Goal</b>	<b>13.5 billion yen in ordinary income Positive profitability of ordinary profit (loss)</b>
<b>Business Strategy</b>	<b>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</b>
<b>Organization</b>	<b>Change, Challenge and Unity</b>

# To Achieve Mid-term Business Plan

- Aiming for **establishing system realizing sustainable profitability** in fiscal 2017

■ Achieve  
Management Goal

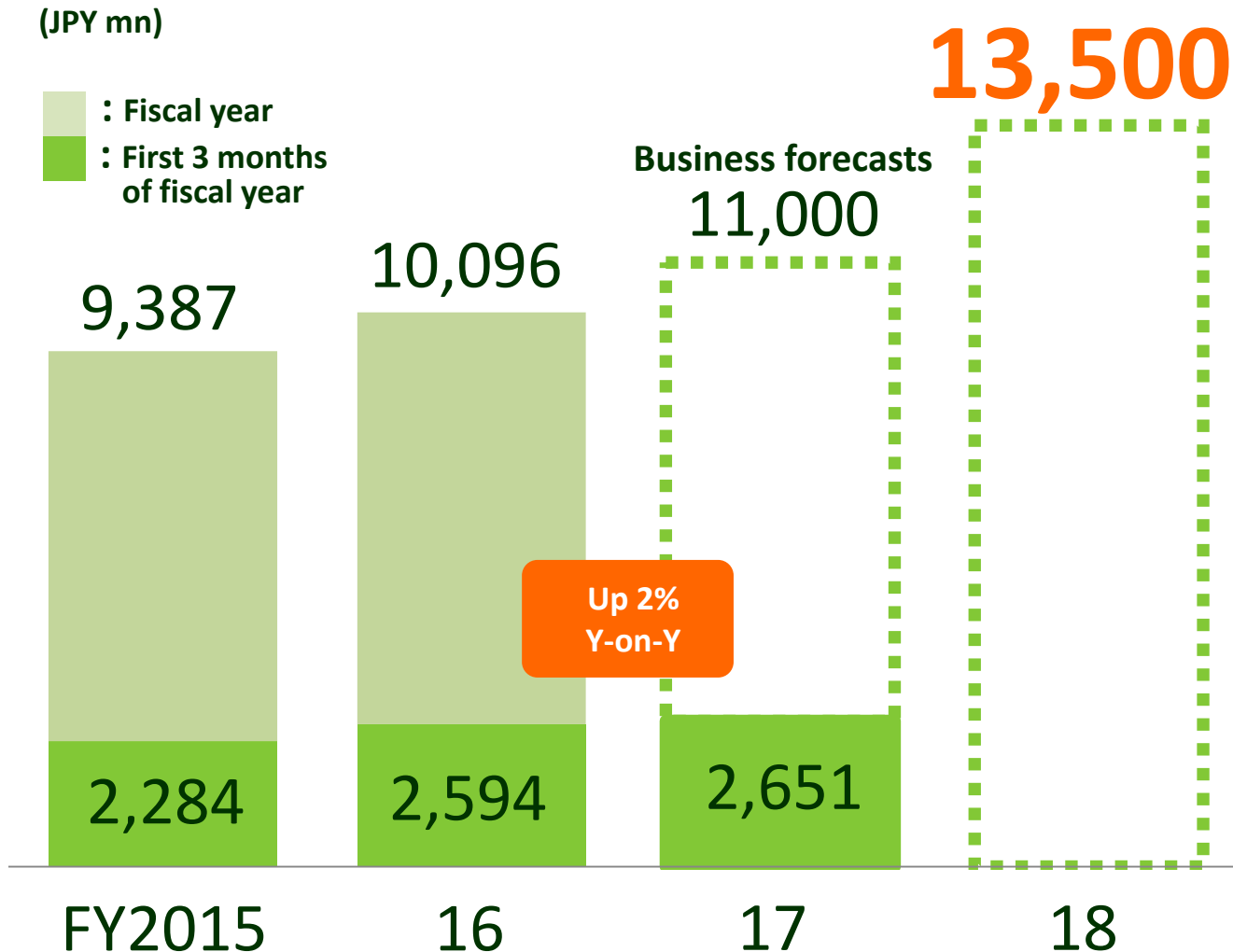
■ Return to  
growth in new  
business  
performance

■ Establish a system  
realizing sustainable  
profitability



# Progress of Mid-term Business Plan (Ordinary Income)

■ **102%** year on year



# Progress of Mid-term Business Plan (Ordinary Profit/Loss)



## ■ Aiming for **positive profitability<sup>1</sup>** of **ordinary profit (loss)** in fiscal 2018

(JPY mn)

	Results for FY2016	Business forecasts FY2017	Management Goal FY2018
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA	88	-	-
Amortization of deferred assets under Article 113 of IBA	2,120	-	-
Ordinary profit (loss)	(2,031) <sup>2</sup>	(300)	Turn profitable

1. Management indicator for Mid-term Business Plan before FY2016 is the ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act, the ordinary profit (loss) is after FY2017.
2. Amortization of the deferred assets under Article 113 of the Insurance Business Act was 2,120 million yen due to the one-time amortization.

# Contents

- 1. Progress of Mid-term Business Plan**
- 2. Results for 1Q of Fiscal 2017**

# Summary of 1Q for FY2017 Results

(JPY mn)

	2016/1Q	2017/1Q	Year on year
Ordinary income	2,594	2,651	102.2%
Operating expenses	861	1,005	116.8%
Ordinary profit (loss) <sup>1</sup>	139	136	98.0%
Net income (loss)	(124)	109	—
Mortality margin	549	616	112.3%
Annualized premium <sup>2</sup> of policies-in-force	9,551	10,263	107.5%
Number of policies-in-force	228,846	243,610	106.5%
Annualized premium <sup>2</sup> of new business	341	343	100.5%
Number of new business	7,307	7,793	106.7%

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act in 1Q for 2016

2. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.



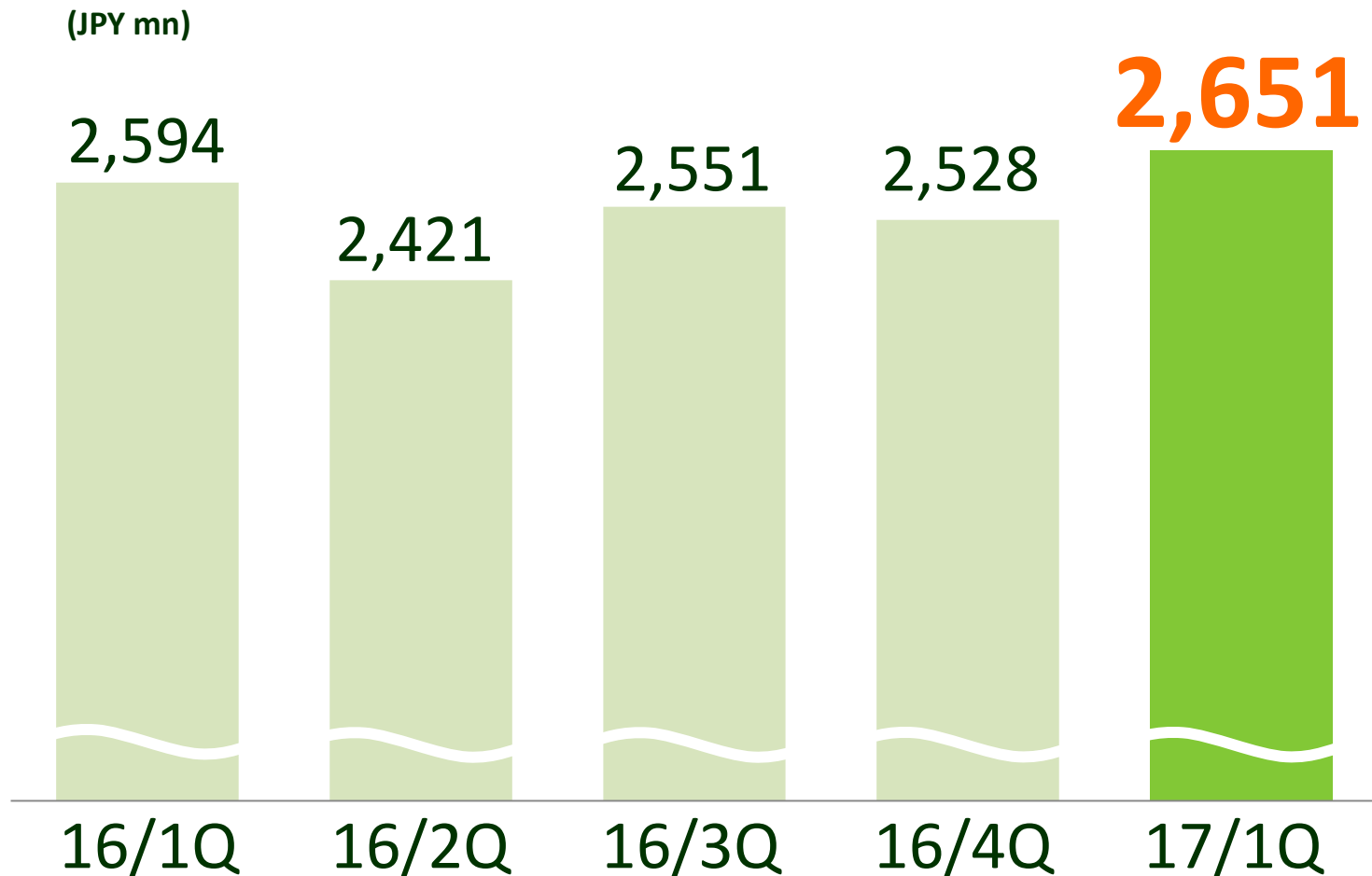
# Key Accomplishment in 1Q for FY2017



- 😊 Ordinary income **increased steadily Y-o-Y**
- 😊 New business performance **grew Y-o-Y**
- 😊 Ordinary profit was **recorded**
- 😊 Mortality margin was **steadily recorded**

# Ordinary Income (Quarterly)

- **Steadily increased** as insurance premiums and other increased



# Ordinary Income (Quarterly)

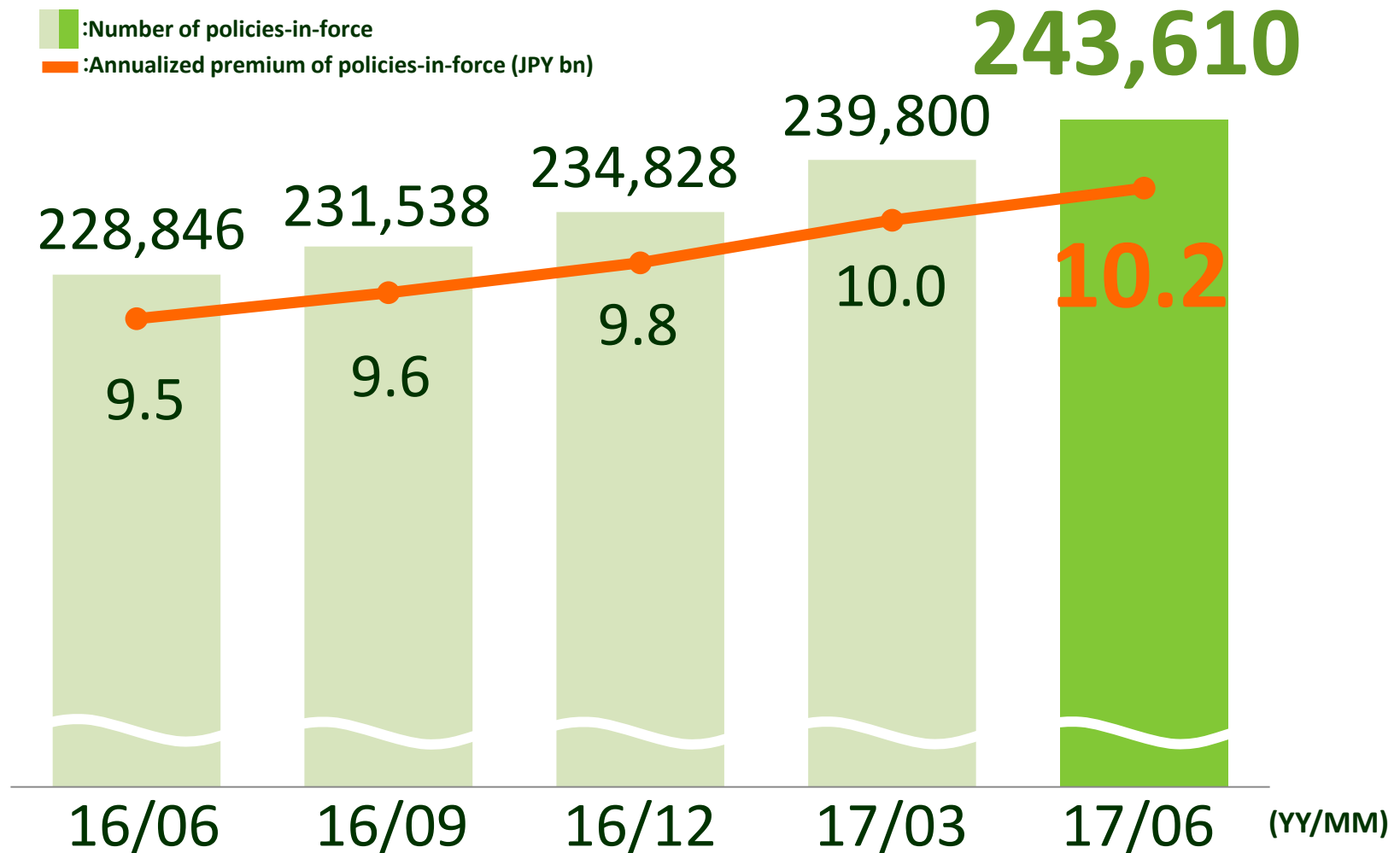
- **Steadily increased** as insurance premiums and other increased

(JPY mn)

	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q
Insurance premiums and other	2,444	2,413	2,463	2,494	<b>2,588</b>
Investment income	51	56	52	56	<b>54</b>
Reversal of reserves for outstanding claims	96	(53)	30	(27)	—
Other (excl. Reversal of reserves for outstanding claims)	2	4	5	5	<b>9</b>
<b>Ordinary Income</b>	<b>2,594</b>	<b>2,421</b>	<b>2,551</b>	<b>2,528</b>	<b>2,651</b>

# Number of Policies-in-force/ Annualized Premium (Quarterly)

■ In-force business and premium **steadily increased**



# Breakdown of Policies-in-force

**155,817** in-force policyholders (as of June 30)

(YY/MM)	16/06	17/06	Ratio
Number of policies-in-force	228,846	243,610	100.0%
- Term Life <sup>1</sup>	119,081	124,325	51.0%
- Whole-life Medical <sup>1</sup>	68,961	72,092	29.6%
- Term Medical Care <sup>1</sup>	10,955	10,299	4.2%
- Long-term Disability <sup>1</sup>	29,849	36,894	15.1%
Sum insured of policies-in-force <sup>2</sup> (JPY mn)	1,924,095	1,981,955	
Number of policyholders	143,123	155,817	
	16/1Q	17/1Q	
(Reference) Surrender and lapse ratio <sup>3</sup>	7.0%	6.5%	

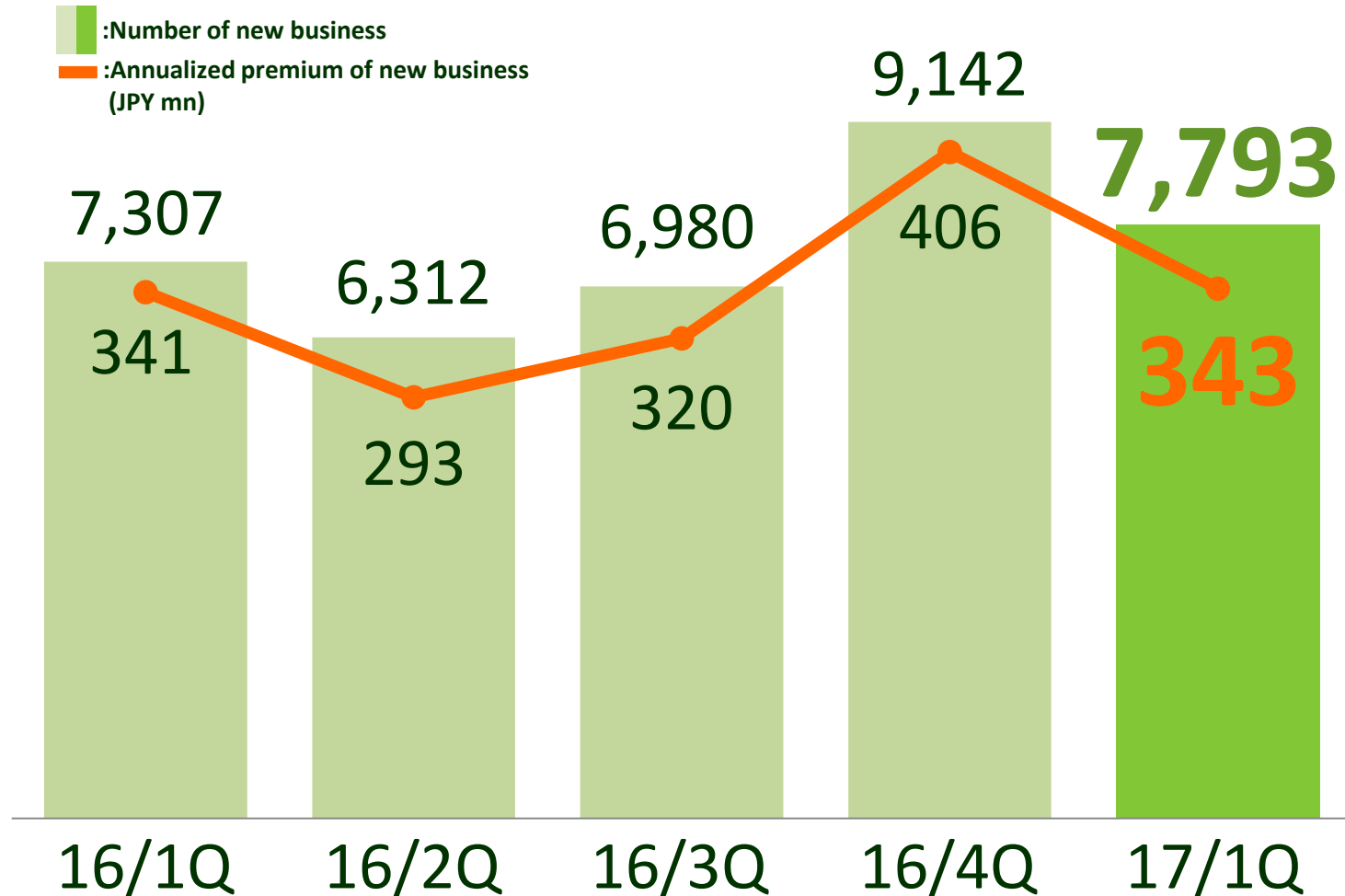
1. Term Life insurance: *Kazoku* and *au Term Insurance*, Whole-life Medical insurance: *Jibun*, *New Jibun*, *New Jibun for Women*, *au Medical Insurance* and *au Medical Insurance for Women*, Term Medical Care insurance: *Jibun Plus*, Long-term Disability insurance: *Hataraku-Hito*, *Hataraku-Hito 2* and *au Long-term Disability Insurance*.

2. Sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.

3. 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.

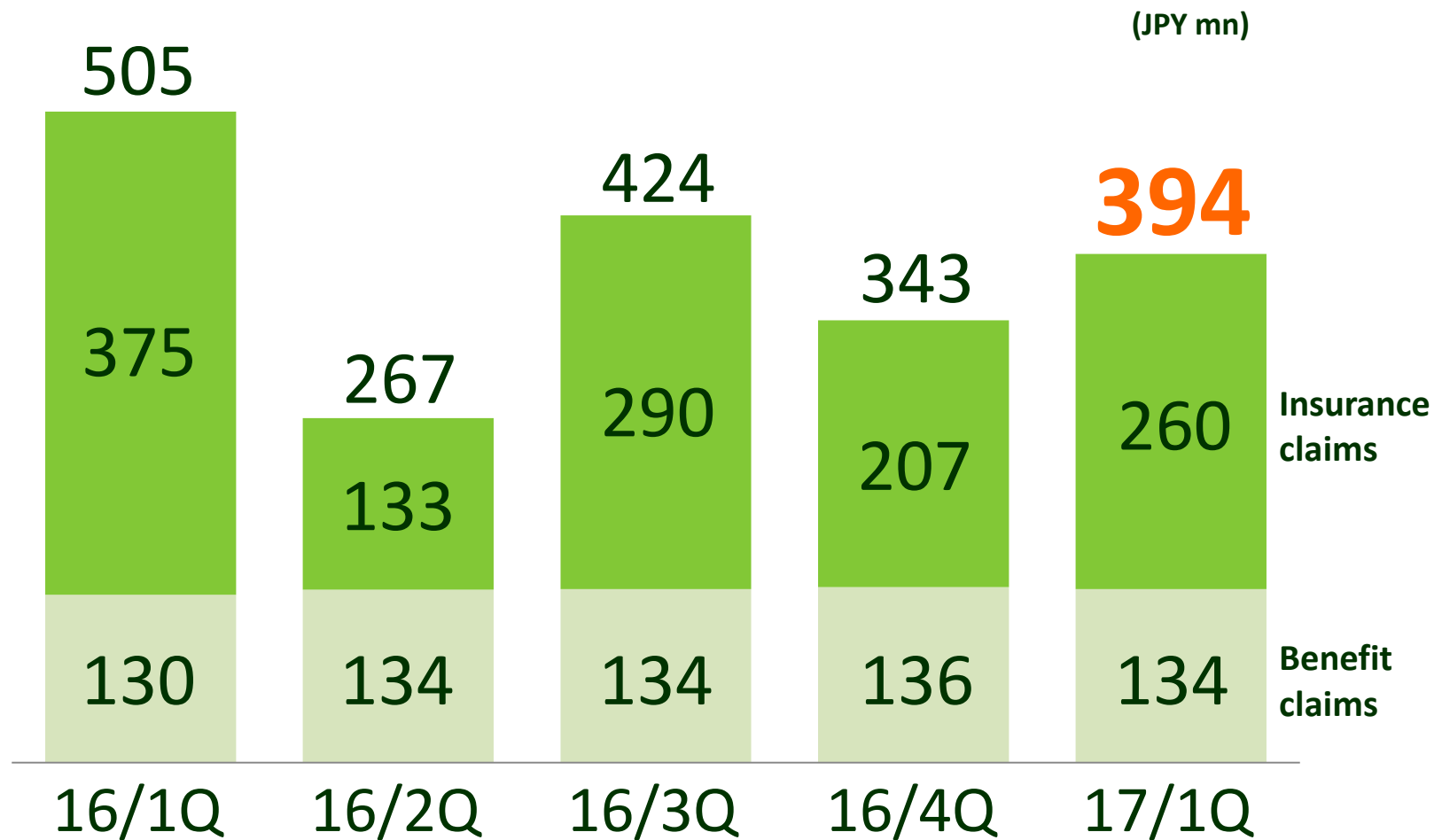
# Number of New Business/ Annualized Premium (Quarterly)

■ Number of new business exceeded 1Q for  
FY2016



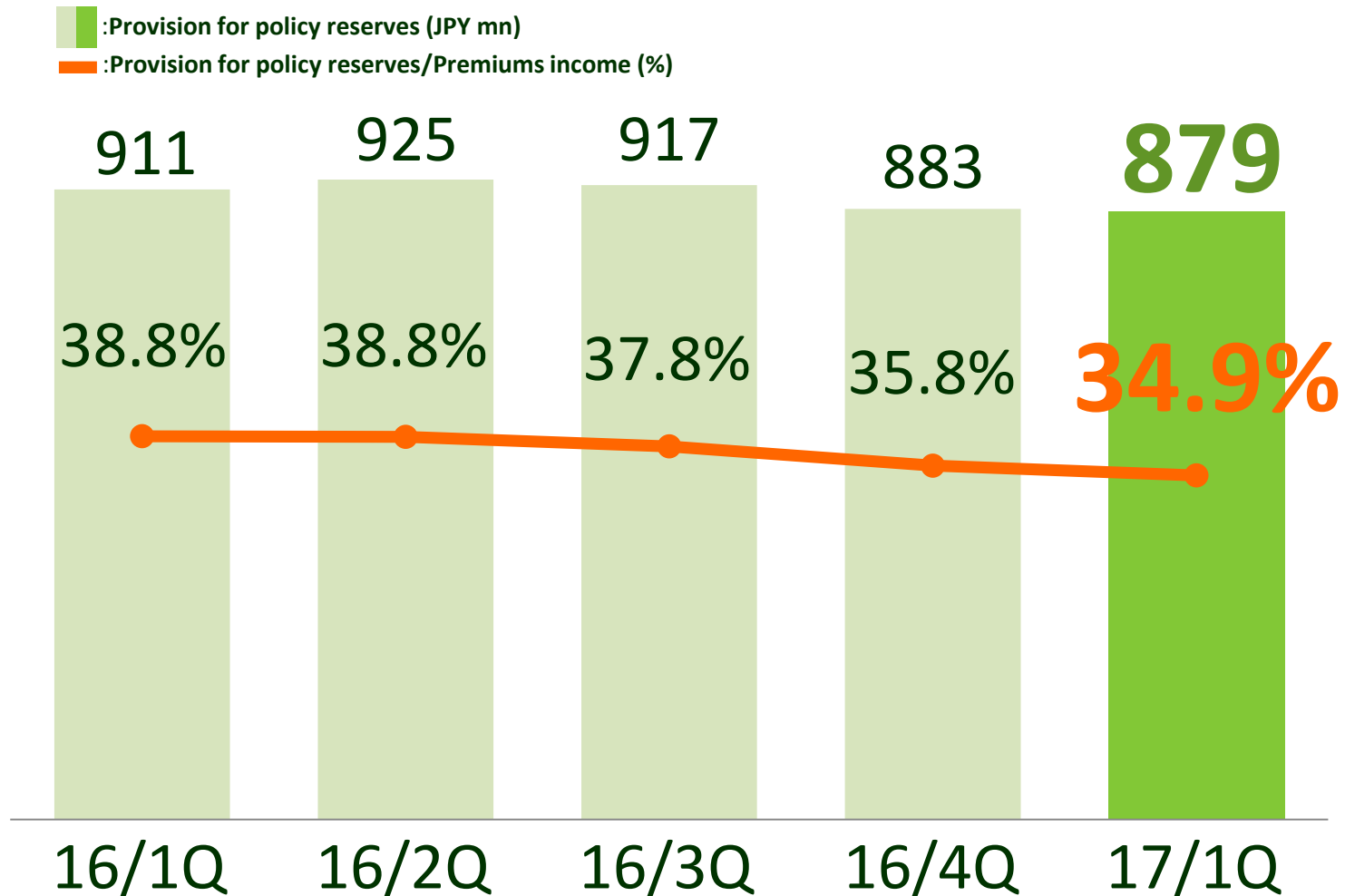
# Amount of Insurance Claims and Benefits (Quarterly)

■ Insurance claims totaled 18 payments, **down 5 payments** year on year



# Provision for Policy Reserves (Quarterly)

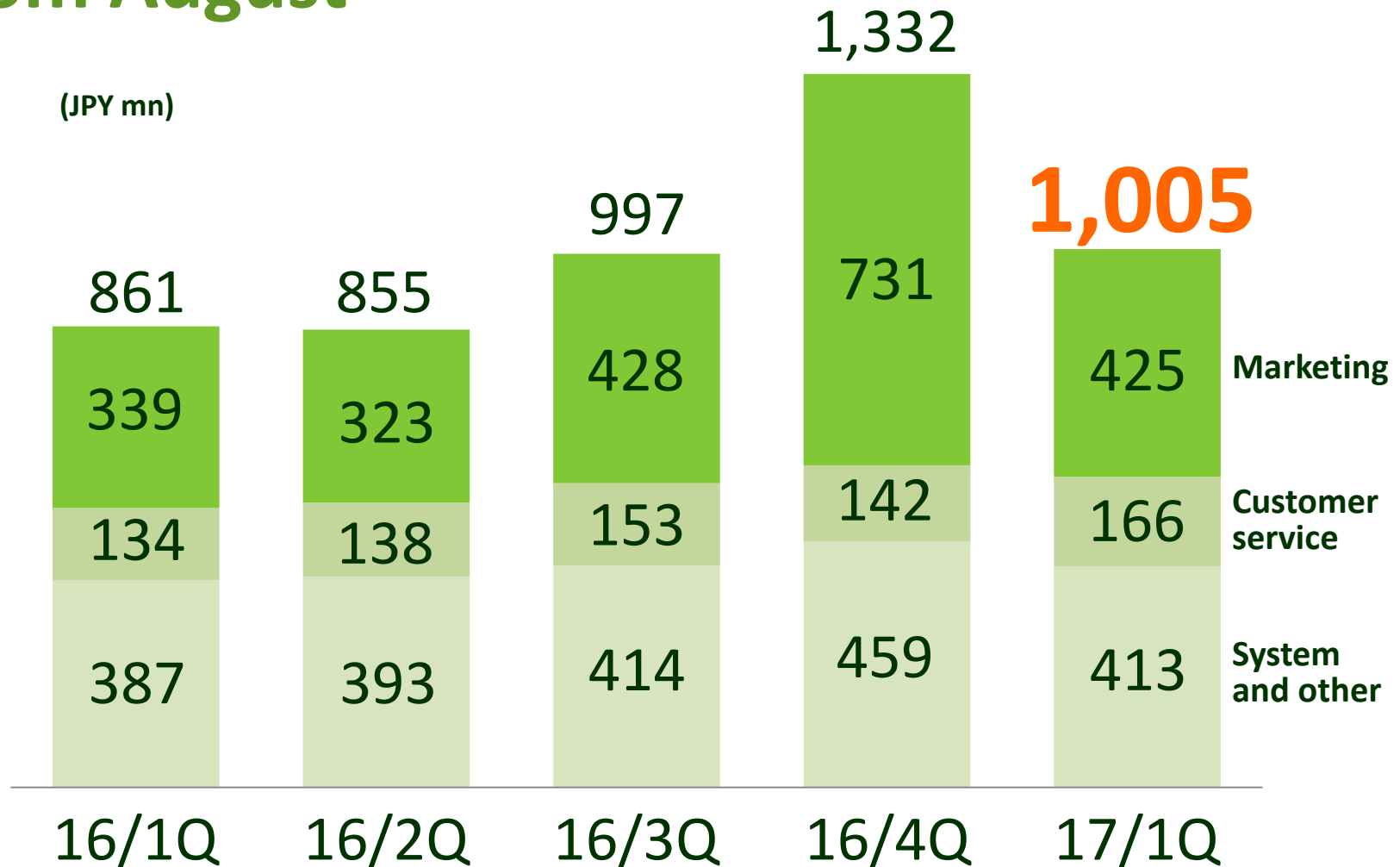
■ Decreased slightly due to performance of new business





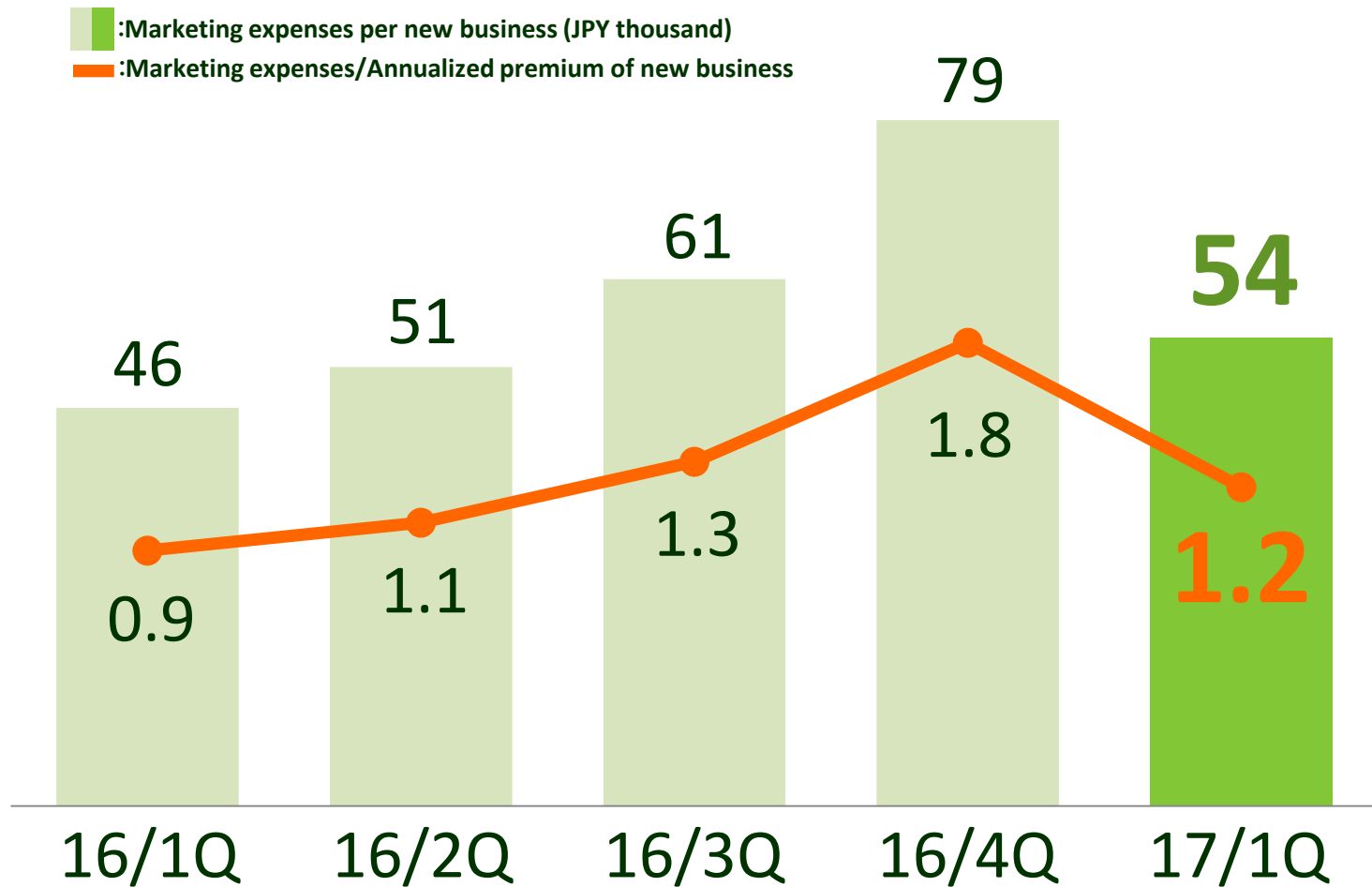
# Operating Expenses (Quarterly)

■ Plan to invest in **new product promotion** from August



# Marketing Expenses per New Business (Quarterly)

■ Declined year on year due to marketing expenses increase

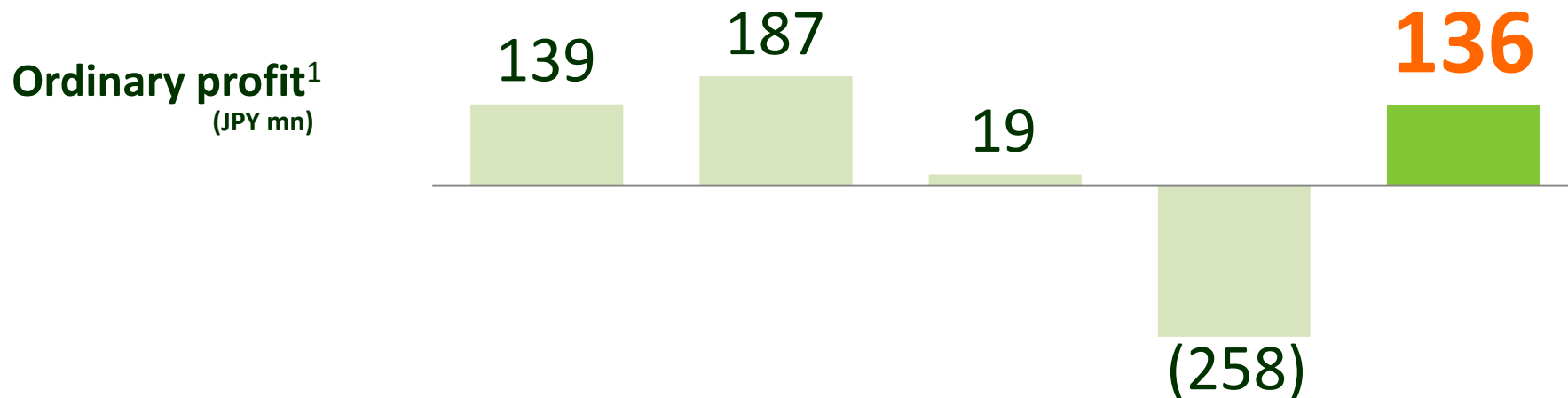


# Ordinary Profit/Loss (Quarterly)

## Ordinary profit (loss) and net income (loss) recorded **profitability**

(JPY mn)

	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q
Ordinary profit (loss) <sup>1</sup> before amortization of deferred assets under Article 113 of IBA	139	187	19	(258)	<b>136</b>
Amortization cost	(265)	(265)	(265)	(1,325) <sup>2</sup>	—
Ordinary profit (loss)	(125)	(77)	(245)	(1,584) <sup>2</sup>	<b>136</b>
Net income (loss)	(124)	(66)	(232)	(1,465)	<b>109</b>

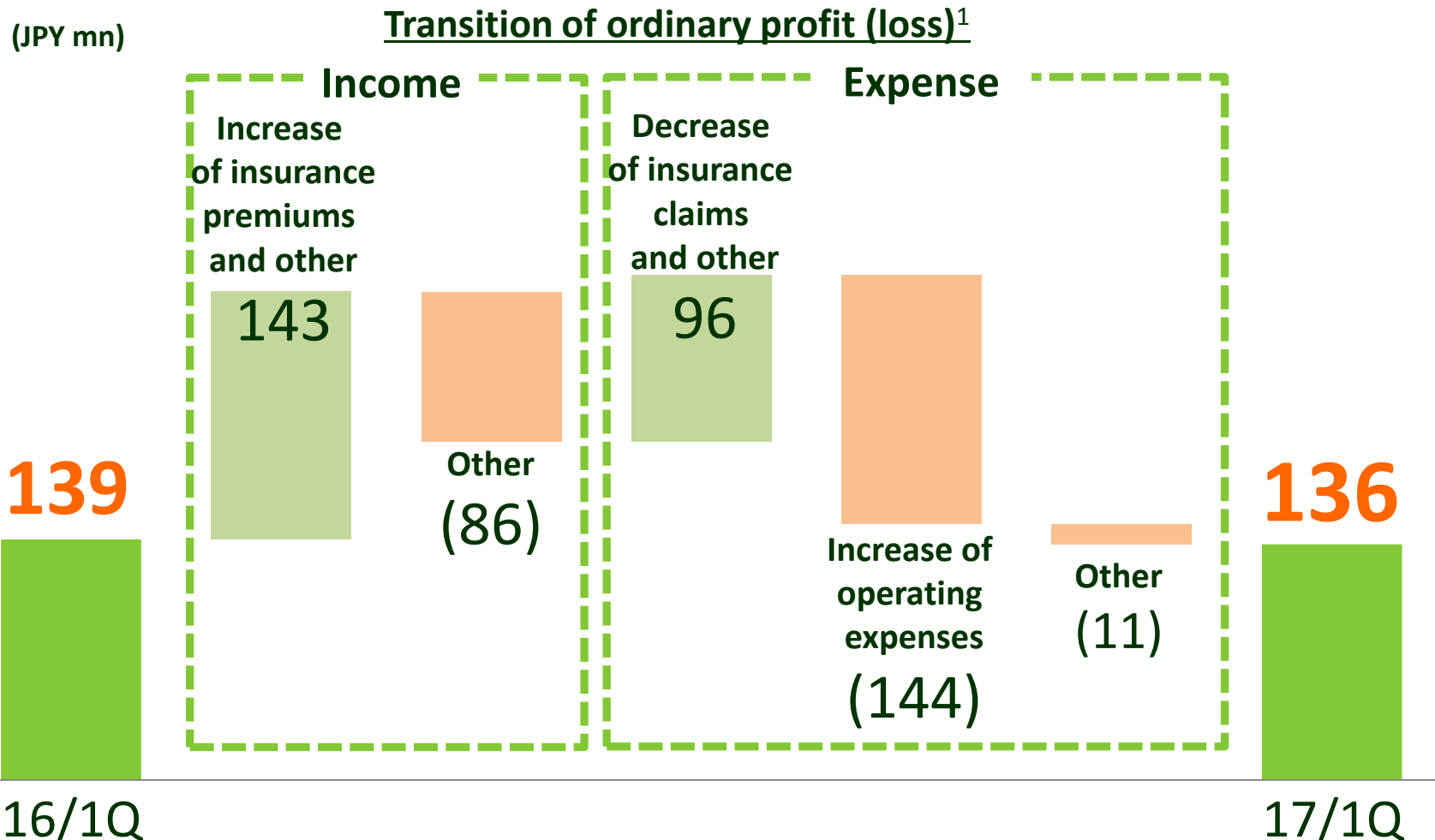


1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act for FY2016, the ordinary profit (loss) for FY2017

2. Amortization of the deferred assets under Article 113 of the Insurance Business Act was 1,325 million yen due to the one-time amortization.

# Structure Breakdown of Ordinary Profit/Loss<sup>1</sup>

■ **Slightly declined** due to increase of operating expenses



1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act for FY2016, the ordinary profit (loss) for FY2017

# Condensed Statements of Operation (Quarterly)

(JPY mn)

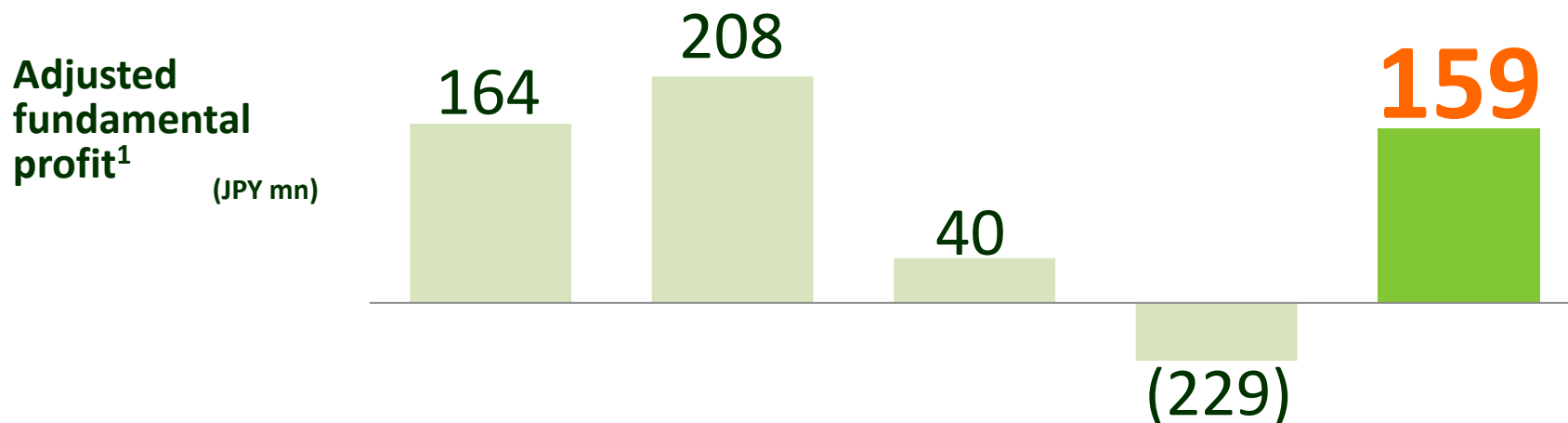
	16/1Q	17/1Q	Change
Insurance premiums and other	2,444	2,588	143
Other	150	63	(86)
Ordinary income	2,594	2,651	56
Insurance claims and other	564	467	(96)
Provision for policy reserves and other	911	912	0
Operating expenses	861	1,005	144
Other	117	128	10
Ordinary expenses	2,455	2,514	59
Ordinary profit (loss) before amortization of deferred assets under Article 113 of IBA <sup>1</sup>	139	136	(2)
Amortization of deferred assets under Article 113 of IBA	265	—	(265)
Ordinary profit (loss)	(125)	136	262
Extraordinary losses and income taxes	(1)	27	28
Net income (loss)	(124)	109	233

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act for FY2016, the ordinary profit (loss) for FY2017

# Fundamental Profit

## ■ Continuously recorded mortality margin

	(JPY mn)				
	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q
Mortality margin	549	589	552	601	<b>616</b>
Expense margin (loss)	(655)	(655)	(777)	(2,158)	<b>(454)</b>
Interest margin (loss)	5	8	1	2	<b>(2)</b>
Fundamental profit (loss)	(100)	(57)	(224)	(1,554)	<b>159</b>
(ref.) Insurance premiums and other	2,444	2,413	2,463	2,494	<b>2,588</b>



1. The Fundamental profit before amortization of deferred assets under Article 113 of the Insurance Business Act for FY2016, the fundamental profit for FY2017

# Financial Condition

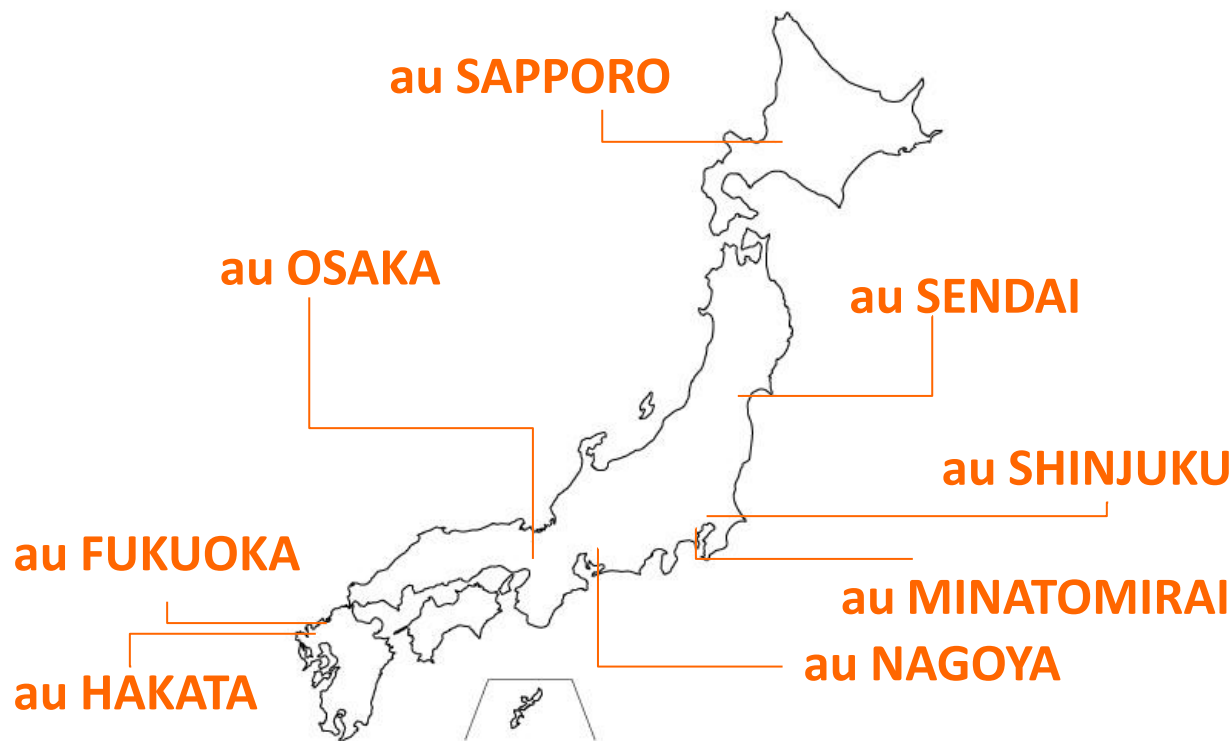
(JPY mn)	(YY/MM)	16/03	17/03	17/06
<b>Total assets</b>		<b>30,317</b>	<b>31,934</b>	<b>32,826</b>
Cash and deposits		734	1,004	974
Monetary claims bought		1,999	1,999	1,999
Money held in trust		1,035	995	1,501
Securities		23,067	26,372	26,691
Government bonds		10,102	9,876	8,772
Municipal bonds		1,521	1,496	1,496
Corporate bonds		10,428	11,751	12,566
Stocks <sup>1</sup>		211	334	337
Foreign securities <sup>2</sup>		804	819	800
Other securities <sup>3</sup>		-	2,095	2,717
<b>Total liabilities</b>		<b>14,893</b>	<b>18,288</b>	<b>19,068</b>
Policy reserves and other		13,908	17,501	18,414
<b>Total net assets</b>		<b>15,423</b>	<b>13,645</b>	<b>13,757</b>
<b>Solvency margin ratio</b>		<b>2,809%</b>	<b>2,723%</b>	<b>2,689%</b>

- Promote **diversification** in investment assets
- Modified duration **12.4 years**

1. Lifenet is holding shares of Advance Create Co., Ltd., its insurance sales agent, for the purpose of maintaining equity and business partnership.
2. Investment in Kyobo Lifeplanet Life Insurance Company in Korea
3. Investment trust including foreign bonds and stocks

# Utilization of au Shop Channel

- Started **trial sales** through some au shops among Japan



## 3 sales channels



Website



Follow-up call by au  
Financial Support Center



Sales at some  
au shops

New!

New!



## ■ Disclosed our policy based on Manifesto



### お客さま本位の 業務運営に関する方針

#### 1 お客さま本位の 業務運営を実践するための 「生命保険マニフェスト」

当社は、2008年5月の開業時に、「「生命保険はむずかしい」そう言われる時代は、もう、終りにさせたい」という思いを、「第1章 私たちの行動指針」、「第2章 生命保険を、もっと、わかりやすく」、「第3章 生命保険料を、安くする」、「第4章 生命保険を、もっと、手軽で便利に」の4章から構成される「ライフネットの生命保険マニフェスト」として定め、行動指針として業務を運営しています。

当社は、「ライフネットの生命保険マニフェスト」を行動指針にすることにより、お客さま本位の業務運営を実践できていることから、今後も、「ライフネットの生命保険マニフェスト」に基づいて、正直に経営し、わかりやすく、安くて便利な生命保険商品やサービスをお客さまに提供します。

#### 2 私たちの行動指針

当社は、「ライフネットの生命保険マニフェスト」の第1章において、「私たちの行動指針」を定めています。この中で、「一人一人のお客さまの、利益と利便性を最優先させる。」ことを宣言しており、お客さまと同じ生活者であることを忘れず、保険商品やサービスを提供します。また、お客さまとの取引の際に利益相反が生じないよう管理を行うとともに、保険商品の開発において、「自分たちの友人や家族に自信をもってすすめられる商品しか作らない、売らない」ことを指針とします。さらに、ウェブサイトやSNS等を活用して積極的な情報公開を行います。また、「個人情報保護をはじめとしてコンプライアンスを遵守」していきます。

#### 3 生命保険を、 もっと、わかりやすく

当社は、「ライフネットの生命保険マニフェスト」の第2章を「生命保険を、もっと、わかりやすく」として、複雑になりがちな保険商品をお客さまに理解していただくことを目指します。「簡単な商品構成とする」ことでお客さまの理解を促進する一方、ご自身で判断することが難しい場合は、コンタクトセンターや代理店を通じて、保険商品選びをサポートします。また、保険商品の選択において、「お客さまが冷静に合理的に判断できる」ように、必要な情報を積極的に開示します。

#### 4 生命保険料を、安くする

当社は、「ライフネットの生命保険マニフェスト」の第3章を「生命保険料を、安くする」として、業務運営の効率化により、お客さまの保険料を抑えていきます。お客さまの立場で、「生命保険料の支払いを少なくして、その分をお客さまの人生の楽しみに使える時代にしたい」という願いを持っています。

#### 5 生命保険を、 もっと、手軽で便利に

当社は、「ライフネットの生命保険マニフェスト」の第4章を「生命保険を、もっと、手軽で便利に」として、インターネットを始めとする、時代に合ったテクノロジーや考え方を積極的に採り入れることで、お客さまの保険に対する利便性を向上させます。また、保険金等のお支払いは、生命保険会社として最も重要な責務と認識し、正確に、遅滞なく実行することで、お客さまからの信頼を確保します。

#### 6 お客さま本位の業務運営を 継続するための取組み

当社は、「ライフネットの生命保険マニフェスト」が業務運営の基礎となることを強く認識するとともに、従業員に対しても教育等を通じて浸透を図るとともに、その行動を適切に評価できるような人事評価の整備を行い、継続的な実践に努めます。

ライフネット生命保険株式会社

# High Evaluation by Outsider

## ■ Term Life and Long-term Disability highly evaluated<sup>1</sup>

Term Life Kazoku and Long-term Disability Hataraku-Hito 2 ranked 1st in Kakaku.com Insurance Award 2017



定期保険

総 合

powered by Kakaku.com insurance



総 合

powered by Kakaku.com insurance

1. The most popular insurance products in each category from January through December 2016, receiving the highest number of applications of Kakaku.com Insurance, the sales agent company of insurance products.

# Insurance for Workers

## ■ **Cancer Insurance** as new product followed **Long-term Disability**

Approx. 60% of  
payment for cancer  
(actual)

Launched  
in Feb. 2010

Renewed  
in June 2016

**Long-term  
Disability**

**Cancer  
Insurance**

Launched  
in Aug. 2017

**Support working patients receiving treatment for cancer  
(75%<sup>1</sup> of cancer patients are working)**

# Launched Cancer Insurance in August

- Provides double support for **treatment while working**



**Lifenet Cancer Insurance  
Double Yell**

**+ Survivorship Support Services**

# Survivorship Support Services

- Introduce **necessary services** by partnering companies based on cancer survivors' voice

Appearance care



Housekeeping services



Support taxi



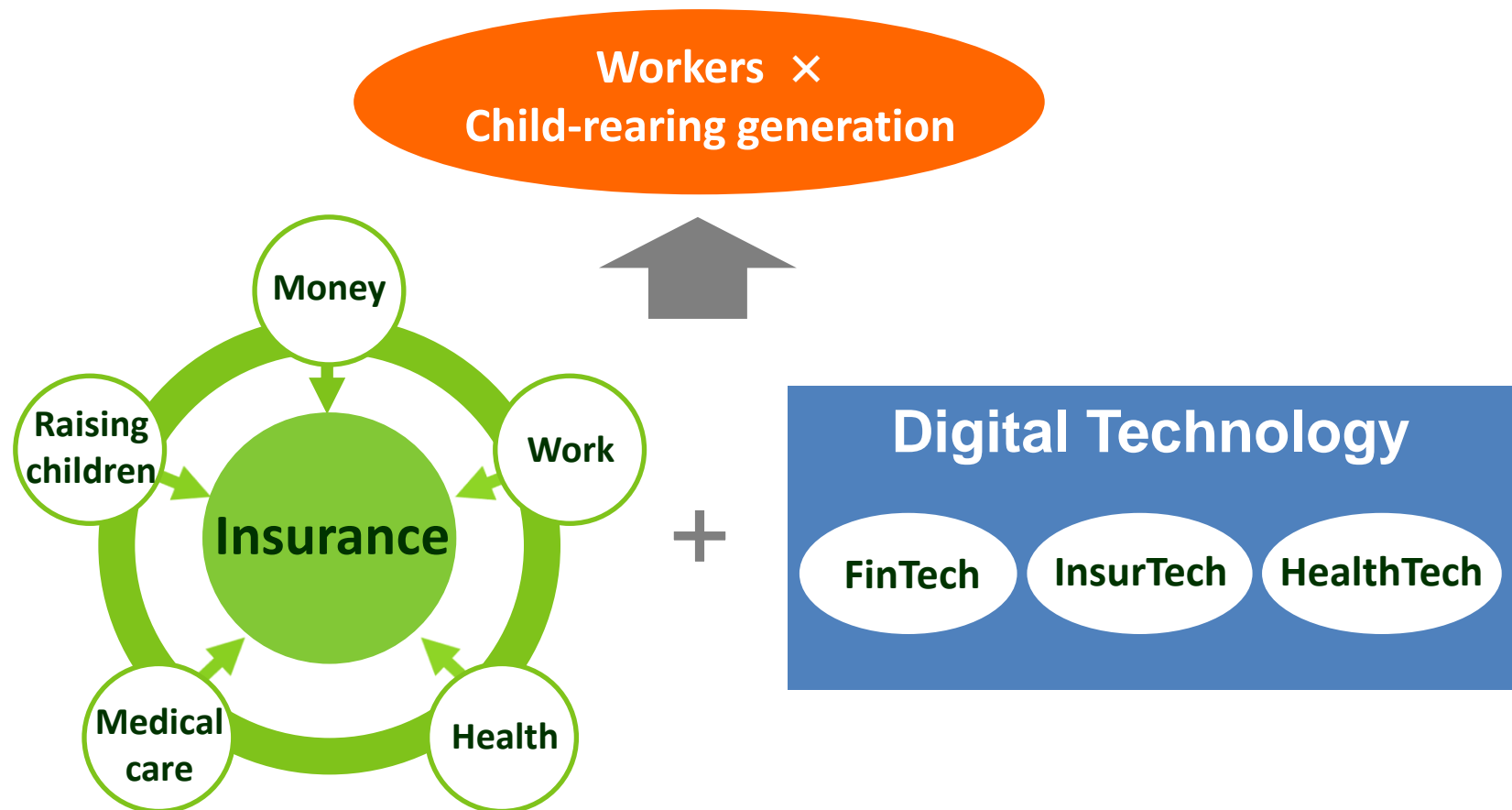
資生堂 ライフクオリティー ビューティーセンター  
SHISEIDO LIFE QUALITY BEAUTY CENTER



 日本交通株式会社

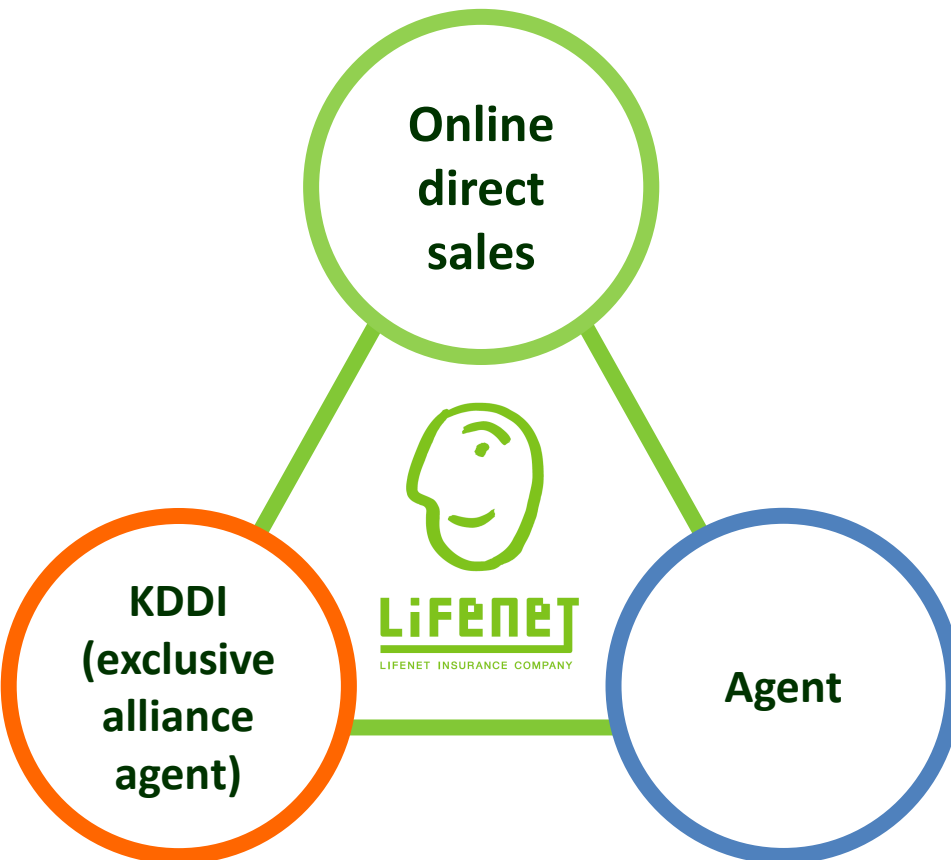
# Future Direction

- Support life of **workers × child-rearing generation** utilizing **technology**



# Utilization of Three Core Channels

- Aim for **steady growth** of new business performance



## Online direct sales

- **Improve services via smartphone** and promote **Cancer Insurance**

## KDDI (exclusive alliance agent)

- Utilize **au Financial Support Center** and **au shops**

## Agent

- Promote **Long-term Disability** and **Cancer Insurance** via over-the-counter agent

# Business Forecasts FY2017

## ■ Business forecasts disclosed in May 2017 remains unchanged

(JPY mn)

	Business forecasts for FY2017	(Reference) Results for FY2016
Ordinary income	11,000	10,096
Ordinary profit (loss)	(300)	(2,031) <sup>1</sup>
Net income (loss)	(300)	(1,889) <sup>1</sup>

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.



# LIFENET Manifesto



## I. Our Guiding Principles

- (1) We believe that our responsibility to society is to return life insurance to its original state. Life insurance is for the customers, not for the company. In order to achieve this goal, we will only offer products we can recommend with confidence.
- (2) We will be transparent. We will disclose information on our management, products and company as a whole on our website to actively communicate with customers and society.
- (3) We will be fair. We believe that our services will be more benevolent if the employees are free of any and all limitations they may feel in the work environment, and as such, we will not discriminate against education, gender, age, nationality, or familial situations.
- (4) We will adhere to laws protecting personal information and comply with laws, regulations, and other social standards. We pledge to be respectable global citizens, acting fairly and ethically.

## III. Life Insurance will be Cost-Competitive

- (1) We believe that no one should pay premiums that are more expensive than necessary, and will be innovative and creative in order to develop and maintain the most cost-competitive products possible.
- (2) We will handle every step of the process in providing good products to our customers; from the development of the products to the sales. This allows for us to maintain our cost-competitive prices.
- (3) Our products will be cost-competitive, but the content of the products and our services will not be sacrificed. All communication with customers will be conducted accurately and quickly, including claim processes.
- (4) Life insurance is a very expensive purchase, and life is also very expensive. We want for our customers to spend less on life insurance, and more on enjoying life.

## II. Life Insurance will be Comprehensive

- (1) Our products will be simple and comprehensible. There will not be complex policies with special provisions.
- (2) Life insurance is a financial product designed to mitigate risk, and we believe the customer should decide what products are necessary for them. As we feel it is critical for customers to be well informed of products and policies, we will make accessible any and all relevant information on our website for customers to make logical and rational decisions. The Customer Contact Center is also available for further clarifications and questions.
- (3) Our website will promote the understanding of not only our company's products, but of life insurance in general.
- (4) We will make life insurance products tangible via clearly written policies and comprehensible terms and conditions.

## IV. Life Insurance will be Convenient

- (1) We know our customers have very busy lives. That is why our customers can apply for our life insurance policies via the internet, 24 hours a day, 7 days a week.
- (2) Our documents require only a signature. There are no other typical official items required to verify personal identification.
- (3) Our definition of *surgery* is aligned with the national healthcare insurance point table, making the claim process much more convenient and comprehensible.
- (4) We have a proxy claim system, allowing for the third party designated by the claim holder to file a claim. The appointed proxy need simply to make a phone call to our contact center for necessary documents.

**This manifesto is not simply as a declaration. This is how we do things.  
Join us on our journey.**



All information on this document that is not historical fact constitutes forward-looking information and is based on assumptions and forecasts available to the company at the time of preparation. The company cannot guarantee the accuracy of these assumptions and forecasts. Earnings projections and other information on this may differ materially from actual performance due to various risks and uncertainties. This is a translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

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# Appendix

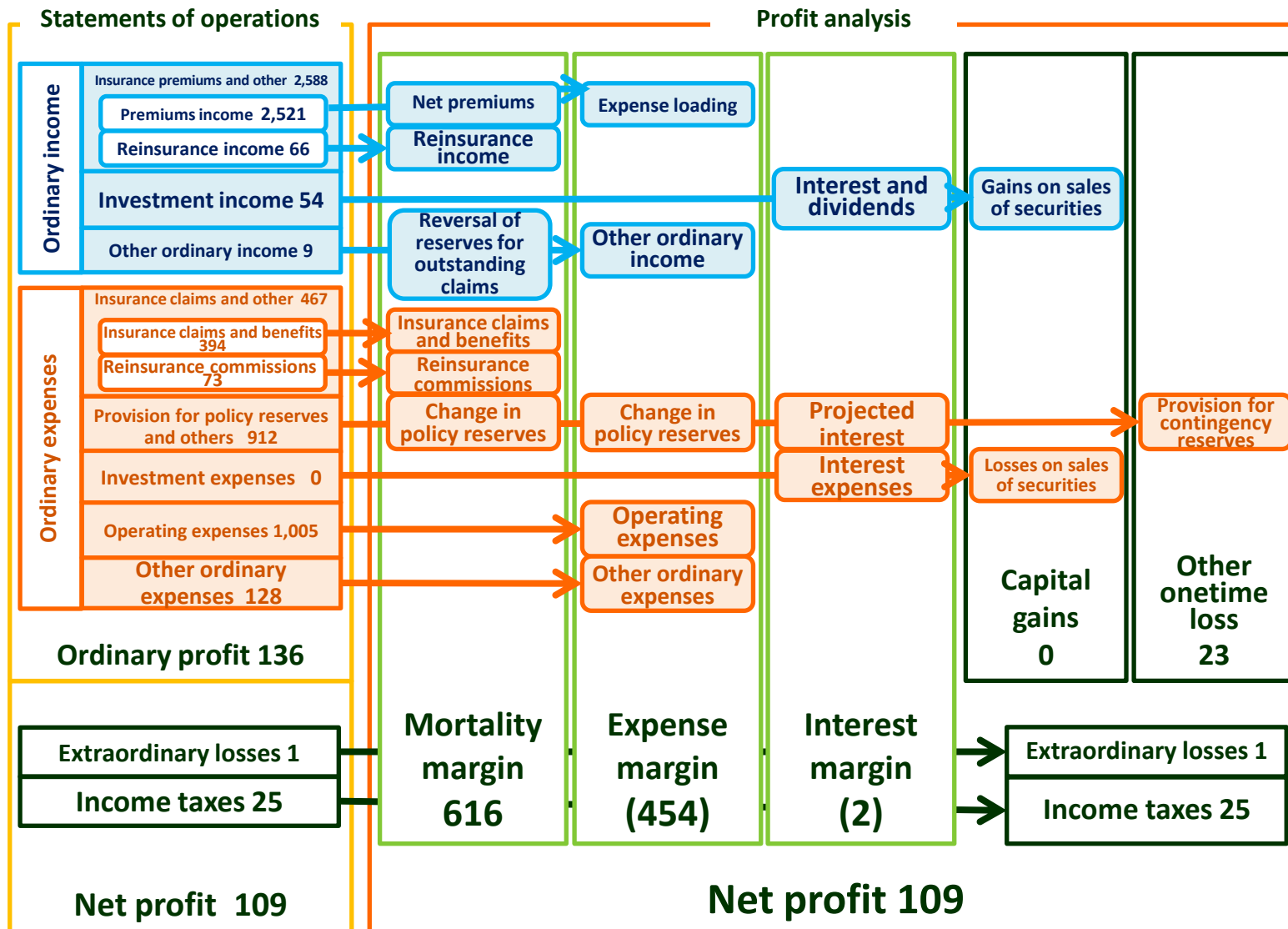


**LIFENET**

LIFENET INSURANCE COMPANY

# Three Surplus Factors of Fundamental Profit

1Q of FY2017



1. Some items with minimal amounts have been omitted.

# Solvency Margin Ratio Calculation

As of June 30, 2017

**Solvency margin ratio**  
2,689.5%

=

**Total amount of solvency margin**  
<numerator>  
20,610

÷

**Total amount of risk/2**  
< the denominator>  
1,532/2

$$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4 / 2$$

Cash and deposits 974	Other liabilities 442
Monetary claims bought 1,999	Reserves for outstanding claims 345
Money held in trust 1,501	Policy reserves 18,068
<b>Securities</b> 26,691	Contingency reserves 1,425
	Excess over the full-Zillmerized reserve 5,283
	Price fluctuation reserves 21
	Deferred tax liabilities on available-for-sale securities 171 <sup>1</sup>
	Valuation difference on available-for-sale securities 441 <sup>1</sup>
Tangible fixed assets 114	<b>Capital stock and other assets</b> 13,266
Intangible fixed assets 534	
<b>Other assets</b> 1,009	<b>Net assets</b> 13,757

Add liabilities with strong capital characteristics such as price fluctuation reserves and contingency reserves

**Insurance risk  $R_1$  1,051**

Risk of change in mortality rate (calculated based on value of policies in force)

**Medical insurance risk  $R_8$  331**

Risk of change in medical incidence rate (hospital admission rate, etc.)

**Assumed interest rate risk  $R_2$  2**

Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves

**[Minimum guarantee risk]  $R_7$  —**

Risk related to products, such as variable annuities with minimum guarantees

**Asset management risk  $R_3$  514**

[Credit risk] Risk that asset values decline due to deterioration in financial condition of creditors

[Price fluctuation risk] Risk of incurring losses due to decline in market value of stocks and bonds, etc.

**Business management risk  $R_4$  56**

3% of the total of the amounts of the other 5 risks (in the Company's case)

1. 90% of the valuation difference on available-for-sale securities and deferred gains or losses on hedges (pre-tax) (if negative, 100%)
2. Items that do not apply to the Company or for which the amount is minimal have been omitted, except for certain bracketed items.