



LIFENET

LIFENET INSURANCE COMPANY

Securities Code: 7157

TSE Mothers

Presentation Material for Investors

Second Quarter for Fiscal 2020

LIFENET INSURANCE COMPANY

November 11, 2020

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

- **Remembering the original purpose** of life insurance – mutual support
- Helping our customers embrace life more fully

Overview of 2Q for Fiscal 2020

Annualized premium¹ of
policies-in-force

17,234 million yen
(111.1% vs end of FY2019)

Annualized premium¹ of
new business

2,158 million yen
(Y-on-Y 133.5%)

EEV² (European Embedded Value)

91,275 million yen
(124.3% vs end of FY2019)

Adjusted incremental EV³

4,496 million yen
(Y-on-Y 329.2%)

Notable Achievements

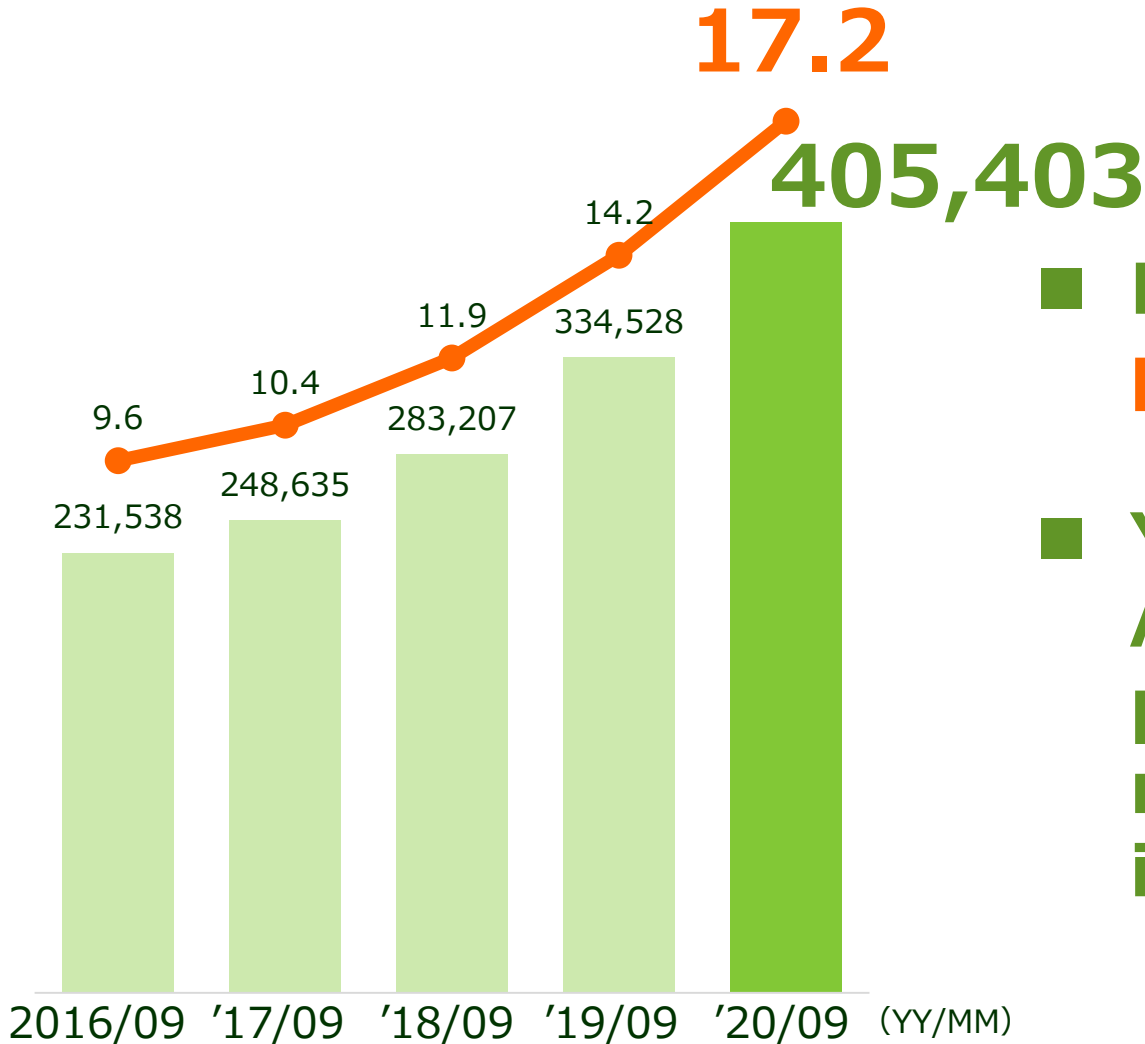
- Raised new capital for future business growth through overseas public offering
- Recorded the most times to be awarded 3 stars in Contact Center and Website in the life insurance industry⁴



1. 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.
2. EEV as of September 30, 2020 is calculated by updating the operating assumptions used for June 30, 2020, and has not been reviewed by third-party specialists.
3. Adjusted incremental EV consisted of components adequately reflecting our business growth for fiscal 2020, see page 13 and 33 for details.
4. 2020 HDI Benchmarking (Life Insurance Industry) hosted by HDI-Japan

Annualized Premium / Number of Policies-in-Force

■ : Annualized premium of policies-in-force¹ (JPY billions)
■ : Number of policies-in-force



■ Exceeded **400,000**
policies-in-force

■ Year-on-year
Annualized
premium **121.4%**,
number of policies-
in-force **121.2%**

1. 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.

Breakdown of Policies-in-Force

■ Improved surrender and lapse ratio

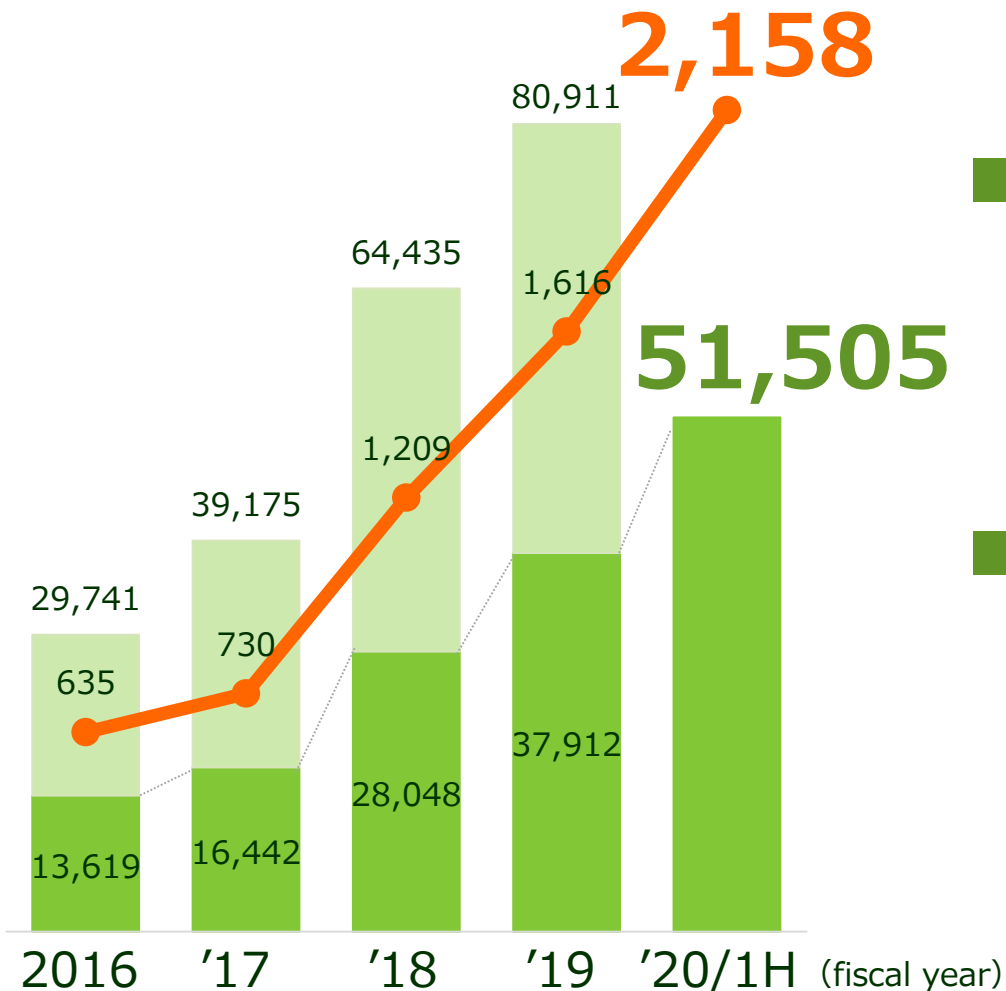
	'20/03	'20/09	Component ratio
Number of policies-in-force	365,171	405,403	100%
- Term Life	175,713	195,656	48%
- Whole-life Medical	100,280	111,386	27%
- Term Medical Care	9,105	9,006	2%
- Long-term Disability	54,665	57,526	14%
- Cancer	25,408	31,829	8%
Sum insured of policies-in-force ¹ (JPY millions)	2,565,269	2,800,116	
Number of policyholders	232,537	257,426	
	'19/1H	'20/1H	
Surrender and lapse ratio(annualized) ²	7.3%	5.5%	

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

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.

Annualized Premium / Number of New Business

- : Annualized premium of new business¹ (1H of fiscal year, JPY millions)
- : Number of new business (fiscal year)
- : Number of new business (1H of fiscal year)

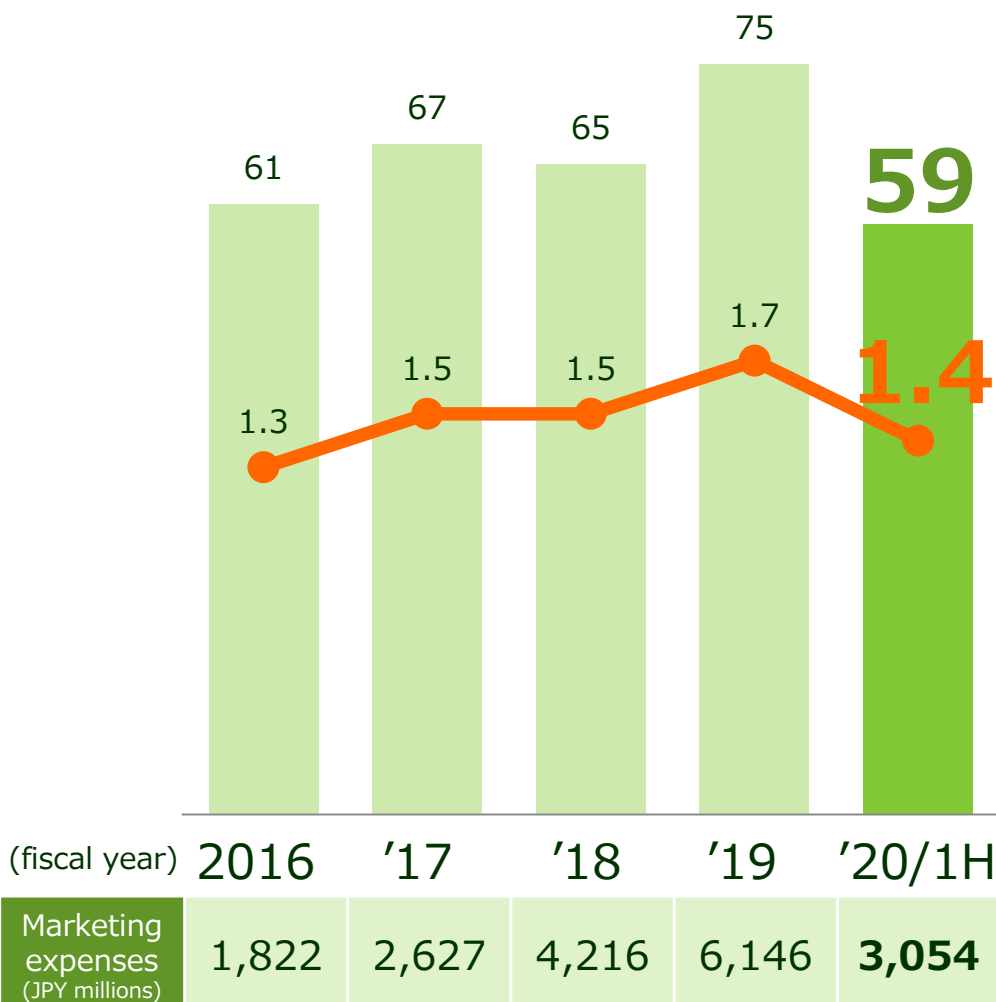


- Achieved new half-year record high
- Year-on-Year annualized premium **133.5%**, number of new business **135.9%**

1. 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.

Marketing Efficiency

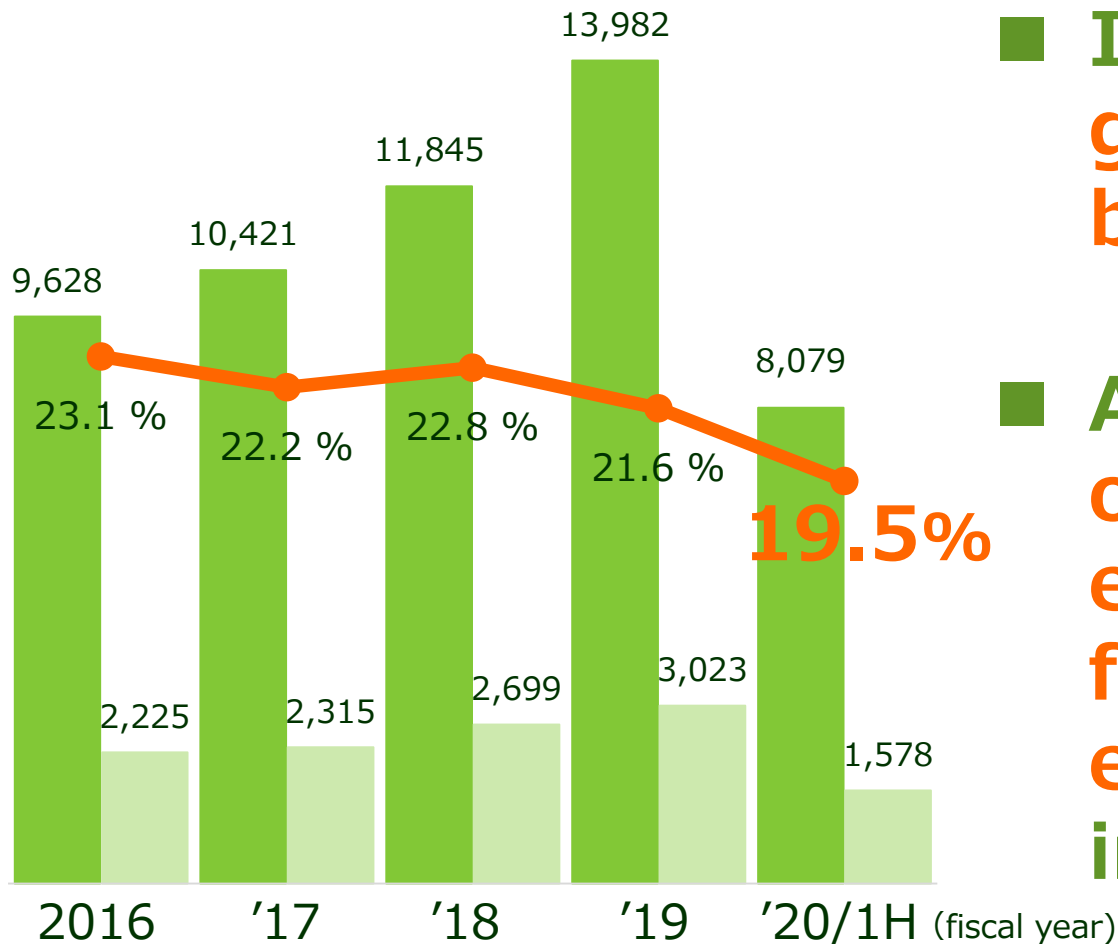
- : Marketing expenses per new business (JPY thousands)
- : Marketing expenses / Annualized premium of new business



- Improved efficiency mainly due to COVID-19 impact
- Based on the business circumstances, consider further investment in marketing expenses in the second-half of fiscal 2020

Operating Expenses Ratio

- : Operating expenses ratio¹ (%)
- : Insurance premiums (JPY millions)
- : Operating expenses excl. marketing expenses (JPY millions)



■ Improved with the growth of in-force business

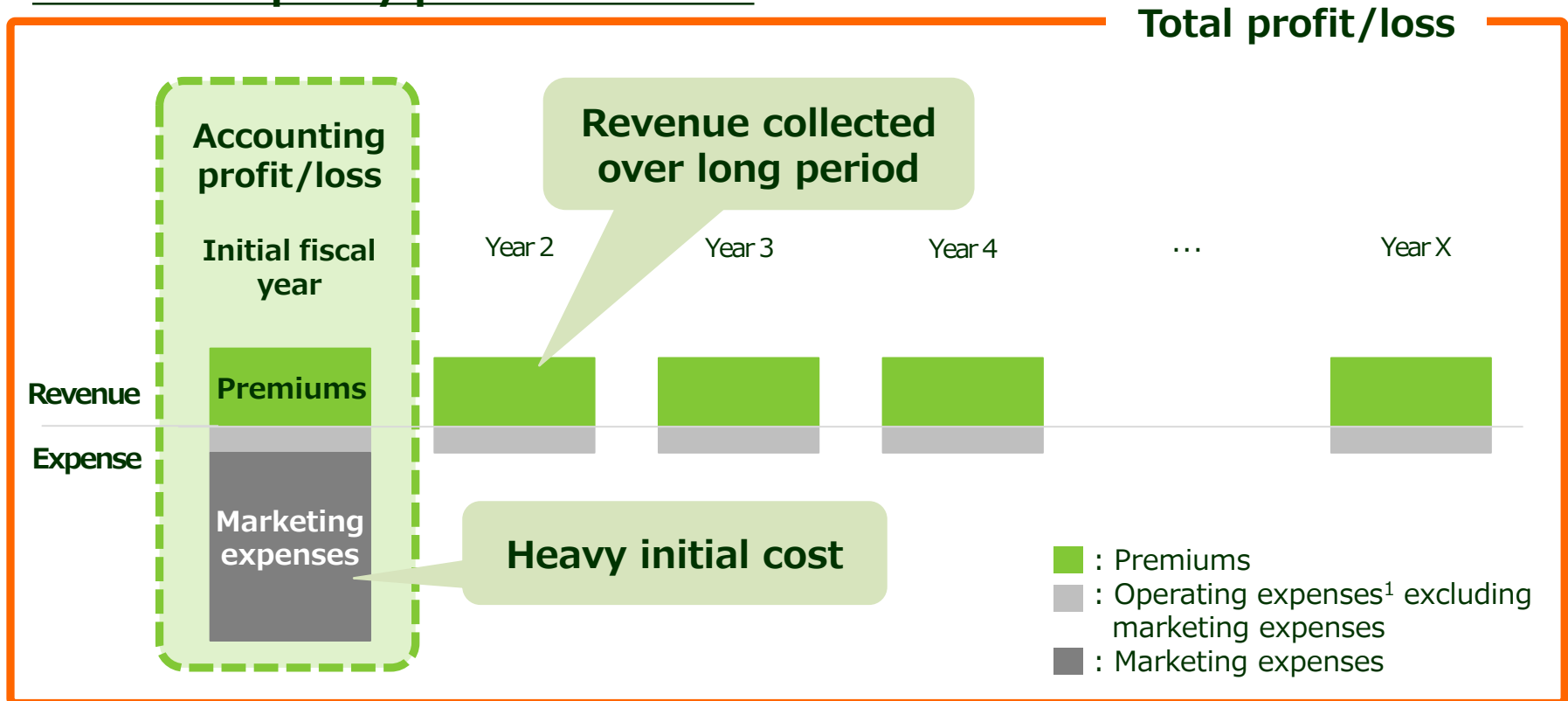
■ Aim to improve operational efficiency by further business expansion in mid-term

1. Operating expenses ratio is calculated by dividing operating expenses excluding marketing expenses by insurance premium.

Profit Structure under Current Statutory Accounting

- **Time lag** is caused between the recognition of costs and revenue as marketing expenses is recognized at the time of acquisition, and revenue is collected gradually over a long period.

Insurance policy profit structure



Adjusted Profit

■ **Steadily recorded** adjusted profit generated from policies-in-force

The method for calculating adjusted profit

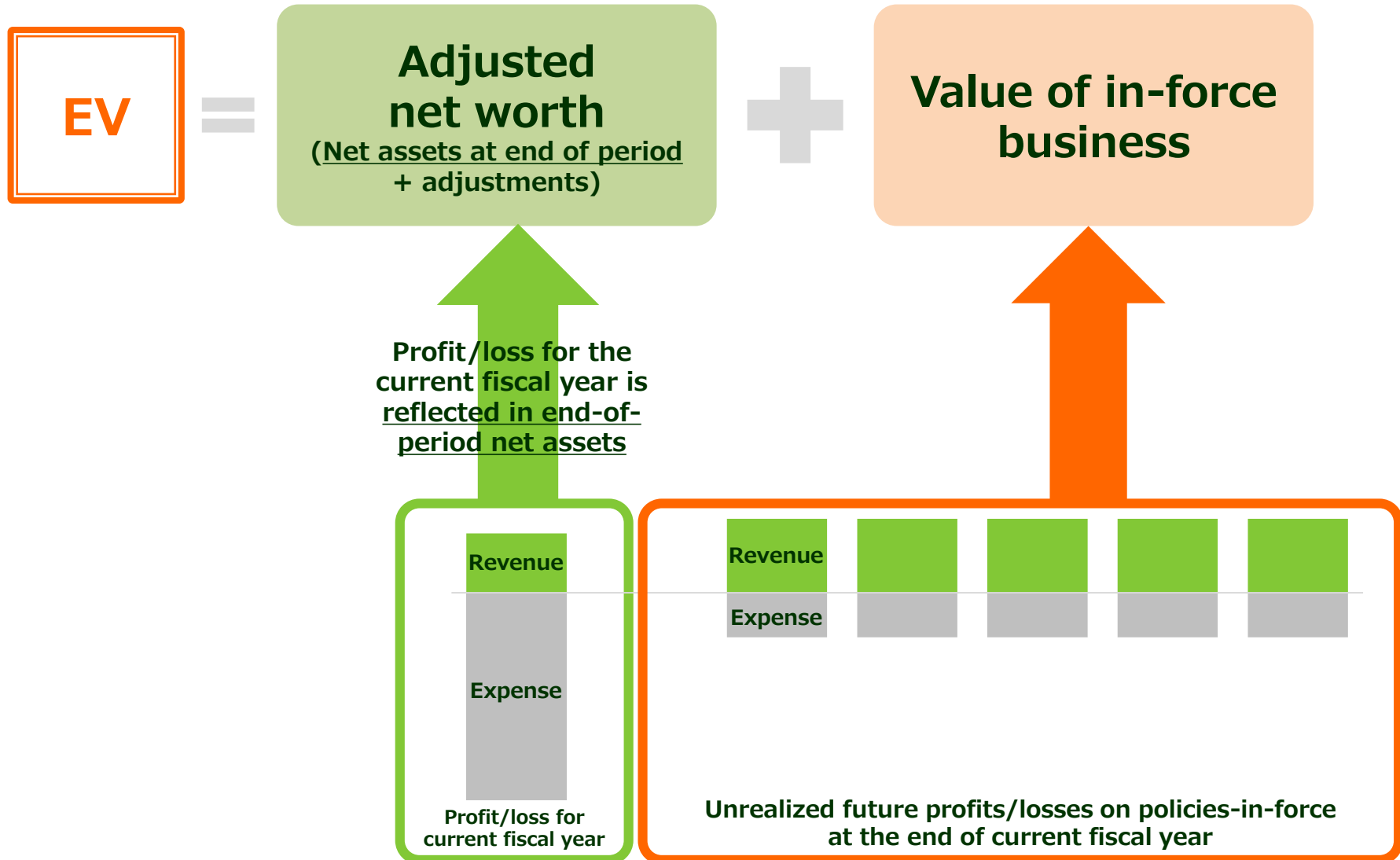
Adjusted profit = i) Ordinary profit (loss)¹ + ii) Marketing expenses
– iii) Impact of modified co-insurance
± iv) Adjustment based on standard policy reserves²

JPY millions / fiscal year	2016	2017	2018	2019	2020/1H
i) Ordinary profit (loss)	88	(197)	(1,719)	(2,382)	(1,128)
ii) Marketing expenses	1,822	2,627	4,216	6,146	3,054
iii) Modified co-insurance	—	—	—	(1,526)	(360)
iv) Adjustment	543	319	347	546	390
Adjusted profit	2,454	2,748	2,844	2,784	1,956

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

2. The amount of the adjustment to the policy reserve provision is the adjustment calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves.

Structure of Embedded Value



- Characteristics of Lifenet's EEV are as follows:

Strong growth

- **Maintaining significant increase** in EEV since listing in March 2012
- **Steadily growing** even in a low interest rate environment

Resilience to interest rate changes

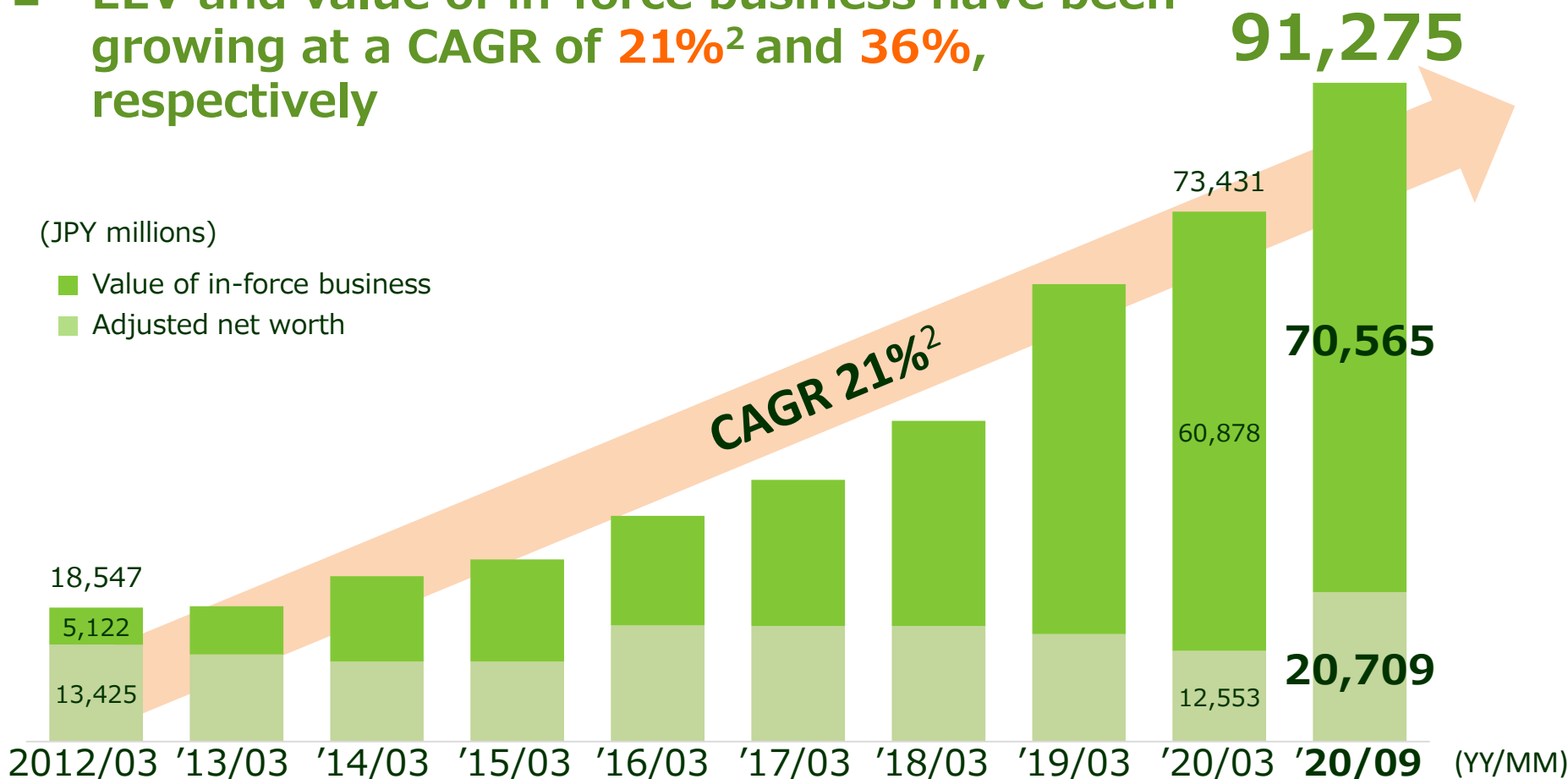
- **Limited sensitivity** to interest rate and stock fluctuations

Strong EEV¹ Growth

- **Adjusted net worth increased** due to overseas public offering in July
- EEV and value of in-force business have been growing at a CAGR of **21%**² and **36%**, respectively

(JPY millions)

- Value of in-force business
- Adjusted net worth

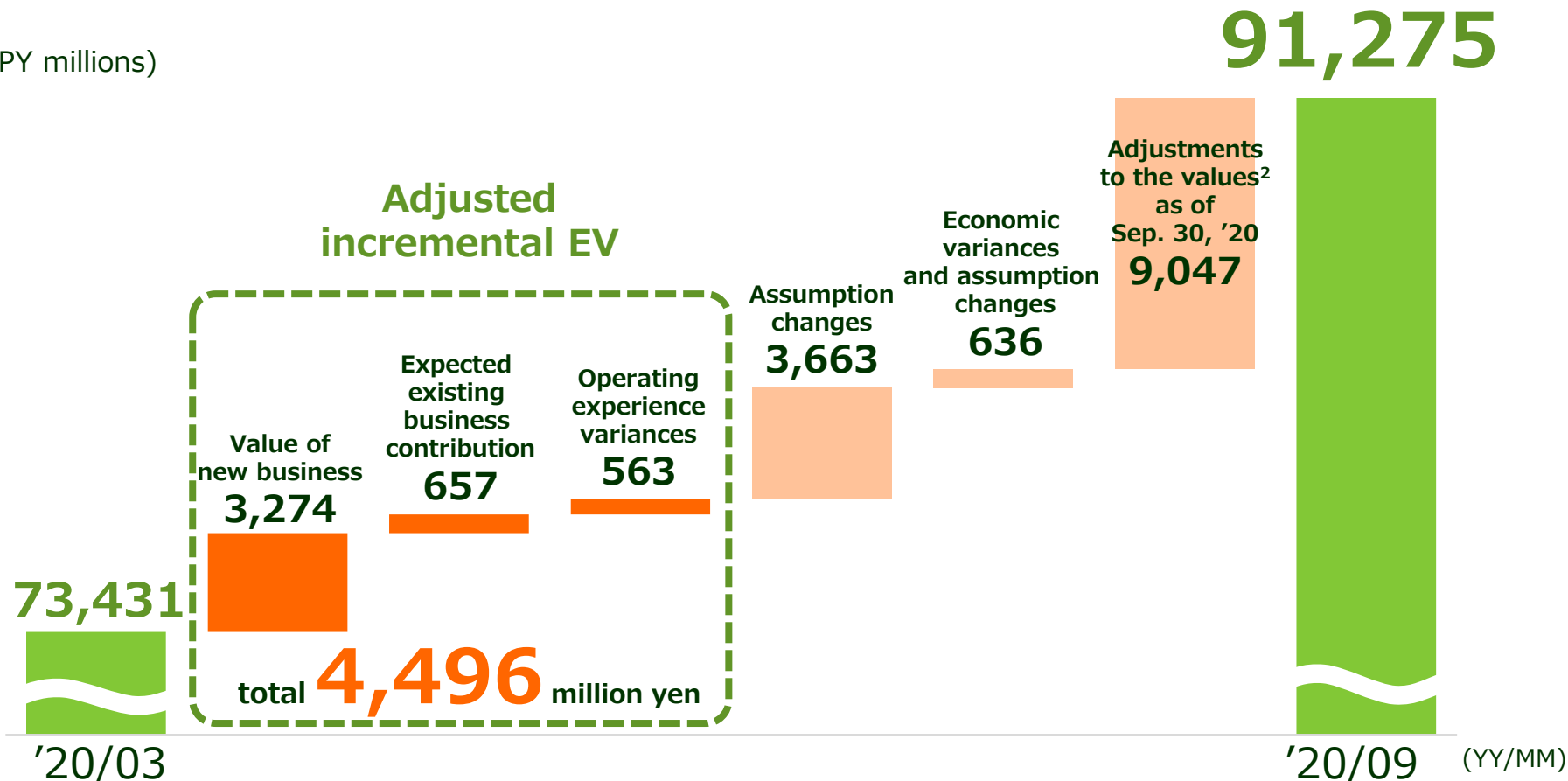


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate the level of ultra-long-term interest rates past the last liquid data point. This method of extrapolation has also been used to restate EEV as of March 31, 2016. EEV as of September 30, 2020 is calculated applying the updated operating assumptions from those used for June 30, 2020, and is not reviewed by third-party specialists.
2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015 and 9,005 million yen from overseas public offering in July 2020.

Changing Factors of EEV¹

- Increased due to the strong new business performance, the improvement of operating expenses ratio and capital raising

(JPY millions)

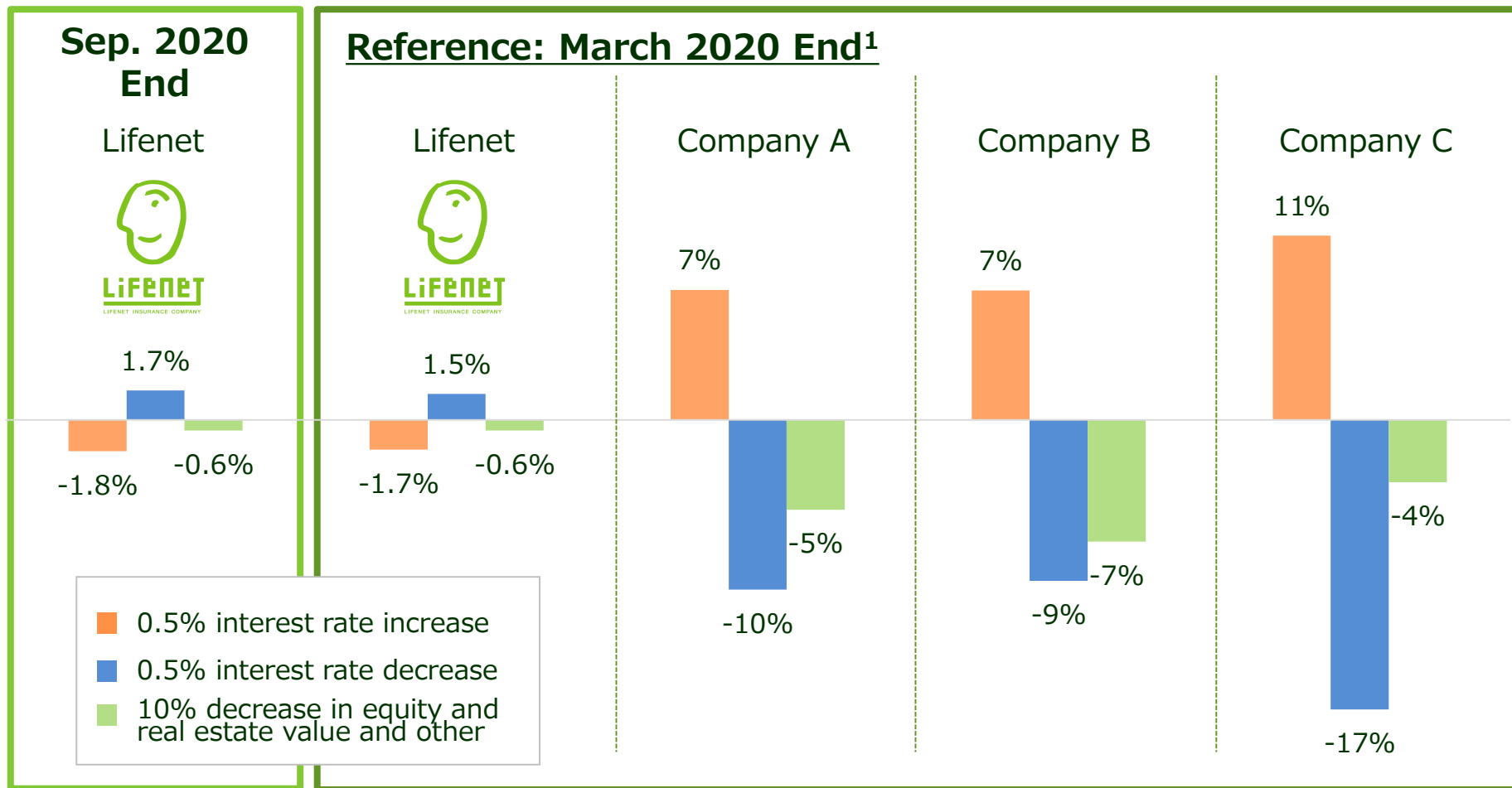


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. EEV as of September 30, 2020 is calculated applying the updated operating assumptions from those used for June 30, 2020, and is not reviewed by third-party specialists.

2. Item for change in capital

EV Resilience to Financial Changes

■ Limited sensitivity to interest rates and stock prices



【Ref.】 Life Time Value and Customer Acquisition Cost



Key Metrics for a SaaS Company and Lifenet

Commonly Used SaaS Glossary

ARR per Contract
(Annual Recurring Revenue)

- The value of the contracted recurring revenue components of the term subscriptions normalized to a one-year period

Life Time
(Term of Contract)

- Contract period: from date entered into contract until the contract is cancelled
- Calculated by reciprocal of churn rate

Gross Margin Rate

- Percentage of revenue left over after the cost of servicing that revenue is taken into account

LTV
(Life Time Value)

- Accumulated profit per client during the contract period
- Revenue from new client * total revenue profitability (%) * contract period

CAC
(Customer Acquisition Cost)

- Marketing and sales expenses incurred in bringing 1 client

FY2019

Annualized Premiums per Policy-in-force
JPY 42,486

×

Average Policy Term
14.3 years¹

×

45%²

||

(Annualized Premiums per Policy * Life Time * Gross Margin Rate)
JPY 273,397

Marketing Expenses per New Policy
JPY 75,970³

FY2020/1H

Annualized Premiums per Policy-in-force
JPY 42,511

×

Average Policy Term
18.2 years¹

×

46%²

||

(Annualized Premiums per Policy * Life Time * Gross Margin Rate)
JPY 355,902

Marketing Expenses per New Policy
JPY 59,309³

1. 1 / Churn rate. Churn rate represents the percentage of users who cancelled out their insurance policies.

2. (Insurance premiums - Insurance claims and benefits - Provision for policy reserves and others) / Insurance premiums.

3. Marketing expenses / Number of new business.

Financial Condition

(JPY millions)	(YY/MM)	'20/03	'20/09
Total assets		41,144	52,270
Cash and deposits		1,377	2,143
Monetary claims bought		299	4,499
Money held in trust		3,539	4,734
Securities		32,058	36,419
Government bonds		8,065	8,632
Municipal bonds		1,391	1,388
Corporate bonds		18,119	20,611
Stocks		313	393
Foreign securities		0	0
Other securities ¹		4,167	5,394
Total liabilities		31,744	34,736
Policy reserves and other		30,328	33,272
Total net assets		9,400	17,533
Solvency margin ratio²		2,117%	2,957%
Modified duration (year)		11.3	11.6

■ Solvency margin ratio of 2,957%

■ Total net assets increased by capital raising

1. Investment trust including foreign bonds and others.
2. The solvency margin ratio is a key benchmark for industry regulators. It measures a life insurance company's ability to pay out claims when unforeseen events occur.

Expanded White Label Business

■ Promote white label products for customers of the Seven & i Group



忙しいあなたも
じっくり考えたい人も
手元のスマホで
いつでもつながる
生命ほけん。

便利で安心、**ホッ**とする

 セブン・フィナンシャルサービスの
生命ほけん

保険募集代理店:株式会社セブン・フィナンシャルサービス

生命ほけんをもっと身近に

便利で安心、**ホッ**とする

 セブン・フィナンシャルサービスの
生命ほけん

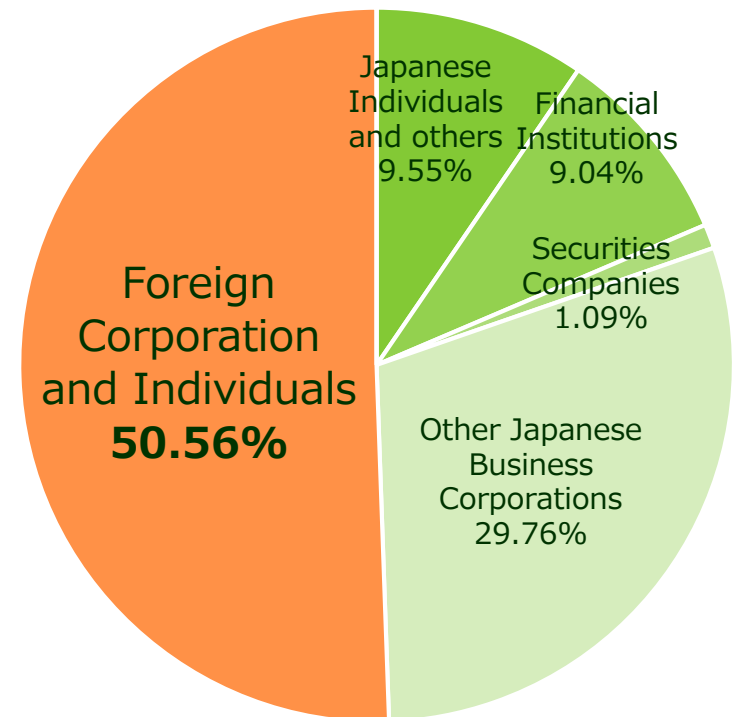
保険募集代理店:株式会社セブン・フィナンシャルサービス

Overseas Public Offering and Secondary Offering

■ Raised new capital for further growth through overseas public offering in July

- Offered shares totaled **13.8 billion yen**
- **Raised new capital of 9 billion yen** from overseas market, mainly Asia and Europe
- Aim for **improvement of market liquidity** by secondary offering
- **Expanded investor base** after overseas public offering

Distribution of share ownership as of Sep. 30, 2020



Total number of issued shares :
60,595,136

Received High External Rating



■ Recorded the most times to be awarded in the life insurance industry

HDI Benchmarking (Life Insurance Industry)

- The 8th time, industry record that Lifenet awarded a three-star rating in two categories: Contact center and Website¹
- The 10th consecutive year for Website offering excellent UI/UX design to be awarded a three-star rating



work with Pride

PRIDE Index 2020

- Received Gold Rating, the highest evaluation, for LGBTQ initiatives for 5th consecutive year



1. Based on data collected by Lifenet

Adapt the New Normal after COVID-19

■ Started new series of TV commercial from November

Enhancement of promotion capabilities

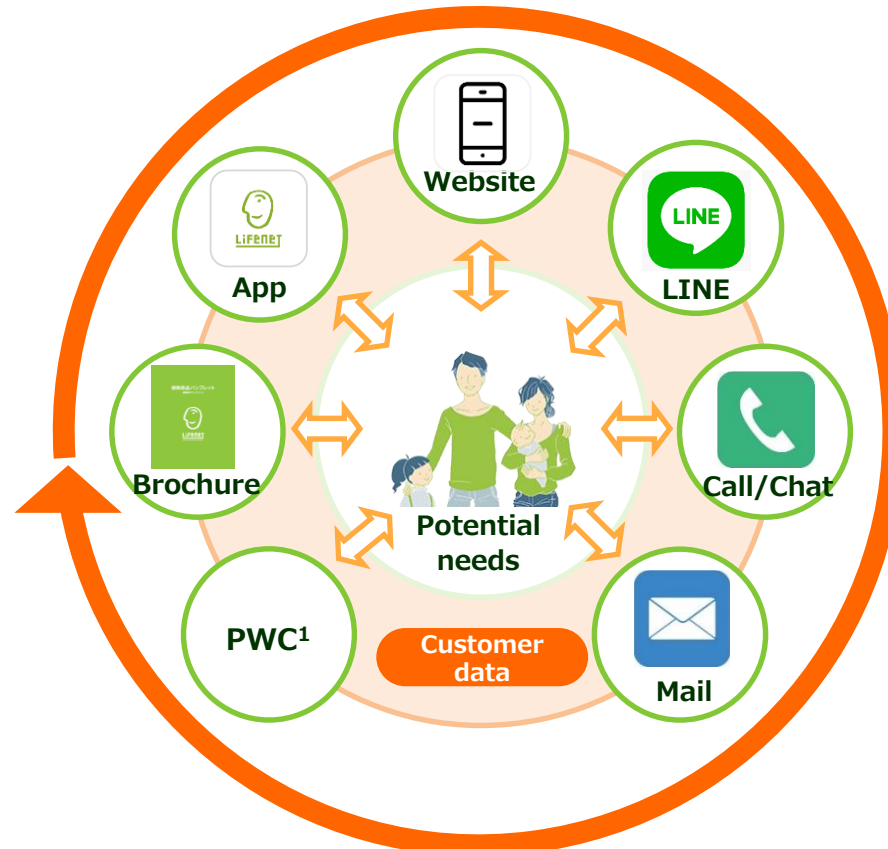


Featuring convenient services online and price-competitive products

Investment in CX

- Visualize the data of customer and aim to provide a more personalized experience

Innovation of customer experience



Fiscal 2020

■ New business performance

- Increased significantly for the first half of the year impacted by COVID-19
- Aim for the steady growth with new normal, recognizing a temporary regression from the drastic increase

■ In-force business performance

- Aim for double-digit growth



Aim to achieve 100 billion yen in EEV early and turn into the black in operating profit in the mid-2020s

Business Forecast FY2020

- Looking carefully at the continuing future uncertainty caused by the impact of COVID-19
- No change from August disclosure

(JPY millions)

	FY2020 Forecast		(Reference) FY2019 Results	
		Of which: impact of modified co-insurance		Of which: impact of modified co-insurance
Ordinary income	20,000	2,700	16,850	2,034
Ordinary profit (loss)	(3,200)	650	(2,382)	1,526
Net income (loss)	(3,200)	650	(2,400)	1,526
(Reference) Annualized premium of new business ¹	4,000		3,425	

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.

Management Policy

Mission

Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services

Vision

Be the leading company driving the growth of the online life insurance market

Priority areas

- **Innovation of customer experience**
Enhancing and evolving the quality of all services with digital technology
- **Enhancement of promotion capabilities**
Generating massive customer traffic by active promotion and expansion of agent sales and white label business

Management goal

Aim to achieve EEV (European Embedded Value) of 100 billion yen by business growth in a mid-term

LIFENET Manifesto



Comprehensible, Cost-Competitive, Convenient

I. Our Guiding Principles

- (1) Creating the life insurance of the future without losing sight of its original premise: “an ounce of prevention is worth more than a pound of cure.”
- (2) Listening to what our customers are saying. Recognizing their needs and acting accordingly. Allowing our actions to be borne out of their voices and needs.
- (3) Delivering the caliber of products and services that we would feel confident recommending to our own friends and families.
- (4) Being a “straight-shooter”. Committing to transparency. Communicating openly about our management team, our products, and our employees.
- (5) Embracing diversity and dialogue to keep us abreast of changing needs and preferences. Delivering peace of mind that we’ll be around in 100 years.
- (6) Acting in good faith means always taking the high road when it comes to compliance and ethics.

III. Making Life Insurance Accessible Again - Affordable

- (1) Giving the customer what he/she needs. No more, no less at a fair price.
- (2) Staying vigilant as to how we can provide our products more cost-efficiently.
- (3) Always putting ourselves in our customers’ shoes in thinking about how to minimize their premiums.

II. Making Life Insurance Accessible Again - Headache-free

- (1) Helping the customers help themselves. By making our materials easy to understand, customers can determine which coverage is truly the best fit.
- (2) Turning “clauses” in the insurance contract into succinct points that your grandmother could grasp.
- (3) Making all touch points headache-free. Beyond the application process, ensuring the claims and billing processes are also easy to understand.

IV. Making Life Insurance Accessible Again - Convenient

- (1) Thinking about our customers’ convenience from every angle and every touch point along the way.
- (2) Forming alliances with like-minded partners who can add value above and beyond our products and services to our customers.
- (3) Providing health and wellness tips beyond the framework of life insurance to create value in our policyholders’ lives.
- (4) Creating a precedent for future generations as to what life insurance is (and should be) all about.

**We wish to be a company that helps our customers embrace life more fully.
In order to live out that vision, we continue to challenge ourselves.**



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

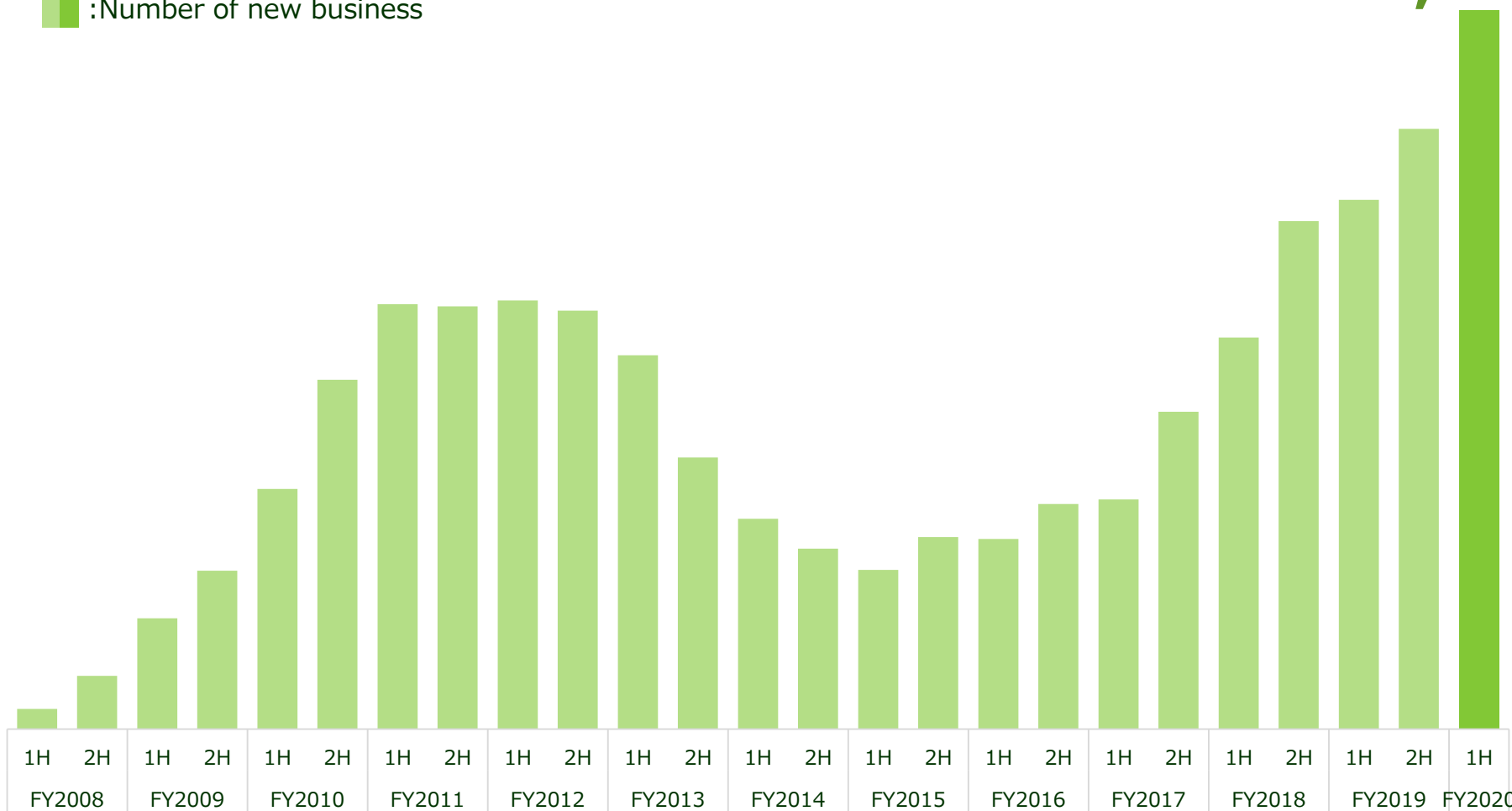


Number of New Business (Half)

■ Achieved new half-year **record high**

■ :Number of new business


51,505



Condensed Statements of Operation / Fundamental Profit



(JPY millions)		FY2019/1H	FY2020/1H	Change	Note
Condensed statements of operation	Insurance premiums and other	7,754	9,493	1,739	Increased due to growth in in-force policies business and reinsurance income from modified co-insurance.
	Other	199	356	157	
	Ordinary income	7,953	9,849	1,896	Includes utilization of modified co-insurance of 1,153 million yen.
	Insurance claims and other	1,688	2,574	885	Increased due to an increase in reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 17.5%.
	Insurance claims	832	879	47	Increased from 59 cases in 1H of FY19 to 81 in 1H of FY20.
	Benefit claims	455	537	81	Increased from 4,055 cases in 1H of FY19 to 4,600 in 1H of FY20.
	Provision for policy reserves and other	2,337	3,029	691	Increased by transferring to standard policy reserves. Percentage of provision for policy reserves (3,029 million yen) to insurance premiums is 37.5%.
	Operating expenses	4,604	4,633	29	
	Marketing expenses	3,186	3,054	(132)	
	Customer service	424	478	53	
	System and other	993	1,100	107	
	Other	537	741	203	
	Ordinary expenses	9,167	10,978	1,810	
	Ordinary profit (loss)	(1,214)	(1,128)	86	Includes profit of 360M for utilization of modified co-insurance.
	Extraordinary losses and income taxes	8	10	1	
	Net income (loss)	(1,223)	(1,138)	84	Includes profit of 360M for utilization of modified co-insurance.
Fundamental profit	Mortality margin	1,328	1,898	570	
	Expense margin (loss)	(2,580)	(2,938)	(357)	Includes 467M expense margin for utilization of modified co-insurance.
	Interest margin (loss)	20	(9)	(29)	
	Fundamental profit	(1,232)	(1,049)	183	

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

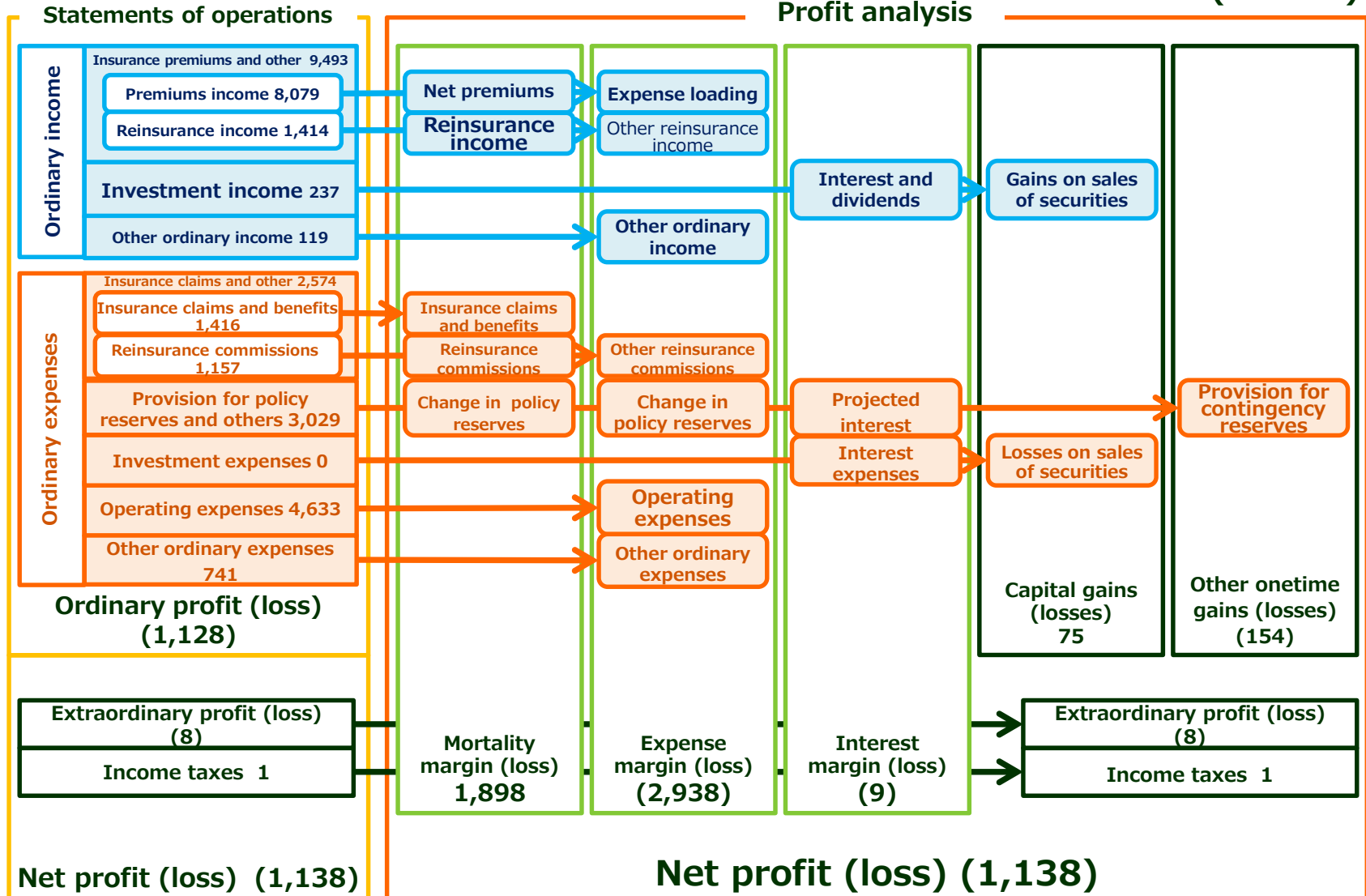
(JPY millions)	Change in EEV as of Sep. 30, 2020	Change in VoNB
EEV and new business value as of September 30, 2020	91,275	3,274
Sensitivity 1a: 1.0% increase in risk-free rate	(3,347)	(36)
Sensitivity 1b: 1.0% decrease in risk-free rate	2,833	(112)
Sensitivity 1c: 0.5% increase in risk-free rate	(1,635)	(3)
Sensitivity 1d: 0.5% decrease in risk-free rate	1,509	(32)
Sensitivity 1e: Interest rates based on JGB yields	763	108
Sensitivity 2: 10% decrease in equity and real estate value and other	(548)	—
Sensitivity 3: 10% decrease in operating expenses	3,389	428
Sensitivity 4: 10% decrease in lapse rate	261	29
Sensitivity 5: 5% decrease in claim incidence rates for life business	4,246	365
Sensitivity 6: Change the required capital to the statutory minimum	67	7

1. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of sensitivities carried out separately. As Japanese policy reserves are calculated in accordance with the IBR, the sensitivities carried out do not affect the reserves at the valuation date. The sensitivity on the value of new business excludes the impact on the adjusted net worth. EEV as of September 30, 2020 is calculated applying the updated operating assumptions from those used for June 30, 2020, and is not reviewed by third-party specialists. .

Three Surplus Factors of Fundamental Profit

First 6 months of FY2020

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation

As of Sep. 30, 2020

Solvency margin ratio
2,957.1%

=

Total amount of solvency margin
<numerator>
28,731

÷

Total amount of risk/2
< the denominator>
1,943/2

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

Cash and deposits 2,143	Other liabilities 1,117
Monetary claims bought 4,499	Reserves for outstanding claims 552
Money held in trust 4,734	Policy reserves 32,719
Securities 36,419	Contingency reserves 1,877
	Excess over the full-Zillmerized reserve 9,073
	Price fluctuation reserves 64
	Deferred tax liabilities on available-for-sale securities 254 ¹
	Valuation difference on securities available-for-sale 654 ¹
Tangible fixed assets 92	Capital stock and other assets 16,806
Intangible fixed assets 873	
Other assets 3,506	Net assets 17,533

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

Insurance risk R_1 1,130

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

Medical insurance risk R_8 345

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

Assumed interest rate risk R_2 3

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 1,135

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

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

Business management risk R_4 78

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.

Adjusted Incremental EV

- Adjusted Incremental EV accurately indicates **our business growth during a certain period** within increase in EEV

Adjusted incremental EV

Defined as constitution of components below:

- New business value in the fiscal year
- Expected existing business contribution
- Operating experience variances

Adjusted Profit

Significance of Adjusted Profit disclosure

- As accrual timing of cost and revenue do not match, statutory accounting does not necessarily provide an accurate picture of profitability of our business
- We, therefore, disclose the indicator of profit level excluding marketing expenses as there is a time lag between the recognition of revenue and marketing expenses as acquisition cost

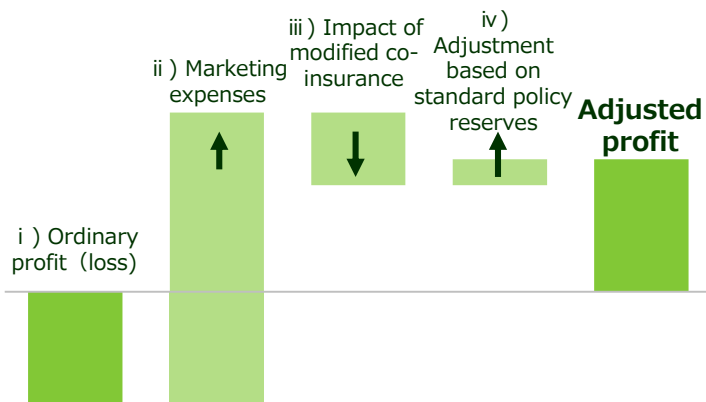
Ordinary profit excluding marketing expenses

Adjusted profit

Explanation of Adjusted profit

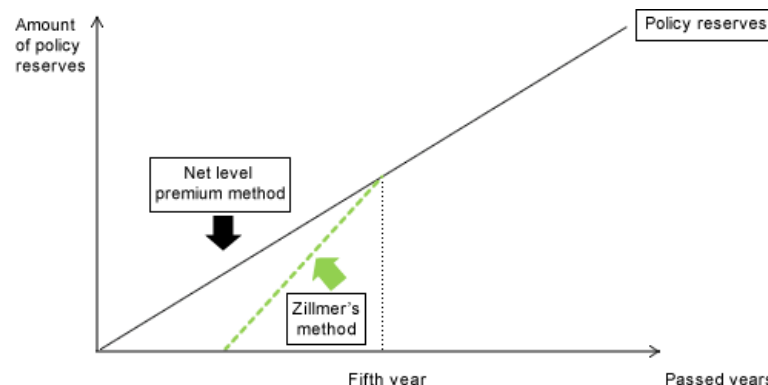
■ Adjustments to provision for policy reserves based on standard policy reserves

Calculation of adjusted profit



Difference between methods of calculating provision for policy reserves

We are currently in the transitional period and will transition all business to standard policy reserves by the end of Fiscal 2022.



Method of calculating the “iv) Adjustment based on standard policy reserves”

e.g. 1H for fiscal 2020 (JPY millions)

Adjustment to provision for policy reserves ¹ 390	=	+	Provision for policy reserves 3,029	=	-	Increase in standard policy reserves ² 2,638
--	---	---	---	---	---	---

1. The amount of the adjustment to switch to provisioning based on standard policy reserves is calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves. Please note that the provision for contingency reserves is included in the provision for policy reserves, but is not included in the increase in standard policy reserves.
2. The increase in standard policy reserves is the amount of the increase (decrease) in the standard policy reserve balance for the current fiscal year from the balance in the previous fiscal year. The standard policy reserves is the amount calculated by excluding the provision for contingency reserves from actually provisioned policy reserves and adding the difference from the provision based on the standard policy reserves. The difference was 721 million yen as of September 30, 2020.

Modified Co-Insurance

- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

Illustration image of change in profit/loss structure by reinsurance

■ : Revenue ■ : Costs ■ : Effects of reinsurance

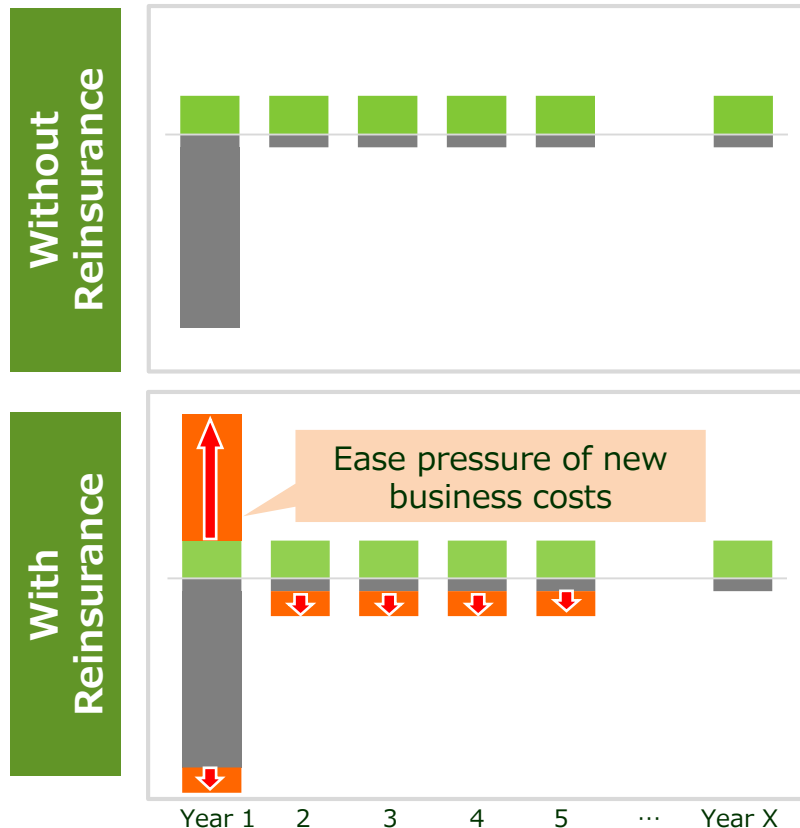
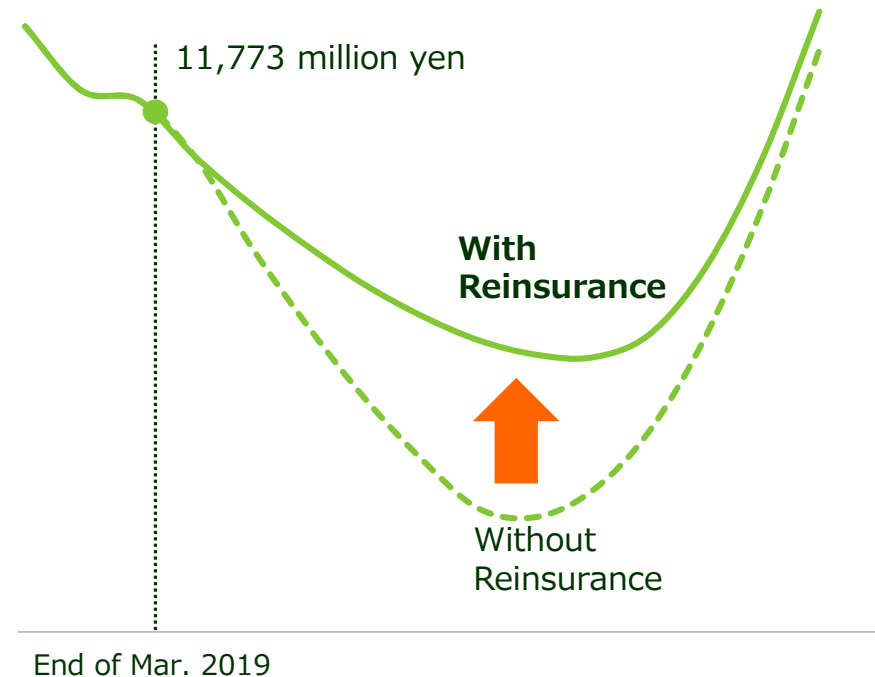


Illustration image of impact of reinsurance on net assets



Note: Illustration of P&L structure of reinsuring new business of single fiscal year, where illustration of impact on net assets of reinsuring new business for multiple years.