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(Securities Code: 7157)

May 28, 2019

To Our Shareholders:

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

## **Notice of Convocation of the 13th Annual General Meeting of Shareholders to be held on June 23, 2019**

Notice is hereby given that the 13th 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\*<sup>1</sup> no later than 5:30 p.m. on Friday, June 21, 2019, Japan standard time.

### **Description**

1. Date and time: Sunday, June 23, 2019 at 2:00 p.m., Japan standard 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 13th Accounting Period (from April 1, 2018 to March 31, 2019)

### **Matters to be resolved**

- Proposal 1: Regarding the Election of Eight (8) Directors  
Proposal 2: Regarding the Election of Three (3) Corporate Auditors  
Proposal 3: Regarding the Election of an Alternate Corporate Auditor  
Proposal 4: Decision on Compensation of Directors (excluding Outside Directors)  
Through the Granting of Restricted Stock

\*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.

## REFERENCE MATERIAL FOR THE MEETING

### Proposal 1: Regarding the Election of Eight (8) Directors

The tenures of all ten of the current directors will expire upon conclusion of the Annual General Meeting of Shareholders. To improve corporate governance and enable swift decision-making, we therefore propose reducing the number of internal directors by two, and electing eight directors. Should the proposal be approved as presented, the number of internal directors will decrease from the current six to four, thus the ratio of outside directors will increase to be 50%. The candidates for election as directors were nominated by the discretionary Nomination and Compensation Committee, which consists of the independent outside directors and the representative director.

The candidates for Director positions are as follows:

No.	Name		Current Position		
1	Ryosuke Mori	Reelect	President and Representative Director		
2	Masayuki Nishida	Reelect	Director Executive Vice President CHRO (Chief Human Resources Officer)		
3	Hitoshi Hatta	Reelect	Executive Managing Director Executive Officer of Auditing Department CCO (Chief Compliance Officer) CISO (Chief Information Security Officer)		
4	Yasuhiro Koba	Reelect	Director Executive Officer General Manager of Corporate Strategy Division		
5	Eiko Shinotsuka	Reelect	Outside	Independent	Outside Director
6	Masanobu Takatani	Reelect	Outside	Independent	Outside Director
7	Yutaka Mizukoshi	Reelect	Outside	Independent	Outside Director
8	Yasuhiro Morita	Newly elect	Outside		Outside Director

No.  
1

Ryosuke Mori

(Date of birth: March 10, 1984 / Age 35 / Male)

Reelect



Brief career history and positions and areas of responsibility in Lifenet and 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

June 2018      President and Representative  
Director(incumbent)

<Number of Company Shares Owned> 6,500

#### Qualifications of Director Candidates

At Lifenet, Ryosuke Mori has engaged in corporate planning and business management, and contributed for sales performance growth since April 2017 as the head of the Sales and Marketing Division. He has pursued the Company's business strategies as Director since June 2017, and has demonstrated strong leadership and contributed to greater business performance since June 2018 in his current position as President and Representative Director. We therefore deem Mr. Mori to be an appropriate choice for achieving sustained growth of the Company and propose that he be reelected as Director.

No.  
2

**Masayuki Nishida** (Date of birth: June 4, 1963 / Age 55 / Male)  
Reelect



Brief career history and positions and areas of responsibility in Lifenet and 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
June 2018	Director Executive Vice President CHRO (Chief Human Resources Officer) (incumbent)

<Number of Company Shares Owned> 12,000

**Qualifications of Director Candidates**

Utilizing his experience and accomplishments achieved at a human resource consulting company, Masayuki Nishida has overseen sales and marketing and personnel affairs operations as Director and Executive Vice President of the Company since June 2015. He has pursued the Company's organizational strategies and contributed to strengthening our management foundation. We therefore deem Mr. Nishida to be an appropriate choice for achieving sustained growth of the Company and propose that he be reelected as Director

No.  
3

Hitoshi Hatta

(Date of birth: March 21, 1955 / Age 64 / Male)

Reelect



Brief career history and positions and areas of responsibility in Lifenet and 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
October 2016	Executive Managing Director Executive Officer of Auditing Department CCO (Chief Compliance Officer) CISO (Chief Information Security Officer) (incumbent)

<Number of Company Shares Owned> 6,700

#### Qualifications of Director Candidates

Hitoshi Hatta has served as Executive Managing Director and Chief Compliance Officer 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 the life insurance business in his current position as Chief Compliance Officer. We therefore deem Mr. Hatta to be an appropriate choice for overseeing compliance for the entire company and achieving sustained growth of the Company and propose that he be reelected as Director.

No.  
4

Yasuhiro Koba

(Date of birth: April 9, 1979 / Age 40 / Male)

Reelect



Brief career history and positions and areas of responsibility in Lifenet and 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

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> 6,200

#### Qualifications of Director Candidates

Yasuhiro Koba has served as the officer in charge of legal affairs, risk management, personnel and general affairs, corporate planning and business management, and possesses knowledge and experience pertaining to life insurance business operations. He has pursued the Company's business strategy as Director of the Company since June 2017 and we therefore deem Mr. Koba to be an appropriate choice for achieving sustained growth of the Company and propose that he be reelected as Director.

No.  
5

Eiko Shinotsuka

(Date of birth: May 1, 1942 / Age 77 / Female)

Reelect Outside Independent



Brief career history and positions and areas of responsibility in Lifenet and 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 Corporate Auditor, 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 Corporate Auditor, Komatsu Ltd. (incumbent)
April 2016	Part-time Auditor, Shimane University (incumbent)
June 2016	Outside Director, Lifenet Insurance Company (incumbent)

<Number of Company Shares Owned> 1,400

#### Qualifications of Director Candidates

Although Eiko Shinotsuka has never been directly engaged in company management other than serving as an Outside Director and Outside Corporate Auditor, she has extensive experience and a wealth of expertise in economics, labor and legal affairs from her service as a public officer in many positions. We therefore propose that she be reelected as Outside Director.



No.  
6

**Masanobu Takatani** (Date of birth: May 2, 1951 / Age 68 / Male)  
Reelect Outside Independent



Brief career history and positions and areas of responsibility in Lifenet and 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> 1,400

**Qualifications of Director Candidates**

Masanobu Takatani has extensive experience and a wealth of expertise in corporate management of financial institutions. We therefore propose that he be reelected as Outside Director.

No.  
7

**Yutaka Mizukoshi** (Date of birth: August 29, 1956 / Age 62 / Male)  
Reelect Outside Independent



Brief career history and positions and areas of responsibility in Lifenet and 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)
June 2018	External Director, CAPCOM CO., LTD. (incumbent)

<Number of Company Shares Owned> None

**Qualifications of Director Candidates**

Yutaka Mizukoshi has extensive experience and a wealth of expertise in corporate management from his experience as a representative of a consulting firm. We therefore propose that he be reelected as Outside Director.



No.  
8

**Yasuhiro Morita**

(Date of birth: October 2, 1964 / Age 54 / Male)

Newly elect Outside



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

April 1987	Joined Kokusai Denshin Denwa Co., Ltd. (currently KDDI CORPORATION)
December 2005	General Manager, Content Business Marketing Department Content and Media Business Sector
April 2007	General Manager, Consumer Business Strategy Department 1 Consumer Business Strategy Division
April 2010	General Manager, Group Business Department 1 Finance & Group Business Division
April 2011	General Manager, Business Strategy Department Advanced Business Development Division
April 2012	General Manager, Business Enhancement Department Advanced Business Development Division
June 2013	Director, WebMoney Corporation
April 2016	President, WebMoney Corporation
April 2019	Executive Officer, au Financial Holdings Corporation (incumbent)

<Number of Company Shares Owned> None

**Qualifications of Director Candidates**

Yasuhiro Morita has extensive experience and a wealth of expertise as the officer in charge of new business at KDDI CORPORATION and as management in a financial firm. We therefore propose that he be elected as Outside Director.

- (Notes) 1) There are no special interests between the Company and each of the candidates.
- 2) Eiko Shinotsuka, Masanobu Takatani, Yutaka Mizukoshi and Yasuhiro Morita are candidates for Outside Directors of the Company under Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. The matters of note regarding candidates for Outside Director are as follows:
- (1) The Company has entered into agreements with Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi stipulating 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 has acted in good faith and has not been grossly negligent in performing his/her duties. However, the liability in such instances shall be limited to the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act. The Company intends to extend the duration of the agreements with each outside director if reelected. If Yasuhiro Morita is elected, the Company intends to enter the same agreement with him.
  - (2) Yasuhiro Morita is currently an employee of KDDI CORPORATION, and thus has executed business at a major business partner of the Company within the past five years. KDDI Corporation is an important business partner of the Company
  - (3) Eiko Shinotsuka, Masanobu Takatani, and Yutaka Mizukoshi are incumbent Outside Directors of the Company. All three will have served as Outside Directors for three years as of the conclusion of the Annual General Meeting of Shareholders.

- (4) The Company has notified the Tokyo Stock Exchange of our designation of Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi as independent officers under the regulations of the exchange as there are no conflicts of interest arising between each candidate and general shareholders. In the event that they are reelected, the Company will designate Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi as independent officers.

(For 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 of 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:
  - Individuals with high level of expertise and rich experience in field such as corporate management, risk management, compliance, finance, economics, accounting and financial affairs and marketing, and have made adequate accomplishments in that field.
  - Individuals capable of providing advice on management policies to promote sustainable growth of the Company and aiming for the medium- and long-term enhancement of corporate value.
  - 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 criteria described below.
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) Persons executing business in the Company;
  - (2) Persons whose major business partner is the Company or executes business at such company;
  - (3) Major business partner of the Company or executes business at said company;
  - (4) Executing person of a 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 executes business at said company;
  - (6) Persons providing professional services such as consultant or professionals in accounting or law who receives from the Company a large amount of money or other property other than officer remuneration;
  - (7) Persons who have fallen under (1) above during any period in the past ten years;
  - (8) Persons who have fallen under any of (2) to (7) above during any period in the past three years; or
  - (9) Close relative of persons who fall under any of (1) to (8) above (excluding those deemed not important).

## Proposal 2: Regarding the Election of Three (3) Corporate Auditors

The current four Corporate Auditors' tenures will expire upon conclusion of the Annual General Meeting of Shareholders. Taking under consideration the Company's current situation, we propose to reduce the number of Corporate Auditors by one to elect a total of three.

The Company's Audit & Supervisory Board will still consist of one full-time Corporate Auditor and independent Outside Auditors whom will have the majority should the proposal be approved as presented, thus maintaining sufficient effectiveness of the Audit & Supervisory Board.

The Audit & Supervisory Board agrees with this proposal.

The candidates for Corporate Auditor positions are as follows:

No.	Name	Current Position			
1	Takahiro Yamasaki	Newly elect	-		
2	Kenichi Masuda	Reelect	Outside	Independent	Corporate Auditor
3	Yutaka Miyauchi	Newly elect	Outside	Independent	-

No.  
1

**Takahiro Yamasaki**

(Date of birth: December 23, 1957 / Age 61 / Male)

Newly elect



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

April 1981	Joined Nippon Life Insurance Company
March 2004	General Manager of International Business Department
March 2005	President of NLI International Inc. (currently Nippon Life Global Investors Americas, Inc.)
December 2007	General Manager of Securities Administration Department
June 2009	Full-time Corporate Auditor, Nippon Venture Capital Co., Ltd.
June 2013	Director, General Manager of Planning & Investment Management Department
June 2015	Joined Lifenet Insurance Company, Executive Officer, Head of Claims Department
January 2016	Executive Officer, General Manager of Customer Services Division
June 2018	Assistant General Manager of Customer Services Division
February 2019	Assistant General Manager of Corporate Strategy Division (incumbent)

<Number of Company Shares Owned> None

**Qualifications of Corporate Auditor Candidates**

Takahiro Yamasaki has extensive expertise from his experience as a full-time Corporate Auditor at an investment company. He has held management positions at other life insurance companies and at the Company and possesses extensive experience and a wealth of expertise in the life insurance business. We therefore propose that Mr. Yamasaki be elected as Corporate Auditor.

No.  
2

Kenichi Masuda

(Date of birth: January 11, 1963 / Age 56 / Male)

Reelect Outside Independent



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

April 1988 Admitted as a lawyer in Japan (Dai-ni Tokyo Bar Association  
Joined Anderson Mori & Rabinowitz  
(currently Anderson Mori & Tomotsune)

September 1993 Admitted as a lawyer in New York

January 1997 Partner, Anderson Mori & Tomotsune  
(incumbent)

November 2006 Outside Corporate Auditor, Asuka Corporate  
Advisory Co., Ltd. (incumbent)

May 2007 Outside Corporate Auditor, Lifenet Insurance  
Company (incumbent)

March 2011 Outside Corporate Auditor, Bridgestone  
Corporation

March 2016 Outside Director, Bridgestone Corporation  
(incumbent)

May 2016 Outside Corporate Auditor, Mercuria  
Investment Co., Ltd. (incumbent)

April 2019 Visiting Professor, Graduate School of Law,  
The University of Tokyo (incumbent)

<Number of Company Shares Owned> None

#### Qualifications of Corporate Auditor Candidates

Although Kenichi Masuda has never been directly engaged in company management other than serving as an Outside Director and Outside Corporate Auditor, he has extensive experience and a wealth of expertise in corporate legal matters at a law firm. We therefore propose that Mr. Masuda be reelected as Outside Corporate Auditor.

No.  
3

**Yutaka Miyauchi**

(Date of birth: May 27, 1958 / Age 61 / Male)

Newly elect Outside Independent



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

April 1981	Joined Ministry of Finance
July 1997	Director, Minister's Secretariat
July 2002	Director for Budget Bureau
July 2007	Director of the Planning and Administration, Tax Bureau
July 2010	Assistant Vice-Minister, Minister's Secretariat
July 2013	Director-General of the Customs and Tariff Bureau
January 2016	Deputy Director-General, Japanese Government's TPP Headquarters at the Cabinet Secretariat Office
May 2017	Corporate Advisor of Sumitomo Mitsui Trust Bank, Limited (incumbent)

<Number of Company Shares Owned> None

#### Qualifications of Corporate Auditor Candidates

Although Yutaka Miyauchi has never been directly engaged in company management, he has held a management position at the Ministry of Finance and has extensive experience and a wealth of knowledge in finance. We therefore propose that Mr. Miyauchi be elected as Outside Corporate Auditor.

- (Notes) 1) There are no special interests between the Company and each of the candidates.
- 2) The Company has entered into an agreement with Kenichi Masuda stipulating that, in the event that he neglects his duties as an Outside Corporate Auditor during his tenure of office resulting in damages incurred to the Company, his liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act will be limited if he has acted in good faith and has not been grossly negligent in performing his duties. However, the liability in such instances shall be limited to the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act. The Company intends to extend the duration of the agreement with him if reelected. If Takahiro Yamasaki and Yutaka Miyauchi are elected, the Company intends to enter the same limited liability agreement with each of them.
- 3) Kenichi Masuda and Yutaka Miyauchi are candidates for Outside Corporate Auditor under Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act. Notes regarding the candidates for Outside Corporate Auditor are as follows:
- (1) Kenichi Masuda is an incumbent Outside Corporate Auditor. He will have served in this position for 12 years and 1 month as of the conclusion of the Annual General Meeting of Shareholders.
  - (2) The Company has notified the Tokyo Stock Exchange of our designation of Kenichi Masuda as an independent officer under the regulations of the exchange because there are no conflicts of interest arising between Kenichi Masuda and general shareholders. The Company intends to designate him as an independent officer if he is reelected. Yutaka Miyauchi also poses no risk of conflicts of interest with general shareholders, and also intend to designate him as an independent officer if he is elected.




### Proposal 3: Regarding the Election of an Alternate Corporate Auditor

We propose electing an Alternate Corporate Auditor to prepare for a situation in which the company lacks the legally mandated number of Corporate Auditors. The Board of Directors shall be able to dismiss the Alternate Corporate Auditor with the consent of the Audit & Supervisor Board at any point leading up to the alternate's assumption of the Corporate Auditor position.

The Audit & Supervisory Board agrees with this proposal.

The candidates for the Alternate Corporate Auditor position is as follows:

<b>Tadasu Kawai</b>	(Date of birth: May 7, 1941 / Age 78 / Male)	
	<u>Outside Independent</u>	
	<u>Brief career history and positions and areas of responsibility in Lifenet and significant concurrent positions outside Lifenet</u>	
	April 1964	Joined Sony Corporation
	June 2003	Senior Executive Officer
	August 2004	Corporate Auditor, Monex Beans Holdings, Inc. (currently Monex Group, Inc.)
	May 2007	Outside Corporate Auditor, Lifenet Insurance Company (incumbent)
	June 2009	Director, Monex Group, Inc.
	February 2011	Chairman, Monex Alternative Investments, Inc.
<Number of Company Shares Owned> None		

#### Qualifications of Alternate Corporate Auditor

Tadasu Kawai has extensive experience and a wealth of expertise in corporate management and finance in multiple companies. We therefore propose that Mr. Kawai be elected as Alternate Corporate Auditor.

- (Notes) 1) There are no special interests between the Company and the candidate.
- 2) The Company has entered into an agreement with Tadasu Kawai stipulating that, in the event that he neglects his duties as an Outside Corporate Auditor during his tenure of office resulting in damages incurred to the Company, his liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act will be limited if he has acted in good faith and has not been grossly negligent in performing his duties. However, the liability in such instances shall be limited to the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act. The Company intends to enter into an agreement of the same context should he become an Corporate Auditor.
- 3) Tadasu Kawai is a candidate for Alternate Outside Corporate Auditor as stipulated in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act. Notes are as follows:
- (1) Tadasu Kawai is an incumbent Outside Corporate Auditor of the Company. He will have served in this position for 12 years and 1 month as of the conclusion of the Annual General Meeting of Shareholders. He will resign his position as Corporate Auditor at the conclusion of the Meeting.
  - (2) The Company has notified the Tokyo Stock Exchange of our designation of Tadasu Kawai as an independent officer under the regulations of the exchange because there are no conflicts of interest arising between Tadasu Kawai and general shareholders. The Company intends to designate him as an independent officer if he should become an Outside Corporate Auditor.



#### **Proposal 4: Decision on Compensation of Directors (excluding Outside Directors) Through the Granting of Restricted Stock**

The total amount of director compensation was approved at 180 million yen a year (not including employee wages when a director serves concurrently as an employee) at the 12<sup>th</sup> Annual General Meeting of Shareholders held on June 24, 2018.

As part of a recent review of the officer compensation system, Lifenet decided to also compensate directors by granting restricted stock, within the scope of the compensation amount noted above. The purpose of this is to give directors (excluding Outside Directors, hereafter “eligible directors”) the incentive to work for continual enhancement of the corporate value of the Company and to promote greater shared value with shareholders. However, the amount of compensation noted above does not include the employee salary portion of directors who serve concurrently as employees.

Based on this proposal, eligible directors shall receive compensation to pay for the restricted stock granted in the form of monetary claims (hereafter “monetary compensation claims”). The Board of Directors, following deliberation at the discretionary Nomination & Compensation Committee shall determine the specific timing and allocation of restricted stocks to each eligible director. However, compensation for restricted stock grants will not be paid to outside directors.

There are currently ten directors (four of whom are Outside Directors). However, if the original resolution in Proposal 1 (Regarding the Election of Eight Directors) is approved, there will be eight directors (four of whom will be Outside Directors), four of whom will be eligible.

Eligible directors shall pay in the entire amount of monetary compensation claims paid to them under this proposal as a cash investment asset, and will receive ordinary shares issued or distributed by the Company. The total number of shares issued or distributed under this system shall be 200,000 shares a year or less (however, the total number of restricted shares issued or distributed may be adjusted within a reasonable scope when the need for adjustment arises on or after the date on which this proposal is approved, due to a share-split of the Company’s ordinary shares—including gratis issues of Company ordinary shares—or a reverse stock split.)

The Board of Directors will determine the amount to be paid in per share. This amount will be based on the closing price of the Company’s ordinary shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the each Board of Directors resolution (the closing price on the most recent day on which trading has taken place if there is no trading on that day), and will be an amount that does not provide the eligible directors who receive the ordinary shares with a particularly advantageous price. When issuing or distributing ordinary shares of the Company through this system, the Company will enter into a restricted transfer stock allocation agreement (hereafter “allocation agreement”) with eligible directors that contains the following provisions.

The content of this proposal is based on the proposal of the discretionary Nomination & Compensation Committee, which consists of independent directors and the representative director.

##### **(1) Transfer Restriction Period**

Eligible directors must not transfer, pledge as collateral, or otherwise dispose of (hereafter “transfer restrictions”) the ordinary shares allocated under the allocation

agreement (hereafter “allocated shares”) for the period determined in advance by the Board of Directors (hereafter “transfer restriction period”), which shall be between three years to five years from the date on which the allocation under the allocation agreement was received.

(2) Release of Restriction on Transfer

The Company will release the restriction on transfer once the transfer restriction period on the allocated shares has expired, on the condition that the eligible director has continued to serve as a director for the duration of the transfer restriction period. However, if the eligible director has resigned or left the position specified above before the expiration of the transfer restriction period owing to reasons approved in advance by the Board of Directors, the number of allocated shares released from transfer restrictions and the timing of the release from transfer restrictions may be adjusted within reason. In accordance with the above rules, the Company will also naturally acquire the allocated shares on which the transfer restrictions have not been released for free, immediately after the transfer restrictions are released.

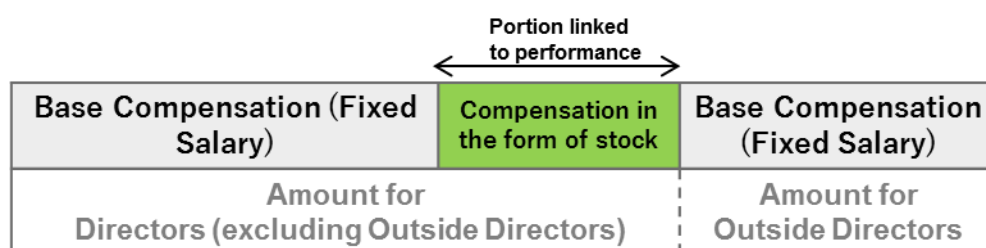
(3) Handling in the Event of Organizational Restructuring

In the event that a merger agreement that renders the Company a defunct company, a share exchange agreement making the company a wholly owned subsidiary, a share transfer plan, or other organizational restructuring approved at the Annual General Meeting of Shareholders (however, this shall be the Board of Directors for such organizational restructuring or other events that do not require the approval of the Annual General Meeting of Shareholders) occurs during the transfer restriction period, the restrictions on transfer may be released on a reasonably prorated number of shares allocated in advance, based on the time period from the date on which the transfer restriction period began to the date on which the organizational restructuring or other event occurred, when approved by the Board of Directors of the Company, the provisions stated above in (1) notwithstanding. When the above rules are applied, the Company will naturally acquire the allocated shares on which the transfer restrictions have not been released for free, immediately after the transfer restrictions have been released.

(4) Other Matters

Other matters concerning the allocation agreement shall be decided by the Board of Directors of the Company following deliberation at the discretionary Nomination & Compensation Committee.

**[Diagram of New Compensation System]**



\* The introduction of this restricted stock compensation system will not increase the amount of total director compensation. The Company Board of Directors will determine the ratio of base compensation (fixed salary) to stock compensation of the eligible directors and will be deliberated at the discretionary Nomination & Compensation Committee; however, it shall be generally based on a ratio of 7:3.

(Attached)

## BUSINESS REPORT

### 1 Business results

#### Condition of policies-in-force

Annualized premium<sup>\*1</sup> of new business for fiscal 2018 was 2,773 million yen (161.8% of fiscal 2017) with the number of new business at 64,435 (164.5% of fiscal 2017). Both annualized premium<sup>\*1</sup> and number of new business for fiscal 2018 recorded a historical high.

Annualized premium<sup>\*1</sup> of policies-in-force as of March 31, 2019 stands at 13,085 million yen (117.4% of March 31, 2018). Sum insured of policies-in-force was 2,289,567 million yen (111.2% of March 31, 2018). The number of policies-in-force exceeded 300,000 in January 2019 and resulted in a total of 308,854 (117.1% of March 31, 2018). The number of policyholders was 197,669. Surrender and lapse ratio<sup>\*2</sup> for fiscal 2018 was 6.6% (5.9% for fiscal 2017).

\*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 2018 increased to 12,159 million yen (114.5% of fiscal 2017) due to an increase in the number of policies-in-force. Investment income was 365 million yen (115.3% of fiscal 2017). Other ordinary income was 35 million yen. As a result, ordinary income for fiscal 2018 amounted to 12,560 million yen (114.6% of fiscal 2017).

Insurance claims and other was 2,535 million yen (134.0% of fiscal 2017). The ratio of insurance payment amounts to insurance premiums increased to 17.3% for fiscal 2018, compared with 15.0% for fiscal 2017. Provision for policy reserves and other came to 4,070 million yen (110.5% of fiscal 2017). The ratio of provision for policy reserves to insurance premiums was 34.0% for fiscal 2018, compared with 34.2% for fiscal 2017. Operating expenses amounted to 6,916 million yen (139.9% of fiscal 2017). The components of operating expenses were 4,216 million yen in marketing expenses including advertising (160.5% of fiscal 2017), 786 million yen in customer service expenses (114.4% of fiscal 2017), and 1,913 million yen in system and other expenses (117.5% of fiscal 2017). Other ordinary expenses was 757 million yen (123.4% of fiscal 2017). Consequently, ordinary expenses for fiscal 2018 totaled 14,280 million yen (128.0% of fiscal 2017).

As a result, ordinary loss totaled 1,719 million yen for fiscal 2018, compared with 197 million yen for fiscal 2017. Net loss was 1,735 million yen, compared with 249 million yen for fiscal 2017. Adjusted profit<sup>\*3</sup>, an indicator of profit generated from policies-in-force as defined in the New Management Policy announced in November 2018, was 2,497 million yen compared with 2,429 million yen for fiscal 2017.

In addition, fundamental profit, which is one of the indicators for the profitability of life insurance companies, amounted to 1,656 million yen loss, compared with 120 million yen

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loss for fiscal 2017 mainly due to an increase in operating expenses. The components of fundamental profit were 2,753 million yen in mortality margin, 4,395 million yen loss in expense margin and 14 million yen loss in interest margin.

\*3: Ordinary profit/loss excluding marketing expenses to acquire new business.

## **Assets, liabilities and net assets**

Total assets as of March 31, 2019 amounted to 38,247 million yen (35,541 million yen as of March 31, 2018). The major account balance was 30,989 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings.

Liabilities amounted to 26,474 million yen as of March 31, 2019 (22,153 million yen as of March 31, 2018), owing to an increase in policy reserves. The major account balances were 24,786 million yen in policy reserves, and 469 million yen in reserves for outstanding claims. In terms of policy reserves, new business from fiscal 2018 has been transferred from 5-year Zillmer's method to standard policy reserves. The difference in policy reserves will be enhanced over five fiscal years, from fiscal 2018 to 2022, with the standing difference at the end of fiscal 2018 at 1,462 million yen.

Net assets decreased to 11,773 million yen as of March 31, 2019 (13,387 million yen as of March 31, 2018) due to the recording of net loss for fiscal 2018.

Solvency margin ratio as of March 31, 2019 was 2,085.2% (2,455.8% as of March 31, 2018), which indicated that an adequate level of payment capacity was maintained.

## **European Embedded Value**

The embedded value on an EEV basis as of March 31, 2019 is 63,378 million yen, an increase of 18,937 million yen (42.6%) from March 31, 2018 due primarily to updates made to mortality and morbidity assumptions and the acquisition of new business. The adjusted net worth is 14,860 million yen. The value of in-force business increased to 48,518 million yen.

## **Other accomplishments**

This fiscal year, we launched an updated version of *Kazoku* term life insurance in April 2018. In addition to lowering the premium, we also expanded the coverage options, thereby enabling a broader range of customers to apply. We also released *au Cancer Insurance* into our lineup of our *au Life Insurance* white label products sold through KDDI Corporation, a sales agent, in April 2018.

In terms of services for our policyholders, we expanded our *Survivorship Support Services*, which we began with the launch of our cancer insurance in August 2017. Our *Survivorship Support Services* is a selection of services offered by our partnering companies to cancer patients to assist with their daily lives. This fiscal year we added new services in the following areas to the line-up: online cancer and reproductive treatment counseling, clothing and undergarments, and nutritional supplements.

We have also expanded the services available via smartphone. *Visual IVR*, launched in February 2019, is a service that sends a visual menu to the smartphones of customers who

make inquiries to the contact center. The menu includes FAQs (frequently asked questions) and various procedures for policyholders, enabling customers to find solutions to their questions even outside of contact center business hours. LINE Inquiry or Callback Request functions are available for customers who want more detailed information.

Our products were rated highly by many third-parties this past fiscal year. *Hataraku-Hito* 2 long-term disability insurance was rated the No. 1 choice by insurance specialists in four types of media, including the 2019 Oricon Client Satisfaction Survey<sup>\*1</sup>. Our cancer insurance product received the Nikkei TRENDY Grand Prize in the Nikkei TRENDY<sup>\*2</sup> magazine cancer division. Our updated *Kazoku* term life insurance was also rated No. 1 by the Life Insurance Ranking! magazine published by TAKARAJIMASHA, Inc.<sup>\*3</sup>.

In services, our contact center (which offers telephone and chat/messaging services) and website received the highest Mitsuboshi (3-star) rating in the three categories of the HDI-Japan Benchmark assessment (Insurance Industry 2018/2019).

\*1: The long-term disability product ranking of the 2019 Oricon Client Satisfaction Survey sponsored by Oricon ME Inc.

\*2: May 2018 issue of Nikkei TRENDY magazine published by Nikkei Business Publications

\*3: The August 2018 issue of Life Insurance Ranking! magazine published by TAKARAJIMASHA, Inc.

## 2 Challenges

### Mid- to long-term business strategy and challenges

We formulated a new management policy in November 2018 aimed at the continued steady growth and achievement of high profitability over the mid- to long-term. The policy is summarized below:

#### Summary of New Management Policy

<b>Mission</b>	Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services
<b>Vision</b>	Be the leading company driving the growth of the online life insurance market
<b>Priority areas</b>	<ul style="list-style-type: none"> <li>● <u>Innovation of customer experience</u> Enhancing and evolving the quality of all services with digital technology</li> <li>● <u>Enhancement of promotion capabilities</u> Generating massive customer traffic by active promotion and expansion of agent sales and white label business</li> </ul>
<b>Management goal</b>	Aim to achieve EEV (indicator of corporate value) of 100 billion yen by business growth in a mid-term

Research by the Japan Institute of Life Insurance released in September 2018 indicated that roughly 12% of potential subscribers of life insurance intended to apply for a policy through the Internet in the future, although only around 3% of life insurance subscribers actually did so. Meanwhile, the share of direct automobile insurance has steadily grown, reached approximately 8%<sup>\*1</sup>. We are certain there is potential for growth in the online life insurance market in light of these circumstances; however, insurance providers, including Lifenet, are not yet capable of fully catering to customer needs at this stage.

Considering the above, we continue to pursue our mission, “helping our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services,” and strive to achieve our vision of being the leading company driving the growth of the online life insurance market.

We have also designated EEV as the key indicator of corporate value and strive to achieve 100 billion yen as early as possible.

Please note that from fiscal 2019 onward we will target further growth in line with the management policy announced in November 2018. We believe that responding flexibly to the rapidly changing Internet and its surrounding environment is important in order to achieve sustained growth and higher earning power over the mid- to long-term. We will therefore aim to increase corporate value by making optimal management decisions according to changes in the environment, based on our new management policy, rather than on a plan with a predetermined timeframe.

We will undertake initiatives addressing the following important challenges and target further enhancement of corporate value in the mid- to long-term.



## (1) Further growth in business performance

We will aim for growth in business performance through two priority areas stated in the new management policy: “Innovation of customer experience” and “Enhancement of promotion capabilities.”

We recognize that providing our customers with quality experience is essential for them to continuously choose Lifenet and is a critical element in achieving increased growth. To achieve this, we will endeavor to provide customers with not only products and services, but also to innovate the customer experience by providing more user-friendly processes and administrative procedures. Increasing customer satisfaction and strengthening our relationship with customers by improving each encounter our customers have with us is also essential, and thus we will optimize the data we have gathered through our customers’ actions to improving our website. We will simultaneously work to create a convenient life insurance, which we believe to be fundamental in meeting customer expectations. We will also strive to communicate with our approximately 200,000 existing policyholders, gaining further trust and loyalty.

In addition, we will strengthen our sales capabilities and strive to generate massive customer traffic. To expand our internet channel, we will continuously air television commercials and engage in other advertising and promotional efforts to further strengthen our brand, and in doing so, increase recognition of Lifenet among potential customers.

We will also strengthen agent channels and white label sales in order to provide the products and services of Lifenet to an even greater number of customers. Collaboration with existing and new corporate partners, such as KDDI CORPORATION whose customer base we use to provide *au life insurance*, is an area we will continue to focus on.

## (2) Improvement of operating expenses efficiency

Lifenet will utilize the fact that the life insurance industry is a business with dependable recurring earnings to expand the scale of our business and enable Lifenet to benefit maximally from the merits of scale. We also strive to improve business efficiency by pursuing initiatives aimed at improving productivity company-wide. The use of technology, such as partially automating operations, will aid these efforts. We will continue to invest in operating expenses as we continue to target growth in new business performance in fiscal 2019, focusing on operating expense efficiency, and will always work to maximize the benefits derived from investing in marketing by gathering, managing, and analyzing data on the cost versus the benefits.

\*1: Data from website of Sony Financial Holdings Inc., “Automobile Insurance Market and Market Share of Major Direct Non-life insurers”

We will target further growth by pursuing the initiatives described above while working to enhance management resources.

### **3 Others**

#### **Dividend policy**

Lifenet has yet to determine its specific dividend policies and dates for the start of distributing retained earnings as dividends as we still record cumulative loss and will be prioritizing strengthening our growth base to increase mid to long term profitability. 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	2019
<b>ASSETS</b>		
Cash and deposits .....	926	1,192
Bank deposits .....	926	1,192
Monetary claims bought .....	1,999	999
Money held in trust .....	2,567	3,114
Securities .....	28,303	30,989
Government bonds .....	8,398	8,071
Municipal bonds .....	1,505	1,394
Corporate bonds .....	13,892	16,763
Stocks .....	346	363
Foreign securities .....	—	45
Other securities .....	4,161	4,352
Tangible fixed assets .....	109	99
Buildings .....	18	16
Leased assets .....	40	19
Other tangible fixed assets .....	50	62
Intangible fixed assets .....	621	629
Software .....	465	553
Software in progress .....	138	70
Leased assets .....	17	5
Other intangible fixed assets .....	0	—
Agency accounts receivable .....	4	7
Reinsurance accounts receivable .....	45	69
Other assets .....	964	1,146
Accounts receivable .....	802	955
Prepaid expenses .....	50	72
Accrued income .....	36	44
Deposits .....	73	73
Suspense payments .....	1	1
Total assets .....	<u>35,541</u>	<u>38,247</u>

(In millions of yen)		
March 31		
	2018	2019
<b>LIABILITIES</b>		
Policy reserves and other .....	21,186	25,256
Reserves for outstanding claims.....	429	469
Policy reserves .....	20,757	24,786
Agency accounts payable .....	59	72
Reinsurance accounts payable .....	108	160
Other liabilities.....	581	707
Income taxes payable .....	23	1
Accounts payable.....	45	37
Accrued expenses.....	427	594
Deposits received .....	13	13
Lease liabilities .....	33	16
Asset retirement obligations .....	33	33
Suspense receipt .....	5	9
Reserves under the special laws .....	30	42
Reserve for price fluctuations .....	30	42
Deferred tax liabilities .....	186	233
Total liabilities .....	22,153	26,474
<b>NET ASSETS</b>		
Capital stock .....	12,136	12,136
Capital surplus .....	12,136	12,136
Legal capital surplus .....	12,136	12,136
Retained earnings .....	(11,365)	(13,101)
Other retained earnings.....	(11,365)	(13,101)
Retained earnings brought forward .....	(11,365)	(13,101)
Shareholders' equity .....	12,907	11,172
Valuation difference on available-for-sale securities .....	480	600
Valuation and translation adjustments .....	480	600
Total net assets.....	13,387	11,773
Total liabilities and net assets.....	35,541	38,247

## 2 Statements of Operations

	(In millions of yen)	
	Year ended March 31	
	2018	2019
Ordinary income .....	10,962	12,560
Insurance premiums and other .....	10,616	12,159
Premiums income .....	10,421	11,845
Reinsurance income .....	194	313
Investment income .....	317	365
Interest, dividends and other income .....	232	230
Interest from deposits .....	0	0
Interest and dividends from securities .....	232	230
Other interest and dividends .....	0	0
Gain on money held in trust .....	17	36
Gain on sales of securities .....	47	98
Gain on derivative financial instruments .....	19	—
Other ordinary income .....	28	35
Other .....	28	35
Ordinary expenses .....	11,160	14,280
Insurance claims and other .....	1,891	2,535
Insurance claims .....	978	1,353
Benefits .....	584	701
Other refunds .....	0	0
Reinsurance commissions .....	329	480
Provision for policy reserves and other .....	3,684	4,070
Provision for reserves for outstanding claims ..	117	40
Provision for policy reserves .....	3,567	4,029
Investment expenses .....	27	1
Interest expenses .....	0	0
Foreign exchange losses .....	26	—
Other investment expenses .....	0	1
Operating expenses .....	4,942	6,916
Other ordinary expenses .....	613	757
Taxes .....	355	503
Depreciation .....	254	251
Other .....	3	1
Ordinary profit (loss) .....	(197)	(1,719)
Extraordinary losses .....	11	11
Provision of reserves under the special laws .....	11	11
Provision of reserve for price fluctuations .....	11	11
Income (loss) before income taxes .....	(209)	(1,731)
Income taxes-current .....	39	4
Income taxes .....	39	4
Net income (loss) .....	(249)	(1,735)

## 3 Statements of Changes in Net Assets

		(In millions of yen)	
		Year ended March 31	
		2018	2019
Shareholders' equity:			
Capital stock			
Capital stock .....		12,136	12,136
Changes of items during the period			
Total changes of items during the period .....		—	—
Capital stock .....		12,136	12,136
Capital surplus			
Legal capital surplus			
Legal capital surplus .....		12,136	12,136
Changes of items during the period			
Total changes of items during the period .....		—	—
Legal capital surplus .....		12,136	12,136
Total capital surplus			
Capital surplus .....		12,136	12,136
Changes of items during the period			
Total changes of items during the period .....		—	—
Capital surplus .....		12,136	12,136
Retained earnings			
Other retained earnings			
Retained earnings brought forward			
Retained earnings brought forward .....		(11,116)	(11,365)
Total changes of items during the period			
Net income (loss) .....		(249)	(1,735)
Total changes of items during the period .....		(249)	(1,735)
Retained earnings brought forward .....		(11,365)	(13,101)
Total retained earnings			
Retained earnings .....		(11,116)	(11,365)
Changes of items during the period			
Net income (loss) .....		(249)	(1,735)
Total changes of items during the period .....		(249)	(1,735)
Retained earnings .....		(11,365)	(13,101)
Total shareholders' equity			
Shareholders' equity .....		13,157	12,907
Changes of items during the period			
Net income (loss) .....		(249)	(1,735)
Total changes of items during the period .....		(249)	(1,735)
Shareholders' equity .....		12,907	11,172

(In millions of yen)		
Year ended March 31		
	2018	2019
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities	488	480
Changes of items during the period		
Net changes of items other than shareholders' equity .....	(8)	120
Total changes of items during the period .....	(8)	120
Valuation difference on available-for-sale securities	480	600
Total valuation and translation adjustments		
Total valuation and translation adjustments .....	488	480
Changes of items during the period		
Net changes of items other than shareholders' equity .....	(8)	120
Total changes of items during the period .....	(8)	120
Total valuation and translation adjustments .....	480	600
Net assets:		
Net assets .....	13,645	13,387
Changes of items during the period		
Net income (loss) .....	(249)	(1,735)
Net changes of items other than shareholders' equity .....	(8)	120
Total changes of items during the period .....	(257)	(1,614)
Net assets .....	13,387	11,773

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