

November 10, 2021
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LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

Financial Results for 2Q of Fiscal 2021 Ending March 31, 2022 **Annualized premium of in-force business of 20,231 million yen,** **up 8.1% from March 31, 2021**

TOKYO, November 10, 2021 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the second quarter of fiscal 2021 ending March 31, 2022.

1. Overview of the financial results for 2Q of fiscal 2021

(1) Business results

Condition of policies-in-force

Annualized premium*¹ of new business in 2Q ended September 30, 2021 was 1,051 million yen (106.0% of 2Q of fiscal 2020). The number of new business was 26,167 (112.0% of 2Q of fiscal 2020). Annualized premium of new business for the six months ended September 30, 2021 was 2,174 million yen (100.7% of the six months ended September 30, 2020). The number of new business for the six months ended September 30, 2021 was 53,720 (104.3% of the six months ended September 30, 2020). Annualized premium of new business and the number of new business for the six months ended September 30, 2021 increased, compared with those of the six months ended September 30, 2020 which had an impact from the spread of the novel coronavirus disease (COVID-19) and led to a great increase in the new business in a short term.

Annualized premium of policies-in-force as of the end of 2Q of fiscal 2021 stands at 20,231 million yen (108.1% of March 31, 2021). The number of policies-in-force resulted in a total of 476,906 (108.4% of March 31, 2021). Surrender and lapse ratio*² for the six months ended September 30, 2021 was 6.9% (5.5% for the six months ended September 30, 2020). Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Surrender and lapse ratio for the six months ended September 30, 2021 includes the impact of extended policies that were recorded as lapsed policies in a lump sum.

*1: Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments, we calculate annualized premium as multiplying the monthly premium by 12 months.

*2: The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Results of operations

Insurance premiums and other for the six months ended September 30, 2021 increased to 12,301 million yen (129.6% of the six months ended September 30, 2020) due to an increase in premium income by growth of in-force business, and effect from modified co-insurance. Investment income was 259 million yen (109.4% of the six months ended September 30, 2020). Other ordinary income was 84 million yen. As a result, ordinary income for the six months ended September 30, 2021 amounted to 12,644 million yen (128.4% of the six months ended September 30, 2020).

Insurance claims and other was 4,066 million yen (158.0% of the six months ended September 30, 2020) mainly due to an increase in reinsurance commission from modified co-insurance. The ratio of insurance payment amounts to insurance premiums increased to 21.0%

for the six months ended September 30, 2021, compared with 17.5% for the six months ended September 30, 2020. Provision for policy reserves and other came to 3,208 million yen (105.9% of the six months ended September 30, 2020). The ratio of provision for policy reserves to insurance premiums was 33.5% for the six months ended September 30, 2021, compared with 37.5% for the six months ended September 30, 2020. Operating expenses amounted to 5,885 million yen (127.0% of the six months ended September 30, 2020) mainly due to the investment in our marketing spend including advertising. The components of operating expenses were 4,029 million yen in marketing expenses (131.9% of the six months ended September 30, 2020), 619 million yen in customer service expenses (129.6% of the six months ended September 30, 2020), and 1,236 million yen in system and other expenses (112.4% of the six months ended September 30, 2020). Other ordinary expenses was 911 million yen (122.9% of the six months ended September 30, 2020). Consequently, ordinary expenses for the six months ended September 30, 2021 totaled 14,071 million yen (128.2% of the six months ended September 30, 2020).

As a result, ordinary profit totaled 1,427 million yen loss for the six months ended September 30, 2021, compared with 1,128 million yen loss for the six months ended September 30, 2020. Net income was 1,476 million yen loss, compared with 1,138 million yen loss for the six months ended September 30, 2020.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 1,316 million yen loss, compared with 1,049 million yen loss for the six months ended September 30, 2020. The components of fundamental profit were 1,825 million yen in mortality margin, 3,197 million yen loss in expense margin and 55 million yen in interest margin.

We are participating in reinsurance transactions from fiscal 2019 by modified co-insurance on part of new business to achieve continuous growth. By utilizing reinsurance appropriately, we will ease the temporary burden imposed on statutory capital by expenses associated with new business and maintain fiscal soundness. The reinsurance transactions are agreements that transfer the risk and the profit (loss) structure of the reinsured business to the reinsurance company for a certain period of time. We receive ceding commission in accordance with the new business costs associated with the reinsured business in the initial fiscal year. This leads to an increase in ordinary income. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in ordinary profit and net profit. Once the balance of reinsurance accounts receivable is amortized to zero, the reinsurance agreement terminates, and subsequent profit on the reinsured business belongs to Lifenet. Accordingly, the modified co-insurance resulted in raising ordinary income by 2,380 million yen (1,153 million yen of the six months ended September 30, 2020), ordinary profit by 787 million yen (360 million yen of the six months ended September 30, 2020), and net income by 787 million yen (360 million yen of the six months ended September 30, 2020).

(2) Financial condition

Assets, liabilities and net assets

Total assets as of September 30, 2021 amounted to 66,204 million yen (54,501 million yen as of March 31, 2021). The major account balance was 42,306 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Reinsurance accounts receivable was 3,305 million yen including 3,149 million yen of the balance of unamortized ceding commission for modified co-insurance.

Liabilities amounted to 41,819 million yen as of September 30, 2021 (38,694 million yen as of March 31, 2021), owing to an increase in policy reserves. The major account balances were 39,009 million yen in policy reserves and 792 million yen in reserves for outstanding claims.

Net assets amounted to 24,385 million yen as of September 30, 2021 (15,806 million yen as of March 31, 2021) mainly due to raising new capital through overseas public offering despite the recording of net loss for the six months ended September 30, 2021. It includes the effect of raising retained earnings due to the utilization of modified co-insurance. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in net assets accordingly.

The solvency margin ratio as of September 30, 2021 was 3,462.0% (2,647.1% as of March 31, 2021), which indicated that an adequate level of payment capacity was maintained.

Cash flows

For the six months ended September 30, 2021, net cash provided by operating activities amounted to 1,119 million yen (1,546 million yen provided for the six months ended September 30, 2020) mainly because of an increase in insurance premium. Net cash used by investing activities amounted to 1,965 million yen (5,446 million yen used for the six months ended September 30, 2020) mainly due to acquisition of securities. Net cash provided by financing activities amounted to 9,736 million yen (8,865 million yen provided for the six months ended September 30, 2020) mainly due to issuance of new shares through overseas public offering.

Based on these activities described above, cash and cash equivalents as of September 30, 2021 totaled 11,950 million yen (3,059 million yen as of March 31, 2021).

(3) Business forecasts

The business forecasts for fiscal 2021 which was announced on May 13, 2021 was revised as shown below.

| | (In millions of yen) | | |
|--|----------------------|------------------------|-------------------|
| | Ordinary income | Ordinary profit (loss) | Net income (loss) |
| Previous forecasts (May 13, 2021) | 25,500 | (3,800) | (3,800) |
| Revised forecasts (November 10, 2021) | 26,100 | (3,600) | (3,700) |
| (Reference) Business results for fiscal 2020 | 20,789 | (3,089) | (3,114) |

Lifenet's business performance has been growing and achieved new half-year record high in new business for the six months ended September 30. Under such circumstances, Lifenet aims to expand new business performance by more investment in marketing than initially planned. In addition, we will increase the utilization of modified co-insurance for the further growth. These led to the revision of the business forecasts for fiscal 2021 ending March 31, 2022.

The business forecasts for fiscal 2021 includes the impact of reinsurance transactions by modified co-insurance. We expect the impact on fiscal 2021 revised forecasts to increase ordinary income by around 5,000 million yen (4,400 million yen as of previous forecast), ordinary profit by around 1,400 million yen (700 million yen as of previous forecast), and net income by around 1,400 million yen (700 million yen as of previous forecast). This impact includes the effects of amortization of reinsurance accounts receivable generated from reinsured business in past years.

Subsequently, the forecast for annualized premium of policies-in-force and of new business were revised as shown below. Lifenet aims to achieve record high in new business for four consecutive years and double-digit growth in in-force business.

(Reference) Annualized premium

(In millions of yen)

| | Annualized premium of policies-in-force | Annualized premium of new business |
|--|--|---------------------------------------|
| Previous forecasts (May 13, 2021) | 21,800 | 4,400 |
| Revised forecasts (November 10, 2021) | 21,900 | 4,500 |
| (Reference) Business results for fiscal 2020 | 18,713 | 4,197 |

About LIFENET URL: <https://ir.lifenet-seimei.co.jp/en/>

Remembering the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell these products and services directly to customers over the Internet. We aim to be the leading company driving the growth of the online life insurance market.

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Disclaimer: This is a summarized translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

2. Non-consolidated Financial Statements

(1) Balance Sheets

| | (In millions of yen) | |
|--------------------------------------|----------------------|------------------|
| | March 31, 2021 | Sep. 30, 2021 |
| ASSETS | | |
| Cash and deposits..... | 2,059 | 3,950 |
| Monetary claims bought..... | 999 | 7,999 |
| Money held in trust | 5,895 | 5,496 |
| Securities | 40,007 | 42,306 |
| Government bonds..... | 9,004 | 9,006 |
| Municipal bonds | 1,482 | 1,484 |
| Corporate bonds..... | 21,301 | 22,251 |
| Stocks..... | 397 | 550 |
| Foreign securities | 0 | 100 |
| Other securities | 7,821 | 8,913 |
| Tangible fixed assets..... | 95 | 101 |
| Intangible fixed assets..... | 1,252 | 1,264 |
| Agency accounts receivable | 9 | 8 |
| Reinsurance accounts receivable..... | 2,569 | 3,305 |
| Other assets..... | 1,612 | 1,770 |
| Accounts receivable | 1,362 | 1,492 |
| Other | 250 | 278 |
| Total assets | 54,501 | 66,204 |

| | (In millions of yen) | |
|---|----------------------|------------------|
| | March 31, 2021 | Sep. 30, 2021 |
| <u>LIABILITIES</u> | | |
| Policy reserves and other | 36,639 | 39,802 |
| Reserves for outstanding claims | 837 | 792 |
| Policy reserves | 35,801 | 39,009 |
| Agency accounts payable | 69 | 56 |
| Reinsurance accounts payable | 301 | 335 |
| Other liabilities | 1,234 | 1,081 |
| Income taxes payable | 3 | 1 |
| Accrued expenses | 1,082 | 953 |
| Lease liabilities | 11 | 9 |
| Asset retirement obligations | 33 | 34 |
| Other | 102 | 82 |
| Reserves under the special laws | 76 | 87 |
| Reserve for price fluctuations | 76 | 87 |
| Deferred tax liabilities | 373 | 456 |
| Total liabilities | 38,694 | 41,819 |
| <u>NET ASSETS</u> | | |
| Capital stock | 16,731 | 21,652 |
| Capital surplus | 16,731 | 21,652 |
| Legal capital surplus | 16,731 | 21,652 |
| Retained earnings | (18,616) | (20,093) |
| Other retained earnings | (18,616) | (20,093) |
| Retained earnings brought forward | (18,616) | (20,093) |
| Treasury shares | (0) | (0) |
| Shareholders' equity | 14,846 | 23,211 |
| Valuation difference on available-for-sale securities | 960 | 1,173 |
| Valuation and translation adjustments | 960 | 1,173 |
| Total net assets | 15,806 | 24,385 |
| Total liabilities and net assets | 54,501 | 66,204 |

(2) Statements of Operations

| | (In millions of yen) | |
|---|--------------------------|---------|
| | Six months ended Sep. 30 | |
| | 2020 | 2021 |
| Ordinary income..... | 9,849 | 12,644 |
| Insurance premiums and other | 9,493 | 12,301 |
| Premiums income | 8,079 | 9,566 |
| Reinsurance income..... | 1,414 | 2,734 |
| Investment income..... | 237 | 259 |
| Interest, dividends and other income..... | 140 | 215 |
| Gains on money held in trust..... | 93 | 26 |
| Gain on sales of securities..... | 2 | 17 |
| Other ordinary income | 119 | 84 |
| Reversal of reserves for outstanding claims..... | 85 | 45 |
| Other | 33 | 38 |
| Ordinary expenses | 10,978 | 14,071 |
| Insurance claims and other | 2,574 | 4,066 |
| Insurance claims | 879 | 1,315 |
| Benefits | 537 | 693 |
| Other refunds | 0 | 0 |
| Reinsurance commissions | 1,157 | 2,057 |
| Provision for policy reserves and other | 3,029 | 3,208 |
| Provision for policy reserves | 3,029 | 3,208 |
| Investment expenses..... | 0 | 0 |
| Interest expenses | 0 | 0 |
| Foreign exchange losses..... | 0 | 0 |
| Operating expenses | 4,633 | 5,885 |
| Other ordinary expenses | 741 | 911 |
| Ordinary profit (loss) | (1,128) | (1,427) |
| Extraordinary losses | 8 | 47 |
| Loss on disposal of fixed assets..... | — | 36 |
| Provision of reserves under the special laws..... | 8 | 10 |
| Provision of reserve for price fluctuations..... | 8 | 10 |
| Income (loss) before income taxes..... | (1,136) | (1,474) |
| Income taxes-current | 1 | 1 |
| Income taxes..... | 1 | 1 |
| Net income (loss) | (1,138) | (1,476) |

(3) Statements of Changes in Net Assets

| | (In millions of yen) | |
|--|--------------------------|-----------------|
| | Six months ended Sep. 30 | |
| | 2020 | 2021 |
| Shareholders' equity: | | |
| Capital stock | | |
| Balance at the beginning of the year..... | 12,200 | 16,731 |
| Changes of items during the period | | |
| Issuance of new shares..... | 4,502 | 4,885 |
| Issuance of new shares-restricted stock..... | 20 | 21 |
| Issuance of new shares-exercise of subscription rights to shares | — | 13 |
| Total changes of items during the period | <u>4,523</u> | <u>4,920</u> |
| Balance at the end of the period | <u>16,723</u> | <u>21,652</u> |
| Capital surplus | | |
| Legal capital surplus | | |
| Balance at the beginning of the year..... | 12,200 | 16,731 |
| Changes of items during the period | | |
| Issuance of new shares..... | 4,502 | 4,885 |
| Issuance of new shares-restricted stock..... | 20 | 21 |
| Issuance of new shares-exercise of subscription rights to shares .. | — | 13 |
| Total changes of items during the period | <u>4,523</u> | <u>4,920</u> |
| Balance at the end of the period | <u>16,723</u> | <u>21,652</u> |
| Total capital surplus | | |
| Balance at the beginning of the year..... | 12,200 | 16,731 |
| Changes of items during the period | | |
| Issuance of new shares..... | 4,502 | 4,885 |
| Issuance of new shares-restricted stock..... | 20 | 21 |
| Issuance of new shares-exercise of subscription rights to shares .. | — | 13 |
| Total changes of items during the period | <u>4,523</u> | <u>4,920</u> |
| Balance at the end of the period | <u>16,723</u> | <u>21,652</u> |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | | |
| Balance at the beginning of the year | (15,502) | (18,616) |
| Changes of items during the period | | |
| Net income (loss)..... | (1,138) | (1,476) |
| Total changes of items during the period | <u>(1,138)</u> | <u>(1,476)</u> |
| Balance at the end of the period | <u>(16,641)</u> | <u>(20,093)</u> |
| Total retained earnings | | |
| Balance at the beginning of the year..... | (15,502) | (18,616) |
| Changes of items during the period | | |
| Net income (loss)..... | (1,138) | (1,476) |
| Total changes of items during the period | <u>(1,138)</u> | <u>(1,476)</u> |
| Balance at the end of the period | <u>(16,641)</u> | <u>(20,093)</u> |

| | (In millions of yen) | |
|--|--------------------------|---------|
| | Six months ended Sep. 30 | |
| | 2020 | 2021 |
| Treasury shares | | |
| Balance at the beginning of the year..... | — | (0) |
| Changes of items during the period | | |
| Purchase of treasury shares | (0) | — |
| Total changes of items during the period | (0) | — |
| Balance at the end of the period | (0) | (0) |
| Total shareholders' equity | | |
| Balance at the beginning of the year..... | 8,898 | 14,846 |
| Changes of items during the period | | |
| Issuance of new shares | 9,005 | 9,771 |
| Issuance of new shares-restricted stock | 41 | 43 |
| Issuance of new shares-exercise of subscription rights to shares | — | 26 |
| Net income (loss) | (1,138) | (1,476) |
| Purchase of treasury shares | (0) | — |
| Total changes of items during the period | 7,908 | 8,365 |
| Balance at the end of the period | 16,806 | 23,211 |
| Valuation and translation adjustments: | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the beginning of the year..... | 502 | 960 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 224 | 213 |
| Total changes of items during the period | 224 | 213 |
| Balance at the end of the period | 727 | 1,173 |
| Total valuation and translation adjustments | | |
| Balance at the beginning of the year..... | 502 | 960 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 224 | 213 |
| Total changes of items during the period | 224 | 213 |
| Balance at the end of the period | 727 | 1,173 |
| Net assets: | | |
| Balance at the beginning of the year | 9,400 | 15,806 |
| Changes of items during the period | | |
| Issuance of new shares | 9,005 | 9,771 |
| Issuance of new shares-restricted stock | 41 | 43 |
| Issuance of new shares-exercise of subscription rights to shares | — | 26 |
| Net income (loss) | (1,138) | (1,476) |
| Purchase of treasury shares | (0) | — |
| Net changes of items other than shareholders' equity | 224 | 213 |
| Total changes of items during the period..... | 8,133 | 8,578 |
| Balance at the end of the period..... | 17,533 | 24,385 |

(4) Statements of Cash Flows

| | (In millions of yen) | |
|---|--------------------------|---------|
| | Six months ended Sep. 30 | |
| | 2020 | 2021 |
| Cash flows from operating activities | | |
| Income (loss) before income taxes | (1,136) | (1,474) |
| Depreciation and amortization | 154 | 206 |
| Increase (decrease) in reserves for outstanding claims | (85) | (45) |
| Increase (decrease) in policy reserves..... | 3,029 | 3,208 |
| Increase (decrease) in reserve for price fluctuations | 8 | 10 |
| Interest, dividends and other income | (140) | (215) |
| Loss (gain) related to securities..... | (2) | (17) |
| Interest expenses | 0 | 0 |
| Share issuance costs..... | 137 | 130 |
| Decrease (increase) in agency accounts receivable | 1 | 0 |
| Decrease (increase) in reinsurance accounts receivable..... | (363) | (736) |
| Decrease (increase) in other assets <excluding assets for investing and financing activities > .. | (95) | (119) |
| Increase (decrease) in agency accounts payable..... | 8 | (13) |
| Increase (decrease) in reinsurance accounts payable | 25 | 34 |
| Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > .. | (98) | (198) |
| Other, net..... | (73) | 31 |
| Subtotal | 1,369 | 801 |
| Interest and dividends income received | 172 | 325 |
| Interest expenses paid | (0) | (0) |
| Income taxes (paid) refund..... | 4 | (6) |
| Net cash provided by (used in) operating activities | 1,546 | 1,119 |
| Cash flows from investing activities | | |
| Purchase of money held in trust | (1,000) | — |
| Proceeds from decrease in money held in trust | — | 500 |
| Purchase of securities..... | (5,297) | (2,759) |
| Proceeds from sales and redemption of securities | 1,110 | 576 |
| Total of net cash provided by (used in) investment transactions .. | (5,186) | (1,683) |
| Total of net cash provided by (used in) operating activities and investment transactions .. | (3,640) | (563) |
| Purchase of tangible fixed assets | (23) | (15) |
| Purchase of intangible fixed assets | (236) | (267) |
| Net cash provided by (used in) investing activities | (5,446) | (1,965) |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock..... | 8,868 | 9,712 |
| Proceeds from issuance of stock resulting from exercise of subscription rights to shares .. | — | 26 |
| Purchase of treasury shares..... | (0) | — |
| Repayments of lease obligations | (2) | (2) |
| Net cash provided by (used in) financing activities | 8,865 | 9,736 |
| Net increase (decrease) in cash and cash equivalents | 4,965 | 8,891 |
| Cash and cash equivalents, beginning of the year | 1,677 | 3,059 |
| Cash and cash equivalents, end of the period | 6,643 | 11,950 |