

Securities Code: 7157
TSE Growth



LIFENET
LIFENET INSURANCE COMPANY

Presentation Material for Investors Fiscal 2021

LIFENET INSURANCE COMPANY
May 12, 2022

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

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

FY2021 Key Highlights



FY2021 Results

- Annualized premium¹ of policies-in-force **up 15% YoY** to JPY 21.5 billion
- **EEV up 23% YoY** to JPY 116.6 billion
- **Raised growth capital** of JPY 9.7 billion

Future Initiatives

- **Work on priority areas** for sustainable double-digit growth in in-force business
- Aim to **enhance investment return** flexibly in overseas rising rates environment
- Aim for IFRS adoption **in FY2023 and accounting profitability**

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.

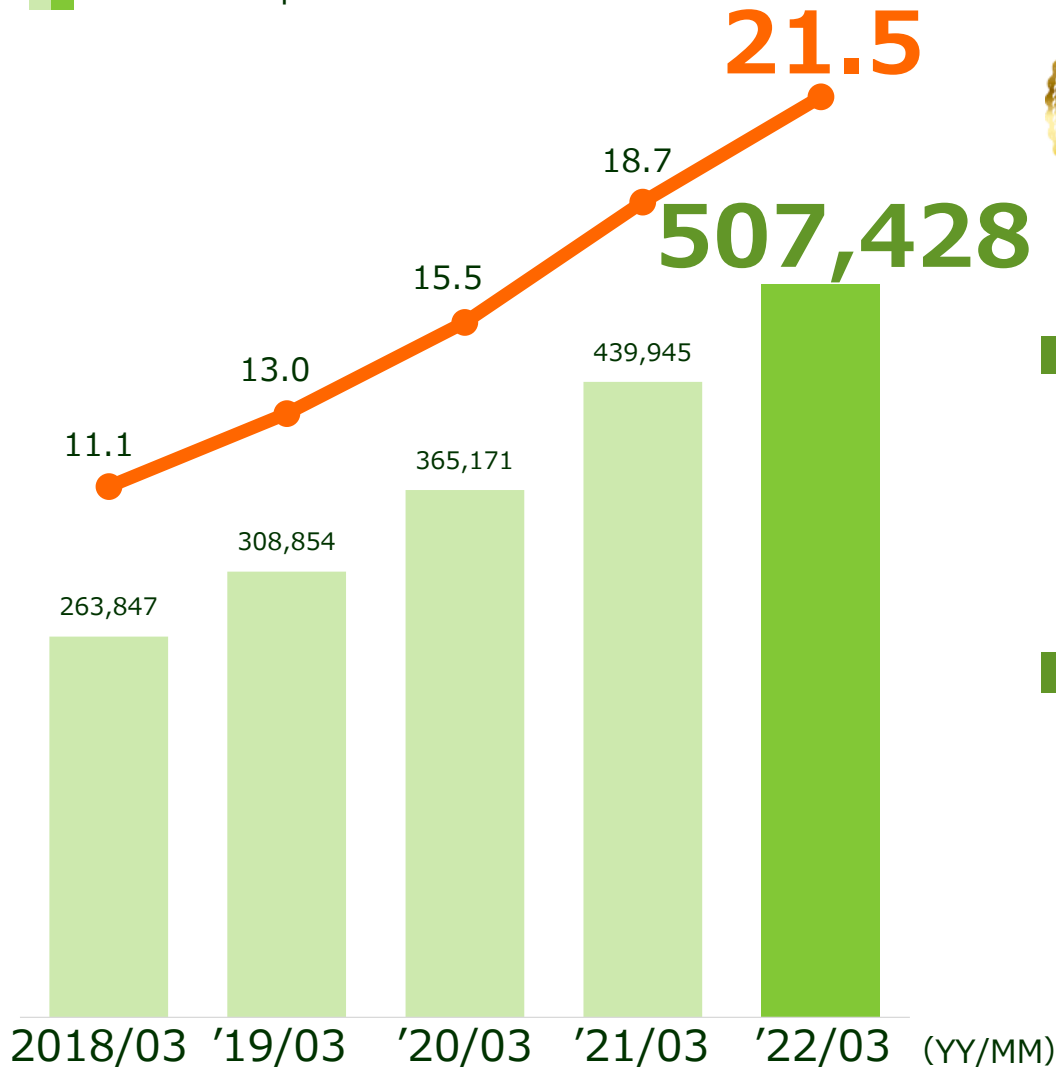
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- 1. Financial Results for Fiscal 2021**
- 2. Future Initiatives**

Annualized Premium / Number of Policies-in-Force

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



- The number of policies-in-force exceeded **500,000**
- Year-on-year annualized premium **115.0%**, number of policies-in-force **115.3%**

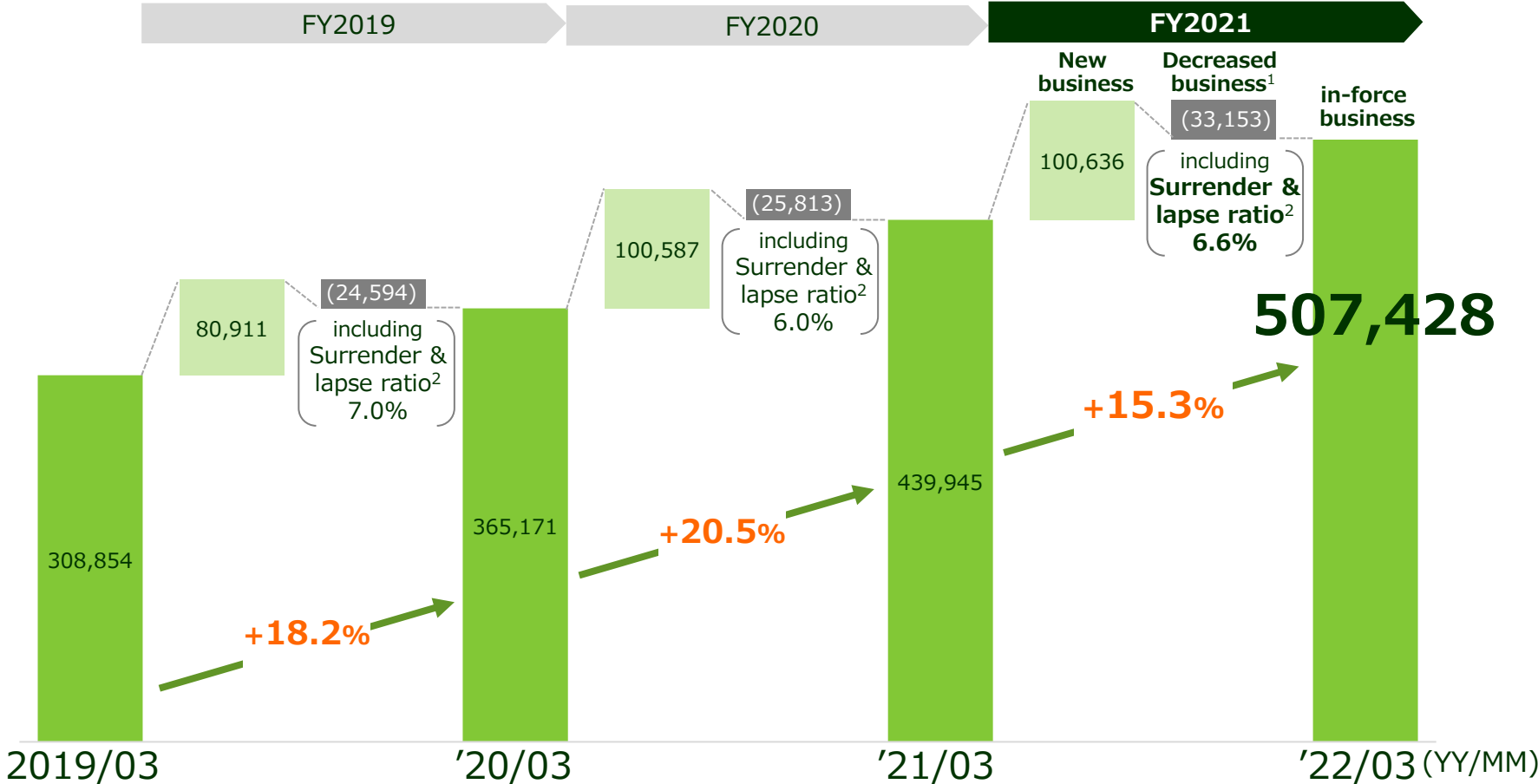
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

Policies-in-Force Movement



Tackle further growth acceleration

Number of policies

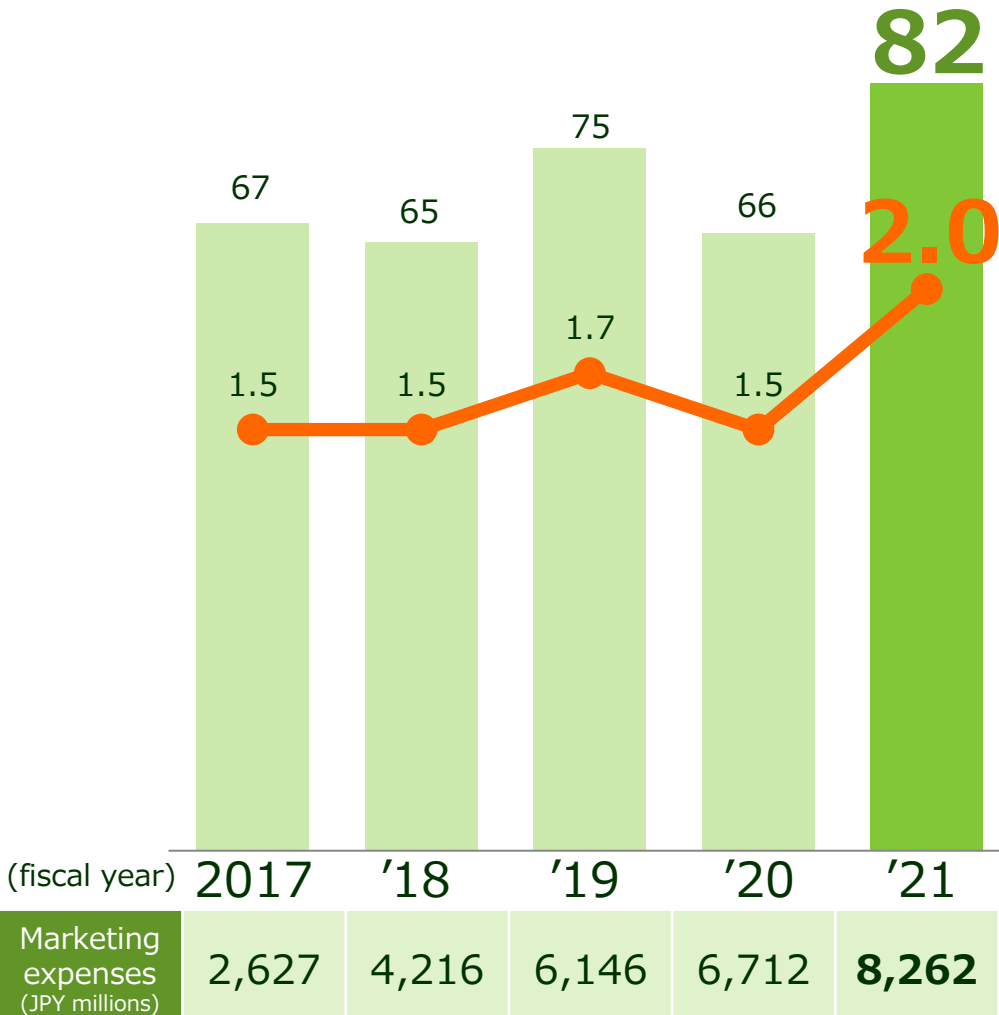


1. Decreased number of policies include death, expiration and others in addition to surrender and lapse.
 2. Surrender and lapse ratio is annualized.

Marketing Efficiency



■ : Marketing expenses per new business (JPY thousands)
 ■ : Marketing expenses / Annualized premium of new business¹



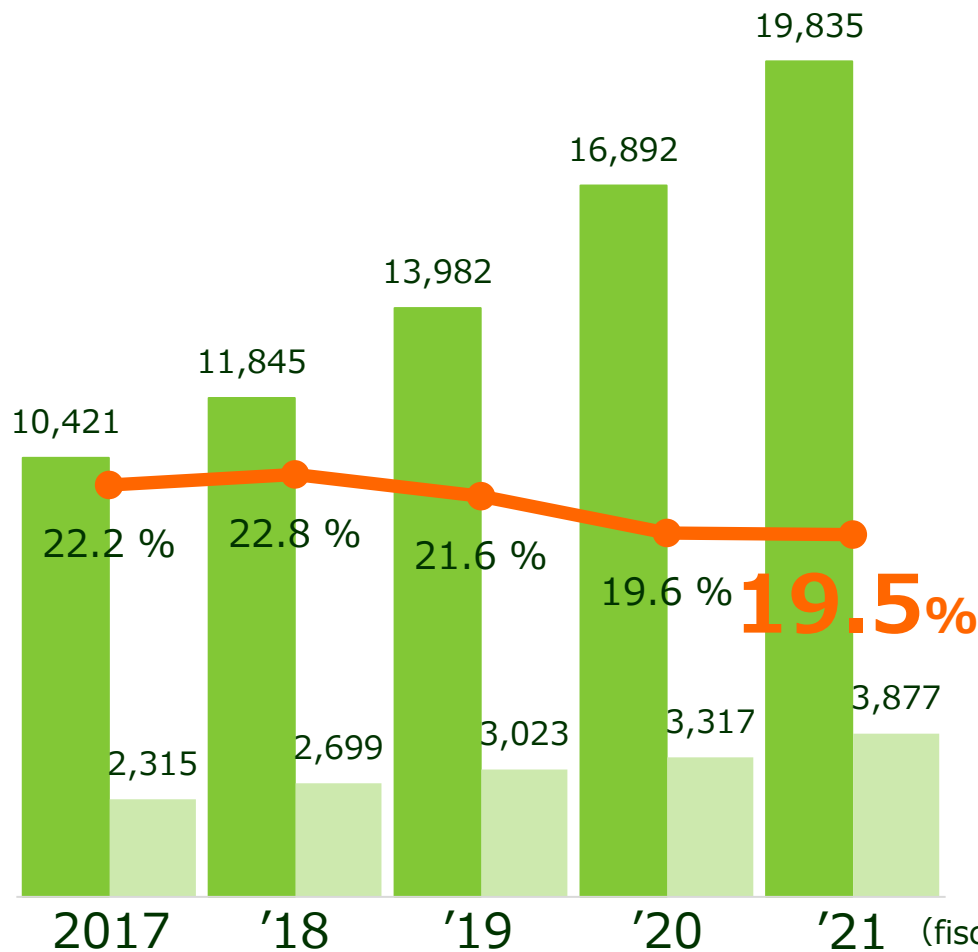
■ **Prioritized growth and aggressively invest in marketing based on the business environment**

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.

Operating Expenses Ratio



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



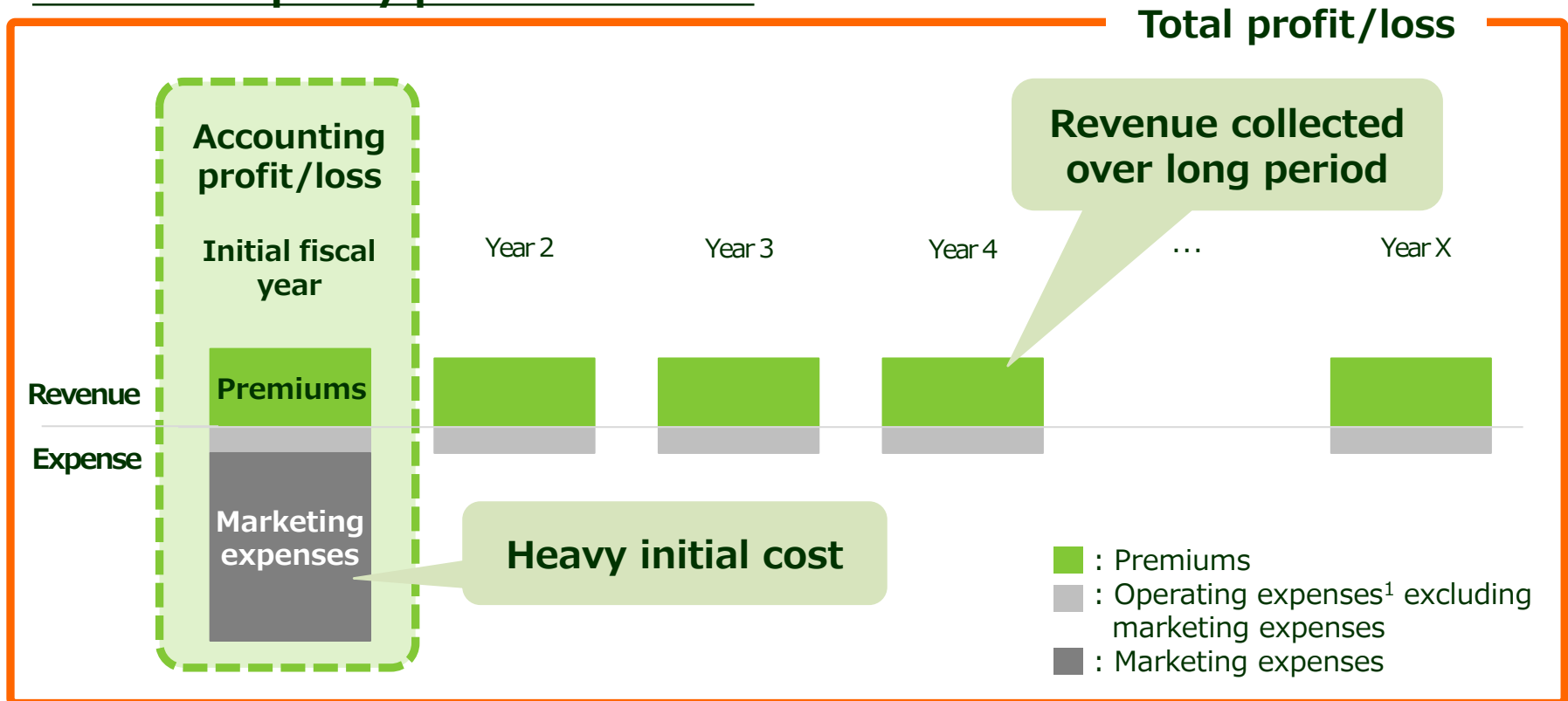
- Invested in human capital
- Aim to improve operational efficiency by further business expansion in the mid-term

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

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



1. Costs for policy management, payment of insurance claims and benefit claims, etc.

Adjusted Profit

Steadily increased adjusted profit generated from policies-in-force

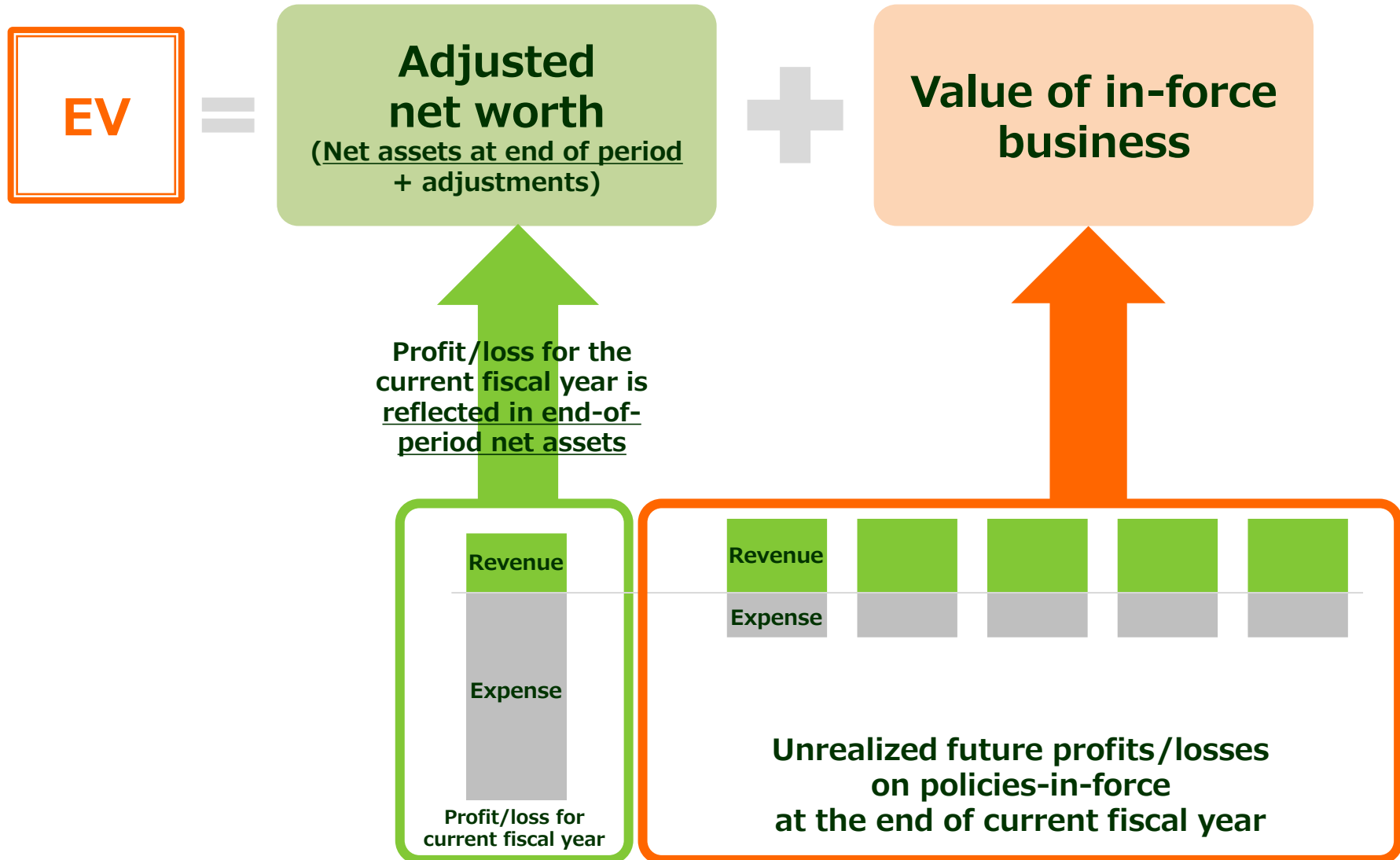
The method for calculating adjusted profit

Adjusted profit = i) Ordinary profit (loss) + ii) Marketing expenses
 – iii) Impact of modified co-insurance
 ± iv) Adjustment based on standard policy reserves¹

| JPY millions / fiscal year | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| i) Ordinary profit (loss) | (197) | (1,719) | (2,382) | (3,089) | (3,245) |
| ii) Marketing expenses | 2,627 | 4,216 | 6,146 | 6,712 | 8,262 |
| iii) Modified co-insurance | – | – | (1,526) | (804) | (1,283) |
| iv) Adjustment | 319 | 347 | 546 | 739 | 721 |
| Adjusted profit | 2,748 | 2,844 | 2,784 | 3,558 | 4,455 |

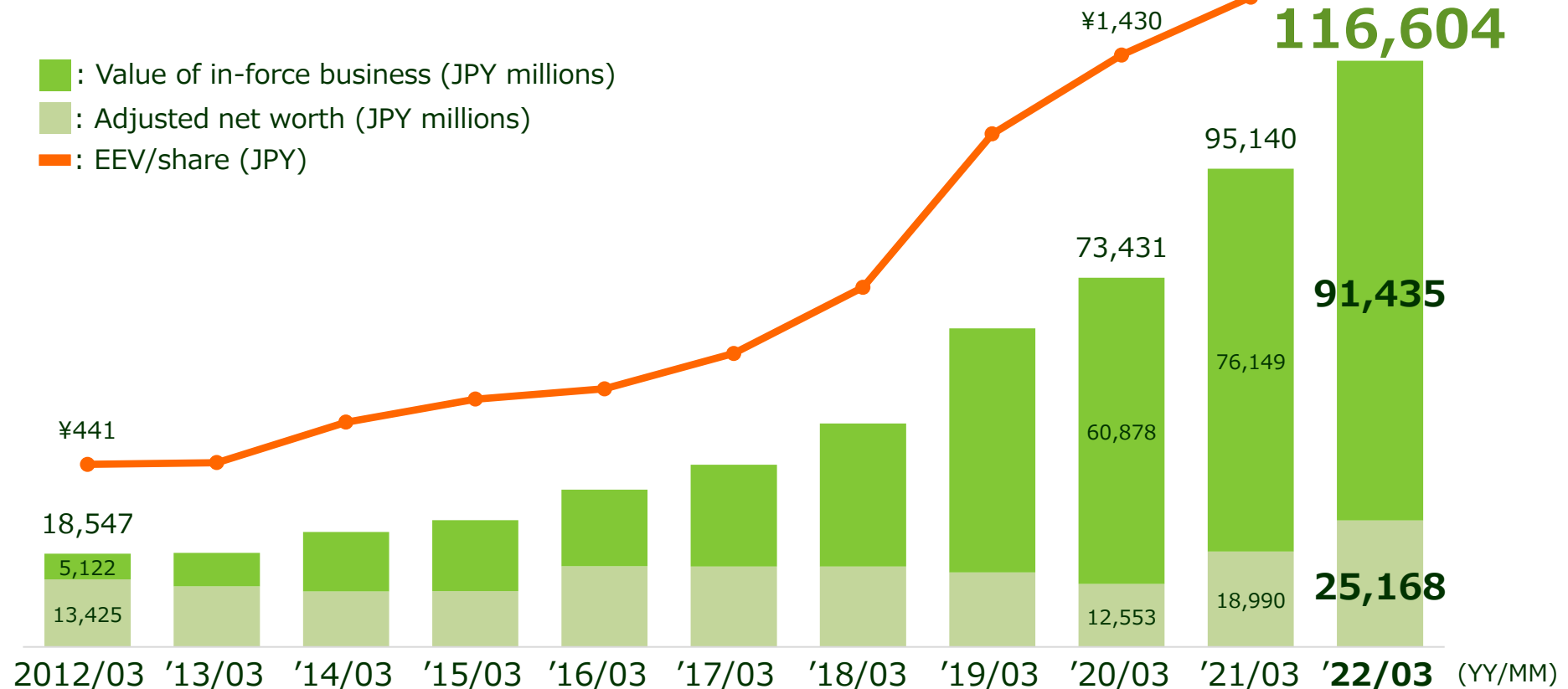
1. The amount of the adjustment to the policy reserve provision is the adjustment calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves.

Structure of Embedded Value



Strong EEV¹ Growth

- EEV and value of in-force business have been growing at a CAGR of **20%**² and **33%**, respectively since IPO
- EEV per share has also **steadily increased even after dilution by capital raising**



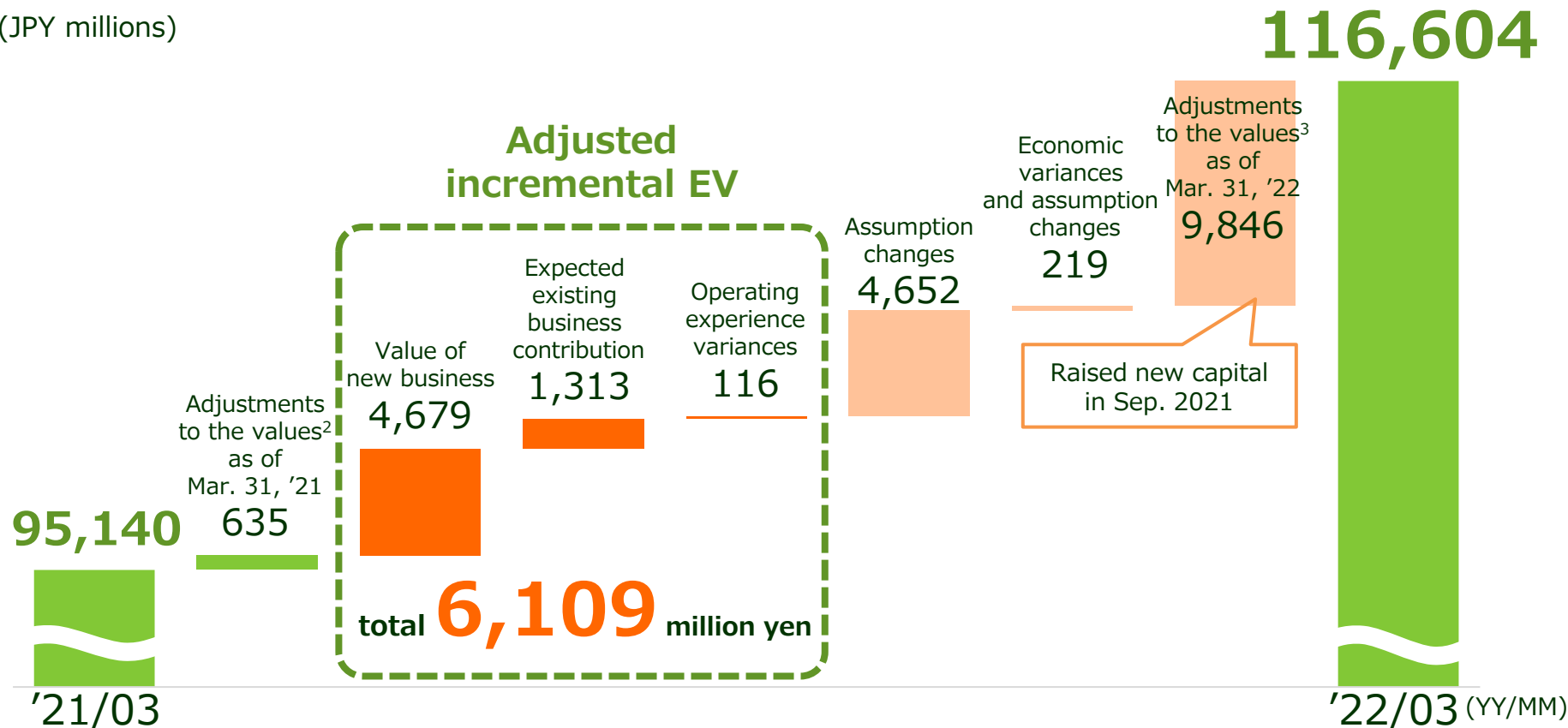
1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate 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.

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 and 9,771 million yen from overseas public offering in September 2021.

Changing Factors of EEV¹

- EEV growth driven by **value of new business**, **revision of claim incidence rate**, the improvement of **opex ratio** and **capital raising**

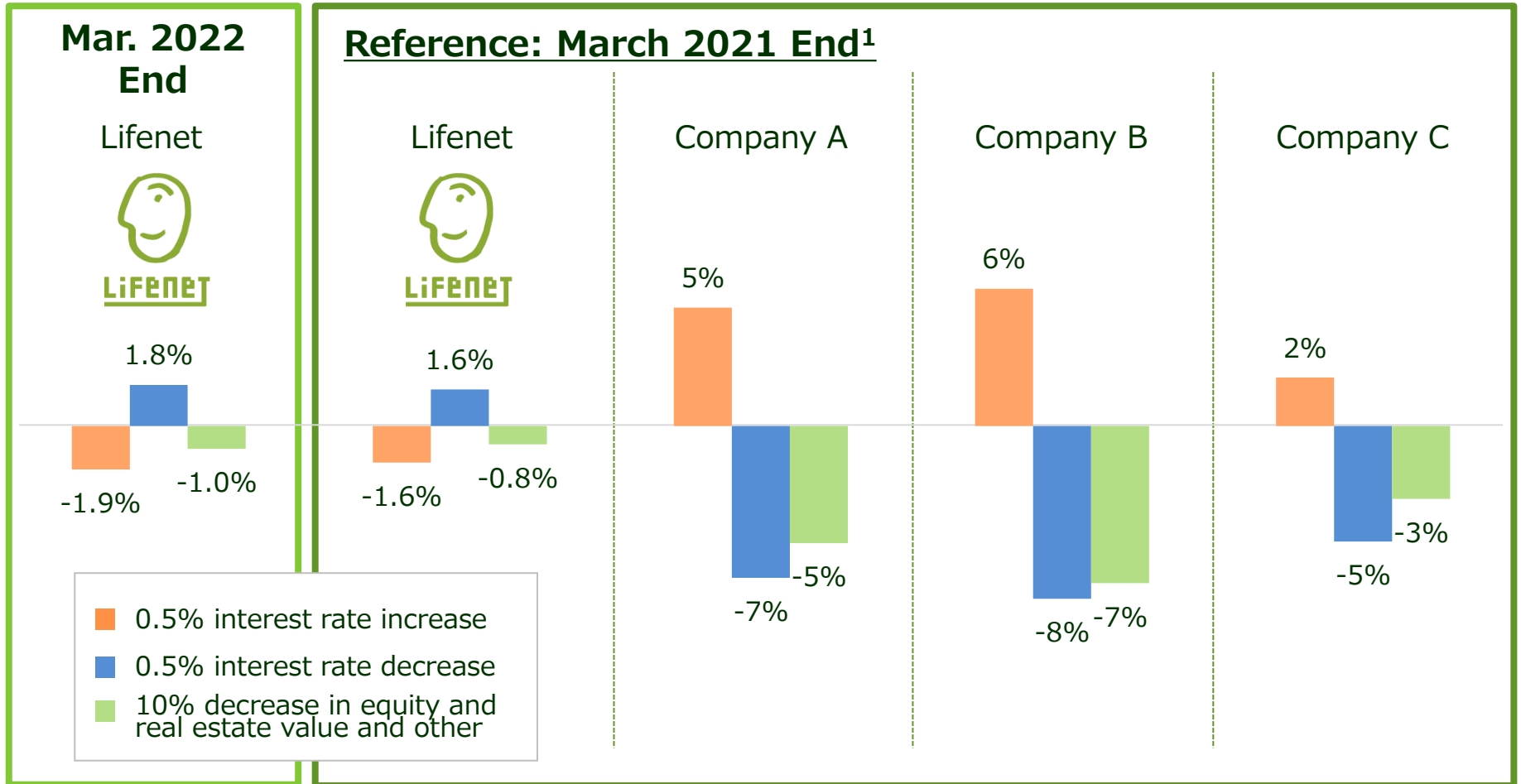
(JPY millions)



- 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.
- This is the impact of changing the risk-free rates from swap rates to Japanese government bond yields on the EEV as of March 31, 2021.
- Item for change in capital

EV Resilience to Financial Changes

■ Limited sensitivity to interest rates and stock prices



Financial Condition

| (JPY millions) | (YY/MM) | '21/03 | '22/03 |
|---|---------|---------------|---------------|
| Total assets | | 54,501 | 67,820 |
| Cash and deposits | | 2,059 | 3,761 |
| Monetary claims bought | | 999 | 3,999 |
| Money held in trust | | 5,895 | 5,460 |
| Securities | | 40,007 | 47,425 |
| Government bonds | | 9,004 | 8,946 |
| Municipal bonds | | 1,482 | 1,469 |
| Corporate bonds | | 21,301 | 24,042 |
| Stocks | | 397 | 492 |
| Other securities ¹ | | 7,821 | 12,375 |
| Total liabilities | | 38,694 | 45,749 |
| Policy reserves and other | | 36,639 | 43,542 |
| Total net assets | | 15,806 | 22,071 |
| Valuation difference on available-for-sale securities | | 960 | 697 |
| Solvency margin ratio² | | 2,647% | 3,182% |
| Modified duration (year)³ | | 11.1 | 9.9 |

■ Limited financial impact caused by changes in investment environment

■ Maintained sufficient financial stability as indicated by solvency margin ratio²

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.
3. Duration of yen-denominated bonds

Growing Value of In-Force Business



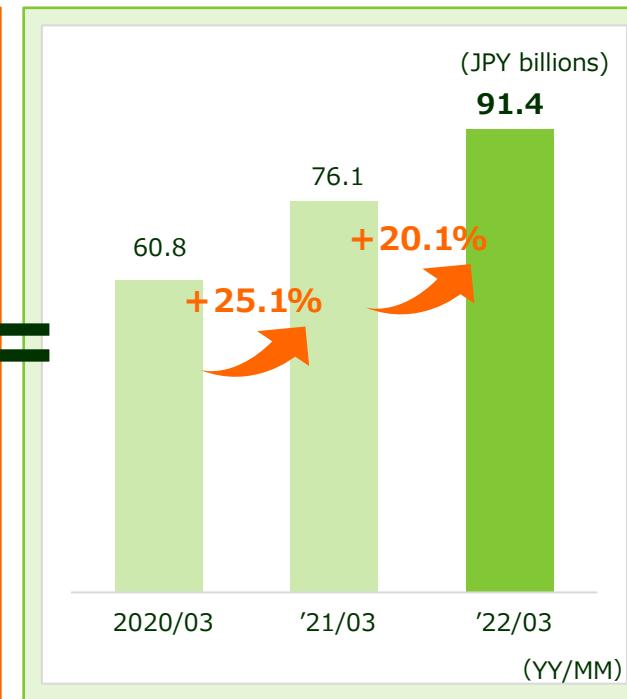
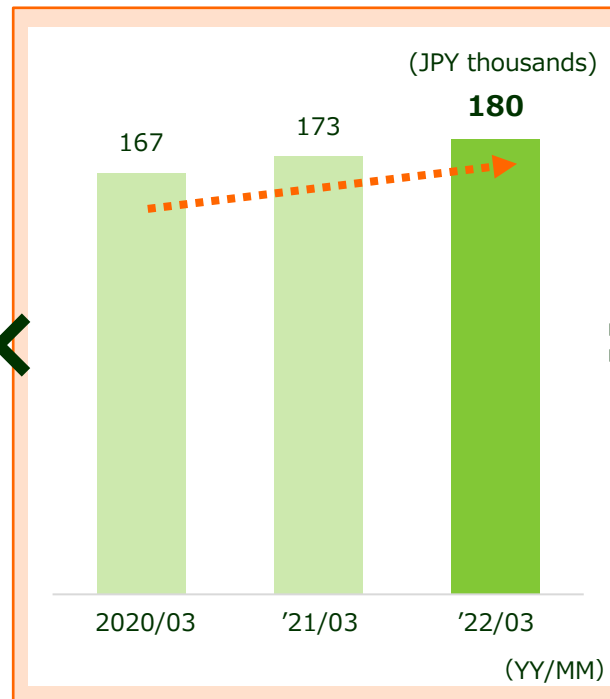
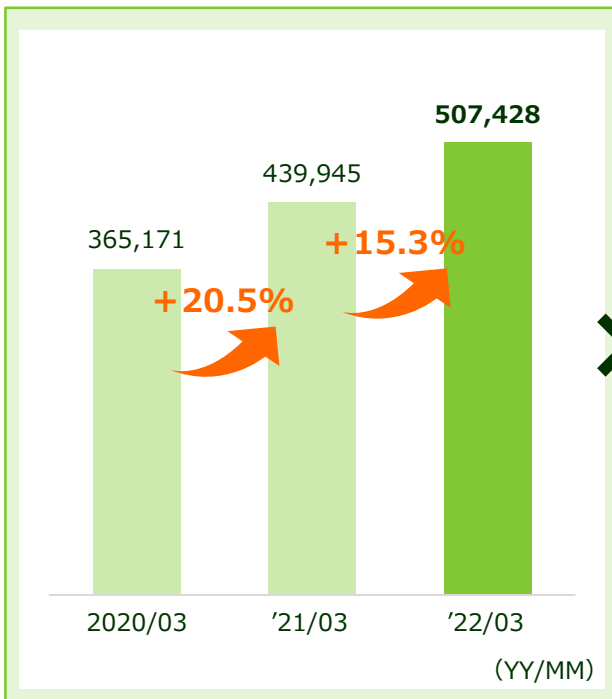
LIFENET

- Value of in-force business **up 20% YoY**, along with growth of value of in-force business per policy

Number of policies-in-force

Value of in-force business per policy

Value of in-force business
(Unrealized future value on policies-in-force)



Overseas Public Offering



- **Aim for further business growth by leveraging raised capital and reinsurance¹**

Offering format

Overseas offering mainly in Europe and Asia (Regulation S only)

Amount raised

FY2020

9.0 billion yen²

FY2021

9.7 billion yen

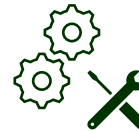
Use of proceeds

Marketing



Marketing for acquiring new business

System development



Products and services that respond to changes in business environment

Business development



Building of online insurance platform and initiatives with business partners

1. Modified co-insurance

2. The total amount including new shares issued and secondary offering was approximately 13.8 billion yen.

Expansion of White Label Business

Started to offer new customer experience with Money Forward, Inc.

- Offer Money Forward Life Insurance as a part of the Money Forward Fixed Cost Review

Money Forward 固定費の見直し



The screenshot displays three panels from the Money Forward insurance review interface:

- 必要な保険がすぐわかる!** (You can quickly find the insurance you need!)
Panel: "あなたに必要な保険" (Insurance you need). It shows two options: "死亡" (Death) with a heart icon and "医療/がん" (Medical/Cancer) with a plus sign icon. Below each icon, it indicates "必要" (Required) and "不要" (Not required) respectively.
- 納得感のある診断説明** (Convincing explanations)
Panel: "今の保険は不要かも?" (Your current insurance might not be necessary?). It features a piggy bank icon and a person icon. A large box shows "年間 -125,000 円" (Annual -125,000 Yen) with the note "となる可能性があります" (It is possible to become). Below the panel, it says "保険の見直しで" (Insurance review).
- 明確な必要保険料** (Clear required premiums)
Panel: "現在の保険料 200,000 円/年" (Current premium 200,000 Yen/year) and "見直し後の保険料 50,000 円/年" (Premium after review 50,000 Yen/year). A small note at the bottom states: "※現在の月額保険料で入力いただいた金額、診断結果にて提案する月額保険料をもとに、それぞれ12倍した1年分の保険料を記載しています。" (Note: Based on the monthly premium entered with the current premium and the proposed monthly premium based on the diagnosis result, we have recorded the 1-year premium for each, multiplied by 12).

Able to find the appropriate insurance quickly Convincing explanations Clear required premiums

- Accelerate development and improve continuously



Enhancement of Customer-Friendly Service



- Received high evaluation of investment in customer experience

Improved convenience of insurance services

Enhancement of app

Newly Provide the function with potential customers in addition to new function for policyholders



External Evaluation

No.1 in J.D. Power 2022
Japan Life Insurance Contract Customer Satisfaction StudySM <Direct Distribution Channel Segment>¹

Highest evaluation for two consecutive year



Types of products

Interaction channel

Price

Forms and documents

2022 ORICON Customer Satisfaction Survey No.1 in category of Application Process, Life Insurance²



Evaluation from actual customers

- The 2022 study is based upon the responses of 1,235 policyholders who have purchased new life insurance policies or renewed a policy during past 12 months.
- Survey period: from 2021/08/02 to 08/16, from 2020/08/21 to 08/28, and from 2019/08/21 to 08/28. Survey targets: 10,022 men and women aged 20 to 84 living in Japan who purchased life insurance for their own coverage within the past three years and were involved in the selection process

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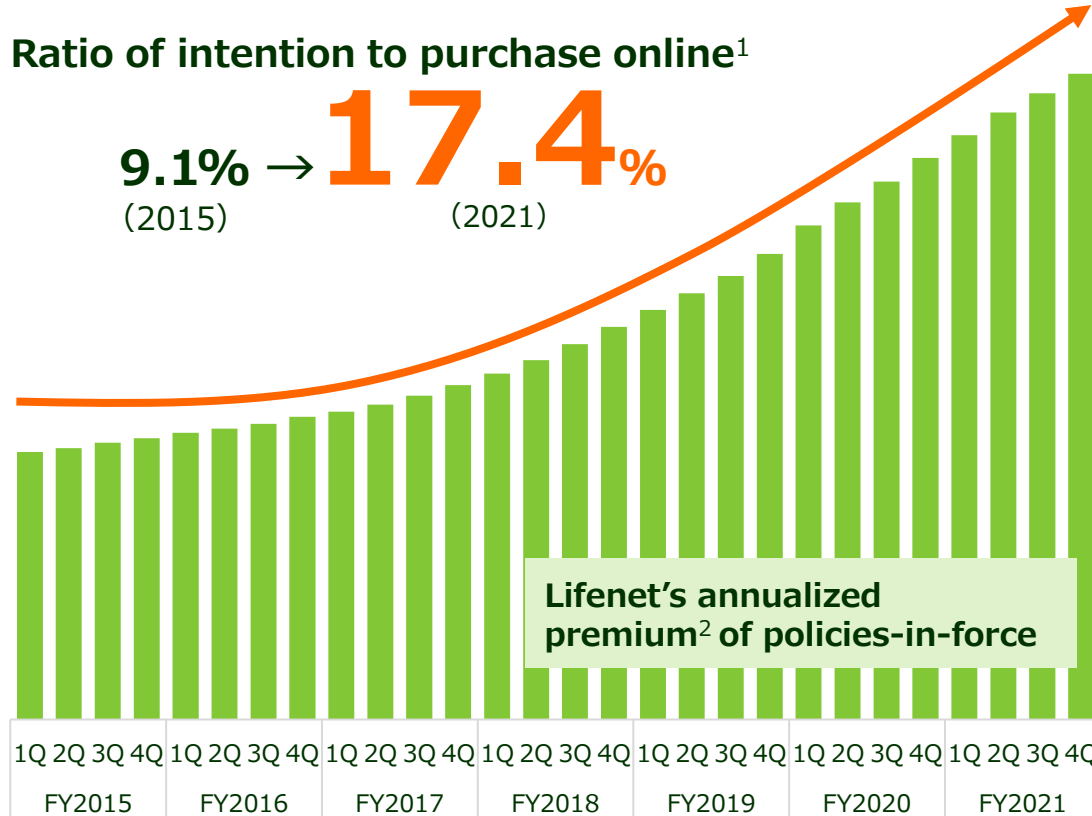


**Comprehensible
Cost-Competitive
Convenient**

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

Growth Potential of Online Insurance Market

- Room for market growth is expanding due to structural shift to online under the COVID-19 environment



Intention increased in all generations

Ratio of intention to purchase insurance online by age group¹

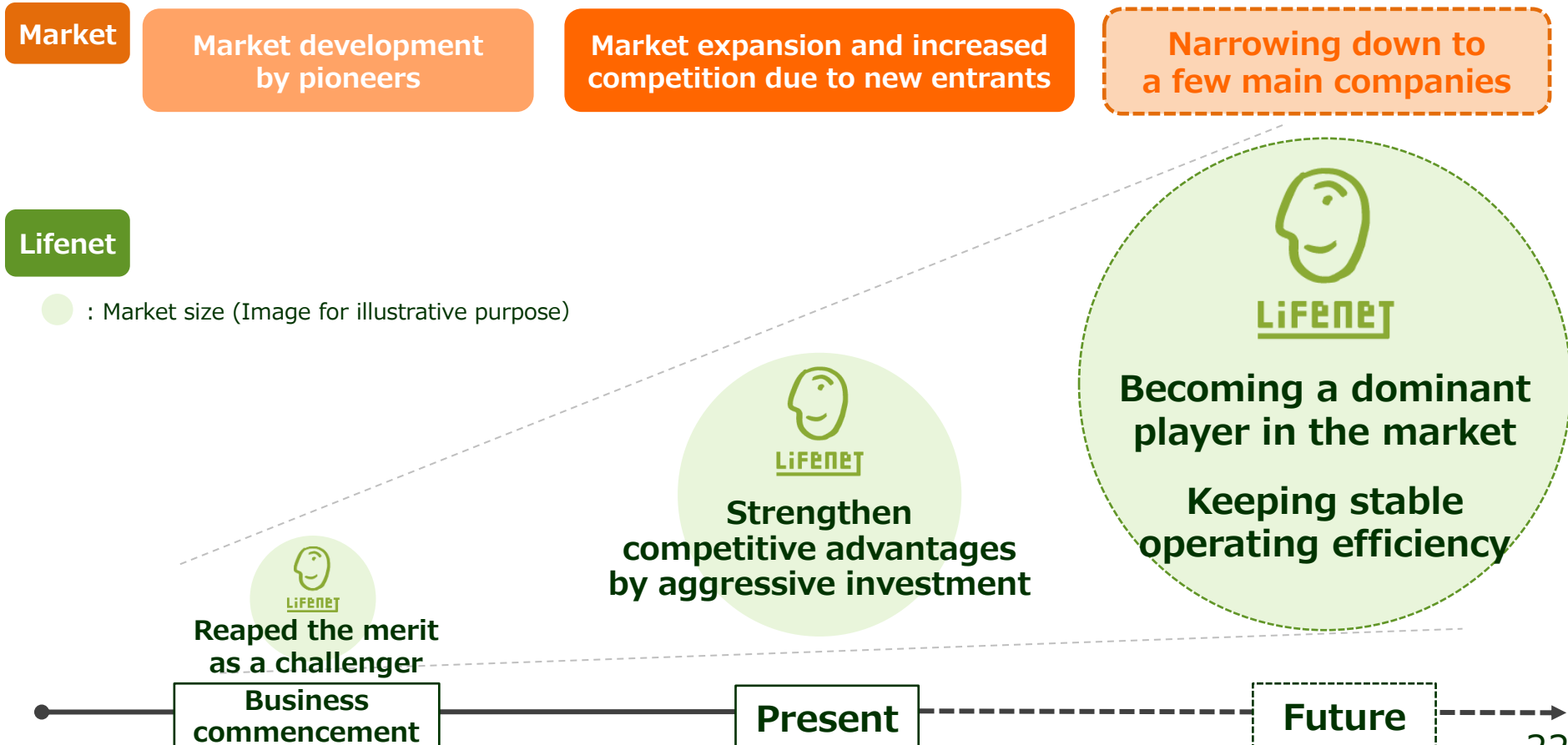
| | 2015 | 2021 |
|-------------|-------|--------------|
| 29 or lower | 12.5% | 19.2% |
| 30s | 11.2% | 19.0% |
| 40s | 14.6% | 23.7% |
| 50s | 13.3% | 20.9% |
| 60s | 7.9% | 19.9% |
| 70 and over | 2.2% | 7.4% |

- Nationwide Report on the Life Insurance Industry (2021) by the Japan Institute of Life Insurance
- 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.

Competitive Landscape

- Despite severe competition, our aggressive investment strengthens No.1 position in online life insurance market

Expansion of online life insurance market and Lifenet's position (Image for illustrative purpose)



Growth Strategy

- **Actively invest for growth** to focus on priority areas

Business



- Continuously enhance UI/UX for website and strengthen sales channel
- Expand platform business

System



- Optimize customer touchpoint
- Deploy a cloud-based system and improve infrastructure cost efficiencies

Organization



- Promote recruitment of diverse talent
- Provide opportunities for challenge and growth

Initiatives for In-Force Business Growth

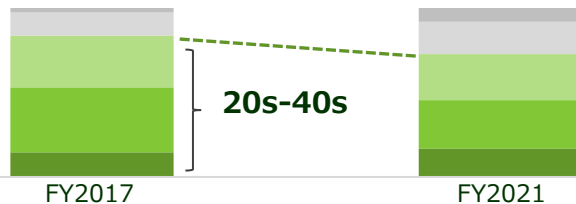
Aim for continuous double-digit growth through two channels

Internet direct channel

Strengthening touchpoint with young generation

- Work on diversification of promotions and appeal to young generations effectively

New policyholders' distribution by age group¹

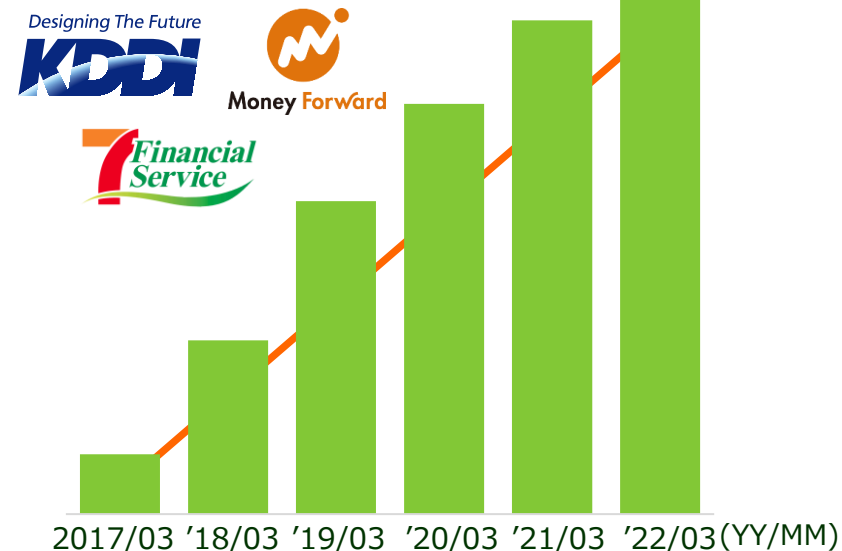


White label channel

Providing new customer experiences with existing partners

- Aim to lead initiatives leveraging the assets of partner companies
- Exploring the possibility of new partners

Annualized premium² of policies-in-force from white label channel

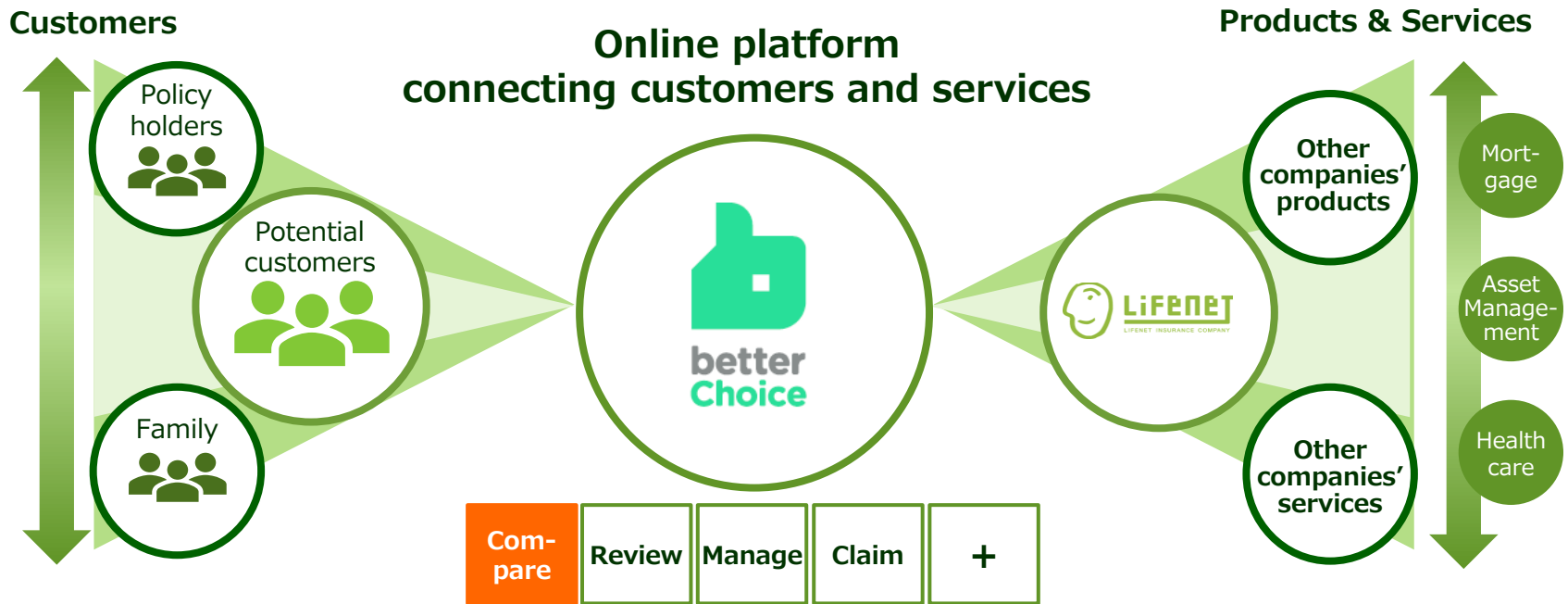


1. Based on the number of Lifenet's new policyholders in each fiscal year
 2. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

Journey to Platformer

■ Focus on **building the foundation** of online insurance agency business

Online insurance platform (Image for illustrative purpose)



FY2021

Established Lifenet MIRAI Inc.

- Launched insurance agency business and insurance policy management services
- Approximately 20 products are listed on our platform

FY2022

Focus on online insurance agency business

- Expand the number of products and aim for listing all online insurance products (about 100 products) in the future
- Enhance function and customer attraction of our website

Investment in System Development

- **Renewing system structure for improvement of customer experience and future business expansion**

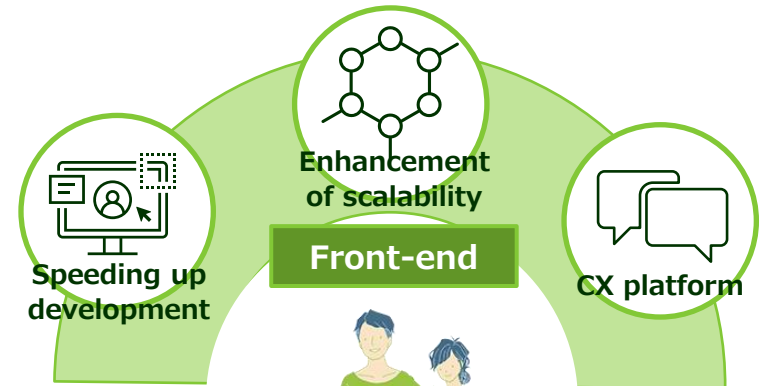
FY2021

Revamping the front-end infrastructure

Agile development

Cloud migration

- Accelerate speed of UI/UX development and improvement
- Improve scalability and on-demand performance



From FY2022

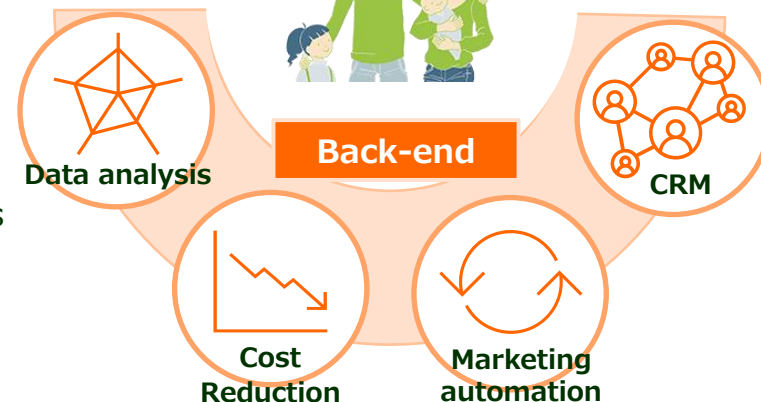
Renewal of the back-end infrastructure

Cloud migration

CRM

Data driven marketing

- Innovate CX by improving the efficiency of data analysis and optimizing touch points with customers
- Reduce operating expenses by improving efficiency of infrastructure cost





Human Capital Investment

Invest in the source of our growth to increase the corporate value

Our Guiding Principles

Lifenet philosophy:
Embracing diversity and dialogue to keep us abreast of changing needs and preferences.

| Areas | Ongoing Initiatives | New investment from FY2022 |
|-----------------------------------|--|--|
| Diversity & Inclusion | <ul style="list-style-type: none"> Retain diverse workforce (1)(2) Training program for employees | 1. Strengthen recruitment activities centering on system engineers |
| Engagement of employees | <ul style="list-style-type: none"> Quarterly engagement surveys Periodical 1-on-1 meetings | |
| Human resource development | <ul style="list-style-type: none"> Support career enhancement Personnel system to encourage the growth and challenge (3) | 2. Target 30%+ of women in leadership positions |
| Healthcare | <ul style="list-style-type: none"> Support system for work with cancer treatment Periodical physical/mental health check-ups | |
| Comfortable workplace | <ul style="list-style-type: none"> System for flexible working system and work-from-home Selectable working style | 3. Promote organizational and individual growth and challenge |

PRIDE Index Gold Rating for 6th consecutive year¹

work with Pride



the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program²



2022
健康経営優良法人
Health and productivity

1. The PRIDE Index hosted by work with Pride is the benchmark for better working environment for LGBTQ in Japan.
2. Operated by the Ministry of Economy, Trade and Industry and The Nippon Kenko Kaigi

Initiatives for Sustainability

■ Aim to increase the stakeholder value based on LIFENET philosophy

FY2021

- Explained the following initiatives since business commencement
 - Enhancement of corporate governance
 - Customer-oriented business conduct
 - Adaption to social changes
- Launched new Sustainability webpage



From FY2022

- Further information disclosure based on LIFENET philosophy
- Continue to communicate with ESG rating agencies

<https://ir.lifenet-seimei.co.jp/en/sustainability.html>

- **Gradual increase in interest rates** gives us positive opportunities

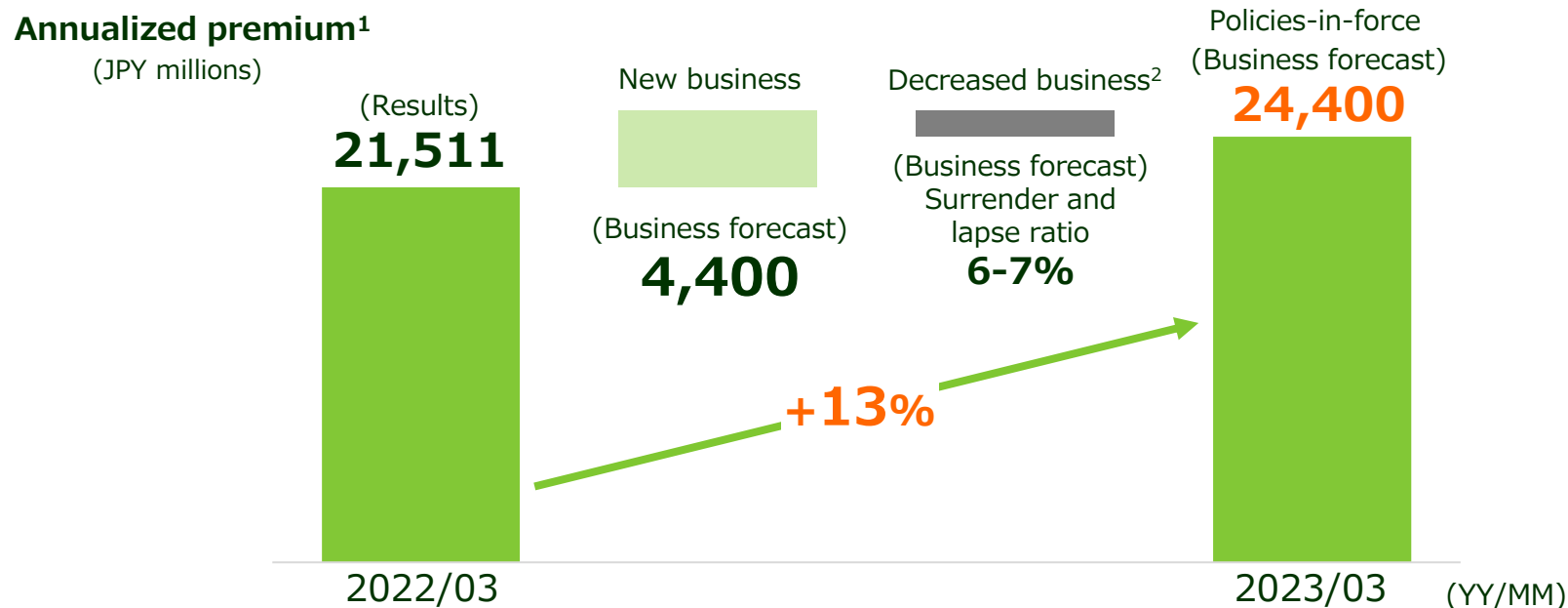
Asset management
in the mid- to long-term

- **Aim to increase investment income on the back of the current overseas rising rates environment**
- **Plan to increase allocation to foreign bonds flexibly**

Business Forecasts FY2022



Aim for double-digit growth in in-force business



| (JPY millions) | FY2022 Forecast | of which impact of modified co-insurance | FY2021 Results | of which impact of modified co-insurance |
|------------------------|-----------------|--|----------------|--|
| Ordinary income | 30,300 | 6,300 | 26,167 | 4,852 |
| Ordinary profit (loss) | (3,400) | 1,000 | (3,245) | 1,283 |
| Net income (loss) | (3,400) | 1,000 | (3,319) | 1,283 |

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. Including death, expiration and others in addition to surrender and lapse.

Adoption of International Financial Reporting Standards



- Aim for the voluntary adoption of IFRS 17 from FY2023

Main points


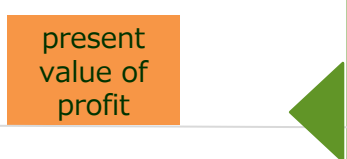

- Expect to record an accounting profit¹ from FY2023
- Capital adequacy² and dividends will be regulated by statutory accounting standards (J-GAAP) even after the adoption of IFRS

1. IFRS adoption is still in the preliminary stage, and the estimate is based on the current approximation. It is unaudited information and may differ from the actual financial information under IFRS to be disclosed in the future.

2. Regarding capital adequacy, economic value-based solvency regulation is being considered for implementation toward 2025.

Purpose of IFRS Adoption

- Provide financial information with high international comparability to **better represent our performance**

| | Statutory accounting (J-GAAP) | Embedded value/ Value of new business | IFRS 17 |
|--|---|--|---|
| Main objective | Policyholder protection | Economic value of insurance policies | Useful for investors' decision-making |
| Evaluation of insurance liabilities (policy reserves) | <ul style="list-style-type: none"> • Conservative • Historical locked-in assumptions at policy inception | <ul style="list-style-type: none"> • Best estimate based on experience • Review periodically | <ul style="list-style-type: none"> • Best estimate based on experience • Review periodically |
| Timing of profit recognition (impact of new business acquisition) | <p><u>The expense is recognized at the time of acquisition.</u></p>  | <p>The expected profit for the policy period is <u>immediately</u> recognized.</p>  | <p>The expected profit is allocated <u>over the term of the policy.</u></p>  |

Future Direction

- Give priority to business scale expansion to improve profitability in the mid- to long-term

FY2021

- Achieved JPY100 billion in EEV, and updated the Goal to JPY 200 billion
- Exceeded 500,000 number of policies-in-force, up to 15% YoY
- Raised growth capital

FY2022

- Continue double-digit growth in in-force business under the structural changes
- Invest in transformation into online life insurance platformer
- Aim for voluntary adoption of IFRS in FY2023

FY2023

Expect to record an accounting profit under IFRS 17¹

Mid-term

Management goal
Achieve EEV of JPY 200 billion

1. IFRS adoption is still in the preliminary stage, and the estimate is based on the current approximation. It is unaudited information and may differ from the actual financial information under IFRS to be disclosed in the future.

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 200 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.**



LIFENET

LIFENET INSURANCE COMPANY

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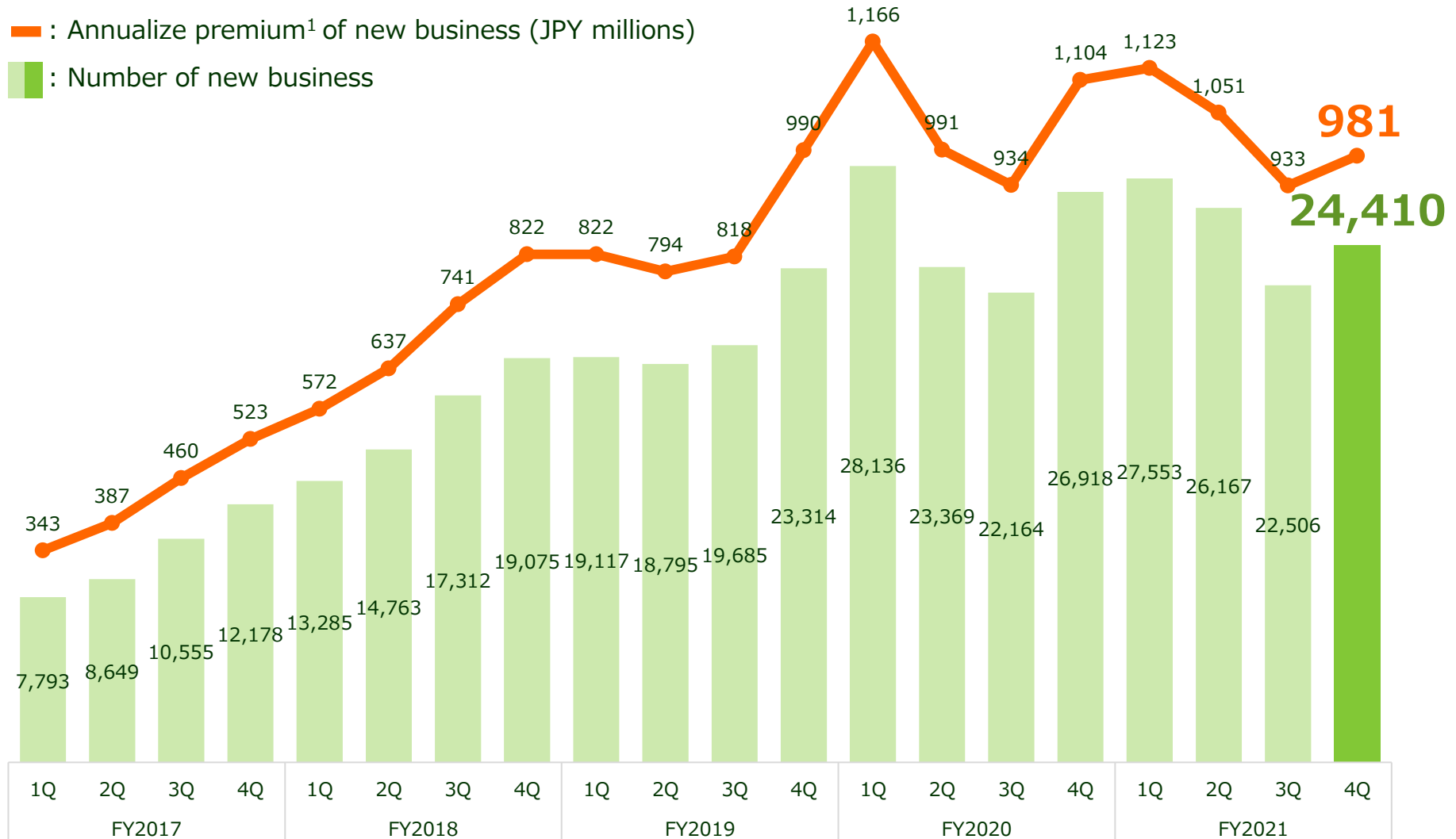
Appendix



LIFENET

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Annualized Premium / Number of New Business (Quarter)



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.

Surrender and Lapse Ratio (Quarter)



■ :Impact of lump-sum recording of policies lapsed¹ (%)
■ :Surrender and lapse ratio² without the above (%)



1. Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Surrender and lapse ratio includes the impact of extended policies that were recorded as lapsed policies in a lump sum.
 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.

Breakdown of Policies-in-Force



| | '21/03 | '22/03 | Component ratio |
|---|-----------|------------------|-----------------|
| Number of policies-in-force | 439,945 | 507,428 | 100% |
| - Term Life | 213,597 | 247,754 | 49% |
| - Whole-life Medical | 120,216 | 138,749 | 27% |
| - Term Medical Care | 8,840 | 8,485 | 2% |
| - Long-term Disability | 59,567 | 63,847 | 13% |
| - Cancer | 37,725 | 48,593 | 10% |
| Sum insured of policies-in-force¹ (JPY millions) | 2,994,198 | 3,351,278 | |
| Number of policyholders | 279,243 | 322,231 | |

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

Life Time Value and Customer Acquisition Cost



Key Metrics for a SaaS Company and Lifenet

| | FY2019 | FY2020 | FY2021 |
|--|---|---|---|
| ARR per Contract (Annual Recurring Revenue) | Annualized Premiums per Policy-in-force JPY 42,486 × | Annualized Premiums per Policy-in-force JPY 42,536 × | Annualized Premiums per Policy-in-force JPY 42,394 × |
| Life Time¹ (Term of Contract) | Average Policy Term 14.3 years × | Average Policy Term 16.7 years × | Average Policy Term 15.2 years × |
| Gross Profit Margin² | 45% | 43% | 44% |
| Life Time Value (Annualized Premiums per Policy * Life Time * Gross Profit Margin) | JPY 273,397 | JPY 305,451 | JPY 283,531 |
| Customer Acquisition Cost³ (Marketing Expenses per New Policy) | JPY 75,970 | JPY 66,737 | JPY 82,113 |

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.

Condensed Statements of Operation / Fundamental Profit

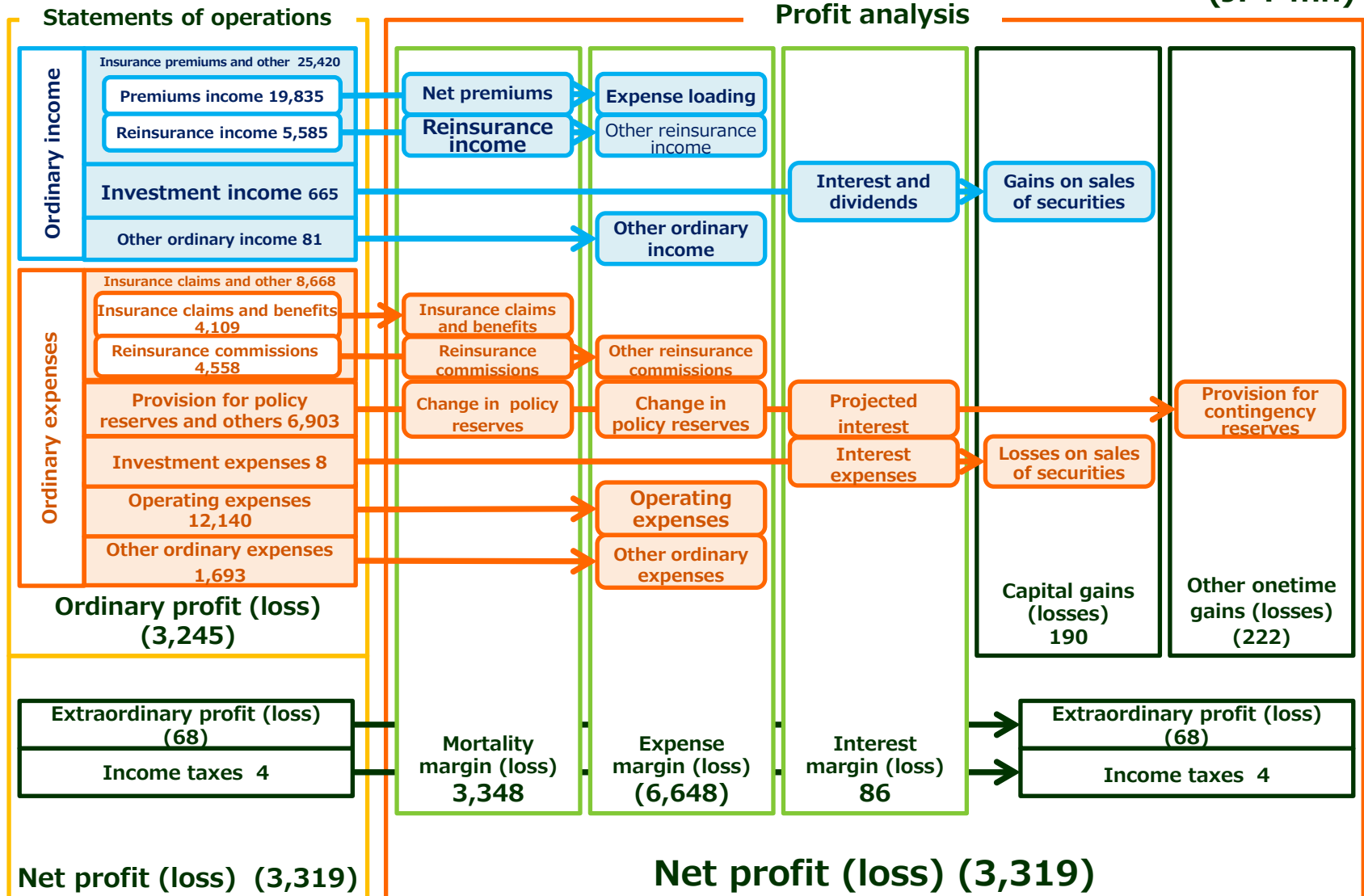


| | | (JPY millions) | FY2020 | FY2021 | Change | Note |
|-----------------------------------|---|----------------|----------------|----------------|---|---|
| Condensed statements of operation | Insurance premiums and other | | 20,282 | 25,420 | 5,137 | Increased due to growth in in-force business and reinsurance income from modified co-insurance. |
| | Other | | 507 | 747 | 240 | |
| | Ordinary income | | 20,789 | 26,167 | 5,378 | Includes utilization of modified co-insurance of 4,852 million yen. |
| | Insurance claims and other | | 6,031 | 8,668 | 2,637 | Increased due to an increase in reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 20.7%. |
| | Insurance claims | | 2,146 | 2,546 | 400 | Increased from 172 cases in FY20 to 214 cases in FY21. |
| | Benefit claims | | 1,140 | 1,563 | 422 | Increased from 10,206 cases in FY20 to 14,910 cases in FY21. |
| | Provision for policy reserves and other | | 6,310 | 6,903 | 592 | Percentage of provision for policy reserves (6,756 million yen) to insurance premiums is 34.1%. |
| | Operating expenses | | 10,030 | 12,140 | 2,109 | |
| | Marketing expenses | | 6,712 | 8,262 | 1,550 | Includes 6,777 million yen for advertising expenses. |
| | Customer service | | 1,071 | 1,278 | 206 | |
| | System and other | | 2,246 | 2,599 | 352 | |
| | Other | | 1,506 | 1,701 | 195 | |
| | Ordinary expenses | | 23,879 | 29,413 | 5,534 | |
| | Ordinary profit (loss) | | (3,089) | (3,245) | (156) | Includes profit of 1,283M for utilization of modified co-insurance. |
| | Extraordinary losses and income taxes | | 25 | 73 | 48 | |
| Net income (loss) | | (3,114) | (3,319) | (205) | Includes profit of 1,283M for utilization of modified co-insurance. | |
| Fundamental profit | Mortality margin | | 3,274 | 3,348 | 74 | Includes 494M loss due to utilization of modified co-insurance. |
| | Expense margin (loss) | | (6,164) | (6,648) | (483) | Includes 1,777M expense margin for utilization of modified co-insurance. |
| | Interest margin (loss) | | 16 | 86 | 70 | |
| | Fundamental profit | | (2,874) | (3,213) | (338) | Includes profit of 1,283M for utilization of modified co-insurance. |

Three Surplus Factors of Fundamental Profit

FY2021

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

As of March 31, 2022

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

Solvency margin ratio 3,182.8% = **Total amount of solvency margin <numerator> 37,758** ÷ **Total amount of risk/2 < the denominator> 2,372/2**

| | |
|----------------------------------|--|
| Cash and deposits 3,761 | Other liabilities 1,832 |
| Monetary claims bought 3,999 | Reserves for outstanding claims 984 |
| Money held in trust 5,460 | Policy reserves 42,558 |
| Securities 47,425 | Contingency reserves 2,226 |
| | Excess over the full-Zillmerized reserve 13,184 |
| | Price fluctuation reserves 102 |
| | Deferred tax liabilities on available-for-sale securities 244 ¹ |
| | Valuation difference on securities available-for-sale 627 ¹ |
| Tangible fixed assets 97 | Capital stock and other assets 21,373 |
| Intangible fixed assets 1,293 | Net assets 22,071 |
| Other assets 5,781 | |

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

- Insurance risk R₁ 1,077**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 379**
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk R₂ 3**
Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves
- [Minimum guarantee risk] R₇ -**
Risk related to products, such as variable annuities with minimum guarantees
- Asset management risk R₃ 1,745**
[Credit risk] Risk that asset values decline due to deterioration in financial condition of creditors
[Price fluctuation risk] Risk of incurring losses due to decline in market value of stocks and bonds, etc.
- Business management risk R₄ 96**
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.

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

| (JPY millions) | Change in EEV as of Mar. 31, 2022 | Change in VoNB |
|--|-----------------------------------|----------------|
| EEV and new business value as of March 31, 2022 | 116,604 | 4,679 |
| Sensitivity 1a: 1.0% increase in risk-free rate | (4,376) | (339) |
| Sensitivity 1b: 1.0% decrease in risk-free rate | 3,983 | 196 |
| Sensitivity 1c: 0.5% increase in risk-free rate | (2,164) | (157) |
| Sensitivity 1d: 0.5% decrease in risk-free rate | 2,069 | 121 |
| Sensitivity 2: 10% decrease in equity and real estate value and other | (1,144) | — |
| Sensitivity 3: 10% decrease in operating expenses | 4,262 | 791 |
| Sensitivity 4: 10% decrease in lapse rate | 856 | 206 |
| Sensitivity 5: 5% decrease in claim incidence rates for life business | 6,037 | 835 |
| Sensitivity 6: Change the required capital to the statutory minimum | 154 | 21 |

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.

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

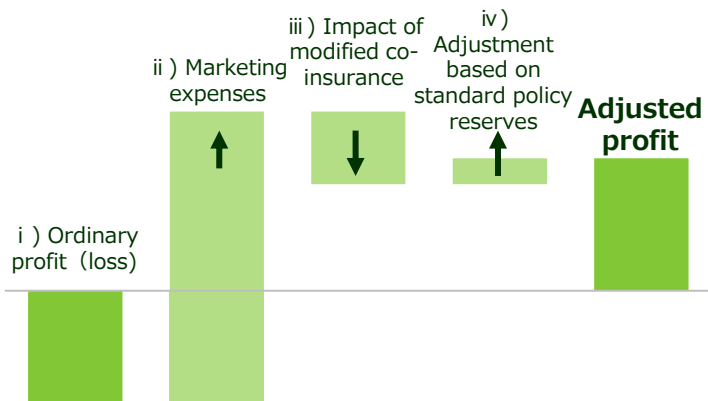
Ordinary profit excluding marketing expenses

Adjusted Profit

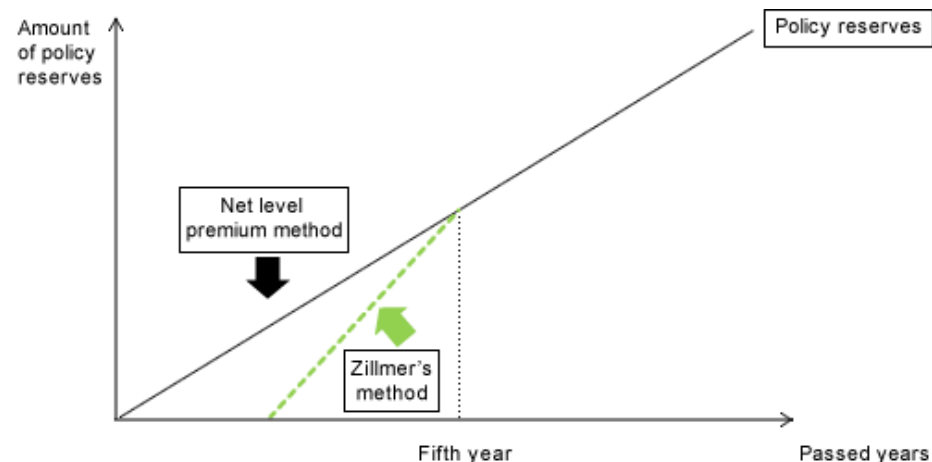
Explanation of Adjusted Profit

Adjustments to provision for policy reserves based on standard policy reserves

Calculation of adjusted profit



Difference between methods of calculating provision for policy reserves



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

e.g. Fiscal 2021 (JPY millions)

| | | | | | |
|--|---|---|--|---|---|
| Adjustment to provision for policy reserves¹ 721 | = | + | Provision for policy reserves 6,756 | - | Increase in standard policy reserves² 6,035 |
|--|---|---|--|---|---|

- 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.
- 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. There is no difference at the end of FY2021 because the transition to the standard policy reserve was completed.

Modified Co-Insurance

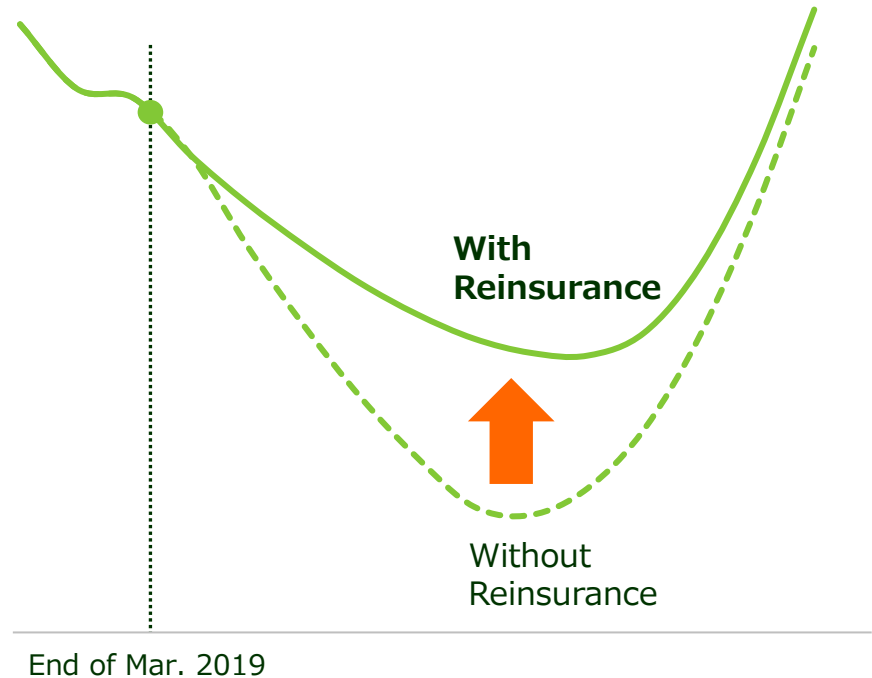
- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

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. Lifenet has utilized reinsurance transactions by modified co-insurance method on part of new business since fiscal 2019.

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:

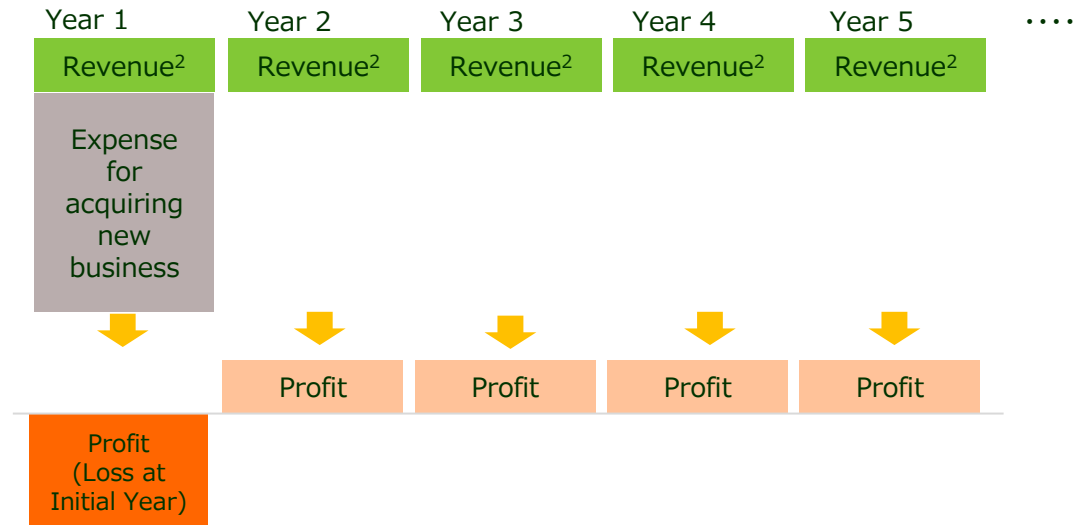
- New business value in the fiscal year
- Expected existing business contribution
- Operating experience variances

J-GAAP vs IFRS

Illustration image of accounting structure¹

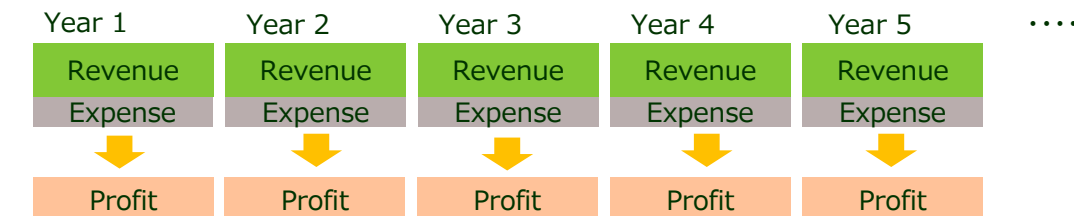
■ Current Statutory Accounting (J-GAAP)

Heavy initial cost for acquiring new business³ is recognized at initial fiscal year.



■ IFRS

Initial cost for acquiring new business³ is deferred under IFRS 17.



1. This is illustrative purpose only, and it does not necessarily guarantee that Lifenet will make profits as indicated.
 2. Revenue is insurance premiums – costs for policy management, payment of insurance claims and benefit claims, etc. Expense for acquiring new business is not included.
 3. The definition of “expense for acquiring new business” may differ in each accounting rule.

New Management Team¹

Directors



Ryosuke Mori
Representative Director and President

Goldman Sachs Japan Co., Ltd.
Head of Corporate Planning Department and
General Manager of Corporate Strategy Division
at Lifenet



Yasuhiro Koba
Director, Executive Vice President
Executive Officer of Product Development
and Investment

Ministry of Health, Labour and Welfare
Head of Legal Department, General Manager of Corporate
Administration Division and General Manager of Sales &
Marketing Division at Lifenet



Ryosuke Kondo
Director
General Manager of Sales & Marketing Division

JAPAN POST INSURANCE CO., Ltd.
Head of Corporate Planning Department and Executive
Officer of Corporate Planning, Product Development and
Investment at Lifenet
Director, LIFENET MIRAI INC.²



Junpei Yokozawa
Director
General Manager of Customer Services Division
General Manager of Information Systems Strategy
Division

NTT DATA Net's CORPORATION
Head of KDDI Business Department and head of
Operations Planning Department at Lifenet



Jun Hasebe
Outside
Representative Director and President,
Tokyo Relations Inc.



Takeshi Saito
Outside
Managing Executive Officer,
au Financial Holdings Corporation

Directors (the Audit and Supervisory Committee Member)



Takahiro Yamasaki
Full-time
Nippon Life Insurance Company
Nippon Venture Capital Co., Ltd.
Full-time audit and supervisory
board member at Lifenet
Corporate Auditor,
LIFENET MIRAI INC.



Keiko Hayashi
Outside
Executive Board Member,
The Japanese Institute of Certified
Public Accountants Partner, Deloitte
Touche Tohmatsu LLC



Tomoyuki Yamashita
Outside
Representative Director and
President, Aon Solutions Japan
Ltd.

1. Election of Directors is subject to approval at the 16th Annual General Meeting of the Shareholders on June 26, 2022
2. Scheduled to be appointed on June 22, 2022