

*This document has been translated from a part of the Japanese original **for reference purposes only**. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation. The notice in Japanese is also available on the Company's Investor Relations website at <http://ir.lifenet-seimei.co.jp/ja/>.*

(Securities Code: 7157)

May 27, 2016

To Our Shareholders:

Haruaki Deguchi, Chairman & CEO  
LIFENET INSURANCE COMPANY  
2-14-2 Kojimachi, Kojimachi NK Building  
Chiyoda-Ku, Tokyo 102-0083

## **Notice of Convocation of the 10th Annual General Meeting of Shareholders to be held on June 26, 2016**

Notice is hereby given that the 10th 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 24, 2016, Japan time.

### **Description**

1. Date and time: Sunday, June 26, 2016 at 2:00 p.m., Japan 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 10th Accounting Period (from April 1, 2015 to March 31, 2016)

### **Matters to be resolved**

- Proposal 1: Partial Amendment to the Articles of Incorporation  
Proposal 2: Election of Nine (9) Directors

\*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 for the use of that.

## REFERENCE MATERIAL FOR THE MEETING

### Proposal 1: Partial Amendment to the Articles of Incorporation

With the aim to further strengthen the corporate governance system, the Company plans to decide flexibly the posts of Convener and Chairman of shareholders' meeting, Representative Directors and Chief Executive Officer (CEO) and Chief Operating Officer (COO). The details of the proposed amendment are as follows:

(Underlines denote amendments)

Current Articles of Incorporation	Proposed Change
(Convening of general meetings of shareholders) Article 13 (Omitted) 2 Unless otherwise provided for by laws or regulations, <u>the Chairman and Representative Director</u> shall convene a general meeting of shareholders. However, in the case where <u>the Chairman and Representative Director is absent or unable so to act</u> , one of the other Directors in the order previously determined by the Board of Directors shall convene a general meeting of shareholders.	(Convening of general meetings of shareholders) Article 13 (Unchanged) 2 Unless otherwise provided for by laws or regulations, <u>the Representative Director in the order previously determined by the Board of Directors</u> shall convene a general meeting of shareholders. However, in the case where <u>the Representative Director is unable so to act</u> , one of the other Directors in the order previously determined by the Board of Directors shall convene a general meeting of shareholders.
(Chairman of general meeting of shareholders) Article 14 <u>The Chairman and Representative Director</u> shall preside over the general meeting of shareholders. However, in the case where <u>the Chairman and Representative Director is absent or unable so to act</u> , one of the other Directors in the order previously determined by the Board of Directors shall preside over the general meeting of shareholders.	(Chairman of general meeting of shareholders) Article 14 <u>The Representative Director in the order previously determined by the Board of Directors</u> shall preside over the general meeting of shareholders. However, in the case where <u>the Representative Director is unable so to act</u> , one of the other Directors in the order previously determined by the Board of Directors shall preside over the general meeting of shareholders.
Articles 15 to 20 (Omitted)  <u>(Director(s) with titles)</u> Article 21 (Omitted) 2 (Newly Established)	Articles 15 to 20 (Unchanged)  <u>(Director(s) with titles, etc.)</u> Article 21 (Unchanged) 2 <u>The Company may designate the Chief Executive Officer (CEO) and appoint one Chief Operating Officer (COO) by a resolution of the Board of Directors.</u>

Current Articles of Incorporation	Proposed Change
<p>(Representative Directors)</p> <p>Article 22 <u>The Chairman and the President shall be Representative Directors.</u></p> <p>2 <u>In addition to the preceding paragraph, the Board of Directors may, by resolution, elect Representative Directors from among Directors with titles prescribed in the preceding Article.</u></p> <p>3 <u>The Company shall designate the Chairman or the President as the Chief Executive Officer (CEO) and appoint one Chief Operating Officer (COO) from among the Representative Directors by a resolution of the Board of Directors.</u></p>	<p>(Representative Directors)</p> <p>Article 22 <u>The Board of Directors shall, by resolution, elect Representative Directors.</u></p> <p>2 (Deleted)</p> <p>3 (Deleted)</p>

## Proposal 2: Election of Nine (9) Directors

As the term of office for the current nine (9) Directors will expire at the conclusion of the Meeting, the election of nine (9) Directors is proposed.

The candidates for Directors are as follows:

No. 1	<b>Haruaki Deguchi</b> (Date of birth: April 18, 1948 Age 68)	<p><u>Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet</u></p> <p>April 1972      Joined Nippon Life Insurance Company</p> <p>April 1992      General Manager, London Branch</p> <p>April 1995      Director, International Business Dept.</p> <p>April 1998      Director, Governmental Affairs Dept.</p> <p>April 2003      Property Management / PFI, Taisay Building Management</p> <p>June 2005      Board Director</p> <p>October 2006    President and Representative Director, Lifenet Insurance Company</p> <p>July 2011      President and Representative Director, Executive Officer</p> <p>June 2013      Chairman &amp; CEO and Representative Director, Executive Officer (incumbent)</p> <p>&lt;Number of Company Shares Owned&gt; 21,500</p>
No. 2	<b>Daisuke Iwase</b> (Date of birth: March 17, 1976 Age 40)	<p><u>Brief career history and positions and areas of responsibility in Lifenet as well as significant concurrent positions outside Lifenet</u></p> <p>April 1998      Joined The Boston Consulting Group</p> <p>December 2001    Joined Ripplewood Japan</p> <p>October 2006      Director, Executive Vice President, Lifenet Insurance Company</p> <p>February 2009    Executive Vice President and Representative Director</p> <p>July 2011      Executive Vice President and Representative Director, Executive Officer</p> <p>June 2013      President &amp; COO and Representative Director, Executive Officer (incumbent) Director, Benesse Holdings, Inc. (incumbent)</p> <p>September 2013    Director, Kyobo Lifeplanet Life Insurance Company (incumbent)</p> <p>&lt;Number of Company Shares Owned&gt; 15,000</p>

No.  
3

Masayuki Nishida (Date of birth: June 4, 1963 Age 52)



Brief career history and positions and areas of responsibility in Lifenet as well as 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  
 January 2016 Executive Vice President, Executive Officer, General Manager of Sales & Marketing Division (incumbent)  
 <Number of Company Shares Owned> None

No.  
4

Kazuko Nakada (Date of birth: January 15, 1965 Age 51)



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

April 1987 Joined Dentsu Young & Rubicam Inc.  
 January 1997 Manager of Marketing & PR, Starbucks Coffee Japan Limited  
 June 2001 Chief Public Relations Officer / Corporate Officer  
 February 2005 Director of Marketing Division, GABA Corporation  
 January 2006 Managing Officer in charge of the Marketing Division  
 April 2008 General Manager of Marketing Department, Lifenet Insurance Company  
 February 2009 Director  
 April 2011 Executive Managing Director  
 July 2011 Executive Managing Director, Executive Officer  
 January 2016 Executive Managing Director, Executive Officer  
 Chief Communications Officer (incumbent)  
 <Number of Company Shares Owned> 6,500

No.  
5

Hitoshi Hatta (Date of birth: March 21, 1955 Age 61) New



Brief career history and positions and areas of responsibility in Lifenet as well as 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 (incumbent)

<Number of Company Shares Owned> None

No.  
6

Eiko Shinotsuka (Date of birth: May 1, 1942 Age 74) New / Outside



Brief career history and positions and areas of responsibility in Lifenet as well as 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 Japan Center for Economic Research (incumbent)  
 July 2005 Outside Audit & Supervisory Board Member, SUMITOMO LIFE INSURANCE COMPANY  
 March 2008 Professor Emeritus, Ochanomizu University (incumbent)  
 April 2010 Commissioner, National Personnel Authority  
 May 2013 Executive Advisor (incumbent)  
 June 2015 Director, Japan Securities Finance Co., Ltd. (incumbent)  
 Outside Audit & Supervisory Board Member, Komatsu Ltd. (incumbent)  
 April 2016 Part-time Auditor, Shimane University (incumbent)

<Number of Company Shares Owned> None

No.  
7

Masanobu Takatani (Date of birth: May 2, 1951 Age 65) New / Outside



Brief career history and positions and areas of responsibility in Lifenet as well as 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.

<Number of Company Shares Owned> None

No.  
8

Yutaka Mizukoshi (Date of birth: August 29, 1956 Age 59) New / Outside



Brief career history and positions and areas of responsibility in Lifenet as well as 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  
                          (incumbent)

<Number of Company Shares Owned> None



No.  
9

Tomohiko Katsuki (Date of birth: February 22, 1967 Age 49) Outside



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

March 1989	Joined DDI Corporation (currently KDDI Corporation)
April 2007	Deputy Director, Financial Business Department, Consumer Business Strategy Division
June 2008	Director, Jibun Bank Corporation
October 2013	Director, Smartphone Business Department, Advanced Business Development Division, KDDI Corporation
April 2014	Director, Business Strategy Department, Advanced Business Development Division
December 2014	Director, Gunosy Inc. (incumbent)
April 2015	General Manager, Financial and Commerce Business Division, Value Business Sector, KDDI Corporation (incumbent)

<Number of Company Shares Owned> None

- (Notes) 1. There are no special interests between each candidate and Lifenet.
2. Eiko Shinotsuka, Masanobu Takatani, Yutaka Mizukoshi and Tomohiko Katsuki are candidates for Outside Directors of Lifenet under the provision of Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. The matters regarding candidates for Outside Directors are as follows:
- (1) Tomohiko Katsuki is incumbent Outside Director of Lifenet. The term of office of the candidate will be one year upon conclusion of the Meeting.
  - (2) The Company will notify the Tokyo Stock Exchange of our designation of Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi as independent Directors under the regulations of the exchange in the event that they are elected, because there is no chance of conflicts of interest arising between each candidate and general shareholders
  - (3) Lifenet has entered into an agreement with Tomohiko Katsuki, that stipulate that, in the event that an non-executive Director in his tenure of office neglects his duties resulting in damages incurred to Lifenet, his liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act will be limited, if the relevant Outside Director is without knowledge and is not grossly negligent in performing his duties; provided, however, such amount shall be limited to the extent of the amount stipulated by relevant laws and regulations. In the event he is reelected and Eiko Shinotsuka, Masanobu Takatani and Yutaka Mizukoshi are elected, the Company will enter into the said agreements.
3. The reasons for their nomination as Outside Directors are as follows:
- (1) Lifenet proposes the election of Eiko Shinotsuka since, although she has never been directly engaged in company management, she has rich experiences and a wealth of expertise in economics, labour and laws as several public officers.
  - (2) Lifenet proposes the election of Masanobu Takatani since he has rich experiences and a wealth of expertise in corporate management of financial institutions.
  - (3) Lifenet proposes the election of Yutaka Mizukoshi since he has rich experiences and a wealth of expertise in corporate management from his experience as a representative of a consulting firm.
  - (4) Lifenet proposes the election of Tomohiko Katsuki since he has rich experiences and a wealth of expertise in advanced and financial businesses in KDDI CORPORATION.

###



(Attached)

## BUSINESS REPORT

### (1) Business results

#### Condition of policies-in-force

Annualized premium<sup>\*1</sup> of new business for fiscal 2015 was 1,189 million yen (89.6% of fiscal 2014) and sum insured of new business was 173,469 million yen (75.8% of fiscal 2014). The number of applications was 33,356 (88.9% of fiscal 2014) with the number of new business at 25,150 (89.9% of fiscal 2014).

Annualized premium<sup>\*1</sup> of policies-in-force as of March 31, 2016 stands at 9,377 million yen (106.6% of March 31, 2015) and sum insured of policies-in-force was 1,906,269 million yen (104.1% of fiscal 2014). The number of policies-in-force resulted in a total of 225,534 (104.7% of March 31, 2015). The number of policyholders was 140,301, exceeding 140,000. Surrender and lapse ratio<sup>\*2</sup> for fiscal 2015 was 6.7% (7.3% for fiscal 2014).

\*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 2015 ended March 31, 2016 was 9,117 million yen (107.4% of fiscal 2014) due to an increase in the number of policies-in-force. Investment income grew to 259 million yen (209.0% of fiscal 2014). Other ordinary income was 10 million yen. As a result, ordinary income for fiscal 2015 amounted to 9,387 million yen (107.5% of fiscal 2014).

Insurance claims and other was 1,287 million yen (97.2% of fiscal 2014). The ratio of insurance payment amounts to premiums income decreased to 12.0% for fiscal 2015, compared with 13.8% for fiscal 2014. Provision for policy reserves and other came to 3,824 million yen (107.2% of fiscal 2014) mainly due to the increased premiums income. The ratio of provision for policy reserves to premiums income was 41.6% for fiscal 2015, compared with 42.6% for fiscal 2014. Mainly due to control of advertising expenses, operating expenses amounted to 3,239 million yen (84.9% of fiscal 2014). The components of operating expenses were 1,302 million yen in marketing expenses including advertising (77.9% of fiscal 2014), 526 million yen in customer service expenses (94.3% of fiscal 2014), and 1,410 million yen in system and other expenses (89.1% of fiscal 2014). Amortization of deferred assets under Article 113 of the Insurance Business Act totaled 1,060 million yen because the deferred assets recognized before fiscal 2012 are expected to be amortized using the straight-line method until fiscal 2017, the tenth year since commencing business operations. Consequently, ordinary expenses for fiscal 2015 totaled 9,863 million yen (96.1% of fiscal 2014).

As a result, ordinary loss totaled 475 million yen for fiscal 2015, compared with 1,532 million yen for fiscal 2014. Ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act recorded profitable of 584 million yen for fiscal 2015, compared with ordinary loss of 472 million yen for fiscal 2014. Net loss was 429 million yen for fiscal 2015, compared with 1,624 million yen for fiscal 2014.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 450 million yen loss, compared with 1,484 million yen loss for fiscal 2014. The components

of fundamental profit were 2,100 million yen in mortality margin, 2,595 million yen loss in expense margin and 43 million yen in interest margin.

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

Total assets as of March 31, 2016 amounted to 30,317 million yen (23,387 million yen as of March 31, 2015). The major account balance was 23,067 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Lifenet is holding shares of Advance Create Co., Ltd., an insurance sales agent for the purpose of maintaining equity and business partnerships, and Kyobo Lifeplanet Life Insurance Company, which is an online life insurer jointly established with Kyobo Life Insurance Co., Ltd. Deferred assets under Article 113 of the Insurance Business Act decreased to 2,120 million yen due to amortization.

Liabilities amounted to 14,893 million yen as of March 31, 2016 (10,899 million yen as of March 31, 2015), owing to an increase in policy reserves as a result of the increased premiums income. The major account balances were 13,551 million yen in policy reserves (including 1,307 million yen in contingency reserves), and 357 million yen in reserves for outstanding claims.

Net assets increased to 15,423 million yen as of March 31, 2016 (12,487 million yen as of March 31, 2015) due to raising new capital of 3,040 million yen through the third-party allotment of new shares to KDDI CORPORATION (“KDDI”) in May 2015 despite the recording of net loss for fiscal 2015.

The solvency margin ratio as of March 31, 2016 was 2,805.5% (2,244.7% as of March 31, 2015), which indicated that an adequate level of payment capacity was maintained.

### **Cash flows**

For fiscal 2015, net cash provided by operating activities amounted to 4,610 million yen (3,247 million yen provided for fiscal 2014) due to an increase in insurance premiums and other and control of operating expenses. Net cash used by investing activities amounted to 5,639 million yen (2,925 million yen used for fiscal 2014) due to acquisition of securities. Net cash provided by financing activities amounted to 3,031 million yen (8 million yen used for fiscal 2014) due to the third-party allotment of new shares to KDDI.

Based on these activities described above, cash and cash equivalents as of March 31, 2016 totaled 2,734 million yen (731 million yen as of March 31, 2015).

## **(2) Challenges**

### **Review of Previous Mid-term Business Plan**

Lifenet, in the previous mid-term business plan ending in fiscal 2015, has set our corporate vision towards fiscal 2015 as “Offer new products and services as an “innovator” to create the future of life insurance that resonate with stakeholders, and achieve the highest sustainable growth among online life insurance businesses” and worked to realize our Management Goal of “Achieve 9.5 billion yen in ordinary income, pushing the company toward profitability\*<sup>1</sup> in Fiscal 2015”.

The business environment we faced in the period of the previous mid-term business plan was characterized by slower expansion of the online life insurance market than anticipated and competitors who newly entered the market. The competitive environment surrounding Lifenet has become increasingly intense.

Under these circumstances, ordinary income for fiscal 2015 amounted to 9,387 million yen which almost achieved the Management Goal of 9.5 billion yen, while ordinary profit before amortization of deferred assets under the Article 113 of the Insurance Business Act resulted in profitable, recorded 584 million yen, which achieved the Management Goal successfully. The status of implementation efforts in the priority areas of “Sustainable growth in insurance premium income (top-line)”, “Improvement in productivity” and “Being an “innovator” (front-runner) in life insurance”, set in the previous mid-term business plan, is as follows:

- **“Sustainable growth in insurance premium income (top-line)”**

We commenced the agent sales through “HOKEN NO MADOGUCHI” for customers who wish face-to-face consultation. Moreover, preparations were made in order to offer “au Life Insurance” for such as au smartphones users, through the business alliance with KDDI. These initiatives to establish new sales channels other than the conventional online direct sales channel enabled us to offer our insurance products to a broad customer base.

- **“Improvement in productivity”**

We achieved profitability in terms of ordinary profit (loss) before amortization of deferred assets under the Article 113 of the Insurance Business Act through appropriate control of operating expenses.

- **“Being an “innovator” (front-runner) in life insurance”**

We started to accept same-sex partners as the designated beneficiary for our life insurance products anew. Additional initiatives for customer's extra convenience utilizing technologies realized during the period include service that accepts application documents and benefits claim documents via the website captured by smartphones.

Meanwhile, improving the performance in new business is the greatest challenge for us. Through the continuous initiatives taken in the period of the previous mid-term business plan, there is a sign of improvement of the performance in new business. To solidify this trend, focusing continuously on the online direct sales as the main channel, with the aim of complementing our growth potential, we will strive to build and establish solid sales channels via agents. In addition, by creating the unique sales point, we will work to differentiate ourselves from competitors. Moreover, we will establish the system for the proactive provision of products and services and offer products and services for customers in a timely manner.

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

### **New mid-term business plan**

As for the future business environment, given the fact that approximately 10% of potential subscribers have intent to apply to insurance via online sales channel in the huge life insurance market over 40 trillion yen of insurance premiums in total per year, and the trend of utilizing the Internet in overseas life insurance markets in recent years, although there is a sign of slowdown in online life insurance market's growth, we believe that there is a significant growth potential for online life insurance over the long term.

In view of the challenges in the previous mid-term business plan and future business environment, aiming to achieve its stable growth in the future, Lifenet formulated the new mid-term business plan

through fiscal 2018 as follows.

### Summary of new mid-term business plan

<b>FY2018 Management Goal</b>	<b>13.5 billion yen in ordinary income Positive profitability of ordinary profit (loss)</b>
<b>Business Strategy</b>	<b>1. The pillars of business: “Online direct sales” “KDDI (exclusive alliance agent)” and “Over-the-counter agent” 2. Continuous creation of unique sales point in all channels 3. Commitment to business development for future growth</b>
<b>Organizational Strategy</b>	<b>Change, challenge and unity</b>
<b>Risk Management Area</b>	<b>Sophisticate systems for risk management and customer protection that support business strategy</b>

First, as the Management Goal, we will seek to achieve 13.5 billion yen in ordinary income, pushing the company toward profitability on an ordinary profit (loss) basis in fiscal 2018. For that purpose, we will work to return to growth in new business performance in fiscal 2016 and establish a system that enhance the new business performance steadily and realize sustainable profitability in fiscal 2017. As a result of the foregoing efforts, we will endeavor to achieve the Management Goal in fiscal 2018.

Aiming to achieve its stable growth in the future, Lifenet promotes its initiatives for the following issues to be addressed based on its manifesto of “offering simple, convenient and competitively priced products and services based on the highest levels of business integrity.”

- **Further development of online direct sales**

With the aim of further development of the online direct sales which is the strength of Lifenet, efforts will be made to increase the numbers of visitors to the website, by means of creating our unique customer value, in addition to conventional marketing activities including TV commercials and web advertising. Moreover, by establishing ways to communicate with customers other than the website or telephone, we will make efforts to offer life insurance products and services optimized for lifestyles, mainly via smartphones. Since its business commencement, we have been supported by many customers, and the number of policyholders exceeded 140,000 in March 2016. Going forward, we aim to build long-term relationships with trust and enhance customer satisfaction, establishing the structure for providing policyholders with more extensive services and pursuing tailored communications based on the attributes of each holder.

- **Building foundation for cooperation with KDDI**

As a first step in cooperation with KDDI, with which Lifenet has entered into a business alliance agreement in April 2015, we started to offer its simple and easy-to-understand life insurance products as “au Life Insurance” for users of au mobile phones including au smartphones, through KDDI from April 2016. By combining KDDI’s website, au shops and au Financial Support Center, and leveraging its strong brand and extensive customer platform,

Lifenet and KDDI aim to establish a new product distribution model through telecommunications and life insurance services. In order to build a foundation for cooperation with KDDI, we will support the sales education for canvassers of KDDI and develop the agent management system that aligns with KDDI. Furthermore, aiming to further enhance the performance in new business, additional measures such as increasing the number of stores handling the products and development of new products will be under consideration.

- **Development of over-the-counter agent channel**

With the aim of offering its life insurance products and services to a wider range of customers, Lifenet will make efforts to strengthen over-the-counter agent channel. These efforts include the establishment of the sales education system, in order to gain a competitive advantage mainly in the area of long-term disability insurances, for which the market is growing, and the realization of the stable performance growth in new business by expanding our sales network. In addition, utilizing its experience as an online life insurer, we will aim to enhance its marketing support by means of building an application flow that is convenient for over-the-counter agent, among other measures. Going further forward, we will explore the development opportunity of unique life insurance products and services that fit to each channel, identifying the customer's needs through its agents.

With these channels of the “online direct sales”, the “KDDI (exclusive alliance agent)” and “over-the-counter agent” as the pillars for our business, Lifenet will pursue its stable growth. In addition, based on our manifesto, while implementing our own initiatives and leveraging technologies, we will strive to create the unique sales point differentiated from other life insurers in all channels continuously to avoid assimilating with competitors. Moreover, while focusing on existing business as needed, we will allocate a certain part of management resources into business development to achieve continuous growth in the future. Furthermore, in terms of internal control, we will establish the foundation for sophisticating systems for risk management and customer protection that support the business strategy.

In order to realize the stated above plan, we changed our organization structure in January 2016 in advance, and started the divisional organization which appointed Executive Officers as General Managers to enhance business execution. Centering on the divisional organization, we will deepen a sense of unity with active communication as well as continue to challenge to meet the needs of the times and customers. By means of taking a solid implementation of the strategy, we will work steadily to achieve the new Management Goal.

###

## NON-CONSOLIDATED FINANCIAL STATEMENTS

### (1) Balance Sheets

	(In millions of yen)
	March 31, 2016
<u>ASSETS</u>	
Cash and deposits .....	734
Bank deposits .....	734
Monetary claims bought .....	1,999
Money held in trust .....	1,035
Securities .....	23,067
Government bonds .....	10,102
Municipal bonds .....	1,521
Corporate bonds .....	10,428
Stocks .....	211
Foreign securities .....	804
Tangible fixed assets .....	72
Buildings .....	11
Leased assets .....	2
Other tangible fixed assets .....	59
Intangible fixed assets .....	437
Software .....	317
Software in progress .....	103
Leased assets .....	15
Other intangible fixed assets .....	1
Agency accounts receivable .....	0
Reinsurance accounts receivable .....	27
Other assets .....	2,941
Accounts receivable .....	680
Prepaid expenses .....	28
Accrued income .....	39
Deposits .....	73
Suspense payments .....	0
Deferred assets under Article 113 of the Insurance Business Act ..	2,120
Total assets .....	30,317

(In millions of yen)

March 31, 2016

LIABILITIES

Policy reserves and other .....	13,908
Reserves for outstanding claims.....	357
Policy reserves.....	13,551
Agency accounts payable .....	8
Reinsurance accounts payable .....	56
Other liabilities.....	505
Income taxes payable .....	73
Accounts payable .....	46
Accrued expenses .....	324
Deposits received .....	11
Lease liabilities.....	18
Asset retirement obligations .....	30
Suspense receipt.....	1
Reserves under the special laws .....	12
Reserve for price fluctuations .....	12
Deferred tax liabilities.....	401
Total liabilities .....	<u>14,893</u>

NET ASSETS

Capital stock.....	12,020
Capital surplus .....	12,020
Legal capital surplus.....	12,020
Retained earnings.....	(9,227)
Other retained earnings.....	(9,227)
Retained earnings brought forward.....	(9,227)
Shareholders' equity.....	<u>14,813</u>
Valuation difference on available-for-sale securities .....	591
Valuation and translation adjustments.....	591
Subscription rights to shares .....	19
Total net assets .....	<u>15,423</u>
Total liabilities and net assets .....	<u><u>30,317</u></u>



## (2) Statements of Operations

	(In millions of yen)
	Year ended March 31, 2016
Ordinary income .....	9,387
Insurance premiums and other .....	9,117
Premiums income .....	9,007
Reinsurance income .....	110
Investment income .....	259
Interest, dividends and other income .....	190
Interest from deposits .....	0
Interest and dividends from securities .....	189
Other interest and dividends .....	1
Gain on money held in trust .....	33
Gain on sales of securities .....	35
Other ordinary income .....	10
Other .....	10
Ordinary expenses .....	9,863
Insurance claims and other .....	1,287
Insurance claims .....	635
Benefits .....	443
Other refunds .....	0
Reinsurance commissions .....	209
Provision for policy reserves and other .....	3,824
Provision for reserves for outstanding claims .....	79
Provision for policy reserves .....	3,744
Investment expenses .....	0
Interest expenses .....	0
Other investment expenses .....	0
Operating expenses .....	3,239
Other ordinary expenses .....	1,510
Taxes .....	218
Depreciation .....	220
Amortization of deferred assets under Article 113 of the Insurance Business Act .....	1,060
Other .....	11
Ordinary profit (loss) .....	(475)
Extraordinary losses .....	3
Provision of reserves under the special laws .....	3
Provision of reserve for price fluctuations .....	3
Income (loss) before income taxes .....	(478)
Income taxes-current .....	74
Income taxes-deferred .....	(124)
Income taxes .....	(49)
Net income (loss) .....	(429)

### (3) Statements of Changes in Net Assets

	(In millions of yen)
	Year ended March 31, 2016
Shareholders' equity:	
Capital stock	
Capital stock .....	10,500
Changes of items during the period	
Issuance of new shares .....	1,520
Total changes of items during the period .....	1,520
Capital stock .....	12,020
Capital surplus	
Legal capital surplus	
Legal capital surplus .....	10,500
Changes of items during the period	
Issuance of new shares .....	1,520
Total changes of items during the period .....	1,520
Legal capital surplus .....	12,020
Total capital surplus	
Capital surplus .....	10,500
Changes of items during the period	
Issuance of new shares .....	1,520
Total changes of items during the period .....	1,520
Capital surplus .....	12,020
Retained earnings	
Other retained earnings	
Retained earnings brought forward	
Retained earnings brought forward .....	(8,798)
Total changes of items during the period	
Net income (loss) .....	(429)
Total changes of items during the period .....	(429)
Retained earnings brought forward .....	(9,227)
Total retained earnings	
Retained earnings .....	(8,798)
Changes of items during the period	
Net income (loss) .....	(429)
Total changes of items during the period .....	(429)
Retained earnings .....	(9,227)
Total shareholders' equity	
Shareholders' equity .....	12,202
Changes of items during the period	
Issuance of new shares .....	3,040
Net income (loss) .....	(429)
Total changes of items during the period .....	2,610
Shareholders' equity .....	14,813

(In millions of yen)  
Year ended  
March 31, 2016

Valuation and translation adjustments:	
Valuation difference on available-for-sale securities	
Valuation difference on available-for-sale securities .....	265
Changes of items during the period	
Net changes of items other than shareholders' equity .....	325
Total changes of items during the period .....	325
Valuation difference on available-for-sale securities	591
Total valuation and translation adjustments	
Total valuation and translation adjustments .....	265
Changes of items during the period	
Net changes of items other than shareholders' equity .....	325
Total changes of items during the period .....	325
Total valuation and translation adjustments .....	591
Subscription rights to shares:	
Subscription rights to shares .....	19
Changes of items during the period	
Net changes of items other than shareholders' equity .....	—
Total changes of items during the period .....	—
Subscription rights to shares .....	19
Net assets:	
Net assets .....	12,487
Changes of items during the period	
Issuance of new shares .....	3,040
Net income (loss) .....	(429)
Net changes of items other than shareholders' equity .....	325
Total changes of items during the period .....	2,936
Net assets .....	15,423