## **NEWS RELEASE**



April 19, 2017
Daisuke Iwase, President
LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Mothers)

# One-time Amortization of Deferred Assets under Article 113 of the Insurance Business Act, and Associated Effect on Financial Results for Fiscal 2016

TOKYO, April 19, 2017 - LIFENET INSURANCE COMPANY (TSE Mothers 7157, President Daisuke Iwase, URL: <a href="http://ir.lifenet-seimei.co.jp/en/">http://ir.lifenet-seimei.co.jp/en/</a>) announces that the Board of Directors has resolved at its meeting today to one-time amortize certain deferred assets under Article 113 of the Insurance Business Act in the financial results for fiscal 2016, ended March 31, 2017. Lifenet also hereby announces that its financial results for fiscal 2016 are expected to change beyond a certain degree from results of fiscal 2015, as a consequence of the decision to one-time amortize the deferred assets.

 Purpose of the one-time amortization of deferred assets under Article 113 of the Insurance Business Act

Article 113, paragraph (1) of the Insurance Business Act allows deferral of all or part of operating expenses for the first five years after business commencement because the initial acquisition costs are significant in the insurance business. The deferred assets are allowed to be amortized within ten years.

Accordingly, Lifenet recorded a part of operating expenses incurred from fiscal 2008, its business commencement, until fiscal 2012 as the deferred assets, and had intended to amortize the deferred assets until fiscal 2017, the tenth year after business commencement. Lifenet has been recording on a straight-line method amortization amounting to 1,060 million yen each fiscal year since fiscal 2013, and has recorded 2,120 million yen of the deferred assets, which had been slated to amortize using straight-line method across both fiscal 2016 and fiscal 2017, on its balance sheet as of March 31, 2016. However, the company has now decided to one-time amortize that entire deferred assets in fiscal 2016, for the following reasons:

- (1) A stable financial base of Lifenet has been established because positive results of ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act, which is the effective ordinary profit, is anticipated for the second consecutive year following on fiscal 2015.
- (2) The one-time amortization of deferred assets places Lifenet in a more robust financial position than Lifenet will record the deferred assets as future expense.

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Effect on financial results for fiscal 2016 by the one-time amortization of deferred assets under Article 113 of the Insurance Business Act

Lifenet now expects that ordinary profit (loss) and net income (loss) for fiscal 2016 will change beyond a certain degree from results of fiscal 2015, as a result of one-time amortizing the 2,120 million yen of deferred assets.

(In millions of ven)

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	Ordinary income	Ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act	Ordinary profit (loss)	Net income (loss)
FY2015 results (A)	9,387	584	(475)	(429)
FY2016 forecast at present (B)	10,096	88	(2,031)	(1,890)
Difference (B) – (A)	709	(496)	(1,556)	(1,461)
Change (%)	7.6	(84.9)	-	-
(Ref.) Business forecasts for FY 2016 (November 10, 2016)	10,000	(300)	-	-

Ordinary income and ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act are disclosed as Lifenet's business forecasts.

3. Associated effect on financial results for fiscal 2016 and the Mid-term Business Plan

On May 12, 2017, Lifenet will disclose its financial results for fiscal 2016 and its business forecasts for fiscal 2017. Lifenet expects to record positive ordinary profit before amortization of deferred assets under Article 113 of the Insurance Business Act in fiscal 2016 for the second consecutive year following on fiscal 2015 because of less insurance claims than it expected and others. At this moment, however, Lifenet will record ordinary loss for fiscal 2017 due to ongoing plans promoting investment in marketing expenses following fiscal 2016.

As stated in Article 17-6 of the Insurance Business Act, the company is not permitted to distribute retained earnings as dividends while deferred assets under Article 113 of the Insurance Business Act are held on its balance sheet. Though the one-time amortization of the deferred assets will lift such restrictions under the Insurance Business Act with respect to distributing retained earnings as dividends, it does not affect a date for the start of dividend payments directly and at the moment Lifenet has yet to determine specific policies and dates for the start of distributing retained earnings as dividends. Lifenet will consider implementing a shareholder return policy in the future, including the distribution of retained earnings as dividends upon having taken into account amounts of cumulative loss and others.

In addition, Lifenet disclosed its Mid-term Business Plan in May 2016, calling for the company to achieve 13.5 billion yen in ordinary income and positive profitability of ordinary profit (loss) as the Management Goal in fiscal 2018. The Management Goal remains unchanged, even with plans for the one-time amortization of deferred assets under Article 113 of the Insurance Business Act.

Fiscal 2017 marks Lifenet's tenth year since business commencement. As Lifenet accelerates the transition to a new phase of business which includes changes in our Directors, it will persist with initiatives geared to enabling its steady growth going forward.

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Note: The financial results forecasts for fiscal 2016 and other figures mentioned are based on the information available as of the date of this release and certain assumptions deemed rational. The actual results to be disclosed in the future may differ from the forecasted figures due to various factors.

### About LIFENET (URL: http://ir.lifenet-seimei.co.jp/en/)

Returning to the original purpose of life insurance - mutual support - LIFENET INSURANCE 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. By using the Internet, we are able to offer highly cost-competitive products and accept applications from customers at any given time.

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