



輝立証券集團

**Phillip Securities Group**

**Research Report of Japan Equity market:**

**Name: LIFENET INSURANCE CO**

**Poems Ticker: 7157.JT**

**Market: TSE**

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# LIFENET INSURANCE CO (7157)

<b>Rating</b>	<b>BUY</b>
<b>Primary Exchange</b>	Tokyo
<b>Sector</b>	Financials

## Business Description

LIFENET INSURANCE COMPANY provides a wide range of cost-effective life insurance products and services. The firm mainly provides the products and services through the internet.

## Basic Data

Price (yen) (2012/12/7)	821
52wk High (2012/3/26)	1,326
52wk Low (2012/11/26)	796
Shares Outstanding (mil)	42.073
Market Cap (mil yen)	34,542
Enterprise Value (mil yen)	34,137

## Per Share Data

EPS (Act.)	-26.37
EPS (03/2013 est.)	-24.59
EPS (03/2014 est.)	-58.47
EPS (03/2015 est.)	0.00
EPS (03/2016 est.)	59.42
Dividend / Share	0.00
Book Value / Share	384.22
Sales / Share (Trailing 12m)	77.45
Cash Flow / Basic Share	-23.41
Free Cash Flow / Share	-24.85

## Valuations

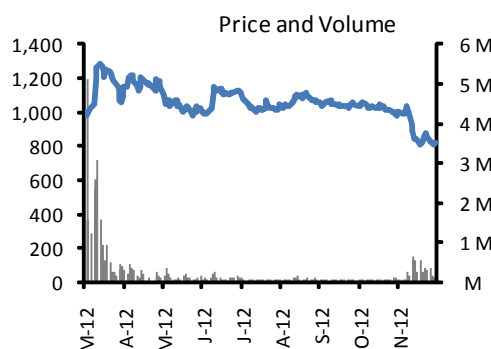
P/E (Act.)	-
P/E (03/2012 est.)	-
P/E (03/2013 est.)	-
P/E (03/2014 est.)	-
P/E (03/2015 est.)	-
P/E (03/2016 est.)	13.82
Dividend Yield (%)	-
Price to Book Ratio	2.13
Price to Sales Ratio	10.55

## Profitability

Return on Assets (%)	-6.13
Return on Com Equity (%)	-7.07

## Capital Structure

Current Ratio	
Quick Ratio	
Equity Ratio (%)	85.67



## Rapidly Growing Cost-Effective Life Insurance Product Distributor in Japan's Huge but Highly Inefficient Market

### Japan's Huge Life Insurance Market

Japan's life insurance market is the world's second largest, worth approximately ¥40 trillion (approx. 500 billion USD). Roughly 90% of Japanese households have life insurance policies and the average annual spending on life insurance premiums is roughly ¥450,000 (approx. 55,000 USD) per household.

### Japan's Highly Inefficient Life Insurance Market

Traditional Japanese life insurance firms have very large, powerful sales forces (primarily women). Up until recently, the bulk of life insurance products have been sold through these sales forces in this country. This was (and still is) a highly unusual phenomenon highly peculiar to Japan. Commissions paid to these salespeople and other expenses associated with them are large. Consequently, traditional life insurance policies are being sold at significantly higher prices by global standards.

### Major Changes Going on in Japan's Life Insurance Market

In May 2008, Lifenet Insurance and SBI AXA Life Insurance (now NEXTIA Life Insurance) started selling Japan's first online life insurance products. Consequently, Japanese consumers, most of whom had not been aware of global standard prices for life insurance policies before, started realizing that life insurance policies sold through traditional sales channels are vastly expensive. Since then, online life insurance companies have steadily increased their share of the Japanese life insurance market. According to data of Japan Institute of Life Insurance, in 1997, 90.1% of life insurance policies were sold through traditional distribution channels; in 2009, their share declined to 70.1%.

### Cost-effective Life Insurance Product Distributors such as Lifenet Insurance Likely to Achieve Major Long-term Growth as Traditional Channels Diminish

Although the share of traditional distribution channels has declined considerably since 2008, there is much further room for decline. Japan Institute of Life Insurance's 2009 data showed that only 30.8% consumers preferred to purchase through traditional distribution channels. Especially young people want to avoid expensive life insurance policies sold through traditional channels. The share of traditional channels is likely to continue declining during this decade, perhaps to near global standard levels. Lifenet Insurance, being the leading cost-effective life insurance product distributor and well positioned to benefit from this trend, is likely to achieve major growth in the years to come. Although this young firm is still losing money, its revenue is growing rapidly and is likely to reach the breakeven point within years. We currently expect the firm to break even within years around 2015. Major profit growth is likely to follow.

FY	Revenue	Ordinary profit	Net profit	EPS	DPS
3/2010	658	-1,032	-1,036	-30.8	0
3/2011	1,827	-820	-834	-24.8	0
3/2012	3,773	-687	-900	-26.4	0
3/2013 est.*	6,720	-300	-1,035	-24.6	0
3/2014 est.*	11,500	-200	-2,460	-58.5	0
3/2015 est.*	19,000	0	0	0.0	0
3/2016 est.*	28,000	1,500	2,500	59.4	0

In millions of Yen (In Yen for EPS and DPS) \* Aizawa estimates

**LIFENET INSURANCE CO**
**Company Data**

<b>Address</b>	2-14-2 Koji-Machi Chiyoda-ku Tokyo, 102-0083 Japan
<b>Website</b>	
<b>Telephone</b>	81-3-5216-7900
<b>Employees</b>	87
<b>S&amp;P Long-Term Rating</b>	-
<b>Company Officers</b>	HARUAKI DEGUCHI, PRESIDENT DAISUKE IWASE, VICE PRESIDENT KAZUKO NAKADA, MANAGING DIRECTOR MATAHIRO OHNISHI, EXECUTIVE OFFICER

Source: Bloomberg

**Financial Data**

<b>Income Statement Summary</b>	<b>FY 03/2012</b>	<b>FY 03/2011</b>	<b>FY 03/2010</b>	<b>FY 03/2009</b>	<b>FY 03/2008</b>	<b>FY 03/2007</b>	<b>FY 03/2006</b>	<b>FY 03/2005</b>
Revenue	-	-	-	-	-	-	-	-
Operating Income	-	-	-	-	-	-	-	-
Ordinary Income	(687)	(820)	(1,032)	(1,368)	-	-	-	-
Income bef XO Items	(900)	(834)	(1,036)	-	-	-	-	-
Net Income	(900)	(834)	(1,036)	(1,372)	-	-	-	-
Basic EPS Before XO Items	(26.15)	(24.76)	(30.75)	(40.71)	-	-	-	-
Basic EPS	(26.37)	(24,760.91)	(30,754.50)	(40,711.52)	-	-	-	-
Diluted EPS Before XO Items	-	-	-	-	-	-	-	-
Diluted EPS	(26.37)	(24.76)	(30.75)	(40.71)	-	-	-	-
Dividends per Share	-	-	-	-	-	-	-	-
EBITDA	-	-	-	-	-	-	-	-
Return on Common Equity	(7.07)	(8.59)	-	-	-	-	-	-
<b>Balance Sheet Summary</b>	<b>FY 03/2012</b>	<b>FY 03/2011</b>	<b>FY 03/2010</b>	<b>FY 03/2009</b>	<b>FY 03/2008</b>	<b>FY 03/2007</b>	<b>FY 03/2006</b>	<b>FY 03/2005</b>
Total Current Assets	-	-	-	-	-	-	-	-
Total Long-Term Assets	-	-	-	-	-	-	-	-
Total Assets	18,861	10,523	10,586	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-
Total Long-Term Liabilities	-	-	-	-	-	-	-	-
Total Liabilities	2,702	1,231	464	-	-	-	-	-
Total Shareholders' Equity	16,159	9,292	10,122	-	-	-	-	-
Shares Outstanding	42.057	33.717	33.717	-	-	-	-	-
Book Value per Share	384.22	275.59	300.20	-	-	-	-	-
Tangible Book Value / Share	374.14	263.72	290.65	-	-	-	-	-
Shareholder Equity/Total Liabilities (%)	85.67	88.30	95.62	-	-	-	-	-

## PHILLIP RESEARCH STOCK SELECTION SYSTEMS

<b>BUY</b>	<b>&gt;15% upside from the current price</b>
<b>HOLD</b>	<b>Trade within <math>\pm</math> 15% from the current price</b>
<b>SELL</b>	<b>&gt;15% downside from the current price</b>

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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