HIBIKI PATH ADVISORS

39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

〒102-0083
2-14-2 Kojimachi Chiyoda ward Tokyo
Kojimachi NK Building
LIFENET INSURANCE COMPANY
CEO Mr. Ryosuke MORI

We are Hibiki Path Advisors, an institutional investor who holds your shares in a managed client account. Today we are sending you this letter as one of the minority shareholders to make several suggestions. Thank you for your attention in advance.

Since its establishment in 2006, LIFENET has constantly pioneered the new business models in the field of the life insurance industry in the Internet age, and we understand that it has now surpassed the 500,000 contracts mark, plus it is now at the starting point of a further leap forward. We strongly believe that this outstanding performance should be commended and comes from the massive effort by Mr. Iwase, Mr. Deguchi, CEO Mori, the management team, and all of its employees.

However, looking at the stock's current price, the achievements have been underestimated. The price had remained in a severe slump compared to when it soared at the beginning of 2020, despite substantial business achievements. This stock performance indicates that the management team has not sufficiently disclosed your business model and its intrinsic value to the market, which would mean that it is time for a significant shift in showing its value proposition, as we have four suggestions below.

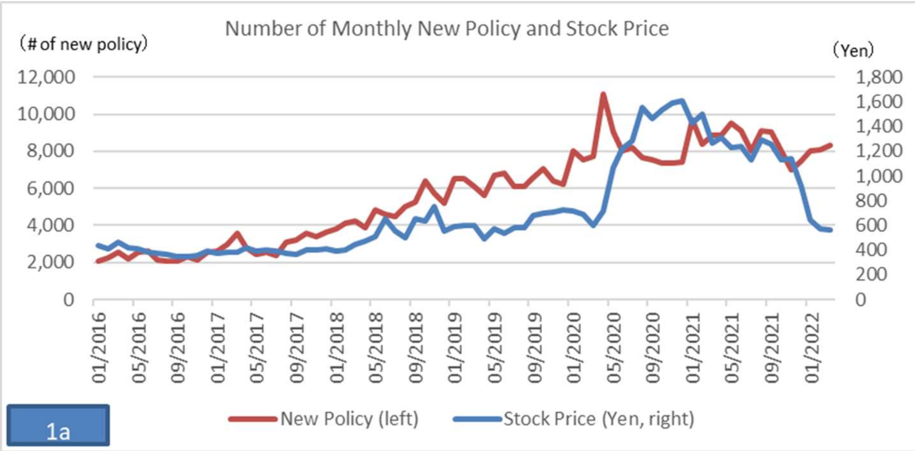
1. Disclosure and KPI Shift to the focus on value-based
2. Clarify the progress or status of new business, white labeling, and IFRS
3. Show your commitment
4. Continue to expand stock-based compensation and stock option systems

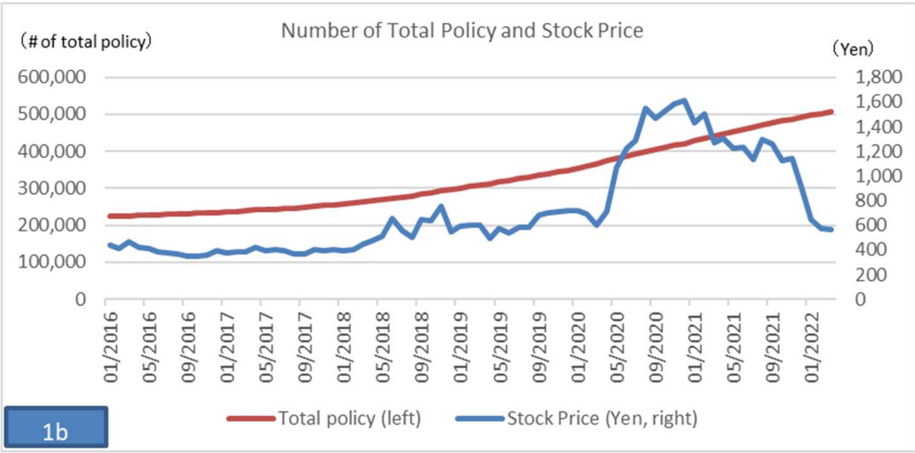
The details of our proposal are described in the latter part of this letter, along with an explanation.

HIBIKI PATH ADVISORS
39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

Starting with our view where both the business results and the stock price have diverged significantly, we see two KPIs. The first compares the number of insurance policies, and the next is a time-series comparison with the European Embedded Value.

（Figure 1a & 1b： New Policy and Stock Price, by given month ）



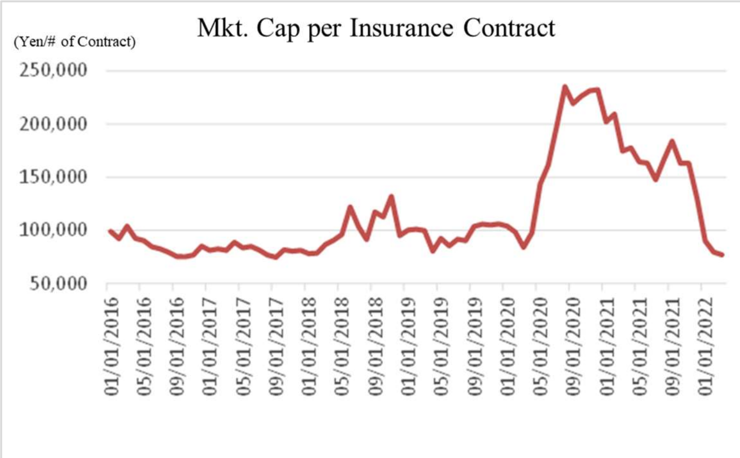


（Source： Hibiki analysis based on Information from LIFENET earning calls）

As shown in Figure 1a above, the number of new contracts (red line) has recovered steadily after bottoming out since the downturn around 2015. Although there was a moment where demand was being preempted due to the Corona disaster in 2020, the number remained at around 8,000/month since then into 2021. It clearly illustrates a significant change from approximately 2,500/month in 2015. In addition, while the total number of policies (red line) in Figure 1b has exceeded 500,000 the stock price (blue line) has deviated significantly from this reality in the past six months of declines. Thus, the current market capitalization per policy was ￥77,035 at the end of March (Figure 2), close to the lowest of ￥74,688 recorded in 2017.

HIBIKI PATH ADVISORS
39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

（Figure2： Mkt. Cap. per Insurance Contract since 2016）



（Source： Hibiki analysis based on Information from LIFENET earning calls）

To give another perspective, please look at Table 1 below to compare with LIFENT EEV (European Embedded Value), also referred to in LIFENET management objectives. It is calculated at the current stock price, Mkt. Cap/EVEV is 0.32x, worse than the lowest time ever; also P/B ratio is 1.34x, almost close to its bottom. Despite the expanding management base with steadily increasing EEV and evolving into a company with stable recurring revenues of over ￥20 bn a year, the market rating still stands at the **"lowest ever"** in terms of contract stock and EEV.

（Table 1: Time-series of EEV, P/EEV, P/B）

（Yen mn）	Stock Price (Yen)	EEV	Annual Ave. Mkt. Cap	P/EEV (x)	PBR (x)
Dec-21	530	114,068	--	0.32x	1.34x
Mar-21	1,200	95,140	84,977	0.89x	4.47x
Mar-20	599	73,431	32,372	0.44x	2.58x
Mar-19	604	63,378	30,124	0.48x	2.03x
Mar-18	449	44,440	20,415	0.46x	1.28x
Mar-17	383	36,261	19,119	0.53x	1.19x
Mar-16	470	30,578	20,843	0.68x	1.30x
Mar-15	369	25,248	16,360	0.65x	1.47x
Mar-14	428	22,907	27,184	1.19x	2.45x
Mar-13	829	18,746	40,799	2.18x	3.38x
Mar-12	1,252	18,547			

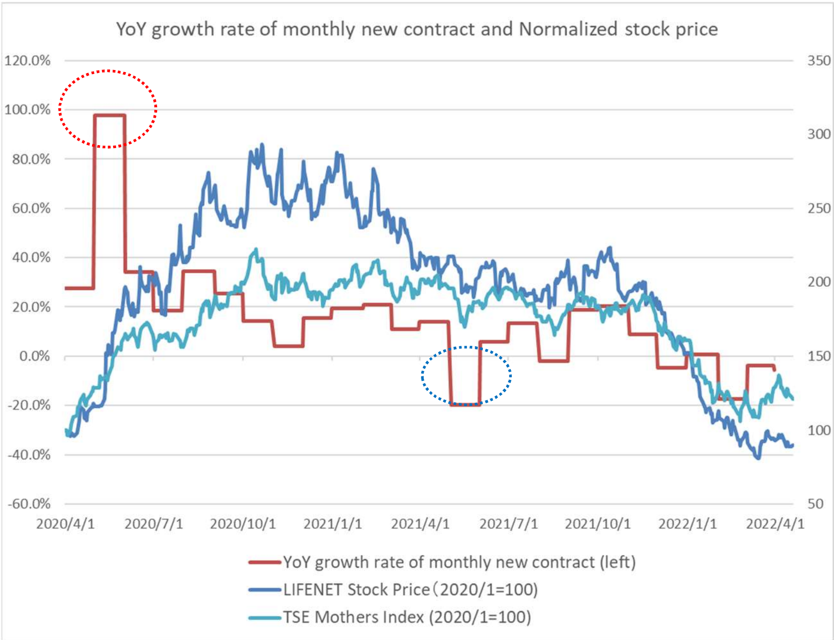
（Source： Hibiki analysis based on Information from LIFENET earning calls）

39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

We believe it is hard to say that the board members are fulfilling the responsibility to maximize corporate value even if you clearly define EEV as your KPI, when the capital markets are not appreciating your efforts.

We will now present our analysis of what the market has focused on in the following graph. Figure 3 compares the red line, which shows stock price and the year-on-year growth rate of monthly new contracts, shifted back one month to check the announcement's timing and the stock price reaction.

（Figure 3：YoY growth rate of monthly new contract and Normalized stock price since 2020）



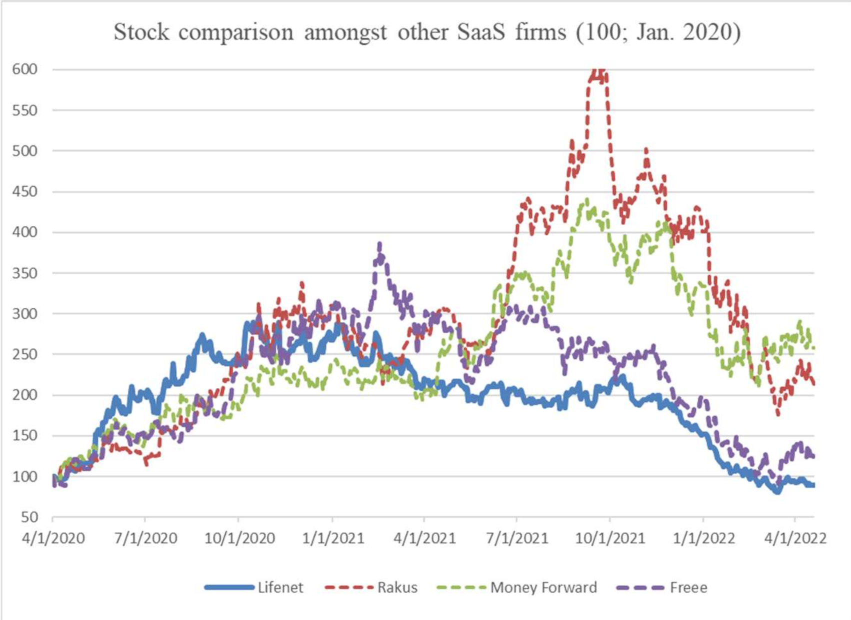
（Source： Hibiki analysis based on Information from LIFENET earning calls）

As you can see, the stock price had generally followed the direction of the "YoY growth rate of the number of new contracts," especially in April 2020, marked by the red circle on the left in Figure 3, when there was a rapid increase of new contracts after the coronavirus outbreak, and afterward the market predicted a reactionary decline in April 2021, marked by the blue circle in the lower center of Figure 3, the stock price has been on a downward trend.

Figure 4 below shows a comparison of LIFENET stock price with that of SaaS business model companies (Rakus, Money Forward, and Free). Your representation to show LIFENET business model as SaaS type was a good success and triggered a significant upward shift in your stock price valuation from the beginning of 2020.

39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

（Figure4：Stock comparison amongst other SaaS firms since 2020）



（Source： Hibiki analysis based on Information from Bloomberg）

As you can see, all the stock price trend was generally similar in 2020, but LIFENET's stock price did not increase as much as other companies from July 2021 when others rose dramatically while an optimistic mindset prevailed across the world with low interest rates. Conversely, since the end of last year to the present, when inflation fears emerged and rates started rising, LIFENET price halved just similarly with other companies. It does not look so fair.

It is intriguing to note that the (daily) correlation coefficient of the stock price to the TSE Mothers index has been relatively high at 0.64-0.67 for the three peers since early 2020, while the LIFENET correlation is low at 0.47. Even with the low correlation, the movement of LIFENET stock is closest to that of the TSE Mothers Index rather than the peers. Thus, our conclusion here is that the key factors that drives LIFENET stock price is (1) Growth rate of new contracts" and (2) Mothers' Index. Stock market is often temperamental, but we believe, and you also should feel this kind of price movement that ignores the value of your business is utterly unacceptable.

Table 2 below shows how the market sees LIFENET compared to other SaaS companies, in terms of more "value oriented" metrics. To prevent queries arising on which companies are highly valued than the other, we used company A, B, and C instead.

39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

（Table 2：KPI and Market valuation - Comparison with SaaS peers）

(USD mn)

Name	Recurring Revenue (A)	Churn Rate (%)	GPM (%)	Adj. Gross Cashflow (C)	Market Cap (B)	Price-to Recurring Revenue (B/A)	Price-to Adj CF (B/C)
LIFENET	167	6.0%	45%	71	316	**1.9x**	**4.4x**
Company A	90	15.6%	80%	60	1,850	**20.6x**	**30.2x**
Company B	90	18.0%	64%	47	2,326	**25.9x**	**48.6x**
Company C	98	5.0%	78%	72	2,424	**25.0x**	**34.0x**

Note 1 Based on public materials and interviews, including some figures estimated by Hibiki

Note 2 Adjusted Recurring OP refers to Recurring multiple revenues (1－churn rate) and OP rate

Note 3 Churn rate, by the annualized average of the latest data for the past 12 months, including some figures estimated by Hibiki

Note 4 Mkt. Cap. As of 2022/4/11

Distinctive features for LIFENET are that (1) the Annual churn rate is about 6%, which is lower than the average of peers, and thus the "quality of cash flow" is relatively high, but (2) the "market valuation" of the quality of that cash flow is relatively low. LIFENET’s adjusted P/S (Market Capitalization divided by Recurring Revenue) in the way of Hibiki's calculation formula, is about 1.9x, while peers still have over 20.0x. We understand that the life insurance business is more handcuffed compared to enterprise SaaS as up-selling and cross-selling are harder. Still, there is no doubt that LIFENET is a true SaaS-type business model. This large gap in the evaluation by the market suggests that the quality of LIFENET business and its value proposition have not yet been properly recognized by the market.

Moving on to European Embedded Value (EEV) and Mkt. Cap. (P/EV, Price-to-EEV) comparison, we see that this metric is almost like an adjusted P/B, with complicated present value calculation on the long-term life contracts. While there are subtle differences in the discount rate and risk premium assumptions on EEV. Methods are disclosed and also evaluated by independent third-party and thus we believe it is still a powerful proxy in comparing the values.

HIBIKI PATH ADVISORS

39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

（Table3：EEV/EV, Mkt. Cap. and P/EEV Comparison）

Global	EV or EEV	Mkt. Cap.	Currency	Unit	P/EEV (x)
AIA	73.0	122.0	USD	billion	1.67
Cathay	1144.0	833.0	NTD	billion	0.73
China Life	1072.1	615.0	CNY	billion	0.57
China Pacific	459.3	194.0	CNY	billion	0.42
Fubon	781.4	877.1	NTD	billion	1.12
Great Eastern	17.4	10.2	SGD	billion	0.58
Manulife	61.1	41.4	CAD	billion	0.68
Ping An	876.5	855.9	CNY	billion	0.98
Prudential	54.9	45.5	USD	billion	0.83
Sun Life	189.0	251.0	HKD	billion	1.33
				Ave. P/EEV	**0.89**

Japan	EV or EEV	Mkt. Cap.	Currency	Unit	P/EEV (x)
MS&AD (Life Div)	1515.7	374.8	JPY	billion	0.25
Daiichi Life	7460.6	2721.0	JPY	billion	0.36
T&D Life	3377.6	1000.0	JPY	billion	0.30
Kampo Life	4026.2	857.3	JPY	billion	0.21
Lifenet	114.1	38.9	JPY	billion	0.34
				Ave. P/EEV	**0.29**

（1） EEV based on each updated disclosure (LIFENET 2022/3 Q3, The Dai-ichi Life Insurance Company 2022/3 Q2, Others 2020)

（2） MS&AD EEV is the sum of its two insurance businesses, Mkt. Cap. Times whole Mkt. Cap as of 2021/3 and % of Life insurance net worth (16.6%)

（3） Mkt. Cap. as of 20th April

（Source： Hibiki analysis based on IR Info）

Japanese life insurance firms tend to be consistently undervalued rather than international firms due to low growth potential, as LIFENET P/EEV is close to 0.3x. Despite the global stock market decline, P/EEV for international companies has remained between 0.4x and 1.7x, with an average of 0.89x. As a result of our analysis of LIFENET business value, we conclude that your business model's uniqueness and growth potential are ghastly under-appreciated compared to both SaaS-type and life insurance peers abroad.

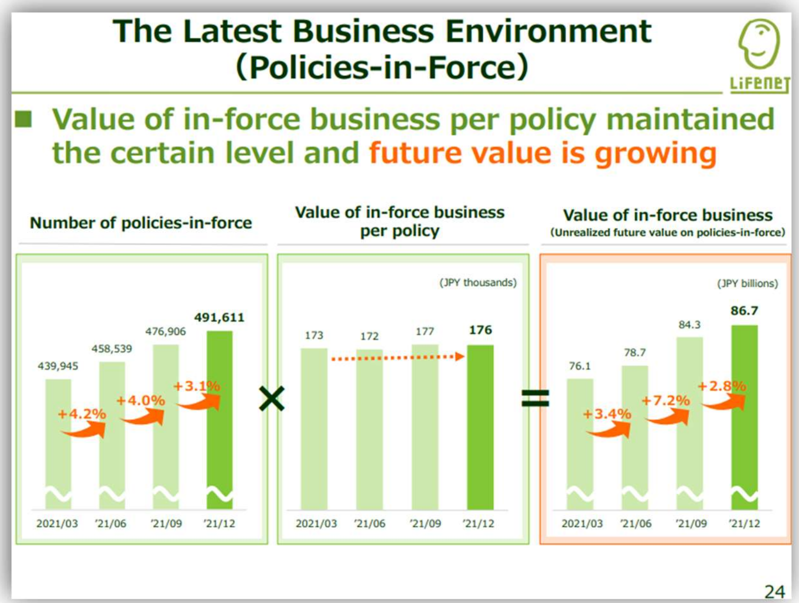
Based on such observation we would like to share with you four measures that you should consider to overcome the underpricing issues.

39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

Proposal 1：Disclosure and KPI Shift to the focus on "Value"

The market is now following the most easily understandable "year-on-year change of new policy" without paying attention to the detailed figures, as seen from the stock price trends analysis. This is why it is time for your viewpoint to pivot quickly. While the company must emphasize the "value of policies" in its disclosure, the presentation for the third quarter of the fiscal year ending 31st March 2022 is excellent. In addition, please consider comparing the value per policy to the market capitalization per policy.

（Figure 5：Disclosure of the value of the in-force business）



（Source: Disclosure 2022/3 3Q）

Proposal 2: Further disclosure of progress in new business, white labels, and IFRS standards

There have been announcements from you of platform-type business models for white-label and peripheral life insurance operations, but we have not seen sufficient progress in this area. Even if the absolute numbers are small, we it will help you by disclosing the degree of growth of new businesses without showing its "axial figures" in briefing materials and the like will help spread the company image to some extent. This disclosure style is used by major companies such as Z Holdings and Rakuten when they report the progress of new businesses. Showing investors that such new recurring income can potentially cover your annual customer acquisition costs of about 5 billion yen, even in part, will provide a sense of security to investors. Finally, the application of the new IFRS accounting standards and reference disclosures are currently under careful consideration for you and other companies but this is an imminent issue that needs to be addressed ahead of other companies, especially as you have been in the red ink due to the mismatch between revenue and expenses under Japanese accounting standards. We believe that this is an urgent issue for your company to address ahead of other companies.

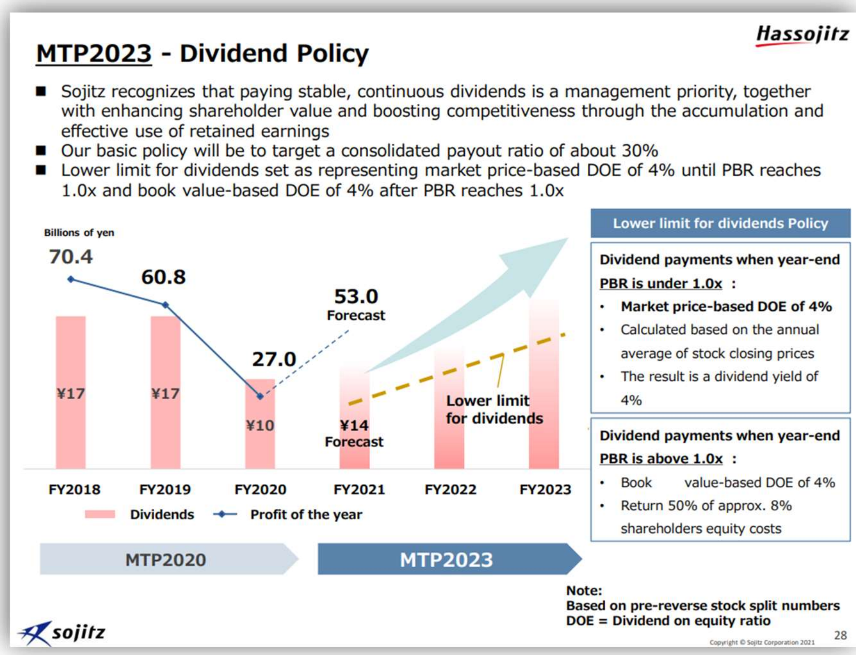
Proposal 3: Show commitment

LIFENET has been targeting 200 billion yen of EEV. Then, it would be a good sign of management's commitment if you could present a target to the capital market, for example, "to reach Y times in X years in the P/EEV multiple levels" or at the "adjusted PSR multiples" that we have shown. For example, in other industries, Astellas Pharma clearly states "targets a market capitalization of 7 trillion yen," which is a 2-fold increase from the time of its announcement. Sojitz Corporation, a general trading company, clearly states that it will maintain a "DOE of 4% until reaching a P/B ratio of 1x" in its medium-term management plan. The number of institutional investors who use TSR (Total Shareholders Return), which includes share price movements, to approve proposals for the reelection of directors is increasing rapidly, and we believe that the share price valuation perspective will only accelerate not stagnate.

(Figure 6: Astellas Pharma, Sojitz Corporation disclosure)

(Source: Astellas Pharma Annual Report 2021)

HIBIKI PATH ADVISORS
39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R



(Source: Sojitz Corporation Guidance 2023)

As your company is still in the high growth stage, it should be one of the most important management priorities to bring the market "on your side" to support you with strong valuation. It is powerful if demonstrate such commitment to the market and increase the number of shareholders willing to entrust with LIFENET's growth. There will be various strategic options to achieve this goal - IR strategies, share buybacks, capital and business alliances, and ultimately M&A (buy other companies or sell your own company to the highest bidder). We propose that you take all such strategic alternatives and show your commitment to enhancing the corporate value to the fullest without being defensive.

Proposal 4: Enhance stock compensation and stock option plans

As we can see, in FY2021/3, the total four "in-house" directors have 148,236 shares, with an average of 37,059 shares per director, or 20 million yen at the current share price (calculated at 540 yen per share). This number is only 83% of the average fixed annual income of in-house directors. Next, the stock compensation, issued last August, was 37,402 shares to four directors, for only 20.2 million yen in total current value (5.05 million yen per director). We feel this will not represent an ideal alignment of interest at all. We are also concerned that this stock compensation will vest only in three years. We would expect you to consider, for example, evolving the system to a balanced allocation of stock compensation with different time frames of 3 years, 10 years, and 30 years (essentially until retirement) in the form of short-, medium-, and long-term incentives. If other shareholders are not happy with such increased compensation then you should reduce the cash-fixed compensation portion. We also believe that stock option plans with additional KPI targets, such as EEV and a total number of contracts, would

39 Temple Street, #02-01 Singapore (058584)
Tel. +65-6931-3914; Fax +65-6931-3916
www.hibiki-path-advisors.com
Reg. 201541140R

also contribute to better alignment between management objectives and shareholders' viewpoints. Finally, we have observed that the stock option issued in 2012 have already expired in January of this year. We would also like each employee to have a shareholder perspective similarly with the management so we urge you consider granting stock options to a wide range of employees simultaneously.

We have made four proposals above. We are the investor who won’t hesitate in raising shareholder proposals in the AGM but we also believe there are other constructive ways. As we have developed the relationship with LIFENET, we want to appreciate that and make a constructive non-AGM but a public proposal. We ask you to take seriously that the above have been suggested by one minority but a seriously committed shareholder based on a point of view to benefit all stakeholders including yourselves. Thank you again for your kind attention to this letter.

2022/04/22

39 Temple Street #02-01, Singapore 058584
Hibiki Path Advisors Pte. Ltd.

HIBIKI PATH ADVISORS PTE LTD

※Note: This letter may be disclosed publicly at any time.