

(Unofficial Translation)

FY2020 Financial Results Conference Call for Institutional Investors and Analysts

Q&A Summary

Date: May 14, 2021 16:45-17:25
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Forecast for the FY2021

Q On page 8 of the materials, DL's value of new business is expected to be approximately 89 billion yen. Although the changes in measurement assumptions may have impacted, I feel it insufficient compared to the past results of approximately 140.0 billion yen in the FY2019 and 84.4 billion yen in the FY2020 wherein sales results showed a recovery to some extent in the second half. How do you see the sales in the current fiscal year? Are there upside potential?

A The sales in domestic market are expected to increase YoY. At DL, the sales of new products launched in January 2021 (wide-coverage medical insurance with lump-sum benefit payment) remained favorable in April, and DL expects a sales increase by 20-30% YoY. However, it is not expected that the sales regain the level in the FY2019.

Q Please tell us why PLC and TAL are expecting lower profits. Please also tell us the anticipated impacts of the spread of novel coronavirus infections.

A The expected decline is attributable to an absent of one-time gains due to a revaluation of insurance liability recognized: (i) at closed block of policies acquired by PLC in the FY2020; and (ii) through a post-merger integration for Asteron Life at TAL; and other factors. Regarding the impact of the spread of novel coronavirus infections, PLC expects unfavorable insurance claims continue, while the impact at TAL is expected to be insignificant.

Q Although DFL expects its net income to decline YoY in the FY2021, the absolute amount is a robust 61 billion yen. Please tell us the reason behind it.

A It is because we expect a reversal of previously-provided policy reserves related to MVA.

EEV

Q Will you continue to set aside the salary compensation (approximately 17 billion yen) and sales-related fixed operating expenses (approximately 40 billion yen), which are described on page 4, in calculating group value of new business for the FY2021?

A In the first half of the FY2020, DL refrained from sales activities. Therefore, DL did not include salary compensation and related fixed costs for calculating value of new business, but instead directly deducted from adjusted net worth. At present, because DL has returned to business

as usual, calculation of value of new business in the FY2021 would be in an ordinary manner.

Q Among the changes in measurement assumptions for Group EEV, I understand DL has been adjusting credit spreads since the past for ESR calculation, and at the time of the medium-term management plan (the “MMP”) conference call on March 31, 2021 (the “MMP conference”), this adjustment was also made to DFL, and in addition, lowering of UFR (Ultimate Forward Rate) etc., were implemented. This time, these changes were also reflected in the Group EEV. I would like to know whether the effects of each change in measurement assumptions were largely offset each other.

A With regard to calculation of Group EEV, in addition to changes in UFR and LLP (Last Liquid Point), we have reflected credit spreads for DFL’s EEV. The method of reflecting spreads slightly differs from the past treatment in ESR calculation, but is generally the same. In DFL, the impact of reflecting spreads was positive, while in DL, the impact of changes to UFR and LLP was negative. As a result, there was an overall negative impact on Group EEV of approximately 400 billion yen.

Group adjusted profit and shareholder payouts

Q The Company forecast for the Group adjusted profit, the source of shareholder payouts, is approximately 240 billion yen for the FY2021. How does it progress during the medium-term management plan? At the MMP conference, it was stated that the adjusted profit from overseas business is around 85 billion yen as a target level for the FY2023. Given that the forecast for the FY2021 is approximately 54 billion yen from overseas business, do you expect an improvement of approximately 30 billion yen during the MMP? Also, how much do you expect for the adjusted profit from domestic business?

A Adjusted profit from overseas business is expected to grow at a certain level, and at domestic business, each life company is expected to grow at a moderate pace. In reality, because DL’s adjusted profit fluctuates depending on economic conditions, group adjusted profit for the FY2023 has a certain range.

Q If there are no unexpected changes in profit, can we expect group adjusted profit for the FY2023 reaches close to the upper range within its assumed range of 250 to 280 billion yen?

A Under the new medium-term management plan, we emphasize capital efficiency and work to ensure that adjusted ROE exceeds cost of capital, taking into account changes in economic conditions. If the favorable economic environment continues, adjusted profit can be at a favorable level within the assumed range.

Q I recognize that group adjusted profit is a highly variable indicator. If there is a similar upward fluctuation in group adjusted profit for the FY2021 as we saw in the FY2020, would you consider the amount as a source of shareholder payouts? Also, when calculating the 3-year average of group adjusted profit for the FY2021, tell me how you would deal with the 24.5 billion yen that was adjusted for the calculation of shareholder payouts both in the FY2019 and FY2020?

A Within shareholder payouts policy, the dividend payout ratio is set at 30% or more against historical 3-year average of group adjusted profit. Actual values but for the adjustments are used for calculations. Share repurchases will then be flexibly decided considering factors such as cash constraints, surplus capital on an economic-value basis, strategic investment opportunities, and our stock price level etc.

Q Regarding shareholder payouts on page 9 of this report, is the calculation of group adjusted profit's 3-year average of 265.7 billion yen for the FY2021 equals to (274.5 + 282.8 + 240.0) divided by 3?

A That's right.

Q If group adjusted profit for the FY2021 falls below the forecast due to market conditions and other factors, please tell us whether to downwardly revise the forecast of 77 yen dividends per share.

A Dividends per share (forecast) are based on 30% or more of group adjusted profit's historical 3-year averages, and it cannot be said that the dividends per share forecast will not be lowered whatever.

Q Even if group adjusted profit fluctuates during the new medium-term management plan and the total amount of dividends declines, in terms of dividends per share, we can expect the number of shares to decrease due to share repurchases, and in the first place, the dividend payout ratio is set at 30% "or more." Therefore, am I right to understand that the Company will not reduce dividends per share compared to its historical results?

A Basically, yes.

Q At the MMP conference, it was stated that the total of cash balance at March 2021 and expected cash inflows over the next 3 years is approximately 800 billion yen or more. Please tell us whether there have been any changes in the amount due to profit increase in the FY2020 and/or changes in the regulatory environment.

A The increase in group adjusted profit will be reflected to a certain extent in the holding company's free cash flow.

Q Please provide quantitative indication for cash generation in the FY2021 in order for me to forecast the level of shareholder payouts. Will it be on par with the FY2020?

A Apart from a temporary cash generation on sale of stake in JH recognized in the FY2020, no significant changes are expected. The Company expects to generate solid adjusted profit domestically, mainly in DL, and also to increase TAL's payout at overseas business. However, I will refrain from mentioning specific amounts.

Note: We made partial additions and alterations in preparing the above summary for clarity.

[Abbreviated company names]

DL: Dai-ichi Life, DFL: Dai-ichi Frontier Life, PLC: US Protective, TAL: Australia TAL, JH: Janus Henderson Group

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