(Unofficial Translation)

FY2020-3Q Financial Results Conference Call for Institutional Investors and Analysts

Q&A Summary

Date: February 12, 2021 16:45 - 17:30

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3Q Results

Q: New sales for DL from October to December have improved. Do you think this recovery was derived mainly from new contracts which could not be closed in the first half due to the self-restraint of sales activities? What are the recent trends in new sales?

A: As you mentioned, new sales for DL from October to December have recovered to approximately 90% YoY and performed well. Recently, DL launched a new product in January. In terms of monthly number of policies sold, we are at around the same level YoY. We anticipate a favorable impact on sales performance from the new product going forward.

Q: You estimate value of new business for DL to be about ¥60 billion YTD. How much is deducted from value of new business calculation for cost of salary compensation? In addition, how do you see the next fiscal year?

A: We deducted half of ¥10 billion, which is the amount to be paid in the second half of the fiscal year. The unit cost related to new business for the next fiscal year will not be calculated routinely. Rather we will consider an appropriate unit cost based on expected new business in the next fiscal year onwards.

Q: Do you currently set quantitative sales targets for your sales representatives?

A: For the current fiscal year, no quantitative sales targets have been set for our sales representatives. Salary compensation was provided for the first half of the fiscal year and the salaries for the second half has returned to normal.

Note: DL does not plan to impose targets on its sales representatives for the next fiscal year in light of the incidents that occurred last year but does not plan to provide compensation for salaries.

Forecast

Q: Regarding your earnings forecast revision, what were the changes from the previous forecast for group adjusted profit?

A: Please refer to page 7 of the presentation material for details on the changes in our forecast.

Q: Fundamental profit at DL increased by approximately ¥40 billion mainly because of an increase in positive spread. Could you explain the factors behind the increase?

A: The increase in positive spread was mainly due to an increase in income related to investment trusts in light of favorable market conditions. An increase in mortality and morbidity gains also had a positive impact.

Q: Was better than expected group adjusted profit generally due to market-related factors aside from TAL?

A: Better than expected group adjusted profit was mainly due to favorable market conditions. The increase in TAL was due to the revaluation of liabilities of Asteron Life based on Post Merger Integration (PMI) associated with the acquisition.

Q: Compared to your previous earnings forecast, the scale of reinsurance was increased and you expect extraordinary loss for the current fiscal year from this transaction. How is this related to the upward revision to your full-year earnings forecast?

A: Our policy is to actively utilize reinsurance transactions as a means to reduce market related risk. In order to decide the scale of reinsurance, in addition to premium negotiations with reinsurers among other factors, it depends on whether we can prepare cash. One of the reasons why we will be able to expand the scale of reinsurance is that we can expect cash gain from making progress in market related risk reduction efforts that include reducing equity risk. We understand that the scale of reinsurance poses uncertainty in forecasting earnings for investors and analysts. This is why we provided specific assumptions at this time. We will continue to fulfill our responsibility to provide such information going forward.

<u>Shareholder Payout</u>

Q: The Company revised its group adjusted profit forecast upwards by ¥30 billion and will consider adjustments of up to ¥24.5 billion, which would result in a total payout of up to approximately ¥94.5 billion. On the other hand, allocation of capital released from the sale of stake in the Janus Henderson Group plc (hereafter JH) is yet to be considered. In terms of payout for the final year of the current medium-term management plan, should we expect 40% of group adjusted profit, or should we expect a reallocation in shareholder payout moving toward the next medium-term management plan?

A: We do not have the intention to change our shareholder payout policy in the current medium-term management plan at this moment, which is "total payout ratio of 40% of group adjusted profit, stable cash dividends, and flexible share repurchases." The use of capital released by the sale of stake in JH is under consideration. This is not subject to payout of 40% of group adjusted profit. The use of capital released as a result of corporate initiatives will be considered by taking into account the balance between capital reallocation and shareholder payout.

Q: On page 6 of the presentation, it states "Maximum +¥10 billion." As of now, should we understand that the total shareholder payout will be approximately 84 billion yen?

A: Regarding shareholder payout for the previous fiscal year, one-time gains on derivative transactions were deducted from the calculation of group adjusted profit. The maximum amount represents the amount if similar adjustments are made for the current fiscal year. Total payout to shareholders will be considered along with the next medium-term plan and we will share this information when the time comes.

Strategy and performance outlook for the next fiscal year and onwards

Q: Assuming that the market environment will remain unchanged for the next fiscal year onward, what strategic initiatives are you planning?

A: The next fiscal year will be the first year covered by our new medium-term management plan. As for our financial strategy, we will continue efforts to reduce risk and reduce cost of capital. In order to improve capital efficiency, we will develop new business strategies based on our new medium-term management plan. In terms of performance, we expect solid group adjusted profit.

Q: According to page 11 of the presentation, DL has made progress in accumulating super-long-term bonds worth approximately ¥300 billion in Q3. The reinsurance transaction of approximately ¥300 billion scheduled for Q4 is also expected to have an effect on reducing interest rate risk. Could you comment on the pace of market risk reduction initiatives in the next fiscal year and beyond?

A: At beginning of this fiscal year, we have announced a policy of reducing market risk by 20% in four years. These efforts have progressed significantly ahead of schedule so far. We have not achieved a 20% risk reduction as of yet but we will continue to strive to reduce market risk and free up capital during the period covered by our next medium-term management plan. From the next fiscal year onward, rather than slowing down, we intend to be ahead of schedule.

Q: Regarding remuneration for your sales representatives, it has been reported that your peers are considering a fixed salary system. What is being considered at DL?

A: We touched on this topic during the management briefing in November and we are duly in the process of considering ways to improve productivity and reform work styles in the sales representative channel.

Q: Given the further spread of COVID-19 in the U.S., what is your view on the downside risk for PLC from January onwards? Do you think the impact of COVID-19 on the earnings outlook of PLC will subside for the coming fiscal year?

A: The trend in the amount of death insurance claims per case has changed to some extent. Since payment of insurance claims is generally linked to the trend in the number of deaths in the U.S., we believe the further spread of COVID-19 will have a certain impact. As for the next fiscal year, we cannot be optimistic and we will closely monitor the situation going forward, including profit levels.

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, NFL: Neo First Life, PLC: US Protective, TAL: Australia TAL

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