(Unofficial Translation)

FY2021-1Q Financial Results Conference Call for Institutional Investors and Analysts

Q&A Summary

Date: August 11, 2021 16:00-17:00

Respondent: Taisuke Nishimura, Chief of Corporate Planning Unit
Dai-ichi Life Holdings, Inc. (the "Company")

Acquisition of Westpac Life by TAL ("this acquisition")

Q How much is the expected IRR for this acquisition? Also as a track record of acquisition in Australia, can you share any details on returns and cost synergies of Suncorp Life ("Suncorp") which was acquired by TAL three years ago for approximately ¥50 billion?

A Let me first explain about two strategically significant points of this acquisition. First, this is an acquisition of Westpac Life's in-force block of policies. Second, TAL will be able to expand its customer base through an exclusive sales alliance agreement with Westpac Bank.

For our group risk profile, acquisition of existing in-force block of policies, particularly in protection products, will lead to an increase of insurance risk which we intend to expand. Recently, Westpac Life recorded losses due to unfavorable claims ratio for income protection and disability insurance products. However, TAL conducted rigorous due diligence and appropriately reflected claims ratio and other assumptions in the acquisition price. After the acquisition, we will pursue cost synergies and earnings improvement under TAL's experienced management in addition to the expansion of customer base. In the third year (FY2024) following the completion of the post-merger integration (PMI), this acquisition is expected to contribute approximately AU$135 million of cash flow to the group, which is more than 10% of the total investment amount, and therefore, it is expected to secure an IRR of 10% or more.

The acquisition of Suncorp in the past was essentially similar to this acquisition in terms of cost synergy and other factors. The PMI of Suncorp has been steadily advancing and it exceeded our expectation, with decrease in running costs to about 60% of the initial estimate. Regarding profit contribution to the group, excluding the fluctuations due to temporary factors, Suncorp has secured a profit level of AU$40-50 million per annum, which is in line with our expectation. We estimate embedded value (EV) of Suncorp is sufficiently higher than the acquisition price. Based on these factors, we believe this acquisition can generate adequate returns by utilizing TAL's expertise as in the case of Suncorp.

Q Westpac group indicates P/EV multiple for this acquisition is 0.96 times in their press release. Can you share the expected EV contribution of this acquisition?

A P/EV multiple you mentioned is a figure disclosed by the seller. The contribution of this acquisition to our group EEV is yet to be finalized, therefore let me refrain from further comments at this time.

Q **The PBR for this acquisition is approximately 0.5 times. Is it correct to assume that the difference of book value and acquisition price will be treated as negative goodwill, and then you will record extraordinary gains from one-time amortization of such goodwill?**

A We consolidate the Australian IFRS based results to J-GAAP after re-classification. As this acquisition price is less than the net asset value, after mark-to-market valuation, the difference will be recorded as value of business acquired (VOBA) on liability side. Generally speaking, VOBA will be amortized each year and the amount of amortization is recognized as a gain. The way how the VOBA to be amortized in this case will be discussed with the audit firm in the process of acquisition accounting. Therefore, we would like to refrain from further comments at this time.

Q **Can you share the amounts of cash flow and profit contribution of this acquisition during the current medium-term management plan?**

A The expected contribution on the third year (i.e. after PMI) are disclosed in the slide. We would like to refrain from disclosing figures for the preceding two years. However, a certain amount of profit contribution is expected even in the first two years due to gains from amortization of VOBA, which would more than offset the integration costs. Regarding the cash contribution, in addition to capital release from in-force blocks, we are considering initiatives such as reinsurance from TAL to DL to seek early collection of the capital injected to TAL.

Q **Regarding the expected profit contribution in FY2024 from Westpac Life of AU$75 million, what are the reasons for profit not to recover to the pre-COVID-19 level of AU$150 million? Also, can you share the advantages and disadvantages of expanding market share in Australia?**

A Changes in the level of profit at Westpac Life in recent few years were affected by changes in assumptions for products such as income protection insurance and exit from the group insurance business. In Australia, as regulations on financial groups have been strengthened, there has been a trend among banking groups to leave insurance business to concentrate on their core banking business. TAL would significantly expand its market share as a result of this acquisition, and is currently confirming with local law firm to check if there is any conflict with Antimonopoly Act.

Q **In the financial analyst conference call held on May 21, there were comments that large-scale acquisitions are not expected. Is it correct to assume that this acquisition is not a large-scale but a small to medium-sized?**

A Looking back at our past acquisitions, the acquisition of PLC is considered as a large-scale. On the other hand, we consider bolt-on-type acquisitions executed through existing subsidiaries solely from their cash as small-scale, depending on the amount spent. This acquisition is not at a scale that could make difficult to execute other acquisitions, however, as HD provides capital support to TAL, this acquisition is considered as a medium-sized acquisition. We made a decision for this acquisition based on factors such as contribution to expanding TAL's customer base, matching risk appetite, and high expected return exceeding our criteria.

Capital Policy and Shareholder Returns

Q I would like to have some idea on HD’s capital and cash position from the next fiscal year onward. The impact of this acquisition on ESR is rather small at negative 0.6%pts, but the cash outflow from HD is at a sizeable scale of ¥74.8 billion. ESR has considerably risen as of June 2021, and assuming it to remain above 200% going forward even if taking partial decrease by on-going share buybacks into consideration, higher ESR will lead to a decline in ROE. In order to solve this situation, it is necessary to continue to make strategic investments or to repurchase shares from the next fiscal year onward, however HD's cash position could be a problem. Can you share how you can manage situations where you have a capital surplus while cash is insufficient? In addition, is there any ways to increase HD’s cash of estimated ¥450 billion to be received from subsidiaries in FY2022 andFY2023?

A Regarding the 12%pts increase in ESR during the first quarter, a half is attributable to an increase in unrealized gains due to a rise in interest rates for maturities more than 30 years and rise in stock prices, and the another half is attributable to our efforts to reduce market-related risks. There is no change in our policy of allocating excess capital to strategic investments and share buybacks through improvement of ESR by steadily promoting market-related risk reduction initiatives. From the time of developing current medium-term management plan we were aware of the structural difficulties that higher unrealized gains due to financial market movements results in an increase in economic capital and higher ESR as well as accounting based capital, a denominator for ROE, and therefore, leading to a decline in capital efficiency. To decide the utilization of economic surplus capital, we will take into account the remaining portion of share buybacks and impact of DL's subordinated bonds of approximately ¥100 billion redeemed in July. At present, there is no clear solution to the issue of improving capital efficiency in response to the increase in ESR associated with changes in the financial market environments. However, in order to steadily execute capital management, our basic policy is to allocate excess capital to strategic investments and shareholder returns without keeping a large amount of excess capital at hand, while paying close attention to both the cash and economic value basis indicators. As you pointed out, this acquisition will have limited impact on ESR, but will use HD's cash to a certain extent. Although there is no update on the outlook of cash flow of approximately ¥450 billon, in order to collect the invested capital as quickly as possible, it is necessary to promote earlier contribution of cash from TAL to HD after the completion of PMI. We intend to further accelerate the capital cycle management through improving TAL's profit level and an option for intra-group reinsurance (ceding) from TAL to DL.

Q **Do you recognize the cash scheduled to be remitted from subsidiaries to HD based on current fiscal year profits as a source of shareholder returns scheduled in the first half of the next fiscal year?**

A Although we cannot provide a definitive comment about the future shareholder returns, our policy of enhancing the cash conversion cycle remains unchanged. With DL and other subsidiaries, we continue to engage in dialogue every year to increase the amount of remittance from their surplus capital to HD. We will make decisions in accordance with situations at the time, for allocating remitted cash to strategic investment and shareholder return.

1st Quarter Results

Q **Can you share your views on sales results compared to initial expectations, considering that in current fiscal year DL refrained from setting sales targets for sales units? Also, from the standpoint of product mix, is there any adverse effect, such as decline in new business margins, or the fact that sales representatives tend to sell products that are easier to sell?**

A As described on page 5 of the materials, the total value of new business for three domestic companies progressed only 20% against the full-year forecast and 19% for DL on a non-consolidated basis. DL may have been affected by the COVID-19 and by our decision of not setting sales targets. In addition, as a result of a new product launched in January has been promoted more to the existing customers in the 1st quarter by the sales representatives, although there was a certain degree of progress in new business ANP (annualized net premiums), the progress of value of new business was lower, because major part of new business was comprised of conversion of the existing policies.

The new product launched in July seems to bring a different trend from 1st quarter in terms of customer base. Given that the restrictions on sales activities due to Covid-19 are existing to a certain extent, it is difficult to be bullish at this point, we would like to continue to make every effort, including transformation of the sales front.

Q **The DL's investment performance has a high progress rate compared to the full-year forecast due to interest and dividend income and gains on sales of securities. What are the factors behind this?**

A First, the fast progress in positive spread was mainly due to an increase in dividend from domestic stocks and higher interest income from investment trusts, in addition to a decrease in assumed interest rates thanks to the accumulated effect from reinsurance transactions made in the past. Gains on sales of securities included in capital gains (losses) also have progressed fast against our forecast even after the losses arose from reallocation of foreign bonds which were more than offset by the gains on sales arose from rebalancing of policy-reserve-matching bonds and portfolio reallocation of foreign equities. The derivative transaction losses of ¥15 billion in the current 1st quarter is a relatively worse progress compared to the forecast. It is difficult to make a simple comparison with the previous year when there was a significant financial markets fluctuation

Q Can you explain the reason for the positive MVA related gains at DFL?

A The calculation MVA related gains (losses) is determined by the assumed interest rates on new policies. Although U.S. interest rates declined throughout the 1st quarter, assumed interest rates have risen when the spreads for bonds actually purchased and other factors are taken into account. Actual interest rate movements may differ from the impact of MVA related gains (losses).

Q How do you evaluate PLC's 1st quarter high progress rate of profit at US$107 million?

A PLC exceeded the forecast at non-operating gains (losses), which is the difference between operating income and net income. It is largely due to the portion of unrealized gains from mark-to-market valuations of financial assets and the recovery of current expected credit losses (CECL) on commercial mortgage loans. In particular, the recovery in CECL contributed to the progress rate, as it was not factored in the initial forecast.

Q Is it correct to assume that it is difficult to forecast earnings at PLC because net income is exceeding the forecast due to economic and environmental factors?

A Currently, as the positive contribution of non-operating gains (losses) due to the economic environment factor continues, we will consider revision of forecast if necessary, taking into account future trends.

Q DFL's adjusted profit is ahead of your forecast. Would you think that this trend continues in the 2nd quarter onward? What could be the potential impact on PLC's results by COVID-19 in the U.S.? Additionally, will the size of the planned reinsurance ceding transaction (policy reserves of ¥300 billion) at DL be subject to change depending on the progress of profits going forward?

A DFL has a high progress rate mainly due to gains on sales of bonds as a result of more policies reached the targeted account value due to market fluctuations. Although PLC's mortality situation due to Covid-19 has been improving compared to the 4th quarter of FY2020, the situation needs to be monitored closely going forward. The group adjusted profits as a whole is currently at a high progress rate, particularly from the upside at DL due to impact of market environment factors, but there are some downside risks such as a deterioration in the market environment, and thus it is necessary to take a cautious view. Although we are not able to comment on the possibility of a change in the specific amount of reinsurance, we intend to pursue market related risk reduction initiatives as much as possible.

Q Can you elaborate on the factors behind the change in group EEV as of June, 2021?

A The value of new business in overseas life insurance business is not calculated for the 1st quarter. As shown in the materials, the domestic group insurance companies' value of new business was ¥25 billion. Other major factor behind the increase in EEV was the impact of a rise in domestic super-long-term (more than 30 years) interest rates at DL, which amounted to ¥160 billion.

Others

Q A foreign reinsurer, RGA has announced it has entered into a reinsurance agreement with DL for a policy reserves of ¥200 billion. Do you plan to separately reinsure remaining ¥100 billion of planned ¥300 billion for the current fiscal year?

A The reinsurance transaction announced by RGA was ceded in the previous fiscal year, corresponding to the financial results announced in May.

Q There are observations on the potential sale of regional banks' shares. Can you comment on to what extent the progress has been made so far?

A We will refrain from commenting on transaction related to individual stocks. We take the initiative in reducing equity risk in the current medium-term management plan ahead of other companies. And equity risk reduction is being executed as planned, and we also built a hedge position using derivatives, which will enable the early realization of the risk reduction effects of the planned sale.

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

[Abbreviated company names]

HD: Dai-ichi Life Holdings, DL: Dai-ichi Life, DFL: Dai-ichi Frontier Life, PLC: US Protective, TAL: Australia TAL, "plan," "strategy," "expect," "forecast," "predict," "possibility" and similar words that describe future operating activities, business performance, events or conditions. Forward-looking statements are based on judgments made by the Company's management based on information that is currently available to it and are subject to significant assumptions. As such, these forward-looking statements are subject to various risks and uncertainties and actual business results may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, you are cautioned not to place undue reliance on forward-looking statements. The Company disclaims any obligation to revise forward-looking statements in light of new information, future events or other findings.