(Unofficial Translation)

FY2021 Financial Results Conference Call for Institutional Investors and Analysts

Q&A Summary

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[Domestic Business Strategies and Results]

Q **For profitability of new business at DL, while the core protection-type products have a certain level of profitability, the impact of annuity, endowment, and whole life insurance products with low profitability on overall profitability is not negligible. With RORC and IRR being lower than industry averages, are any profit improvement measures considered from the product-mix viewpoint?**

A While we recognize profitability differences among our product range, it is necessary to have a product variety to meet the customer needs at different life stages. Last year, we launched a health insurance product with a lump sum benefit, which used to be daily benefits. While sales proposals toward existing customers prevailed, resulting in an increase in policy conversions which temporarily depressed profitability, this trend is going to end in this fiscal year. In addition, we intend to shift to a product portfolio that focuses on profitability, by delivering products such as medical insurance with simplified application for the customer base that used to be declined before. In this fiscal year, we also plan to launch new products and will continue to improve the value of new business.

Q **While the number of hires is declining due to more selective recruitment and considering the aging demographic of existing sales representatives, what is your outlook about the number of sales representatives in the future?**

A We do not aim for business management that focuses on the number of sales representatives. While the number of newly recruited sales representatives is declining, we raised the training related KPI for sales representatives in sixth year and after, and we think it is important to increase the share of highly efficient sales representatives. Although the number of sales representatives will decrease from the current level, we will focus on increasing the efficiency of new business acquisition by increasing productivity per capita. We cannot mention about specific figures at this stage.

Q **Regarding sales representatives at Dai-ichi Life, I have an impression that top 10% of sales representatives accounted for the major part of new business. Can you change from those structure through planned transformation and increase overall productivity?**

A The ripple effect by the overall increase in productivity is considered to be significant. While the division of labor with digitalization will increase time available for consulting, finding business opportunities will raise overall productivity by leveraging digital capabilities. The new recruitment system that starts in this fiscal year increased a fixed portion of salary for initial five years, and we think we will see more consistent level of abilities through training over five years, then we will develop highly productive sales representatives as a result.

Q **If the upside of the core domestic life insurance business is limited, is there any option to shrink the B/S and increase capital efficiency?**

A Compared to the overseas business, domestic business profit growth is viewed conservatively. However, in FY2021, we launched Dai-ichi Smart in the domestic business, in which all insurance related procedures can be completed digitally. Assuming that the domestic market size remains flat, we think that the upside can be achieved by increasing market share with our four diverse domestic brands. We think there is plenty of room for promoting OMOs (Online Merges with Offline) and improving the productivity of the company as a whole, particularly from the viewpoint of the division of labor with digitalization. While overseas profit growth rate is expected to be relatively higher as you pointed out, we believe that we can continue growth in our domestic business as well.

[Overseas Business Strategies and Results]

Q **In the mid-term management plan, the target for overseas business earnings in FY2023 is set at around ¥85.0 billion. How do you evaluate the progress toward the target, including the FY2022 forecast?**

A In the forecast for FY2022, overseas business adjusted profit is expected to be around ¥67.5 billion. In the forecast for FY2023, we estimate to exceed the profit level of FY2022, and expect to make steady progress toward the final year of the mid-term management plan.

Q **Is it correct to assume that acquisition opportunities in the overseas business is likely to be in developed countries, so-called stable markets? There have been**

changes in the foreign currency exchange environment and tightening of regulations related to acquisitions. Even under such circumstances, do you intend to increase the share of overseas business in group adjusted profit?

A We would like to seek new acquisition opportunities in both developed and emerging countries and increase the share in adjusted profit. In developed countries, we think there are acquisition opportunities in areas such as digital and new business models. On the other hand, in emerging countries, profit growth can be expected to continue going forward, as in the case of DLVN.

Q PLC recorded impairment losses on goodwill in FY2021. Given that there are predictions that the U.S. economy may enter recession, are there any additional goodwill impairment risks at PLC, or other risks that we should be concerned?

A Impairment of goodwill incurred in retirement segment at PLC based on conservative evaluation. Considering the current environment, we do not anticipate that additional similar case will occur at this point.

Q Is the U.S. life insurance business attractive from the return-on-risk perspective? In addition to closed-block acquisition in which PLC has a strength, it has recently acquired high-return-on-risk businesses like asset protection such as AUL acquisition. What kind of discussions are being held with PLC?

A While PLC originally focused on the acquisition of the protection type closed blocks, proposals for other type acquisitions is currently increasing. Some of recent proposals are not necessarily efficient from an economic point of view under intensified market competition, and those deals have been forgone as a result of discussions at HD, PLC, and regional headquarters. We agreed with PLC to focus mainly on deals around the area of protection.

Q Regarding strategic investments opportunities, you indicated an appetite for bolt-on M&As in the countries where you have already tapped into or their neighboring countries, and digitalization area. Currently, the business environment is changing, such as increasing geopolitical risks, the depreciation of yen, rising interest rates, and falling asset prices. Do these factors affect the priority of investment opportunities and your appetite for an M&A?

A The business portfolio we pursue is further digitalization and challenging new business models over the medium to long-term, and we would like to prioritize medium to long-term business opportunities rather than responding to short-term changes in the business environment. We intend to make steady progress with identifying deals and evaluating the return on that investment, without being affected by current changes in the environment as much as possible.

Q **What could be a profit growth driver toward the next mid-term management plan?**

A While it is too early to be specific about the target level of next mid-term management plan, we believe that the profit contribution from emerging countries where we have invested so far and the results of strict capital management will steadily materialize, and we are confident to be able to aim for a higher profit level.

[Shareholder Returns and HD Cash Position]

Q **How do you evaluate the capital allocation of ¥470 billion for shareholder payouts and ¥81 billion for strategic investments relative to the ideal allocation level? Also, please tell us your future capital allocation policy.**

A The decision on the maximum amount in share buybacks of ¥120 billion was based on ESR level of approximately 227% and cash position at HD in the amount of ¥190 billion as of the end of March 2022, need to maintain certain amount of cash which would enable us to support subsidiaries in case of risk scenarios, and also taking into account expected remittances from subsidiaries, strategic investment opportunities, as well as our current stock price, etc. As a result, total payout ratio is 69% of single-year adjusted profit, and the total amount of shareholder return for FY2021 and FY2022 is ¥470 billion, and allocation for strategic investments was ¥81 billion. We believe that profitable growth investment and shareholder payouts are the two pillars to achieve ROE exceeding the cost of capital. While emphasizing shareholder payouts, we intend to increase the amount of strategic investments if the opportunity arises.

Q **With cash position of ¥400 billion and basic cash needs of ¥100 billion, the available cash will be ¥300 billion. Do you consider measures for effective excess capital utilization, such as increasing available cash through raising the remittance rate from the DL further, utilizing reinsurance, subordinated debt financing, etc.?**

A The reason for increase in basic cash needs to ¥100 billion this time is for HD to support each subsidiary in the event of a risk scenario, while we are increasingly raising the remittance from them. In normal times, we would like to improve the capital efficiency of each subsidiary by using various measures as you have pointed out.

Q **Is it correct that HD's cash balance at the end of March 2023 is ¥177 billion? While the new concept of basic cash needs was presented, is the ¥100 billion sufficient level taking account of changes in regulatory trends and other factors, and are there any potential fluctuations in the future?**

A The cash balance at the end of March 2023 is almost correct as you mentioned. Going forward, while we would like to maintain basic cash needs level at around ¥100 billion assuming that we will raise the remittances from each subsidiary, that amount may change depending on future conditions. On the other hand, we do not intend to excessively increase the level of basic cash needs from capital efficiency viewpoint.

Q **While the remittance ratio from DFL is more than 100% in FY2021, what level of remittance is expected in the future? Regarding TAL, can we expect that there will be a year in which the remittance rate will exceed 100%?**

A Dividend remittance from DFL has not been paid to date due to various constraints. Due to the elimination of accumulated loss in FY2021 and other factors, DFL pays dividends at a remittance rate exceeding 100% this time. In the future, we will consider it taking account of the impact of an increase in overseas interest rates on the accounting basis solvency ratio. From the perspective of the holdings company, we take it positively that DFL is now able to pay dividends. As for the case of TAL, your understanding is correct.

[Market related risk reduction]

Q **Although the amount of the new reinsurance ceding is expected to be reduced for FY2022, compared to FY2021, is it possible to reduce the amount of interest rate risk through the purchase of super-long-term bonds, etc.?**

A The amount of the new reinsurance ceded was approximately ¥500 billion (policy reserves basis) in FY2021 and ¥100 billion is planned in FY2022. Although the amount of new reinsurance ceding will be reduced, we believe that it is possible to reduce interest rate risk by purchasing JGBs and lengthening the duration, offsetting the impact of reduction in reinsurance ceding.

Q **Can you tell us about the policy for future reinsurance ceding volumes?**

A The risk reduction will be implemented by the most efficient ways with taking into account interest rate trends, etc. That said, we recognize that reinsurance ceding is a fundamental way of reducing interest rate risk, and we will continue to look for opportunities and consider implementing it on an ongoing basis.

Q **Major competitors are also making progress in risk reduction and decreasing their sensitivity to interest rates changes. How do you think the possibility of further reduction of interest rate risk in the future?**

A While we refrain from commenting on trends at other companies, we believe there is still room for reduction in the amount of our interest rate risk. Due to the structure of the liabilities at life insurance companies, while it is assumed that a decline in sensitivity will come to an end at a certain level, we still make a progress toward reducing risk as much as possible and would like to achieve profitability in excess of the cost of capital .

Q **In consideration of future rise in interest rates, is there any possibility that you may slow down the interest rate risk reduction?**

A Although we take into consideration the possibility of interest rates rise, we intend to steadily reduce interest rate risk amount with time dispersion. On the other hand, we would like to respond to the risks of accounting basis from interest rate hike by developing hedge positions.

Q **Toward the introduction of economic value-based capital regulation, standard model calculation method is expected to be determined. How much of changes is estimated if ESR that is disclosed based on your internal model, is calculated with the parameters defined in the standard model? And can you tell us about the future ESR disclosure policy?**

A Internally we also look at ESR level calculated using standard model and analyze the gap with ESR that is disclosed based on our internal model. So far there is no significant gap. However, with no clear timing for standard model disclosure, we will continue to examine how new capital regulations will look like.

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, Dai-ichi Smart: Dai-ichi Smart Small-amount and Short-term insurance, PLC: US Protective, TAL: Australia TAL, DLVN: Dai-ichi Life Vietnam

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