(Unofficial Translation)

FY2022-2Q Financial Results Conference Call for Institutional Investors and Analysts Q&A Summary

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2Q Performance and Forecast

Q Looking ahead to the final fiscal year of the medium-term management plan , is there any change to the forecast for group adjusted profits of ¥250-280 billion?

A There is no major change in the assumed range of group adjusted profits at this time. The Company's policy of realizing capital efficiency with the adjusted ROE exceeding the cost of capital remains unchanged .

Q The sum of the value of new business at DL and DFL declined. How is the effectiveness of the change of the sales system including the consulting method which you mentioned at the 1Q conference call?

A In DFL, new sales are growing due to rising foreign interest rates and the value of new business is also strong, but DL are sluggish. DL has been implementing the new recruiting method of sales reps with an emphasis on quality, resulting in the decrease in number of new recruits YoY. There is also an absence of the strong performance in the previous year of policy conversions to medical insurance coverage. DL reviewed its consulting methods and product structure and has started new process since July. However, under the difficult situation of COVID-19, it is taking time to penetrate the new process into the sales channel.

Q While currency hedging costs and the impact of the COVID-19 are expected to increase costs by around ¥100 billion from the initial plan, the decline in group adjusted profits is expected to be limited to ¥30 billion. Is it correct to understand that the offsetting factors are an increase in gains on sales of securities and a decrease in expenses due to change in the plan for reinsurance ceding transaction?

A In DL, the decline in fundamental profit is offset by improved capital gains (losses) and non-recurrent gains (losses). As you have pointed out, while the deterioration is attributed to COVID-19-related payments of approximately ¥60 billion and an increase in currency hedging costs of approximately ¥40 billion, the positive factors are the improvement in derivative gains and absence of reinsurance ceding in this fiscal year, therefore, the decrease in adjusted profit is expected to be limited to a certain level.

Q **How were the increase in COVID-19-related payments and currency hedging costs covered by capital gains and other items.? Though we confirmed the upturn of derivative transaction gains and foreign exchange gains, the amount of gains from the sale of equities seems limited. Did DL judge that it was difficult to realize large-scale capital gains due to the expansion of unrealized losses on foreign-currency bonds?**

A A more detailed breakdown of DL's Q2 results shows that in fundamental profit, the deterioration in gains from core insurance activities due to the increase in COVID-19-related payments was partially offset by the increase in positive spread due to the depreciation of the yen. In terms of capital gains (losses), gains on sales of securities decreased by about ¥30 billion and gains from mutual investment funds cancellation decreased by about ¥8 billion YoY, while derivative transaction gains (losses) increased by about ¥30 billion and foreign exchange gains (losses) increased by about ¥17 billion. Though gains on sales of securities have declined from the previous fiscal year, domestic equities have been continuously sold under the risk reduction program, resulting in a certain amount of gains on sales. While there have been gains associated with the replacement of yen-denominated bonds, there have also been losses associated with the sale of foreign-currency hedged bonds. Including foreign-currency bonds without hedging and foreign equities, overall gain (loss) on sales of securities amounted to around ¥58 billion.

Q **Are you considering the reversal of contingency reserves for payments related to COVID-19? Is it incorporated into the revised forecast?**

A It is not factored into the forecast at this time. The reversal of contingency reserves shall be judged as necessary in accordance with laws and regulations and guidelines, and in light of the status of future payments, etc.

Q **When the reversal of contingency reserves is implemented, is it likely that it will not be an upside factor in the group adjusted profit and will cover other losses?**

A Voluntary reversal of contingency reserve is excluded in the definition of group adjusted profits and is not an upside factor, but it does result in an upside to net income for financial accounting purposes. Reversal is considered as necessary in accordance with laws and regulations.

Foreign-Currency Hedged Bonds

Q **The investment process was reviewed, and the amount of foreign-currency hedged bonds, which accounted for about 20% of assets under management in the past, has been dynamically reduced to about 10%. You mentioned that you will continue to further reduce the exposure, but what changes are taking place in the positioning of foreign-currency hedged bonds?**

A DL's investment management is based on Asset Liability Management and invests in terms of total returns relative to the cost of insurance liabilities. Given the rapid deterioration in returns of foreign-currency hedged bonds relative to yen-denominated bonds, we significantly reduced the exposure. We plan to continue reducing interest rate risk by accumulating yen-denominated bonds, while reducing foreign-currency hedged bonds.

Q **Based on the revised figures, it is assumed that currency hedging costs in 2H are expected to be around ¥67 billion, and despite securing a positive spread for the full fiscal year, the negative spread is forecasted in 2H. Will it be possible to secure positive spread in the next fiscal year onward?**

A While it is true that the 2H appears to be a negative spread, the Company believes it will be possible to secure a positive spread from the next fiscal year onward. The company expects to secure a certain level of positive spread by controlling currency hedging costs through reducing the exposure of foreign-currency hedged bonds, an increase in interest income due to a rise in interest rates, and a natural decline in assumed interest burden.

Q **Regarding the assumption of the annual currency hedging costs of ¥90 billion for foreign-currency hedged bonds, is there any change from the assumption as of the end of June to the end of September?**

A As the currency hedging cost ratio is rising but the exposure is being reduced, as a result, the forecasted hedging costs are maintained at around ¥90 billion.

Q **Disclosure of the investment portfolio confirms that general account assets are decreasing. How do you use the cash obtained by reducing foreign bonds?**

A A portion of cash obtained from the sale of foreign bonds was used to unwind repurchase agreement.

Q **Is it possible to reduce foreign-currency hedged bonds in the 2H without problems in liquidity? Also, if you sell foreign bonds with negative yields after considering hedging costs and purchase super-long-term JGBs, will the profitability improve?**

A Foreign-currency hedged bonds will be basically reduced. The current exposure of ¥3.5 trillion will be reduced to a certain degree. Since most of them are government bonds, therefore there is no problem in selling them from the viewpoint of liquidity. We will sell bonds in order of lower yields after considering currency hedging costs to maintain and improve yields. On the other hand we will be able to improve in profitability from the perspective of investment yield as you think, but the absolute amount of interest income is expected to be smaller as the exposure is decreasing.

Q Will the rolling of forward exchange contracts on foreign-currency hedged bonds increase in the 2H compared to the 1H? Also, is there an option to hold foreign-currency bonds without hedging?

A The timing of the rolling of the foreign exchange contracts are as diversified as possible. There was no significant cost increase in the 1H because DL had set a longer transaction period in anticipation of future increases in hedging costs. Hedging costs are expected to be relatively large in the 2H as the forward contracts reach the roll-out timing. In the risk-taking policy, market-related risk is to be restrained, therefore the company does not intend to increase foreign-currency bonds without hedging. While controlling the exposure of foreign-currency hedged bonds, we will increase yen-denominated bonds from the perspective of reducing interest rate risk.

Q Even after reducing the exposure of foreign-currency hedged bonds, is there any period when the rolling of forward exchange contracts is concentrated in the 1H or 2H of the fiscal year?

A Since the timing of the rolling of the foreign exchange contracts are determined by monitoring market trends, it is not necessarily concentrated in the 2H. DL will diversify the timing while also taking into account the FRB's policy and market consensus.

Q Considering that the exposure of foreign-currency hedged bonds decreases and the currency hedging cost ratio rises, what will be the actual amount of currency hedging costs in the next fiscal year?

A Hedging cost forecast for the coming year is not disclosed at this time.

Shareholder Returns and Remittances from Group Companies

Q Let me confirm whether there is any problem with resources of the previously announced ¥120 billion share buybacks. Also, you mentioned that the estimated amount

of remittance from subsidiaries to HD from the current fiscal year's profits is unchanged from the estimated approximately ¥240 billion, but please tell us about the continuity of the ¥100 billion scale of share buybacks in the future. You have already made three investments in this fiscal year, but what is your outlook for strategic investments?

A Following last fiscal year's ¥200 billion share buybacks, the Company's intention remains unchanged for this fiscal year, as announced, to repurchase share up to ¥120 billion. Under the current medium-term management plan, we aim to ensure capital efficiency exceeds the cost of capital in a stable manner. To this end, a reasonably large scale of share buyback program is a strategic priority. From a cash perspective, although adjusted profit was revised downward, discussions with group companies have confirmed that it will be possible to secure a remittance of ¥240 billion. In order to diversify the business portfolio and return to growth, the Company will continue share buyback of a considerable scale, while continuing to invest strategically for the future with discipline by examining projects seriously In the current fiscal year, HD has decided to invest around ¥140 billion for three cases, and will execute with the same discipline in case implemented by the subsidiaries. We will continue to be transparent in explaining the use of capital, including strategic investments.

Q Am I correct in assuming that the reason you maintained a ¥240 billion remittance despite the downward pressure on group adjusted profits in the current fiscal year is because you want to maintain the same level as the lower limit in the next fiscal year onwards?

A That's correct. The remittance is mainly contributed by DL, DFL, PLC and TAL. Since DL is expected to generate relatively stable profits, we are discussing maintaining the level of remittance while reducing market-related risks. Though DFL is somewhat volatile, we believes it can secure a certain level of remittance through stable growth of PLC and TAL, as well as the accumulation of dividends from other overseas subsidiaries.

Q Though the Company has not yet commenced share buybacks at this time, I believe it will start not far from now as TOB have been disclosed. Do you still expect to complete the buybacks by the end of this fiscal year?

A It is true that the TOB was one of the constraints on the starting share buybacks. There is no change in our decision to implement share buybacks up to ¥120 billion, and we will commence share buybacks in a timely and appropriate manner and announce our progress.

A related corporate action is the issuance of new shares, which is a type of material fact, our Board of Directors resolved "Issuance of New Shares Under Stock Remuneration Scheme" (Payment Date: December 2, 2022) and the Company also disclosed it today.

Q **The decrease in group adjusted profits for a single fiscal year affects the calculation of shareholder dividends. What is the management's view on the downward of profits? You revised the group adjusted profits forecast to ¥240 billion, which is slightly below the range assumed in the medium-term management plan, but do you recognition that it is unavoidable given the current environment?**

A Under the current medium-term plan, the Company commit to capital efficiency rather than expanding profit scale. We also commit shareholder returns through cash dividends at least 30% based on the last three-year average of group adjusted profits. We believe we could maintain the level of remittance from subsidiaries based on the current fiscal year's performance at the level initially assumed. Surplus capital will be used for shareholder payouts and strategic investments for growth.

Acquisition of ipet

Q **Regarding ipet, the outlook for net income for FY2026 is stated to be approximately ¥2 billion. It seems that ipet has prioritized gaining market share, but will they pursue profit growth in the future? They use net profit adjusted basis (non-GAAP) on unearned premium method and excluding the impact of catastrophic reserve. How do you incorporate it to group adjusted profit?**

A While we expect a growth in the domestic pet business and to generate synergies with DL over a contribution to profits, their current management policy will not change significantly. We will make full use of our group's capital and human resources to further support the growth that ipet has achieved thus far. As a result, we expect them to make an earlier contribution to our profits and cash generation. Regarding the treatment of group adjusted profit is currently under consideration and will be communicated in the full-year financial results.

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: Protective, ipet: ipet Holdings

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