(Unofficial Translation)

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

Q&A Summary

Date: November 24, 2022, 10:00 - 11:45

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[Financial Strategy (HD Cash position and Shareholder payouts, etc.)]

Q Can we assume that free cash will remain stable at a level of about ¥240 billion in FY2023 and beyond?

A HD free cash is generated by the profit of each group company in each period. The free cash based on the profit in FY2023 is expected to be the same level of FY2022, mainly because remittance from subsidiaries other than DL are expected to recover to a certain level compared to FY2022.

Q What is the current level of PLC and TAL's surplus capital?

A We recognize that the surplus capital of both companies is the range of around ¥30 billion to ¥50 billion each.

Q DL provided short-term loans of approximately ¥110 billion to HD. What is the implication to your cash management and the policy for future repayment and utilization?

A The short-term loans is assumed to be repaid once HD receives free cash in the next fiscal year. However, intra-group finance is recognized as a very effective tool from a financial perspective, and refinancing may be implemented depending on the status of consideration of strategic investment and share buybacks. Depending on the HD's funding needs, further increases are also an option. We would like to effectively utilize intra-group finance while maintaining financial discipline.

Q Regarding the capacity for shareholder payouts for the next fiscal year, as shown in the slide on page 14, assuming that HD cash balance by the end of FY2023 is approximately ¥380 billion, of which ¥110 billion is for the repayment of short-term loans from DL, ¥100 billion is for base cash, and ¥85 billion is for shareholder dividends, it can be calculated that approximately ¥85 billion can

be used for strategic investments and share buybacks. And on page 15, there is a description that the surplus capacity is ¥195 billion. Is it correct to recognize that this amount includes short-term loans from DL?

A The cash available for share buybacks in the next fiscal year and can be used to enhance strategic investments described on page15 includes short-term loans of ¥110 billion from DL. We also have an option of increasing amount of loans at the time of refinancing. Apart from short-term loans, we also believe that further recovery of DL's excess capital will be an option, and with these considerations in mind, we will discuss strategic investments and securing cash for shareholder payouts. In particular, as DL's stand-alone ESR is currently exceeding group ESR, we are continuously examining how to utilize the excess capital at DL.

Q Remittance ratio for the FY2022 will exceed 100% as a whole. What do you expect the ratios from the each major subsidiary will be?

A In light of the steady progress made in reducing market related risks, we are currently preparing to set the remittance ratio from DL to be 100% or more.

Q The full-year forecast for the group adjusted profit was revised downward, but the DPS was maintained at the initial forecast of ¥86. Even if the group adjusted profit for the next fiscal year recovers to the level of FY2022 initial forecast (¥270 billion), a large increase in profits may not be expected from FY2024 and beyond. Given that the competitors are aiming to steadily DPS increase, is there any update on your future dividend policy ?

A There is no change in the initial policy of setting the dividend payout ratio at least 30% of the average 3-year group adjusted profit. We understand that many investors prefer stable dividends, and basically don't consider DPS reduction. On the other hand, given the current uncertain financial market conditions, there might be a possibility to become somewhat difficult to increase DPS at the same pace as before.

[Group performance, progress of medium-term management plan, etc.]

Q Please update on the progress of DL's fixed costs reduction (¥30 billion).

A We are on track to reduce fixed costs at the level exceeding the target of ¥30 billion. The reduction effect will be emerged in stages toward the end of the next medium-term plan until FY2026, so no meaningful impact will appear in the next 1 or 2 years. In addition, given the current increase in new DX related investments, we believe that further fixed costs reduction should be continuously considered to add to the target.

Q In the current medium-term management plan, you are striving to reduce market related risk, could you update on the current level of cost of capital.

A As you are aware, our stock price β is steadily declining through implementing market related risk reduction and high-level shareholder payouts in the current medium-term management plan as shown in the material. On the other hand, we have recognized that the cost of capital has not considerably decreased because the risk-free rate has risen due to the rise in both domestic and overseas interest rates.

Q How does the sales of foreign-currency hedged bonds and purchase of yen-denominated bonds affect your risk exposure? What are your views on investment environment for unhedged foreign bonds and yen-denominated bonds?

A Although foreign-currency hedged foreign bonds and unhedged foreign bonds have a certain level of interest rate risk reduction effect, they are not as effective as yen-denominated bonds. Shifting them with yen-denominated bonds will reduce not only interest rate risk but also foreign exchange risk. Given the current environment of the yen depreciation, we are not in the situation to increase unhedged foreign bonds. From the perspective of unrealized gains/losses and capital gains/losses on sales, we believe that the balance of unhedged foreign bonds will decrease along with the decrease in foreign-currency hedged bonds. The level of interest rates on yen-denominated bonds with maturities of 30-40 years have been rising, and approaching the average assumed interest rates on liabilities. Even if there might be the possibility of a change in Japanese monetary policy in the future, our basic approach is to gradually accumulate balances without heavily considering a timing to purchase the bonds.

Q Group adjusted profit forecast for the current medium-term management plan is around ¥250 billion to ¥280 billion. Is it correct to assume that adjusted profit in the final year of FY2023, is expected to be within the range?

A We believe that the group adjusted profit for FY2023, the final year of the current medium-term management plan, will be within the range of the assumed range. Financial market conditions are extremely uncertain, and it is difficult to say with certainty, but we currently expect the profits to be in the median level of the range.

Q Assuming a further shift to yen-denominated investment portfolio, do you

expect further decline in the medium term in the EEV sensitivity of 50bp decrease in interest rate from a current level of 5.2%? Also, is the decrease in EEV sensitivity itself desirable for the Company?

A Interest rate sensitivity of EEV is expected to decline further in the second half and beyond, as we continue to reduce interest rate risks toward the target. Discussions on the level of reduction in the future will be carefully examined in the process of full-scale discussions on the next medium-term management plan around the beginning of the next fiscal year. We would like to explain again once we have a picture of the level we will aim for.

[New business performance, domestic sales strategy, etc.]

Q The Company explained the reason for the sluggish growth in DL's new policies sold compared to forecasts is that it is taking time to penetrate the consulting-reforms. Is the reason for the lack of growth in the income protection insurance sales on the provider side? Is there any possibility that the actual potential demand is not so high because of the competition or high premium pricing?

A We believe there is a room for further progress of sales in the future. Compared to other companies, DL has a higher proportion of the third sector product in the new business annualized net premiums. The new life plan consulting has been upgraded based on a comparative survey with other companies that have a high proportion of non-third-sector products sales. The trend is that the increase in dual-income households has diminished the risk of protecting income, and the absolute number of core generations for protection has decreased. However, we believe that the product portfolio in DL can be improved. We took such aspect into account and ensured competitive pricing when we revised our product lineup in July. We will continue to increase sales through the new life plan consulting.

Q I feel that the sales performance is relatively weak against competitors. What kind of issues are you aware of?

A Regarding value of new business, we are not satisfied with our first half results compared to the peers. In the sales reps channel, DL is striving for structural reforms such as revising new recruitment system putting more emphasis on basic ability and aptitude, but it takes time to penetrate. In addition, DL is focusing more on new customers than existing customers in this fiscal year and it is also taking time before we see positive results. However, we believe that DL's efforts toward these reforms will have a positive impact in the medium to long term. We will work diligently to achieve results in the second half of the year at the earliest.

Q **While the number of sales reps has declined significantly, is it possible to cover about 12 million customers only by improving individual efficiency? Will the sharp decline in enrollment cause the NPS to drop?**

A Although DL had expected a decline in the number of sales reps due to the reform of the recruitment system, it is true that the current decrease was more than expected. As you recognize, the decrease of sales reps will make it more difficult for us to achieve our target of 12 million customers. However, DL believes that NPS can be steadily improved by increasing individual efficiency through proposals with new life plan consulting, regardless of the number of employees. By improving the quality of recruitment process and sales reps, DL aims to have its contracted customers refer new customers to us. Therefore, we believe that the target of 12 million customers is still achievable at this point.

Q **You mentioned that you are feeling a certain positive responsiveness to the sales reps reform. What are the points you are referring to?**

A There are improvements in leading indicators such as attachment rate of income protection insurance, the average number of products sold and premium per policy. In addition, although it is qualitative, we have received appreciative feedback from customers. For the sales reps reform, we conducted a comparative survey of NPS and product pricing with other companies in the industry. DL believes that strengthening consulting capabilities in excess of competitors will lead to an increase in the level of insurance coverage at the time of contracting. Going forward, DL will continue to steadily promote its current initiatives.

Q **What are the reasons for the current number of employees being lower than expected? Is that because recruitment has not been successful, or major reforms are causing greater turnover, etc.? And does DL have internal understanding of the consulting reform?**

A The main reason for the decline in the number of sales reps is a decrease in the number of new hiring. Regarding turnover, there has also been a turnover of sales reps with a certain level of skills in the past as well, and there has been no particular acceleration in this period. As DL is also changing its sales process and working to further strengthen compliance, it has continued to place a heavy burden on sales sites, mainly veterans, for the past 1 to 2 years. We feel that each sales reps understands and is positively committed to the reform. All sales reps are now focused on the reform.

[Overseas Business Strategies and Results]

Q Some competing overseas life insurance companies have reported large losses due to unlocking related to universal insurance policies. Are there any similar downside risks in PLC? Also, what is the degree of accuracy in achieving profit forecast for FY2022?

A PLC has implemented unlocking related to universal insurance in the previous fiscal year and we don't recognize further significant downside risk. The adjusted profit for this fiscal year is not expected to deviate significantly from the current forecast

Q PLC's non-operating profit and loss has been significantly affected by external market related factors. Is there any initiatives are you considering to neutralize the macro environmental impact?

A As you pointed out, PLC has posted a non-operating loss for its valuation in the current fiscal year. The primary factor is related to corporate bond-type preferred stock and certain reinsurance transactions. Corporate bond-type preferred stock is affected by accounting standards that allow changes in market value to pass through the PL, and together with other changes in market value, PLC recorded a loss of about US$200 million. The reinsurance received from Great West, which PLC acquired in the past, resulted in a valuation loss of slightly less than US$200 million. These are one-time factors, and losses similar to those incurred in the current fiscal year will not be continued in the next fiscal year and beyond.

Q What is your view of the current M&A pipeline and competitive landscape for the acquisition business, which is PLC's strengths?

A In the U.S. life insurance market, there have been a large number of deals to buy and sell insurance policies blocks. Reinsurance companies affiliated with PE funds are also actively participating the market as buyers. PLC mainly prefer blocks of traditional insurance risk, rather than blocks that take on the investment risk targeted by fund-related entities, and there is certain degree of segregation. Accordingly, we are not in a situation of excessive competition with PE fund companies. In addition, seller insurance companies tend to sell the block of insurance risk at the same time as the block of investment risk that incurs a loss on sale, and we believe that there continue to be sufficient business opportunities for deals in the block of insurance risk.

[Others]

Q **Please tell us your preferences for business expansion through M&A. I am positively evaluating your efforts to expand business wings in recent years. On the other hand, the outlook for domestic sales and investment management is often uncertain, and securing profit levels seems to be by no means easy. Are there any plans to significantly expand business results through M&A going forward? Or will your efforts continue to be centered on the current level of surplus cash of about ¥200 billion?**

A Under the medium-term management plan, we have adopted a capital circulation management. In our concept, we pursue capital remittance of more than 100% from mature subsidiaries and reallocate capital to new growth areas. We were able to achieve 3 projects in growth areas in the first half of the fiscal year. Going forward, we will continue to aim for a business portfolio in line with risk appetite, which is oriented toward insurance risk, and we believe that a certain level of M&A is necessary. As we reallocate capital to both the expansion of business wings and existing business areas, we will continue to seek opportunities strongly. From the viewpoint of preference for M&A, we mentioned that agreements between companies with digital capabilities were made in this fiscal year. We continue to recognize this area as our missing pieces. In addition, there is still much room to explore projects in the field of "Enhancing Connections" that are consistent with our business model, such as pet insurance. We believe that there is still a missing piece that can be helpful to capture new capabilities and strengths.

Q **Curative medicine for COVID-19 is emerging in Japan. Please tell us what influences on your COVID-19 payments will be when oral medicine become common.**

A The development of curative medicine is expected to reduce the risk of severity. In September, we revised the payment criteria for deemed hospitalization, and only those who have the risk of severe hospitalization are eligible for payment now. Basically, whether or not a hospitalization benefits is payable for deemed hospitalization is determined by whether or not the criteria of the occurrence report issued by the physicians and health centers are met. The effect of the curative medicine on the issuance of the occurrence report seems to be small.

Q **In the past, DL established a non-life insurance company when concurrent**

management of life and non-life insurance was permitted, but its main products are fire insurance and automobile insurance and DL withdrew it without growth in profitability. Regarding TOB in ipet, the pet business is also currently experiencing a high IRR, but are there any concerns in entering this business, such as the loss ratio worsening over time and profitability deteriorating?

A With regard to the non-life insurance business in the past, we ultimately decided to withdraw from the business due to the burden of infrastructure development, such as the damage investigation network for automobile insurance. We are going to acquire ipet this time focusing on pet insurance. We believe that it has sufficient competitiveness in terms of alliance with animal hospitals and pet shops and affinity with our sales reps channel. Although the business is based on the same non-life insurance license, but the situation is different from when we entered the non-life insurance business in the past.

Q Some other companies in the same industry are developing products for credit card customers and pursuing a strategy of attracting a wide range of customers through online and TV advertising. Would DL not consider such a strategy?

A Collaboration with credit card companies and the online channel is an area that is aggressively targeted by DL's subsidiary, Dai-ichi Smart Small-amount and Short-term Insurance.

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, ipet: Ipet Holdings

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