(Unofficial Translation)
FY2022 Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: May 15, 2023 16:55-17:40

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

FY2022 Results and FY2023 Forecast

Q **What is the downside risk to the full-year forecast for FY2023 (¥270 billion) of the group adjusted profit? Are there any points of concern about commercial mortgage loans (CML) related to credit risk exposures in PLC? And, what kind of downside risks are recognized from the perspective of hedging costs and unrealized losses when U.S. interest rates remain high among the macro economic environment?**

A Downside risks to FY2023 full-year forecasts need to be monitored closely, particularly in DL, DFL, PLC that make bigger contributions to profits. In DL, the downside of capital gains and losses is a risk factor. We would like to respond in a timely and appropriate manner while paying close attention to the situation. DFL expects the sales volume to be closer to the FY2022, so it is unlikely that it will incur an increase in regular policy reserves for foreign currency denominated products as the interest rate spiked and reserves increased rapidly in FY2022. Compared to the FY2022, we are planning to increase sales volumes to a certain extent, but will consider response to this in order to affect the adjusted profit. In PLC, there is an increase in volatility of non-operating gains and losses. Given that, in the United States, changes in the economic environment are also expected in FY2023, it is possible that net income will move upward or downward to a certain extent. On the other hand, there are no specific credit concerns on banks whose stock prices are declining, but there is a risk that net income will deviate downward from the baseline scenario due to unrealized losses. Regarding the funds to be used for strategic investments and shareholder payout, as the significant constraint is the HD cash position, so we are considering how PLC's contribution can be treated in this context.

Q **Please divide ¥280 billion of DL's fundamental profit forecast for FY2023 into positive spread and gains from core insurance activities. What are the outlook for hedge costs, additional policy reserves, and reissuance costs?**

A As an absence of COVID-19 related payments, gains from core insurance activities are expected to increase by approx. ¥70 billion after tax. Regarding hedging costs, although the balance of foreign-currency hedged bond has decreased, the hedge cost ratio remains high and hedge costs are expected to be slightly lower than FY2022. Concerning reinsurance, we did not execute it in FY2022 given that it was able to be done ahead of schedule in FY2021. In FY2023, we plan to cede approx. ¥100 billion of policy reserves for reinsurance. Provision of additional policy reserves is expected to decrease slightly.

Q **COVID-19 related payments for FY2022 were approx. ¥100 billion, but due to the government's policy, hospitalization benefits are expected to decrease significantly. What factors will offset this increase in profit due to the decrease in payments?**

A Please see the conference call materials P9. Among the ¥270 billion adjusted profit forecast for FY2023, DL's profit is expected to be around ¥183 billion. In this context, the COVID-19 related payments will be a factor behind the increase in gains from core insurance activities of around ¥70 billion after tax. Negative factors that offset this increase in gains are expected to be a decrease in positive investment spread and losses associated with the selling of foreign-currency hedged bonds, and a decrease in investment trusts related profit that was strong in FY2022. Including these factors, DL's profit is expected to rise by around ¥17 billion.

Shareholder Payouts

Q **What kind of considerations are internally discussed regarding the decision to execute share buy backs of ¥120 billion?**

A In FY2023, while we made several strategic investment projects, we have been considering balancing strategic investment and shareholder return, and funding through internal finance and enhancing it. Based on that policy, we decided to execute share buybacks of ¥120 billion, which is the same amount as in the previous time. In FY2022, group adjusted profit moved downward from the full-year forecast, but the company plans to receive a special dividend of ¥50 billion from DL. It enables to secure the fund to execute share buybacks of ¥120 billion. Going forward, we will consider whether to continue to execute share buybacks of the similar size by balancing shareholder returns with strategic investments while securing HD cash and through capital cycle management.

In the process of remitting dividends between DL and HD, the amount withheld in the previous fiscal year had been refunded in the following fiscal year, and the same amount of dividends had been distributed, so that each fiscal year the amount withheld had been offset by the amount refunded. Due to the change in the tax regulation, the withholding of the fiscal year ending in FY2022 will be the last one. Therefore, there is a temporary factor to recognize only refunds for the cash flow in FY2023.

On the other hand, we consider continuing to circulate capital to be a top priority, and we are communicating with DL, DFL, PLC and other subsidiaries to increase the amount and probability of remittances.

Q **Regarding special dividend, considering DL's risk-reduction efforts, economic value, cash levels, etc., may it be fair to think that special dividend of approx. ¥50 billion per annum is a level that can be sustained in the future?**

A We do not assume that special dividend from DL is not necessarily be done every year. For the FY2023, there is special factor of tax refund, but after that, the necessity and feasibility of special dividend will be evaluated based on consideration of the situation of risk reduction and the level of surplus capital.

<u>Others: EV, CML Risk, Sales reps channel, etc.</u>

Q **I would like to know more about EV of PLC. The amount announced this time is ¥761.1 billion. What is the reason for the considerable decrease from the amount announced in 3Q (about ¥930 billion as of the end of September 2022)? In addition, the Company have not disclosed the level as of the end of March 2023 yet, but in light of the various events that occurred during this 4Q, what is the current level?**

A We would appreciate more time to disclose EV Report. The biggest factor contributing to PLC's EV decline was the rise in U.S. interest rates. Differences due to changes in RBC regulations and revisions of the assumption based on actual results, such as operating expenses and cancellations, also contributed negatively. In the case of PLC, EV sensitivity to interest rate changes varies depending on interest rates level. When interest rates are very low, the impact from the minimum guaranteed component may lead to an increase in EV when interest rate rise. On the other hand, at the present level of interest rates, the impact of the minimum guaranteed portion is small, and the increase in yield due to the higher interest rates is passed through as the rate granted to customers and the effect of the decrease in EV due to higher discount rate is relatively large, resulting in a decrease in EV of PLC.

Q Is this caused by the application of Traditional EV(TEV)?

The adoption of TEV may partly be influenced, but I believe the same things happen to some extent even for EEV. In PLC's business model, we recognize that when the interest rates level is high, the negative impact of higher interest rate through the discount rate is relatively large, which brings similar effect even after the application of ICS.

Q If that is the main reason, does it mean that EV have increased from the end of

December 2022 to the end of March 2023?

A That is our perception.

Q **With regard to CML, have you incorporated an impairment allowance in your planned figures for FY2023, and what risks do you recognize as inherent in CML itself?**

A We are aware that CML-related risks are attracting attention in the US, and would like to carefully explain them. PLC mainly invests in fixed-income assets, but approx. ¥1.5 trillion worth is invested in CML. While we would like to explain in detail when PLC's financial results for the first quarter of 2023, which will be disclosed shortly, are disclosed, we expect provision to be increased with respect to the assumed allowance for credit losses. While the allowance based on general and statistical data does not necessarily increase a lot, PLC monitors risk on an individual case basis, and losses from the sale of some properties are assumed. Regarding the estimated impairment amount, it was recorded in the first quarter as part of CECL. Regarding the CML market, it appears that around 80% of the CMLs held by banks are held by small regional banks and others. Therefore, we believe that stricter regulations for regional banks may cause a credit crunch in commercial real estate. PLC is taking necessary actions, such as strengthening its monitoring of individual properties, especially in the office sector. In particular, PLC is closely monitoring the current situation by simulating whether it can be refinanced for contracts that will mature within the next three years. While keeping track of such risks, PLC also assesses refinancing risks through individual simulations. PLC intends to manage the portfolio flexibly while maintaining discipline in the status of individual assets and underwriting. We will continue to work with PLC to disclose CML information in a timely and appropriate manner.

Q **Do you plan to take refinancing for CMLs that have reached maturity? Also, what is the LTV based on market value?**

A PLC will consider it based on the situation of each individual loans. We do not have a market value-based figure for LTV, but PLC monitors repayment capacity on a market value basis individually through indicators such as interest payments, principal repayments, and cash flow ratios. Stress testing will be conducted by watching these indicators and considering necessary measures depending on the situation.

Q **Regarding PLC, on an operating income basis, excluding non-operating one-time gains and losses, the company appears to be solid. Is the plan for FY2023 still to incur operating income but with non-operating losses remaining?**

A The increase of adjusted profit forecast by approx. ¥35 billion in FY2023 takes into account non-operating gains and losses and includes the impact of the First Republic Bank bankruptcy. On the other hand, there is a volatile factor due to CML and others, although not necessarily to move downward. However, on a local RBC regulatory basis, surplus capital is stable, and the level of dividend payment from PLC will be determined by looking at those factors as well.

Q **I believe that various measures are being taken to address the lower-than-expected hiring of sales reps in DL, but do you see an improvement or resolution of the situation? At this scale, I think the number of designers is going to be around fourth-place when compared to other major firms.**

A The results of recruitment have been lower than expected. We have been carefully selecting employees with an emphasis on quality, and there has been no change to this policy. However, new hires will start full-scale sales activities after a period of training after hiring, which will be after July of this year. We are strengthening our efforts to various sales measures and are working to improve VNB while enhancing productivity along with strengthening recruitment.

Q Has the downward trend in the number of hires continued in the most recent quarter?

A The current situation is as it is.

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 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.