

(Unofficial Translation)

**FY2022-3Q Financial Results Conference Call for Institutional Investors and Analysts  
Q&A Summary**

**Date:** February 14, 2023 16:55-17:30  
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**3Q Results and Forecast**

**Q Up to 3Q, while the progress rate for the Group adjusted profit was 65% of the full-year forecast, it was explained that progress was broadly in line with the expectations. Why is 4Q profit expected to be relatively large?**

A Although the progress rate for the Group adjusted profit was 65%, it was broadly in line with our expectations. There is no change in the full-year forecast. While DL’s progress rate was 81% for 3Q YTD, taking into account that the payments for hospitalization benefits and other benefits related to COVID-19 is expected to increase relative to the budget, the full-year result is expected to be close to the revised forecast. In DFL, there is a downside risk of an increase in the regular policy reserves for foreign currency denominated products, in case sales volume of foreign currency-denominated products exceeds our expectations. In PLC, investment income is likely to be higher than expected. Overall group profit is expected to be in line with our forecast.

**Q At competing mutual companies, sales of yen-denominated savings-type products are strong. While it is assumed that DL’s value of new business will be lower than the full-year forecast, what is your stance for savings-type product sales? In the situation that domestic interest rates continue to rise in the future, we believe that single premium whole life insurance should not be sold excessively. In those situation, what do you think will happen to sales trends and the competitive environment?**

A At DL’s sales reps channel, DFL’s savings-type products currently constitute a substantial portion of its sales. DL itself also sells some savings-type products, such as regular premium annuity products. Though the product strategy in the event of a further rise in domestic interest rates will be considered in the future, as we expand “Retirement, Savings and Asset Management” business as part of the 4 experiential values, we will offer products that lead to customer-oriented asset formation through the sales reps channel and other channels. With respect to single premium whole life insurance, which had been sold in the past, we are

relatively cautious toward selling it, as there is a risk that cancellations will increase in times of rising interest rates.

**Q Are you considering the reversal of contingency reserve at DL's full-year results?**

A There is no change in the full-year revised forecast of Group adjusted profit. While the reversal of the contingency reserve is supposed to be treated in accordance with the regulation based on the situation of mortality and morbidity profit, it is not considered at this point.

**Q What was the reason that the value of new business at DL declined from ¥16.4 billion in 2Q YTD to approximately ¥12.0 billion in 3Q YTD? Do you have a plan to revise the assumptions of the value of new business calculation in 4Q?**

A At DL, we calculate the value of new business based on the unit costs estimated by quarterly sales volume. Unlike variable costs, fixed costs related to sales do not immediately decrease even though new business annualized net premiums are decreasing, which leads to a larger decline in the value of new business than the new business annualized net premiums. This was mainly due to a significant decline in sales volume of DL products. DL usually conduct the annual assumption review of EEV in 4Q.

**Q The full-year outlook for payments related to COVID-19 was raised from ¥90 billion estimated as of 2Q to ¥105 billion. What kind of revenues can offset the increased cost of ¥15 billion? Also, in this May, COVID-19 is planned to be classified to Class 5 in the Infectious Diseases Law in Japan. In that case, can we assume that the impact of benefit payments for COVID-19 will disappear since then?**

A DL's profit has been progressing well relative to the full-year forecast. Even assuming an increase in the benefit payments, we expect an increase in positive spread and capital gains especially for gains on derivative instruments due to the rise in domestic interest rates will lead full-year results to come close to the forecast. Though we are aware of the possible change to Class 5 under the Infections Diseases Law in Japan, the subsequent stance of benefit payments will be considered in the future based on the government's policy, etc.

**Q Regarding the trend of new business, at the financial analyst conference call for 2Q-end, it was explained that the attachment rate of income-protection insurance was on an improving trend. How is the current situation?**

A Sales of protection-type products through DL's sales reps remained sluggish, as the number of new policies sold per sales rep remained below expectations, even in 4Q. In addition to an effort for instilling new consulting methods, we are also working on improving the way to

manage the sales enforcement for next fiscal year. Taking account of voice of sales reps and staffs in branches/offices, we are also considering how to set a sales target in the right way.

**Q The progress rate of the Group adjusted profit as of 3Q was less than 75%. In 4Q, can we assume that the progress rate will approach to 100% due to decreases in the benefit payments related to COVID-19 and the provision of regular policy reserves for foreign currency denominated products at DFL? Can we confirm that only the value of new business is expected to be below the full-year forecast?**

A That is correct. There is no change in the full-year forecast for Group adjusted profit, as there is a trend that DL's positive spreads is relatively increased in 4Q (Jan.-Mar.) and payments related to COVID-19 will decline in 4Q (Jan.-Mar.) compared to 3Q (Oct.-Dec.).

**Q It seems that the benefit payments for COVID-19 at DL was relatively large in 3Q compared to the trends in the industry. How do you evaluate it?**

A The correlation between the number of new infections in Japan and the payments of hospitalization benefit, etc. at DL were broadly as expected. The increase in payments in 3Q (Oct.-Dec.) compared to 2Q (Jul.-Sep.) was mainly due to an increase in the number of new infections and a lag in the timing of infections and claims.

**Q Operating expenses are expected to decline due to the downturn in new business sales at DL, which leads to have a positive impact on profits relative to the forecast. What size of the impact is expected?**

A Due to the characteristics of life insurance business in which the cost incurs in advance driven by the variable costs associated with the new business sales, profits may increase as a result of sluggish new business sales. At this point, we assume a positive impact of billions of yen for the full year.

### **Shareholder Payouts**

**Q Please tell us if there are any changes to the shareholder payout policy, such as share buybacks.**

A There are no major updates to the outlook for capital soundness, Group adjusted profit, and HD cash position. We have not changed our basic policy of allocating excess cash to additional payouts such as share buybacks, and strategic investments, while keeping cash dividends at 30% or more of the Group adjusted profit, as explained so far.

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

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