(Unofficial Translation)

FY2023-Q2 Financial Results Conference Call for Institutional Investors and Analysts Q&A Summary

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Q2 Results, Forecast and New Business Performance

Q **There was an explanation that the Company made high progress of Group Adj. Profit at 64% of the full-year plan in the first half of the fiscal year, and that the hedging costs forecast returned to the initial level expected as of the beginning of this fiscal year. I would like to know if there are any upward or downward factors in other areas. Also, can we expect that the upward swing in profits in the first half will remain for the full year?**

A One of the swing factors that could cause fluctuations toward the full-year forecast of Group Adj. Profit is the level of JPY exchange rate. When JPY appreciates, the value of interest and dividend income fluctuates on JPY basis, which should be taken care of. Looking at the full year, capital gains/losses are expected to slow down in the second half compared to the first half, since profits are front-loaded in the first half.

Q **As to the factors in the revision of the full-year forecast of the value of new business (VNB), are those identified as technical factors a non-recurring item only for this fiscal year, or will there be same cases in the next fiscal year? If such technical factors remain for the next fiscal year and after, it looks to be difficult to achieve initial plan of ¥85 billion even for the next fiscal year as well.**

A We do not think this is a non-recurring item. We recognize that the impact of those technical factors is larger than in the past as a whole group, due in part to the current market environment. There are two possible reasons. One is, DL used to contribute a large volume of VNB in the past, but it is now declining, and a percentage of the impact of technical factors is getting larger. The other possible reason is that the increase in volatility in overseas interest rates boosted the impact driven by interest rate environment.

Q **The full-year forecast of VNB has been revised down. Since DFL and PLC have technical factors on it. What we need to focus on is DL's ¥20 billion decline of VNB?**

A There are two valuation methods for VNB. One is for protection-type products and the other is for spread-type products. Such protection-type products are sold in DL, NFL, and DLVN where new business margin per policy is reflected on VNB, and VNB remains low due in part to the DL's VNB revision. With regard to DLVN, although the impact on its profits is small, the impact on VNB is relatively large; ANP was about 60% of the level YoY, while VNB declined by about ¥6 billion in Q2(YTD). VNB of DFL and PLC were largely affected by technical factors. DFL in particular exceeded 150% YoY on an ANP basis. We are doing pricing exercise incorporating profit indicator taking into account the cost of capital as well as the spread of investment activities. Those indicator shows the overachievement aligned with ANP. On the other hand, the spreads for calculating VNB are based on the ICS standard. DFL's VNB was minus ¥1.0 billion, due to the negative impact caused by the interest rate of the ICS standard which is lower than the accrediting interest rate. With regard to PLC, the discount rate increased due to rising interest rates in their protection business, resulting in a decrease in VNB. In addition, in a part of the retirement business, there was a gap between the expected investment yield assumed internally and the interest rate used in the VNB calculation, which negatively impacted their VNB amounts.

Q **I had thought that the rise in interest rates would move DL's VNB and economic value (EV) upward, but DL's VNB was minus ¥0.2 billion in Q2(YTD). How was the impact of the interest rate rising on VNB and EV?**

A We do not disclose the interest rate impact in calculating VNB but recognize it as not a large amount. Please also refer to P23 of the material showing the interest rate sensitivity of EV.

Q **If Economic Value should be focused, it may be better to reduce the assumed interest rate on products in the overseas business, and not to sell DFL products with higher assumed interest rates through DL channels in the domestic business as well. Please tell us the positioning of Economic Value in product strategy.**

A We believe that Economic Value-based metrics are critical as profitability indicators because life insurance businesses is not able to return profits immediately, while those profits are recurring and to be realized over the future. On the other hand, when assumptions are set based on certain rules, there is a discrepancy between the discount rate setting in ICS standard and actual investment yield. In this case, the discount rate setting in ICS standard is not consistent with the actual situation. We do not have the idea of betting on future interest rate rising and selling products with high assumed interest rates. In DFL business, customers purchase fixed-income products with MVA and DFL invests in fixed-income assets and manages them with duration matching. Amid intensifying competition, DFL will be able to provide customers with higher interest rates by rebalance of asset portfolio to pursue higher yield. However, if ICS interest rate does not keep up with it, it turned out to be negative valuation in terms of Economic Value-based calculation. While it is necessary to be careful not to affect ESR and shareholder payout policy, we will continue to sell saving type products as one source of revenue, and to consider what indicators should be disclosed and provide full explanations.

Q **As for the performance of domestic new business, value of sales revenue and value of sales revenue per sales reps, which are indicators of the sales reps channel, have declined compared to Q1, although it was explained that there were signs of an improvement from June at Q1 Financial Results Conference Call. What is the reason for the decline in value of sales revenue, while the sales reps who joined the company after July last year under the new training system and who have passed 1-year educational period gradually increased?**

A We believe that the performance of new business is on a recovery trend, taking account of the sales of products in group companies such as savings-type products including foreign currencies-denominated products of DFL. On the other hand, in terms of the number of sales reps excluding the first-year reps, appears to be increasing on the charts of P6, but this is a temporary increase during the 1-year period since the introduction of the new training system in July last year, and the trend of decline itself has not changed. We are implementing various sales measures toward the second half and next fiscal year, with an emphasis on improving the retention rate and strengthening recruitment. In the area of sales promotion in particular, we have begun operating on a new normal basis and aim to raise the overall performance although there are variations in progress among sales offices. We recognize that the sales of products in DFL increased more than expected while those in DL were sluggish, because competitiveness of products in DFL is relatively strong due to the rising interest rates. In the future, we will carefully consider developing a single premium savings-type product in DL which has a dynamic surrender risk while segregating the products. On the other hand, we recognize that we need to introduce competitive new products in DL, so from the second half of this fiscal year, we are planning initiatives to improve individual efficiency, including the introduction of such new products. We will implement initiatives aimed at redeveloping the sales reps channel and improving individual efficiency, including the introduction of new products, but it will take a certain amount of time to achieve results, particularly in the form of recovering VNB in DL.

Q **It seems that sales volume of products in DL are shrinking due to the accelerated sales of products in DFL through the DL's sales reps channel. How many years should it be assumed that sales performance of DL will bottom out and start to increase?**

A In order to recover the performance of new business, it is necessary to provide education for sales reps while securing the headcount, and it will take a certain amount of time. We aim to introduce attractive products tailored to the needs of customers, and consequently lead to sales volume, rather than to sell DL's products only. While conducting various marketing, we would like to introduce products that meet needs of customers in a timely manner. In this regard, we intend to work agilely. After bottoming out in the previous fiscal year's Q4, sales results have been recovering in Q1 and Q2, but we think it will take time for substantial recovery, even if these factors are taken into account. We will continue to deliberate to lead to a steady recovery.

Q **It was mentioned that top-down targets have been resumed from this fiscal year, but in the explanation, it seemed that the intentions of the head office and the directions of the sales force were not in line with each other. Why do such things happen?**

A In the sales fields, the sales activity has been started in a way of new normal. Based on a customer-oriented sales policy that emphasizes compliance, we continue to thoroughly propose products that meet customer needs. We have the policy to offer the products in group companies through multi-brand and multi-channel, and for single premium savings-type products, DFL has competitiveness, so we are also promoting the sales of DFL products in the sales reps channel in DL. As a result, it is reasonable that the sales volume of DFL products increased, and this does not indicate that the sales force is not following company's direction.

Shareholder Payouts

Q **Regarding the planned shareholder payouts of ¥120 billion for the share buybacks, which has not been executed at this point of time, has the intention of completing it during the current fiscal year not changed? In addition, while it was also mentioned in Financial Analyst Conference Call in May, the Company's forecast for dividend per share for this fiscal year remained unchanged from the previous fiscal year, which is seen as negative compared to other companies. While the progress rate of adjusted profit in Q2(YTD) is high, is there a possibility of an increase in dividend per share if the actual full-year results were to be at 100% or more of the plan?**

A There is no change in management's intention to execute the share buybacks as planned in May. We would like to consider how much the dividends per share would be toward the end of the fiscal year, based on the level of profit in the current fiscal year. Based on the opinions that we receive, we will constantly and positively consider strengthening shareh older payouts.

Q **There is a high level of interest in the market for share buybacks. The situation that "we cannot mention what is a constraint, but we cannot start to execute share buybacks" has continued for 2 years since the previous fiscal year is not good as an operation for share buybacks. Are there any room for improvement in those operations? Also, is the issuance of restricted stock planned for the current fiscal year as in the previous fiscal year?**

A Management's intention to execute share buybacks for the amount announced within the fiscal year remains unchanged. On the other hand, regarding the situation in which the execution cannot be commenced immediately after the decision of share buybacks, the Company will seek more transparent operations for the next fiscal year and beyond. In terms of restricted stocks, it is assumed that they will be processed as usual this fiscal year as part of executive remuneration.

Q **I understand that the share buybacks have not been executed at this point of time due to various factors. However, is it currently anticipated that these factors will be resolved at a given time? Can we recognize that the company announced to execute a ¥120 billion share buybacks within this fiscal year at any cost?**

A As a management intention, we believe that it will be possible to execute it within the current fiscal year, but we cannot say when it will be executed. At this point, the Company stick to its initial decision to execute it within the current fiscal year.

If it becomes difficult to execute share buybacks, we will communicate with shareholders and investors in an appropriate manner. In such cases, we recognize that it is necessary to take measures such as extending the period of share buybacks.

Overseas Business, Currency Hedged Bonds and Ceding Policies through Reinsurance

Q **The increase of the provision for loan losses on commercial real estate (CRE) loans at PLC was disclosed as US$65, which was disclosed three months ago. What, if any, concerns do you have about PLC's performance outlook for the second half of the fiscal year, including factors other than CRE loans?**

A PLC's financial results for Q3 are scheduled to be disclosed on November 14 local time, so please refer to that for more information.

Breakdown of PLC's CRE loan portfolio was explained in Financial Analyst Conference Call in May. The increase in CECL (current expected credit loss) in Q2 was caused by the increase of individual reserves for some properties where there were concerns about losses. In Q3, some of those properties were sold. As a result, CECL is assumed to be written off, resulting in a realized loss. The CRE loan portfolio is being monitored closely, but due to the fact that each loan size are small and fixed interest rate, relatively small exposure to offices, and geographic diversification, we do not expect significant losses in monetary terms, while we expect delays in interest payments on a part of loans in the future. In addition, PLC unlocks assumptions in the Q3 of each fiscal year, and we expect the impact of this to be negative. In particular, due to rising interest rates in the US, we expect a certain degree of increase in surrender rates to be reflected in savings-type products that do not have surrender charges.

Q **Should I have the thought that although additional losses on CRE loans are not expected to occur much, the profit level in the second half of the fiscal year is expected to be slower than the first half because of the losses derived from unlocking?**

A The full-year forecast of PLC is expected to move downward with the consideration of things including the impact of unlocking. On the other hand, the group profit forecast for the full year remains unchanged, as it is expected to be offset to some extent by factors such as increased profit at other subsidiary. We believe that the group as a whole is making steady progress in profits.

Q **Regarding the reduction of currency hedged bonds, given the current interest rates environment, is the reduction of the balance sufficient at the current level? Or will you continue to reduce the balance further?**

A Since last year, we had been rapidly reducing the balance of currency hedged bonds with currency forward contracts to less than ¥1 trillion early in Q2, and we believe we are in control of hedging costs in this fiscal year's budget. We will control the balance of currency hedged bonds appropriately in consideration of the market environment.

Q **I am aware that most of reinsurance operations were executed in the second half of the fiscal year in the past. In light of the domestic interest rate environment, what are your policies for reinsurance in the current fiscal year?**

A Regarding reinsurance, although it is not as large as in the past, we assume a certain amount of ceding in accordance with the plan for risk reduction. On the other hand, we recognize that the impact on P/L has become smaller due to a decline in ceding costs caused by a rise in domestic interest rates.

Q **In that case, may I recognize that there is an upswing of profit if you will not change the size of the reinsurance ceding? Or will you cede the amounts in excess**

of the plan as you did in the past?

A Reinsurance is a part of the risk reduction plan and we will determine what blocks to be ceded in the plan. We recognize that the impact on profits is gradually getting larger, as the alleviation of assumed rate of return to the policyholder has increased after several previous ceding transactions.

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, NFL: Neo First Life, PLC: Protective, DLVN: Dai-ichi Life Vietnam