

(Unofficial Translation)

FY2023 Financial Results Conference Call for Institutional Investors and Analysts

Q&A Summary

Date: May 15, 2024 16:55-17:40

Respondent: Taisuke Nishimura, Executive Officer (CFO)

Domestic business: sales strategy, FY2024 forecast, and equity selling

Q In Page10, the company expects YoY decline in DL Gains/Losses from core insurance activities in FY2024. What is a factor behind this? Also, looking at “DL capital, etc.”, Derivative transactions gains/losses for the full FY2023 seem to be increasing compared to Q3. How do we anticipate changes in FY2024 compared to FY2023?

In accordance with the new mid-term management plan saying JPY1.2 trillion of equity sales for the next three years, will the equity sales be around JPY400 billion in FY2024?

A While positive spread is expected to gradually improve in line with the decline in assumed rate of return of insurance liabilities, Gains/Losses from core insurance activities are expected to decline. The main reason for this is that in the previous fiscal year, DL sold a substantial number of DFL products through DL channels. In FY2024, however, commissions from DFL are expected to decline by about JPY10 billion because DL will be shifting to its own products to sell following the launch of new products in DL to a certain extent. In addition, the introduction of stock-based compensation plans and the increase in management fee paid to HD will make a negative contribution of around JPY20 billion. Decrease in policies in force will also impact on it.

Derivative transactions gains/losses consists of costs for hedging the fluctuation of equity market and interest rates in FY2023, but such costs of approx. JPY20 billion will be gone in FY2024, which will positively impact on derivative transactions gains/losses.

The pace of equity sales is expected to be the same over the next three years. Therefore, although I cannot explain the details now, I think the amount of equity sales in FY2024 will be around JPY400 billion. The profit (before tax) from the equity sales is expected to be in the mid-JPY200 billion range, resulting to increase about JPY25 billion from FY2023.

Q Regarding new business performance in page7, the value of gross sales revenue per person (including group products) of Sales Reps channel is declining in Q4. I think the reason for the decline is the shift from DFL’s products to DL’s products. If this trend continues, will DFL’s VNB be slightly reduced in FY2024?

A Since the Q4, Sales Reps channel have shifted to sell savings type products, because we have launched competitive products at DL. We are considering to expand distribution of protection-type products through the sales of savings-type products, in our strategy. The forecast for the VNB at DFL is estimated considering the decrease in sales volume in sales reps in DL.

Q We recognize that the new product "Step Jump," which has been selling well since its launch at the end of December last year, is a fixed indexed annuity. Please tell us whether market trends such as exchange rates and stock prices will affect sales momentum.

A Since the underlying assets of that product is multi-asset investment, market trends such as exchange rates and stock prices do not significantly affect its sales conditions. However, if there is an outlook for rising yen interest rates, it can have a positive impact on sales.

Q "Step Jump" seems to be selling well now. Can the new products "Towa Support" which launched around March be expected to contribute to VNB?

A "Towa Support" which launched around March, is a whole life insurance product that provides protection against 3 major diseases as well as savings feature. and it's more profitable than "Step Jump".

Q We have seen an increase in insurance claims and benefit payments. How does the FY2024 plan incorporate it?

A In FY2022, the number of COVID-related claims payment increased temporarily, but this trend is already gone. We do not expect a major deterioration in mortality rate margin for FY2024, despite a decline in policies in force.

Q Please tell us the factors behind DL's YoY increase of about 40 billion yen for the outlook for VNB in FY2024. Please explain from the perspectives of individual insurance, group insurance, group annuities, and risk margin as mentioned in the materials in page23.

A The VNB for group insurance and group annuities is expected to remain nearly flat. Considering the sales performance of individual insurance and individual annuities in April 2024, we anticipate a top-line growth of approximately 50% YOY for individual insurance and individual annuities. The risk margin is considered based on individual insurance.

Q If the VNB for individual insurance is the figure before considering the risk margin, which product sales growth would lead to an increase in the risk margin that exceeds the individual insurance VNB and consequently depress the overall VNB?

A The risk margin is conceptually draw back as a component of the VNB. It is not a mechanism where the risk margin exceeds the VNB and turns negative. If the VNB for individual insurance increases, it will be partially offset by the increase in the risk margin.

Q Please tell us how to assume gains and losses related to the rebalance of securities in capital gains and losses at DL. In page14, you explain the duration situation, but it does not appear to be in an urgent situation to replace bonds. What is your overall view of the bond portfolio?

A Regarding capital gains and losses at DL, we expect a certain level of gains based on planned sale of domestic equities. On the other hand, we expect losses from the rebalance of policy-reserve-matching bonds due to rising domestic interest rates, and also anticipate losses from the sale of currency hedged bonds. For FY2024, we do not assume a significant increase in losses from rebalance of yen-denominated bonds, so we expect that an increase in gains on sale of domestic equities due to rising market value and an increase in the volume of sale of them to lead to an increase in profits. Going forward, we will continue to regularly report its progress in light of fluctuations in interest rates, foreign exchange rates, and other factors.

Q While it seems that DFL's profits significantly increased in Q4. What do you think about the steady level of its profits going forward?

A In DFL's profits, due in part to the fact that increased sales volume depressed profits, it was difficult to see actual level of normalized profits. In FY2024, we expect DFL's profits to increase in line with an increase in AUM because a certain amount of new businesses will be ceded to DLRe as intra-group reinsurance and profits will not be depressed for that portion.

Overseas business and Benefit One

Q Are the growth factors for "Other/Overseas" in page10 such as India? Also, to what extent do you expect gross profit contributions and goodwill amortization expenses for Benefit One?

A "Other/Overseas" includes contributions from PNZ in New Zealand. As for Benefit One, we expect a standalone profit of about JPY5 billion in FY2024, which is the same level as in FY2023. We are in discussions with the advisor and the auditing firm regarding the accounting treatment after the acquisition of Benefit One, so we are unable to provide the exact figures at this point. However, we will recognize a certain amount of customer-related assets. I cannot state specific amortization amounts and periods for now, but when the amortization of customer-related assets is offset, it is assumed that this will result in a negative contribution of around JPY10 billion to the Group adjusted profit.

Q Then will Benefit One contribute positively to the Group adjusted profit beyond the new mid-term management plan period?

A As profits accumulate, it is possible that Benefit One will contribute positively to adjusted profit in about three years. However, this is currently under discussion, and further details will be provided in the future.

Q Is it correct to assume that Benefit One will not have a significant impact on the Group adjusted profit target of JPY400 billion for the final year of the mid-term management plan, FY2026?

A While we aim to achieve profit growth for Benefit One on a standalone basis, considering the amortization of intangible assets such as customer-related assets, it is not expected to have a significant impact on the Group adjusted profit target of JPY400 billion.

ESR

Q On page11, The estimated ESR is at a high level of 224%. Previously it was mentioned that your target range is 170% - 200%. I would like to know your current estimate of whether it will exceed this range after the introduction of new regulations for overseas subsidiaries.

A The ESR has increased due to the increase in the market value of domestic risky assets. On the other hand, the downward shift anticipated due to the recalculation under the new standard for overseas subsidiaries has not changed much from the absolute amount shown in February. The increase in this time should be considered as if it will remain the same. The impact on overseas subsidiaries needs to be elaborated and will be explained in the future.

Q Regarding the ESR (estimated figure), there was an explanation that the ESR at the end of FY2023 was expected to be in the range of 170 - 200% at a briefing on February 28. Is it right to understand that market environments were more positive than expected?

A What we explained that it was expected to be in the range of 170 - 200% the other day indicated the figure as of the end of FY2024, which will reflect changes in the calculation methods of overseas subsidiaries. At this time, we changed the calculation method only for domestic subsidiaries. As for the end of FY2024, the calculation method change for foreign subsidiaries is expected to reduce ESR to a certain extent. The current situation of ESR is somewhat higher than initially expected, mainly due to an increase in unrealized gains at domestic subsidiaries.

Share buybacks

Q The company has set a limit of JPY100 billion for share buybacks, but as of the end of April, progress was 0%. Will the buying process begin in the second half of the year in FY2024?

A Share buyback will be executed at appropriate times based on the relationship with the material non-public information and other factors.

Note: There are 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, PNZ: Partners Life

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