(Unofficial Translation)

FY2023-1Q Financial Results Conference Call for Institutional Investors and Analysts Script

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Presenter: Taisuke Nishimura, CFO/Chief of Financial Planning Unit

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- This is Taisuke Nishimura, CFO of Dai-ichi Life Holdings.
- Thank you for joining our conference call for the Dai-ichi Life Group's financial results for the three months ended June 30, 2023.
- Today, I will make a general overview of our financial results, followed by a Q&A session. Please see page 3.

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- Here are today's three key highlights.
- First, I will review our financial results for the 1Q.
  Group adjusted profit decreased to ¥82.5 billion yen from the same period of the previous fiscal year due to a decrease of positive spread caused by a decrease in interest and dividend income associated with the sale of hedged foreign bonds in the previous fiscal year and an increase in hedging costs, and deterioration in gains /losses on derivative transactions. On the other hand, we are making steady progress toward the full-year forecast of 270 billion yen for the group's adjusted profit announced in May, which represents a 30% progress at this point. We will explain the details of progress for our domestic and overseas businesses later.
- Next is the new business performance.
  Continuing the trend from the same period of the previous year, the group new business ANP increased to 117.7 billion yen, which is significantly higher than the same period of the previous year since DFL maintained the steady growth of sales volume. This is a high level of up 31% YoY, even excluding the yen's depreciation. Meanwhile, value of new business remained challenging, the estimated amount of the three domestic companies decreased to 6 billion yen, down from the same period of the previous fiscal year.However, as we explained in May, value of new business of DL, which had been sluggish, has bottomed out in 4Q figures, and is gradually getting back on track of recovery. I will explain this later.
- Finally, about ESR.
  ESR, which shows the soundness based on economic value, is approximately 226%. ESR remained unchanged from the previous fiscal year-end, as a result of the rise in stock prices, which acted as an increasing factor in terms of both capital and risk, and the rise in the inflation rate, which reduced the surplus. Although economic conditions are expected to remain unstable due to factors such as the

flexibility of YCC and concerns over recessions in other countries, we believe that we continue to maintain a sound financial position.

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- This section shows the progress rate toward the full-year forecast of the group adjusted profit and the main drivers for domestic and overseas business respectively.
- First, we are making steady progress in our domestic business, reaching 29%. Looking at individual companies, as I mentioned, while DL experienced lower positive spread and deterioration in gains/losses on derivative transactions, DL's progress is steady at 31%. As of 1Q, investment yields are below the average assumed rate of return, or in the "negative spread." However, this is due to the seasonality of interest and dividend income, and is expected to recover due to the dividends received on shares after 2Q. Since current investment income exceeded the pace of full-year forecast, we expect to secure a positive spread for the full fiscal year.

  With regard to DFL, although the level of adjusted profit exceeded the same period of the previous fiscal year, there is a large burden caused by increased contingency reserve due to yen depreciation, and increased foreign currency regular policy reserves due to continued strong sales. At present, we are behind the full-year forecast. However, we are planning to take measures such as utilizing the intra-group reinsurance transactions in the second half of the fiscal year in order to reduce those burden that is negatively affecting the profits.
- Regarding the overseas business, for PLC we recognize the losses due to FRC bankruptcy in May as a subsequent event, but as this has already been factored into the full-year forecast at the beginning of the fiscal year, we consider the current progress to be on-track. For TAL, TLIS (Westpac Life) continues to contribute to earnings, which is improving the underlying profit of TAL. Furthermore, rising interest rates have continued to contribute to the profit in the current fiscal year, which also contributed to it in the previous fiscal year. As a result, we are progressing ahead of the full-year forecast. For DLVN, we are behind the forecast mainly due to the increase in policy reserves resulting from the decline in interest rates. Overall, the overseas business is making steady progress with 29%. The total of profit including other businesses brought the overall group adjusted profit progress to a level exceeding 30%, which we consider to be good progress for the first quarter.
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- The year-on-year change in group adjusted profit is shown on this page. Group adjusted profit decreased by 17% YoY, to ¥82.5 billion yen.
- Regarding to domestic businesses, DL recorded a decline in profit due to a decrease of positive spread caused by a decrease in interest and dividends income resulting from the sale of hedged bonds and an increase in hedging costs, and the impact of deterioration in derivative transaction gains/losses.

For gains/losses on derivative financial instruments, there are approximately 20 billion yen in losses arising mainly from hedging instruments held for foreign currency loans. These losses are offset by foreign exchange gains on hedged foreign currency loans, as we do not apply hedge accounting to it. In addition, losses arising from swaptions held for the purpose of hedging against interest rate hikes are also around 10 billion yen. However, due to the rise in interest rates since July, the losses have recently recovered to around the breakeven point.

- With regard to DFL, although the extent of loss decreased YoY, the burden of foreign denominated policy reserves continued to be downward pressure on profits due to the continued strong sales from the last fiscal year. In addition, an increase of provision of contingency reserves due to the impact of yen depreciation also affected profits negatively. With regard to these downward pressure on profits due to strong sales, we are considering countermeasures by utilizing reinsurance for the second half of this fiscal year.
- In terms of overseas business, adjusted profits were generally firm, partly due to the impact of the yen depreciation. In TAL, adjusted profits increased as the existing protection business of TAL and the contribution of TLIS (Westpac Life) performed well.
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- This is about economic value indicators.
- Regarding the value of new business in the domestic businesses, the value of new business in DL remains challenging, at around 0 (zero) billion yen in 1Q of this fiscal year. The main factor behind this was the reduction in the number of sales reps, but at the briefing in May, as we explained, the trend started to recover in the 1Q of this fiscal year.

  The breakdown of new business performance is shown in the middle of the slide. Value of sales revenue, which had been trending downward since the 1Q of the last fiscal year, recovered in this quarter. The main factors were an increase in the value of sales revenue per employee and premiums per policy resulting from an increasing portion of policies sold to new customers and level-premium products. In terms of the number of sales reps, the trend of decline has been continuing, but the gradual increase in the number of employees hired since the recruitment process was renewed last year will also contribute to a recovery in medium-to long-term performance. We will continue to strive for a recovery in business performance toward the second half of this fiscal year. Sales of DFL were strong, and the combined progress rate with Neo First Life exceeded 30% toward the FY2023 forecast, which is a steady progress at a level significantly higher than the previous year.
- As for ESR, as I mentioned at the beginning, the impact of the rise in stock prices led to an increase in both shareholders' equity and the amount of risk. The impact of the rise in stock prices had a relatively large impact on the rise in shareholders' equity, but ESR level was roughly unchanged from the end of March, at approximately 226%, including other factors such as the decline in the surplus caused by the rise in the inflation rate.

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- This is about New Business ANP.
- Domestic sales increased YoY, driven by DFL, as explained earlier. At DFL, in addition to foreign currency-denominated products, sales of FIA products denominated in yen are also firm.
- At NFL, results exceeded those of the same period of the previous fiscal year, partly because of product revisions such as medical insurance in April. The sales of cancer insurance launched last year are also strong. We have been highly evaluated mainly through the shop channel about our superiority in flexibility of product.
- Meanwhile, DL's sales volume has remained sluggish. However, as we have strengthened sales to new customers since we reformed consulting methods in the previous fiscal year, insurance premium revenue per policy has increased. We will continue to implement measures to promote sales activities in order to expand new customer bases. In addition, sales representatives who joined the company since the reform of the recruitment system last year have started sales activities from this July after a 1-yearlong educational period.
- In overseas, DLVN's business momentum declined mainly due to tighter sales regulations at local authorities in the banking channel. Sales volume increased on a yen basis YoY, thanks to contributions from Westpac Life acquired through TAL and from PNZ, as well as the positive impact of yen depreciation, but it declined on a local currency basis.
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- This is about the full-year forecast.
- Due to strong sales of DFL, the progress of consolidated ordinary revenues has reached 36% of the full-year forecast. However, given that the yen had depreciated significantly at the end of June, there is no revision to the full-year forecast at this time, considering the possibility of a downturn due to the market environment.
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- Finally, this is about DL's foreign currency hedged bond investment.
- DL reduced the balance of currency hedged bonds using currency forwards by more than 3 trillion yen in the previous fiscal year, and the balance as of the end of March was below 2 trillion yen. DL continues to reduce the balance in the current fiscal year, and as of the end of June, the amount is below 1.5 trillion yen on a book value basis. As a result of the reduction in the balance, the impact of the annual hedge cost on currency hedged bond is expected to ease to a certain extent. However, overseas interest rates continue to rise this fiscal year, and hedge costs continue to rise beyond the

assumptions made in the full-year forecast in May. With regard to hedging costs, which we had projected at the beginning of the fiscal year to be just under 70 billion yen, we expect hedging costs to rise at a level exceeding 80 billion yen for the full fiscal year based on the current interest rate environment as of the end of June,. While continuing to closely monitor the interest rate environment, we plan to continue to reduce the balance of currency hedged bonds using currency forwards. While we will reduce the balance of currency hedged bonds using currency forwards, we will take full account of the cost benefit of raising income by increasing investment in fully currency hedged bonds using currency swaps.

- This is the end of my presentation. Thank you for your attention.

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,
PNZ: Partners Group Holdings, DLVN: Dai-ichi Life Insurance Company of Vietnam