(Unofficial Translation)

FY2023-Q3 Financial Results Conference Call for Institutional Investors and Analysts Q&A Summary

Date: February 14, 2024 16:55-17:40

Respondent: Taisuke Nishimura, Executive Officer (CFO)
Akifumi Kai, Executive Officer

TOB for Benefit One Inc. (Benefit One)

Q **Regarding the TOB, detail explanations about the realization of synergies were not provided in the release in December. After two months has passed, it was explained that the probability of realizing synergies and the prospects for profit contribution has increased in the release of this time. What has changed in the past 2 months?**
In addition, you also stated that you would strengthen financial services with the word "Embedded Finance." Are these financial services actually able to be monetized while initiatives of BaaS have been implemented to date?

A Since the announcement in December, discussions have been made with Benefit One, and the probability of realizing synergies has increased. For instance, as of December, we explained that we were able to contribute to Benefit One with our customer base, but the details were not clarified. Subsequently, through the discussions with Benefit One, we have progressed to planning how to allow our corporate customers to use Benefit One's platform. In addition, in the healthcare field, we have held detailed discussions with Benefit One about the products and services to be implemented on the platform from the perspective of value-added to achieve Health and Productivity Management. We have already provided some services to our corporate customers aimed at achieving Health and Productivity Management, so we are considering to implement those services on the platform. In addition, we came to know about the details of "Kyu-toku Barai," the payroll deduction service system, through discussions with Benefit One. For example, by use of Kyu-toku Barai, we believe that we will be able to improve the efficiency of insurance premium collection operations on our group insurance products and others, which will allow us to develop and distribute lower-priced insurance products. There is still much room for consideration, but it is true that the probability of realizing synergies has increased. Regarding the Embedded Finance, we believe that it is feasible to embed insurance products as part of employee benefit services and provide them to the customers in an inclusive manner. We also expect that not only insurance products but also asset formation products could be provided in an integrated manner on the platform.

Q **On page 9, it was mentioned that "Corporate Customer # Approx. 160,000 firms". What is the definition of "Corporate Customer #"? Does it matter whether DL owns shares or not, or whether corporate employees have your Group’s insurance policies or not?**

A "Corporate Customer #" is defined as "The number of corporations that have some kind of policy contracts with DL, such as insurance or pensions, etc." So, it does not matter whether DL owns their stock or not, or whether its employees have the policies of our Group on their own.

Q **At this point of time, is it possible to purchase insurance from your Group through "Kyu-toku Barai" payments, or are you considering doing so?**

A At this point of time, our Group does not sell insurance through the "Kyu-toku Barai". We will consider the future product developments, as well as its feasibility, since it will require approval and licensing based on the fact that it is a new method of paying premiums.

Q3 Results and Full-Year Forecast

Q I would like to confirm the investment risks at PLC. While the allowance ratio for credit losses for commercial mortgage loans is 1.1% as shown on page 36, we understand that this is the level since the office ratio is not high compared to typical portfolios of other companies. Is there any possibility that the allowance ratio for loan losses will rise to the 15% level, similar to the bank which provisioned additional reserves for US office loans? Additionally, since PLC also holds US regional bank bonds, we would like to confirm the risks in light of the current environment.

A At the end of Q3, the allowance for credit losses for commercial mortgage loans at PLC was US$127 million. While PLC's Q4 financial results (for the fiscal year ending December 2023) are yet to be disclosed, we expect that a part of allowance will be reversed in Q4 taking into consideration of macroeconomic factors. On the other hand, the impact of provisioning individual allowances was small at US$4 million. While the current situation is highly attributable to individual loans and it is expected in the market that losses will occur in specific properties, it is not expected that large losses will suddenly occur at PLC since they are relatively in control of their exposure to office sector. In addition, PLC and partially DFL have exposures in the regional bank sector mainly as a form of corporate bonds, and their exposures are monitored on a daily and a group basis. Regarding the book value of bonds, there are currently no significant declines in market value.

Q **Do you hold bonds that have been significantly downgraded recently?**

A We do not own it.

Q **The number of sales reps appears to be declining. Could it bottom out within a few quarters, based on the number of recruitment and the retirement rate? Also, value of sales revenue appears to have declined slightly in Q3 from Q2. I would like you to supplementarily explain the factors behind this with the outlook for improvement.**

A As mentioned earlier, the trend of the number of sales reps has improved in a certain level, as seen in the recent past in capturing the target level in terms of the number of new recruits. In addition, we are taking measures to reduce the retirement rate, and plan to cease declining trend from the next fiscal year onward. On the other hand, value of sales revenue declined from Q2 to Q3 since the sales of DFL's products, which have lower margins than DL's protection products, are performing well.

Q **The explanation at Q2 was that there were around 900 new recruits towards the quarterly target level of 1,000 new recruits. Has the number of new recruits reached a level close to 1,000 at Q3?**

A Your understanding is correct.

<u>Shareholder Payouts, the new economic value-based regulation and cross-shareholdings</u>

Q **Page 5 states that the ESR (estimate) at the end of December 2023 is approximately 222%, but Page 8 states that it will decrease by 8%pt after the TOB of Benefit One is completed. Considering the revision of economic value measurement standards, how much of a decline is expected in total at this point? Also, will there be any impact on the execution of shareholder payouts of ¥200 billion?**

A Details of the impact of the review of measurement methods due to the introduction of the new economic value-based solvency regulation (J-ICS) will be explained at a conference call to be held on February 28th. The impact of the review on the domestic insurance business is expected to be a decline of just under 10%pt, which is expected to result in over 200% even taking into account the impact of the completion of the TOB of Benefit One. Going forward, while the overseas insurance business will be refined over the next one year, including a close examination of the measurement methods, we still consider that it will be within the 170-200% range taking account of those impacts. Therefore, we do not currently anticipate that the level of ESR will affect our shareholder payout policy.

Q **I would like to confirm this as there was a misunderstanding in the market regarding the Q2 disclosure. Even after the TOB of Benefit One is completed, it is not expected that the ESR will fall to the middle of the 170-200% range, and it is correct to understand that shareholder payout at the current level is possible as long as it stays within the range?**

A The impact of the review on the overseas insurance business is currently being examined, and we would like to be careful in disclosing its impact. Currently, we do not anticipate any impact on our shareholder payout policy as mentioned earlier, but we would like to control the level of ESR, including market risk reduction initiatives.

Q **On page 13, it is mentioned that there will be no change in the scale of strategic investments during the next Medium-term Management Plan period from the ¥300 billion disclosed in November last year. In light of this, can we assume that if additional capital surplus is generated in the future through the sale of stock holdings, etc., all of that surplus will be returned to shareholders?**

A We will present the details of our capital management policy for the next Mid-term Management Plan later, but we continue to consider that share buyback is effective to improve capital efficiency and will focus on it as we aim to realize capital efficiency that consistently exceeds the cost of capital. We are also considering the balance between dividends and share buybacks, as well as how to maintain a sustainable shareholder payout policy, as we are planning to realize profit growth mainly in overseas insurance businesses. We will provide an explanation of this matter going forward.

Q **In the P&C insurance sector, there is a move to accelerate the reduction of cross shareholdings against the backdrop of the premium adjustment act, etc. Will there be any effect on your initiatives to reduce equity exposure?**

A We are aware of such trends in the P&C insurance sector. We believe that the risk in which the issues occurred in P&C insurance sector will also occur in life insurance sector is limited. We also view it as a positive trend that the selection of insurance products and health promotion services offered to companies will be based on the inherent attractiveness of the products, regardless of whether or not insurance companies have equity holdings or other relationships with the companies. In the case of our Group, with the exception of financial institutions of our alliance partner, all stocks of domestic listed companies are held for the purpose of pure investments. Our current capital management policy is to actively reduce equity risk, and from this perspective, we believe that this move in the P&C insurance sector will positively affects for us.

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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