(Unofficial Translation)

FY2024 Financial Results Conference Call for Institutional Investors and Analysts Q&A Summary

Date: May 15, 2025, 16:55–17:40

Respondent: Taisuke Nishimura, Executive Officer (Group CFO)

【Earnings Outlook】

Q: What is the expected scale of replacement and gains/losses on sales in the bond portfolio, as well as the expected scale and gains/losses on sales in the equity portfolio for FY2025?

A: While the duration of assets and liabilities is generally matched, we will continue our ALM initiatives with a focus on cash flow matching. We expect to purchase ultra-long-JGB (30- to 40-year) in the several hundred billion yen, anticipating increased interest and dividend income. While keeping in mind the possibility of over-hedging from a duration perspective, we plan to sell bonds with shorter maturity dates and replace them with longer-term ones. Given the continued rise in interest rates, we expect to incur a loss on bond sales of approximately ¥80bn. As for equity sales, we continue this operation at an even pace for the purpose of risk reduction. We also expect some gains from equity portfolio rebalancing.

> **Q: Are equity gains expected to be lower in FY2025 than in FY2024 on a market value basis?**
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> A: Yes, in FY2024, the pace of equity sales was faster than planned, whereas, in FY2025, we plan to follow an even pace, so we expect the gains to be lower.

Q: Regarding DL's fundamental profit, gains from core insurance activities have been declining. What is the outlook for FY2025? Also, please comment on hedge costs and non-recurrent gains/losses for FY2025 as well.

A: Hedge costs are expected to decrease as we have reduced the balance of currency-hedged foreign bonds, which will contribute to an increase in positive spread. However, this will be partially offset by a decline in PE dividend income which was strong in FY2024. Gains from core insurance activities are on a downward trend due to a shrinking in-force business. In addition, personnel cost increases driven by our human capital investment initiatives in both FY2024 and FY2025 are negatively impacting gains from core insurance activities. The second career special support program and wage hikes will offset each other, and thanks to a rising interest rate environment, non-recurrent gains are expected by reinsurance transactions.

Q: **Can we assume that non-recurrent losses in FY2025 will not be as small as the loss recorded in FY2024 (¥11.5bn), nor as large as the loss in FY2023 (¥43.0bn)?**

A: That is correct.

Q: What is the expected amount of goodwill amortization in FY2025, both domestically and overseas?

A: The total is approximately ¥45bn including the value of in-force business. The breakdown by geography is not disclosed.

Q: With regard to the Group adjusted profit forecast of ¥410bn for FY2025, what is the foreign exchange sensitivity?

A: For DL's foreign currency-denominated investments, we expect a decrease of approximately ¥1.5bn per 1-yen appreciation in interest and dividend income. For the overseas business, a 1-yen appreciation is expected to reduce profits by about ¥1.0bn.

Q: **Are any countermeasures in place against profit erosion due to yen appreciation?**

A: We do not hedge the profits of overseas businesses. However, we partially hedge foreign currency-denominated investments at DL. We also incorporate a hedge for the sale of equity into the budget against downside risk.

Q: The FY2025 earnings forecast incorporates an unstable economic environment. Compared to assumptions as of March 2025, what are the specific downside risks that are newly considered?

A: Economic uncertainty has increased since the end of March 2025, and we have set our forecast conservatively. As mentioned, we have considered foreign exchange and equity market fluctuations, but no other specific risks have been factored into the forecast.

【ESR, Shareholder Returns, and Strategic Investment】

Q: ESR is preliminarily estimated at around 211%. Does this represent an upward shift from the initial assumption that it would fall below 200%?

A: We had expected ESR to decline by around 20-30%pt following the adoption of the new standards including overseas subsidiaries from end of FY2024, primarily due to PLC's impact. However, due to organic growth and subordinated debt issuance, ESR is now projected to be around 211%.

Q: Considering the additional investment in Capula, does the ¥300bn strategic investment budget have around ¥200bn remaining?

A: While we cannot disclose the investment amount in Capula, approximately ¥200bn remains. We have invested several hundred billion yen in strategic areas such as the acquisition of ShelterPoint by PLC, the investment in Canyon in the U.S., as well as additional investments in growing markets such as DLKH, DLMM, SUD, and DLRe. The ¥80bn investment in Challenger will be funded entirely by TAL and we carefully manage and control our capital as a group including incorporating capital release in TAL. The profit upside that increases the remittance, and the sale of OLI shares will also release capital. As a result, roughly ¥100bn in capital has been used, and ¥200bn remains.

> **Q: From the perspective of ESR and cash flow, was it not possible to execute share buybacks of more than ¥100bn? Is the reason for not increasing share buybacks because there are plans to use the funds?**
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> A: To achieve our goals of ¥600bn in group adjusted profit and a market capitalization of ¥10tn, we are exploring investment opportunities that improve capital efficiency and EPS, such as in the asset formation/succession field. In FY2024, our strong results led to an ESR level above expectations. Capital efficiency has exceeded the target of 10% and is expected to surpass 10% in FY2025. We plan to focus more on cash dividends and execute share buybacks flexibly. In line with this, we raised our dividend payout ratio to 45%. Through this increase in the dividend payout ratio, we aim to raise the total payout ratio going forward. We will continue to provide a thorough explanation of capital utilization with an emphasis on investment returns.

Q: Although I understand that you plan to reduce the scale of share buybacks while prioritizing cash dividends and growth investments, I would like you to explain why you maintained the ¥100bn level for share buybacks.

A: Within our current Mid-term Management Plan, we are executing share buybacks to ensure the achievement of 10% adjusted ROE target. The ¥100bn level for share buybacks was decided as a reasonable amount after comparison with current share prices and strategic investment opportunities.

> **Q: Will the annual share buyback of ¥100bn level be continued in the future to raise the ROE?**

A: We will provide updates as appropriate. Since capital efficiency had been lower than the cost of capital, we have been trying to improve it through share buybacks. In the next Mid-term Management Plan, we intend to move forward with strategic investments if capital efficiency exceeds the cost of capital.

Q: Although ROE is projected to exceed 10% in FY2025, the dividend payout ratio has not been raised above 50%. What factors does the Group consider insufficient?

A: At DL, we recognize the importance of maintaining the current profit level. Although FY2024 was driven by an increase in positive spread, capital gains were uncertain. In FY2025, we believe the certainty will increase if product sales grow, along with a reduction in scheduled interest rates and an increase in yen bonds.

Q: When considering shareholder payouts for FY2025, the three-year average of adjusted profit is expected to be around ¥390bn. Assuming half of this is allocated for the sources of payouts, that would leave ¥20–30bn for share buybacks after dividends. Is this view correct? Also, does the "review of payouts policy" mentioned in the previous explanation refer only to the increase in dividend payout ratio, or are other measures under consideration?

A: We have raised the dividend payout ratio to 45% and committed to ¥100bn share buybacks. Future shareholder payout policies will be explained at an appropriate time.

Q: Does the estimated ESR of 211% reflect the ¥100bn share buyback? If all strategic investments are considered, to what extent could the ESR fluctuate from this figure?

A: The 211% ESR does not incorporate future capital measures such as share buybacks and additional investments and does not reflect the ¥100bn share buyback announced this time.

【Product and Sales Strategy】

Q: What new products are expected to be introduced in DL to support the expected growth in the Value of New Business (VNB)?

A: DL's VNB increased in FY2024 due to increased sales of annuity products. In FY2025, The Company plans to expand its VNB further by enhancing sales of business owner policy insurance for SMEs, alongside proposals involving Benefit One.

Q: Is the +¥40.8bn VNB assumption at DL driven only by business owner policy insurance for SMEs?

A: By promoting "Just," our core protection product, to SMEs, we aim to enhance the VNB of DL.

【Overseas Business】

Q: How does the Group see the gap between the estimated profit contribution of ¥120bn from overseas business in FY2025 and the adjusted profit target of ¥160bn in the final year of the Mid-term Management plan?

A: The ¥160bn adjusted profit target of overseas business was not intended to be achieved through its organic growth alone. This year, both PLC and TAL are expected to secure steady profits. PLC aims to further improve profitability through the acquisition of ShelterPoint, bond replacement, cost reduction efforts, and reinsurance. TAL is also expected to increase its profit through collaboration with Challenger.

Q: So overall, progress is in line with the plan?

A: Yes. PLC and TAL continue to have steady performance. On the other hand, in Asia, the economic environment and regulatory factors have caused sales to be slightly lower than initially expected, but overall progress is on track.

Q: President Trump has announced a policy to lower drug prices in the U.S. Does the Group expect this policy to reduce its mortality?

A: We continue to analyze mortality trends in the U.S., including the rise in deaths due to overprescription of medical opioids, and the COVID-19-related increase in mortality. At present, we believe the COVID-19 impact on mortality will continue for a certain period. Drug price reductions are not expected to have a material impact on mortality in the U.S.

【Assignees to Insurance Agencies】

Q: There is a trend in non-life insurance companies to reduce assignees to insurance agencies, and similar moves have been reported in the life insurance market. How many assignees does the Group currently operate, and what would be the sales impact if the number is reduced?

A: The Group operates 101 assignees as of the end of April 2025. The allocation of assignees to financial institution and insurance agencies is under review for more appropriate management. The impact on sales is expected to be limited. Overall, we are proceeding to reduce the number of the assignees.

Note: Some of the above content has been added or modified to make it easier to understand.
[Company name abbreviation] DL: Dai-ichi Life, PLC: Protective, DLKH: Dai-ichi Life Cambodia, DLMM: Dai-ichi Life Myanmar, SUD: Star Union Dai-ichi Life, OLI: OCEAN LIFE, DLRe: Dai-ichi Re

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