

FY2025-Q2 Financial Results Conference Call for Institutional Investors and Analysts

Q&A Summary

Date: November 14, 2025, 16:55–17:40

Respondent: Taisuke Nishimura, Executive Officer (Group CFO)

Q: Assuming an upward revision of domestic equity sales of ¥320 billion, I understand that the gain on sales would be roughly ¥260 billion higher, and the loss on JGB sales would be roughly ¥120 billion higher. Please explain what has changed in DL's full-year forecast compared to the initial forecast, including factors other than these.

A: As shown on page 11 about the revised amounts and factors for each company, DL expects an increase of ¥80 billion compared to the initial forecast. The factors behind the increase are the higher domestic equity sales and the rise in the market value of domestic equities, which has increased the gains on sales. As noted on page 8 of the materials, based on the economic environment as of the end of September, we expect both the sales amount and the gains on sales to increase.

However, for the rebalancing of the bond portfolio, we have incorporated an increase in the amount of rebalancing compared to our initial forecast and a corresponding increase in rebalancing losses as well as an increase in interest rates. Netting these factors, we are expecting an increase of approximately ¥80 billion in capital gains.

Q: How much do you expect the gains from domestic equity sales to increase? Is it reasonable to assume around ¥260 billion?

A: That is correct. Since we have also raised our forecast for positive spread, we expect an upside of roughly ¥10 billion in fundamental profit, and the total increase in profits of ¥80 billion reflects the sum of these factors.

Q: Please explain the concept of surplus capital. On page 13, ESR has increased, and it is expected to decline by around 4-5%pt due to the acquisition of Portfolio by PLC. Taking this into account, how much surplus capital do you consider to be available at this point?

Also, due to the unexpectedly higher Japanese stock market, I think that capital release and cash generation that is not assumed in this Mid-Term Management Plan ("MTP") will also occur within DL. If you do not make any large M&A in the future under this MTP, how much surplus capital do you expect to accumulate by the end of the MTP period?

A: We would like to discuss the HD's cash position movement in more detail at the financial analyst meeting on the 27th, along with the changes in leverage, etc.

Regarding the outlook for the upward revision in the ESR, while the ESR increased by 7%pt this time, we have factored in future disbursements related to acquisitions in PLC's Asset Protection business and previously announced affiliate conversions such as M&G. Furthermore, approximately half of the currently ongoing share buyback program remains unexecuted. Taking these into account, we anticipate the ESR will decline to around 210%.

I said at the beginning of the period that I expected ESR to decline to about 200%, so I believe the difference between the surplus capacity at the beginning of the period and that of now is the ¥350 billion after-tax increase in capital from outstanding shares, as I mentioned earlier, due to the rise in domestic stock prices.

Q: By revising the amount of domestic equity sales and the plan to sell even more equities, I believe you will be able to release even more capital. Will all of these funds be allocated to strategic investments?

A: Regarding our stance on shareholder returns and investments, we are currently implementing share buybacks for the current fiscal year based on last year's profits, as we have announced. For the next fiscal year, as we have explained previously, we will prioritize raising the dividend payout ratio, while share buybacks will be more of a capital adjustment measure, implemented based on factors such as stock prices and surplus capital. This approach has not changed at this point. Going forward, I would also like to explain how we plan to utilize the capital generated by the rising stock price.

Q: I think PLC is doing cost reduction according to the plan. What kind of progress is it making against the target now? Is that what is expected in this upward revision?

A: Regarding the specific figures for cost reductions at this stage, I cannot disclose the breakdown of how much the outlook has changed, but the impact is in the tens of millions of US dollars.

They are reengineering in such a way that costs will go down as a result after reviewing the entire operation rather than simply reducing costs, so the effect of this reengineering is incorporated as a fundamental lift that will be effective continuously in the current and next fiscal years and beyond.

Q: Of the upward revision at PLC, can you give us a breakdown of the portion that will be lost next year and the effect of reinsurance? I think the effect of reinsurance was originally included in initial forecast.

A: As for what will be stripped off in the next fiscal year, there is a gain from the sale of a subsidiary agency that occurred this fiscal year, which is about \$40 million. So, this is one-time gain for the current period and will not continue into the next period.

Regarding the improvement in operating yield and other cost reductions, the effect will continue similarly into the next fiscal year and beyond.

Q: Three months ago, you gave us a preview of your initiatives to improve business efficiency in your domestic business. If there is an update, please let us know. Also, if any portion of this upward revision is attributable to these operational efficiency improvement initiatives, please explain that as well.

A: Regarding initiatives to improve business efficiency, we are internally discussing radical reengineering of business operations over a longer timeframe, utilizing AI and other technologies. We are currently examining efforts to enhance business efficiency by simplifying processes and organizational structures.

Regarding this forecast revision, while both positive and negative factors related to operating expenses exist in line with new business trends, the impact of the efficiency improvement initiatives currently under consideration has not been factored into the forecast at this time.

Q: Have you not been able to estimate the quantitative impact of the reductions yet?

A: That is correct. We are currently considering this, including specific implementation measures.

Q: Regarding buybacks, please explain the background of the ¥0 purchase in October.

A: Regarding the timing of buybacks, at the beginning of the fiscal year, we plan and execute them through security firms, considering the fiscal calendar as well as information blackout periods. As a result of these considerations, no purchases were made in October. Overall, approximately half of the program has been completed, and we plan to execute the remaining portion during the second half of the fiscal year.

Q: Are you indicating that no purchases were made in October due to an information blackout or other material considerations?

A: We refrain from providing any comment on the existence or absence of any material information.

Q: Regarding the upward revision for DL, the ordinary profit has been revised upward by ¥116 billion. Of this amount, ¥24 billion is the increase in fundamental profit, leaving

approximately ¥90 billion unexplained. Could you confirm the breakdown of the remainder, including extraordinary gain/losses, aside from the increase in domestic equity sales and the increase in bond sale losses noted in the materials?

A: Regarding gains on domestic equity sales, including the increased sales compared with the initial plan, we expect an increase in pre-tax profit of approximately in the high ¥200 billion range.

For bond rebalancing, the sale amount has been increased from ¥600 billion to ¥1 trillion, and considering the current interest rate level, we now expect bond sale losses of approximately ¥200 billion, up by around ¥120 billion. These factors are the main drivers of the variance.

The remaining several tens of billions of yen reflect adjustments based on the most recent projections.

Q: I believe the remaining part is related to extraordinary gains/losses or derivatives other than loss on sale. Could you confirm the breakdown?

A: There are no particularly large items in the remaining part.

Q: Regarding ¥450 billion forecast of the adjusted profit for FY2026, could you confirm whether there are any upside factors beyond the additional domestic equity sales and the expanded bond rebalancing, which were the main drivers of the recent upward revision? I would also like to confirm whether the current situation suggests the possibility of further upside relative to the ¥450 billion forecast.

A: The outlook for the next fiscal year will be further elaborated in due course, and initiatives such as the expansion of our bond rebalancing are expected to serve as drivers of profit growth.

Regarding the upward revision in domestic equity sales, our policy is to offset the decline in dividend and interest income by increasing allocations to risk assets, particularly alternatives. For the accumulation of positive spread, we recognize that it is progressing faster than initially anticipated in the current economic environment.

In addition, while the expansion of acquisitions by PLC will not fully contribute to earnings in the first year due to initial costs, there will be elements that are expected to add to profits, including those from past acquisitions. Furthermore, we have also improved the operational yield for PLC.

TAL has experienced an increase in insurance claims payments, leading to a downward revision of its outlook for the current fiscal year. Nevertheless, through the implementation of repricing measures, the company is pursuing a V-shaped recovery in the next fiscal year. Taking that outlook into account, we will provide another update regarding the ¥450 billion going forward.

Q: Could you explain the approach to the increased sale of domestic equities and bond rebalancing? While it would have been possible to allocate the entire gains from the sale of equities to rebalance bonds, I would like to understand the strategic rationale of that balance.

Second, you mentioned that the adjusted ROE exceeded 11% on an annualized basis. The gains from domestic equity sales have also contributed significantly, so to what extent do you assess that the ROE has risen as a measure of your actual capabilities? If the ratio is over 10%, I think the timing for raising the dividend payout ratio has also accelerated. I would appreciate your impression of that sense of distance at this point.

A: Although we pay attention to the balance between the two in the final financial results, they are operated separately.

With regard to the sale of equities, in the course of executing the plan to reduce the balance of equities by FY2030 with a certain amount of time and dispersion, especially since we have also indicated outwardly the balance of ¥2.8 trillion in FY2026, while keeping such a thing in mind, basically we will adjust the speed in the form of increasing the sale as the market value increases.

On the other hand, there is a little more allowance range for the rebalancing of V-matching bonds, but regarding the major initiative we've pursued to reduce interest rate risk, we're nearing the end point as the duration is now nearly aligned. Rather, the situation will be such that we will implement rebalancing as appropriate from the perspective of cash flow matching. There is also a trend of rising interest rates, so we are rebalancing to include these factors.

Therefore, we had originally budgeted both the rebalancing scale of V-matching bond and the sale amount of domestic equity, but because of the rise in interest rates this fiscal year, we raised the budget and the scale from the perspective I just mentioned.

We have indicated that we will take the next action on the dividend payout ratio as a future direction. Regarding the timeline for that, I think we are making steady progress in various areas, but I hope to be able to explain the actual review in the future at an appropriate time.

Q: On page 4, the group adjusted profit has been revised upward to ¥470 billion, and I think that ROE will probably be around 11% based on this figure. However, you have indicated that you would like to achieve 12% ROE with a target of ¥450 billion for the next fiscal year, but should we assume that the ROE will not be as high as expected? Is there some other factor? Please tell us how you perceive the level of ROE now.

If there is motivation to further increase ROE, given that surplus capital has also grown, I would also like to know whether this is a situation where operations aimed at reducing the denominator should be considered more than before.

A: Regarding ROE, we will raise it via 12% on the way to 14% in FY2030, and I see the current ROE of 11% as on-track progress.

While profit, the numerator, swings upward, there is room for the denominator to swing upward, as you mentioned, due to increase in unrealized stock, the component of capital. We understand that we are on track toward achieving 14%, while making adjustments in that regard as well.

Q: Even if the ROE for next year falls short of 12%, could it still be evaluated as progressing according to plan toward the 14% target for FY2030?

A: We have set 12% as the target for next fiscal year. If we fail to reach 12%, it means the target was not achieved. Regarding ROE, it involves not only profits but also some denominator factors. We will aim to achieve the target while adjusting the denominator.

Q: Just to confirm, in your explanation of the ESR, you said that you are looking at about 210%, but would the 10%pt between the upper limit of 200% and 210% be subject to capital adjustment? Is it within the margin of error?

A: I think it will be difficult to completely control ESR by a few percentage points, but we have set a target of 12% ROE in particular, and we will be accountable for it.

Regarding the ESR, we would like to manage the range of ESR with some flexibility, but as a connected story, we would like to carefully consider whether we should make an investment or a return in order to achieve capital efficiency as a result.

Q: Regarding the rebalancing of the bond portfolio at DL, is the current rebalancing solely for the purpose of matching cash flows and not for a rebalancing based on the poor profitability of individual bonds?

A: The realized losses are from JGBs, so it is not that we are selling off poor performing bonds to realize losses. We are conducting rebalancing solely from the perspective of adjusting the cash flows of liabilities and assets within a bond portfolio centered on JGBs.

Q: In Q2, sales of DFL's yen-denominated products recovered. I don't believe you handle single-premium whole life insurance policies denominated in yen. And the reason for the

upward revision of full-year forecast is attributed to a decrease in sales costs. What is the relationship between the recovery in sales of yen-denominated products and the increase in the adjusted profit for the full year?

A: Regarding DFL, we have made a downward revision to the breakdown of DFL's profit based on sales trends. However, the downward revision is a positive downward revision, and the increase in sales cost means that in their case, they aren't selling simple single-premium whole life insurance policies like the ones DL used to sell a lot back in the day, which had no MVA feature. Instead, they're selling asset formation products that include MVA feature, and their sales volume is increasing due to the rise in yen interest rates.

The profit forecast has been revised downward this time because sales of yen-denominated products within DFL are recorded without reinsurance, unlike foreign currency-denominated products. Consequently, while reserves are accumulated in accordance with Japanese regulations, the portion of losses incurred at the point of sale is expressed as new contract costs. In other words, as sales of yen-denominated products within DFL increase, these initial costs rise.

Q: On page 12, you indicate that the increase of value of new business (“VNB”) is due to the impact of higher interest rates. Is it correct to understand that interest rates were the main driver, not so much the contribution of new products launched that boosted overall or per capita productivity or something like that?

A: The increase in the VNB is largely attributable to DL. On page 20, we also present quarterly indexed performance data showing the productivity trend of the Sales Reps channel at DL, which is unrelated to the increase in VNB margins due to rising interest rates. Looking at that data, while sales revenue value was exceptionally strong in Q1 last fiscal year due to new product effects, in Q1 and Q2 of this fiscal year, even compared to Q4 of the previous fiscal year, it has been steadily increasing despite the fading effect of new products, indicating rising productivity.

In addition to this productivity improvement, VNB has benefited positively from rising interest rates as a margin factor, resulting in an increase.

Note: Some of the above content has been added or modified to make it easier to understand.

[Company name abbreviation] HD: Dai-ichi Life Holdings, DL: Dai-ichi Life, DFL: Dai-ichi Frontier Life, PLC: Protective

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