FY2025-Q2 Financial Analyst Meeting
Q&A Summary

Date: November 27, 2025, 10:00–11:30
Respondent: Tetsuya Kikuta, President and Representative Director (Group CEO)
Taisuke Nishimura, Executive Officer (Group CFO)

Q: The first question is about HD's cash position on page 9 of the material. In terms of excess capital release, can this be expected to be remitted to HD? After deducting the repayment of intra-group financing, it seems there will be about ¥90 billion left. Can we expect this to be added to the shareholder returns budget?

A: (Nishimura) With regard to the subordinated portion, we are maintaining the Group's leverage ratio at a healthy level, while also paying attention to the ESR level, and then securing the cash necessary for HD. This time, regarding the borrowing that reached its first call date in October under DL, we have transferred it to HD. Since there will continue to be call dates in subsequent fiscal years, we would like to make flexible adjustments at those times, including the amounts involved. If we do not need to hold cash on hand and the ESR remains at a sufficiently strong level, we will prioritize debt repayment. However, if there are strategic investment opportunities, we intend to respond flexibly by utilizing our leverage capacity and refinancing.

As for special dividends from subsidiaries, we are currently reviewing the matter. Because Japan's current solvency regulations are being revised, we are reassessing the capital to be retained by each subsidiary under the new regulation. Based on that, we will adjust the capital levels of the group companies as necessary. The details are still under consideration, and we will provide further explanation once they are finalized.

Q: At this point, is it difficult to comment on how much the scale will be?

A: (Nishimura) We expect it to be in the tens of billions of yen.

Q: How much exposure does the Group as a whole have on private credit? I know that DL alone discloses ¥0.1 trillion, but I believe that PLC and M&G also have certain exposure to private and structured credit. May I ask you to comment on the risk management of private credits?

A: (Kikuta) We do not have the figures on hand now, but in Europe and the U.S., life insurers on average allocate close to 30% of their investment portfolios to private assets, including private credit, and virtually all companies hold such assets. In contrast, PLC's current allocation to those assets is significantly lower, which results in its portfolio yield looking weaker relative to peers. While PLC has been gradually increasing exposure to these asset classes, the scale is on the order of a few hundred billion yen in the lower range, which is still quite small compared with other companies. PLC's portfolio remains primarily composed of corporate bonds and commercial mortgages. We are in the process of diversifying into various private assets and alternative investments, so our current exposure to these areas is still quite limited. I believe M&G has a certain level of exposure, but I do not have the exact figures for M&G.

Q: Regarding the HD cash position shown on page 9 of the presentation, I would like to ask from the perspective of your M&A strategy. The HD cash position appears to be higher than what was assumed at the start of the Mid-Term Management Plan ("MTP"). As a result, it seems that you may be able to allocate more budget to M&A than originally expected. Could you comment on whether the increased HD cash position enables you to accelerate your M&A activities, and how you view the outlook going forward? Alternatively, if the valuation of potential acquisition targets has risen and this is preventing progress from being made as planned, I would appreciate your comments on that as well.

A: (Kikuta) HD's cash figures are only forecasts. As of the end of March 2026 and March 2027, the actual cash on hand is not expected to be particularly abundant. In addition, this fiscal year we are placing special emphasis on shareholder returns, with a focus on improving capital efficiency.

During the current MTP, our strategic investments have mainly been small to medium in scale. From the next MTP onward, we expect to have more flexibility in HD cash, and therefore we intend to pursue larger transactions. In particular, if suitable opportunities arise in overseas life insurance businesses or in the asset management domain, we would like to actively engage in such deals.

Q: Up to now, strategic investments have mostly been minority stakes accounted for under the equity method. Can we expect larger investments, including full acquisitions, in the future?

A: (Kikuta) To provide some context regarding minority investments, during the MTP, most projects—excluding Benefit One—have been in the range of several tens of billions to under ¥200 billion. On the other hand, for major overseas life insurers and asset managers, it is not possible to obtain control without investments of at least $5 billion.

In this context, when deciding whether to acquire a majority stake in smaller or less competitive players or to take a minority stake in strong players with stable cash flows and competitive advantages, we have chosen the latter during this MTP. We carefully evaluate whether there is potential to increase our stake in the future and focus on minority investments in players that are either scalable or have strong capabilities. Acquiring a majority stake in a small-scale company would likely have very limited contribution to the group's overall performance and future potential. Going forward, we aim to pursue M&A of a meaningful scale and, whenever possible, obtain control, while ensuring stronger alignment with our group strategy.

Q: Regarding ALM operations on page 5, currently, unrealized gains on domestic equities are ample, allowing us to absorb losses arising from ALM rebalancing. Looking ahead, as gains on domestic equities gradually decline, how should we view potential losses from bond sales by ALM rebalancing? If cash flow matching progresses to some extent, will bond sale losses decrease? Could you share your outlook?

A: (Kikuta) Interest rate risk has been almost fully neutralized on a dollar-duration basis. Any remaining interest rate risk exists in areas over 40 years blocks, where there is no available JGB to invest in Japan. These segments are difficult to match with cash flows, so only way to reduce the risk is to use reinsurance transactions.

For equities with high dividend yields, as DL sells equities, we need to offset the decline in dividends. This is done by replacing them with bonds that have higher book yields or reinvesting in alternative assets or private assets that can generate expected returns comparable to equities. Currently, bond replacements are not intended to address unrealized losses; rather, we focus on selling assets with low book yields and buying bonds with higher book yields to increase the DL positive spread and enhance underlying profitability.

While it is natural to use a portion of equity sale gains for bond replacement, we do not allocate all of it for this purpose. Gains are also used for shareholder returns and strategic investments. We aim to maintain a balanced allocation. We do not expect bond replacement to generate significant net capital losses.

Q: Regarding page 5, it appears that it is slightly over-matched, and operations to correct this over-matching are planned for the second half. Why did this over-matching occur? As mentioned on other pages, policy surrenders have been limited, so it seems mainly due to unexpected market fluctuations—but could you elaborate on why this happened? Also, given the possibility of further interest rate increases, has any study or analysis been conducted?

A: (Kikuta) From the perspective of interest rate risk reduction, first, there are no issuances of bonds with maturities over 40 years, so matching in that zone is difficult on a cash flow basis. We have managed interest rate risk primarily on a dollar-duration basis.

As a result, through the effect of aging, the duration has gradually shortened. While interest rate risk has been significantly reduced on a dollar-duration basis, in terms of the distribution of bonds by maturity, there is a concentration in the ~20-year maturity zone. This concentration, combined with changes in the shape of the yield curve, has resulted in an over-matching level of 104%.

It should be noted that we also hold derivative positions. As explained earlier by Nishimura, on an effective duration basis, the level is below 100%. By using equity sale gains and conducting bond replacements, it is not particularly difficult to correct the concentration and bring the dollar-duration back toward 100%. Moreover, the 104% level is not driven by surrenders or similar factors, so we do not consider this to be a situation of significant concern.

Q: Regarding growth investment, I understand that the ESR is up by about 10%pt. Since 10%pt of risk volume corresponds to around ¥460 billion, I think that on an economic value basis, you have more capital than planned. I think you have now surpassed ¥300 billion and have already invested ¥380 billion. How much is the investment allowance in the current MTP as shown on page 10?

Also, in what Mr. Ishii, an outside director, said at the event held the other day as well as his comment in the integrated report, I sense you have a desire to execute M&A ahead of schedule. I wonder if there is any possibility of launching large-scale investments like the one you just described without waiting to enter the next MTP. This is because otherwise you would end current MTP with excess capital, and I would appreciate it if you could share if you have changed your perspective on the level of investment.

A: (Kikuta) Since the full-year forecast for the current fiscal year has been revised upward, a certain portion will be added to our investment capacity. The final amount of extra investment capacity for the current fiscal year will be determined after taking into account the outlook for next fiscal year's financial results and the additional cash that will be generated from the shift to capital regulation based on economic value.

As you can see from the cash table in the material, we expect to have considerably more investment capacity than originally assumed by the end of March 2027. With regard to large projects, since we have sufficient cash, I do not think it is something we should decide immediately. The most important point is whether there are opportunities with meaningful growth and cash-generation capability, while maintaining proper capital and financial discipline.

In that sense, I think the possibility of making an announcement during the current MTP, including next fiscal year, is not zero. However, since it generally takes a year or more between the announcement of a transaction and the actual cash outlay, we do not currently anticipate any large projects that would result in cash outflows during the current MTP.

Q: **You mentioned earlier that you would focus on cash flow and cash remittance in your KPIs, but was that in reference to the next MTP? Did you mean that, you are considering using the cumulative cash or cash flow that can be generated over three years as a KPI like European companies?**

A: Yes, that's right. We are currently considering whether to make it a KPI from the next MTP or to bring it forward from the next fiscal year. There is a possibility of moving forward.

Q: **The target is to achieve group adjusted profits of ¥700 billion by FY2030, but the assumptions for DL's capital gains have also been raised for FY2025. Stock sale profits should continue until around 2030, but will decline thereafter.**

Given that the current reliance on net capital gains is quite large, what do you intend to do about this going forward? In addition, when you draw the ¥700 billion target, how much net capital gain at DL are you assuming?

A: (Kikuta) As you recognize, at the moment the gain on the sale of DL's equities accounts for quite a high proportion of adjusted profit. In that sense, we would like to build a business portfolio that will allow us to maintain the profit level of around ¥700 billion even beyond FY2030.

I think there are two main ways to achieve this. The first is organic growth, by increasing the profits of our existing businesses, especially those outside of DL, in an organic manner. The second is that from FY2025 to FY2030, we expect to generate considerable cash flow, including gains on the sale of stocks. While some of this will be used for shareholder returns, we will also invest it in strategic assets with a focus on growth, and we expect to generate a meaningful amount of business income from these investments.

Although equity gains at DL will decline, we replace bonds as interest rates rise. The assumed rate will gradually decline, and the liability cost will fall. As a result, we expect the expansion of the positive spread to continue steadily. Against this backdrop, we believe that the most important mission of the next MTP is to build a business portfolio that can maintain a level close to ¥700 billion in FY2030, including gains on the sale of stocks, and also maintain a similar level beyond FY2030 even without those gains.

Q: **Do you have an estimate of the gains on the sale of stocks assumed for FY2030?**

A: (Nishimura) Assuming the current share price level, the profit margin is roughly half after tax on the sale of around ¥400 billion in market value per year, so the scale would be about ¥200 billion.

Q: I understand that the bond replacement this fiscal year was quite large in scale. Based on this year's operations, to what extent has the positive spread expanded?

A: (Kikuta) On an annualized basis for the current fiscal year alone, we expect about ¥17 billion. Including last fiscal year, we expect the replacement effect over the two years to be about ¥32 billion.

Q: Are you going to continue the bond replacements at this level? Otherwise, you need to obtain a substantial new cash inflow and improve the situation. While you will still have gains on the sale of stocks until around 2030, it will become challenging after that, so you will ultimately depend on the results of your growth investments.

A: (Kikuta) We will aim to build a stable profit structure that does not depend on gains from the sale of stocks after 2030. As of now, we have no plans to sell shares after 2030, but this does not mean that we will not sell or reduce shares after that.

Q: I would like to confirm the background behind this increase to the ¥700 billion for FY2030 profit target. Considering the breakdown of this ¥100 billion upward revision, how much of it is attributable to additional M&A? Or was it due to organic growth, including the expansion of the positive spread?

A: (Kikuta) It is difficult to give a clear breakdown, but the first component is the expansion of the positive spread. The second component is the expected increase in cash flow from the strong performance in the next fiscal year, in addition to the upwardly revised performance in the current fiscal year. We also expect the effect of reinvestment from that cash flow. In addition, the level of stock prices and other factors have naturally increased since the MTP was formulated initially, and these factors will be factored into the plan.

Q: I would like to ask you about your approach to share buybacks. You mentioned that, from the next fiscal year onward, share buybacks should be conducted flexibly, rather than by setting a fixed amount at the beginning of the fiscal year. I would appreciate it if you could explain the background behind this decision. Also, explain how investors should take this into account when building models, and clarify your thinking on sustainability.

A: (Kikuta) One point is that we would like to determine the size of the buyback by reflecting the cash flow conditions at that time and whether or not we have plans for strategic investments. As for the timing, we intend to monitor the stock price level and other relevant factors. When making M&A decisions, we naturally place significant importance on comparing the IRR of the acquisition with that of share buybacks. However, depending on our stock price level, share buybacks may not necessarily be the most effective reinvestment option. In the past, when our capital efficiency was low, share buybacks were consistently effective. In that sense, we believe it is essential to be mindful of our stock price level.

Q: When considering the stock price level, perspectives may change depending on the indicator used for reference. For example, the stock may always appear undervalued when viewed from a P/EV perspective. On the other hand, when viewed in terms of profit yield based on EPS, it appears to have declined considerably. In that sense, is it fair to assume that the latter is relatively more important to you?

A: (Kikuta) We position TSR as a very important KPI. The stock-price drivers for other companies used as TSR comparators are not necessarily based on EV multiples, so the latter becomes the primary focus.

Q: In the Q2 financial results, DL was the only one among the four Japanese major companies to report a decline in revenue. The other three major companies saw strong sales, and this is likely because DL does not provide single-premium whole life insurance. I believe many of DL's existing customers also wish to purchase single-premium whole life insurance, but DL does not provide it. This could potentially lead to customer attrition. Other companies appear to be selling these products at assumed interest rates of around 1.7-1.8%. Given current interest rate levels, it seems they could easily generate positive spreads. While these are heavy capital-intensive products, are there any plans to reintroduce them?

A: （Kikuta）First of all, as you noted, DL does not sell single-premium whole life products. Therefore, if you look at the current top line, it appears that DL is not making a positive contribution because the industry is currently doing well here. In practice, however, as I mentioned earlier, DFL is performing very well with yen-denominated single-premium whole life and similar products, and within our group this product category is positioned as a business area handled by DFL. As you pointed out, many DL customers also want to purchase single-premium whole life, and DL's sales representatives continue to sell DFL's products, so we are able to meet customer needs.

As you know, DFL's single-premium whole life products have an MVA function that adjusts surrender values against interest rate fluctuations. For this reason, we recognize that they have relatively low-interest rate risk and high capital efficiency, and we are actively promoting its sales as a group.

Q: It is stated that the sale of domestic equities will progress to a certain extent by FY2030. What level of domestic equity holdings is anticipated to remain at the end of FY2030? Is it

assumed that stocks other than those currently disclosed as equity held for purposes other than pure investment will be sold?

A: （Kikuta）The majority of shares held by our company are for pure investment purposes. Among the shares held as equity held for purposes other than pure investment, Mizuho Financial Group and Resona Holdings constitute two stocks that account for the bulk of the value. We annually review the effects of holding these equities held for purposes other than pure investment. While we may review the holding balance in agreement with our partners going forward, the contribution to the total sale amount would be minimal. The sale plan itself aims to reduce risk by reducing pure investment holdings, with the goal of controlling the balance at the end of fiscal year 2030 to below ¥1.5 trillion based on market value. In other words, we intend to set the upper limit for holdings at approximately ¥1.5 trillion.

Q: When you think about generating earnings from insurance in FY2030 and beyond, what kind of products do you envision DL earning from on a stand-alone basis?

A: （Kikuta）Looking at DL on a stand-alone basis, there are various perspectives, but our core products will continue to be protection-type products. At the same time, financial assets held by individuals in Japan, especially household financial assets, have been steadily increasing. As a result, market needs for savings and investment-type products are high and will continue to grow. It is difficult for us, DL to offer products that assume high expected returns, or that guarantee principal while also promising high expected returns, due to capital costs. However, I believe products in the investment and savings sector with lower capital intensive will become core offerings over the medium to long term.

Q: Regarding the gap toward the ¥6 trillion market capitalization target, which is shown on page 21, I understand that your internally assessed cost of capital has essentially met the target and is on track. However, despite profits exceeding your initial expectations, the fact that this valuation gap remains suggests that the cost of capital implied by the market is still high. I recognize that you have been making considerable efforts to close this gap by updating your progress and showing your track record, but a gap still remains. Could you once again explain what, in Group CEO Kikuta's view, will be required to close this gap? In that context, I would also like to hear your thoughts on the need for share buybacks, including their announcement effect.

A: The ¥6 trillion and ¥10 trillion figures are not set as KPIs or official company targets. They are aspirations that we would like to achieve as management, and as you point out, there is still a gap. In terms of the cost of capital, our internal assessment is not very different from what we believe the market is implying. As for why the valuation is not rising, despite profits exceeding our initial expectations, profit volatility and capital volatility remain high, and the contribution of capital gains relative to underlying profit continues to be large. This is why we believe we need to shift toward earnings with a higher degree of certainty. To achieve this, it requires growth investments, and we are still only partway through that process. I believe this is the largest factor behind the current gap.

Another point is that although we have significantly increased the volume of equity sales this fiscal year, our weighting of equity risk remains high. I believe this naturally feeds into cost of capital and the valuation discount. In that sense, while we are increasing the volume of equity sales this year, it is important to continue reducing market risk, especially equity risk, and to use the cash flow generated to both return profits to shareholders and invest in growth. Through this, we need to increase the share of adjusted profit that has a higher degree of certainty.

We do not at all deny the effect of share buybacks. However, we believe the main benefit is their contribution to sustained EPS growth rather than any announcement effect. The announcement effect itself tends to be short term and not very lasting. As I mentioned earlier, I want to emphasize that we are not underestimating the importance of share buybacks, and that we are considering changing the way we operate them going forward.

Q: Regarding the cash position on page 9, the explanation indicates that while there is a possibility of a further upside from the current outlook, including a review of surplus capital among subsidiaries and within the group, there appears to be a risk that the investments to be considered in the next mid-term management plan will be those with a longer lead time. From that perspective, the cash currently held by the HD is like dry powder. I would like to know whether there are ways to maximize returns, for example by investing it in short-term and low-risk instruments, until a good opportunity arises. Simply leaving it idle results in capital cost charges, and at this scale, it seems inefficient.

A: (Nishimura) In terms of short-term investments, deposits for example, we may shift the funds to instruments that offer better interest rates. As mentioned earlier, by repaying borrowings, we maintain our leverage capacity while flexibly increase or decrease it. We recognize that it would be inefficient to keep the JPY400 billion without earning interest, so we aim to generate a positive contribution to earnings through these short-term investments and the flexible adjustment of leverage.

Q: May I understand that you are already moving forward with these initiatives?

A: (Nishimura) That is exactly what we have been doing since entering the world with interest rates, and we continue to expand our activities in that area.

Q: Regarding DFL, when looking at Japan's asset formation market, should we assume that yen interest rates are already at a high level and DFL is already benefiting from the impact of this environment? I would like your comments from two perspectives. The first is whether the current sales volume of about ¥3 trillion is sufficient. Or should we view this as being in progress when looking from a long-term perspective?

Second, broadening the view a little, if we assume that yen interest rates will rise somewhat or remain around the current level, where will retail money go? For example, there are options such as time deposits, life insurance, and other choices, but how do you view this? Regarding the product lineup, you mentioned plans to strengthen it going forward, but I would like to ask whether you feel that the lineup is sufficient. From this perspective, will you focus on in-house development? Please share your thoughts.

A: (Kikuta) Regarding DFL, as previously noted, foreign currency denominated products were originally the core offering. However, the sales ratio of yen denominated products has now reached about half of the total portfolio, indicating very robust sales of yen denominated products.

Naturally, the spread on yen denominated products is relatively small compared with foreign currency denominated products. On the other hand, foreign currency-denominated products can experience balance reductions, such as through early redemption, when the initially set target amount is reached, depending on exchange rates and other factors. Since yen denominated products do not have such factors, AUM accumulates more steadily. DFL's AUM and assets under management have been growing well, and since this is a spread business, stable growth in AUM is critical.

Looking ahead, given the current exchange rate environment, with the yen having weakened to historically low levels and yen denominated interest rates rising, I believe the demand for yen interest rate products will become even stronger. It is difficult to predict how much net growth we will see, since the outlook depends on the offset between the increase in yen denominated products and the decline in foreign currency denominated products. The fundamental outlook is that the top line will continue to grow steadily.

DFL's approach is fundamentally to develop capital efficient single premium products with low-interest rate risk by incorporating MVA. Regarding DL's products, we will develop offerings closer to fee-based structures—not products designed to win in assumed rate competition, but ones that can return upside potential when the structure or investment management performs well.

Just as with the individual annuities currently on sale, future candidates could include unit linked products, and if short term interest rates rise further, universal type products may also become relevant. Historically, such products were difficult to offer in the Japanese market. However, if the economic and financial environment in Japan matures and the market approaches western standards, the development of such products will naturally come into focus.

Fundamentally, we will develop products in-house whenever feasible, leveraging our group structure. Our basic approach is to efficiently utilize our three entities—DL, DFL, and NEL—to develop products within our group.

Q: **Regarding the long-term overseas strategy, my understanding is that while the overall performance to date has been commendable, there have been variations in results. Based on that, the plan for FY2026 appears somewhat challenging. Additionally, while we were informed that FY2030 plans require M&A, we would like a bit more reassurance. When looking at the profit target exceeding ¥300 billion, what points will you focus on in management control? Why are you confident that its overseas business will succeed?**

A: (Kikuta) As you mentioned, while we've set a profit target of 40% for overseas business for fiscal 2026, our current figure is below 30%, indicating a gap. The main factors are the underperformance of our Oceania operations and, more significantly, the relatively slow monetization of our Southeast Asian business.

Looking ahead, I believe that the most reliable way to secure profitability is expansion into developed markets, where cash flows are more stable. Specifically, the US, Australia, the UK, and Europe offer higher certainty of achieving the expected returns and lower volatility in growth. Therefore, we plan to increase our weighting in these areas. We continue to invest in developing countries to support growth. However, those are unlikely to be targets for large scale investments.

We are relatively confident because our business model of governing local management teams and driving subsequent performance growth has become well established. As a result, for example, the former CEO of our Australia business is now the CEO of the entire Asia Pacific region, and highly skilled local talent has joined our management team and is working alongside us. We recognize that the company is gradually moving beyond the previous stage where a typical Japanese company simply operated overseas businesses, becoming increasingly globalized itself. This shift is enhancing our global business expertise and insights, leading us to believe with high certainty that we can continue growing in the future.

Q: **In your comments, Mr. Kikuta, I believe you mentioned that you intend to strengthen the asset management business. I would like to ask specifically whether you are considering strengthening the domestic asset management business in Japan.**

In your explanation, you have provided several positive explanations, such as growing client needs, rising demand for asset management, and improving market sentiment. Based on this, I wonder whether there is a need to allocate more capital to strengthening the domestic asset management business rather than investing in overseas asset management

companies on a minority basis. Considering the Group's current holdings and management practices of its asset management companies, what discussions are underway regarding this point? Could you share, to the extent possible, whether any new points of discussion might be included in the next MTP?

A: (Kikuta) As you pointed out, driven by the policy of building an asset management nation, Japan's household financial assets have increased by more than ¥500 trillion over the past 10 years. Looking ahead 15 years, we expect them to increase by more than ¥1,000 trillion, making the growth potential in this area highly attractive.

However, in Japan, our largest asset management entity, Asset Management One, is one in which we are a minority shareholder. It is essentially a subsidiary of Mizuho, and its business is aligned with Mizuho's asset management strategy. We will cooperate as much as possible as a partner, but the entity is not basically aligned with our own strategy.

Regarding the possibility of owning a separate asset management company domestically to achieve economies of scale, we would consider such an option if an opportunity arose. However, in practice, I do not believe that such availability exists in Japan at the moment. It may appear in the long term, but the reality is that every company currently considers asset management to be important. Therefore, I honestly believe that no asset management businesses will come up for sale, and I do not see the situation changing in the short term.

On the other hand, if we were to acquire an overseas asset management company and that company already had a Japanese subsidiary, such a subsidiary could possibly function as a platform in Japan.

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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