

(Unofficial Translation)
FY2025-Q1 Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: August 8, 2025, 16:55–17:40

Respondent: Taisuke Nishimura, Executive Officer (Group CFO)

【Performance-Related】

Q The low progress rate of DL's fundamental profit is thought to be mainly due to the seasonality where dividends income from equities in Q1 and Q3 is limited, resulting in a low positive spread. Are there any other causes?

A The main factor is the seasonality of interest and dividends income. From the outset, we did not expect significant interest and dividends income in Q1, and the result is within expectations.

Q Compared to last year, have the factors contributing to increased interest and dividends income decreased? Since hedge costs have declined, is there no significant negative impact on the positive spread?

A While interest and dividends income from investment trusts and others has decreased, hedge costs have also fallen due to a reduction in the balance of hedged foreign bonds. This has partially offset the decline in the positive spread.

Q In page 9, it shows that DL's New Business ANP declined due to an absence from the strong sales of "Step Jump" in the previous year. Please explain the current main products and any new products planned to launch in the future?

A On a YoY basis, sales performance has deteriorated due to the effect of new product launches wearing off. On the other hand, as shown on page 15, the Value of Sales Revenue, which had been on a declining trend, is now on a recovery track, and we are currently focusing on selling executive-insurance for small and medium-sized enterprises. Going forward, in addition to launching new products, we will aim to further improve sales performance through strengthening training systems and optimally allocating resources.

Q Please explain how you view the new business performance. Regarding the YoY decrease, was it mainly due to a decline in sales volume, or were factors such as increased operating expenses and higher interest rates more influential?

A The decline is largely due to the rebound effect from the strong sales of "Step Jump". At the same time, internally we have ambitious plan for sales target and intend to further increase sales volume.

Q In line with the full-year forecast, what has outperformed and what has underperformed?

A DL is progressing as planned, and there is room for upward revision depending on the volume of domestic stock sales. DFL has underperformed due to acquisition costs from an increase in sales volume of yen-denominated products and the impact of yen appreciation. DLRB has also underperformed by several billion yen in adjusted profit basis. In overseas businesses, PLC has outperformed, while TAL has underperformed mainly due to increased insurance claims payments.

Q I understand that the low level of net income was influenced by bond replacement losses in DL. On the other hand, please explain why DFL's accounting income has increased?

A First, adjusted profit was lower than expected. This was mainly due to the large amount of policies denominated in US dollars, which resulted in a negative impact during yen appreciation from factors such as a decrease in interest and dividends income from foreign currency assets. In addition, although sales of yen-denominated products are strong, yen-denominated products that are not reinsured have higher initial costs compared to foreign currency-denominated insurance products that are reinsured. Net income has increased due to the impact of Market Value Adjustment (MVA), but adjusted profit decreased due to factors such as an increase in sales expenses.

Q Regarding MVA, can we expect positive effects such as a review of reinsurance costs amid changes in accounting regulations?

A It is important to determine what kind of portfolio to build and how to manage the new policy block, but this will not significantly change the accounting treatment of DFL.

Q Regarding the full-year outlook for adjusted ROE, can we expect it to exceed the cost of capital again this fiscal year?

A There is no change to the full-year forecast for adjusted ROE from what was announced in May.

Q How much does DLRB contribute to the group adjusted profit?

A Although net income is volatile, the adjusted profit budget is approximately ¥20bn, and we currently expect a decline of approximately ¥5bn.

Q What was DLRB's Q1 result?

A A loss is about ¥1.5bn.

Q Regarding the ¥11.4bn negative figure for DLRB shown on page 5, is this not the contribution to adjusted profit?

A That figure is a YoY comparison.

[DL Asset Management]

Q Regarding the rebalancing of yen-denominated bonds in DL, we understand that bonds are sold first and then purchased later. Page 16 shows a reduction of approximately

¥120bn in Policy-reserve-matching yen bonds (PRMB). When do you plan to purchase them in the future?

A The dollar duration of bonds is currently about 100%, and we are managing with the aim of more precise cash flow matching. While purchasing ultra-long-term bonds (30- and 40-year), we are selling bonds with relatively shorter remaining durations to adjust cash flows. Sales were the focus in Q1, but purchases will also be implemented gradually going forward.

Q Regarding the sale of domestic equities, we understand that you have committed to reducing your holdings based on market value, and that when stock prices rise, you will need to increase the amount of your reductions accordingly. Based on that assumption, when considering a single fiscal year, what stock price will be used as the benchmark, and by how much will the stock price need to rise before the amount of sales is increased? In addition, it has been suggested that the rebalancing amount for yen bonds will increase when domestic equity gains increase. Please explain about the planned rebalancing amount.

A In our current medium-term management plan, we have set a target for reducing equity risk. In particular, unrealized gains on stocks are included in the capital used as the denominator of ROE, so we are considering the level of these gains as a factor in our decision to sell equities. Stock prices fluctuate daily, so we do not transact under a mechanical rule, but rather make sales based on certain judgments. At the moment, we are considering accelerating the rebalancing of bonds by utilizing equity sale gains, in light of rising interest rates. At this point, there is no clear answer regarding the level of sales, but we are constantly considering adjustments to the sale amount in line with market price increases.

Q Will PRMB decline in book value in line with decreases in in-force policies (liabilities)?

A As there are many liabilities with high assumed interest rates from the past, the decline will not be rapid, but it will decrease gradually.

Q The amount of equity sales was ¥92.9bn (with gains of ¥62.9bn), which is roughly one-fourth of the annual target of around ¥380bn. You plan to consider additional sales in light of rising market prices, but on the other hand, bond sales losses of approximately ¥40bn have been recorded, resulting in a net gain/loss on securities sales of ¥32.5bn for Q1. The full-year forecast assumes total securities gains of around ¥200bn. Over the remaining three quarters, will you build up around ¥60bn of equity gains each quarter to reach ¥200bn, or is there a possibility of incurring further bond losses and failing to meet the full-year capital gains target, or alternatively, adjusting with more equity sales gains?

A Regarding gains on the sale of securities, we do not plan to increase the sale amount further because the expected gains on the sale of shares will not reach the full-year forecast. However,

given the rise in the market value of our holdings, we may increase capital gains from a perspective of risk management or improving ROE. If the sales amount increases, the gain on the sale of equities will rise, but it is also possible to increase the rebalancing of bonds. Assuming that profit targets are achieved, we also anticipate implementing improvements to our yen bond portfolio, mainly through bond rebalancing, which is expected to improve bond yields.

Q Regarding the chart on page 6, “[DL] Positive Spread and Yield Trends and Outlook,” should the outlook for yields be understood as reflecting actual projections, or is it only illustrative and not intended to be interpreted quantitatively?

A Although based on certain assumptions, the outlook is presented in a manner that reasonably reflects actual conditions.

Q If the yield on fixed-income assets can significantly exceed the average assumed interest rates, would it be possible to consider selling all risk assets, applying leverage, and thereby enhancing the overall return?

A While remaining mindful of over-hedging, we will continue to pursue cash flow matching as part of ALM. Within this framework, we will maintain a certain level of risk assets, reduce the allocation to domestic equities, and increase exposure to alternatives. We will also actively work to improve yields on fixed-income assets to expand the positive spread.

Q Based on the chart, is it correct to assume that the base yield will always be positioned above the yield on fixed-income assets?

A We intend to follow this policy.

【Operational Efficiency and Cost Improvement】

Q Regarding the “Initiatives to improve operational efficiency” described on page 7, what specific measures are being considered?

A DL's Insurance-Related Profit is in a phase where contracts sold in the past with higher assumed rates of return are declining, while operating expenses are trending upward due to factors such as inflation. Given the large scale of DL's in-force policies, it is necessary to improve the cost efficiency of the back-office operations that manage these policies. We are currently considering measures that reverse-engineer the required costs and target levels based on the declining size of in-force policies. This includes leveraging digital technologies such as AI. Specific measures will be explained in due course.

【ESR】

Q Considering planned investments and cash outflows from share repurchases, what is the expected level of ESR? Additionally, what discussions are currently taking place regarding the revision of the approach to measuring lapse risk?

A Even after reflecting planned investments, ESR is expected to remain near the upper end of the range. One factor that could reduce ESR is lapse risk in a rising interest rate environment; however, at DL, the sale of single-premium saving-type products is being restrained, so this risk is limited. At DFL, the sale of saving-type products with MVA allows lapse risk to be controlled. Across the group, many products include MVA, and according to our models, we do not expect significant lapse risk. Regarding industry-wide or regulatory discussions on methodology revisions, we are not aware of any at this time.

【Assignees to Insurance Agencies】

Q In light of information leakage incidents at other companies, could you share any revisions to your policy or specific measures regarding the secondment to insurance agencies, including financial institutions?

A We refrain from commenting on incidents at other companies. In bancassurance, we will continue sales while maintaining sales quality. Regarding secondment to insurance agencies, we plan to eventually abolish it.

【Other】

Q Regarding the “Valuation Gains/Losses from Asset-Liability Spread Mismatch” for DLRB on page 8, a similar case occurred at PLC in the past. I understood that PLC subsequently changed its accounting policy to prevent such mismatches. Is it correct that DLRB has not adopted a similar accounting policy change?

A At PLC, the portion previously based on net income was redefined as adjusted profit, with items positioned below net income designated for adjustment. The DLRB case involves a mismatch between net income and adjusted profit and arises from differences in recognition on the P/L. Although it is not the same as the PLC case, this is considered a similar phenomenon under US-GAAP.

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

[Company name abbreviation] DL: Dai-ichi Life, DFL: Dai-ichi Frontier Life, PLC: Protective, DLRB: Dai-ichi Re Bermuda

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