

FY2025-Q3 Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: February 13, 2026, 16:55–17:40

Respondent: Taisuke Nishimura, Executive Officer (Group CFO)

Q: On page 10, regarding duration matching ratio, you show that it has been brought down to 91%. Please explain, if you have a target level in mind. Also, on page 9, it is stated that the DL plans to recognize ¥350 billion in realized losses associated with a ¥1.2 trillion bond rebalancing. How much of that relates to operations conducted specifically to lower the matching ratio?

A: The 91% level as of the end of December reflects a situation in which bond sales have slightly preceded purchases; we expect some bond purchases in Q4, which should lead to an increase in the matching ratio. As stated in the materials, our internal target is to control the ratio within 100%, and we do not anticipate lowering it further from the current level. We manage the ratio with a certain buffer, so that we do not become over-duration, while also monitoring fluctuations in duration of liabilities.

As for the increase in losses on sales this fiscal year, this was not driven by any specific operations to control the dollar duration ratio. Rather, this was largely attributable to the significant rise in interest rates during Q3 in particular. Under such circumstances, the expansion of realized losses was the result of executing the rebalancing operations aimed at achieving cash flow matching, as previously explained.

Q: In pursuing cash flow matching, what level of realized losses associated with next fiscal year's rebalancing should we expect?

A: We originally budgeted ¥80 billion in losses on sales for this fiscal year as of the beginning of this period, but this has increased significantly due to rising interest rates etc., and we now expect approximately ¥350 billion. For next fiscal year, we anticipate a somewhat lower level than this year's forecast, but taking potential interest rate increases into account, it is likely to be higher than ¥80 billion.

Q: Regarding the ESR, if we proceed with additional equity sales next fiscal year, it would increase further; how do you view the fact that it is already exceeding 200%?

A: Our current target range for ESR is 170% to 200%. If we were to remain consistently above 200%, we believe it would be appropriate to provide further explanation regarding our approach.

However, J-ICS framework will come into effect at the end of March, and going forward, Japanese insurers will disclose their respective figures. In addition, compared with when we initially set the 170% to 200% target range, it is our impression that global standards have been trending higher overall. While nothing has been decided at this stage, we will continue to review this and provide further clarity in due course.

Q: You have raised full-year forecast by ¥30 billion. In making that decision, I assume you may also have felt that next year's earnings base could potentially be raised by a similar amount.

Regarding the improvement in positive spread from rebalancing, I believe the figure you mentioned previously was around ¥7 billion on a pretax basis. With the carryover into next fiscal year, that has now increased by about ¥10 billion to ¥17 billion. With respect to the recent upward revision of ¥30 billion, what are the key drivers behind this increase in earnings, and would it be possible to achieve a similar level of earnings growth in the next fiscal year as well?

A: With regard to next year's outlook, while we do not have a precise view at this stage, you are correct in your understanding that the positive spread is expected to increase earnings by approximately ¥17 billion next fiscal year as a result of this year's bond rebalancing operations. In addition, with respect to capital gains and losses, the rise in domestic stock prices has contributed as a base factor. In terms of underlying earnings capacity, at DL, the assumed interest rates is expected to decline while at PLC, a trend of earnings growth is anticipated. At TAL, although the impact of increased claims payments has expanded this fiscal year, we expect a recovery next year following the strengthening of reserves. We are also seeing profit contributions from newly executed investments, and therefore foresee earnings growth next fiscal year with a certain degree of confidence.

Q: Regarding PLC's profit growth for the next fiscal year, given that profit growth was anticipated from the outset, do you feel it is exceeding expectations?

A: Looking at Q3 compared with the previous year, the areas showing growth are DL's investment-related earnings and PLC. Our overall view has not changed significantly between Q2 and Q3. While yen interest rates have risen, there have been no significant changes in the external environment overseas. Nevertheless, both companies continue to demonstrate a positive earnings trend.

Q: Regarding the rebalancing of JGBs, we understand this is a practice conducted by various life insurance companies. For policy-reserve-matching bonds, they are bought and sold

while considering various ALM logic and other factors. However, what is the typical lag between selling and purchasing?

Also, it appears that most life insurers are taking similar actions. It seems operations are being conducted where bonds are sold when interest rates are low and purchased after rates rise. Please clarify these transactions.

A: As for JGB rebalancing, I would prefer not to comment on the specific operational details. These are policy-reserve-matching bonds, and we continuously adjust assets in line with liability movements to maintain appropriate duration ratio. As you mentioned, compared with the past, the proportion of rebalancing has increased relative to simple purchases.

Q: First, on page 15, you provided an analysis of foreign exchange risk. Are there any implications from this that would suggest a more cautious stance toward overseas M&A going forward?

A: Regarding overseas M&A, our appetite for growing overseas profits remains strong. The existence of FX risk does not diminish this appetite.

FX risk in overseas operations arises from business activities, and it is neither realistic nor necessary to fully hedge net assets or EV as a precondition for investment. We also have some capacity to raise foreign currency funding, and we are currently examining various options for managing FX risk within our overall strategy. However, we do not anticipate any major change in policy at this stage.

Q: Second, on page 42, regarding private credit balance, through the monitoring conducted at HD, have you identified any new risks or any new considerations for future actions? If so, I would appreciate it if you could share them.

A: On private credit, PLC in the US has the highest exposure within our Group, but even so, compared with US peers, the portfolio remains relatively small and conservative. However, regarding private credit, we believe there is merit in increasing exposures, as our life insurance business model allows us to take on liquidity risk. In implementing this, we will proceed cautiously after establishing systems for monitoring risks on J-ICS and underlying credit.

Q: First, regarding the ¥21 billion upward revision to DL's stand-alone adjusted profit, could you provide a more detailed breakdown? From the presentation, it appears similar to what we saw in Q2, with gains from equity sales exceeding expectations. Specifically, how much did gains from domestic equity sales increase? Conversely, losses from bond rebalancing

increased by ¥150 billion, and positive spread also exceeded expectations. While the total upward revision to underlying profit is ¥21 billion, please provide the breakdown.

A: Regarding the ¥21 billion breakdown, positive spread improved by approximately ¥15 billion before taxes, and for insurance-related gains and losses, we expect several billion yen of improvement due to lower operating expenses. Domestic equity sale gains increased by about ¥100 billion before taxes, while losses from bond rebalancing increased by roughly ¥150 billion. In addition, we recorded gains from interest rate-related derivatives, including swaptions and hedges. Taking these factors together, the net impact is a post-tax increase of ¥21 billion.

Q: Regarding ESR, you mentioned that the target range is determined taking global peers into account. Two listed non-life insurers in Japan have decided to remove the upper end of their ESR target ranges after reviewing other global companies. Is removing the upper end also an option you are considering?

A: Regarding the ESR target range, our Board determines the range in March as part of our overall risk-taking policy and discloses it in May. Therefore, we cannot provide a definitive view at this stage. If I may add a personal observation, we set ESR as a condition when issuing subordinated bond, and with the introduction of J-ICS, the Financial Services Agency has also presented reference ranges for the industry. Compared with when we originally set the range between 170% and 200%, we believe the median level of capital soundness across the industry has increased. We will take these factors into account as we continue our review, but we cannot provide definitive information at this time.

Q: Regarding the positive spread at DL, you indicated in the materials that contributions came not only from the sales of domestic equities and bond rebalancing, but also from other factors. Could you elaborate further? Looking ahead to next fiscal year, is the outlook for earnings from alternative assets expected to strengthen, or was this fiscal year's result stronger than usual?

A: Regarding the positive spread, interest rates have risen, so compared with this fiscal year, interest income from bonds is expected to increase next fiscal year. As for alternative assets, there is volatility, and at this stage, we do not have a particular view on how the next fiscal year will be compared to this fiscal year.

Q: Regarding ESR, I would like to ask about the logic behind raising the median level. Why is it necessary to consider the levels of other companies in your risk management? I would appreciate your current thoughts on this point.

A: Regarding ESR, I may have expressed my personal view, but I have the impression that the required capital level tends to rise over time as companies adjust their operations whether it's solvency margin ratio or US RBC.

I believe it is necessary to consider both perspectives: whether operations can withstand various shocks, and whether the capital level is competitive relative to peers. I recognize that this relative aspect has risen somewhat as an overall observation.

Q: First, regarding page 8, you indicated a target of reducing equity holdings to ¥2.8 trillion or below by the end of the fiscal year ending March 2027. You also mentioned that equity sales next fiscal year are expected to be at a level similar to this fiscal year. Am I correct in understanding that this assumption is based on current market levels? If equity prices were to rise further, would it be possible that the amount of sales next fiscal year could increase in order to achieve the ¥2.8 trillion target?

A: With regard to equity sales next fiscal year being at a level similar to this year, that assumption is based on current market conditions. The actual amount will depend on future market developments, and if equity prices rise further, it is possible that the sales amount could increase. We will continue to assess the situation.

Q: About capital and business alliance with Infomart Corporation, is it fair to understand that the primary objective is to leverage Infomart's customer base to expand sales of your corporate and group insurance products? Are there any other synergies you can share about this deal?

A: As for Infomart, as stated in the materials, the company holds a leading position in digital ordering and invoicing services for SMEs, including restaurants, and we believe there is strong compatibility with the Benefit One platform.

As we engage with SMEs together with Benefit One to provide value, Infomart's services can contribute to improving operational efficiency. Through these interactions, corporate and group insurance can be presented as one of the available solutions, and we expect the alliance to contribute indirectly to the expansion of corporate insurance sales.

Q: Regarding the capital release at DFL, if this is executed at the fiscal year-end, should we expect any visible change in shareholder payouts or in your investment capacity going forward?

A: Regarding the capital release at DFL, following the introduction of economic value-based capital regulations, we expect DFL to be able to resume dividend payments to HD going forward. In addition, in principle, the capital surplus reduced this time as a result of the regulatory changes is expected to be added to dividends paid to HD. The actual amount of dividends to HD, including profit-based dividends, will be determined after carefully assessing the year-end financial position and solvency situation.

Q: Regarding the information leakage incident, there have been various concerns raised recently. Could this matter have any impact on your shareholding policy, for example in relation to group insurance or group annuity products, or is it considered an independent matter?

A: This is a completely independent matter, and that there will be no impact.

Q: Regarding the upward revision to adjusted profit, while PLC's net income has been revised downward, it has revised up its forecast on adjusted profit basis. Could you explain the reasons and the amount impacted by this difference?

A: The key factor here is LDTI. Starting in Q4 of this fiscal year, PLC is applying the new LDTI accounting standard.

With respect to long-duration insurance contracts, protection-type products had previously been managed largely on a locked-in basis at the time of contract inception. However, under a change in accounting standards known as LDTI, assumptions are now updated each period, similar to annuity products. Under LDTI, protection-type products—including those with particularly long elapsed durations—are comprehensively remeasured, and the impact of the accounting standard change is recognized in the income statement. As a result of LDTI, accounting net income will temporarily decline, and this impact has been reflected in the current forecast. This change is solely attributable to a revision in US GAAP. In accordance with the definition of adjusted profit, the impact for this fiscal year arising from the in-year accounting standard change is excluded from the adjusted profit. From a cash perspective, a decline in US GAAP earnings does not directly result in a reduction in dividends to HD. Remittances to HD are assumed to be based on adjusted profit. While the final amount to be excluded from adjusted profit for the current fiscal year will be disclosed at the time of the Q4 results announcement, we currently expect it to be around \$200 million.

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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