

(Unofficial Translation)
FY2024-2026 Medium-Term Management Plan
Q&A Summary

Date: March 29, 2024 17:00-18:00
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Target of Adjusted Profit

Q You seem to expect to generate about ¥240 billion in adjusted profit from the domestic insurance business and about ¥130 billion from the existing overseas business (excluding inorganic growth) toward achieving ¥400 billion in adjusted profit in the final fiscal year of the new Medium-Term Management Plan (“MTP”). What is your forecast for the level of adjusted profit for each major domestic and overseas entity?

A Although we refrain from showing specific figures for each entity, we expect that the main contributors for the increase in profit of domestic business will be the increase in DFL's AUM and gains from the sale of DL's domestic equities will contribute to adjusted profit. Furthermore, we expect an increase in the adjusted profit of PLC in normalized basis, etc. in the overseas insurance business.

Q The plan for adjusted profit is ¥270 billion for FY2023, and the target for FY2026, the final year of the new MTP, is ¥400 billion. What is the projected adjusted profit for each year during the new MTP period? Do you expect profits to increase continuously, or will there be a large one-time increase due to the sale of equity holdings by DL?

A DL expects to sell its equity holdings more in the early period of the new MTP period, rather than the same pace. Since we also expect underlying profit growth, we do not expect a temporary spike in profits, but rather a linear increase.

Q Regarding the adjusted profit target of ¥400 billion for the final fiscal year of the new MTP, will the breakdown by entity be disclosed in

the future?

A A profit forecast for each entity is disclosed on a single-year basis, and profit forecasts for FY2024 are scheduled to be disclosed in May. A three-year profit forecast for each entity has not been disclosed and is not planned to be disclosed in the future.

Q You have set a goal of ¥600 billion in adjusted profit for 2030. How feasible is this? How extensively has this matter been discussed within the Board of Directors?

A The adjusted profit target for 2030 includes a certain amount of ambition compared to the adjusted profit target of the new MTP. Roughly speaking, there is a stretch of about ¥100 billion against the organic growth. However, we are assuming that after 2027, we will reduce share buybacks and shift to strategic investments, and we believe that the funds for strategic investments between 2027 and 2030 will be considerably larger than during the new MTP period, and that the adjusted profit target for 2030 will be achievable. These points have been well shared by the Board of Directors.

Financial & Capital Strategy : Shareholder Payouts

Q Will the equity holdings in DL by ¥1.2 trillion in the next three years (approximately equal to 30% of its market value) be reduced in the same pace? It seems ¥500 billion of capital will be released and ¥600 billion of profit after tax will be generated from it. How do you recycle those profits and make it into shareholder payouts?

A Although I cannot say the details regarding the pace of equity reduction for each fiscal year, given that Japan's stock market is rising recently, we plan to sell equities more in the relatively early stage of the MTP period. Those profits are to be used for shareholder payouts, strategic investments, and enhancement of DL's balance sheet by rebalancing the bond portfolio or reinsurance transactions to reduce interest rate risks, in order to improve profitability.

Q Assuming that ¥100 billion is allocated per year from the three-year ¥300 billion strategic investment, then ¥300 billion will be left in FY2026 (adjusted profit target of ¥400 billion in FY2026 minus ¥100

billion.) Given that the adjusted profit target is set according to the equity reduction plan at DL and the profit from it will help boost cash flow and ESR, can we expect the amount of the shareholder payouts based on this way of simple calculation?

A I cannot state clearly the amount of future shareholder payouts since it might be changed by environmental factors, but we would like to first increase the dividend payout ratio to 40% or higher, and aim for a total payout ratio of 50% over the medium to long term, with flexibility in additional return. We will decide the level of flexibility for “achieving capital efficiency that exceeds the cost of capital”, which is our priority target.

Q Considering that the total payouts level will be maintained and the case that adjusted profit of ¥400 billion is achieved in FY2026 with the total payout ratio of 50%, I guess the amount of shareholder payouts is likely to be the ¥200 billion, and dividends will increase and share buybacks will decrease toward the final year of the new MTP. On the other hand, the revised allocation between cash dividends and share buybacks would be compatible with efforts to reduce the cost of capital. Will you reduce the amount of share buybacks from ¥100 billion toward the final year of the new MTP as the Vision for FY2026 being realized?

A The only things we have decided for now are to pay cash dividends with a payout ratio of 40% or higher and to aim to reduce the cost of capital to 8% and increase ROE to 10%. In order to realize them, financial measures, including share buybacks, will be determined. Therefore, rather than considering the allocation between cash dividends and share buybacks at this stage, those decisions will be made on a case-by-case basis in order to realize our Vision.

Financial & Capital Strategy: Strategic Investments

Q It seems the strategic investment capacity in the new MTP period will be about ¥260 billion if excluding the investment in Canyon Partners. It is explained that overseas business will generate ¥30 billion in profits through M&A, but even if all of the ¥260 billion were invested in projects with P/E ratio of 10x or less, I think you would

use up the strategic investment quota. Is there a possibility of increasing the strategic investment amount during the new MTP period to achieve non-linear growth?

- A Under our policy of focusing on shareholder payouts, we have set a strategic investment amount of ¥300 billion, and depending on the cash amounts to enhance DL's balance sheet and amount of capital and cash to be generated, if there is a surplus, we possibly add some of this amount to the strategic investments. However, at this point, we consider the strategic investment to be ¥300 billion, and again, in the MTP period, we will place the highest priority on "achieving capital efficiency that exceeds the cost of capital". We will carefully select strategic investment opportunities taking care of capital efficiency.

Financial & Capital Strategy: Change in Definition of Adjusted Profit

Q What is the impact of the change in the definition of adjusted profit? For example, how much of an impact would it have on a FY2023 profit basis?

- A The impact is significant for PLC and TAL. For example, in FY2022, when the interest rates in the US and Australia rose, PLC's non-operating loss was approximately \$450mil and TAL's non-operating profit was approximately AU\$140mil (before retrospective application of IFRS17). Due to the change in the definition of adjusted profit, a certain portion of these is expected to no longer be generated from FY2024.

Q How will goodwill be affected to adjusted profit?

- A Goodwill has been excluded from the definition of adjusted profit so far, and this approach will not be changed.

Financial & Capital Strategies: Risk Reduction

Q You are aiming to sell ¥1.2 trillion of equity holdings at DL over the next three years. Tell us how much you sold them in FY2023.

- A On a market value basis, we sold in the mid ¥200 billion range.

Q So, is it correct to say that the amount of equity sales in the new MTP is expected to increase by tens of billions of yen or more in a single year compared to the previous MTP?

- A The image is as you understand it.

Q What are the initiatives on interest rate risk reduction?

A We have reduced interest rate risk considerably during the previous MTP. What remains is the duration portion of the long end of the 40+ year term, which is difficult in cashflow matching. We will focus on reducing interest rate risk in this area in the future. We are considering closing the gap on a dollar duration basis and separating out liabilities that are difficult to match by ceding them.

Q Tell us about the scale of reinsurance transactions in the new MTPs?

A We cannot give a specific amount at this time. However, since interest rate risk is becoming considerably smaller, we do not think it will be a large amount.

Other KPI Targets

Q In page 21 it is mentioned that new MTP targets of KPIs will be updated in May 2024, which describes targets of KPIs. What will be updated? Also, how were the market assumptions in the new MTP set such as interest rates and exchange rates?

A The economic assumptions of the figures in the material were as of January 2024, and then in May 2024, we will disclose the targets based on the economic assumptions as of March 2024 again.

Q Will the VNB target for the new MTP be also disclosed in May 2024?

A For each fiscal year, we will set the next fiscal year target of VNB based on the previous fiscal year. We have not set VNB as KPI of HD, and we will only disclose the forecast for each fiscal year. On the other hand, we have set VNB as KPI of each operating company.

Q As a KPI target related to market valuation, the relative TSR target is set at relative superiority (medium or higher), but I felt somewhat strange about the fact that the Group is aiming for relative

superiority while aiming to double its market capitalization. What is the objective of this target? Should the goal of doubling the market cap and the goal of relative superiority in TSR not be viewed side by side?

- A From FY2024 we will compare TSR with 14 peers, which contain global insurers, , and aim medium and higher position among them in TSR. As you mentioned, it is better to recognize that the target of doubling the market cap is different from the target of **relative superiority in TSR**. Market cap has increased from ca. ¥3 trillion to ca. ¥4 trillion since we said we would like to aim to double market cap (at the beginning of FY2023), so the starting point is different between the market cap target and the TSR target.

Domestic Insurance Business Strategy

- Q **I would like to ask growth potential of domestic insurance business. Is it difficult to anticipate expanding revenue from core insurance activities in the new MTP? It seems that profits from domestic business will not increase during the next MTP as the vision for 2030 is to achieve an adjusted profit of ¥600 billion, of which 40% will come from the domestic insurance business. Is it correct to understand that the mid-to-long term direction of domestic insurance business is maintaining current profits level?**
- A New business performance of DL is currently favorable due to the launch of a new product in January, the significant product revision of business life insurance of key person protection in March and the launch of a new product in April. In terms of headcount of sales reps, as we had shifted to selective recruitment, current number of hires has steadily increased. For instance, the number of hires in April is more than 1,000 people. In this situation, we expect that VNB of DL will bottom out in FY2023 and significantly reverse in FY2024, so it comes into consideration that we will recover VNB of DL to pre-COVID level by FY2026. On the other hand, since it will take time for VNB to contribute to earnings, insurance profits from domestic insurance business will not significantly increase considering demographics in Japan, then we basically aim to maintain the flat profits level.

Q Fixed cost reduction plan in DL was mentioned. Is it correct to understand you will maintain the profits level based on that?

A Yes.

Note: We made partial additions and alterations in preparing the above summary for clarity.

[Abbreviated company names]

HD: Dai-ichi Life Holdings, DL: Dai-ichi Life, DFL: Dai-ichi Frontier Life, PLC: Protective

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