

**(Unofficial Translation)**

**Conference call for Sell-side analysts on Acquisition of Partners Group Holdings Limited  
("Partners Life"), a New Zealand life insurer, as a wholly owned subsidiary**

**Q&A Summary**

Date: August 12, 2022 17:00-18:00  
Respondent: Akifumi Kai, Chief of Corporate Planning Unit  
Atsushi Nakamura, Chief of International Life Insurance Business Unit

**Partners Life and New Zealand market**

**Q Can you share the future outlook for in-force business ANP and profits?**

A We expects in-force business ANP to continue to grow based on the strong performance of new business sales. Although it is somewhat difficult to expect rapid growth of double-digit CAGR as in the past, we assume stable single-digit growth. Acquiring bancassurance channels through the acquisition of BNZ Life is also expected to be a room for further growth. As interest rate fluctuations seems to be getting stabilized, we anticipate that the risk of a sharp decline caused by financial market fluctuations will decrease. On the other hand, it should be noted that the costs, associated with the integration of BNZ Life, will incur in the short term.

**Q Given that you expect a profit level of about NZ\$67 million in FY2026, which is about double the current level, what are the upside and downside factors for this assumption? Does this assumption also incorporate group synergies?**

A While net income is expected to grow almost linearly toward the level of FY2026, we think it is necessary to consider the impact of interest rate fluctuations. The amortization costs for intangible assets through this acquisition will also affect, but we can't indicate certain amount of such costs at this moment. Profit assumptions do not include synergy effects. Collaboration with TAL in Australia, which has commonality in terms of market and culture, could be an upside.

**Q Premium income for the past three years has grown significantly. Is this either gross premium or net premium after adjusting reinsurance premium, etc.? In contrast to premium income, profit before income taxes has been declining. What is the background behind this?**

A Gross premium income which does not deduct reinsurance premium is shown on our release. The recent decline in profit is primarily due to rising interest rates. Net income has been affected downward by the operation of ALM aimed to maintain local regulatory

capital levels. As interest rates stabilize, we expect that this circumstance will be resolved.

**Q You said that net income swing downward due to ALM operation aimed to maintain local regulatory capital levels when interest rates rise. Does it mean there is a conflict between regulatory capital and accounting profit?**

A As you pointed out, Partners Life is conscious of maintaining capital based on local regulations. As a result, there is a noise in accounting perspective.

**Q Currently, there are concerns about the risk of a recession in New Zealand and central bank raising interest rates. Do these affect Partners Life's business?**

A It is not entirely unaffected by recessions or interest rate hikes, but considering the fact that the products they underwrite are mainly one-year renewal type, we anticipate it will relatively less affected. In addition, as the penetration of insurance is lower among other developed countries, we expect steady growth along with the New Zealand life insurance market.

**Q What types of asset management does Partners Life take?**

A A large proportion of its assets are term deposits for the sake of duration matching and not taking excessive investment risk in their ALM, as Partners Life mainly sells insurance policies with short contract period. Taking account of the group's overall investment risk management policy, we don't intend to change its current asset mix significantly.

**Q Can you share the future plan for the use of reinsurance.**

A Currently, capital-light operation utilizing reinsurance is being conducted flexibly. No decisions have yet been made for the future, but we will pursue the optimal measures, including the option of inter-group reinsurance with DL or DLRe as a reinsurer to retain profits within our group.

**Q Which accounting standards is adopted in Partners Life?**

A IFRS is adopted. IFRS17 is scheduled to be applied going forward, and it will be consolidated to the group financial statements with the reclassification to J-GAAP.

**Q You said that Partners Life has a competitive advantage in IFA's advisory platform. What IFA's advisory platform is like? And which regions are you considering to be able to apply that platform?**

A Partners Life has a "EVINCE", similar to DLs' "Life cycle design plan", which simulates

required coverage from customer attributes. This “EVINCE” is by far the lightweight system, while the analysis contents are not detailed when compared with the “Life cycle design plan”, and it is characterized by simplicity of operability. At first, we are considering the possibility to apply this in TAL's individual agent channel. Given the market is prevailed by individual agent channel, it is worth considering further application in other countries.

**Q While there is a recent trend in supervisor of financial institutions toward consumer protection in various countries, how is it in New Zealand?**

A We recognize that the regulatory reform on banks and life insurance companies has been accelerating since around 2018 in New Zealand as well. In particular, for financial advisors (FA), revisions to the licensing system and the obligation to disclose commissions have been progressed. While it is possible that the number of FAs will decrease due to the tightening of regulations, it is expected that the main layer of the decrease will be relatively low performance FAs, and therefore the impact on new business sales will be limited.

**Q You said New Zealand's insurance penetration ratio is low. How about insurance coverage ratio?**

A While we don't have exact numbers, Partners Life has approximately 0.6 million in-force policies in total, compared to a population of 5.12 million in New Zealand. Based on this, it can be thought that there is a considerable extent of insurance coverage ratio. We would like to uplift the penetration and coverage ratio while reviewing the balance among individuals and among areas.

#### **About This Acquisition**

**Q Since when has this deal been considered? Can you share the background, such as whether the bidding process was adopted or not etc.?**

A Based on the communication with the seller, we refrain from disclosing it in detail. We are taking time to screen potential projects considering geographical business diversification, etc. in the overseas business. On the other hand, on an individual deal basis, it has not taken many years to consider. Once we determine to proceed, we make necessary decisions promptly. We have been negotiating this acquisitions through individual dialogue rather than through bidding.

**Q You said that this negotiation has been done through individual dialogue. It seems that most of the sellers are investment funds. Are there any relationships with them from the past?**

A As Partners Life is a non-public company, we refrain from answering it.

**Q Why did you invest in overseas this time amid the yen depreciation trend? Can you share your risk appetite, including this deal?**

A We have not changed our policy of investing in opportunities that benefit from the improvement of our risk profile through diversification of business portfolio, as well as opportunities in areas and countries with high growth potential. We decided on this acquisition taking into account factors such as foreign exchange rate conditions, growth potential, profitability, improvement in group risk profile, and expected synergies etc.

**Q You said IRR on this investment is around 10%. To what extent of the time horizon do you assume in future cash-flow?**

A In accord with the long-term nature of the life insurance business, the calculation is based on a certain length of long-term cash flows.

**Q What kind of KPIs are the factors for impairment testing? How many years is the goodwill amortization term in J-GAAP?**

A While risks include whether the acquisition process for BNZ Life will be completed, changes in new business trends associated with the most recent repricing of premium by Partners Life, and the payment of insurance claims and benefits in conjunction with the spread of COVID-19, we confirmed that countermeasures have been taken and there is no need for excessive concern for those risks. The amortization period of goodwill can be anticipated 20 years based on the past cases, but will eventually be determined after consultation with the auditor.

#### **Impact on the Group Financials**

**Q What is the impact on HD cash position? Also, can we assume that the announced share buybacks of up to ¥120 billion will be started upon the announcement of this acquisition?**

A This acquisition is one of the uses of the HD cash position of around ¥400 billion toward the end of March 2024, which was presented at the Financial Analyst Meeting in May 2022. Going forward, our approach to balance strategic investments and shareholder returns has not change, and we think that the priority of share buyback continues to be high. We haven't made any changes to the previously announced plan for share buybacks up to ¥120 billion at this time.

**Q Relative to the acquisition amount of around ¥83 billion, the profit for FY2026 which is around ¥5.7 billion seems to be relatively small. How do you think of it?**

A In this acquisition, we consider the strategic significance to be the contribution to improvement of group risk profile and the promotion of ambidextrous management. In addition, profitability is expected to exceed the assumed cost of capital reflecting the characteristics of the target region and business, and it should contribute to improve group capital efficiency.

**Q Is it correct to understand that the EV of Partners Life is around ¥75 billion based on the P/EV multiple of 1.1 times? Regarding product development, you said that "existing policyholders can enjoy automatic upgrades when favorable products are introduced." Would this be a downside for Partners Life's EV calculation?**

A While we refrain from answering in detail, there is no objection to the understanding of the range calculated backward from the P/EV multiple. With regard to the impact on EV that you pointed out, although such a factor would be imaginable at the micro level, Partners Life is selling mainly one-year renewable protection-type products, and we believe that it will work favorably through gaining trust from customers and IFAs in the long term.

**Q If EV is around ¥75 billion and the net asset is around ¥55 billion, is it correct to understand that VIF will be around ¥20 billion?**

A In the process of accounting treatments for this acquisition going forward, VIF, intangible assets such as brands, and goodwill will be calculated. While it is assumed that a certain percentage will be allocated to the VIF, it is not possible to provide a clear number at this point.

(NOTE)The above content has been partially added or modified to make it easier to understand.

[Company name] HD: Dai-ichi Life Holdings, DL: Dai-ichi Life, TAL: Australia TAL, DLRe:

Bermuda Dai-ichi Re

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