

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

Date: May 15, 2026, 16:55–17:40

Respondent: Taisuke Nishimura, Managing Executive Officer (Group CFO)

Q: Regarding the target range of the ESR, while the ESR has risen to 220%, I recall you previously mentioned that the target range of 170% to 200% might be too low. Is it correct to understand that you now view this as having excess capital? I also believe cash is higher than expected. Could you please explain whether factors such as the investment pipeline or stock price currently present any constraints when considering a share buyback?

A: When considering share buybacks or strategic investments, we make decisions based not only on whether the ESR ratio remains at a sufficient level, but also in consideration of HD's cash position. Regarding share buybacks specifically, we also take the stock price into account.

Regarding the upper limit of ESR, we plan to provide a detailed explanation during our next financial analyst meeting on May 27th. As you pointed out, the current ratio is 220%. We are not in a situation where we would refrain from buybacks simply because 220% is not considered sufficient. We hope you understand that we currently have sufficient capital in terms of the ESR.

Q: Regarding ALM on page 9, there was an explanation that approximately ¥1.0 trillion of JGBs are expected to be rebalanced in FY2026. Could you confirm whether, for FY2026, the assumption is in fact ¥1.3 trillion—same as FY2025—rather than ¥1.0 trillion?

In addition, the dollar duration ratio has declined from the end of December 2025. There was previously an indication that the target was to maintain a level above 90%. Could you provide an update on this?

A: Interest rates have been highly volatile again today, and we intend to continue rebalancing bonds in a flexible manner while closely monitoring market conditions. Against this backdrop, in this disclosure we have indicated a planned range of ¥1.0–1.3 trillion for domestic bond rebalancing, deliberately describing it as broadly in line with FY2025.

Regarding the dollar duration ratio, we aim to control it while maintaining a certain buffer amid a rising interest rate trend, and with due attention to avoid over-hedging. We do not intend to manage it at a level below 90%; however, we are proceeding with bond rebalancing while controlling the dollar duration ratio in a prudent manner.

Q: At the time of the interest rate rise in January 2026, I understand that there were no JGBs approaching the 50% impairment threshold. Since further bond

rebalancing has taken place since then, is it correct to assume that there are still no JGBs close to the impairment threshold and that there remains sufficient buffer?

A: While we cannot disclose specific levels, we have been conducting bond portfolio rebalancing in a planned manner and are able to maintain an adequate distance from the threshold. At this stage, we are not considering making a hold-to-maturity declaration.

Q: Regarding the full-year forecast for adjusted profit on page 11, could you explain the factors behind the ¥25 billion increase in Oceania?

A: The main driver of the increase is a reduction in payments by TAL. This reflects the impact of premium rate increases, as well as the fact that IBNR reserves for already-incurred claims were largely provisioned in FY2025, leading to a reversion to a normalized level from FY2026 onward and, consequently, a significant variance.

With regard to Challenger's profit contribution, after taking into account our ownership stake, the projection includes profit in the high tens of billions of yen.

Q: Are dividends from Challenger already included in FY2025 adjusted profit, and will FY2026 reflect a full-year contribution?

A: For Challenger, the results for FY2025 include its contribution for the second half of the year as an equity-method affiliate. For FY2026, it is as you understand.

Q: With respect to the impact of LDTI adoption at PLC, profits have in the past been adversely affected, partly due to third-quarter unlocking. We would appreciate further clarification on the earnings outlook.

A: Regarding PLC, the legacy accounting standard was applied through the third quarter of FY2025, after which the new accounting standard, LDTI, was adopted at the fiscal year-end, resulting in a comprehensive remeasurement for the full year. In addition, prior-year figures have been retrospectively restated.

With respect to unlocking, for products to which the new standard has been applied for the first time, there are cases where cumulative adjustments have been recognized as part of the initial implementation, leading to significant fluctuations.

However, there has been no change to PLC's sustainable earnings contribution. On an adjusted profit basis, we expect further growth in the next fiscal year beyond the current year's results. At the Group level, we intend to manage the impact of the accounting change, including by taking remittances into account so that the effects do not extend to the cash basis.

Q: On page 24 of the material, regarding surrender trends. Currently, it appears that “Other Products” are also showing a slight increase. While the absolute level remains low, could you please explain how you are analyzing this fluctuation in the surrender rate, specifically, whether it is driven by interest rates or other factors?

A: We do not recognize any significant increase or upward trend in surrender rates for other products. The current surrender rate remains below 1% on a quarterly basis, and we understand that it continues to stay at a low level.

Q: Regarding the private credit exposure disclosed on page 43, the amount has decreased from ¥630 billion at the time of the 3Q disclosure to ¥400 billion due to reclassification. Could you explain what was excluded in this reclassification? Also, have there been any changes in your risk perception toward private credit compared to three months ago?

A: Previously, we disclosed private credit under a broad definition of credit assets. However, based on commonly used market definitions and investor interest, we have refined the scope of disclosure to focus on two categories: direct lending and private ABS/ABF.

In other words, traditional private assets such as infrastructure debt and bank loans have been excluded from the disclosure. We have reclassified the scope this time, considering feedback from investors and comparisons with peers.

As for our investment stance on private credit, we have also included some details in this material. We will maintain disciplined investment. Given the low liquidity characteristics, we will carefully select asset managers after thoroughly evaluating the underlying assets. We also intend to strengthen risk management by monitoring the asset composition and early signs of risk within the entrusted funds. Going forward, we plan to steadily increase our investment in private credit.

At present, we do not identify any concern about private credit investment.

Q: Regarding your risk appetite for private credit, how would you characterize your stance compared to three months ago: (1) contrarian risk-taking, (2) unchanged, or (3) more disciplined due to increased risks?

A: I think it's relatively closer to the third option. We accumulate assets in line with our ALM strategy and liability flows. While we expect a certain increase in the balance going forward, particularly for new mandates, we make selective investment decisions with close attention to risk management, and we will continue to proceed cautiously.

Q: For overseas business, you expect profit growth not only from PLC and TAL this fiscal year. Which country in Asia is expected to drive this growth?

A: DLVN is expected to increase in profit year-on-year. In the past, it paid bancassurance exclusivity fees to banks, and based on recent situation, a portion of these fees was impaired in FY2025. The absence of this one-off loss will contribute to the year-on-year profit increase.

Q: What was the reason for the upside in overseas business profits in FY2025 compared to the revised forecast announced in February?

A: The main factor was TAL. The deterioration in claims experience through 4Q remained more moderate than we expected, resulting in an outcome above the February revised forecast.

Q: Regarding the positive spread for DL shown on page 11, it was explained that alternative investments made a significant contribution in FY2025. What is the outlook for FY2026?

A: Regarding income distributions from alternatives, the strong performance in FY2025, particularly from hedge funds, is assumed to normalize in FY2026.

Q: Of the positive spread of +¥32 billion for FY2026, there is +¥18 billion from investment income and +¥16 billion from assumed interest. Does the difference of approximately negative ¥2 billion represent the portion expected to deteriorate year-on-year?

A: There is a negative ¥2 billion factor that is not explicitly stated on page 11.

Q: In the FY2026 outlook shown on page 11, how is M&G reflected? While equity-method is expected in the future, will adjusted profit reflect dividends or equity-method earnings? Also, HD & Others shows the largest upside versus the February forecast, could you explain the factors behind lower-than-expected costs and the reasons for the increase of ¥20 billion in FY2026?

A: Regarding M&G, the investment process is still ongoing, and as it is a listed company, we are unable to provide specific details regarding profits. It is expected to become an equity-method affiliate in the future, but until then, dividend income will be recognized.

As for HD & Others, the increase is mainly attributable to higher expenses at the holding company, including personnel costs and other operating expenses, as well as increased interest expenses. In addition to higher borrowing costs due to rising interest rates, we also anticipate increased spending on cybersecurity and group rebranding initiatives.

Q: In the February revised forecast, HD & Others was projected at negative ¥43.5 billion, whereas the actual result was negative ¥25.4 billion. What caused this significant deviation from the plan?

A: The main factors include the under-execution of the budgeted business expenses and the recognition of deferred tax assets related to foreign tax credits associated with overseas tax payments.

Q: Regarding the surrender rates for DL's single-premium products, is this trend falling within the range of expectations, or is it rising at a pace that warrants some caution? Also, how do you assess the risk of a significant increase in lapses beyond your assumptions?

A: For the single-premium savings type products, particularly those without surrender charges that DL previously sold at very low assumed interest rates, some level of switching may occur. We manage this risk through ALM including dollar duration control and the use of hedging positions. At this stage, we do not expect a significant increase in lapses beyond assumptions.

Surrender rates for single-premium saving type products have risen slightly, and there may be some movement by policyholders toward higher-yielding products. However, we do not intend to actively promote such switching.

Q: Regarding the group value of new business, it was mentioned on page 15 of the slide that the valuation methodology has been revised to reduce sensitivity to rising interest rates. Could you elaborate on this change? Is it appropriate to understand that, in principle, rising interest rates have a positive impact on value of new business?

A: Rising yen interest rates are positive for DL's level-premium individual annuities and DFL's single-premium yen-denominated products. Higher interest rates are expected to enhance product attractiveness for customers, thereby supporting sales growth, while wider investment spread are expected to improve profitability.

DFL has characteristics whereby the profitability of its products is not necessarily fully captured within the definition of VNB. Specifically, for portions invested in alternative assets that generate a certain level of spread, their value is not recognized at the point of acquisition under VNB, but instead becomes evident over time through annual risk release and contributions to earnings. As we enhance our disclosures going forward, including detailed information on EV, we would like investors—when evaluating DFL—to focus not solely on VNB, but rather on whether investment income is being generated steadily as AUM accumulates year by year.

Meanwhile, we have revised the model for individual annuities for DL. Specifically, rather than simply increasing future value in line with rises in interest rates, spot rates, and forward rates, we have revised the model to better reflect the detailed product features, while also incorporating a certain degree of conservatism. As a result, higher interest rates do not directly translate into a full increase in EV value. Instead, value will be recognized as earnings are realized over time.

Q: Regarding the ESR on page 14, I understand that the increase to 220% from the previous fiscal year-end was mainly attributable to the rise in stock prices. However, as stock prices have been broadly flat over the past three months, could you elaborate on the factors behind the 7% point increase from 213% at the end of Q3?

A: Regarding EV, we are disclosing provisional figures this time, and while we plan to present the details of the changes going forward, the main factors in Q4 were foreign exchange fluctuations and changes to the model. As mentioned earlier, with the introduction of J-ICS regulations, we have been reviewing our models as part of the process of undergoing audits and related reviews. These model revisions also had a positive impact on EV.

Q: Looking at this chart of the average assumed interest rate on page 9, it appears that the trend shows the rate continuing to decline steadily from the FY2030 onward. I would assume that by FY2030, the assumed interest rates for level-premium products will have risen significantly. Even so, will the average assumed interest rate continue to decline?

A: The graph does not incorporate any future changes in assumed interest rates or standard interest rates. The standard interest rate is highly lagged in nature and structurally tends to be slow to rise.

Q: Regarding the increase in the surrender rate for savings type products on page 24, are policyholders switching to other products within the Group? Could you explain where the surrendered funds are flowing?

A: Lapse rates for DL's saving type products have remained low, and we do not specifically track where surrendered funds are redirected. DL's sales channels offer both DL products and DFL products, and during the lapse peak amid rising overseas interest rates shown on page 24, some customers switched to DFL products based on their needs.

Q: Is it correct to understand that there has not been any significant outflow of funds?

A: Not at all.

Q: Regarding page 8, the Company sold ¥800 billion of domestic equities in FY2025 and plans to sell around ¥800 billion again in FY2026. Is it correct to understand that the annual number of sales over the four years from FY2027 will likely be around half of ¥800 billion? If so, could you explain the expected impact on the P&L?

A: As we have previously explained, our basic approach to domestic equity sales is to proceed at an even pace toward reducing the balance to ¥1.5 trillion or less by FY2030. In years when stock prices rise significantly, this may result in a larger amount of sales. This is why the amount of equity sales is higher in FY2025 and FY2026. As for equity sales from FY2027 onward, no specific plan has been determined at this point. We will make decisions each fiscal year from an ALM perspective, taking into account market conditions such as stock prices and interest rates.

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

[Company name abbreviation] HD: Daiichi Life Group, Inc., DL: Daiichi Life, DFL: Daiichi Frontier Life, PLC: Protective DLVN: Dai-ichi Life Vietnam

[Disclaimer]

In preparing this document, Daiichi Life Group, Inc. (hereinafter referred to as "the Company"). The Company relies on and assumes the accuracy or completeness of any information available to the Company, but does not make any representations or warranties as to the accuracy or completeness of such information. The information contained in this document is subject to change without prior notice. This material and its contents may not be published or used by any third party without the prior written consent of the Company.

Forward-looking statements made herein are forward-looking statements. Forward-looking statements include, but are not limited to, words such as "believe," "anticipate," "plan," "strategy," "expect," "anticipate," "predict" or "potential" or other similar expressions describing future business activities, performance, events or circumstances. Forward-looking statements are based on the judgment of the Company's management based on currently available information. As a result, these forward-looking statements are subject to a variety of risks and uncertainties, and actual results could differ materially from the expectations expressed or implied in the forward-looking statements. Therefore, you are cautioned not to rely on any forward-looking statements. In light of new information, future events, or other discoveries, we undertake no obligation to change or revise any forward-looking statements.