

FY2025 Financial Analysts Meeting Presentation Script

Date: May 27, 2026, 3:00 PM – 4:20 PM
Respondent: Tetsuya Kikuta, Representative Director, President (Group CEO)
Taisuke Nishimura, Managing Executive Officer (Group CFO)

[Title slide]

- Thank you for joining us today.
- This is Nishimura. I would like to begin by reviewing our overall results.
- Please turn to page 2.

[Page 2]

- Group adjusted profit was ¥551.5 billion, exceeding our full-year forecast of ¥500 billion. This was driven by the expansion of positive spread and higher-than-expected gains on sales of equities at DL in domestic business, as well as strong progress at PLC in the overseas business.
- Group value of new business was ¥173.8 billion, supported by TAL exceeding the previous year due in part to the impact of repricing, as well as the positive contribution from rising domestic interest rates.
- Regarding remittances from subsidiaries, due in part to dividends from DFL following changes to solvency regulations, we expect remittances this fiscal year to reach ¥600 billion, exceeding Group adjusted profit. Regarding shareholder dividends, we expect ¥260.6 billion, reflecting the increase in the dividend payout ratio to 50% from the interim dividend for the fiscal year ending March 2027.
- The final ESR figure at the end of March was 220%, up 10% points from the end of the previous fiscal year. This reflected the increase in eligible capital from higher stock prices, value of new business, and expected earnings, which offset the increase in mass lapse risk caused by rising interest rates.
- Regarding relative TSR, which reflects market evaluation, we ranked 4th among 14 peers as of May 15, maintaining our target of being relative advantage.

[Page 3]

- Please turn to the next page. The following is an explanation of the factors that contribute to fluctuations in the Group ESR.
- Group ESR as of the end of March 2026 was 220%, improving by 10% points.
- In terms of required capital, mass lapse risk has increased due to rising interest rates. On the other hand, equity risk reduction partially offsets this impact.
- Meanwhile, the increase in eligible capital has had a greater impact on improving ESR. ESR increased as eligible capital outweighed risk factors due to an increase in unrealized gains from higher domestic equities and interest rates, as well as the value of new business and expected earnings.
- As a result, eligible capital has increased significantly, outweighing the risk factor and improving the overall figure.

[Page 4]

- Please turn to the next page. The Group considers Group ESR as an indicator of financial soundness.
- Previously, we had explained that our target range was from 170% to 200%. Going forward, however, from the perspective of maintaining financial soundness, we will keep the current lower bound of 170% while operating without setting an upper bound for the target level. In other words, our target will be 170% or above.
- The current ESR is 220%, well above target. We recognize that this level indicates that the Company has sufficient capacity from the viewpoint of financial soundness, while there is room for further capital utilization from the viewpoint of improving capital efficiency.
- Based on this recognition, our basic approach to capital policy will remain unchanged. The policy will be to allocate capital preferentially to areas that lead to profit growth and ROE improvement, on the premise that ESR is maintained above a certain level.
- Specifically, in situations where ESR exceeds the target level, we would like to consider a combination of growth investment and flexible additional shareholder payouts, while continuing to pay stable dividends commensurate with profits, as appropriate.
- If ESR falls below 170%, the Company will take steps to improve its financial soundness, including accelerating risk reduction and strengthening capital through subordinated debt and other measures.
- We will continue to improve capital efficiency and achieve sustainable growth while ensuring financial soundness through both disciplined capital allocation and flexible operations.

[Page 5]

- Please turn to the next page. This slide shows the Group risk profile.
- We continued initiatives to reduce market risk, including the sale of approximately ¥800 billion in domestic equities in FY2025. However, this was offset by the increase in market value due to higher stock prices, so the proportion of equity risk within overall required capital remained broadly unchanged.
- On the other hand, mass lapse risk continued to increase due to rising interest rates. Our policy is to reduce the market value of domestic equities to ¥2.8 trillion or below by the end of this fiscal year. Accordingly, we expect to sell approximately ¥800 billion of domestic equities this fiscal year, the same amount as in FY2025.
- We will continue to closely monitor the market environment and work to improve capital efficiency through risk reduction.

[Page 7]

- Please turn to page seven. I will now explain the outlook for value of new business.
- The FY2025 results are the figures we presented at the conference call on May 15. Here, we are newly presenting the outlook for FY2026 as well.

- For FY2026, we expect value of new business to increase YoY to approximately ¥188 billion, mainly driven by the expansion of overseas business, particularly PLC. For this fiscal year, we expect overseas business to serve as the growth driver and maintain the Group's growth trend in VNB overall.
- For DL, new policy sales are on a recovery trend in terms of sales performance. Even after incorporating assumptions such as operating expenses, we expect value of new business to increase slightly YoY.
- Regarding DFL, while value of new business is expected to decline, this does not indicate a deterioration in the profitability of its new business. As sales of yen-denominated products increase, yen-denominated products tend to have a relatively larger portion of value that does not appear in VNB, and this instead contributes to an increase in excess returns. We would therefore like you to note that the decline in VNB does not mean that the underlying profitability of DFL's new business has weakened.

[Page 9]

- Please turn to page 9. The following table shows the cash position of the holding company.
- Due to the increase in Group adjusted profit, remittances for the fiscal year ended March 2026 are expected to be higher than initially assumed, at around ¥600 billion.
- In particular, DFL, which implemented a capital reduction in light of the transition to economic value-based capital regulations, and TAL, where remittances are determined based on capital levels under local regulations, paid dividends above their levels of adjusted profit. By practicing disciplined capital circulation management in this way, the ratio of dividends to adjusted profit exceeded 100% for the Group overall, reaching 109%.
- Our Group aims to raise Group adjusted profit to ¥700 billion by FY2030.
- We expect free cash through FY2030 to be roughly around ¥2 trillion. After taking into account cash outflows for dividend payments, we currently expect to allocate approximately ¥1 trillion to strategic investments, including M&A and share buybacks.
- In addition, in executing our future growth strategy, particularly growth-oriented strategic investments including M&A, we are also considering the use of external financing, rather than relying solely on internal funds.
- Specifically, as shown in the materials, our policy is to make flexible use of a diverse range of financing methods, including not only debt financing such as corporate bonds and loans, but also hybrid capital such as preferred shares. In doing so, we would like to consider measures that do not involve dilution of shares, while maintaining financial soundness.
- Through balance sheet management that also incorporates this financing capacity, we intend to both improve capital efficiency and maximize corporate value.
- Cash generation capacity has steadily expanded over the years, and the holding company's cash position has been improving significantly. This gives us sufficient foundation to support both

shareholder payouts and growth investments. We will continue working to enhance corporate value through disciplined capital allocation and flexible financing.

[Page 10]

- Please turn to the next page and look at relative TSR.
- Our relative TSR ranks 4th among 14 peers, using the end of March 2023 as the starting point.
- Through share price appreciation and stable dividends, total shareholder return has steadily improved, delivering returns that have outperformed TOPIX. We will continue working to further improve relative TSR through profit growth, enhanced capital efficiency, and stronger shareholder payouts.

[Page 11]

- Please turn to the next page. Finally, I will discuss Group EV.
- Group EV increased significantly, driven by value of new business and the realization of expected earnings, as well as changes such as rising interest rates and a steepening yield curve.
- Regarding EV disclosure, in light of the introduction of economic value-based regulations at the end of FY2025, we are currently considering disclosure that is more closely aligned with ESR. Please also note that we will continue considering how to make our disclosure of EV-related information more useful going forward.
- That is all the explanation from me.

[Page 16]

- This is Kikuta, Group CEO. Thank you for taking the time to join us today. I will now explain our growth story toward FY2030.
- First, I would like to reiterate the progress of the current medium-term management plan (MTP). Please turn to page 16.
- As Group CFO Nishimura explained earlier, Group adjusted profit and Adjusted ROE for FY2025 progressed steadily, supported in part by a favorable financial market environment. Both significantly exceeded the targets set in the MTP and were achieved ahead of schedule.
- In light of this steady progress, we have raised the dividend payout ratio to 50% in the current fiscal year, the final year of the MTP.
- In the domestic business, DL's positive spread expanded significantly, supported by the rise in domestic interest rates. By accelerating bond rebalancing in a rising interest rate environment, funded by gains on sales of domestic equities, we have achieved a greater improvement in yields than initially expected.
- The rise in yen interest rates has also had a positive impact on sales at DFL. With steady accumulation of new business performance, DFL's AUM has been increasing steadily, and its earnings capacity has also been improving. With regard to the domestic business, we recognize that we are making steady progress in our efforts to improve profitability.
- In addition, DL's new policies continued to show a steady recovery. In the future, DL will aim to increase its ability to generate profits by further improving productivity through the use of AI, digital technology, and other means. I will explain this later.
- In the overseas business, PLC has been driving profit growth. Business operations with a focus on capital efficiency are also making progress, including capital-light acquisitions and large-scale reinsurance of unprofitable blocks, and PLC's capital efficiency is steadily improving.
- In the Asia-Pacific region, for TAL, whose bottom line temporarily declined last fiscal year due to an increase in insurance claims payments, we reviewed insurance assumptions and implemented repricing last fiscal year. As a result, we expect its profit outlook for this fiscal year to recover significantly.
- In the non-insurance business, profit contributions have begun from Capula, in which we invested during the current MTP period, as well as DMRE, whose JV has started operations. As a result, adjusted profit in the asset management area has grown roughly fourfold to over ¥20 billion.
- At Benefit One, top-line growth and expansion of the customer base are progressing steadily in the employee benefits business, supported in part by sales contributions from the DL channel.
- We expect to launch the new MTP from next fiscal year. As I have just explained, the Group's earnings base has been steadily strengthened, and we are gaining confidence in our ability to deliver profit growth above plan and improve cash generation capacity.

[Page 17]

- Please turn to the next page.
- As Nishimura explained earlier, in FY2025, Group adjusted profit reached ¥551.5 billion, marking another record high following FY2023 and FY2024.
- Adjusted ROE was also 12.7%. Given the progress made to date, I believe it was a major achievement that we were able to reach the targets set in the MTP ahead of schedule, both in terms of profit level and capital efficiency.
- This was driven by stable profit generation in the domestic business, growth in the overseas and asset management businesses, and steady progress in capital circulation management with a focus on capital efficiency.
- For the outlook for this fiscal year, the final year of the current MTP, we aim to achieve adjusted profit of ¥560.0 billion, marking a record high for the 4th consecutive year. The profit target at the start of the MTP was ¥400.0 billion, so this means profit is exceeding the initial target by approximately 40%.
- Of course, we have benefited from tailwinds in the financial market environment. However, in addition to steady profit generation at DL, the Group's overall profit-generating capacity has steadily improved through both organic and inorganic initiatives we have pursued in recent years.
- With this profit growth, our ability to generate cash has steadily and significantly expanded compared to the beginning of the MTP.
- In light of this situation, we have raised our target level of adjusted ROE to 15% or more in FY2030 in order to further increase capital efficiency. Although this is a higher challenge and target than the previous level, it is an achievable level, and we hope to achieve a more stable cost of capital, which will lead to a sustainable increase in corporate value.
- Going forward, we will shift into a growth acceleration phase toward achieving Group adjusted profit of ¥700.0 billion or more, which is our target for FY2030. With our foundation now in place and both profit-generating capacity and cash generation capacity having improved, our policy going forward is to actively execute strategic investments while maintaining financial discipline.
- Specifically, we are planning strategic investments of approximately ¥1.5 trillion from FY2026 through FY2030.
- Of these, in the insurance and asset management areas in developed markets, we will focus on investments that are expected to contribute to profits and generate cash at an early stage, in order to strengthen our earnings base. On the other hand, we will promote the expansion of future revenue sources in emerging markets and new businesses, particularly in Asia, for the purpose of medium- to long-term growth initiatives.
- We plan to allocate approximately 70% of our strategic investments to developed overseas markets and the remaining 30% to growth markets and non-insurance areas in Japan.
- Furthermore, we will take a flexible and agile approach to shareholder payouts, taking into account such investment opportunities and market conditions. Our policy is to optimize capital allocation while

maintaining a balance with growth investments, while comprehensively taking into account stock price levels and the status of investment pipelines.

- As mentioned above, based on the results of profit growth and improvement of capital efficiency to date, we intend to accelerate profit growth through strategic investments in the next stage, aiming to achieve high targets toward FY2030.

[Page 18]

- Please turn to the next page. I will then explain our approach to expanding sustainable profit-generating capacity.
- Our Group has used Group adjusted profit as a key management indicator. Going forward, in addition to this, we will newly establish Group core profit and position it as a key indicator from the next MTP onward.
- Group core profit is calculated by excluding one-off factors, such as capital gains and losses, from Group adjusted profit, and we believe it is an indicator that more accurately represents the Group's sustainable profit-generating capacity.
- While Group adjusted profit is affected by the market environment, such as gains on sales of stocks, we would like to clearly show the essential trend of profitability by disclosing the core profit together.
- As shown in the chart on the right, there is a certain amount of difference between Group adjusted profit and Group core profit in the short term, but we believe it is important to steadily reduce this difference toward the end of FY2030, when large-scale stock sales will be completed, in order to raise the level of Group core profit.
- The growth driver to achieve this is to deepen organic growth in existing businesses. In the domestic business, we will work to raise the level of profitability through improvement of the positive spread and business efficiency, while in the overseas business, we will drive the profit growth of the entire Group through the expansion of the insurance business and improvement of profitability.
- We will accelerate the growth of Group core profit by further refining our capital circulation management and using the planned gain on the sale of domestic stocks to further expand the positive spread in the domestic business and promote strategic investments in highly profitable areas.
- In addition, we will increase the weight of capital light business in our business portfolio through the expansion of the asset management business and non-insurance business. This will enable us to shift to a more stable profit structure and business portfolio that is less susceptible to the effects of market conditions.
- Again, as a result of these efforts, we aim to see Group core profit approach to Group adjusted profit toward the end of FY2030, and beyond that, we aim to see these two indicators grow to a level where they are almost in line with each other at an early stage. Through these measures, we aim to achieve sustainable profit growth that is not dependent on one-off factors and to enhance the corporate value.

[Page 19]

- Please turn to the next page. Next, I would like to explain DL's initiatives to improve business efficiency.
- First, as a current challenge, in addition to ongoing inflationary pressure, we expect costs to increase due to expanded investments in human capital and the IT and digital areas. In particular, we recognize that investments in AI and cybersecurity-related areas are highly likely to expand significantly going forward.
- On the other hand, in terms of profitability, we are facing structural problems such as the shrinking domestic life insurance market and the declining trend of policies in force, particularly in protection products, and we recognize that it is difficult to maintain and especially improve profitability under the current trajectory.
- In this environment, the Company aims to transform its profit structure, not through mere cost reductions, but through drastic improvements in productivity.
- Specifically, we will maximize the use of AI and digital technologies to make our business processes more sophisticated and efficient to achieve operational excellence that simultaneously increases customer convenience and internal efficiency. This will drive operational reform in back-office processes, particularly new policy underwriting and claims and benefit payments, while also reducing reliance on manual work through automation and labor savings in areas that have traditionally relied on human labor.
- In addition, in terms of organization and operation, we will proceed with a review and simplification of our systems and thoroughly select and concentrate our businesses and initiatives so that we can use our limited management resources to create higher added value.
- Through these efforts, we intend to maximize productivity to both increase top-line revenues and reduce fixed costs.
- To achieve these transformations, we plan to realize additional AI and digital-related investments of approximately ¥100 billion over the next five years.
- These are mainly investments related to system modernization, data infrastructure development, and advanced AI utilization, which in the short term will increase operating expenses and act as a temporary cost headwind. Naturally, this will be a short-term negative factor for value of new business.
- However, we believe that these investments are upfront investments to establish a competitive advantage in the future and will lead to significant cost reductions and improved profitability in the medium to long term. In fact, by FY2030, we expect an annual cost reduction effect of approximately ¥50 billion, which is equivalent to around 20% of existing costs.
- The Company intends to monitor the progress of these efforts not only in terms of cost reductions, but also in terms of improvements in productivity indices in each business area on an ongoing basis. For example, procedural costs per case and the efficiency of each process unit, such as new policy underwriting, policy maintenance, and claims payments, will be visualized as unit costs, leading to continuous improvement.

- Here, “unit cost” refers to managing costs company-wide on a per-process or per-policy basis. This will increase productivity based not only on total cost but also on efficiency per unit. By setting a target level of unit costs as of FY2030 and shifting to operations based on this level, we will establish a cost structure that can flexibly respond to changes in the external environment.
- The Company aims to achieve sustainable profitability and competitive advantage over the medium to long term, despite short-term cost increases, through operational reforms and more sophisticated organizational management leveraged by AI and digital investments.

[Page 20]

- Please turn to the next page. Finally, I would like to discuss where we stand today and our aspirations for the future as we work to enhance the Group’s corporate value.
- Thanks to your support, our market capitalization has reached ¥6 trillion. This means that market capitalization, which stood at approximately ¥2.4 trillion as of April 2023, has expanded by more than 2.5 times over the past three years, allowing us to achieve our initial target approximately one year ahead of schedule.
- As a result of steady profit growth, capital efficiency improvements, and enhanced shareholder payouts, while appropriately taking advantage of the external environment of rising domestic interest rates, we have also achieved performance that has outperformed TOPIX.
- However, we are not content with our current position. Rather, I feel that we are finally at the starting line.
- Our goal is to realize corporate value that ranks among the global top tier, not just relative to the domestic market. The specific milestone for this is to achieve a market capitalization of ¥10 trillion in FY2030. To realize this lofty goal, we are more growth-oriented than ever and will continue to promote transformation.
- First, with regard to profit growth, we will aim for sustainable, high-quality profit growth by strengthening our growth drivers, particularly in our overseas business and asset management business, underpinned by stable cash flow generated by our domestic business.
- In terms of shareholder payouts, the Company intends to strengthen total returns and further enhance market valuation by making more flexible use of share buybacks, while maintaining stable dividends as the cornerstone of shareholder payouts.
- Through these efforts, we will accelerate the improvement of corporate value without stopping our progress, with profit growth and improvement of capital efficiency as the twin pillars, and we will make a concerted effort to achieve our aspiration of reaching a market capitalization of ¥10 trillion in FY2030.
- That concludes my presentation. Thank you very much.

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

[Company name abbreviation] DL: Daiichi Life, DFL: Daiichi Frontier Life, PLC: Protective, DMRE: Daiichi Life Marubeni Real Estate

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