

FY2025 Financial Analyst Meeting Q&A Summary

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

Q: Regarding the ¥1.5 trillion strategic investments over the next five years referred to on page 17, could you provide more detail on the target areas for acquisitions, the expected timing, the investment environment, valuation levels, and the impact on ESR?

I understand that this would vary depending on factors such as risk appetite and goodwill; however, if the full ¥1.5 trillion were deducted from eligible capital, ESR would decline by around 30% points, but still remain at roughly 190%, indicating a solid capital position. Could you comment on that?

A: (Kikuta)

We have set a target of ¥700.0 billion for Group adjusted profit in FY2030. Through organic growth alone, we would still fall short by roughly ¥100.0 billion. We therefore intend to bridge this gap through ¥1.5 trillion of inorganic strategic investments.

The ¥1.5 trillion is assumed to be funded by cash generated going forward, and we expect to pursue these investments in a phased and diversified manner. Within this total amount, we are considering two transactions of approximately ¥500.0 billion each, with one to be executed in the first half of the five-year period and the other in the second half. In addition, we also expect to undertake smaller-scale investments.

In terms of investment areas, our basic approach is to allocate capital primarily to businesses with strong cash-generating capabilities. At this stage, we envisage allocating roughly 70% to developed markets and around 30% to emerging markets and new business areas.

Naturally, this assumes that we will maintain financial discipline. If attractive investment opportunities do not arise, we would also consider returning cash to shareholders, including through share buybacks.

As for the ESR level, this will depend on the nature of the investments, but we recognize that making ¥1.5 trillion investments could lower ESR by around 30 to 40% points. Based on the current ESR level, if the full amount were invested, ESR would fall to below 200%; however, we would maintain the 170% level.

Q: Regarding the earnings outlook shown on page 17, you explained that Group adjusted profit needs to increase to ¥700.0 billion by FY2030, of which around ¥100.0 billion is expected to come from new M&A. As for the remaining portion, the conference call materials state that positive spread is expected to increase by around ¥100.0 billion pre-tax, with JGB portfolio replacement serving as the main driver of earnings growth. At the same time, however, there are factors such as capital gains and losses, as well as increases in costs and business expenses. How should we think about the positive and negative earnings drivers in the organic portion of the business?

A: (Kikuta)

The largest driver of earnings growth is the overseas business. In the domestic business, it is difficult to replace JGBs all at once in a single fiscal year, so we will continue to do so steadily over a certain period of time. The expansion of the positive spread through JGB portfolio replacement at DL is expected to be the largest earnings growth driver in the domestic business. As a result of these initiatives, we believe we can steadily deliver a certain level of organic growth.

As for downside factors, we see very few in the overseas business. In Australia, higher insurance claims had been a factor through the previous fiscal year, but we expect this to improve from the current fiscal year onward. In the domestic business, rising personnel expenses and IT costs, including inflationary pressures, as well as necessary investments in areas such as AI and especially cybersecurity, could become factors weighing on earnings. We intend to offset these negative factors by steadily implementing initiatives to improve productivity and expand the positive spread.

Q: Regarding ESR on page 4, the upper limit of the target range has been removed this time. I understand that you had already recognized that the market standard for ESR among peers was rising. In that context, could you explain why you chose to remove the upper limit, rather than raise it?

Also, in terms of decision-making on share buyback, is it correct to understand that ESR would not be a constraint as long as it remains above 170%?

A: (Kikuta)

As for ESR, it currently stands at around 220%, but we recognize that, as we execute growth investments going forward, it could decline by around 30 to 40% points. In that sense, we do not assume that the current level will be maintained indefinitely, and this is why we decided to remove the upper limit.

At the same time, we intend to firmly maintain the 170% level. Conversely, as you pointed out, as long as ESR remains above 170%, we do not view it as a constraint on share buybacks.

Q: You have newly introduced Group core profit as an indicator. Is it correct to understand that the basis for shareholder payout will remain Group adjusted profit? Also, at the previous earnings call, you mentioned that you were considering introducing a new KPI related to cash flow remittance. Could you provide us with any update on that?

A: (Kikuta)

Your understanding is correct. As for shareholder payout, our policy remains unchanged: we will continue to base Group adjusted profit, which includes capital gains and losses.

At the same time, in order to address concerns about the earnings level after the planned sales of domestic equities, we will also monitor Group core profit alongside Group adjusted profit.

(Nishimura)

With regard to Group core profit, as we are compared with our peers, especially now that P&C insurance companies in Japan have adopted IFRS, many of them disclose earnings on a basis that excludes capital gains and losses.

Looking ahead to the point when our concentrated period of domestic equity sales comes to an end, although we are not adopting IFRS, we believe it is important to present Group core profit as a measure that excludes the effects of capital gains and losses and is both comparable and relatively close in concept to IFRS-based earnings. In doing so, we aim to improve comparability while also demonstrating our commitment to the Group's core and sustainable profit growth.

On the other hand, we expect a certain divergence between this measure and cash generation. To supplement that perspective, we believe there is also strong interest in metrics such as how much cash remittance we receive from subsidiaries, how much of that cash is used, and how much cash is ultimately generated. Going forward, we would like to consider such metrics as important indicators as well, including the possibility of formalizing them as KPIs.

Q: As a follow-up to the materials on page 18, what would be the level of Group core profit assuming this fiscal year's plan? For DL on a standalone basis, capital gains are expected to exceed approximately ¥300.0 billion on a pre-tax basis again this year. If this is simply deducted, it would appear that more than ¥200.0 billion would be excluded. While there may be additional detailed adjustments, please explain it to understand the underlying earnings power.

In addition, from Group CEO's perspective, do you consider that this underlying earnings level is in line with the initially expected profit-generating capacity? Given the upward revision, although we believe that the overall level of the adjusted Group profit is satisfactory for you, could you share your assessment on the core profit basis as well?

A: (Kikuta)

With regard to the outlook for Group core profit for FY2026, Nishimura, Group CFO, will provide further details later. In terms of how I evaluate the level, I believe that the recent rise in interest rates presents a very important opportunity to enhance our underlying earnings power. In that sense, compared with the period when we had assumed no increase in interest rates, this has become a strong tailwind, and I view it positively.

On the other hand, there are cost increases due to inflation. In addition, due to the continued decline in in-force policies, the increase in the positive spread is largely offset by the decrease in insurance-related profit. Going forward, I would like to achieve a situation where the increase in the positive spread surpasses the decline in insurance-related profit.

(Nishimura)

To provide a numerical sense, while adjusted Group profit currently stands at ¥550.0 billion, we recognize core profit to be approximately ¥400.0 billion.

In terms of the breakdown, DL on a standalone basis would account for around ¥200.0 billion. The primary factor is the exclusion of capital gains and losses, such as gains from equity sales and losses from bond rebalancing. After making other adjustments to reflect sustainable earnings, this results in a level of approximately ¥200.0 billion. For overseas subsidiaries, core profit is broadly in line with current adjusted profit, and for entities applying IFRS, their profit is effectively defined as core profit.

Q: In aiming to achieve adjusted Group profit of ¥700.0 billion and a market capitalization of ¥10 trillion, how do you view the next drivers for further reducing the cost of capital?

With adjusted profit of approximately ¥550.0–560.0 billion, you have already reached a market capitalization of ¥6 trillion. Based on a backward calculation from the FY2030 profit and market capitalization targets, further valuation improvement and reduction in the cost of capital appear necessary. As the focus shifts away from traditional measures centered on share buybacks, what factors do you expect will contribute to further valuation improvement?

A: (Kikuta)

The assumed cost of capital we currently disclose is 9%. However, based on our internal calculations using β (beta) and other factors, we recognize that it is currently below 9%.

That said, further reductions in the cost of capital may be difficult, as the risk-free rate has increased, raising the overall baseline. As a factor contributing to lowering the cost of capital, we believe that business diversification is the most effective. Accordingly, by transforming our

business portfolio, we consider it very important to at least prevent the cost of capital from rising, if not to reduce it further.

Q: Domestic insurance-related profit has been declining by approximately ¥20.0–30.0 billion annually. Do you expect the pace of decline to slow at some point?

A: (Nishimura)

We have previously explained the breakdown of the factors behind the decline in insurance-related profit. In particular, changes in the in-force policy portfolio occur over a relatively long time horizon, and therefore this trend is expected to continue.

On the other hand, with regard to rising costs driven by recent inflation, as we presented today, we will pursue cost reductions by leveraging AI to simplify our operations. We will work to ensure that DL's core profit does not fall below the level of approximately ¥200.0 billion that we have indicated.

Q: Regarding future strategic investments overseas, do you consider overseas life insurance businesses to remain attractive? Recently, PLC has been pursuing strategic investments in areas closer to P&C insurance, with shorter-duration business. Will the focus continue to shift toward transactions similar to P&C insurance going forward?

A: (Kikuta)

We continue to view overseas life insurance businesses as attractive. In particular, in developed countries, in-force policy blocks and insurance companies can generate cash flows relatively quickly. In addition, we are able to forecast future cash flows with a high degree of certainty, resulting in relatively low volatility. For these reasons, we believe the business remains attractive.

PLC's initiatives in areas such as P&C insurance are quite exceptional, and we do not intend to expand into the P&C insurance domain across the Group going forward. While PLC meets sufficient capital levels under local regulatory capital standards (RBC), its ESR level is relatively lower. Reflecting differences in regulatory frameworks, we are therefore working with PLC to improve their ESR over a certain period. From this perspective as well, PLC is pursuing capital-light M&A to improve their ESR. Accordingly, this should not be interpreted as the Group adopting a risk-taking policy to expand into the P&C insurance domain.

Q: When the Group adjusted profit reaches ¥700.0 billion, how do you envision the future state of Benefit One? While impairment of goodwill may not affect adjusted profit, do you believe that profit improvement needs to be accelerated at an earlier stage? Please explain.

A: (Kikuta)

Benefit One has achieved top-line growth of over 20% in the last two previous fiscal years, benefiting significantly from the rapid expansion of the employee benefits market.

On the other hand, upfront investments in system development are still ongoing and are expected to continue through FY2026, and as a result, profits have not yet met market expectations. However, we expect its profit to grow to a level exceeding ¥20.0 billion by FY2030, and at this point, we do not have concerns regarding impairment.

Q: Regarding the upward revision of the adjusted ROE target to 15%, please explain the management's intention behind resetting the target at 15% at this timing, as well as any changes in the business environment?

In addition, regarding external funding, while this was explained in the materials, please explain what kind of shift in mindset has taken place?

A: (Nishimura)

As a basic idea, we have always aimed to continuously improve adjusted ROE. Previously, we had presented targets of ¥600.0 billion in adjusted profit and 14% in adjusted ROE. However, in light of changes in the external environment, such as rising yen interest rates, as well as the progress of each business, we first raised the profit target ahead of schedule to above ¥700.0 billion.

At that time, we did not revise the adjusted ROE target from 14%. However, after further discussions regarding the use of surplus capital, including capital policies such as external funding as presented, we concluded internally that achieving an adjusted ROE of 15% or higher would be sufficiently feasible, assuming a certain level of utilization of surplus capital. Based on this, we decided on the current upward revision of the target.

Q: Regarding initiatives to improve DL's operating efficiency, it plans to invest approximately ¥100.0 billion in AI and digital technologies. Please explain over what time frame you expect this to peak out?

In addition, for FY2026, approximately ¥8.0 billion cost has been identified as a negative impact on profit due to initiatives to improve operating efficiency. Over what time frame should external stakeholders expect to see improvements in the domestic business?

A: (Kikuta)

The approximately ¥100.0 billion in additional costs will not be recognized evenly each year. For FY2026, we assume around ¥30.0 billion. As we intend to front-load these investments, we expect

the peak to start from FY2026, with a concentrated investment period continuing through around FY2028.

(Nishimura)

The ¥30.0 billion figure is on a cash basis. On a P/L basis, a portion of the investment will be capitalized over approximately 5 years. In particular, as investments are being made during the course of FY2026, the impact on the P/L for this year is relatively limited, at around ¥8.0 billion.

Q: Regarding the reported sale of a certain insurance company in Singapore, there were media reports around March stating that the Group had participated in the bidding process or expressed interest. In light of this, Is Singapore classified as a developed market or a developing market in the framework shown on page 17? Also, regarding strategic investments, could you explain whether your policy is to consider bidding opportunities regardless of whether the target is in a developed or developing market?

A: (Kikuta)

We refrain from commenting on individual transactions. Generally speaking, in developing markets, particularly in Asia, monetization tends to take longer. As such, we would like to allocate as much capital as possible to areas where a certain level of short-term monetization is possible. From this perspective, we do not intend to review every transaction that comes to the market.

Q: I believe DL owns many real estate properties located near railway stations in regional areas. However, in addition to population decline, many regional cities have seen commercial and residential areas shift toward suburban locations, and areas around railway stations have become less vibrant. Given this situation, could regional real estate holdings become a cost burden for the Company going forward?

A: (Kikuta)

In regional areas, DL typically has branch offices in prefectural capitals. In many cases, the Company owns office buildings in those locations, uses one to three floors for our own operations, and leases out the remaining space as investment properties. Many of these regional office buildings are around 40 years old and are approaching the timing for rebuilding. While rents have been rising in Tokyo, Osaka, and certain major regional cities, rents have not increased in many ordinary prefectural capitals. At the same time, construction costs have risen uniformly across Japan. From this perspective, rebuilding office buildings in regional areas does not currently meet our hurdle rate in many cases. Therefore, for each property, we carefully assess whether rebuilding or selling is the more appropriate option. As a result of this review, there are many cases where we ultimately decide to sell the property.

Q: Would the sale of such properties result in losses on sale?

A: (Kikuta)

We have not recognized losses on sale in these cases. Since the book values of many of these properties are low, sales often result in gains.

Q: Regarding page 17, could you provide examples of the types of companies that would be expected to generate synergies, and what kinds of synergies may be anticipated? In addition, could you share your thoughts on whether Japan could be included in the category of developing markets and new businesses?

A: (Kikuta)

The life insurance market differs significantly by country in terms of markets, distribution channels, regulations, and products. Therefore, it is generally difficult to generate synergies across life insurance businesses on a global basis. However, synergies can be expected in markets with similar characteristics. For example, Australia and New Zealand have highly similar regulatory and market environments. In addition, countries in the Mekong region, such as Vietnam, Cambodia, and Myanmar, are at a similar stage of market development, making it easier to pursue synergies. By contrast, synergies are generally more difficult to realize between markets with greater differences, such as Japan and the United States, or the United States and Australia

On the other hand, we believe synergies are more likely to be generated between insurance and asset management. Globally, integration between these areas is progressing, and we see strong potential for synergy creation. For example, Canyon Partners, in which we have invested, already manages alternative assets on behalf of PLC.

As for Japan, we do not currently assume significant additional strategic investments in the domestic life insurance market. Domestic investments are mainly expected to be in new businesses and bolt-on acquisitions related to Benefit One, which we position as growth markets.

Q: Regarding the interest rate sensitivity of ESR shown on page 3, the impact of 50bps increase in interest rates is shown as negative 4% points, whereas previous materials indicated an impact of around negative 7% points. Could you explain the factors behind the smaller negative sensitivity? I believe this may reflect factors such as a decline in the hedge ratio or matching ratio.

A: (Nishimura)

We do not expect this sensitivity to decline significantly going forward, but as you mentioned, the change in sensitivity from negative 7% points to negative 4% points was mainly due to a decline in the dollar duration ratio. In managing the dollar duration ratio, we are careful to avoid over-

hedging, while maintaining a certain buffer in light of the outlook for rising interest rates and potential lapses.

Q: Regarding future strategic investments, in the asset management business, will the Group continue to focus mainly on minority investments, as it has done in the past? Or does the Group intend to pursue acquisitions of globally competitive asset management companies, reflecting a higher risk appetite? In addition, are European life insurances included within the scope of potential strategic investments?

A: (Kikuta)

In the asset management business, valuations are currently quite high. At the same time, scale is also an important factor for competitiveness in the asset management business.

In that sense, if we were to seek a majority stake in a leading asset manager that has both strong competitiveness and sufficient scale, the size of such a transaction would likely be so large that it could not be covered even by allocating all our strategic investment capacity. In other words, acquiring a majority stake in an asset management company that combines both quality and scale is not affordable for us at this point.

If there is a company that is highly regarded in a specific area, has strong investment capabilities, and falls within the range of our available financial resources, acquiring a majority stake could be an option. However, at present, given valuations and the availability of opportunities, the likelihood of making a large-scale strategic investment in asset management is not high.

On the other hand, adjusted profit from the asset management business exceeded ¥20.0 billion in FY2025. Looking ahead to organic growth, we expect this business to grow to around ¥40.0 billion to ¥50.0 billion by FY2030. Therefore, we believe that the asset management business can become a meaningful earnings pillar even through organic growth alone. If there are attractive opportunities that could add further value, we will consider M&A in asset management on an opportunistic basis.

As for the European insurance market, some countries do have attractive aspects. However, within developed markets, our basic approach is to prioritize the United States and Oceania.

Q: Regarding the collaboration with Resona HD and JCB shown on page 22, what aspects of the new ecosystem do the Group consider attractive? From an external perspective, what KPIs or profit contribution should investors expect from this initiative? In addition, could you explain why the collaboration did not extend to a capital alliance?

A: (Kikuta)

This collaboration is intended to support Resona HD' strategy of further enhancing the competitiveness of its banking app, Resona Plus, together with JCB. The primary operator of the ecosystem is Resona HD.

Benefit One provides Benefit Station as an employee benefit service to corporate clients. In addition, it also operates what we call the CRM business, through which it provides services based on a similar concept, although not exactly the same as Benefit Station, to broader customer groups and communities. In this collaboration, Benefit One will provide services as part of its CRM business and receive corresponding revenues. Resona Plus already has approximately six million users from the outset. Therefore, for Benefit One, this initiative represents a significant upside opportunity in terms of revenue. Regarding the capital alliance, the Group has already had a business and capital alliance with Resona HD for some time.

Q: The Group aims to become a global top-tier insurance group by FY2030. However, there still appears to be a gap in terms of market capitalization and profit. Although the upward revisions to the profit and ROE targets are encouraging, global top-tier companies are also making progress. How does the Group plan to close this gap?

A: (Kikuta)

As you pointed out, even if our market capitalization reaches ¥10 trillion in FY2030, it is uncertain whether that would place us among the global top 10 companies.

The leading global players are also continuing to enhance their corporate value, and we recognize that the gap may not be easy to close. Nevertheless, we will continue to pursue this goal with both aspiration and commitment to becoming comparable to global top-tier companies.

In that sense, our current medium-term management plan was formulated by backcasting from our vision for FY2030 and defining the milestones we wanted to achieve by FY2026.

For the next medium-term management plan, which we plan to announce toward the end of this fiscal year, we are basically considering a four-year plan through FY2030. Rather than setting targets based only on a point-in-time vision for FY2030, we intend to first redefine the vision we want to achieve by FY2035, and then backcast from that vision to set the targets we should aim for in FY2030.

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, PLC: Protective

[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.