Q1 FY2026 Financial Results Conference Call for Institutional Investors and Analysts
Presentation Script

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[Title slide]

- Thank you for joining us today.
- Today, we announced our first-quarter financial results, and I would like to walk you through the details using the presentation materials.

[Page 3]

- Please turn to page 3. I will begin with the key highlights of our results.
- Starting with the bottom line, group adjusted profit was ¥158.1 billion, an increase of approximately ¥84.0 billion from ¥74.2 billion in the same period of the previous fiscal year. This represented a year-on-year increase of 113%, mainly because profit in the previous year was at a low level due in part to the accelerated implementation of bond portfolio rebalancing. Progress against our full-year forecast of approximately ¥560.0 billion was 28%.
- In the domestic business, expansion of the positive spread at DL and an increase in gains on the sale of domestic equities drove the increase in profit for the Group as a whole. In particular, by taking advantage of the rising interest rate environment to rebalance our yen-denominated bond portfolio, we steadily improved the Group's underlying earnings capacity.
- Turning to the top line, group annualized net premium from new business was ¥135.0 billion, up 6.7% year on year, or 3.9% excluding the impact of foreign exchange movements. This reflected solid sales at DL, strong annuity sales in PLC's retirement business, and steady progress in the renewal of group insurance contracts at TAL. Overall, the Group maintained solid sales momentum.
- Meanwhile, although new business acquisition at DL remained solid, as noted earlier, value of new business for the three domestic companies was below our initial assumptions, partly because new business margins declined due to higher costs, including those arising from inflation.
- Finally, turning to economic value, group EV increased from the end of the previous fiscal year, mainly due to higher domestic stock prices. ESR, however, declined due to factors including the acquisition of Portfolio in the U.S., the investment in M&G, and an increase in mass lapse risk associated with higher domestic interest rates. Nevertheless, we believe that the Group continues to maintain a sufficient level of capital.
- Overall, in the first quarter, profit progressed ahead of our initial assumptions, led by the domestic business, while the Group as a whole maintained solid sales momentum.
- I will provide further details from the next page onward.

[Page 4]

- Please turn to the next page. I will explain the progress in group adjusted profit.
- In the domestic business, the main drivers of profit growth were expansion of the positive spread and an increase in gains on the sale of domestic equities at DL. The expansion of the positive spread reflected the effect of rebalancing the yen-denominated bond portfolio, as well as an increase in interest and dividend income from alternative assets.
- In the overseas business, there were fluctuations in insurance-related profit and investment profit at each company, but results were generally in line with our expectations.
- In the non-insurance business, in addition to profit contributions from the Group's asset management companies, Benefit One's employee benefit business also recorded higher profit, supported by increased membership fee revenue and expense control.
- In HD and others, meanwhile, increases in selling, general and administrative expenses and interest expenses were factors reducing profit. For the Group as a whole, profit growth centered on the domestic business resulted in progress of 28% against the full-year forecast.

[Page 7]

- Please turn to page 7. This page summarizes the impact of higher interest rates.
- At DL, we have continued to rebalance the yen-denominated bond portfolio by taking advantage of the rising interest rate environment, resulting in a continued improvement in asset yields. The operations conducted in the first quarter are expected to improve the positive spread by approximately ¥17.0 billion on an annualized basis.
- While higher interest rates contribute to stronger earnings capacity, they also increase unrealized losses on bonds and mass lapse risk. From a risk management perspective, the matching ratio stood at 91% as of the end of June, and we continue to maintain a buffer against future interest rate increases. Lapse rates at DL and DFL also remain low and stable. While appropriately managing the risks associated with higher interest rates, we will continue rebalancing the bond portfolio to improve the positive spread and underlying earnings capacity over the medium to long term.

[Page 8]

- Please turn to the next page. This page provides an update on the sale of domestic listed equities.
- In the first quarter, taking advantage of the market environment of rising stock prices, we sold approximately ¥300.0 billion of domestic listed equities. This represents steady progress against our sales forecast of approximately ¥800.0 billion for the fiscal year ending March 31, 2027.
- Because the increase in market value resulting from higher stock prices exceeded the amount sold, the balance of domestic equities increased to approximately ¥3.7 trillion as of the end of June. We will continue to closely monitor market trends and proceed with planned sales while carefully assessing market conditions, thereby steadily reducing risk.

[Page 9]

- Please turn to the next page. This page summarizes DL's initiatives to expand the positive spread.
- In light of upside in gains on the sale of equities and higher domestic interest rates, we rebalanced approximately ¥500.0 billion of yen-denominated bonds in the first quarter. Although the rebalancing resulted in losses on sale of approximately ¥200.0 billion, it is expected to improve the positive spread by approximately ¥17.0 billion on an annualized basis.
- Assuming the current market environment continues, for the full fiscal year we expect losses on sale associated with asset rebalancing of approximately ¥540.0 billion and an annual improvement in the positive spread of approximately ¥34.0 billion. Of this amount, approximately ¥26.0 billion is expected to contribute to profit for the current fiscal year.
- We will continue transitioning to a portfolio that enhances our underlying earnings capacity, while appropriately managing the balance between gains on the sale of equities and losses on the sale of bonds arising from portfolio rebalancing, as well as interest rate risk.

[Page 11]

- Please turn to page 11. This page shows value of new business and new business annualized premium.
- Value of new business for the three domestic companies was approximately ¥20.0 billion on a preliminary basis, down 26% year on year. The main reason for the year-on-year decline was the impact of a model change implemented by DL in the fourth quarter of the previous fiscal year. By contrast, group new business annualized premium was ¥135.0 billion, up 6.7% year on year, or 3.9% excluding the impact of foreign exchange movements.
- Although value of new business was affected by the model change, sales momentum on a premium basis remained solid for the Group as a whole.

[Page 12]

- Please turn to the next page. I will explain the Group's economic value.
- As of the end of June, group EV was approximately ¥9.8 trillion on a preliminary basis, up approximately 2% from the end of the previous fiscal year, mainly due to higher domestic stock prices. Group ESR was approximately 206% on a preliminary basis, down approximately 13 percentage points from 220% at the end of the previous fiscal year.
- Eligible capital was reduced by factors including the acquisition of Portfolio in the U.S. and cash outflows from shareholder dividends, but these effects were offset by higher domestic stock prices, leaving eligible capital broadly unchanged.
- Required capital increased by approximately ¥400.0 billion due to an increase in mass lapse risk associated with higher interest rates, higher domestic stock prices, and an increase in equity risk resulting from the investment in M&G. Although ESR declined from the end of the previous fiscal year, it remains above 200%, representing a sufficient level of capital.
- Going forward, we will seek to maintain an appropriate level of capital while monitoring interest rates, stock prices, lapse trends, and the impact of M&A transactions on capital.

[Page 13]

- Finally, it presents our full-year earnings forecast for the fiscal year ending March 31, 2027.
- Group adjusted profit for the first quarter was ¥158.1 billion, representing progress of 28% against our full-year forecast. Results progressed ahead of our initial assumptions, particularly in the domestic business, and we view the recent performance positively.
- In particular, the improvement in earnings capacity resulting from bond portfolio rebalancing undertaken in the rising interest rate environment is now being reflected in our results.
- However, this is still the first quarter, and results may fluctuate depending on future market conditions, including interest rates and stock prices. Taking these factors into account, we have not changed our full-year earnings forecast from the initial forecast at this time.
- We will continue to closely monitor profit progress in each business and the economic environment as we work toward achieving our full-year plan.
- Thank you for your attention.

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

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