Q1 FY2026 Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: August 7, 2026, 4:55 PM – 5:45 PM
Respondent: Taisuke Nishimura, Managing Executive Officer (Group CFO)

Q: Regarding gains and losses on sales shown on pages 8 and 9 of the presentation, is it correct to understand that the plan remains unchanged to reduce the market value of equity holdings from the current ¥3.7 trillion to ¥2.8 trillion or below by the end of March 2027, which would require sales of at least ¥900 billion at current share price levels? In addition, losses on sales of yen-denominated bonds have increased from the initial forecast of ¥360 billion to ¥540 billion. Have you partially revised the plan so that the increase in bond sale losses broadly offsets the upside in gains on equity sales?

A: There has been no change to our policy of proceeding with equity sales at a broadly even pace, with the aim of reducing the balance to ¥1.5 trillion or below by the end of March 2031. At the same time, the target for the end of March 2027 remains a checkpoint that we have maintained as the target for the end of the current Mid-Term Management Plan. Given the increased volatility in equity markets, we will monitor share prices and interest rate conditions. Under the current circumstances, any upside in gains on equity sales will be allocated preferentially to the rebalancing of yen-denominated bonds. As a result, the gains and losses are currently offsetting each other.

Q: Regarding the dollar duration ratio on page 18 of the presentation, I believe it was intentionally lowered slightly to 87% at the end of the previous fiscal year, but it has now returned to 91%. Although interest rates continued to rise in Q2, do you expect to maintain the ratio at around 91% going forward, or do you intend to bring it back to a somewhat higher level?

A: As we have stated previously, we intend to control the ratio within 100%. By maintaining a certain buffer, we can retain some flexibility in our operations even during periods of rising interest rates.

As the surrender rate remained stable in Q1, the dollar duration ratio increased slightly as we increased our bond holdings.

Q: TAL appears to be one of the factors behind the slower progress in the overseas business. Could you provide some additional details on TAL's current situation?

A: At TAL, claims payments related to income protection and other products had been increasing in Australia. We have been addressing this through repricing and product revisions. The planned measures have been implemented as expected, but the recovery has been somewhat slower than expected, and results are slightly below budget.

Q: Regarding direct lending on page 37 of the presentation, the Group's total exposure increased from ¥200 billion at the end of December to ¥300 billion at the end of March. What was the reason for this increase? In addition, could you provide an update on the progress in utilizing look-through data?

A: The disclosed exposure covers direct lending and private ABS/ABF. On a Group-wide basis, such exposure represents approximately 0.8% of total investment assets and therefore remains limited. The increase in direct lending was attributable to PLC, where drawdowns under existing commitments progressed. With respect to private investments, we intend to increase the balance in a disciplined manner while strengthening risk management. Regarding look-through data, we have begun enhancing our data management by utilizing information provided by external vendors and other sources, thereby strengthening our risk management framework.

Q: Regarding the surrender situation shown on page 31 of the presentation, DL's surrender rate has declined. How do you analyze the factors behind this decline?

A: DL's overall surrender rate has declined. At the same time, as disclosed on page 19 of the presentation, we are closely monitoring surrender rates, particularly for savings-type products, with a particular focus on surrender trends for single-premium savings-type products. The rate was slightly below 1.2% in Q1, and we consider it to have remained stable and at a low level.

Q: With respect to interest and dividend income from alternative assets and investment trusts, I believe the full-year forecast is generally conservative each year. However, as shown on page 15 of the presentation, such income increased significantly year on year in Q1. Could you explain the progress of interest and dividend income from alternative assets against the full-year forecast, as well as the situation regarding dividend from investment trusts other than alternative investments?

A: For alternative assets, the Q1 results appear slightly higher year on year, partly due to differences in the timing of income recognition. However, we expect the full-year results to be broadly in line with the budget.

Q: **How are DL's hedge costs progressing against the plan shown on page 15 of the presentation?**

A: Hedge costs are broadly in line with the budget.

Q: **Could you explain the foreign exchange sensitivity of adjusted profit?**

A: As a rough estimate, with respect to the contribution from overseas profits, which is partly determined by the exchange rates in each country at the end of the fiscal year, a ¥1 appreciation would have a negative impact of approximately ¥1 billion.
For DL, we estimate that a ¥1 appreciation would have a negative impact of approximately ¥1.5 billion. However, the actual impact will depend on investment operations and therefore cannot be determined simply based on foreign exchange movements alone.

> **Q:** **Is the ¥1.5 billion sensitivity for DL calculated on an annual basis and based on the after-tax impact on approximately ¥200 billion of interest and dividend income from foreign currency-denominated assets?**
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> A: That is correct. Please note that this is a rough estimate.

Q: **Regarding PLC's performance shown on page 23 of the presentation, the figures reflect a three-month reporting lag. I would like to reconfirm the items adjusted in calculating adjusted profit. I understand that not all non-operating gains and losses disclosed locally are subject to adjustment. However, as there is a significant difference between the disclosed non-operating gains and losses and the amount actually adjusted, could you explain the specific adjustment items?**

A: As shown on page 23 of the presentation, the adjustment between PLC's net income and adjusted profit was negative $66 million. One of the factors was gains and losses related to modified coinsurance reinsurance transactions, under which gains and losses attributable to the ceded portion belong to another company.

Q: Regarding TAL, you mentioned that the recovery has been somewhat slower than expected. Do you expect TAL to catch up with its full-year budget during the second half, or are there areas where the improvement is not progressing as expected? Could you provide some additional explanation?

A: Only Q1 has been completed, so there is still some uncertainty. However, based on our current full-year outlook, we expect TAL to catch up with the budget.

> **Q: Does this mean that TAL will implement additional premium increases or product revisions, or do you expect the measures already implemented to steadily produce results?**
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> A: Our current expectation is that TAL will be able to catch up, primarily through the effects of the premium increases already implemented.

Q: Regarding the value of new business on page 11 of the presentation, it is stated that the result was below the initial forecast due to higher costs caused by inflation. Which cost items were higher than initially assumed?

A: With respect to the impact on DL's insurance-related gains and losses, inflation had already been incorporated into the budget and therefore did not negatively affect progress against the budget. On the other hand, in calculating the value of new business, both revenue and costs associated with acquiring new business are recognized. As a result, the impact of the increase on the cost side has become somewhat more visible.

Q: Regarding DL, you explained that any upside in gains on sales during the current fiscal year would be allocated preferentially to the rebalancing of yen-denominated bonds. If items other than gains on sales exceed the plan, would the priority similarly be to allocate the upside to the rebalancing of yen-denominated bonds? In addition, page 10 of the presentation shows high progress rates for DL and DFL. Could you explain the outlook for each company?

A: We manage profit progress on an individual company basis. At DL, under its multi-year investment plan, we are proceeding with both rebalancing within risk assets and rebalancing within fixed-income assets. As a result, gains on sales and losses associated with rebalancing are offsetting each other. For the current fiscal year, our main approach is to use the increase in gains on equity sales resulting from higher stock prices to absorb losses arising from the rebalancing of yen-denominated bonds.

Regarding progress at the other companies, we have only completed Q1, and no company is currently expected to deviate significantly from its outlook. Overall, progress at each company is broadly on track.

Q: Regarding the sales representatives shown on page 17 of the presentation, premiums per representative appear to have declined slightly. What is your outlook for this metric? In addition, you explained that the value of new business declined partly due to higher unit costs and a lower new business margin. From this perspective, what impact should we expect going forward?

A: In the table on the left-hand side of page 17, the sales revenue value, which is an indicator calculated by combining the number of sales representatives, the number of policies per representative, and premiums per policy, has recently remained broadly flat. As this indicator does not deduct costs, an increase in costs would affect the value of new business. Although we do not expect a rapid improvement, we will continue working to further improve the metric through product initiatives and other measures.

Q: The number of sales representatives recruited has increased, as shown on page 17 of the presentation. Has this been affected, for example, by recent misconduct cases involving insurance agencies or other life insurers?

A: Although there is some quarterly seasonality in the number of sales representatives recruited, we believe the improvement in the longer-term trend reflects our continued efforts to strengthen recruitment under the new framework.

Q: With respect to investment management at the overseas life insurance companies, is progress being made in strengthening their investment capabilities by utilizing the asset management companies within the Daiichi Life Group?

A: From the perspective of strengthening investment capabilities to support profit growth in the overseas business, the management of annuity assets and the enhancement of the investment portfolio are extremely important for PLC, for example. While many of PLC's investments are managed independently by PLC, alternative assets are an area in which we can benefit from economies of scale. As we consolidate and strengthen the Group's asset management capabilities, collaboration in this area has steadily evolved. We are also making progress in strengthening risk management.

Q: **The outlook for equity prices, interest rates and foreign exchange rates appears to have changed significantly since the beginning of the fiscal year. What impact do you expect this to have on DL's stand-alone investment management from Q2 onward? I assume there has been no change to the policy of reducing market risk, but could the balance among asset classes or the pace of risk reduction change? If so, what impact could this have on results for the current fiscal year and subsequent fiscal years?**

A: Even in light of the current market environment, DL has no plans to change its investment policy.

Q: **Given the limited issuance of JGBs, if other companies accelerate their purchases of JGBs, could DL also be required to accelerate its purchases? More broadly, are there any constraints on DL's investment operations arising from the structure of the Japanese government bond market?**

A: As a purchaser of super-long-term JGBs from an ALM perspective, we do not face constraints that would prevent us from executing transactions when we wish to buy or sell.
We understand that the Ministry of Finance takes measures to adjust supply and demand in order to prevent an extreme rise in interest rates, and that the industry is also coordinating to facilitate a gradual response.

Q: **Regarding DL's insurance-related gains and losses, what were the factors behind the high Q1 progress against the full-year forecast of approximately ¥160 billion?**

A: In Q1, death benefit payments were lower than budgeted. At this stage, we cannot determine whether this will continue throughout the fiscal year or whether it was attributable to seasonal factors. We have therefore left the full-year forecast unchanged.

> **Q:** **Is it correct to understand that factors other than claims payments, such as a decline in policies in force, have not changed from the assumptions made at the beginning of the fiscal year?**
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> A: Although the Q1 result was slightly above the budget, our expectations for the full year remain in line with the annual budget.

Q: Regarding gains and losses on sales shown on page 18 of the presentation, could you explain why gains on sales of domestic equities slightly exceeded the net amount of domestic equity sales? If an additional ¥500 billion of domestic equities were sold, is it possible that the related gains on sales could exceed the amount sold?

A: While reducing the net balance of its equity holdings through sales, DL also purchases equities with the aim of improving the quality of its equity portfolio. As a result, gains on sales may exceed the net amount of equity sales.

Q: Does the increase in the book value as of the end of June include the impact of new equity purchases?

A: That is correct.

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