Special IR Meeting with CFOs
Q&A Summary

Date: September 2, 2025, 1:00 PM-2:20 PM (JST)
Respondent: Taisuke Nishimura, Executive Officer (Group CFO)
Paul Wells, EVP and CFO, Protective Life Corporation
David Lees, CFO, TAL Daiichi Life Australia

【M&A and Capital Policy】

Q: In the Medium-Term Management Plan, the strategic investment budget of ¥300 billion (three-year total) has been set for HD. How much budget remains for PLC and TAL to utilize for M&A?

A: The maximum leverage ratio for PLC is 30%, with a target level of 25%. The ratio at the end of last fiscal year was approximately 23%, below the target level. In addition, through reinsurance transactions both within and outside the Group, we expect to generate additional capital this fiscal year. Combined with organic cash generation and leverage capacity, we can execute meaningful projects. While there are limitations on the project amount without additional funding from HD, we are actively considering attractive opportunities. (Paul)

Following the 19.9% equity stake acquisition in Challenger, TAL has exhausted its surplus capital, and there are currently no ongoing M&A deals. Should new M&A opportunities arise in the future, we will discuss with HD what capital support would be required. (David)

At the Group level, we continuously discuss the appropriate level of leverage. For example, if supplementation of the ESR is required, funding support from HD through intercompany lending is also an option. Even when both companies have leverage capacity, adjustments and deliberations are always carried out at the Group level. (Nishimura)

Q: To what extent can the budget be increased beyond the ¥300 billion strategic investment allocation?

A: It is difficult to specify the additional acquisition capacity, as it depends on various factors, including the level of the Group's ESR. (Nishimura)

Q: What specific ways can revenue expansion and cost efficiency be achieved in PMI (Post-Merger Integration)? What are the easier and more difficult aspects of these efforts?

A: For TAL, PMI is a critical process, and the synergies generated are particularly meaningful. We emphasize two key aspects of PMI outcomes. First, leveraging newly acquired sales channels to drive core profit growth. Specifically, we aim to utilize the sales channels from the acquisition of Suncorp Life, expand Westpac's bancassurance channel, and drive top-line growth. Additionally, we are introducing protection products attached to Westpac's mortgage loans. We are also considering launching new products for mortgage brokers. Second, we are advancing

collaboration with reinsurance partners and reviewing our reinsurance portfolio to enhance value and optimize profitability. In terms of operating costs, we are targeting process simplification and standardization. We believe this will improve cost efficiency, enhance the customer experience, and simultaneously contribute to lowering risk. Moreover, these initiatives have already been ongoing for two years, and we will continue these efforts going forward to further enhance the efficiency of operating expenditures. (David)

At PLC, PMI focuses on synergies in both revenue and costs for each deal. Some projects focus specifically on cost. Regarding revenue, the approach varies depending on the type of acquired business lines and sales channels. In the insurance and annuity space, the challenge lies in integrating PLC's strengths into the new business while maintaining the core functions essential to that product line and channel. We recognize that PLC has achieved solid results in promoting the long-term success of new businesses through this dual approach. Regarding acquisitions in the asset protection business, revenue ramp-up is often relatively straightforward. This is because many acquired companies do not have their own insurance companies; by utilizing PLC's insurance subsidiaries, they can internalize fees previously paid externally, thereby securing profitability. Cost synergies vary in difficulty. System migration can be a highly complex project spanning multiple years, depending on the structure and number of systems involved. On the other hand, with respect to functional integration and the consolidation or transfer of processes, PLC’s extensive PMI experience and established capabilities for successful integration make the process relatively easier to advance. (Paul)

Q: Please explain why TAL targeted the retirement market and selected Challenger as an investee. Please also provide details regarding the discussions between TAL and HD.

A: The strategic rationale for entering the Australian retirement market has been shared with HD throughout TAL's strategic review process. TAL has determined that the Australian retirement market represents a significant growth opportunity, following extensive discussions with HD regarding its importance as an adjacent sector. The Australian retirement market is the fourth largest in the world, and regulators and the government are advancing institutional designs to promote its growth. TAL has a relationship with AustralianSuper, a major superannuation fund, and recently launched products for AMP. There are two approaches to entering the retirement market. The first was to provide solutions for one of Australia's largest funds, aiming for organic growth. The second was to acquire a 19.9% stake in Challenger, the leading player in the Australian retirement market, through M&A. This investment also had spillover effects on the deal with Insignia. Insignia requested that TAL collaborate with Challenger to provide solutions. The retirement market is highly attractive, and we wanted to secure the best position when the market opens through M&A-driven scale expansion, so we worked closely with HD and DLIAP to advance this deal. (David)

【KPIs, Performance Evaluation, and Capital Efficiency】

Q: Regarding ROE and top-line/bottom-line growth rates, what KPIs are being requested from HD? Also, have there been any changes, such as upward revisions, regarding these KPIs in recent years?

A: HD has consistently required us high growth. In addition to profit growth, growth in ROE is emphasized. Indicators such as Value of New Business (VNB) are also closely monitored, and PLC's management team remains strongly committed to sustaining continuous growth. Performance of FY2025 has been exceptionally robust, with both profit and ROE steadily exceeding the previous year's levels. This trend is expected to continue going forward. (Paul)

While increasing alignment with the Group Mid-Term Management Plan and Group KPIs, TAL has broadened discussions aimed at accelerating growth and has translated the growth drivers for the next three to five years into concrete KPIs. Based on these policies, M&A is aiming for further growth through the development of new channels and products, as well as expansion into adjacent markets. These are also reflected in the P/L, aiming to expand revenues while improving capital efficiency and achieving the ROE target. For FY2025, top-line growth remains solid, and we will now place greater focus on bottom-line growth as well. (David)

Q: When growth opportunities for subsidiaries are limited, is there an incentive in the KPIs for returning capital to the parent company?

A: The primary focus on KPIs has consistently been on growth since the acquisition, but in recent years, the emphasis has shifted to improving capital efficiency (ROE) in addition to growth. Therefore, capital efficiency has become the greatest incentive, and it is important to achieve growth without retaining excess capital. Specifically, measures such as achieving growth without additional capital injection through the use of reinsurance could be considered. However, we are not focusing on simply returning capital to the HD by sacrificing growth, just to boost ROE. The basic stance is to pursue both improved capital efficiency and growth. (Nishimura)

【Performance-Related and Other】

Q: Please explain the background behind the increase in payments during 1Q at TAL and the outlook going forward.

A: The primary cause was an increase in claims for Total Permanent Disability (TPD) products, specifically income protection insurance, driven by a rise in cases related to mental health and similar issues. This trend is also increasing across the entire industry. At TAL, we have ensured the soundness of our overall portfolio by adopting premium models that cover initial costs through measures such as utilizing reinsurance. In addition, we have begun premium rate revisions to mitigate potential risks. We will continue to monitor this situation, but if similar trends persist, we

plan to revise product design and definitions in line with industry standards and implement other measures to minimize the impact on earnings. (David)

Q: What is the latest status regarding the group and domestic reinsurance policies, as well as the Japanese authority's investigation into reinsurance?

A: DL and DFL have long utilized reinsurance and will continue to do so. From a governance and risk management perspective, and considering regulatory authorities' guidance, we believe it is important for primary insurers themselves to monitor the quality of asset management entrusted to reinsurers. Specifically, we are strengthening management through the establishment of appropriate collateral, ongoing monitoring, and the clarification and strict enforcement of investment guidelines. DFL utilizes reinsurance as an alternative investment means to secure the assumed interest rate for new business contracts. Recently, sales of yen-denominated products have increased due to rising yen interest rates, but we primarily manage these products in-house. At DL, while we continue to broadly consider reinsurance for the legacy block, interest rate risk reduction has progressed significantly from a duration management perspective, and therefore the strategic priority of this risk reduction has relatively decreased. (Nishimura)

Note: Some of the above content has been added or modified to make it easier to understand.
[Company name abbreviation] HD: Dai-ichi Life Holdings, DL: Dai-ichi Life, DFL: Dai-ichi Frontier Life, PLC: Protective, DLIAP: DLI Asia Pacific

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