Special IR Meeting with CFOs
Panel Discussion Summary

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

【M&A Strategy】

Q: Please share your M&A activities in recent years and what are the aims? Furthermore, what business areas are you interested in pursuing for future M&A, and what are the objectives?

A: Our M&A targets have fallen into three categories. The first is the acquisition of closed blocks. The acquisitions of Liberty Mutual and Great-West Life's in-force individual insurance and annuity blocks conducted in 2018 and 2019 fall under this category. The second is acquiring new sales channels. We also achieved expansion of sales channels through the two acquisitions I just mentioned. The third is the expansion of capital-light businesses. In 2024, we added a group protection business through the acquisition of ShelterPoint. Furthermore, we expanded our asset protection business through the acquisitions of United States Warranty in 2016, Revolos in 2021, and AUL in 2022. In recent years, we have targeted the expansion of capital-light businesses such as asset protection and ShelterPoint's employee benefits. The aim is not only to expand the scale of our business but also to diversify our profits. This aligns with HD's overall strategy and also reflects consideration of the pricing dynamics seen in the U.S. market. (Paul)

TAL's M&A strategy is aligned with HD's overall strategy and is selected based on three criteria: "growth scale and diversification of our core life insurance business," "new product areas and channels where we could grow," and "development in adjacent markets." We apply strict M&A discipline to assess alignment with business strategy while considering whether synergies can be generated. In the recent cases, the acquisitions of Asteron Life and Westpac enabled us to achieve "growth scale and diversification". Through these deals, we acquired approximately one million individual customers and secured a 20-year agreement with a major Australian non-life insurer and bank. This has also led to diversification of the investment portfolio related to insurance liabilities. The IRR for each project is approximately 17% for Asteron Life and over 20% for Westpac, ensuring excellent profitability. Looking ahead, we intend to focus on the Australian retirement market (the fourth largest globally), where increased support from the government and regulatory authorities is anticipated, as "adjacent business development." Most recently, we acquired a 19.9% stake in Challenger, the market leader in the annuity business in Australia. Alongside organic growth, we will accelerate our pursuit of further growth opportunities in the retirement market. (David)

Q: How are you progressing with PMI (Post-Merger Integration)? Are you successfully generating synergies with the acquired companies? Please explain using specific examples.

A: Since PMI is a critical phase in M&A, we proceed with it carefully and deliberately. For example, in the 2019 acquisition of Great-West Life's in-force individual insurance and annuity blocks, we realized cost synergies of about USD 7 million. Additionally, we gained new distribution channels for corporate insurance products such as Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI), generating approximately USD 3 billion in new sales in 2024. For Liberty Mutual, we improved operational efficiency, resulting in savings of about USD 10 million. The acquisition of United States Warranty in the asset protection business not only delivered cost synergies but also added a new business line. This acquisition generated roughly USD 75 million in incremental sales last year and lifted annual total revenues to USD 100 million, marking a transformative deal. Finally, the 2021 Revolos acquisition also achieved cost and revenue synergies, generating around USD 10 million per year in synergies. (Paul)

At TAL, we typically establish a dedicated integration team, appointing business and functional leaders, and progress and manage the integration process. The CIO oversees the overall execution of PMI, while the CFO is responsible for integration and realizing synergies. This approach was also effective in the PMI of Asteron Life and Westpac. Taking Westpac as an example, integration was originally planned for 24 months but was completed in 17 months. We significantly consolidated over 200 operational IT systems into just 7 systems through eliminating overlaps and improving efficiency, achieving cost savings of approximately AUD 75 million. Going forward, we intend to create further synergies from Westpac and Asteron in distribution arrangements. We have a strong sustained partnership with Suncorp Life, and we plan to launch new products through Westpac’s bancassurance channel. (David)

Q: Please explain your approach to withdrawal and capital recovery from businesses with low capital efficiency or limited growth potential.

A: At PLC, we continuously monitor our overall business portfolio and seek opportunities to simplify operations and improve capital efficiency. Over the past year, we have divested multiple businesses. For example, we sold our insurance agency and broker-dealer businesses in late 2024 and early 2025. More recently, we completed a large-scale reinsurance transaction, which significantly contributed to improving capital efficiency. The ceded block was relatively low in profitability, required substantial capital, and carried high risk. We intend to continue reviewing our entire portfolio going forward. (Paul)

At TAL, portfolio optimization is embedded in both our strategy and M&A frameworks. It emphasizes three key points— “strategic alignment”, “growth potential”, and “capital efficiency”—and we conduct regular reviews. For instance, in 2022, given changes in market conditions and increased operational complexity, we determined that Affinia Financial Advisers, our subsidiary insurance agency, no longer strategically fits within our business. We decided to divest the business, thereby simplifying operations and creating room for capital reallocation. (David)

【Reinsurance】

Q: What strategic policies do you have regarding reinsurance utilization? Also, for what purposes and which insurance blocks will be subject to reinsurance?

A: At TAL, the use of reinsurance is aligned with our strategy, aiming to reliably support the core growth objectives of the business by ceding risks that are inconsistent with our risk tolerance. The next priority is to appropriately manage risks to capital and profit and avoid volatility. From a strategic perspective, we are considering maintaining or reducing the use of external reinsurers, strengthening collaboration with intra-group reinsurers, and utilizing other forms of risk mitigation. We are also continuously exploring ways to simplify reinsurance management. Our focus has shifted toward more targeted product selection, and a good example of this is our arrangement with DLRB. We ceded a portion of low-risk group insurance portfolios to DLRB, thereby reducing reliance on external reinsurers and achieving better results both in terms of capital and profits. (David)

At PLC, reinsurance has historically been utilized for multiple purposes. The first is to cover traditional mortality risks. The second is to enhance the profitability of new business for certain products. Finally, reinsurance has been used to capture capital benefits—for example, in the recent transaction, we sold off an in-force insurance block with low profitability. Currently, we position the fundamental concept of utilizing reinsurance as a tool for optimizing capital-adjusted returns. We are reducing the use of reinsurance for the purpose of mitigating mortality risk, utilizing it instead as a risk-hedging measure in cases where individual contracts carry significant risk or where geographical concentration risk exists. In other cases, we prefer to retain the risk ourselves and secure insurance premium income. Moreover, in new product sales, we strategically use reinsurance to enhance profitability, which helps sustain relationships with key distribution partners and drives long-term success. In addition, we possess several intra-group reinsurance schemes designed to improve capital efficiency. We will continue to explore the use of external reinsurance companies when deemed effective for balancing profits, returns, and capital. (Paul)

Q: What are the criteria for selecting reinsurance companies? Also, how do you manage risks, such as credit risk?

A: At PLC, intra-group reinsurance is primarily utilized to improve capital efficiency while maintaining overall profitability. The use of external reinsurance is mainly to reduce risks on our balance sheet. These risks include mortality risk, market risk, and, in some cases, policyholder behavior risk. When considering external reinsurance, we evaluate it from multiple perspectives. Specifically, regarding counterparty risk, we set internal standard for the risk limits, and these limits take into account factors such as the reinsurance company's credit rating and the type of reinsurance. Depending on the structure of the reinsurance, risk assessments and limits are adjusted accordingly. In addition, we employ funds withheld and modified coinsurance (Modco) schemes to manage these risks. We have established investment guidelines and manage our investments in accordance with them. Furthermore, we utilize overcollateralization trusts in many transactions. Additionally, we include reinsurance cancellation clauses to prepare for any adverse credit events that may occur in the future. (Paul)

TAL also examines the types of risks that should be excluded from the balance sheet through its risk selection process. Based on this, we select reinsurers that are cooperative with more innovative and flexible reinsurance schemes, and capable of achieving risk objectives. The reinsurers we utilize are primarily traditional reinsurers. This is because we value their extensive experience in both mortality and morbidity risks, their long-standing involvement in the life insurance sector, and their strength in claims assessment and management capabilities. In particular, we believe it is effective from the perspective of credit risk management. TAL normally contracts with external reinsurers regulated by the Australian Prudential Regulation Authority (APRA). If a reinsurer is not under APRA supervision, we require a letter of credit from banks regulated by APRA. Additionally, we require compliance with strict credit rating requirements and includes a clause allowing termination of reinsurance contracts if the rating criteria are not met. Similar to PLC, TAL also utilizes measures such as funds withheld, overcollateralization, and recapture clauses to appropriately manage risks within its portfolio. (David)

【Asset Management】

Q: What initiatives are you undertaking to increase investment yields? Please explain the current investment portfolio and how you plan to improve it.

A: For PLC, given the size of its investment portfolio and the growth of its retirement business, investment strategy is extremely important. The investment philosophy is to generate competitive returns while maintaining sufficient diversification and high creditworthiness. We also focus on active Asset Liability Management (ALM). Our investment portfolio consists primarily of corporate bonds and commercial mortgage loans originated in-house. In addition, a portion of new investments is entrusted to external asset managers and allocated to various forms of private credit.

Furthermore, derivatives are utilized as needed to hedge inherent interest rate risk. Finally, since 2023, we have been restructuring our portfolio to enhance ALM, increase investment income, and improve ROE. (Paul)

TAL's investment portfolio is relatively small at approximately AUD 7.5 billion, primarily invested in Australian government bonds and semi-government bonds, with a portion allocated to corporate bonds. The investment strategy aims to secure a stable spread exceeding the risk-free rate while hedging the interest rate and inflation sensitivity of the liability portfolio, targeting a return on risk capital of approximately 15%. The primary initiative for portfolio improvement has been the expansion of our multi-manager portfolio over the past year and a half to two years. This has diversified opportunities for performance optimization while introducing new asset managers. We have also implemented a new investment management model and risk management system, establishing a framework that enables the assessment of new products. We have also started entrusting private credit investments to external asset managers, which is expected to improve spreads. In addition to stable execution of ALM, we aim to achieve spread expansion in internally managed assets. (David)

Q: Are there any opportunities for collaboration with group asset management companies?

A: For PLC, asset management companies play a critical role, especially in the retirement business. We consider it essential to actively seek collaboration with them, aligning with our medium-to-long-term strategy. We have conducted continuous discussions with HD. Following HD’s investment in Canyon in 2024, PLC has also initiated concrete discussions with Canyon. We are currently exploring potential opportunities for further collaboration. Through cooperation with Canyon, we aim to incorporate new capabilities and leverage them to drive PLC's business growth. (Paul)

TAL is considering a potential collaboration with Capula, which we regard as a promising option because Capula’s investment strategy has low correlation with our AUD-denominated credit portfolio and its potential to deliver capital-efficient returns. We will continue advancing discussions on future collaboration opportunities. A meeting with Capula is scheduled in the coming days, and we have high expectations for this dialogue. (David)

【Operational Efficiency】

Q: Please explain the specific measures you are currently undertaking to increase operational efficiency and the quantitative effect you expect.

A: At TAL, under a program named “Faster Better," we are working on business integration and cost reduction as major priorities. In the early phases, we focused on process integration and simplification associated with large-scale M&A transactions, where significant opportunities exist. We continue to advance the digitalization of the customer experience through the adoption of new

technologies. Recently, we implemented the digital claims process “Claims Assist,” which has enabled both the simplification of customer procedures and the improvement of internal operational efficiency. To address operational complexity, we are also considering the integration of legacy systems, while continuing to develop AI solutions such as knowledge search engines, summarization tools for phone operators, and document summarization functionalities. These initiatives contribute to creating a more efficient working environment for employees and are being considered for group-wide application. In addition, we have already incorporated some of the outcomes from the Global Capability Center (GCC). Now in its second year, the “Faster Better” program delivered AUD 40 million in cost savings in its first year, with a similar level of savings expected again this year. (David)

At PLC, operational efficiency is positioned as a critical management priority. In 2023, the company set a target to achieve cost savings of USD 57 million in 3 years until 2026, and progress is currently on track. Specific initiatives span a wide range of areas, including strengthening vendor management, revitalizing procurement processes, and reviewing and simplifying management structures. Organizational changes are implemented as needed to establish a more efficient framework. Particularly in labor-intensive and manual operations, efficiency improvements through automation have been advanced, with long-term cost savings expected mainly from workforce reductions through natural attrition. The company is also reviewing software usage, reducing the number of tools employed enterprise-wide. These system transformations are not limited to cost efficiency improvements but are also intended to enhance both customer and employee experiences through business transformation. Furthermore, PLC collaborates closely with HD in leveraging the GCC, having already assigned approximately 40 staff members in the technology division, with plans for significant expansion over the coming years. (Paul)

Q: Regarding the alignment of KPIs between the group and each company, what KPIs does each company set, and how are they reflected in management evaluations?

A: PLC’s KPIs are aligned with those of HD. Specifically, the key metrics monitored include adjusted profit, VNB, annual expense budget, and ROE (both the most recent 12 months and the three-year average). These indicators are incorporated into the senior management’s compensation structure, and the ESR metric is scheduled to be added from FY2026, thereby further strengthening alignment with corporate objectives. (Paul)

At TAL, KPIs are formulated in alignment with HD’s metrics and integrated into the strategic planning process. TAL’s KPIs focus on profit contribution to the group, cash generation, VNB, and ESR. Notably, TAL’s alignment with the group-wide ESR metric—despite it not being a primary focus for many competitors—is commendable. Such alignment is essential for TAL’s continued

growth as part of the group, and we intend to maintain a unified KPI evaluation framework with HD going forward. (David)

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, PLC: Protective, DLRB: Dai- ichi Re Bermuda

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