CFO Dialogue
Q&A Summary

Date: August 31, 2026, 1:00 PM –2:15 PM (JST)

Respondent: Taisuke Nishimura (Managing Executive Officer, Group Chief Financial Officer)
Paul Wells (President and CFO, Protective Life Corporation)

CFO Dialogue: Protective

Q: Regarding succession, could you share the Daiichi Life Group's experience as a case study? I assume that, in connection with your appointment as CEO, you were interviewed by HD's Nomination Advisory Committee and others. How was HD involved in this succession process? In addition, not only the PLC CEO but also two Executive Vice Presidents are expected to retire at around the same time. Could you explain the reasons behind the concentration of these retirements and how PLC plans to address the transition?

A: (Paul)

Although the retirements of the three senior executives were independent decisions, their timing happened to overlap. PLC has a well-established succession planning process. I have been with PLC for approximately 20 years, and succession planning has long been an important process that is carried out annually.

The process that led to my appointment as CEO and the retirements of the two other senior executives did not arise suddenly. It has been thoroughly planned and carefully considered over time. Discussions regarding successors to the two executives who are scheduled to retire at the end of 2026 are ongoing, although we are not yet in a position to make any announcements.

At the same time, I am highly confident in both the transition to the new management structure following my appointment as CEO and the plan for selecting a new CFO as I step down from that role. For that reason, I believe our succession planning process is functioning as intended.

With respect to HD's involvement, I was not involved in the process regarding my own appointment as CEO, but I understand that HD was actively engaged throughout the process. PLC has an independent Board of Directors, which includes members appointed by HD. In the process of selecting the new CEO, directors representing HD expressed their views and participated in the approval process at the Board level. I believe this was an appropriate process.

Overall, I view the CEO appointment as the result of a collaborative effort among PLC management, the Board of Directors, and HD.

A: (Nishimura)

The appointment of PLC's CEO was also approved by HD's Board of Directors following thorough discussion.

Q: Regarding the retirement business discussed on pages 9 and 10, I understand that PLC intends to continue expanding both fixed annuity sales and investments in illiquid assets. At the same time, investments in illiquid assets are likely to involve external asset managers. Major competitors such as Athene work with Apollo, while Equitable utilizes AllianceBernstein, and some competing life insurers rely primarily on their own in-house investment capabilities. Under such circumstances, can PLC maintain sufficient competitiveness in individual annuity products? In addition, aside from investment yields, are there any factors or opportunities that could differentiate the retirement business and help expand market share?

A: (Paul)

We recognize that the retirement business is highly competitive. The investment yield earned by PLC is reflected in the guaranteed rates offered to customers through the spread that we generate. This remains the most important factor in sales competition.

At the same time, factors other than yield are important in certain distribution channels. PLC has distribution partners with whom we have maintained relationships for decades. In some channels, an insurer's operational capabilities are valued alongside pricing. While yields and pricing remain extremely important, they are not the sole determinants in selecting an insurer.

PLC has been selective in choosing the distribution channels in which it participates. We focus on channels where we believe we can maintain a certain level of sales over the long term. Based on this approach, we pursue multiple strategies. One of them is to improve overall investment yields by utilizing both internally managed assets and assets managed through external asset managers.

In addition, as industry consolidation continues in the U.S. market, we believe distributors increasingly recognize the importance of diversifying their insurer relationships. We therefore believe we can benefit from this trend over the long term.

Furthermore, within the retirement business, we strategically utilize both internal and external reinsurance. This allows us to enhance capital efficiency while flexibly managing spreads and sales volumes on a monthly and quarterly basis in response to market conditions. Reinsurance is one of our important management tools.

Q: **How do you view the future M&A environment? PLC recently acquired a property and casualty insurance business. Do you expect to continue pursuing similar opportunities? In addition, how do you view acquisition opportunities in the life insurance market?**

A: (Paul)

To provide some background on the M&A market, PLC historically acquired life insurance companies and blocks of life insurance business on a regular basis. The last such acquisition was completed in 2019.

It is not that we have lost interest in these opportunities. However, the competitive environment surrounding acquisitions of life insurance businesses has changed significantly. This is primarily due to the entry of new players that are affiliated with or owned by private equity firms.

Over the past several years, we have participated in a number of acquisition processes. However, given the competitive environment, our investment philosophy, strategy, and risk appetite, relatively few opportunities have met our investment criteria.

Accordingly, we do not currently expect significant M&A opportunities in the life insurance sector in the near term. That said, market conditions could change for a variety of reasons.

Against this backdrop, we have shifted our focus over the past several years toward more capital-light acquisition opportunities. The acquisitions of Obsidian, Portfolio, and ShelterPoint are examples of this approach. Our current priority is the successful integration of these businesses and the creation of value from those acquisitions.

Our M&A team continues to engage with market participants and actively evaluates opportunities that come to market. Over the long term, if market conditions evolve, we believe we continue to have the capabilities necessary to execute successful acquisitions in the life insurance market.

At the same time, many of the insurance blocks currently being marketed in the U.S. are not assets in which we have an interest. Specifically, these include long-term care insurance and highly complex secondary-guarantee universal life products. In the latter case, we were actually a seller last year and divested that business. As long as these products continue to dominate market transactions, PLC is unlikely to acquire such blocks.

Q: **I understand that PLC intends to increase its exposure to private credit. How do you expect the investment portfolio to evolve over time?**

A: (Paul)

Private assets currently account for approximately 8% of PLC's overall investment portfolio. This proportion has increased over the past several years.

Given our current new business and growth strategy, including the retirement business, we expect this approximately 8% allocation to increase over the long term. However, over the next two to three years, we expect it to remain well below the industry average.

As we expand investments in private assets, we intend to proceed cautiously and gradually while maintaining appropriate risk management and ALM monitoring.

A: (Nishimura)

HD currently discloses PLC's private credit exposure as 1.9%. For HD disclosure purposes, private credit consists of direct lending and private ABS/ABF, and PLC's allocation to these two asset categories is 1.9%.

A: (Paul)

In addition to the assets disclosed by HD, PLC also includes private placement bonds within its private asset category. These investments are primarily made through external asset managers. The asset managers originate transactions directly with borrowers, and PLC participates in a portion of those transactions.

Because these investments are not traded in public markets, PLC classifies them as private assets. Including these investments, the allocation to private assets is approximately 8%.

A: (Nishimura)

As explained, the difference between the figure disclosed by HD and the figure recognized by PLC reflects differences in definition. Whether one starts from the HD basis of 1.9% or the PLC basis of 8%, the proportion of private credit is expected to increase over the long term.

Q: The FY2030 ROE target shown on page 6 is 11% to 13%, while the Daiichi Life Group's FY2030 target disclosed by HD is higher than that. Is this level PLC's ultimate target, or do you expect a higher level over the longer term?

A: (Paul)

We expect Adjusted ROE to continue improving. This year, we expect it to be slightly above 10%.

Thereafter, we expect Adjusted ROE to increase year after year, and we expect it to exceed the level shown on this slide beyond 2030.

Q: If PLC's ROE is currently below the industry average, what factors are constraining its profitability?

A: (Paul)

When comparing PLC with other U.S. insurers, it is important to consider differences in business models and product strategies.

Looking at PLC's earnings by segment, the largest contributor is the acquisition business, which consists of life insurance and annuity blocks acquired over several decades. This business is stable and highly predictable, and we consider the underlying liabilities to be relatively low risk.

As a result, while it is not a major source of growth, our balance sheet carries lower risk and lower volatility than those of some competitors.

There are several reasons why our current Adjusted ROE remains below our target level. One of these is investment yield, and I have already discussed our initiatives to improve returns.

In addition, we have worked aggressively over the past several years to improve expense efficiency. Alongside business growth, we remain focused on improving our cost structure relative to earnings.

There is also the impact of acquisition accounting. This reflects not only the acquisition accounting associated with HD's acquisition of PLC, but also the amortization of intangible assets arising from acquisitions completed since 2024. Because it will take time for these amortization charges to run off, we expect Adjusted ROE to improve once they have been fully amortized.

Many competitors whose growth strategies have been centered on retail businesses have not experienced the same earnings impact from intangible asset amortization as PLC.

CFO Dialogue: Regulatory ESR

Q: PLC uses the deduction and aggregation approach to calculate Regulatory ESR. Could you explain why this approach was adopted? Was operational complexity one of the factors behind this decision?

A: (Nishimura)

There were various discussions before the regulations were formally introduced. As the ICS was being developed internationally, there were also discussions regarding the assessment of equivalence between the U.S. regulatory framework and the ICS.

Rather than focusing on whether the deduction and aggregation approach would have a positive or negative impact, we placed greater emphasis on the volatility of the figures and their manageability from a business management perspective. As a result, we decided to calculate

Regulatory ESR by incorporating PLC's RBC-based figures using the deduction and aggregation approach, while using different measurement methodologies and indicators for the internal model.

Q: Is it correct to understand that PLC makes management decisions based on the RBC framework rather than Japan's J-ICS-based ESR?

A: (Nishimura)

Regardless of which methodology the Group selects for calculating PLC's ESR, PLC is subject to regulation by U.S. regulatory authorities. Therefore, PLC is required to manage its RBC-based regulatory capital irrespective of the methodology selected by the Group.

Managing multiple frameworks in parallel at the Group level, including the standard approach, the internal model, and RBC-based management, would increase complexity. We therefore operate under two main frameworks. Regulatory ESR is calculated based on RBC using the deduction and aggregation approach, while the internal model is measured and managed using economic value-based indicators that are separate from RBC.

Q: How much importance should be placed on Group Regulatory ESR? Now that figures from various insurers, including mutual insurers, have become available, could this metric become important from a ratings or business perspective? Also, in discussions with regulators, have the differences between Group Regulatory ESR and Internal ESR attracted regulatory attention or become a subject of communication?

A: (Nishimura)

With respect to the internal model, we maintain ongoing communication with regulators, considering discussions on regulatory reviews and other developments. However, the internal model itself is generally left to the discretion of each company. At present, differences between the two measures do not require prior explanation to regulators or give rise to any specific restrictions.

The question also concerns how Group Regulatory ESR may be perceived. From the perspective of customers and external rating agencies, we do not believe that the level of regulatory capital can be disregarded.

On the other hand, when considering how a level such as 200% should be assessed, we do not believe that the existence of a certain difference between Group Regulatory ESR and Internal ESR is in problematic. In any event, we intend to continue using Internal ESR to communicate our economic value-based financial soundness and the rationale for our capital policy.

Q: Is there an indicative range for Group Regulatory ESR? Are there any internal thresholds or levels that regulators may monitor closely? We understand that the regulatory requirement of 100% serves as one benchmark, but are there any internal management thresholds above that level?

A: (Nishimura)

We view 100% as one threshold. From the perspective of determining how much of a buffer should be maintained above that level, we believe that intermediate management indicators will also be necessary for internal management purposes.

However, such levels will be managed specifically within the Group Regulatory ESR framework and will be considered separately from levels such as 200% or the 170% level under the Internal ESR framework.

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., PLC: Protective

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