(Unofficial Translation)

FY2016-1Q Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date:	August 9, 2016 18:00 - 19:00
Respondent:	Seiji Inagaki, Director, Managing Executive Officer
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< Earnings Forecast >

Q1: The Company maintained its fiscal year earnings guidance despite the fact that economic assumptions have worsened since the beginning of the fiscal year. Please explain if the Company expects any improvement in economic assumptions or any gains during the rest of the fiscal year.

A1: Earnings for the first quarter were in line with the Company's fiscal year guidance. During the first quarter the yen continued to strengthen, but the Company had put in place hedge positions against the downsides in the financial market and the Company recorded a gain on foreign currency hedges. We are comfortable with the current guidance in the absence of any improvement in economic assumptions. Of course a weaker yen could improve the guidance on a consolidated level. And any change in yen interest rates won't affect earnings much for the next twelve months.

< Results for Dai-ichi Life on non-consolidated basis >

Q2: Net investment income decreased year-on-year due to lower interest and dividends and lower gains on redemption of securities. How does the Company view the first quarter net investment income against the full-year plan? Does the Company expect dividend income from domestic stocks and distribution from mutual funds to boost interest and dividends in the second quarter?

A2: Interest and dividends for the first quarter decreased by 18.5 billion yen year-on-year. A stronger yen explains most of the decrease, including distributions from mutual funds that were also affected by the weakness in the financial markets. When the Company set its fiscal earnings guidance, the Company used financial assumptions as of the previous fiscal year-end. Because the yen has strengthened since then, interest and dividends for the first quarter were lower than the Company had expected. Now the yen is weaker and the Company is monitoring the trends.

Q3: The gains on sale of securities were equivalent to the quarterly average of the last fiscal year's gains. Does the Company expect a similar level of gains after the second quarter? Please share with us the details of derivative transaction gains, including factors related to foreign currencies and factors related to interest rates.

A3: The Company recorded gains on sale of domestic and foreign bonds as a result of a rebalancing of the portfolio. The timing and the magnitude of the rebalancing depend on the market and we cannot give you any specific figures, but we expect it won't fluctuate significantly quarter to quarter. Foreign currency hedges made up most of the derivative transaction gains. The Company also recorded certain gains from yen interest rate hedge transactions.

Q4: Yen interest rates are on the rise since the start of the second quarter. How does that affect derivative transaction gains or losses on yen interest rate hedges the Company constructed as an alternative to the JGB holdings?

A4: Until the last fiscal year, the Company maintained a hedge position against a hike in yen interest rates which contributed to derivative transaction losses as interest rates got lower. This fiscal year, the Company closed out the position and instead constructed a position to take longer term interest rate risks, which contributed to a gain on derivative transactions as interest rates decreased again. The Company has done various simulations and believes gains and losses on derivative transaction will be manageable during the fiscal year.

Q5: Book value of domestic bonds is more or less unchanged since the end of the last fiscal year. Please share with us the details of investment activities during the quarter.

A5: The Company does not invest in any financial instruments with negative interest rates. The Company's ALM policy to control interest rate risk is to make use of derivative positions to hedge against lower interest rates.

Q6: The Company increased the balance of hedged foreign bonds. How much more can the Company invest in hedged foreign bonds in the light of current interest rate and currency levels? Is there any risk associated with the increase?

A6: The Company shifts funds between domestic bonds and hedged foreign bonds within its fixed income assets to undertake interest rate arbitrage. Accordingly, the Company does not have a limit on hedge ratio, and the Company does not have unlimited discretion on the amount of hedged foreign bonds, either. The Company continues to invest in hedged foreign bonds as long as they yield reasonable coupons.

Q7: The number of Total Life Plan Designers increased since the end of last fiscal year. As the Company continues to invest to strengthen the sales channel, is it safe to assume that the number of Designers will continue to increase in the future?

A7: Yes. The Company believes the number of Total Life Plan Designers will increase even after the second quarter. While the Company invests for the future, the Company expects an increase in operating expenses in the current fiscal year. The Company understands it is a difficult time, but Total Life Plan Designers are the core of the sales channel of Dai-ichi Life and achieving scale will lead to an increase in sales volume over the medium to long term.

Q8: Please explain why there was an increase in provision for policyholder dividends and why consolidated tax expense seemed relatively high against profit before tax.

A8: The increase in provision was associated with improved risk margins on the group insurance business. The Company does not calculate tax on a consolidated basis; it is the combination of tax expenses of each Group company. Consolidated tax expense seems higher because Dai-ichi Frontier Life reported a loss for the quarter.

Q9: The gains from core insurance activities for the quarter, which are calculated by deducting positive spread from fundamental profit, were lower year-on-year because of the increase in retirement benefit expenses and expenses related to strategic investment in the sales representative channel. How much of these expenses reduced the gains respectively, and how much will these expenses affect the gains during the second quarter?

A9: We reproduced the analysis of the reasons for the change in consolidated net income on page 26 for your reference. Roughly a quarter of the increase in retirement benefit expenses and expenses relates to strategic investment in the sales representative channel were reflected during the quarter. In addition, one-time expenses related to the Company’s planned shift to a holding company structure reduced the gains from core insurance activities.

Q10: Provision for additional policy reserve of 16 billion yen during the quarter does not add up to my expectation of annual provision. Does the Company expect higher provision after the second quarter?

A10: There is seasonality in the amount of provision each quarter, and the Company still expects approximately 80 billion of provision for additional policy reserve for the year, 60 billion yen lower than the previous fiscal year.

<Economic Capital Adequacy>

Q11: Please share with us the provisional calculation, if any, of the economic capital adequacy at the end of June and as of the most recent date.

A11: Please understand that we disclose economic capital adequacy on a semiannual basis. The provisional calculation of Group embedded value at June-end declined by 900 billion yen against EV at March-end. So assuming that the capital amount of the Company on an economic value basis had declined according to the same sensitivity, obviously economic solvency at June-end should have been lower than the 98% the Company reported at March end. The current economic solvency ratio should have improved, as yield curves steepened since the end of June and as the Company issued perpetual subordinated notes in July, to the level slightly lower than that at March-end.

< European Embedded Value >

Q12: Please share with us any information on new business value for the first quarter.

A12: We do not disclose new business value for the first quarter and the third quarter because it is based on provisional calculations and lacks a third-party opinion. Having said that, I would say it was much lower than the one-fourth of the value for the last fiscal year. I said much lower because during the first quarter, the Company experienced weaker sales of core products and thus the product portfolio shifted to individual annuities. Sales at Dai-ichi Frontier Life have significantly declined, and interest rates were lower.

Q13: The Company controlled the sale of single premium products. Why didn't it control the sale of individual annuities?

A13: The Company did not control the sale of level premium individual annuities since the Company still expects positive cash flow in the future. The Company understands that the sale could push the value of new business lower if the cash flow is evaluated based on the current yield curve. Meanwhile, the Company controlled the sale of individual annuities with upfront payment option.

< Issuance of US Dollar-denominated perpetual subordinated notes >

Q14: Please tell us how the Company came up with the size of the issue at 260 billion yen and its possible impact on earnings. With the new notes, the amount of perpetual debt totals 700 to 800 billion yen. How much more could the Company finance through additional perpetual borrowing without affecting credit ratings?

A14: The Company believes it maintains a reasonable level of financial soundness. Yet the Company conservatively issued the largest possible amount of notes. The 4% coupon of the notes is swapped into yen, and the trends in dollar-yen basis put us in a favorable position.

As you rightly assumed, the amount of perpetual borrowing is now at around 700 billion yen. We cannot share with you how the rating agencies look at the leverage but the Company still has reasonable capacity to increase its leverage while maintaining its A+ rating status. Please note that there is no prescribed amount. The Company continues to monitor its level of economic solvency.

<Dai-ichi Frontier Life>

Q15: During the first quarter, Dai-ichi Frontier Life made a provision for policy reserves related to Market Value Adjustment (MVA) and minimum guarantee on variable annuities. With the movements in financial markets during the second quarter, how much does the Company expect to make or reverse the provision?

A15: The provision for reserves related to MVA was made against lower interest rates (higher account value) in Japan and Australia. The Company does not expect to record further provisions for yen-denominated products even if interest rates decreased further because of how the products are designed. But the Company believes that recording further provisions is possible as there is further room for Australian interest rates to decline. Of course if the rates recover the Company can reverse the reserves. Since these treatments have a neutral impact on an economic value basis, but have an accounting impact, the Company is considering measures to neutralize the accounting impact.

The provision related to minimum guarantee on variable annuities fluctuates according to the stock markets and the Company constructed a hedge position to offset the impact on earnings.

< Protective Life >

Q16: US life insurance companies review the insurance assumptions at the end of June and December, and some companies have already reported a reduction of June quarter EPS due to the change in the insurance assumptions. What should we expect for Protective Life's second quarter earnings?

A16: Protective Life does review its insurance assumptions in the third quarter. The Company does not expect any impact in the second quarter.

Q17: Please tell us more about Protective Life's Stable Value Business. The conference call note explains better-than-expected earnings from Stable Value Business as a result of favorable spreads.

A17: With the US financial market stabilizing compared to the previous fiscal year, Protective was able to go to the market with wider spreads. The sales of the products can be volatile quarter to quarter, and you cannot expect the volume in the quarter to be replicated for the remaining quarters.

Note: We made partial additions and alterations in preparing the above summary for clarity.

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