Dai-ichi Life Group's ERM

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By your side, for life



Dai-ichi Life Group's ERM





Enterprise Risk Management (ERM) constitutes one of the four pillars of our medium-term management plan in which the Group shall achieve medium-to long-term improvement in corporate value by maintaining financial soundness through adequate risk control and efficient allocation of capital in growth business.

Financial Soundness

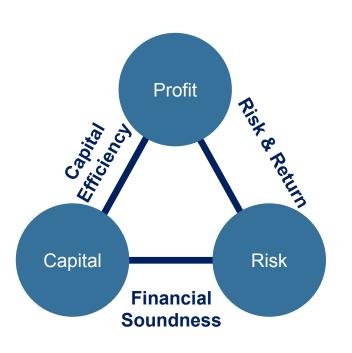
Current Solvency Requirement Adequate risk Change in capital requirement in sight control

Investment in Growth

Acceleration of growth through efficient capital allocation (allocation based on cost of capital, cash flow management)

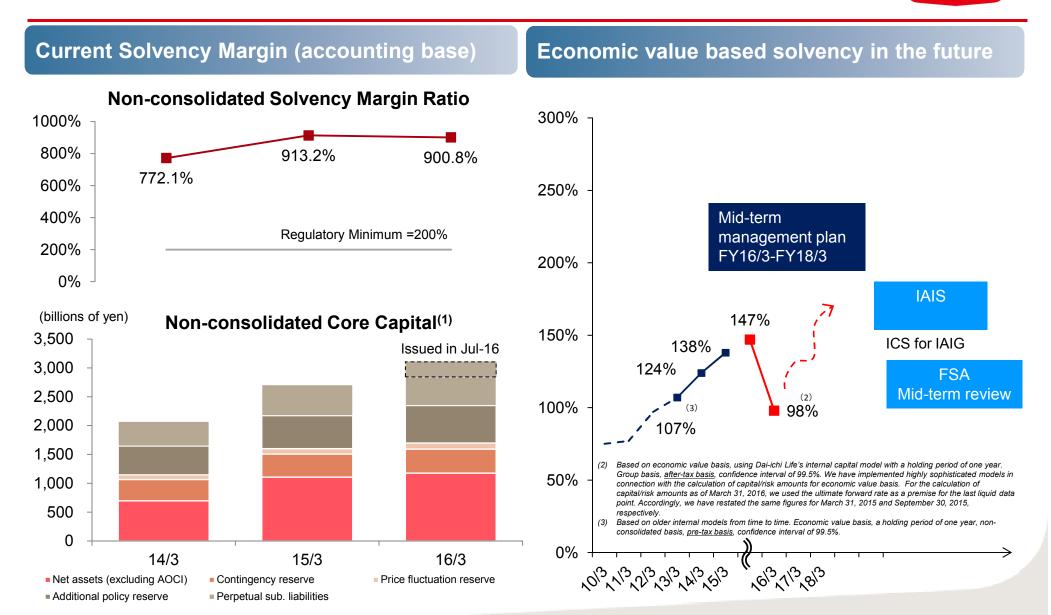
Shareholder Return

Meeting targets in Medium-Term Management Plan through balanced allocation of capital in view of financial soundness, internal reserve for investment in growth



Financial Soundness from different viewpoints





⁽¹⁾ Net assets = total net assets – valuation and translation adjustments. After tax basis. Effective statutory tax rates for March 31, 2014, March 31, 2015, and March 31, 2016 were 30.68%, 28.76% and 27.92%, respectively.

Value Creation through ERM



Secure excess return
Risk control
Sophisticated investments
Interest rate hike

Focus on protection products, Investment in sales channel

Grow overseas life business and asset management business

- Net income
- → Internal reserve
- → Shareholder return
- Non-dilutive measure of capital increase

Reduce duration gap when interest rates normalize

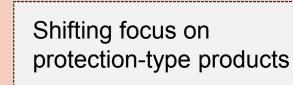
Efficient capital allocation
Grow VNB, excess return and RoEV
Improve operating RoE
Improve shareholder return
Improvement in corporate value

Current Future

<Dai-ichi Life>

Individual insurances & annuities

- ✓ Reducing assumed rate of return on single premium whole life (Jan-16 onwards)
- ✓ Reduced availability of prepayment (Apr-16)
- ✓ Reduced discount rate on prepayment and return rates on claims deposit



Group Insurance

- ✓ Defined Benefit: Control general account in-force and promote Separate Account Bond Fund and Separate Account Balanced Fund II
- ✓ Defined Contribution: Promote sale of mutual funds

<Dai-ichi Frontier Life>

- ✓ Stopped sales of yen-denominated fixed annuity (Feb-16)
- ✓ Stopped sales of yen-denominated fixed whole life (Mar-16)



Shifting focus on foreigncurrency products

Current Investment Policy



Environment recognition

Introduction of Negative Interest Rate Policy (extended period of low interest rates)

Lower yield on Yen fixed income assets

Duration gap between asset and liabilities

Challenges

Impact on investment spreads

Impact on economic value solvency

Our plan

Maintain accounting profits (Maintain stock-based yield, improve flow yield)

- Higher share to risk assets mainly through infrastructure projects
- → Minimize re-investment risk on fixed income assets
- → New, diversified investments

Control economic base risk amount (Shorten duration gap)

 Extend duration using interest rate swaps while avoiding impact on accounting profits

Achievements during FY Mar-17

- Increased hedged foreign bonds outstanding
- Risk reduction to prevent impacts of market volatility
- Sourcing power of infrastructure investments
 - Use of trust scheme (Apr-2016 release)
 - Participation in the first infrastructure debt fund (Jul-2016 release)
- Application of hedge accounting on interest rate swaps (receipt fixed) and extension of duration of assets

Continuing Investment for Future Growth



In June 2016, Dai-ichi Life agreed to increase its shareholding in Star Union Dai-ichi Life to 44% from 26%



Protective

In August 2016, Protective Life agreed to acquire United **States Warranty Corp**









In July 2016, Dai-ichi Life established a representative office in Cambodia. The Group will study opportunities to develop business in Mekong Delta together with Dai-ichi Life Vietnam and Singapore Regional Headquarters

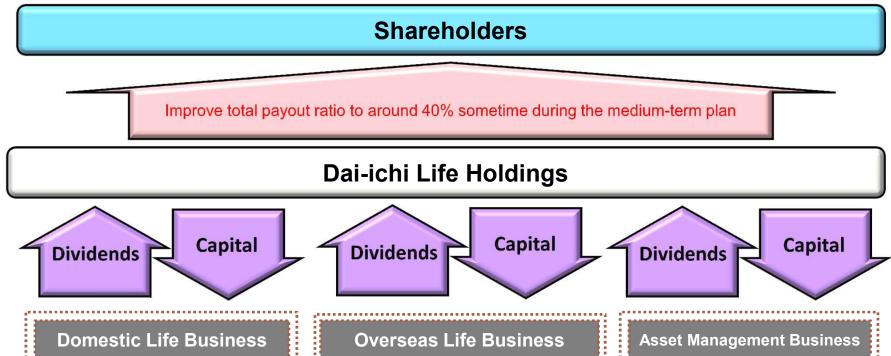


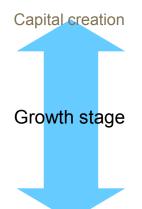
X DIAM Asset Management will be integrated with other asset management companies effective on October 1, 2016 and will become Asset Management One

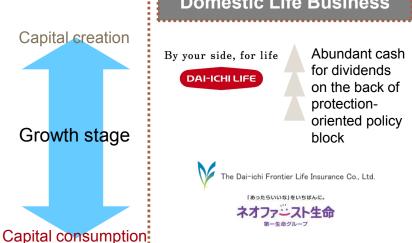


Cash Flow Management and Shareholder Return











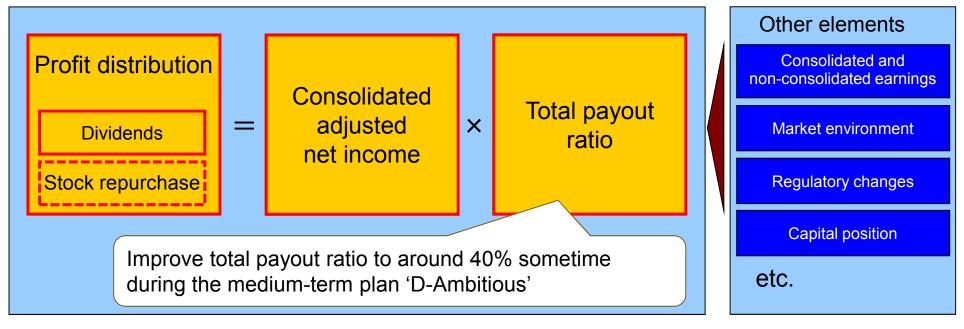


Shareholder Return Policy



[Basic Shareholder Return Formula]

The Group plans to improve total payout ratio through a combination of stable dividends and active deployment of stock repurchases based on the trends in earnings and other elements



The Dai-ichi Group considers consolidated adjusted net income as an indicator of the Group's real profitability. It is calculated by adding (subtracting) items such as provision for (reversal of) contingency reserve and/or price fluctuation reserve, after tax, to consolidated net income



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