

Asset Management Business

Contributing to sustainable expansion in consolidated profits through sophisticated asset management and enhanced earnings power in the asset management business

Dai-ichi Life's Asset Management

Where We Are and Our Strategy in the Market

Dai-ichi Life conducts asset management with a focus on ALM based on the nature of its insurance policies (insurance liabilities), mainly investing in fixed-income assets in order to fulfill its obligation to pay out annuities, claims and benefits after a long period of time in a stable manner. We also strive to increase profitability by flexibly allocating capital to risk assets such as stocks by taking market trends into account, but only after ensuring the soundness of these assets.

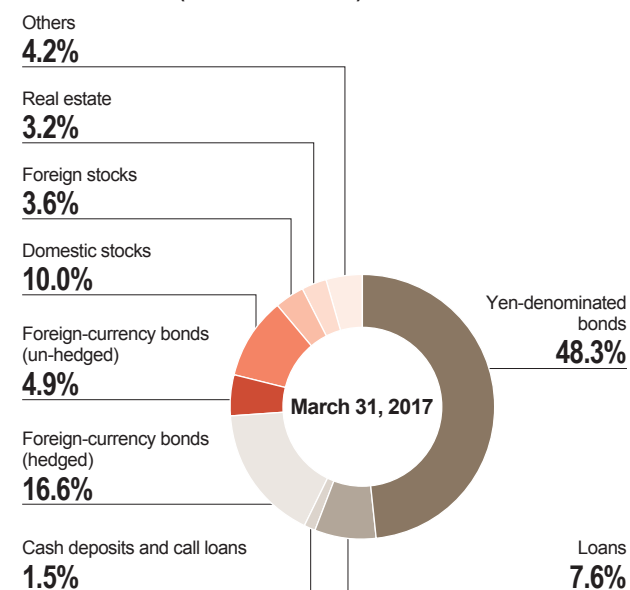
Japan's long-term interest rates have remained at low levels since the Bank of Japan introduced its large-scale monetary easing measures in April 2013, which has made the asset management environment quite challenging for insurance companies. For this reason, in recent years, we have actively increased the balance of foreign currency-denominated bonds with currency hedges, invested in and financed new

segments such as overseas infrastructure projects, and expanded the scope of countries whose bonds we purchase (35 countries as of March 2017), in order to bolster the earnings power of our asset management business. To respond to the needs to obtain stable revenue streams in a low-interest-rate environment, we are developing new products while utilizing the advanced asset management know-how of our Group company Asset Management One.

In addition, we are also focused on responsible investment as an institutional investor with an eye on its social responsibilities. As part of these efforts, we carry out stewardship activities that aim to enhance corporate value in a sustainable manner and ESG investment* that balances social responsibilities and profitability through the provision of capital.

*ESG investment: An approach to investment that considers environmental, social, and corporate governance (ESG) criteria.

Asset Portfolio (General Account)



Basic Strategy for Asset Management

| Perception of environment | Basic strategy |
|---|--|
| Continuation of low interest rates in Japan | Bolster earnings power of asset management business (expand countries eligible for bonds investment and invest in new areas) |
| Rising expectations towards "responsible institutional investors" | Develop new products to fulfill demand for securing stable earnings |
| | Reinforce efforts in responsible investment (stewardship activities and ESG investment) |

Review of Operations for Fiscal 2016

In fiscal 2016, we made selective investments in foreign currency-denominated bonds with currency hedges in order to increase the return from fixed-income assets given the low-interest-rate environment. As for risk assets, we allocated capital flexibly in view of potential political risk including trends surrounding Brexit and the U.S. presidential election. In new areas, we promoted investing and financing in infrastructure, aircraft finance and logistics facilities. We also reinforced our sourcing abilities by jointly developing new investment schemes together with other financial institutions.

We established the Responsible Investment Center and Responsible Investment Committee in April 2017 with the goal of further strengthening governance concerning responsible investment. Through these initiatives, we increased and stabilized profitability, marking the fourth consecutive fiscal year of positive spread since fiscal 2013.

Strategies for the Future

Dai-ichi Life expects the low-interest-rate environment to continue for some time because the Bank of Japan will maintain its monetary easing measures, including the negative-interest-rate policy. Nevertheless, we will further promote initiatives aimed at raising the level of our asset management, primarily strengthening the earnings power of our asset management featured in our strategy in the market.

While we believe that the possibility of interest rates rising dramatically and significantly is low for the foreseeable future, we monitor for signs of rising interest rates daily in preparation for any unexpected rises in interest rates and use derivatives to reduce risk. We also monitor for indications of deterioration in corporate earnings in preparation for a future recession. We will continually meet the expectations of stakeholders by securing stable earnings power through the aforementioned efforts to enhance the earnings power of our asset management and raising the level of our risk management.

Initiatives in New Areas During Fiscal 2016

| | |
|------------------|------------------------------------|
| Project finance | Infrastructure funds |
| Aircraft finance | Real estate (logistics facilities) |



Investment in project finance to build and operate a hospital in the Republic of Turkey

Initiatives Aimed at Raising the Level of Our Asset Management

| |
|--|
| Bolster profitability in a low-interest-rate environment |
| Raise level of ALM and develop products to meet demand for securing stable earnings |
| Maintain financial soundness |
| Fulfill social responsibilities as an institutional investor |
| Raise the level of the above initiatives by utilizing Group resources and HR development |

Asset Management Business

Where We Are and Our Strategy in the Market

Asset management business at the Dai-ichi Life Group includes Asset Management One, which we co-founded with Mizuho Financial Group (Mizuho FG) in Japan, and Janus Henderson Group (Janus Henderson)* in overseas markets.

Household financial assets in Japan totaled 1,800 trillion yen as of March 2017, of which cash and deposit accounted for 900 trillion yen. It is expected that the asset management market will continue to grow in Japan as the government implements various legislation

supporting personal wealth accumulation and changes in the social structure press for funds to shift to investment from savings. The growth expectation applies to markets in the United States and Europe, and the Group stands to benefit from growth in the asset management market around the world.

*Janus Henderson Group was founded in May 2017 as a result of a merger between Janus Capital Group, with which the Group made strategic investments and business alliance in 2012, and Henderson Group, a listed asset management company headquartered in the United Kingdom.

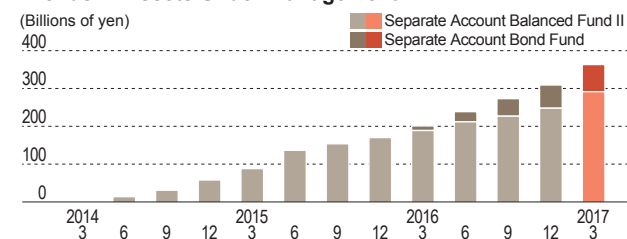
Review of Operations for Fiscal 2016

In October 2016 the Company and Mizuho FG established Asset Management One through the combination of DIAM, the asset management business of Mizuho Trust & Banking, Mizuho Asset Management and Shinko Asset Management. The move accelerated the effort to create synergies among the Group, namely, Asset Management One develops financial products for sale at Dai-ichi Life and Dai-ichi Frontier Life, and the Group promotes sales of Janus products in Japan.

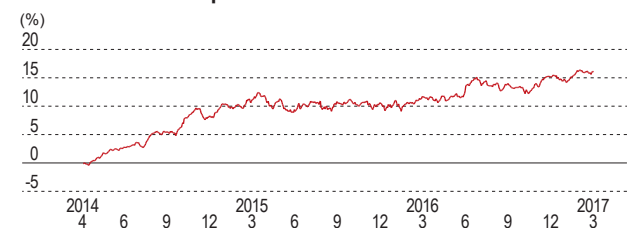
For example, Dai-ichi Life and Asset Management One co-developed the Separate Account Bond Fund and the Separate Account Balanced Fund II. Assets under

management for these products has maintained favorable performance since launch and now exceed 350 billion yen. The two companies continue to develop a separate account hybrid bond fund and a separate account pension liability fund for the domestic saving and annuity market. The separate account pension liability fund helps, on top of providing opportunities for excess return for corporate pension managers, minimize the valuation gap between pension assets and liabilities, thus helps minimize impact on corporate pension accounting. The solution was made possible with the expertise in asset liability management based on long-term insurance contracts at Dai-ichi Life.

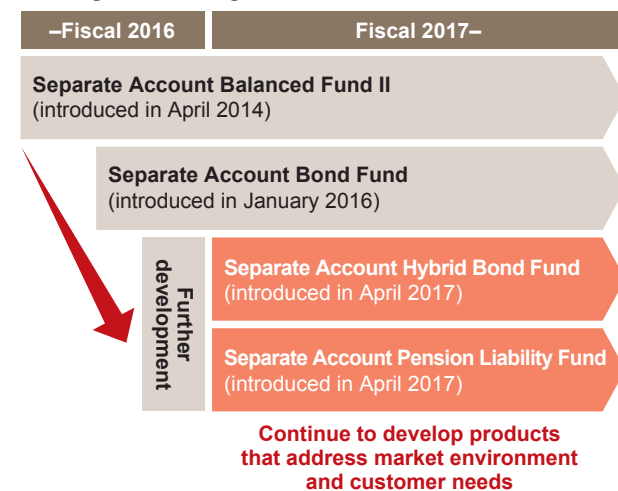
Trends in Assets Under Management



Performance of Separate Account Balanced Fund II



Development of Separate Account Products Utilizing Asset Management One



Strategies for the Future

The Dai-ichi Life Group today is set to benefit from the new growth opportunities on the back of the global trilateral structure in asset management business since the restructuring of Asset Management One in Japan and Janus Henderson in the United States and Europe.

The Group expects both Asset Management One

and Janus Henderson to produce synergies through the mutual utilization of products and channels, in addition to organic growth in each market. The Group also expects life insurance companies within the Group to contribute further growth utilizing asset management resources at the two companies.

Global Trilateral Structure in Asset Management Business



TOPICS

The Merger between Janus Capital and Henderson Group

In October 2016, Janus Capital Group agreed to merge with Henderson Group, a listed asset management company in the United Kingdom. As a major shareholder, the Group believes the merger will complement both parties and create further opportunities for a growth on the back of wider range of products and sales channels, and has thus announced its support of the merger. The three companies further agreed the original strategic investment and business alliance with Janus Capital should extend into the new company after the merger.

In May 2017, with the help of strong leadership from two companies' management, the two companies successfully completed the merger and the combined company's shares began trading on New York Stock Exchange and Australian Stock Exchange.



Active Engagement Based on Our Stewardship Policy as a Responsible Institutional Investor

Miyuki Zeniya
 General Manager
 Responsible Investment Center
 The Dai-ichi Life Insurance Company, Limited

As an institutional investor that manages roughly 3.5 trillion yen of Japanese stocks, Dai-ichi Life engages actively in stewardship activities that include dialogue with the companies it invests in and the exercising of voting rights. Through these stewardship activities, we encourage the companies we invest in to aim for sustainable growth, which helps to boost our equity investment return over the medium to long term.

In Fiscal 2017, Further Reinforced Our Stewardship Activities

Dai-ichi Life has always promoted responsible investments based on its social responsibilities as an institutional investor given the nature of the assets it manages as a life insurance company. Our responsible investments are based on stewardship activities that aim to enhance sustainable corporate value and ESG investment* that seeks to have both profitability and contribution to solving social issues stand together through providing funds.

In fiscal 2017, we established the Responsible Investment Center as an organization dedicated to stewardship activities and we established the Responsible Investment Committee to discuss and confirm important policies regarding our stewardship activities.

Stewardship activities require expertise and experience with corporate governance, in addition to knowledge unique to each industry and financial analysis skills. Therefore, the Responsible Investment Center is staffed mainly with former equity analysts, people who

have experience with venture investments and knowledge in a broad range of industries, and people with in-depth understanding of corporate governance who have served as outside directors for other companies.

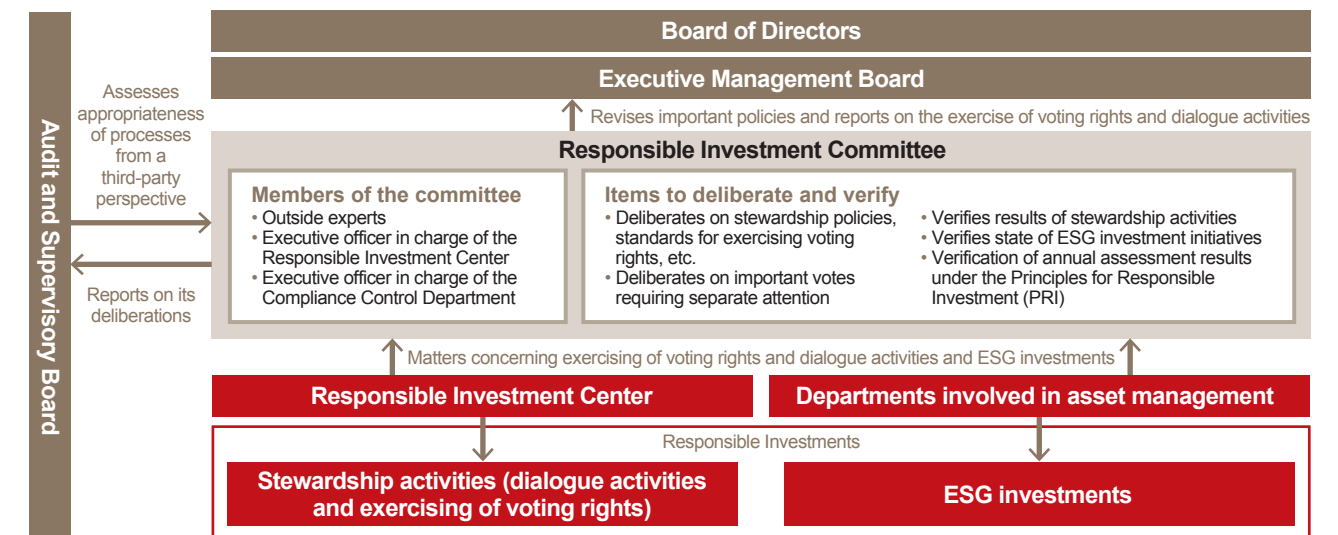
More than half of the members of the Responsible Investment Committee consist of outside experts. The committee discusses and confirms policies and regulations on stewardship activities and makes decisions on whether or not to approve important issues, which helps to enhance the effectiveness of our stewardship activities.

*ESG investment: an investment method that considers the elements of environmental, social and corporate governance (ESG) when investing.

Progress of Stewardship Activities

- May 2014** Announced support of Japan's Stewardship Code
- November 2015** Signed the UN Principles on Responsible Investment (PRI)
- April 2017** Established the Responsible Investment Center and Responsible Investment Committee
- May 2017** Established and released initiative policy for the revised version of the Stewardship Code (compliance with all principles and guidelines)
- July 2017** Appointed two outside members to the Responsible Investment Committee

Implementation System for Stewardship Activities



Promoting Constructive and Purposeful Dialogue

Our stewardship activities emphasize constructive and purposeful dialogue from the standpoint of supporting the enhancement of corporate value and sustainable growth of the companies we invest in.

Themes of dialogue mainly include reinforcement of corporate governance, sustainable improvement of business performance and capital efficiency, and enhanced shareholder returns. Dialogue sessions with the companies we invest in mainly take place with the executive officer in charge of finance or management strategy. Some of the companies we have held dialogue with have since implemented measures aimed at enhancing corporate value, such as electing multiple independent outside directors, rebuilding unprofitable businesses and subsidiaries, and disclosing their capital policy.

Implementation Rate of Constructive and Purposeful Dialogue

| | Fiscal 2015 | Fiscal 2016 |
|---|-------------|-------------|
| Based on number of companies | 21% | 24% |
| Based on market value of held stocks | 62% | 82% |

Titles of Attendees

| | Fiscal 2015 | Fiscal 2016 |
|---|-------------|-------------|
| Directors and executive officers | 60% | 70% |
| General managers, etc. | 40% | 30% |

Exercising Voting Rights from the Perspective of Enhancing Medium- to Long-term Corporate Value

We exercise the voting rights on each investment from the standpoint of maintaining and enhancing medium- to long-term corporate value based on our dialogue with the company we have invested in, rather than making clear-cut and rigidly uniform decisions based solely on factors such as short-term business performance and the share price. However, voting rights are exercised following certain uniform criteria when it comes to important mechanisms on corporate governance. For example, we vote against proposals for the election of auditors who have had many years of tenure.

To enhance the transparency of the results following our exercising of voting rights, we disclose criteria used to determine which way to vote and in fiscal 2017 we began disclosing the results for each individual company and proposal.

Looking forward, as a responsible institutional investor, we will continue to engage actively in stewardship activities so as to encourage the companies we invest in to achieve sustainable growth and enhance medium- to long-term equity investment returns. At the same time, we will strive to contribute to vitalizing stock markets.

