

# Domestic Life Insurance Business

Responding flexibly to the changing times and changes in customer needs based on a structure with three domestic life insurance companies to provide the best products and services through the best channels

## Where We Are and Our Strategy in the Market

Japan's life insurance market is the second biggest in the world, after the United States, and it has continued to grow steadily over the past five years, at an average growth rate of 4% (based on annualized net premium from policies in-force).

It is estimated that Japan will face a super-aging society in 2025 with approximately 22 million people aged 75 or older, which is equivalent to just under 20% of the total population. While the shrinking of the death protection market accompanying the decline in the working-age population is a risk for the life insurance business, the increase in the elderly population has created new customer needs such as medical and nursing care, and savings. Furthermore, customer needs are also diversifying due to changes in the social structure and customer lifestyles, including the advancement of the aging population and the declining birth rate, a rise in the percentage of unmarried people, and a fall in the average number of people per household.

It is also possible that customer needs will change

rapidly in the future due to technological progress, social innovations, and other factors.

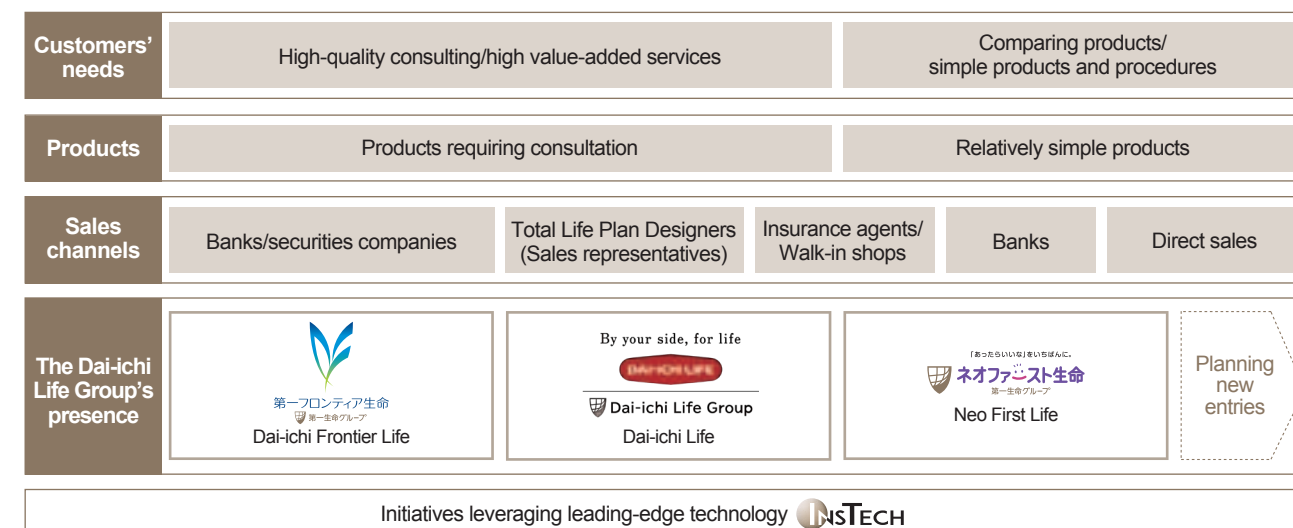
In order to remain a life insurance company that customers can rely on, it is vital to respond to diverse needs as we stand "By your side, for life" with our customers while making innovations aimed at providing new products and services in anticipation of coming changes.

The Dai-ichi Life Group has built a structure of three domestic companies, namely Dai-ichi Life (primarily face-to-face channels), Dai-ichi Frontier Life (primarily over-the-counter sales at banks and securities companies) and Neo First Life (primarily banks and insurance agents) to respond quickly and accurately to changing customer needs.

Moreover, in order to provide customers with new products and services, we are making proactive efforts in our highest priority management strategy, InsTech (Insurance Technology), which leverages leading-edge technology.

• See InsTech initiatives for enhanced value creation (page 36) for details about initiatives related to InsTech.

### Outline of Three-Company Structure in the Domestic Life Insurance Business



## Review of Operations for Fiscal 2016

### Dai-ichi Life

#### Upgrading Consulting Capabilities and Diversifying Sales Channels to Promote Sales of Protection-type Products

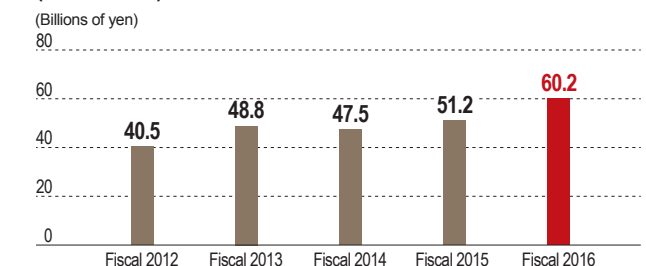
Dai-ichi Life upgraded the consulting capabilities of Total Life Plan Designers, mainly by revising its educational program and increased the number of Total Consultants specializing in consulting services at companies and government offices.

In addition, under the prolonged low-interest-rate environment, Dai-ichi Life strategically controlled sales of single-premium savings-type products while working to promote sales of protection-type products, including third-sector products (medical and nursing care) where customer needs are high.

As a result of these efforts, annualized net premium

from new third-sector policies increased significantly, by 18% from the previous fiscal year.

#### Annualized Net Premium from New Third-sector Policies (Dai-ichi Life)



### Dai-ichi Frontier Life

#### Developing the Industry's Best Product Lineup to Respond to Diverse Customer Needs

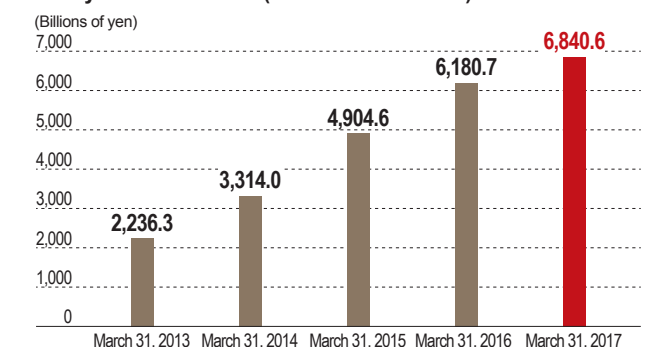
Dai-ichi Frontier Life further bolstered its product lineup and competitiveness by strategically controlling sales of yen-denominated fixed products while launching new foreign-currency-denominated fixed life insurance products where customer needs are high and redesigning foreign-currency-denominated variable products from the perspective of customers.

Dai-ichi Frontier Life also further strengthened its support for financial institutions while customer-first operations were developed, including the disclosure of sales commissions.

As a result of these efforts, the number of policies in-force topped one million in the ninth year of business and

the total amount of policies in-force as of March 31, 2017 reached 6.8 trillion yen.

#### Policy Amount In-force (Dai-ichi Frontier Life)



### Neo First Life

#### Identifying Agents' and Customers' Needs to Launch Differentiated Products in a Flexible Manner

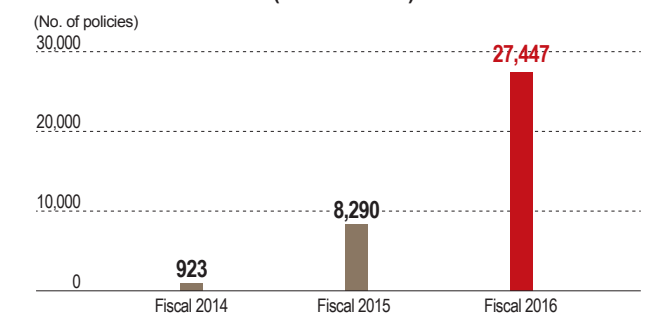
Despite being the latest entrant among Japan's life insurance companies, Neo First Life, which commenced business in August 2015, achieved steady growth by launching distinctive products and increasing the number of commissioned agents such as banks and insurance shops.

In fiscal 2016, Neo First Life launched differentiated products based on use of the medical big data owned by the Dai-ichi Life Group and responding to the needs of financial institutions and agency partners. For example, the life insurance industry's first product using the policyholder's *Kenko Nenrei* (health age\*) instead of his or her actual age was launched. As a result of these efforts, the number of

new policies increased steadily.

\**Kenko Nenrei* (health age) is a trademark registered by Japan Medical Data Center (JMDC).

#### Number of New Policies (Neo First Life)



## Strategies for the Future

During the medium term management plan, D-Ambitious, the Group put a priority on improving the marketing, products and services and sales channels in order to build up the Group presence in the market. The initiatives led to improvements in efficiency indicators of sales representatives and sales by agents.

The Group continues to strengthen existing

### Examples of improvement:

#### (1) Marketing

- Making commercial use of accumulated big data and base of 10 million customers

#### (2) Products and services

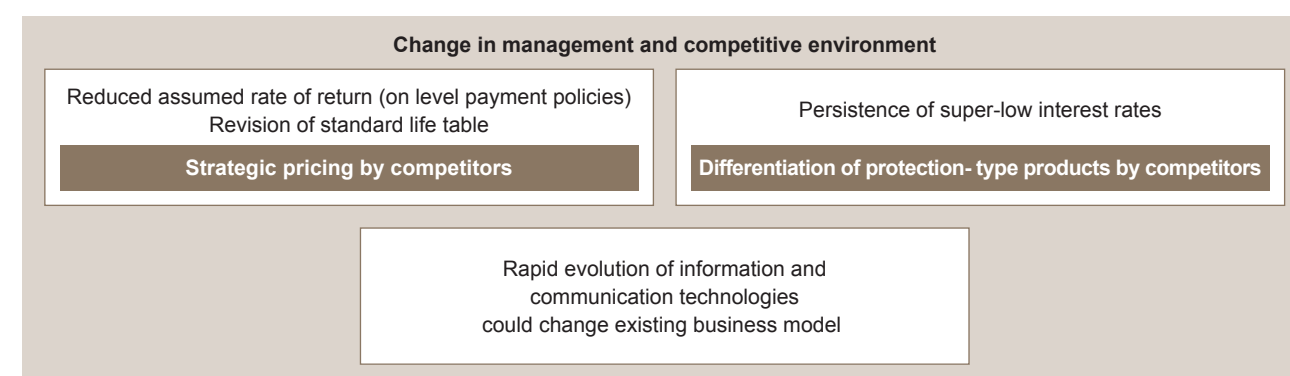
- Introduction of protection-type products for youth and female customers
- Introduction of annuity products addressing nursing care risk for business owners

#### (3) Sales channel

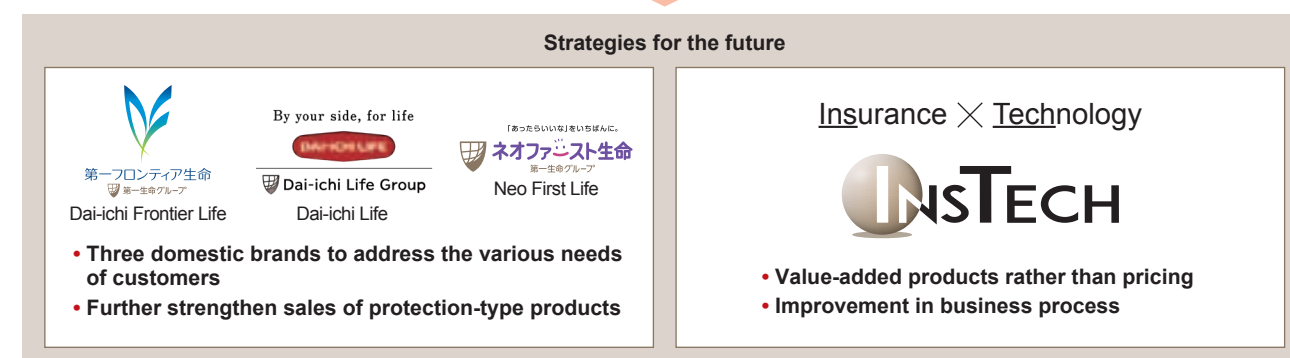
- Extension of training term for sales representatives from two years to five
- Increased the number of Total Consultants that specialize in sales at the workplace to more than 2,000
- Diversification of agent channels
- Sales of Dai-ichi Frontier Life products by Dai-ichi sales representatives

business lines. It implemented attractive features to the existing protection-type products to take advantage in changes in premiums in April 2017. In addition, Japan Post Insurance started sales of Dai-ichi Life's TOP PLAN EXCEED U annuity products for business owners.

The business environment and competitive landscape of the domestic life insurance business could change dramatically on the back of persistently low interest rates and events such as revision of the standard life table, expected in April 2018. The Group has to be prepared for strategic pricing and product differentiation by its competitors. The Group continues to address various needs of its customers based on its customer-first strategies; Dai-ichi Life and Neo First Life address the various needs for protection-type products, and Dai-ichi Frontier Life addresses the consistent need for saving-type products. Through these strategies, the Group aims to grow the value of new business. The Group is also moving forward with InsTech initiatives to provide value-added products away from simple price competition while streamlining the business process.



### Possible acceleration of price competition



## InsTech Initiatives for Enhanced Value Creation

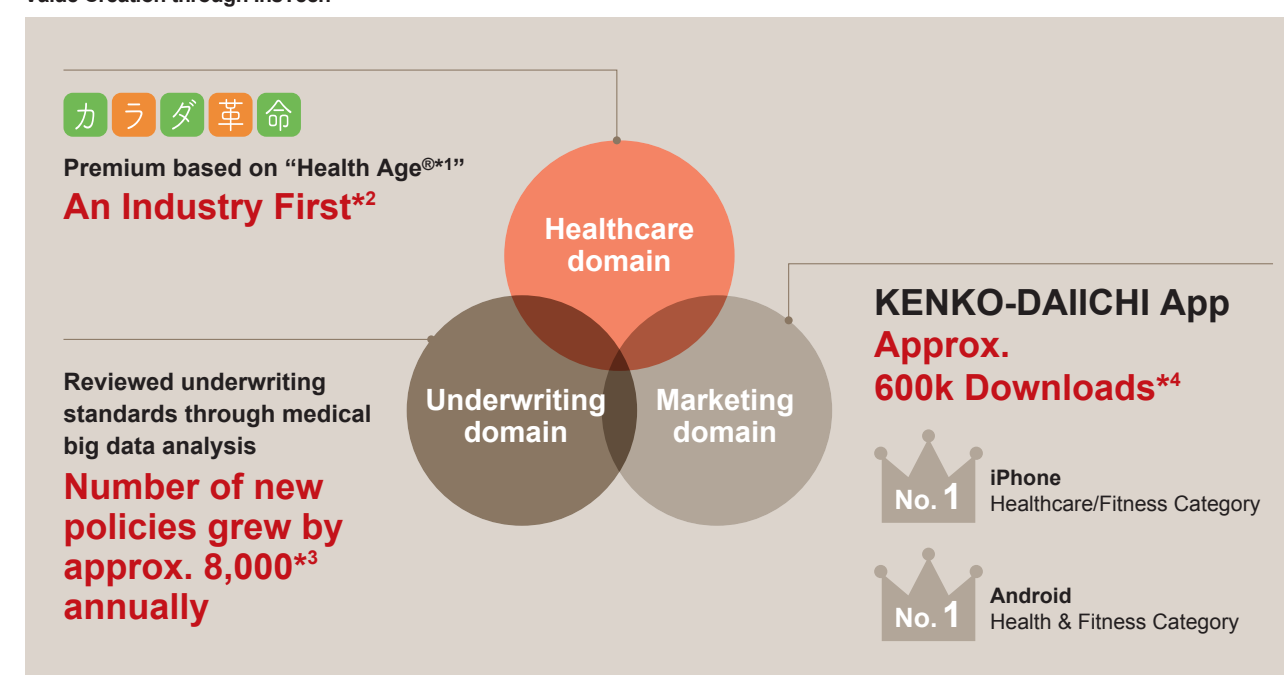
The Group refers to initiatives to create unique innovation to life insurance business as “InsTech,” representing a combination of the insurance business and technology, and promotes group-wide initiatives of strategic importance.

In 2016 the Group started to demonstrate its capabilities: Neo First Life introduced a new product that uses health age as a basis for premiums. Dai-ichi Life extended underwriting criteria based on medical big data analysis and developed the KENKO-DAIICHI app for enhanced value creation.

The Group continues to build an eco-system of companies with different backgrounds, to share information among group companies in the United States and Asia Pacific regions, and aims to create innovation for the future of customers in three segments: healthcare, underwriting and marketing.

- Please refer to page 37 for behind-the-scenes information on the development of the KENKO-DAIICHI app.

### Value Creation through InsTech



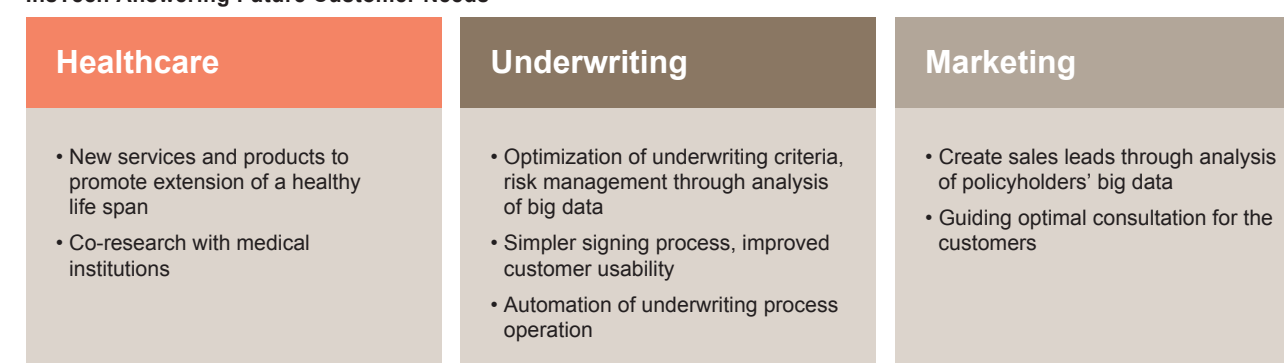
\*1 Kenko Nenrei (health age) is a registered trademark of the Japan Medical Data Center.

\*2 Based on research by the Company on products of life insurance companies that are members of the Life Insurance Association of Japan. (As of September 20, 2016)

\*3 Annualized calculation based on fiscal 2016 results.

\*4 As of July 31, 2017

### InsTech Answering Future Customer Needs





# Creating the Future with InsTech

The Dai-ichi Life Group coined the term “InsTech” as a name for its initiatives to create innovation unique to the life insurance business from both the insurance and technology perspectives. As part of our initiatives, we launched the KENKO-DAIICHI (health first) app in March 2017. For this special feature, we interviewed Takako Kitahori, chief of the Marketing Strategy Unit, who headed this project, and Takero Hayashi of development partner Accenture Japan Ltd.

**Takero Hayashi**

Managing Director  
Insurance Group  
Financial Services  
Accenture Japan Ltd

**Takako Kitahori**

Chief of the Marketing Strategy Unit  
Dai-ichi Life Holdings, Inc.

## Release of the KENKO-DAIICHI App for Encouraging People to Take the Lead in Their Health

### —What does InsTech involve?

**Kitahori** “InsTech” is a phrase coined by Dai-ichi Life that combines the words “insurance” and “technology.” We are currently developing products and services and ushering in business innovation in the three fields of “healthcare,” “underwriting,” and “marketing” with the goal of creating innovation unique to the life insurance business by harnessing technologies such as artificial intelligence (AI). Such initiatives are already being implemented by insurance companies in Europe and North America, so we decided to work with Accenture in promoting InsTech because of its global network and wealth of knowledge in best practices within various industries.

**Hayashi** Since Dai-ichi Life contacted us in 2015, we have visited leading companies outside of Japan together to observe their approaches and also exchanged ideas through a close-knit partnership. After clarifying the concept of InsTech, we set up a cross-functional project team, which resulted in the release of KENKO-DAIICHI, a dedicated smartphone app, as part of our efforts in the healthcare field.

**Kitahori** Life insurance companies must complement the social security system. This is why the basic concept behind the app was to create motivation for many people, not just customers of the Dai-ichi Life Group, to maintain or improve their health. We hope the app will serve as a gateway for people to maintain an interest and to take the initiative in their health.



## Sped up Development Using an Eco-system Involving Many Companies

### —How did you go about developing the app?

**Kitahori** One of the strengths of the Dai-ichi Life Group is its access to medical-related big data from its customer information data base. To utilize this and introduce InsTech, the project needed to bring together the strengths of many different companies and groups from inside and outside the Dai-ichi Life Group. Or, in other words, we needed to build an eco-system. In this sense, Accenture's network and coordinating abilities were extremely powerful.

**Hayashi** One of Accenture's strengths is its ability to deliver the same high-quality problem-solving services anywhere in the world. We work side by side with customers, including not only consulting, but also the selection of companies to promote strategy and the provision of specific IT solutions, to achieve highly visible results.

**Kitahori** One of the things we emphasized in developing the app was speed. After closely examining strategy and functional requirements internally, Accenture informed us about good practices and failures from other industries and outside Japan, which helped to elevate our planning.

**Hayashi** Later, Accenture took the lead in building an eco-system involving other industries and in app

development. Harnessing our expertise and know-how, we completed development in the space of four months after taking a keen and nimble approach. Dai-ichi Life has a flat organization, so the fast-paced decision-making concerning all processes enabled this fast-paced timeline.

## Paving the Way for a Better Future with the Concept of “Living Healthier and Happier Lives”

### —What's next for the future?

**Kitahori** First, we would like to enhance KENKO-DAIICHI so that it meets the needs of users. At the same time, we would like to develop new products utilizing the big data of the Dai-ichi Life Group. For example, we will take an initiative to analyze the correlation between data on the number of steps and sleep time with data of medical exams and medical practitioner receipts by having Group employees use wearable terminals starting from October 2016. Also, we want to step up information sharing with our Group companies in the United States and Australia, which were among the first to use InsTech.

Furthermore, we hope to expand our partners. Recently, we concluded a business partnership with Nihon Chouzai Co., Ltd. and are working to deepen this relationship through the sale of insurance products and the development of apps for prescription drugs. In the future, we will consider developing solutions utilizing both companies' big data. We have also begun joint research with the National Cancer Center Japan and others.

**Hayashi** Through our work with Dai-ichi Life, Accenture recognizes that the concept “living healthier and happier lives” occupies an important meaning for the promotion of InsTech. Looking forward, we hope to create a better future by working together and capitalizing on our strengths.



# Overseas Life Insurance Business

Building a business portfolio that strikes a balance between stable markets and growth markets



## Where We Are and Our Strategy in the Market

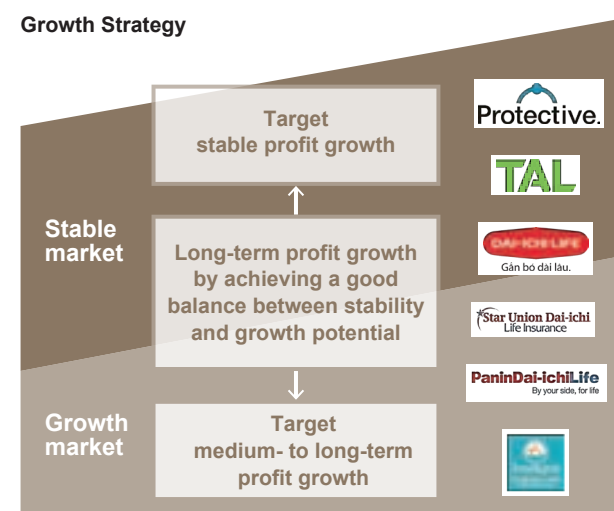
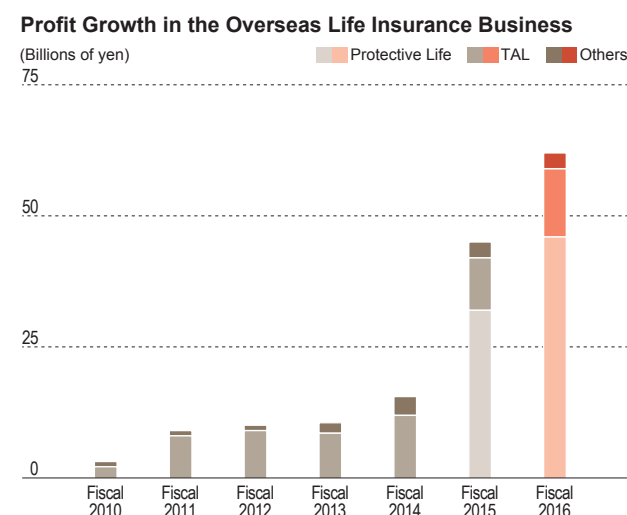
The economic and business environment surrounding the life insurance market varies from one country to another. In developed markets, such as North America where the insurance penetration rate is high, stable growth is expected through economic growth and other factors. On the other hand, high growth is expected to continue in the future for emerging markets in Asia and other regions due to high economic growth and increases in insurance penetration rates.

It has been 10 years since the establishment of Dai-ichi Life Vietnam, and our overseas life insurance business has now expanded into six countries in the Asia Pacific and North America regions. As a result, we have formed a well-balanced business portfolio that can benefit from both the growth of emerging markets and stable profit growth in developed markets, and the contribution of the overseas life insurance business to profits in the fiscal year ended March 31, 2017 accounted for 27% of consolidated net income.

The Dai-ichi Life Group strikes a balance between its growth strategy and capital policy through its efforts in ERM\*1 that take into account the growth stage and capital level of each company while aiming for profit growth over the medium to long term. For instance, backed by its ample cash flow, the U.S. subsidiary Protective Life contributes to the Group by maintaining profit growth and dividends to the Company while continuing to invest in dynamic growth.

On the other hand, in each of the businesses in Asia, we have adopted strategies that emphasize profit growth in the medium to long term, and we engage in varied allocation and management of capital based on ERM such as investing the capital required for growth in principle while also considering the returns to the Company taking into account the capital level of each company.

\*1 Enterprise risk management (ERM) is an effort to increase capital efficiency and corporate value by formulating strategies according to profits, capital and risks taking into account the types and characteristics of the risks.



## Review of Operations for Fiscal 2016

In developed markets, we worked to increase the contribution to Group profits by expanding business scale and other measures. Protective Life continued the acquisition business, which is one of its strengths, and demonstrated results including the December 2016 acquisition of United States Warranty Corp. (USWC), which operates an asset protection business\*2 in 46 states in the U.S. Moreover, sales of individual insurance at Australian subsidiary TAL remained strong, and annualized net premium from policies in-force as of December 2016 topped the industry for the fourth year in a row in the Australian life insurance (protection-type products) market.

In emerging markets in Asia, we worked to

accelerate growth, including increasing market share through the diversification and reinforcement of sales channels. As part of this, with the deregulation of the foreign ownership limitation, Dai-ichi Life Holdings increased its shareholding in Star Union Dai-ichi Life, an affiliated company based in India, from 26% to 45.94% anticipating further growth in the Indian life insurance market and the company itself. Furthermore, we established representative offices in Cambodia and Myanmar with the aim of carrying out market research as the foundation for new expansion in the Asian market.

\*2 Asset protection business means non-life insurance business that compensates for expenses for machine failures, including automobile failures, and an amount equivalent to loan balances in the event of total loss.

## Strategies for the Future

Over the past 10 years, we have established the foundations for growth in Asian emerging markets in addition to achieving the stabilization of the Group's business through expansion into developed countries. Moreover, we have executed a growth strategy while also steadily strengthening our business foundations through such means as developing global human capital

and establishing regional headquarters.

Going forward, in addition to strengthening our existing sales channels while anticipating changes in the business environment and our market position, we will continue working to increase profit levels through collaboration with diverse business partners, utilization of InsTech, and further display of Group synergies.

### Collaborating with Diverse Business Partners





U.S.A.  
Protective Life



Protective Life has contributed steadily to profits by combining retail business with acquisitions

**What we have achieved in fiscal 2016**  
Promoted growth in the life insurance business through cross-selling with Costco Wholesale and major financial institutions in addition to strengthening existing sales channels. In the acquisition business, acquired in-force blocks of insurance from Genworth Financial, Inc. and acquired USWC.

**What we'll strive to achieve**  
We will strengthen our foundations with the aim of organic growth by strengthening and expanding new alliances and utilizing InsTech. In the acquisition business, we will aim to further contribute to profits by continuing to make new acquisitions.

- About Protective**
- Established in 1907
  - Became a wholly owned subsidiary in 2015
  - No. of employees: 2,764 (Mar. 2017)
  - Main office: Birmingham, Alabama, U.S.A.
  - Main channel: General agents, stockbrokers & banks, direct response, etc.
  - Main products: Universal life, fixed & variable annuities, indexed annuities, and asset protection, etc.
  - Market share: 0.5% (Dec. 2015, net premium income basis)
  - Market rank: No. 44 (Dec. 2015, net premium income basis)
- Insurance Market in the United States**
- Market size (2015): [Population 321.4M, GDP 18,089B USD, penetration (life) 3.05%]
  - Other major players: Metlife, Prudential, AIG, etc.

India  
Star Union Dai-ichi Life



The Company has increased its shareholding in SUD. Now we are focusing on further growth by strengthening the bancassurance and individual insurance agent channels

**What we have achieved in fiscal 2016**  
Enhanced the management of the bancassurance channel with JV partners, started new sales channel (fixed-salary sales reps), and strategically shifted the product portfolio for more stable premium income and increased profitability.

**What we'll strive to achieve**  
We plan to expand our premium income base by (a) strengthening relationships with JV partners, (b) introducing a new sales channel, and (c) improving the efficiency of individual agents.

- About Star Union Dai-ichi Life**
- Established in 2009
  - Became an affiliate of Dai-ichi in 2009 (Started operation as a JV with Dai-ichi, Bank of India and Union Bank of India)
  - Ownership: 45.94%
  - No. of employees: 3,051 (Mar. 2017)
  - Main office: Navi Mumbai, India
  - Main channel: Bancassurance, sales reps (fixed salary), and individual insurance agents
  - Main products: Endowment, Annuity
  - Market share: 1.79% (Dec. 2016, EPI basis, excl. LIC, a government company)
  - Market rank: No. 13 (Dec. 2016, EPI basis, excl. LIC, a government company)
- Insurance Market in India**
- Market size (2015): [Population 1,313.0M, GDP 2,086B USD, penetration (life) 2.72%]
  - A new market to foreign players: LIC has market share of 47% (Dec-2016, EPI basis)
  - Other major players: ICICI Prudential (Pru-UK), SBI Life (Cardif), HDFC Life (standard life), etc.

Australia  
TAL



TAL has demonstrated substantial growth in the market and held the No.1 position

**What we have achieved in fiscal 2016**  
In addition to enhancing sales through the IFA channel and superannuation funds, we launched a partnership with Qantas Assure and enhanced the direct online business in order to reinforce our sales channels.

**What we'll strive to achieve**  
We continue to strive for steady growth by constructing strong sales channels, increasing brand recognition, and product diversification.

- About TAL**
- Established in 1869 (Started as government life insurance office in New Zealand in 1869; then separated)
  - Became an affiliate of Dai-ichi in 2008; then became a subsidiary in 2011
  - No. of employees: 1,603 (Mar. 2017)
  - Main office: Sydney, Australia
  - Main channel: Individual financial advisor (IFA), Group (superannuation), and direct
  - Main products: Risk products (death, income protection & TPD)
  - Market share: 16.6%(Dec. 2016, In-force ANP basis)
  - Market rank: No.1 (Dec. 2016, In-force ANP basis)
- Insurance Market in Australia**
- Market size (2015): [Population 23.9M, GDP 1,245B USD, penetration (life) 3.51%]
  - An oligopolistic market: each top-6 company holds more than 10% market share (collectively approx. 75%).
  - Other major players: AIA, AMP, NAB/MLC, CommInsure, etc.

Indonesia  
Panin Dai-ichi Life



Became our affiliate in 2013, now strengthening its infrastructure and channel

**What we have achieved in fiscal 2016**  
In order to achieve sustainable growth, we worked on expanding our customer base and on improving sales channel efficiency through strengthening sales support for group banks and training for agents.

**What we'll strive to achieve**  
We aim for an increase in profitability, by enhancing (a) the bancassurance business and (b) individual agents channels through an improved training system.

- About Panin Dai-ichi Life**
- Established in 1974
  - Became an affiliate of Dai-ichi in 2013
  - Ownership: 40%
  - No. of employees: 389 (Mar. 2017), 6 thousand agents (part-time)
  - Main office: Jakarta, Indonesia
  - Main channel: Individual insurance agents, Bancassurance (mainly with Panin Bank)
  - Main products: Unit-linked, investment-linked
  - Market share: 2.2% (Dec. 2016, premium income basis)
  - Market rank: No. 13 (Dec. 2016, premium income basis)
- Insurance Market in Indonesia**
- Market size (2015): [Population 257.9M, GDP 861B USD, penetration (life) 1.28%]
  - A relatively oligopolistic market: top 10 companies have about 70% market share.
  - Other major players: Prudential (UK), INDOLIFE, JIWasRAYA, AIA, etc.

Vietnam  
Dai-ichi Life Vietnam



Its top line is growing due mainly to the strengthened individual agency channel and to the development of alternative channels

**What we have achieved in fiscal 2016**  
Secured a stronger market position through the enhancement of the individual agency channel, launch of strategic products, and expansion to alternative channels.

**What we'll strive to achieve**  
We aim for sustainable growth in premium income by strengthening and diversifying sales channels (including strategic business alliance with Vietnam Post and several banks) and developing products catering to market needs.

- About Dai-ichi Life Vietnam**
- Established in 1999 (Started as Bao Minh CMG, a JV of local company and Australian CMG)
  - Became a subsidiary of Dai-ichi in 2007
  - No. of employees: 977 (Mar. 2017), 64 thousand agents (part-time)
  - Main office: Ho Chi Minh, Vietnam
  - Main channel: Individual insurance agents, Vietnam Post, Bancassurance
  - Main products: Universal, Endowment
  - Market share: 10.5% (Dec. 2016, premium income basis)
  - Market rank: No. 4 (Dec. 2016, premium income basis)
- Insurance Market in Vietnam**
- Market size (2015): [Population 93.4M, GDP 191B USD, penetration (life) 0.83%]
  - An oligopolistic market: top 6 companies have approx. 90% market share.
  - Other major players: Prudential (UK), Bao Viet, Manulife, etc.

Thailand  
Ocean Life



For sustainable growth, strengthening the core individual agency channel

**What we have achieved in fiscal 2016**  
As we aim for sustainable growth, from the latter half of 2016, we have strengthened our recruitment and training system for our main individual agency channel and started to develop new sales channels.

**What we'll strive to achieve**  
We will continue to recruit capable personnel for the individual agency channel, construct a base for our growth strategy to expand to urban areas, and expand alternative channels including Thai Post in order to steadily expand our premium income base.

- About Ocean Life**
- Established in 1949 (Started as P&C company, entered into life insurance business in 1951, unbundled business in 1992)
  - Became an affiliate of Dai-ichi in 2008
  - Ownership: 24%
  - No. of Employees: 1,934 (Mar. 2017), 14 thousand agents (part-time)
  - Main office: Bangkok, Thailand
  - Main channel: Individual insurance agent
  - Main products: Endowment, Whole life, Annuity
  - Market share: 2.2% (Dec. 2016, premium income basis)
  - Market rank: No. 10 (Dec. 2016, premium income basis)
- Insurance Market in Thailand**
- Market size (2015): [Population 68.0M, GDP 395B USD, penetration (life) 3.70%]
  - An oligopolistic market: Top 10 companies occupy most of the market.
  - Other major players: AIA, Muang Thai Life (Ageas), Thai Life (Meiji Yasuda), Bangkok Life (Nippon), etc.

(Source of market size) Swiss Re, sigma No 3/2016



Dai-ichi Life Insurance Company of Vietnam

# Building Presence in Ever Growing Vietnam Market

### Overview of Dai-ichi Life Vietnam

Established	January 2007	No. of agents*1	64 thousand
Headquarters	Ho Chi Minh	Sales offices*1	199
No. of employees*1	977	Premium income*2	27 billion yen

\*1 As of March 2017 \*2 For the year ended December 2016

Dai-ichi Life Vietnam has established itself as a major life insurance company over the past years.

Tran Dinh Quan  
General Director, Dai-ichi Life Vietnam



### Life Insurance Market Growing at more than 20% on average

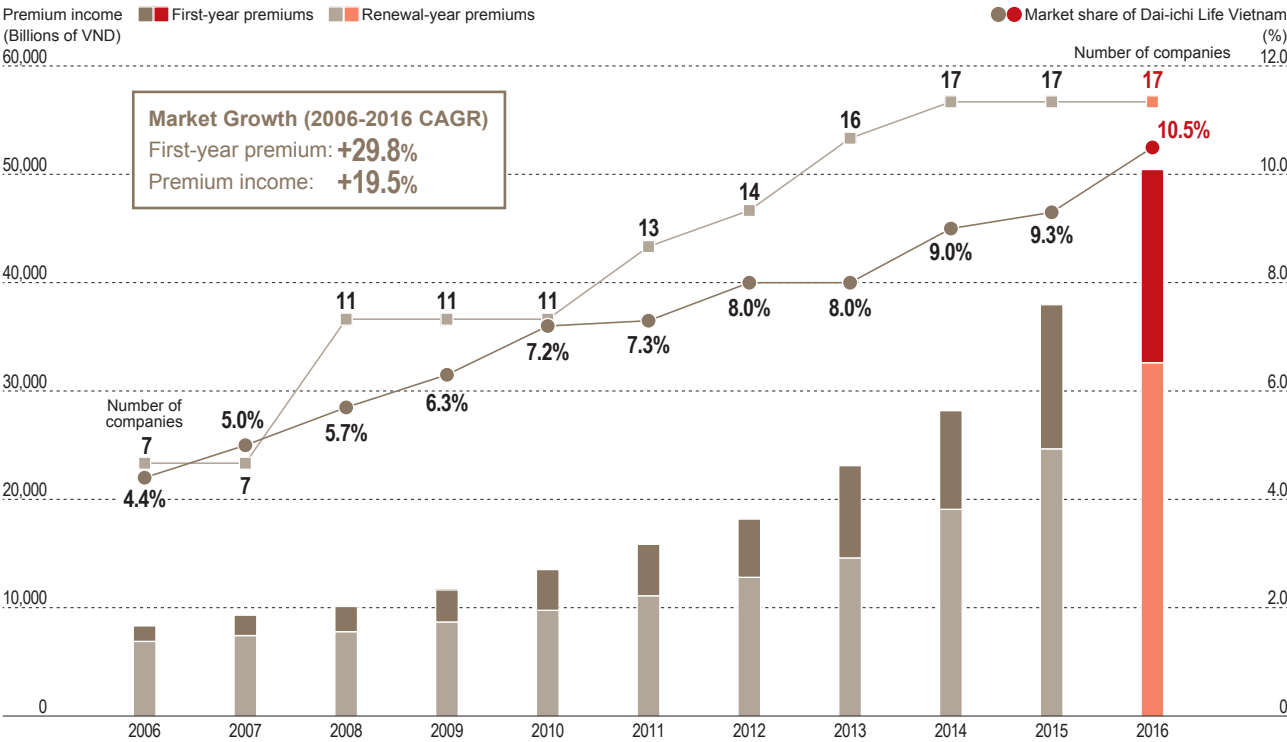
The Vietnamese economy has continued its robust growth since the early 21st century with a population reaching 90 million, of which 60% are aged under 30. Per-capita GDP exceeded 2,000 US dollars in 2014, and the economy is set to grow further.

For the past 10 years, the life insurance market in Vietnam has continued to grow at an average annual rate of more than 20%. Yet, life insurance covers only five million people, or about 6% of the population.

### Dai-ichi Life Vietnam grew 10-fold in 10 years

The overseas life insurance business of the Dai-ichi Life Group started in Vietnam. Highlighted as the first step of the overseas life insurance business of the Group, Dai-ichi Life Vietnam has achieved remarkable growth in 10 years, and established itself as one of the major life insurance companies in the market. Premium income, for example, increased more than 10-fold to 27.0 billion yen in 2016 from 2.5 billion yen in 2007. The company's market share has increased from 4.4% to more than 10% over 10 years.

### Life Insurance Market Growth in Vietnam





Initiatives of Dai-ichi Life Vietnam, Part I

Offering a wide range of products that capture customer needs



**Huynh Huu Khang**  
Deputy General Director,  
Dai-ichi Life Vietnam

Dai-ichi Life Vietnam always listens to input from customers and has developed insurance products that address customer needs. When the company started operations it had a limited ability to respond to customer needs but it has since evolved into offering saving- and protection-type insurance products. Now, the company develops and offers universal insurance products. As customers prefer flexibility, universal insurance became the company’s flagship product, accounting for more than 50% of the sales. The company continues to develop optimal products for customers, offering annuities and medical riders, the first of their kind among Vietnamese life insurance companies.

Initiatives of Dai-ichi Life Vietnam, Part II

Focusing on developing customer contact

Dai-ichi Life Vietnam has evolved as individual insurance agents have become its core sales channel. The company continues to develop customer contacts in order to offer insurance products to more and more customers. In order to do so, it is strengthening the consulting capability of the agents and forming business alliances with state-owned Vietnam Post and local commercial banks.



**Nguyen Thi Bich Hang**  
Vietnam MDRT representing  
Dai-ichi Life Vietnam

**TOPICS**  
Various activities to contribute to the development of local communities

Dai-ichi Life Vietnam has been highly recognized for its engagement in various social activities to contribute to the development of local communities. Notable contributions include “the Bridge Building Project—Million Bricks For a Happy Life,” a project to build concrete bridges in rural areas which now improves the lives of 20 thousand people in 10 states in Vietnam. In 2015, the company was awarded the Corporate Social Responsibility Award by Asia Insurance Review (its second recognition since 2013, the first for an insurance company in Vietnam as well as in Asia). The company’s other activities include funding support for cataracts surgeries, education and disaster-affected areas. To that end the company and Dai-ichi Life Holdings co-founded a CSR foundation, “For A Better Life Fund,” in 2016.



Receiving Corporate Social  
Responsibility Award

Message from CEO of DLI Asia Pacific

Experience and expertise built in Vietnam  
help support growth in Group companies in Asia



**Norimitsu Kawahara**  
Executive Officer, Dai-ichi Life Holdings, Inc.  
CEO, DLI ASIA PACIFIC PTE. LTD.

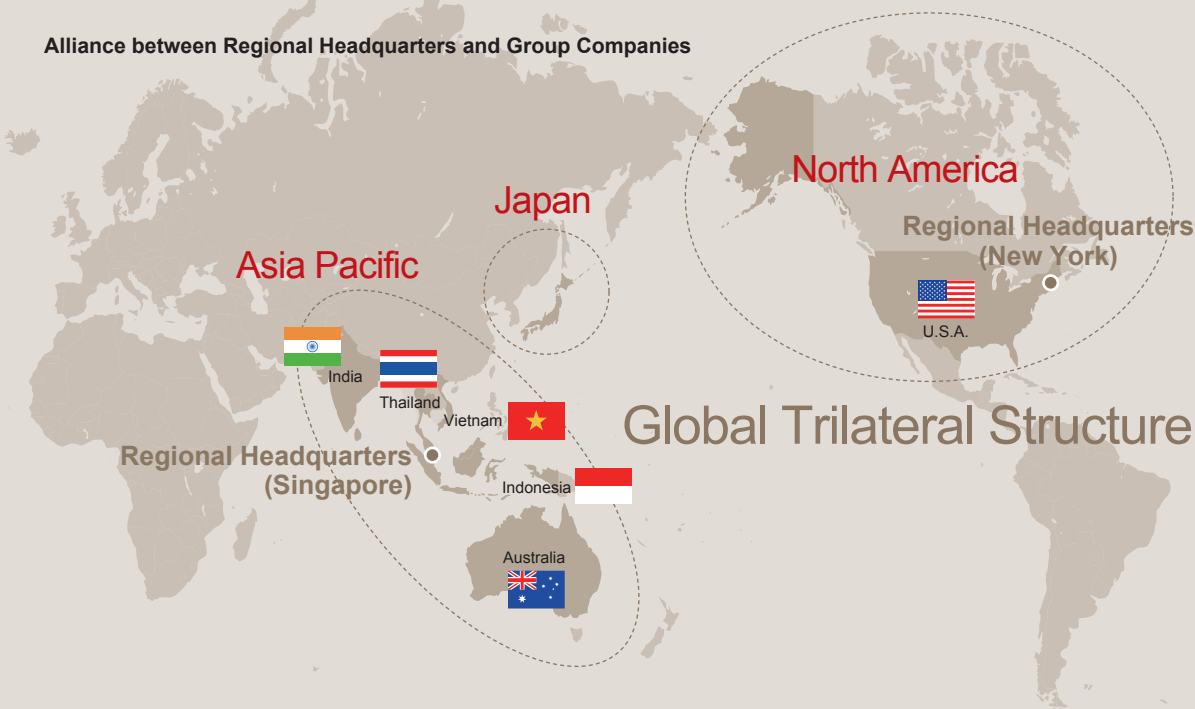
The Dai-ichi Life Group started its overseas life insurance business in Vietnam in 2007 and it now conducts this business in six countries. The Group is strengthening the organization in order to

manage and support local business through regional headquarters set up in the Asia Pacific and North American regions.

Dai-ichi Life Vietnam is our success case in Asia. The Group expects the Group companies to support each other, on top of its support from Japan, and Dai-ichi Life Vietnam to lead the region, with its ample experience and expertise and geographic closeness.

A life insurance company has the duty to supplement social security in the countries where it operates and the Group carries its mission to offer “Peace of mind. In communities and around the world.” which extends into each country in Asia. The Group continues to grow its overseas life insurance business while contributing to local communities in the region and the world.

Alliance between Regional Headquarters and Group Companies



# 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.

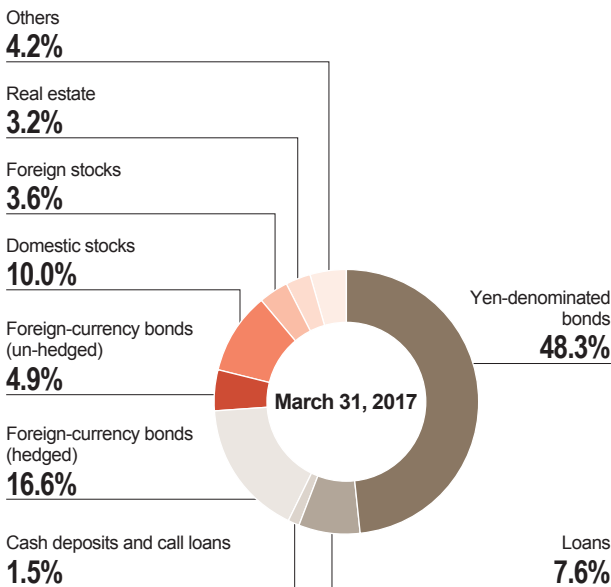
Japan's long-term interest rates have remained at low levels since the Bank of Japan introduced its large-scale monetary easing measures in April 2013, which has made the asset management environment quite challenging for insurance companies. For this reason, in recent years, we have actively increased 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)
	Develop new products to fulfill demand for securing stable earnings
Rising expectations towards "responsible institutional investors"	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.

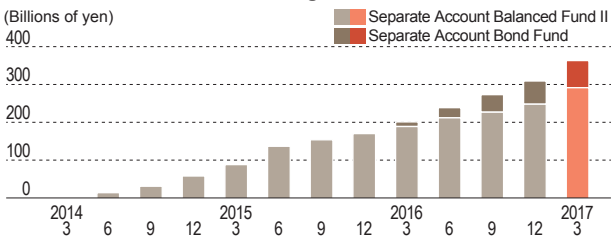
Review of Operations for Fiscal 2016

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.

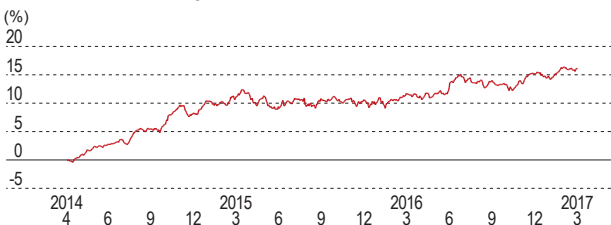
For example, Dai-ichi Life and Asset Management One co-developed the Separate Account Bond Fund and the Separate Account Balanced Fund II. Assets under

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.

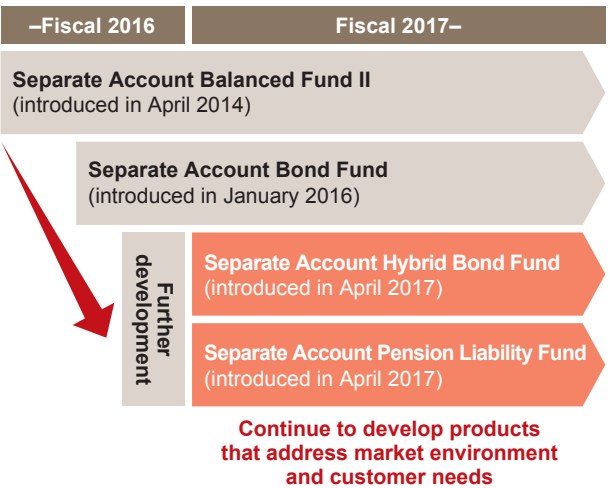
Trends in Assets Under Management



Performance of Separate Account Balanced Fund II



Development of Separate Account Products Utilizing Asset Management One



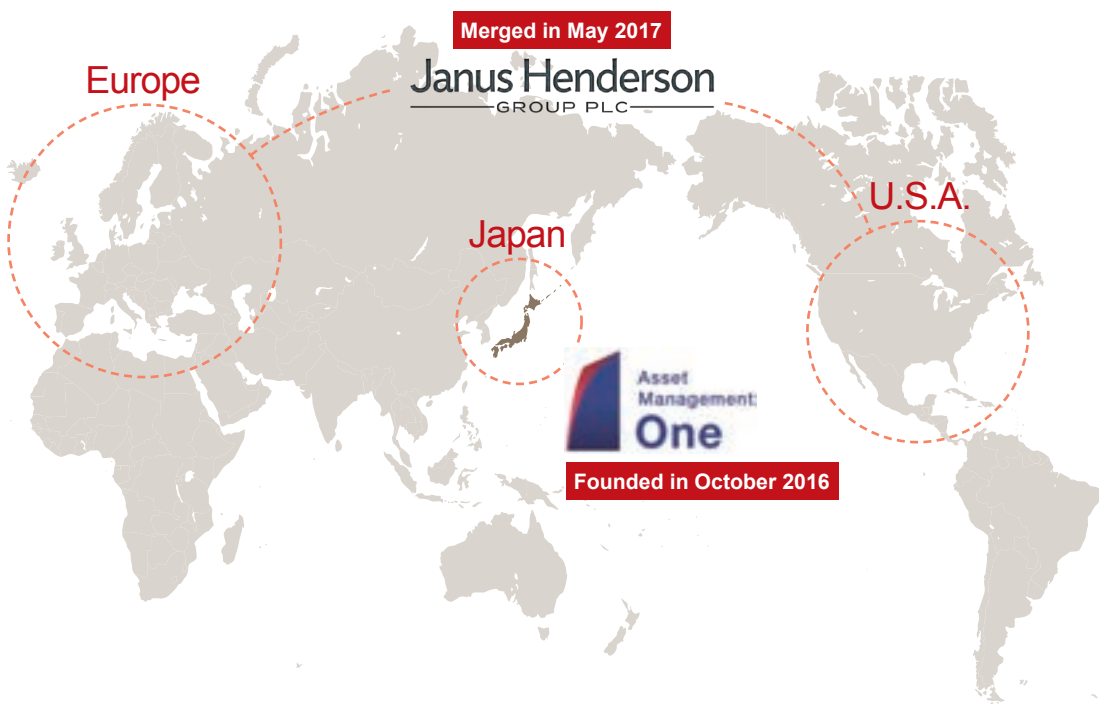
Strategies for the Future

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

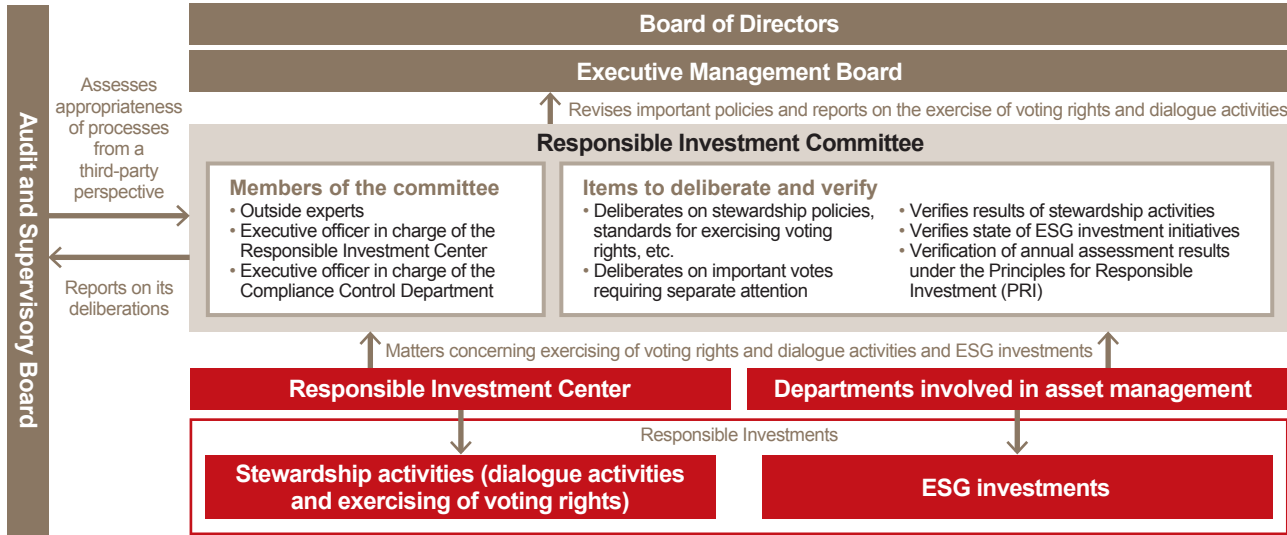
May 2017

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.

