

# Message From The President

We will reconnect with all stakeholders in a better manner and build a better future by contributing to the well-being of all.

*Seiji Inagaki*

President and Representative Director  
Dai-ichi Life Holdings, Inc.



## Regarding the Cases of Fraud Occurred at Dai-ichi Life

**Q** Going forward, what policies and initiatives are you planning in response to the frauds at Dai-ichi Life?

The series of fraud by employees of Dai-ichi Life came to light recently have shaken confidence in the life insurance business we operate, and I take it very seriously as the top of management at both Dai-ichi Life and Dai-ichi Life Holdings. I sincerely apologize not only to our policyholders but also to a wider range of our stakeholders.

In response to the discovery of fraud, Dai-ichi Life has established and built up a system to eradicate the mishandling of cash. In addition, to reform awareness of all executive officers and employees and to prevent a recurrence, we have also launched a company-wide Business Management Quality Reform Task Force. We recognize that the reform of our corporate culture and character cannot be accomplished overnight. However, to regain the trust of our stakeholders and establish a new corporate culture and character, I am taking the lead in each and every initiative.

> P17: Overview of Cases of Fraud by Employees of The Dai-ichi Life Insurance Company, Limited ("Dai-ichi Life") and Status of Response

## Review of the Previous Medium-Term Management Plan

**Q** Can you summarize the results of the previous medium-term management plan (MMP), "CONNECT 2020"?

During the three-year period from FY2018 to FY2020, covered by CONNECT 2020, we worked to improve customers' quality of life and to solve social issues. In addition, to fulfill our role as an insurance provider amid the spread of COVID-19, we of course continued to promptly pay insurance claims and provided various services such as applying accidental death benefits to death and severe disability caused by COVID-19, deferring insurance premium payments, and opening consulting services for customers regarding infectious disease. Moreover, we took on the challenge from both growth and discipline aspects by expanding our domestic and overseas business foundations, responding to digitalization, and establishing risk-reduction policies.

With regard to the quantitative targets, the Group further strengthened its three growth engines, namely the domestic life insurance business, the overseas life insurance business, and the asset management business, in light of changes in the surrounding environment, such as the rapid diversification of

### ■ Group Key Performance Indicators (KPIs) and Results under "CONNECT 2020"

|                                | Indicators (Group Based)  |                                 | Objectives and Goals   | FY2018 Results  | FY2019 Results         | FY2020 Results     |
|--------------------------------|---------------------------|---------------------------------|------------------------|-----------------|------------------------|--------------------|
|                                | Objectives (Quantitative) | Accounting Profit               |                        | Adjusted Profit | Around ¥250bn (FY2020) | ¥236.3bn           |
| Future Profit (Economic Value) |                           | Value of New Business           | Around ¥230bn (FY2020) | ¥197.4bn        | ¥150.3bn               | ¥112.6bn           |
| Medium- to Long-term Goals     | Capital Efficiency        | Average EV Growth (ROEV)        | 8% Average Growth      | (0.6%)          | (2.8%)                 | 8.6% (3 year avg.) |
|                                | Financial Soundness       | Solvency Ratio (Economic Value) | 170% to 200% Range     | 169%            | 195%                   | 203%               |

lifestyles that was accelerated by the spread of COVID-19 and changes in the economic and financial markets. As a result, in the initial two years, accounting profit and financial soundness indicators progressed steadily, although future profit and capital efficiency indicators were below targets due to financial market fluctuations.

However, in FY2020, the final fiscal year of the plan, we fell far short of our targets for the future profit indicator due to the impact of prolonged low interest rates and self-restraint of sales activities due to the spread of COVID-19 in Japan. On the other hand, as a result of accelerating risk reduction from the perspective of both assets and liabilities, which are not simply extensions of the conventional approach, the financial soundness indicator reached its medium- to long-term goal. In addition, accounting profit and the capital efficiency targets were achieved mainly due to the recovery in the market environment. However, the earnings structure, which is sensitive to financial market fluctuations, remained a challenge.

> P25: Group History Since Demutualization

## Formulation of a New MMP and Group Vision

### Q Please tell us about the background and intent behind the name of the new MMP, Re-connect 2023.

Our aim, under our new MMP, Re-connect 2023, is to use those three years from FY2021 to FY2023 to steadily realize the reforms we have initiated in response to various changes in the business environment. To this end, all executive officers and employees are expected to share the same values and reinforce their combined efforts. At the same time, we must review our existing approaches to all stakeholders, including policyholders, shareholders, investors, and business partners. "Re-connect" refers to these powerful ideas.

For example, with regard to connections with policyholders, there is a growing need for contactless and remote services due to the spread of COVID-19. With the decline in opportunities for face-to-face interaction with customers, Dai-ichi Life's major issue is how to leverage its long-standing strength of face-to-face consulting. Moreover, although Dai-ichi Life says it puts the customer first, customer satisfaction at Dai-ichi Life remains at the middle of the industry

level. We recognize that further improvement of customer satisfaction, including restoration of trust lost due to the frauds, is a major issue. In addition, we also need to fundamentally reexamine the links between the company and the employees who are responsible for customer contact, including the aforementioned reforms to our corporate culture and character.

The same applies to our approach to capital markets. Since Dai-ichi Life Holdings was listed on the stock market, our stock price has not gone above a relatively low market valuation. One of the main factors behind this is the high cost of capital, which is attributable to the large amount of market risk to cover high assumed rate of return on legacy policies. I believe it is necessary to have firm resolution to formulate countermeasures to address this issue.

### Q How do you view the relationship of your business with society and the environment?

As we aim to re-connect with a diverse range of stakeholders through our business, being in harmony with society and the environment is indispensable. The economic growth model that has supported the development of humanity to date has become unsustainable globally, and it has brought about various social issues as shown in the SDGs, such as climate change, loss of biodiversity, and social fragmentation due to economic

disparities. In addition, movements are emerging around the world to actively work on resolving these social issues and realizing a sustainable future society.

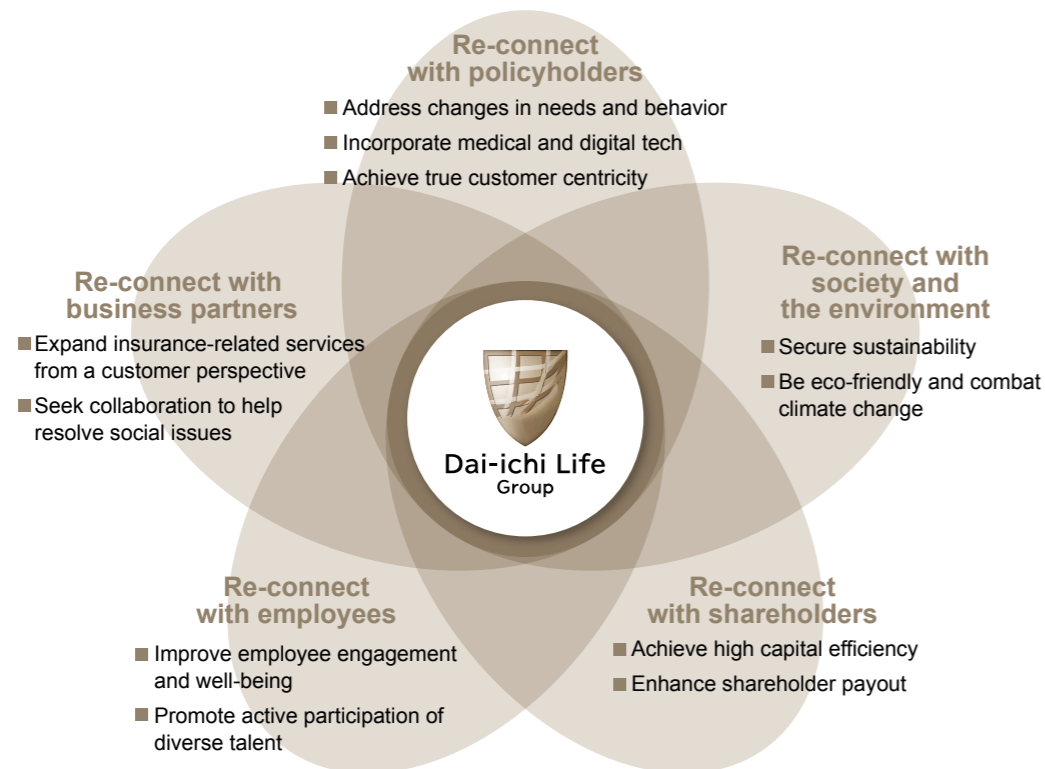
This awareness and these actions are particularly noticeable among the millennial and the Generation Z, who were born in the 1980s and later. While they play a central role in consumption and production, they are highly conscious of global sustainability, and great many of them think from this perspective about the products they purchase and the companies they work for. Amid these changes in social awareness, it is important for a company to be recognized as a company that contributes to both social and environmental sustainability. In addition, thorough transparency of business management is also necessary for this.

As French writer Saint-Exupéry said, "We do not inherit the Earth from our ancestors; we borrow it from our children." I myself strongly believe that we must not pass the cost of our growth on to our children's generations. When formulating the new MMP, we backcasted from the desired future of a sustainable society, which is the foundation of our business, and clearly stated that we will extend our efforts, more than ever before, to resolve material issues relating to the sustainability of society and the global environment.

> P19: Value Creation Process

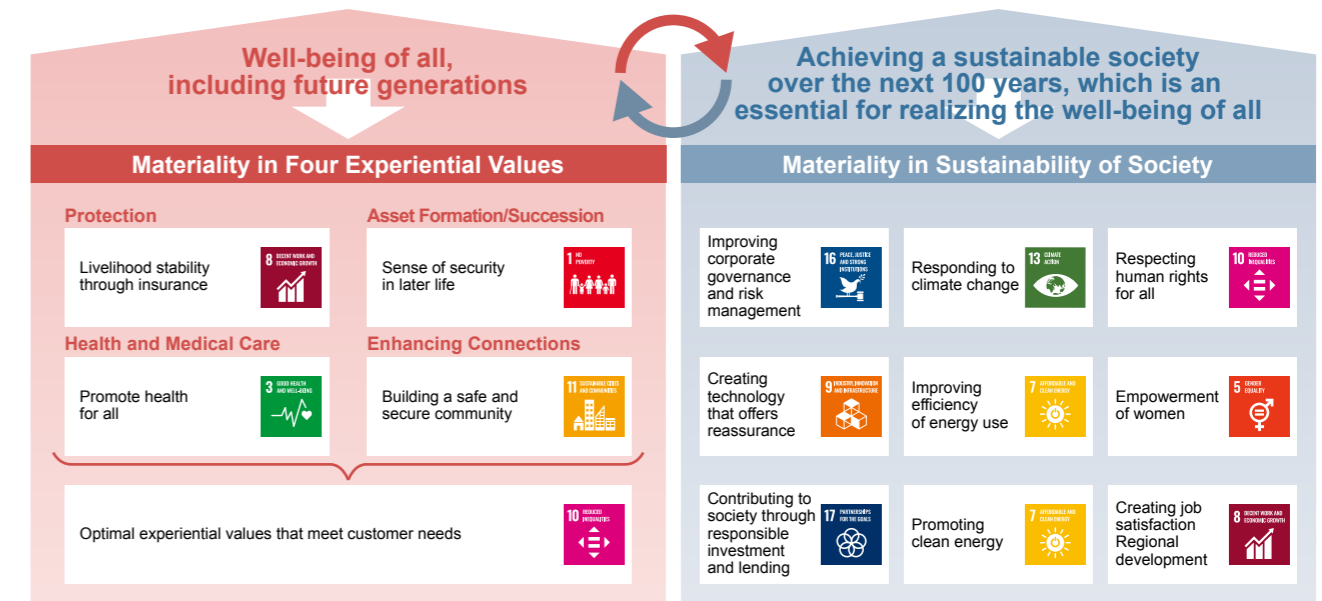
> P27: New Medium-Term Management Plan Overview of Re-connect 2023

## Our Approach to Stakeholders



**New Group Vision**  
**Protect and improve the well-being of all**  
*As a lifetime partner, we safeguard and contribute to the peace of mind, prosperity and wellness of all the people we serve.*

## Our Material Issues (Materiality)





**Q Can you explain the background and intent behind the formulation of the new Group Vision?**

In the previous MMP, we stated that through business development we should aim for improving people's quality of life. To redefine the term in a way that can resonate with as many people as possible, the new group vision of "Protect and improve the well-being of all" was decided during repeated discussions on the formulation of the new MMP from June last year.

Here the "well-being" refers to the total value we provide, such as peace of mind, wealth, and health. It also means "to live a safe, prosperous, and healthy life, and to be in a happy state." In this sense, I believe well-being is consistent with our desire to contribute to the happiness sought by each of our customers.

"Protect and improve" also embodies our desire to stand by our customers' side even more than in the past. Our group has an enormous amount of medical data and knowledge accumulated through many years of experience, in addition to strengths such as diverse customer contact points in nine countries, including Japan. Based on this new Group vision, we will leverage our Group strengths to contribute to the well-being of all people and the realization of a sustainable society.

> P5: Group Mission / Contents

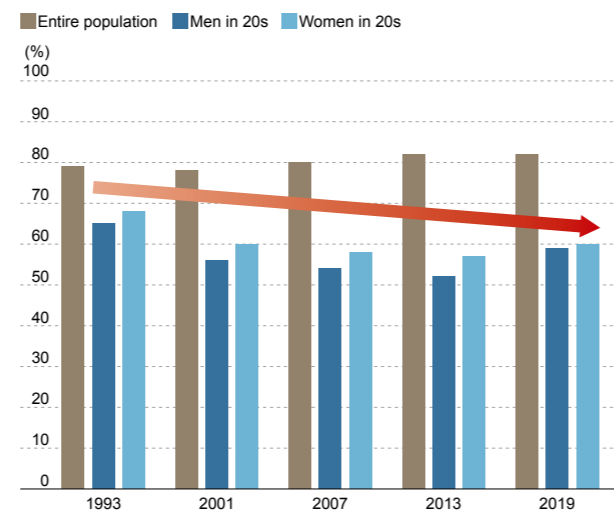
**Q What would be your focus points for business development?**

Under the previous MMP, we captured business domains by sales channel, which is the business partner of each operating company. In other words, we formulated business plans from the perspective of the insurance provider, that is to say, how to

develop products and services for customers at the end of each sales channel. In the new plan, we changed our approach to classifying our business domains based on customer value (= experiential value), which is a major difference from the past. Going forward, we will consider our business strategy from the perspective of how to increase each experiential value.

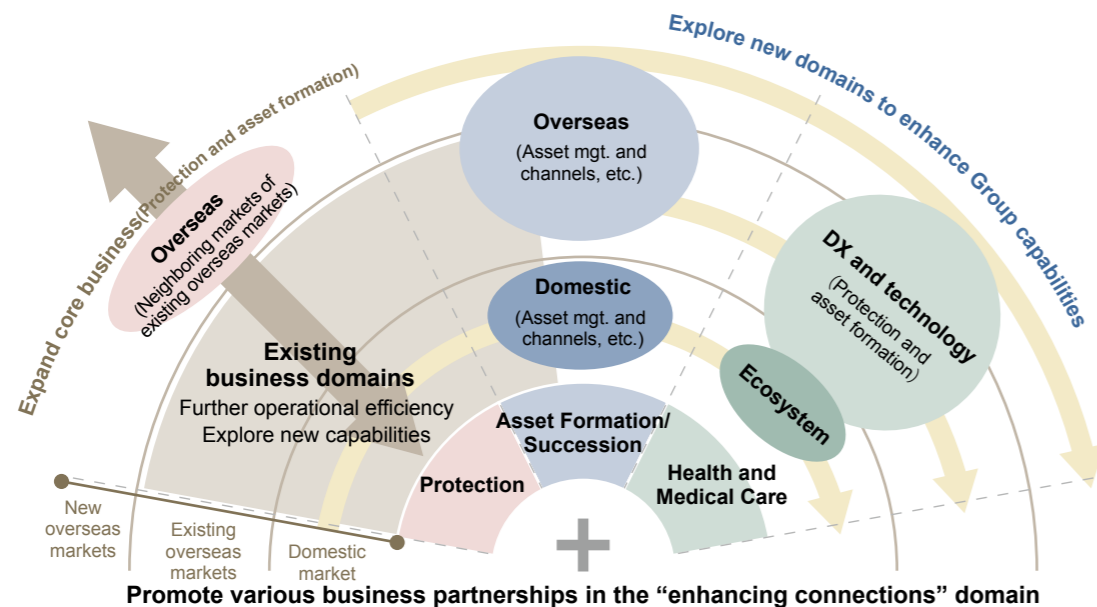
The first experiential value is protection. While the social importance of private protection is increasing because the Japanese public security system by itself has limitations as a preparation for unexpected events. Nevertheless, insurance coverage among young people remains low. Elimination of this protection gap (the difference between the protection needed

■ Life insurance coverage among population in 20s



Source: "Survey on Life Insurance Coverage," Japan Institute of Life Insurance

■ Our Business Domains to Expand and Explore



and the actual protection amount) is a major issue, particularly among the younger generation

> P33: Protection

The second is asset formation/succession. While the low interest rate environment continues globally, average life expectancy is growing, and concern about securing funds for life in old age is heightening in this so-called "the 100-year life era." To prepare for this longevity risk, so to speak, providing a solid means of asset management is also an important mission.

> P35: Asset Formation/Succession

The third is health and medical care. Medical technology has evolved, but the gap between average life expectancy and healthy life span has not narrowed. Our mission is also to do as much as possible to contribute to enhancing the life span of our customers during which they are healthy and self-reliant, that is, to extend the healthy life span.

> P37: Health and Medical Care

The last is enhancing connections. Amid changes in the social structure, such as the increasing number of nuclear families and the rapid increase in single-person households, the power of approximately 40,000 sales representatives spreading across approximately 1,300 offices in Japan is enormous when creating bonds and ties with local communities. In particular, I believe that social ties and human connections are fundamental conditions for achieving well-being.

**Q Can you also share your approach to the business portfolio?**

In terms of our business portfolio strategy, I think that promoting ambidextrous management, management that combines expanding and exploring, in accordance with the growth stage and maturity of each business is fundamental.

In terms of expanding, we will pursue providing the best experiential value, particularly in mature domestic businesses. And we have a CX Design Strategy that will be at the heart of this effort. We recognize that not only rational values, such as the functions and prices of products and services, but also the marketing concept of customer experience (CX) that emphasizes emotional value in each phase, such as prior to purchase, using the product or service, and follow-up after purchase, is important in the life insurance.

Rational values are easy to commoditize. In particular, millennials and younger generations, also called digital natives, make full use of digital technologies to collect information from the internet and other sources when purchasing goods. These changes in consumer behavior have eliminated the past asymmetry of information between buyers and sellers, and the commoditization of products is proceeding in a variety of industries.

Life insurance is no exception. Originally, life insurance was an area in which asymmetry of information existed

because of products that require complex expertise, but it is now becoming increasingly difficult to differentiate ourselves simply by providing rational values. The CX Design Strategy aims to boost and differentiate the overall value of the customer experience by adding emotional value to the conventional rational values. By delivering experiences and impressions that exceed expectations at all customer contact points, we will increase the number of fans and lead to business growth.

**Q Can you share with us a little more about the CX Design Strategy?**

It may seem like something new when you hear the term CX but, in fact, life insurance a customer signs up for is the result of various CX. For example, each of Total Life Plan Designers at Dai-ichi Life have met with customers and encourage them to think about things that are rarely thought about in their daily life, such as unlikely tragic events and longevity risk. This delivers emotional value and builds trust with the customer, and then Dai-ichi Life has built its corporate brand. However, the way we have done this work to date has inherent limitations: the quality and level of value delivered to our customers depends very much on the experience and skill of the individual sales representative.

The CX Design Strategy aims to provide unprecedented experiential value by establishing online customer contact points and merging the conventional "offline" (the physical, face-to-face channel), one of our strengths, with it. While being constantly connected with customers online to provide experiential value on a daily basis, we will leverage our offline strengths at important points, such as consulting on life plan design and final confirmation. In this way, we will realize our Group-wide concept of Online Merges with Offline (OMO), which will enable us to provide what customers want, when they want it in a natural manner.

The foundation of this strategy will be a CX Design System. This system will unify the vast amount of information assets dispersed within the Group, and then accumulate and analyze a variety of unstructured data\*, such as customer preferences and behavior. In addition, we will integrate the products and service menus traditionally been provided separately by each group company, or by each customer contact point, such as sales representatives and contact centers, into a single communication interface. We anticipate expanding functionality after the system becomes operational, and adding products and services of domestic group companies and content of business partners as needed.

> P29: CX Design Strategy

\* We aim to act from the customer's point of view and deliver experiential values that exceeds expectations. We will do this by accumulating and analyzing data about the customer's preferences and behavior, or reflecting the comments as received from the customer at various contact points, not just customer data accumulated to maintain and manage the insurance contract such as age and family composition. This will be done to deepen our understanding of our customers going forward.

**Q Other than the CX Design Strategy, how will you utilize digital technology?**

A major feature of digital technology is that it facilitates quick adaptation to diverse needs. In this sense, digitalization will become a catalyst that will cause a variety of changes in the game.

In April 2021, the Dai-ichi Smart Small-amount and Short-term Insurance Company, Limited, a completely online insurance company, commenced operations as our fourth domestic insurance vehicle. This company has launched a new product called "Special Infectious Diseases Insurance," which covers COVID-19 and other diseases. Premiums for this product are adjusted every 3 months depending on the prevalence of infectious diseases. Such agile adjustments were unthinkable for Dai-ichi Life products, but new entity can respond quickly without significant costs as a digitally integrated company, and therefore, it is possible to offer the product broadly through online tie-ups with various companies.

As in this case, through digitalization it will become possible for businesses to respond in a finely tuned manner that could not have been realized until now. In addition, the use of AI enables us to forecast future healthcare costs and enhance our ability to underwrite insurance for people suffering from specific diseases based on the analysis of past data. As such, I anticipate that digitalization will become an important tool for changing the game.

Based on this belief, we have positioned digitalization, including investment in human capital with data science and related expertise, as one of the priority investment areas in our new MMP, too. In addition to actively developing human capital internally and recruiting mid-career specialists with immediately deployable capabilities, we will actively develop collaborations with external players with skills and capabilities in the digitalization area that are not available in our Group, such as the collaboration with DeNA we announced in June.

> P31: Feature: Exploring the acquisition of new organizational capability

Currently, customer acceptance of remote communication is increasing due to the spread of COVID-19, and the



environment is conducive to advancing service transformation through digitalization, so we intend to further accelerate it.

> P43: Driving Innovation

**Q What kind of initiatives will you pursue in the area of "exploring" for growth?**

To realize sustainable growth as a Group, we will focus on "exploration" aimed at augmenting our business domains in parallel with "expansion" of existing core businesses. Specifically, we are strengthening our efforts to develop new products and services in the domains of health and medical care and asset formation/succession. We do not intend to proceed with all of these efforts on our own. Our policy is to enhance innovative organizational capabilities by making flexible use of various ways of doing business based on circumstances, such as collaborating with external companies and key experts who have unique knowledge, know-how and strengths in each area, or strengthening investments in such companies.

Based on this thought, we have established an organizational unit within the Group with the mission of fostering innovation. At the same time, we are further strengthening our efforts to identify domestic and overseas startups, develop systems for strategic investment in such companies, and collaborate with organizations and institutions that have specialized knowledge and ideas. As a result of our exploration to date, we have launched new businesses that contribute to solving social issues, such as Healstep (pronounced "HealthStep"), a service that helps health insurance associations to streamline and control healthcare costs, and a health support app by our group company QOLeap, which provides healthcare services.

> P38: Feature: Medical cost control support service for health insurance associations

**Q How will you enhance the customer's experiential value?**

In enhancing the customer's experiential value, the most important thing is to take the customer's perspective. In this sense, I think we need to be keenly aware of the Group's brand message: people first. This brand message was established at the time of demutualization in 2010, and I feel that it is really the time to think deeply about what this means.

The more experience people, including myself, accumulate, the more reflexive their judgments and actions regarding things become. Based on one's past experiences, people tend to think and act without thinking deeply, and just think "this is done this way." However, to create new value, it is important to stop and think again. I often use the phrase "know your customer as your customer knows himself/herself," referring to the importance of putting yourself in your customer's shoes. This is not limited to employees in the sales department, but is required of all employees. Each employee should be able to

provide the best experiential value by not only enhancing the expertise of each division, but also by putting themselves in the customer's shoes.

Now that individual values are becoming increasingly diverse, if we collect data and continue to manage by taking averages, there is the risk that, we will only be able to provide products and services that do not resonate with anyone. We cannot provide products and services that resonate with customer without truly putting on the customer's shoes, which is to say, without sincerely thinking "people first." The importance of thinking from the viewpoint of the other person is the same for the colleagues and business partners we work with. Respecting diversity and accepting diverse values is a requirement for corporate growth.

In this age, when forecasting is becoming difficult, and diverse values and needs are existing, there will be a decisive difference between a company that thinks seriously and thoroughly about each customer and a company that does not. Our entire group will work together to be sincerely and truly a company that thinks "people first."

In addition, we believe that changing management values from a focus on quantity to an emphasis on quality is an important point to enhance experiential value. We will change our conventional mindset, which is focused on new business volume, the number of new Total Life Plan Designers and other quantitative factors, and once again be keenly aware that customer satisfaction is the ultimate goal we should pursue. Of course, the pursuit of quantitative goals is important for corporate growth, but it must come after the quality, and that order must not be changed.

In the digital age, quantity may increase discontinuously as quality improves. That's exactly what the CX Design Strategy aims for. If we improve the quality of the experiential value we provide and customers recognize and highly evaluate it, then sales volume should increase by itself. Going forward, what can be done by utilizing digital tools will be handled by digital tools, and people will focus on refining four experiential values and thoroughly improve quality.

**Q How do you evaluate the current state of overseas operations and what future developments can we expect?**

In FY2020 our overseas operations had temporary difficulties due to the impact of COVID-19, but each company is working to return to a growth trajectory.

At Protective in the U.S., we sought to improve customer convenience through online insurance claims settlement and other means, while acquiring an insurance company that handles non-life insurance and distributes its products and services under the Revolos brand. In addition, the strengthening of our business foundation continued even amid spread of COVID-19, as evidenced by the full-scale contribution of profits from the Great West insurance policies that we acquired in the past. At TAL in Australia, the surrender and lapse rates were favorable and new business remained solid. Although there was a

deterioration in insurance revenue at some group insurance policies, the impact was limited and insurance premium rates were upwardly revised in the second half of the fiscal year. Also, companies operating in emerging markets in Asia are moving forward with digitalization and working to ensure and improve customer convenience amid the spread of COVID-19.

> P41: Feature: Utilization of digital technologies in the Group

Under the new MMP, we will continue to position the overseas business as the driver of the Group's growth. We will assess the growth stages of our business in each market and promote portfolio strategies accordingly. We will pursue sustainable earnings growth and capital efficiency in excess of cost of capital by simultaneously pursuing 3 basic strategies in a balanced manner: 1) stable growth and contributions to earnings at an early stage is expected from the U.S. and Australian businesses; 2) expanding business in emerging Asian markets which are expected to have high growth and contribution to earnings over the medium- to long-term and super-long-term; and 3) incorporating innovative business models in preparation for future changes in the competitive environment.

At the same time, we will accelerate the establishment of a global management framework. Through the Global Leaders Committee (GLC), which is composed of the management of overseas companies and Japanese executive officers mostly from Dai-ichi Life Holdings, we will support the evolution of overseas Group companies so that they can participate in group management more proactively, which will lead to the utilization of global expertise and the sophistication of management.

> P39: Overseas Business Strategy

Strengthening Human Capital

**Q Can you talk about your measures to develop human capital?**

Amid the increasingly rapid changes in the business environment, we believe that human capital is the most important management resource for transforming the company in response to these changes. To support customers' well-being and give them a valuable customer experience, it is a prerequisite to secure the well-being of each and every employee who acts in that role. I believe that we should be a company where all employees can feel that they are working in fulfilling jobs, which in turn leads to their own growth.

Dai-ichi Life's Employee Satisfaction (ES) survey shows that back-office employees and Total Life Plan Designers say that too often present tasks cannot be handled with their current knowledge and experience alone. It shows that there are not a few employees suffering from a burden of work due to lacking knowledge and experience. To address this issue, in addition to career support and cross-organizational cooperation systems, we plan to expand our flexible training system utilizing online methods. We will also focus on promoting diversity and inclusion,



and supporting diverse work styles. Furthermore, in line with the promotion of the CX Design Strategy, we will promote operational efficiency through the use of digital technologies and position human capital in ways that will lead to expanding opportunities for individual growth and maximizing capabilities. I believe that there is absolutely nothing one can't overcome if he/she has the desire and courage to try a new job.

- > P63: Human Capital Management Strategies
- > P66: Diversity and Inclusion

Through these initiatives, we will create an environment in which employees can work energetically, connect with colleagues, and share knowledge and ideas to create synergies. By doing so, we will ensure the well-being of each and every employee and connect this to realizing customers' well-being. At the same time, under the new Group Vision, we will drastically reform our corporate culture to foster a new organizational atmosphere in which all employees can unite. We recognize that we cannot strengthen and reform our corporate culture and human capital overnight, but we are going to tackle this task with determination.

## Financial Strategies

### Q Can you also tell us about your financial and capital strategies?

Since our listing in 2010, we have successfully implemented a number of growth strategies, primarily overseas expansion, under an Enterprise Risk Management framework. However, our current stock price is not necessarily at a satisfactory level. When viewed in terms of stock price, we are not highly regarded by our shareholders and investors, and as top management I take this fact seriously.

Given the high market sensitivity of our stock price and other factors, we recognize that the cost of capital expected by the market has risen from 8% at the time of our listing to 10% currently. In light of this, in the new MMP we aim to grow earnings by raising capital efficiency, rather than simply increasing profits. The ultimate goal is to break away from an undervalued stock price by stably achieving capital productivity that exceeds the cost of capital. To this end, we will accelerate risk-reduction initiatives, revamp shareholder payout policies, and improve the level of IR disclosures and our dialogue with the market.

To build a financial position that is less sensitive to market fluctuations, it is necessary to reduce the ratio of equity holdings, which are subject to large price fluctuations. On the other hand, there is also the problem that, for example, domestic government bonds alone do not generate sufficient returns to cover the high assumed rate of return. To address this issue, we have recently been implementing structural reforms on the liability side by ceding the block of legacy policies with high assumed rate of return, to outside reinsurance companies. The reform takes time because of the terms and conditions of the reinsurance transactions, but through this measure we are accelerating the

resolution of this issue.

I definitely want to achieve capital productivity in excess of the cost of capital. I hope that our decision to repurchase up to 200-billion-yen worth of shares, announced in March 2021, shows the capital market my commitment to financial transformation. Of course, we will not be able to achieve sustainable profit growth if we do not make our business itself a growth model. To this end, we will firmly implement the various measures outlined in our MMP.

- > P45: Capital Management Policies and ERM

## Initiatives for Sustainability

### Q Can you explain your sustainability initiatives?

As mentioned earlier, the new MMP positions achieving harmony with society and the environment as a major premise of our business activities. Until now, our Group has participated in various initiatives aimed at ensuring the sustainability of society, starting with climate change countermeasures. We have not only contributed to resolving social issues as a corporate citizen, but also actively promoted contributions through ESG investments as an institutional investor.

We believe that it is not against our fiduciary responsibility to use the insurance premiums that policyholders pay for the benefit of the next generation, their children, for investment that contributes to the realization of a sustainable society. Going forward, not as an enforced obligation, but as our business' intent, we will continue and further expand our investment in companies and businesses that contribute to the realization of a sustainable society, such as investments that promote the realization of a decarbonized society and the utilization of renewable energy.

- > P59: Feature: ESG Investment by Dai-ichi Life

As part of this effort, Dai-ichi Life became the first Asian institutional investor to join the Net Zero Asset Owner Alliance in February 2021. The Alliance is an international initiative of institutional investors with the shared goal of shifting to a portfolio of net-zero CO<sub>2</sub> emissions by 2050. Based on the guidelines published by the alliance, the Group set an high goal of 25% reduction of CO<sub>2</sub> emissions from publicly traded equities, corporate bonds, and real estate investees by 2025, compared to the end of March 2020.

- > P53: Climate Change Initiatives — Response to TCFD

Group-wide efforts as well as a super-long-term perspective are important for sustainability issues. Previously, Dai-ichi Life, the Group's core operating company, was the focus of our activities. From now on, we intend to develop initiatives that are unique and involve domestic and overseas Group companies, with our eyes set on a sustainable society 100 years from now, from the 3 perspectives of initiatives in asset management, initiatives through the core life insurance business,



“ We will not move forward if we keep seeing only trade-offs. With insurance being the ultimate sharing business, we will aim for building beautiful harmony. ”

and initiatives by employees. To this end, it is important to foster the awareness of the approximately 70,000 people in the Group and change their behavior. At a meeting held in April, the CEOs of Group companies gathered together, and I gave the message: “Let's get everyone with the same awareness of sustainability.” While Group company CEOs already have a very high level of awareness, going forward we intend to roll out initiatives with a greater sense of unity, such as by setting common Group targets.

- > P51: Sustainability

## To Our Stakeholders

### Q Finally, do you have any message for stakeholders?

When launching a new initiative, there is always the opinion that if one thing is started, something else isn't started. There have often been discussions about such trade-offs in the management of our group as well. For example, “if we seek only quality, volume will decline,” or “we have to sacrifice the present to gain in future,” or “which stakeholder's interest do we pursue, this one or that one?” However, I am worried that we will not move forward as long as we keep thinking about such trade-offs. Climate change and other environmental issues are definitely problems for us who are alive now. The concept of Creating Shared Value (CSV), which pursues economic value and social value simultaneously, is becoming the mainstream of corporate management.

For the younger generation, in particular, “trade-off” is becoming a kind of unacceptable word, a word they cannot identify with. Many of them are strongly committed to “trade-on” values, those of sharing abilities and money, such as crowdfunding, charity and fundraising activities, and volunteering, in order to build a better future. Likewise, I believe that insurance is the ultimate sharing business, and it is important for us to have the younger generations empathize with

us by having highly transparent management.

Trade-on values are also consistent with the recent concept of “stakeholder capitalism.” We believe that all of the stakeholders around a company, such as customers, shareholders and investors, business partners, and employees, are communities that are indispensable to us. Under the new MMP, we will strengthen our connections with all of our stakeholders without trading off the interests of one stakeholder for the benefit of another.

The name of Japan's new era, Reiwa, means beautiful harmony. Sustainable corporate management truly means aiming for beautiful harmony with all stakeholders. I think this is the foundation of management strategy in the Reiwa era. But, the “optimal balance” for achieving beautiful harmony cannot be solved with a simple equation. The optimal balance changes dynamically depending on the trends of the times and the state of the corporation, and pursuing the solution is an endless journey. However, I believe that this is the essence of corporate management.

In the spring of this year, we conducted a survey of all Dai-ichi Life employees and received responses from 43,000 of our approximately 55,000 employees. Partly due to the discovery of fraud, many comments in the free opinion field were tough, such as “connections across divisions are weak,” “communication with executive officers and general managers is bad,” and “it is difficult to give feedback to top sales representatives.” On the other hand, about 90% of our employees expressed their understanding of the Group's philosophy of “customer first”, “By your side, for life” and “The best rather than the largest.” That is very encouraging for me, and I am renewing my determination to push forward with gradual reforms, tenaciously, to meet their hopes and expectations.

We will continue to engage in dialogue with all of our stakeholders, and the entire management team will continue to take on challenges while receiving a variety of opinions and advice. I look forward to your continued and wholehearted support.

# Overview of Cases of Fraud by Employees of The Dai-ichi Life Insurance Company, Limited (“Dai-ichi Life”) and Status of Response

Since fiscal 2020, a total of seven cases of fraud by employees of Dai-ichi Life have come to light. We would like to express our sincere apologies for the inconvenience and concern caused to the affected customers, policyholders, shareholders and other stakeholders. As a financial institution and a life insurance company, we take very seriously the fact that we have caused a series of frauds and have shaken the confidence in our life insurance business. In order to eradicate frauds, we, the holding company will continue to monitor the status of Dai-ichi Life's efforts to improve and enhance its systems, and will strive to regain the trust of the public.

## 1. Incidents That Occurred (as October 2020 to July 2021)

| Period of action             | Total amount of damage/number of people or cases | Summary  |
|------------------------------|--|--|
| June 2002 to April 2020      | Approx. 1,951 million yen/24 people              | Fraudulent acquisition of money by offering fictitious financial transactions (Yamaguchi Prefecture)   |
| January 2017 to October 2020 | Approx. 59.9 million yen/24 people               | Fraudulent acquisition of money paid into a customer's account by performing procedures related to a contract without the customer's permission (Wakayama Prefecture)  |
| April 2019 to August 2019    | Approx. 8.6 million yen/3 people                 | Fraudulent acquisition of money by offering fictitious financial transactions (Fukuoka Prefecture)   |
| January 2020 to October 2020 | Approx. 5 million yen/4 people                   | Fraudulent acquisition of money by seeking refunds of loans to policyholders that were never lent (Kanagawa Prefecture)  |
| December 2014 to May 2020    | Approx. 52.3 million yen/5 cases                 | Fraudulent acquisition of money by performing false administrative procedures for contracts that had not been claimed after the due date and were subject to the statute of limitations (administrative divisions) |
| April 2012 to December 2018  | Approx. 6.5 million yen/3 people                 | Fraudulent acquisition of money as initial insurance premiums for fictitious insurance contract procedures (Hokkaido Prefecture)   |
| August 2011 to August 2020   | Approx. 48.3 million yen/8 people                | Fraudulent acquisition of money by offering fictitious financial transactions (Nagano Prefecture)  |

## 2. Measures to Prevent Recurrence

In order to prevent similar incidents from occurring in the future, to regain the trust of customers and other stakeholders, and to establish a new corporate culture, Dai-ichi Life has launched the Business Management Quality Reform Task Force led by the President, and is implementing the following three main initiatives.

### (1) General Inspection to Ensure That There Are no Similar Frauds

Dai-ichi Life will continue a general inspection to sincerely address the affected customers as a company and conduct a comprehensive check to see if there are any other similar cases of financial damage.

- In fiscal 2020, based on the incidents that have occurred to date, it first focused on confirming high-risk contracts with the potential for similar tactics, and have completed confirmation through individual notices and outbound calls for a total of approximately 610,000 contracts with outstanding policyholder loans, etc.
- In fiscal 2021, for the purpose of alerting customers and ensuring comprehensiveness, it expanded the scope of risk-focused confirmation to include contracts with no withdrawal history but a certain amount can be withdrawn, and have completed investigations for approximately 670,000 contracts.
- In addition, from May 2021, in order to confirm all policyholders, it has enclosed a notice in the Total Life Plan Report asking for confirmation and reminding policyholders. It is planning to complete the confirmation and reminder of 8 million cases by December by enclosing a notice in the Total Life Plan Report.

### (2) Improvement and Enhancement of the System to Eradicate Fraud (to be Implemented in Fiscal 2020)

Dai-ichi Life recognizes that there are multiple causes for the occurrence of the series of incidents, and is implementing the following measures to prevent recurrence for each of them.

#### (1) Inadequate system to uniformly prohibit direct money transfers from customers

- Establish administrative procedures that prohibit its employees from receiving money directly from customers
- Confirmation that no money is received through compliance checks and daily self-checks

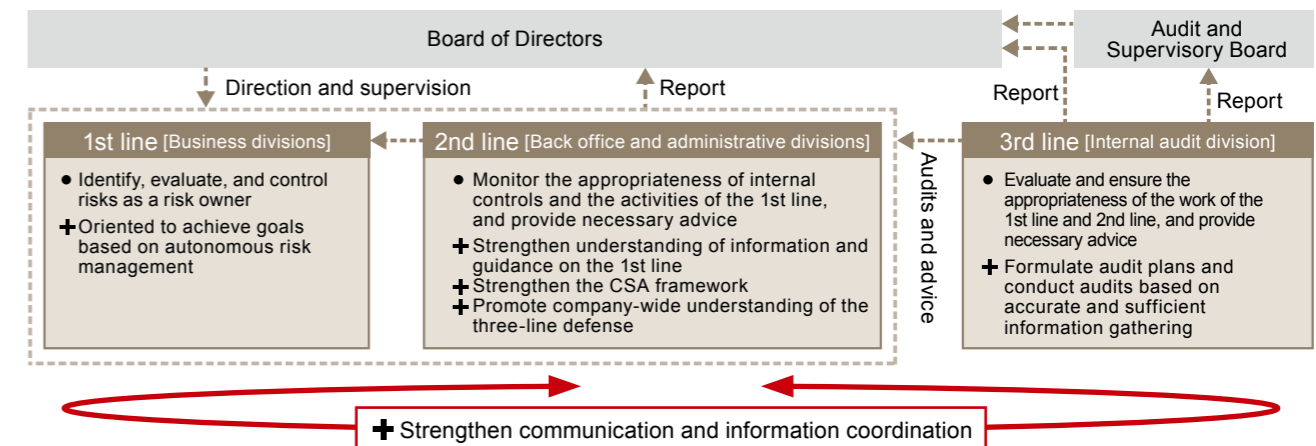
#### (2) Insufficient reminders that employees cannot handle cash, etc.

- In addition to the confirmation in the Total Life Plan Report, indication on the Dai-ichi Life's website and on the forms for requesting various types of withdrawals that “our employees cannot directly receive money from customers”
- Addition of a new question to the customer questionnaire that is filled in during procedures that asks customers to understand that there is no direct transfer of money from customers to employees of Dai-ichi Life

### (3) Insufficient confirmation of the status of daily activities and understanding of predictive signs

- In addition to establishing a new organization to collect and analyze information related to compliance risks, expansion of the scope of monitoring that was previously conducted
- In order to establish a method to monitor the status of business activities of all sales representatives in a timely manner, take measures to introduce a system that enables the timely monitoring and management of sales representatives activities

### Strengthening of the three-line defense at Dai-ichi Life



Through these efforts, Dai-ichi Life will further improve and enhance its internal control system to eradicate fraud (by reinforcing the autonomous risk control functions of business units and the check-and-balance functions of the compliance and internal audit divisions) and strengthen its three-line defense. The Company, as the holding company, will also closely monitor the efforts of Dai-ichi Life to address these issues and the status of improvement based on the opinions and advice of external experts and internal investigations, and will duly recognize the existence of issues in the operation of the internal control system for the management of the entire Group and will manage them appropriately.

### (3) Reform of the Corporate Culture and Structure that Led to the Fraud

In the background of the series of fraud cases, Dai-ichi Life recognizes that there were problems with the corporate culture and structure itself, such as the fostering of a sense of privilege among sales representatives who handle the contracts of many customers, and the sense of reticence among its employees toward the top performers. Accordingly, in order to drastically reform these issues, it has started the following initiatives.

#### (1) Implementation of questionnaire for all employees

In January 2021, Dai-ichi Life conducted a questionnaire for all employees regarding the issues and ideal state of the organization. The issues identified in the questionnaire are also used in town hall meetings.

#### (2) Holding town hall meetings (dialogue between management and employees)

Starting in May 2021, Dai-ichi Life plans to hold a total of 56 town hall meetings with the management team for all employees. These meetings provide an opportunity to engage in open and frank dialogue and gather opinions on such issues as whether the corporate culture is diverging from the common sense of the world and whether there are any points where it is inward-looking rather than customer-oriented.

Dai-ichi Life recognizes that reforming the corporate culture and structure is not something that can be accomplished overnight, but requires a long-lasting effort. In the future, it will continue to implement and realize each of the initiatives in the Business Management Quality Reform Task Force, and take continuous action from a medium-to long-term perspective while implementing the PDCA cycle.

## 3. Approach to Management Responsibility

In each of the cases, while one of the causes was the actors' lack of awareness of ethics and compliance with laws and regulations, we also believe that the systems in place were insufficient to prevent damage to customers, including insufficient rules on money transfers and inadequate management and supervision of sales representatives.

To investigate the cause of the Yamaguchi Prefecture case and to determine the responsibility of the officers and employees, Dai-ichi Life had the case investigated and assessed by an external lawyer who has no vested interest in the Group, in order to ensure the perspective of a third party. In addition, the Audit and Supervisory Board of Dai-ichi Life and the Audit & Supervisory Committee of the Company, for which the majority of the members are outside members/directors, monitor in detail the appropriateness of the investigation and evaluation processes conducted by the executive officers and the relevant outside lawyers.

Based on these results, the responsibilities of the executive officers in charge of the divisions were clarified and their remuneration is reduced, and executive officers, including the Chairman and President, voluntarily returned their remuneration. In addition, Dai-ichi Life and the Company's current executive officers and above are also taking this matter seriously and will reduce their remuneration uniformly.