Message *from the* CEO

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

Tetsuya Kikuta

Accelerating efforts to improve corporate value and become a "global top-tier insurance group"

What I am committed to as Group CEO

At the beginning of FY2023, when I assumed the position of Group CEO, I set forth the Group's vision for FY2030 to become a "global top-tier insurance group" as well as a "leader of the Japanese insurance industry future." Let me explain the background of this vision.

In 2010, after a long history as a mutual company, we became the first major life insurer in Japan to change to a stock company and go public. The reason for this decision was that we determined that the stock company structure was the best option for increasing the value we provide to society, achieving sustainable growth as a company, and enhancing corporate value in the medium to long term. Achieving sustainable growth as a Group and enhancing corporate value in the medium to long term are also my mission, and I am deeply committed to fulfilling this mission in a bold and impactful manner.

To put it simply, our goal is to become a global top-tier insurance group in terms of corporate value by FY2030, which is 20 years after we became a listed company. Currently, the market capitalization of the top 10 insurance groups is ca. ¥10tn, and I aim to reach that level by FY2030.

To achieve this, we must consider what we need to accomplish now by backcasting from our vision for FY2030, taking into account anticipated changes in the external environment. This approach served as the starting point for formulating our new mid-term management plan, which started from this fiscal year. Instead of confining ourselves to the mindset of the past, I am determined to swiftly implement the strategies needed to realize our vision for FY2030. I am also committed to boldly embracing challenging initiatives without hesitation, free from the constraints of our past.

We have revamped our Principles and newly established our Purpose, which reflects the reason for our existence, to unite the entire Group in embracing the challenge of achieving the aforementioned vision. Our Purpose, "Partnering with you to build a brighter and more secure future," embodies our commitment to continuously challenge ourselves to deliver innovative services that go beyond the traditional scope of services offered by life insurance companies. Through this, we aim to become a company that serves as social infrastructure, closely supporting our customers throughout their lives.

Transitioning from a traditional "insurance provider" to an "insurance-related service provider" without fear of change

To become a company that serves as social infrastructure and closely supports customers throughout their lives, we aim for a business model that delivers a broad range of experiential values through services that transcend the traditional narrow definition of life insurance. Specifically, we aim to provide wide-ranging value to our customers, focusing on the four experiential values of "Protection," "Asset Formation/Succession," "Health and Medical Care," and "Enhancing Connections."

Let me explain the background and objectives behind this shift in our business model.

Traditionally, the role of life insurance companies has been to provide coverage against uncertainties, such as unforeseen future events, illness, and financial insecurity after retirement in this aging society. In today's society, however, lifestyle choices, values, and the people's concerns have become increasingly diverse. Therefore, we believe that the products and services we offer to our customers must also evolve to keep pace with these changes.

In addition, the services traditionally provided by life insurance companies were based on the premise that customers maintain their contracts over the long term. As a result, the frequency of services provided by insurance companies was limited unless there was a claim for insurance benefits or annuity payments. However, by offering a wide range of services and value beyond just life insurance, we can establish extensive connections with our customers across various life stages, allowing us to support their lives even more closely.

I am convinced that we can further contribute to our customers' well-being by transitioning from a traditional insurance company into an "insurance-related service provider" that also provides life insurance. Consequently, we can gain the support of our customers and society, allowing us to grow our business further.

Review of previous mid-term management plan: Opening the door to the future

Laying the foundation for enhancing corporate value beyond the new mid-term management plan

During the three years of the previous mid-term management plan, "Re-connect 2023," we started with our recognition that the capital markets' evaluation of us was undervalued. This was because we believed that if this undervaluation persisted, we would be unable to achieve our intentions when we decided to become a stock company. We recognized that the undervaluation was mainly because our capital efficiency (adjusted ROE) was below our cost of capital. Therefore, we took action to reverse this relationship in the near future.

Our cost of capital, which we disclosed as 10% three years ago based on our self-recognition, reduced to ca. 9% at the end of the previous mid-term management plan thanks to our strong efforts to decrease market-related risks during that plan's period. On the other hand, our capital efficiency is ca. 8%, which remains below our cost of capital.

In the domestic business, which accounts for ca. 70% of the Group adjusted profit, Dai-ichi Life's sales performance declined significantly during the previous mid-term plan. This was due to COVID-19 and the impact of changes in the operation of our sales reps after the past misconducts at Dai-ichi Life.

However, Dai-ichi Life released a new product in December 2023 after a long hiatus, and it has been well received by customers. As a result, the activity levels of our sales representatives, which had been stagnant for some time, have significantly increased, clearly indicating a recovery trend in new business performance. As of March 2024, the end of the previous mid-term management plan, the performance per sales rep at Dai-ichi Life had almost returned to pre-COVID-19 levels. On the other hand, we adopted a policy to selectively hire ca. 4,000 new sales reps annually, compared with the previous 6,000 to 7,000 per year, in order to secure higher-quality personnel. As a result, the number of sales reps has decreased from ca. 40,000 before COVID-19 to ca. 34,000. To fully restore Dai-ichi Life's overall sales performance to pre-COVID-19 levels, we need to further improve the productivity of each sales rep from this point onward. To enhance productivity, I believe it is crucial to swiftly leverage AI and other technologies, as well as data, as early as possible.

In addition to initiatives aimed at recovering the new business performance of Dai-ichi Life's sales reps, we strove to enhance our business portfolio, including by acquiring ipet in Japan and Partners Life in New Zealand, a new overseas market for us. We also introduced and expanded our CxO system and created a diverse and highly specialized management team to match the expansion of our business fields. Through these initiatives, I believe we have finally laid the foundation to address key challenges, such as achieving capital efficiency that consistently exceeds the cost of capital, during the period of the new mid-term management plan, which started in FY2024.

What we need to achieve in the new mid-term management plan to fulfill our vision for FY2030

Ensure that capital efficiency consistently exceeds the cost of capital

As I mentioned at the outset, our new mid-term management plan is based on backcasting from our vision for FY2030 (become a "global top-tier insurance group" and "leader of the Japanese insurance industry future." It concretely outlines what needs to be accomplished over the next three years. Our most important challenge for FY2026, the final year of the plan, is to achieve capital efficiency that consistently exceeds the cost of capital, which we have been working on since the previous plan, and we are determined to achieve this goal at any cost. To this end, we must reach Group adjusted profit of ¥400bn and adjusted ROE of 10% in FY2026. In Japan, as I mentioned earlier, our goal is to transition from a narrowly defined life insurance company into an "insurance-related service provider" that offers a wide range of services and value. By evolving in this way, we aim to meet the diverse needs of our customers at various life stages and closely support them throughout their lives. I believe we can increase our financial value by being rewarded for the services we provide.

We will continue reducing market risk to lower the cost of capital and improve capital efficiency. To expedite the reduction of equity risk, which increased during the previous mid-term management plan due to the appreciating market value of its equity holdings, Dai-ichi Life intends to sell more than ¥1.2tn worth of domestic stocks—ca. 30% of the market value of its stock holdings—over the next three years.

Furthermore, increasing the ratio of overseas business, including in emerging markets where significant growth of the insurance market is expected, is essential for improving capital efficiency and driving the business growth of the overall Group. However, there is no point in expanding our overseas business at the expense of shrinking the domestic business. Therefore, we will continue to grow our domestic business, while growing our overseas business which growth speed is higher to increase its contribution to the Group adjusted profit to 40% by FY2026.

Leveraging digital technology to provide protection and asset formation services in Japan

As mentioned in the review of the previous mid-term management plan, we are beginning to see a recovery in new business performance of our sales reps channel. However, to achieve sustainable growth in Japan, where significant overall market growth is not expected, it is important to offer proposals from both perspectives of protection and asset formation/succession. In particular, with the recent recovery in domestic interest rates and the Japanese government's promotion of asset formation through NISA and iDeCo, interest in asset formation is growing, especially among young people. I believe it is crucial to enhance our asset formation services, as well as our product development and asset management capabilities, to meet the needs of customers in their 20s and 30s. Because money paid for protection-type life insurance and funds set aside for asset formation and investment come from the same wallet, we must provide consultation that emphasizes a balance between protection and asset formation/succession according to the situation of each customer's household or level of concern.

When making proposals that offer both protection and asset formation/succession, we plan to strengthen our marketing creativity to offer tailored suggestions that meet the increasingly diverse needs of each customer. At the same time, we aim to optimize our customer touchpoints and enhance customer satisfaction. In this regard, I believe that accelerating our IT and digital strategies, particularly in relation to generative AI and digital data, will be crucial factors determining the success or failure of our domestic business.

To this end, we appointed Dr. Figen Ulgen as Chief Data and AI Officer (CDAO), an expert executive officer, in April 2024 to strengthen our IT and digital strategies. Our aim is to build a customer data platform that consolidates the vast amount of information held by the Group, deploy generative AI to enhance our consulting capabilities, and provide stronger support for the daily activities of our sales reps. These efforts will significantly improve customer experience (CX) and greatly increase the productivity of those representatives.

Broadening our insurance-related services with Benefit One

Another crucial factor determining the success or failure of our domestic business will be the deployment of synergies with Benefit One, which recently became a member of our Group.

The decision to acquire Benefit One was motivated by our strategic objective to broaden our insurance-related services, through leveraging that company's robust service platform in the employee benefits market. For some time, we have engaged in in-depth internal discussions regarding the future of our domestic business. Through these discussions, we recognized the need to acquire a robust platform and expand into non-insurance businesses in order to provide experiential value to our customers seamlessly. Amid these discussions, we turned our attention to Benefit One and began exploring the potential for collaboration with it. In November 2023, another company announced a takeover bid (TOB) for Benefit One. It came as a surprise to us, but after considering the opinions of our Board of Directors and employees, including younger staff, we concluded that Benefit One was a unique and irreplaceable entity. This led us to make the firm decision to make our own TOB. We submitted our proposal about two weeks after the other company's TOB announcement, but it was our prior studies that enabled us to respond so quickly.

As of March 31, 2024, Benefit One had ca. 10mn members. With our support, we aim to add ca. 2mn new members within the first three years. In addition to these short-term synergies, we will pursue long-term profit growth across the entire Group by leveraging Benefit One's platform—based on its Kyutokubarai, which is a salary deduction scheme—to offer our Group's products and services related to protection, asset formation/succession, and health and medical care. We will fully commit the entire Group's resources to realize these synergies.

Pursuing growth through the life insurance business in overseas markets with growth potential

Our overseas business is an important growth engine. It currently accounts for about 30% of the Group adjusted profit, but we are aiming for 40% by FY2026 and above 50% by FY2030. While Japan is experiencing a declining population due to low birth rates and an aging society, many countries in the US and Asia are seeing population growth. We aim to realize growth in these regions, primarily through the life insurance business.

Specifically, we aim to further expand our presence in countries where we already have a significant market share, such as Australia, the US, and Vietnam, while striving to achieve a Top 5 position in other markets where we operate. We will also expand the most suitable sales channels—such as sales reps and banks—according to the specific characteristics of each country. In India, for example, we plan to strengthen our partnerships with banks, as well as the sales reps channel. In the US, we will continue to advance the acquisition strategy that Protective, our US subsidiary, excels at. In April 2024, we decided to acquire ShelterPoint, a company that operates group life insurance mainly in New York State.

In our overseas business, our overall strategy is formulated by the holding company, but we also entrust the management of individual country operations to the local leadership. As we do not sell tangible products, we need to adapt our services to the insurance regulations of each country and the needs of local customers. Therefore, it is important to have a talented management team that is familiar with the local insurance industry. Our basic approach is to provide support and effective governance, leaving the actual management to a team of local experts. To further accelerate the Group's globalization efforts, in July 2024 we appointed Brett Clark, who has served as CEO of our Australian subsidiary TAL for many years, as a Senior Managing Executive Officer of Dai-ichi Life Holdings. He was also assigned the responsibility of managing our business operations in the Asia-Pacific region.

While the foundation for growing our overseas business is now in place, achieving our goals will require not only organic growth but also inorganic growth through mergers and acquisitions (M&As). We will continue pursuing additional acquisition opportunities in regions where we are already present, such as the US and Asia Pacific, and will also consider entering new markets in Asia, where we anticipate high growth in the future.

Financial and capital strategy for achieving vision for FY2030

We are also formulating our financial and capital strategy by backcasting from our vision for FY2030. Until capital efficiency consistently exceeds the cost of capital, we intend to emphasize shareholder payouts over strategic investments and maintain the level of total shareholder payouts of the previous mid-term management plan. For our strategic investments, we plan to allocate ca. ¥300bn over the three years of the new mid-term management plan, with a focus on overseas businesses and asset management. We will also pursue M&As that enhance the capital efficiency and growth potential of the entire Group. Meanwhile, after achieving capital efficiency that consistently exceeds the cost of capital, we will transition to growth-oriented investments and accelerate initiatives that prioritize profit growth, although this will probably happen during the period of the next mid-term management plan. At that time, we plan to gradually reduce share buybacks and shift toward dividends as part of shareholder payouts. During the next mid-term management plan, we presume to raise the dividend payout ratio to 50%.

With this highly transparent, road map-style financial and capital strategy, we aim to enhance corporate value toward our vision for FY2030.

Matrix-style management system that promotes optimal capital circulation

Since I assumed the role of CEO in April 2023, we have expanded our CxO system and established the position of Group Head, who oversees each business from a group-wide perspective. This matrix-style management system began full-scale operation and entered into the stage of functioning in April 2024, coinciding with the start of the new mid-term management plan. At first glance, this system might appear to complicate the decision-making process, but we adopted it to foster healthy conflict between Group Heads, CxOs, and the heads of each operating company. We also aim to promote the visualization of optimal strategies and challenges from a group-wide perspective.

If we did not have CxOs or Group Heads, for example, each operating company would simply be placed under the holding company. In such a case, the operating companies would choose the strategies and tactics that are optimal for themselves. This would pose the risk that operating companies might become overly attached to established practices or past successes, hindering fundamental transformation or maintaining inefficient business operations. In advancing effective and efficient capital circulation management, the holding company's primary role is to redistribute management resources from mature businesses that no longer require a large amount of capital to growing businesses and operations with high capital efficiency that will need capital in the future. Group Heads and CxOs play a crucial role in swiftly achieving what is optimal for the entire Group. Furthermore, as the number of Group companies increases both in Japan and overseas, it is inefficient for each company to operate independently. Therefore, we need to share best practices among operating companies, unlock synergies across the Group, and establish a cross-functional framework that ensures the most suitable company takes on the most appropriate role within the Group.

Our CxO system and Group Head system also play an important role in expanding our overseas business. I believe that CxOs and Group Heads, who are responsible for overseeing the entire Group from a global perspective, will contribute significantly to enhancing our global competitiveness and becoming a global top-tier player.

Sustainability management: The driving force for realizing our vision

Spreading awareness of the Group Principles and Core Materiality to foster a sense of unity

In formulating the new mid-term management plan, we updated our Group Purpose and Values as mentioned earlier and identified our Core Materiality (priority material issues for the Group). I believe that these foundational management decisions, combined with the human resources strategy set in the new mid-term management plan and ongoing efforts to strengthen governance, will serve as a powerful unifying force that aligns and motivates all Group employees and executives to achieve our vision for FY2030.

Our newly established Group purpose and values, introduced alongside the new mid-term management plan, are designed to create a sense of unity within the Group by encouraging every employee to have empathy, share, and internalize them. They also serve as a commitment to society, expressing the reason for our existence. Therefore, we engaged employees, executives, and managers, both in Japan and overseas, in a collaborative process to develop that sense of unity. As a result, our Group purpose and values and the intent behind them have been profoundly shared and internalized across the entire Group.

The Group previously identified 14 material issues. Alongside the formulation of the new mid-term management plan, we reassessed and reorganized the material issues to clarify our priorities further, thereby consolidating them into four main categories: "Financial Well-being for All," "Healthy People and Society," "Environmental Leadership," and "Proactive Governance and Engagement." Rather than setting forth what is good for society in a blanket statement, we have narrowed down our priorities in an effective manner that is firmly linked to the Group's Principles and our businesses. In fact, Group Heads and CxOs have already taken the lead to start working on incorporating newly identified Core Materiality into our business strategies consciously. Through business activities based on these Core Materiality, we will create both social and economic value and sustainably strengthen our own financial and non-financial management foundation while having a positive impact on society.

The renewal of the Group Principles and the formulation of Core Materiality signals a significant shift in direction for the entire Group. It is crucial that each individual employee perceives this change and takes action to bring about tangible transformation. Sharing the Group Principles with empathy becomes a powerful motivator in executing our strategy, uniting all members to move forward together. I will continue explaining the new Group Principles and Core Materiality through town hall meetings and other forums to facilitate the transition from understanding to execution.

Safari park of human resources, rich in diversity

We believe that a human resources strategy that enables diverse talent to fully realize their potential is crucial for achieving our vision for FY2030. Therefore, as our business domains expand, we are actively bringing in executives from outside the Group, including those of foreign nationality or origin, to drive transformation and growth with speed and provide diverse perspectives and expertise. When I say I aspire to create a "Safari park of human resources," this concept is rooted in the belief that the environment where diverse talent express their ideas without any constraints and engage in creative work leads to increased productivity. Of course, certain rules and integrity must be maintained, but I believe it is essential to cultivate a corporate culture where individuals can unleash their creativity as much as possible within that framework.

Digital technology and AI are key to clarifying the Group's strengths, especially in its mature domestic business. I also recognize the risk of new competitors emerging due to advancements in technology. To address this risk, we must respond agilely and strive continuously to take in cutting-edge technology. To achieve this, attracting and retaining specialized talent is essential. Accordingly, we are creating an environment where employees can thrive by offering an attractive corporate culture and appropriate compensation.

As I mentioned earlier, we have introduced and expanded the CxO system since FY2022, and appointed highly specialized external talent to executive positions. This has allowed our management team to incorporate outside perspectives and make faster and more appropriate decisions. We are also actively recruiting mid-career professionals beyond just executive roles, with ca. 40% of our new hires coming from mid-career recruitment.

We will further accelerate the promotion of diversity in our workforce, including by empowering women, and combine this with a global perspective and a strong management foundation. By doing so, we aim to become a company that can freely utilize cutting-edge technology and consistently provide sustainable value to all stakeholders.

Enhancing corporate value with unity throughout the whole Group

In May 2024, we introduced a stock-based compensation plan for employees. As mentioned earlier, we were founded as Japan's first mutual company, and we operated under this structure for many years. In 2010, we went public as a stock company, and in 2016 we adopted a holding company structure. Employees of the holding company have a strong mindset of our businesses as a stock company, but employees in the Group's operating companies have found it challenging to perceive how the shift to a stock company directly impacts their daily work.

To foster a common understanding among all employees of their contribution to enhancing corporate value, we introduced a stock-based compensation plan in this fiscal year that rewards employees by sharing our increased corporate value with them. The program covers ca. 50,000 employees, including sales reps. This is a fairly large-scale initiative, but I believe it will significantly increase a sense of unity and motivation, enabling the entire Group to move forward together to achieve our vision for FY2030.

In conclusion

After assuming the role of Group CEO, I had the opportunity to take a fresh, comprehensive view of the Dai-ichi Life Group through dialogue with external stakeholders, including investors, and through town hall meetings with employees both in Japan and overseas. What stood out to me is the importance of transformation and the strong expectations for change.

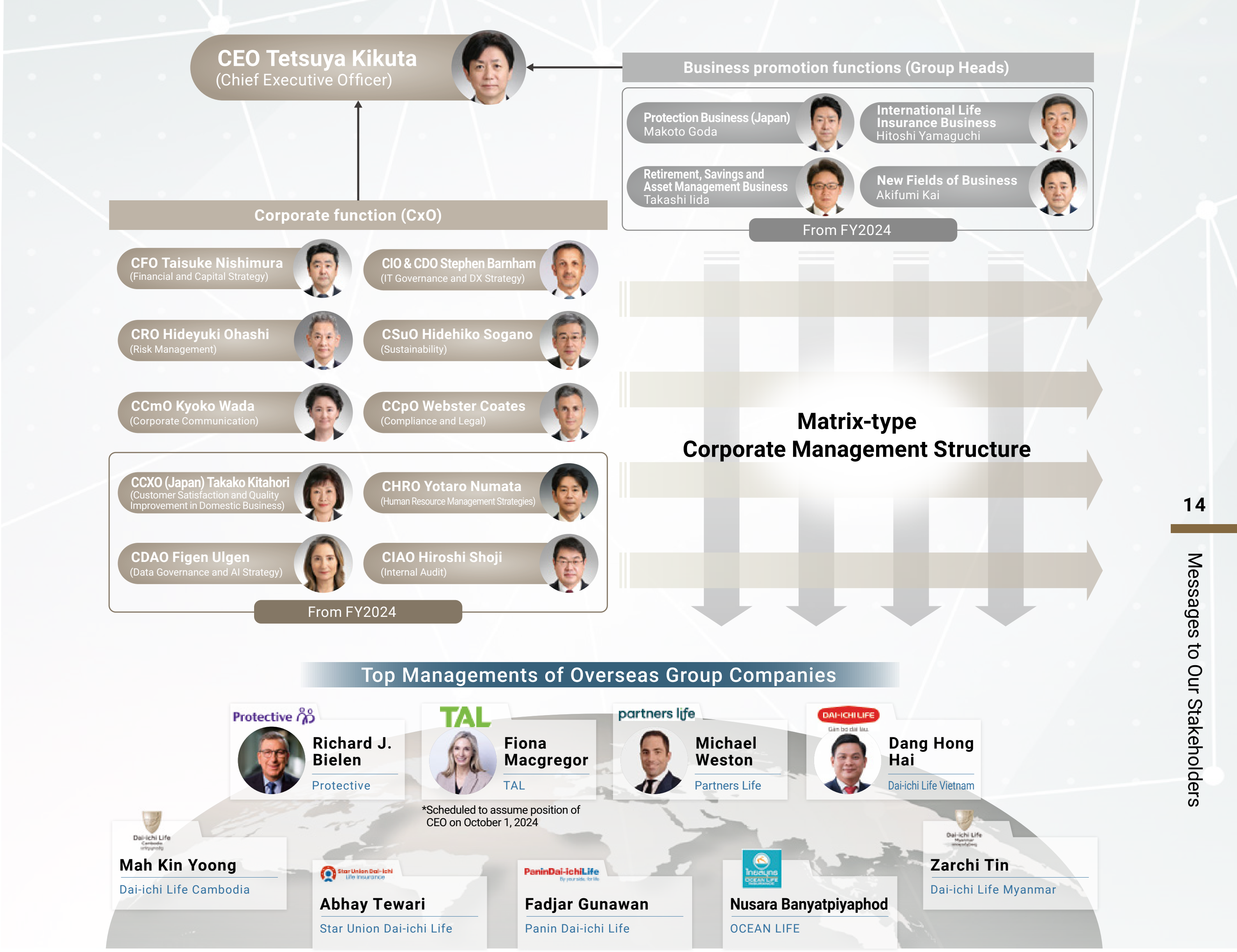
To achieve our vision for FY2030 to become a "leader of the Japanese insurance industry future" and a "global top-tier insurance group," we need to become double or even triple compared to the past in terms of market capitalization. This requires a sense of speed and significant, large-scale changes. Each of us must question conventional wisdom, break free from the bias toward maintaining the status quo, and think critically about the most effective path forward, then take action accordingly. One manifestation of this approach is our transformation from an insurance company to an insurance-related service provider, as well as our acquisition of Benefit One, which is designed to accelerate this shift. The decision to acquire Benefit One was greatly influenced by the enthusiasm of our younger employees for the Group's transformation.

We have 60,000 employees across 10 countries. I am confident that these employees, united under our newly established Purpose, will deliver significant outcomes as they embrace challenges and transformation with excitement to realize our vision for FY2030. I also believe that the Dai-ichi Life Group has the DNA for the transformation needed to achieve this vision. Furthermore, it is my role to support and drive these challenges and transformations, and I am firmly committed to courageously leading the changes necessary to enhance corporate value.

I am committed to meeting the expectations of all stakeholders and transforming the Group into one that is even more essential to everyone. I kindly ask for your continued support.

Group Management Organization

Since FY2022, we have introduced and expanded "CxO" positions to oversee key corporate functions, enhancing their effectiveness through external appointments. In FY2024, we established "Group Heads" roles to manage crucial business areas. These changes have created an organic, matrix-type management system within the holding company. By fostering close collaboration between CxOs, Group Heads, and the management of each group company, we aim to strengthen individual company growth, improve overall group business operations and governance, and accelerate the enhancement of corporate value.



Discussion at the Global Leaders Committee, composed of CEOs and other leaders from overseas Group companies
(covering discussions on Group management strategies, business strategies, and sharing of the Group Principles and initiative directions

Long-Term Vision and the Road Map to Achieve It

The Dai-ichi Life Group has taken timely and optimal actions based on the business environment, establishing a strong business foundation by transitioning to a holding company structure and making domestic and international acquisitions to improve its business portfolio. Moving forward, we will steadily execute the new mid-term management plan, which has been formulated through "backcasting" from our Vision for FY2030. Our goal is to transform into an insurance-related service provider that goes beyond the framework of the traditional life insurer, while contributing to the well-being of our customers and society, and achieving sustainable growth.

2015–2017

Achieving sustainable value creation

Accomplishments: Transition to a holding company structure, establishment of a structure of three domestic life insurance companies for agile response to diverse customer needs, acceleration of overseas business development

Challenges: Strengthening ERM in anticipation of an extended ultra-low-interest rate environment, and allocating financial resources to growth areas and innovation

2018–2020

Growth through contributing to improvements in well-being

Accomplishments: Improved soundness through the start of development in new fields such as healthcare and small-amount/short-term insurance as well as new market risk reduction methods aside from extensions of traditional means

Challenges: Fundamental transformation of the domestic insurance business based on customer perspective, breaking away from the pattern of the high cost of capital and low capital efficiency, globalization of Group operations

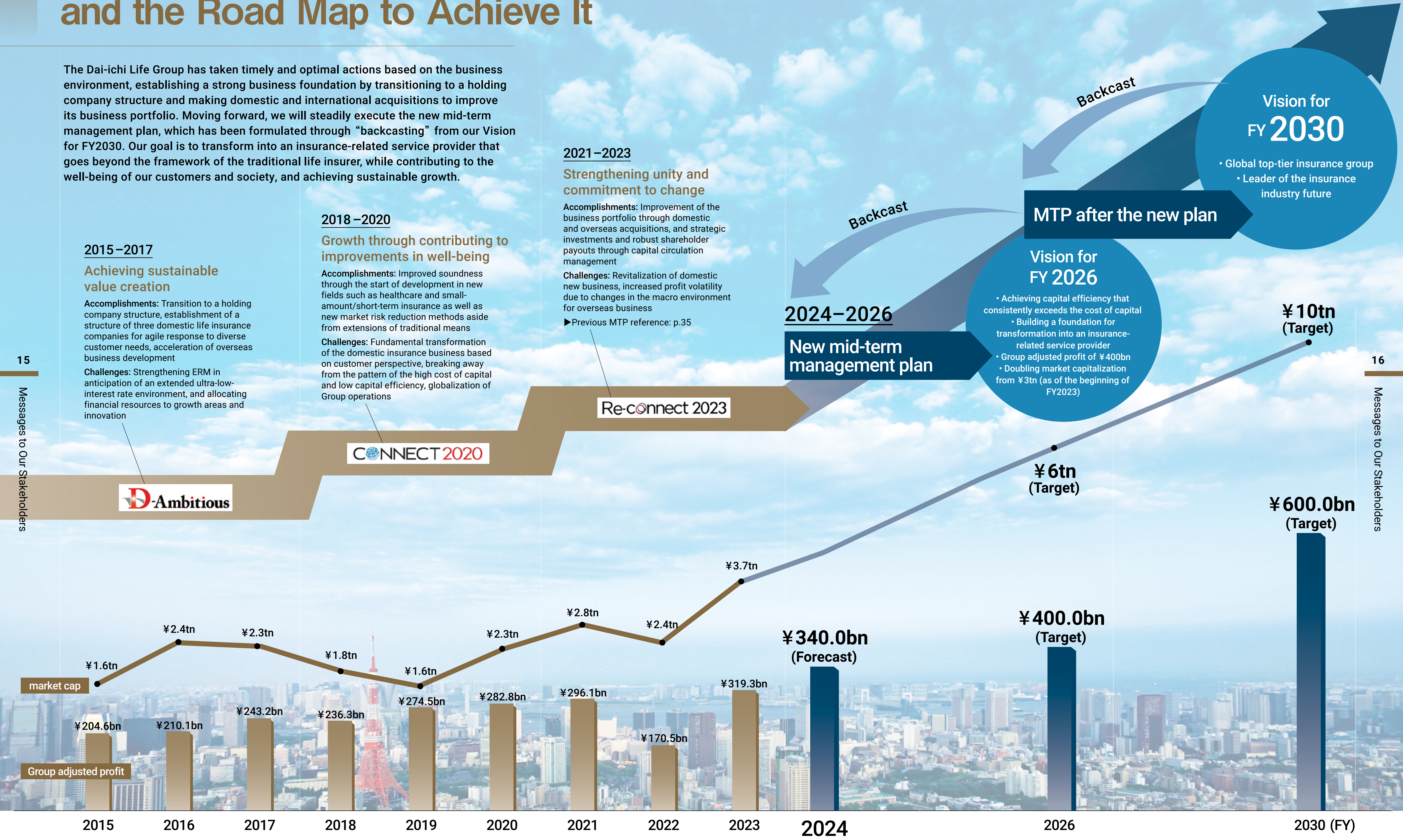
2021–2023

Strengthening unity and commitment to change

Accomplishments: Improvement of the business portfolio through domestic and overseas acquisitions, and strategic investments and robust shareholder payouts through capital circulation management

Challenges: Revitalization of domestic new business, increased profit volatility due to changes in the macro environment for overseas business

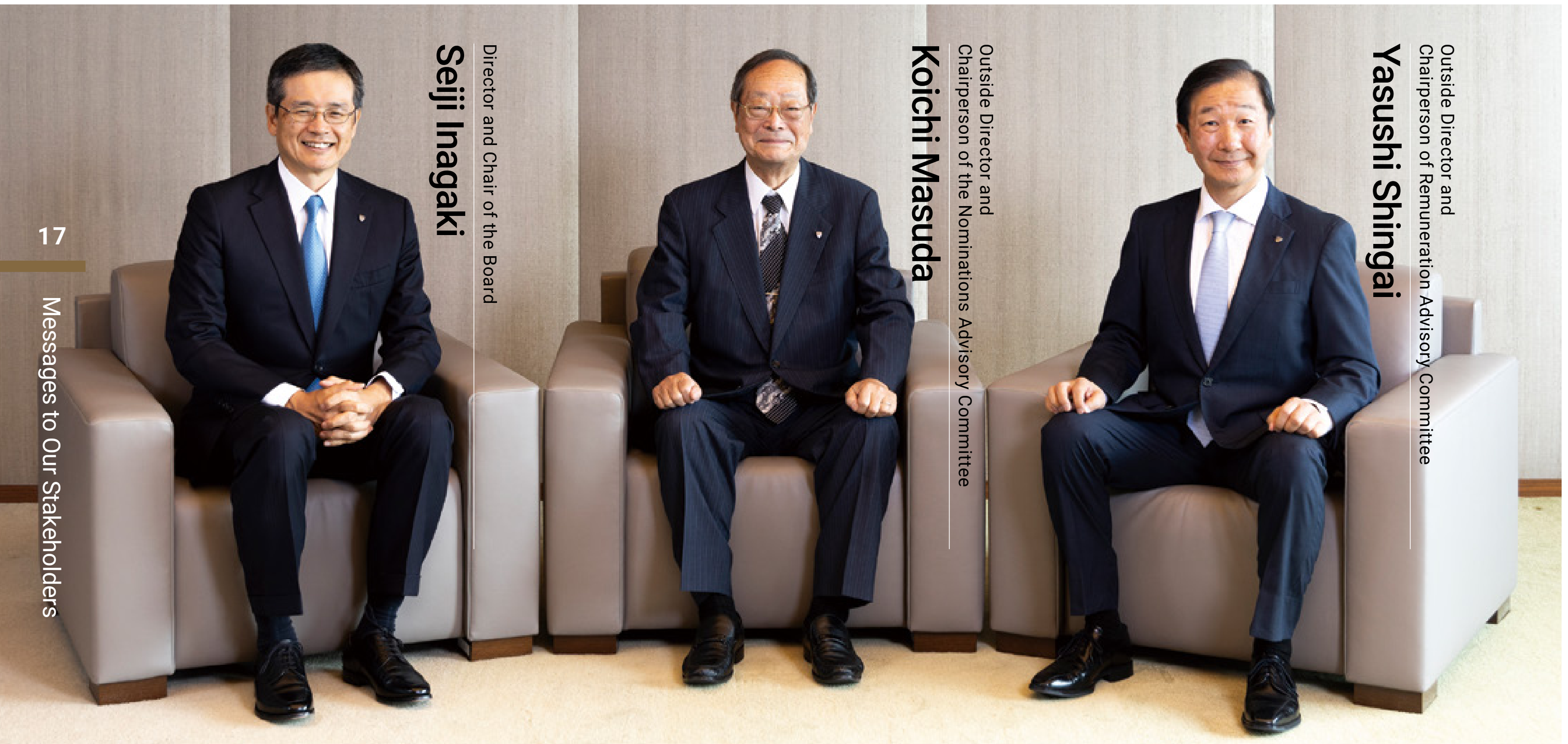
▶Previous MTP reference: p.35



Discussion with Directors

Toward our Vision for FY2030

At Board of Directors meetings held in FY2023, a wide range of topics were discussed, including the formulation of our Purpose and the new mid-term management plan, which were designed by backcasting from CEO Kikuta's vision for FY2030. In this section, the Chair of the Board and two outside directors held a discussion to share their reflections on FY2023.



Board discussions in FY2023

Inagaki: The succession of Mr. Kikuta in FY2023 ended the situation in which one person served concurrently as president of both Dai-ichi Life Holdings and The Dai-ichi Life Insurance Company (Dai-ichi Life). Under this new leadership structure, the Board held discussions about our new mid-term management plan, which started in April 2024. Our mission as directors is to understand Mr. Kikuta's vision and support him to take the necessary risks to unleash the potential of the Dai-ichi Life Group at a maximum. With this in mind, we engaged in discussions by backcasting from Mr. Kikuta's vision. As a result, the Board held 21 meetings in FY2023.

Shingai: As Mr. Inagaki mentioned, we engaged in discussions by backcasting from the vision for FY2030, focusing on what actions we need to take now. This was particularly noteworthy. In the past, our discussions often seemed to be an extension of the present, but in FY2023 they were different.

Reflecting on our Board meetings in FY2023, we discussed a wide range of topics, such as financial and capital strategies, domestic business strategies, overseas business strategies, business risk management, and market risk management, as well as sustainability including human capital. Looking ahead to FY2030, meanwhile, we couldn't avoid discussions about our Purpose of why we exist as a company. We also discussed our acquisition of Benefit One, the merits of our matrix-style management approach centered on CxOs and Group Heads, and many other substantial agenda items. I feel that the Board of Directors engaged in open and lively discussions on these topics.

Masuda: As the Chairperson of the Nominations Advisory Committee, I was in a position to nominate Mr. Kikuta, and I believe that his appointment as CEO was a positive and welcomed. His clear targets of "increasing market capitalization from ¥3tn to ¥6tn by FY2026 and ¥10tn by FY2030" resonated effectively with investors and other stakeholders. For a moment, I thought he might be going too far, but I believe that the clarity of his message has actually helped us to better define what we need to achieve.

Formulation of the Purpose and the new mid-term management plan

Inagaki: The previous mid-term management plan, "Re-connect 2023," focused on two key pillars: "Expanding" and "Exploring." When formulating the new mid-term management plan, however, we were able to go beyond that and start our discussions from the perspective of our "raison d'être." As a result, we formulated our Purpose: "Partnering with you to build a brighter and more secure future." The discussions in which we were fully engaged were instrumental in developing the concept of closely supporting customers throughout their lives through platforms such as Benefit One.

I also feel that Mr. Kikuta's clear vision of financial value—particularly his goal to double market capitalization—and his strategy to increase the price-to-earnings ratio (PER) by securing current profit levels while boosting expectations for future growth have been effectively communicated both internally and externally.

Shingai: Both corporate finance and corporate culture are crucial. The foundation of our corporate culture is the Purpose. Both our internal and outside directors emphasized the need for discussions about our Purpose. Originally, the discussions started with our corporate brand, but everyone realized that we couldn't instill our brand or advance discussions on our business domains without first returning to our raison d'être. "Purpose" must not be mere wordplay. It must resonate with society and address societal challenges. Therefore, our discussions on this aspect were crucial. In addition, defining our business domains is critically important for the company's long-term sustainability and growth. I often say that if we define our business domain too narrowly without returning to our Purpose, we risk missing opportunities for expansion and growth, which could ultimately lead to declination. That's what happened to the former "railroad barons" in the US.

In addition, "Expanding" to ensure they continue generating strong profits from existing businesses and "Exploring" to launch a new business are distinct activities. It's not uncommon for employees focusing on "expanding" to envy those engaged in "exploring," and vice versa. Such an approach would not create strong momentum for growth across the company. Therefore, we needed a Purpose that emotionally connects these two activities.

In the past, when I was managing another company, integrating corporate cultures emerged as a significant challenge when conducting a large-scale M&A. At that time, we took the opportunity to reconsider and redefine what our corporate culture truly was. I believe that corporate culture is a "pattern of behavior" that has been cultivated within a company over many years. To realize the Dai-ichi Life Group's vision for FY2030, we must consider how we will change this "pattern of behavior." I believe that discussing the Purpose before formulating the mid-term management plan was highly valuable, as it serves as the cornerstone of the plan.

Masuda: What was beneficial about our discussions on our Purpose was that we involved not only our domestic employees but also those from our Group companies overseas in thinking it through together. The content of the Purpose is important, but the process of developing it is equally crucial. Because the employees played a role in deciding it, they feel like it's their own Purpose.

Inagaki: As societal challenges evolve with the times, we must continue to change in order to be the partner for our customers consistently. In the past, however, there have been instances where friction arose between aspects that we couldn't change, leading to decreased employee motivation. Therefore, reaffirming our raison d'être with our Purpose was instrumental in shaping the new mid-term management plan. I believe this will positively influence the actions of each and every employee.

Shingai: You're absolutely right. In addition to the discussion of Purpose we've mentioned, it was essential to incorporate discussions from a corporate finance perspective when formulating the mid-term management plan to achieve the financial targets set by Mr. Kikuta. In other words, to achieve our targets, we must not only realize capital efficiency that consistently exceeds our cost of capital but also ensure that the capital markets hold expectations of growth for us.

During the previous mid-term management plan, for example, we reduced interest rate risk considerably, which lowered our cost of capital and led to an increased in adjusted ROE to some extent. With the rise in the market value of our equity holdings, however, our equity risk actually increased. Under the new mid-term management plan, therefore, we must further reduce equity risk, and then reduce market risk and the cost of capital. In addition, to raise growth expectations in the capital markets, we need to demonstrate that we can not only expand our overseas business but also maintain or increase profit levels of our domestic business. Japan's rapid population decline and aging society, now unfolding before us, was described by management scholar Peter Drucker back in the late 1980s as "the future that has already happened." In this context, our discussions on how to leverage and grow our domestic insurance business based on the "four experiential values" led to the acquisition of Benefit One.

Masuda: Over the past decade or so, Dai-ichi Life has undergone significant change, transitioning from a mutual company to a stock company, going public, and shifting to a holding company structure. These changes were made with a view to evolving into an "insurance-related service provider" that offers a wide range of services beyond life insurance, as well as expanding our presence overseas. In a sense, the discussions at our Board meetings in FY2023 might have signified that we have returned to our roots and reached a stage where we are thoroughly committed to executing our original goals.

Shingai: By transitioning to a stock company and shifting to a holding company structure, we have gained a broader perspective beyond just being an insurance company. The new Purpose and the new mid-term management plan are about fully leveraging this potential.

Yasushi Shingai

Outside Director

Yasushi Shingai

At Japan Tobacco Inc., Mr. Shingai spent many years as an executive leading corporate transformation and driving globalization through large-scale M&As. He is the author of the book, *JT no M&A* ("JT's M&As"). Since 2019, he has served as an outside director of Dai-ichi Life Holdings, where he oversees management from a global perspective and acts as an advisor in Board meetings and other forums.

Discussions behind the Benefit One acquisition

Shingai: To briefly recap, in August 2023 our executive team emphasized the need to build a platform and suggested methodologies for doing so, as well as potential companies for acquisition. In other words, to advance the "four experiential values"—particularly "Enhancing Connections" and "Health and Medical Care"—it is essential to have a platform. As for the methodologies, there were two options: build the platform in-house or leverage external resources. Among the external resources, Benefit One emerged as the best candidate.

We received word that Pasona Group Inc. might consider selling Benefit One in the future, then we scheduled an appointment for late November 2023. However, in the interim, M3, Inc., announced a takeover bid, which led us to engage in four lengthy but intensive rounds of discussion. Due to the urgency of the situation, our executive team had already established a relationship with Benefit One and was well-prepared, enabling a swift response.

The key point was that we discussed the matter from multiple perspectives and asked ourselves many questions. For example, is acquisition the best way to expand as an insurance-related service provider and build an ecosystem based on the four experiential values? Do we need to acquire 100%? How much information can we gather after expressing our TOB intention? To what extent can we realize post-acquisition synergies? In light of the Ministry of Economy, Trade and Industry's "Guidelines for Corporate Takeovers," should we go as far as an acquisition without consent? How will we implement Group governance to maximize post-acquisition synergies? Can we fulfil our commitment to shareholders of enhancing shareholder payouts, even after a ¥300bn acquisition, until we achieve capital efficiency that exceeds the cost of capital? In addressing these and other questions, we had meaningful and constructive discussions.

Masuda: I, too, thought the acquisition was important and significant. While previous acquisitions have focused on insurance companies, this time the target was in a non-insurance sector. There were also some risks to consider, such as whether the synergies and post-merger integration (PMI) would be successful and whether the fact that the majority of the ¥300bn acquisition cost would result in goodwill as an intangible asset could be acceptable from a financial perspective. Nevertheless, the Board of Directors recognized the high rarity of this opportunity. Despite the many challenges to overcome, the Board's opinion was that the executive team should proceed with the acquisition with determination.

As a member of the Audit & Supervisory Committee, I will need to monitor the ongoing operations and synergy effects. The crucial phase lies ahead, but I am confident that both parties will grow together, leading to an increase in corporate value.

The TOB without consent garnered significant attention because it was initiated by a major Japanese life insurance company. However, we conducted it appropriately in accordance with the Ministry of Economy, Trade and Industry's guidelines and received high praise from the media. I believe that embracing challenges such as this is crucial for helping Japan break free from its current stagnation.

Inagaki: Although it was a TOB without consent, the Board of Directors approved it because it had the potential to create value for Benefit One as well, and it was not just a financial transaction but also its business affinity was compelling.

I am grateful to the outside directors for gathering multiple times in a short period, allowing us to engage in deep and meaningful discussions. The outside directors raised many issues, such as how to address cultural differences, manage PMI and value enhancement, and forecast return on investment from a quantitative perspective. The executive team thoroughly addressed these issues, which led to meaningful and productive discussions. We had already recognized the need for a specialized M&A team and had selected its members. Therefore, in the summer of 2023, we quickly assembled internal resources and rapidly formed the team. I am grateful for Mr. Kikuta's leadership in driving the executive team's deliberation process forward in such a short time.

Mr. Kikuta met several times with Mr. Shiraishi, the President of Benefit One, to discuss whether their future visions aligned and how we would collaborate with Benefit One's management team. The importance of these points was also highlighted at our Board meetings. The alignment of opinions between the executive team and the Board of Directors on key points provided a sense of reassurance to the Board.

Masuda: Our discussions about Benefit One were intense, with many questions raised not only by the outside directors but also by the inside directors. Despite being pressed for time, the executive team focused intently on addressing the issues and worked hard to prepare. They provided satisfactory answers, which I believe ultimately enabled the Board of Directors to approve the acquisition.

Shingai: This acquisition was different from traditional insurance company acquisitions. It involved a completely different business domain, and we sought to turn "one plus one" into three or four. Therefore, as we moved to make it a 100% subsidiary, it was crucial to clearly define areas of responsibility and authority—what to delegate and what to manage by ourselves. I believe we had solid discussions on what kind of group governance and contractual relationships we should establish to further enhance Benefit One's growth potential and maximize synergies with us.

As we were unable to conduct proper due diligence before announcing the TOB, however, some of the information we needed was uncertain. Therefore, it was crucial to determine how we would address this uncertainty after the announcement. In addition, two key concerns for me were how to minimize downside risk and how to manage Benefit One after the acquisition. Mr. Kikuta's commitment to addressing these concerns served as a crucial litmus test for our decision. I believe the executive team, under his leadership, demonstrated more than enough commitment.

Outside Director

Koichi Masuda

After serving as Chair of the Japanese Institute of Certified Public Accountants (JICPA), Mr. Masuda became an advisor to that organization. He was appointed as an outside director (Audit & Supervisory Committee member) of Dai-ichi Life Holdings in 2016. Drawing on his financial expertise, he actively expresses his opinions from an objective perspective at Board meetings and other forums and plays a role in supervising and auditing management of the Company.

Koichi Masuda

Masuda: To add one point about being unable to conduct due diligence in its entirety, we considered that Benefit One was a listed company at the time, which provided a certain level of credibility. Indeed, the subsequent due diligence did not reveal any significant discrepancies. I think we can rest assured on this point.

After the TOB announcement, the Board of Directors requested further investigation, which led to deeper discussions based on information directly received from Benefit One. This process clarified the amount of risk and the expected synergies, ultimately leading to a favorable outcome.

Shingai: As a publicly traded company, Benefit One had a responsibility to protect shareholder interests. Therefore, a special committee, consisting primarily of its outside directors, evaluated the appropriateness of our proposal. In this process, it was able to engage in rigorous discussions through information exchange about what synergies could be achieved and to what extent.

Seiji Inagaki

Chair of the Board

Seiji Inagaki

Mr. Inagaki became President and Representative Director of Dai-ichi Life Holdings in 2017 and Chair of the Board in 2023. He engaged in corporate planning and investment planning as a member of the Group, and has extensive business knowledge and experience. He played a central role in the transition to a stock company and developed and implemented its growth strategy.

Evolving corporate governance

Inagaki: In FY2023, we actively created opportunities for outside directors to engage in open dialogue with the executive officers of Dai-ichi Life Holdings and Dai-ichi Life. This allowed outside directors to hear not only the agenda items presented to the Board but also the opinions of those in the field and how executive officers are thinking on their management of the businesses and enhancement of their functions, which I believe added depth to discussions at Board meetings.

At the Board meetings, we were able to operate effectively by delegating areas that we were satisfied with to the executive team while taking the time to properly discuss any points we identified as issues. These efforts have enhanced the effectiveness of the Board of Directors. I believe that the proactive involvement of our outside directors has been a significant driving force in advancing our governance even further.

Shingai: In FY2023, we held engagements with executive officers involved in business execution on 22 occasions. This is more than the 21 meetings held by the Board of Directors. As an outside director, my first step was to ask questions from various angles to deepen my understanding. Through the responses I received, I was able to organize my thoughts on the key issues to keep in mind as an outside director of the holding company. This approach is the cornerstone of corporate governance, and it has been a great help in shaping my approach to group governance.

Masuda: I would like to speak on the evolution of our group governance. As a member of the Audit & Supervisory Committee, I also conduct audits of each Group company. Overall, I believe those operations are well managed, but I intend to closely monitor whether the holding company is providing appropriate oversight while respecting the independence of each company.

In that regard, over the past two years, we have introduced a CxO system and a Group Head system, thereby separating functional and business roles to strengthen our oversight capabilities. The introduction of this matrix-style management approach might lead to conflicts with the operating companies. These conflicts should serve to clarify areas of responsibility and the authority of each side—CxOs, Group Heads, and operating companies—helping our group governance evolve further. I see this as a very positive development.

Inagaki: When I served as President, the only CxO except me was the CFO, and that position was held by Mr. Kikuta. As soon as he became President, however, Mr. Kikuta quickly appointed CxOs from outside the Company, such as the Chief Information Officer (who serves concurrently as Chief Digital Officer) and the Chief Compliance Officer. His vision for group governance is now clear. I feel that the level of group governance significantly improved in FY2023.

Moreover, by bringing in top talent with experience in group management from other companies as CxOs, we identified issues we hadn't previously recognized, which added momentum to the entire Group. These initiatives are integral to Mr. Kikuta's vision for matrix-style management, and I believe his management vision has been effectively brought to life.

While the recruitment of CxOs was reported to and approved by the Nominations Advisory Committee in advance as a matter of course, I feel it was Mr. Kikuta's leadership that drove this success.

Masuda: To date, we have adopted a group management approach that respects the independence of the operating companies and allows them to grow individually. This has been a positive approach and should continue to be respected. However, the holding company must also consider the allocation and recovery of resources across the entire Group. With this in mind, we introduced the CxO system, which enables the functional intervention and supervision of each operating company.

The matrix-style management might cause conflicts to arise between the operating companies and the CxOs. However, I believe this approach will be highly effective in advancing group governance, and as a member of the Audit & Supervisory Committee I have high expectations for its success.

Shingai: I find Mr. Kikuta's transformational leadership to be truly remarkable. Several factors have made this possible. The first was separating the roles of the President of Dai-ichi Life Holdings and Dai-ichi Life. This has allowed the President of Dai-ichi Life Holdings to allocate time to optimize the entire Group and focus on group management.

In addition, we revised the remuneration system in FY2022 to attract talent from outside the Company. Specifically, we changed the executive remuneration system to one based on job value, while also ensuring flexibility when recruiting talent from overseas.

These two factors were extremely important, and I feel that Mr. Kikuta is making full use of those new foundations.

At the Board level, we have fostered a culture where outside and inside directors can engage in frank discussions while maintaining a healthy tension, or "productive tension." As seen in the discussion for the acquisition of Benefit One, we have established a relationship enabling each Board member to actively express his or her opinion.

Finally, I find it noteworthy that during Mr. Kikuta's succession, Mr. Inagaki did not exert any influence over the composition of the Kikuta cabinet. In many Japanese companies, the President continues to exert influence after becoming the Chairperson of the Board, practicing a kind of behind-the-scenes control, or initiatives undertaken by the previous President cannot be changed. In his case, however, the notion that "you can't move forward if you're always looking back" was reflected in concrete action, which is extremely significant. I feel this could serve as a model case to help Japanese companies drive future transformation.

Toward mid- to long-term value creation

Masuda: Looking ahead, one of the key challenges we emphasize is the need to not only enter new markets but also withdraw from existing ones when necessary. Entering new markets might appear courageous, but withdrawing and recovering investments is difficult and often unpleasant. Nevertheless, we need to do this diligently as part of the "scrap and build" process. As a holding company, maintaining this balance is crucial to increasing the Group's overall profitability and corporate value.

In Japan, the Dai-ichi Life Group consists of real estate companies and asset management companies, in addition to life insurance companies. I believe we should harness these strengths and adopt a comprehensive approach to drive even greater progress.

Inagaki: I believe that entirely new businesses that we have not yet envisioned could become part of the Group's operations in the future. As a member of the Board of Directors, I believe we need to engage in dialogue with the executive team and encourage them to take risks under the framework of capital circulation management in pursuit of new growth opportunities.

Shingai: I want to reiterate that the driving force behind transforming a company is not the Board of Directors, but the CEO. There are many examples worldwide of exceptional CEOs who have transformed companies, driven growth, and increased corporate value. The Board of Directors bears the critical responsibility of selecting such executives and, through necessary engagement, ensuring the long-term and sustained enhancement of corporate value. This requires effective corporate governance, which involves selecting an excellent CEO and encouraging that CEO to build an exceptional team.

Compared to five years ago when I first became an outside director, the atmosphere of the Board of Directors has changed dramatically. Our outside directors have made numerous challenging recommendations, and I believe a key factor in the transformation was Mr. Inagaki's willingness, as the President at the time, to confront these recommendations directly. The real turning point came when he had the courage to break from tradition and make bold changes. While changing tradition in a company with a long history is not easy, we must adapt to the rapidly changing times and meet the evolving needs of our customers and society.

Inagaki: I don't believe the Board of Directors or outside directors are the ones who drive growth, but a great Board is far better at generating corporate value than a not great one. The culture of the Board of Directors isn't crafted by the Chairperson alone, but by each director who embraces the company's vision and contributes to it with full commitment. Thanks to everyone's cooperation, the current Board of Directors has cultivated an excellent culture. I believe this has positively impacted Mr. Kikuta's performance as well.

Also, as Mr. Shingai mentioned earlier, there needs to be a healthy tension in the Board of Directors. This is difficult to achieve with inside directors alone, so I am grateful to the outside directors for their contributions. It's important to have a culture where outside directors actively voice their opinions, and inside directors respond constructively when they disagree. This approach allows us to set the direction at the Board level, leading to long-term value creation and enabling us to meet the expectations of our shareholders and other stakeholders.