

# Management Strategy of Dai-ichi Frontier Life

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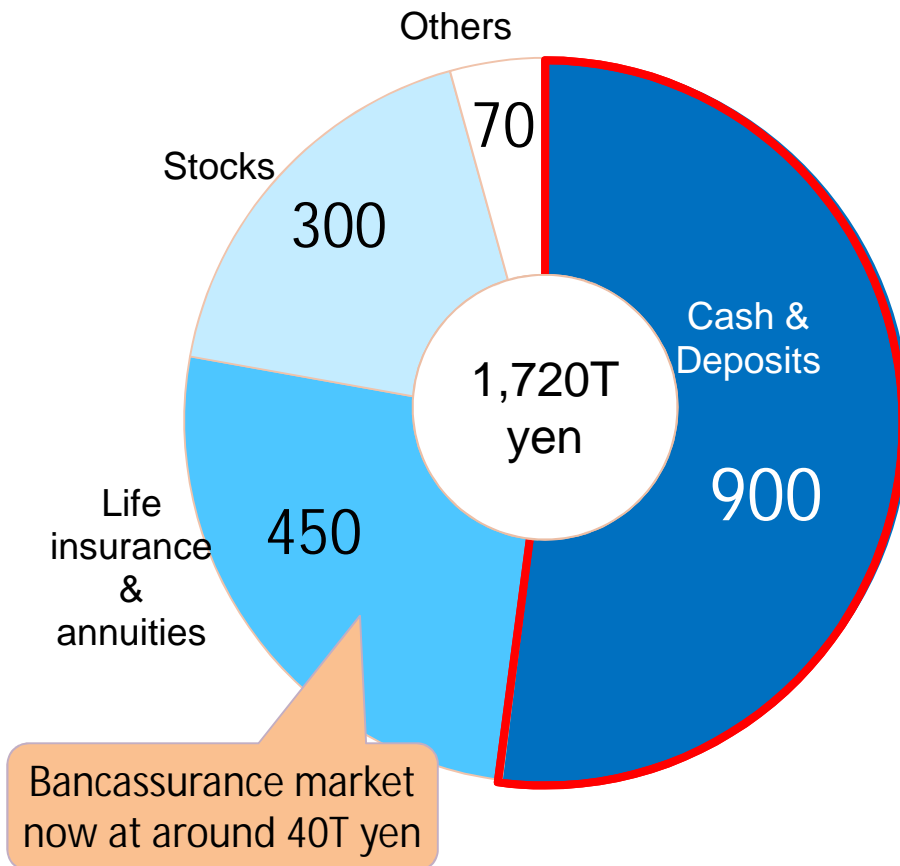


The Dai-ichi Frontier Life Insurance Co., Ltd.

# The Market Overview

- ◆ Over 50% of household financial assets still in the form of cash and deposits
- ◆ Prolonged low interest rates could shift the funds to bancassurance market

Household Financial Assets (June 2015)



## Low interest rates

Financial institutions:  
shift their focus on non-interest  
income

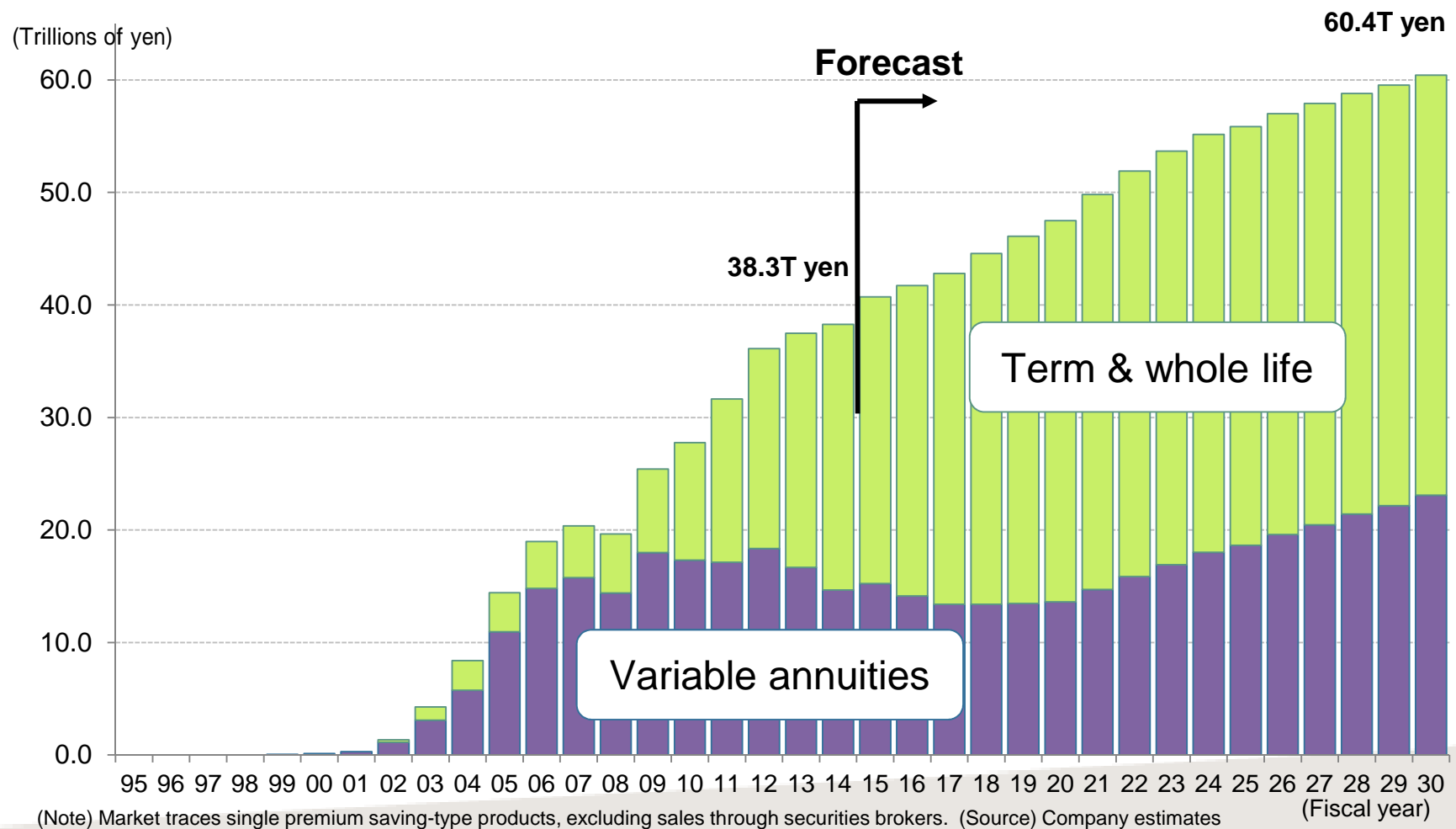
Households:  
Interested in relatively higher  
yielding products

Cash & deposits to  
bancassurance

# Market Set to Grow

Expecting the market to grow, policies in-force to top 60T yen

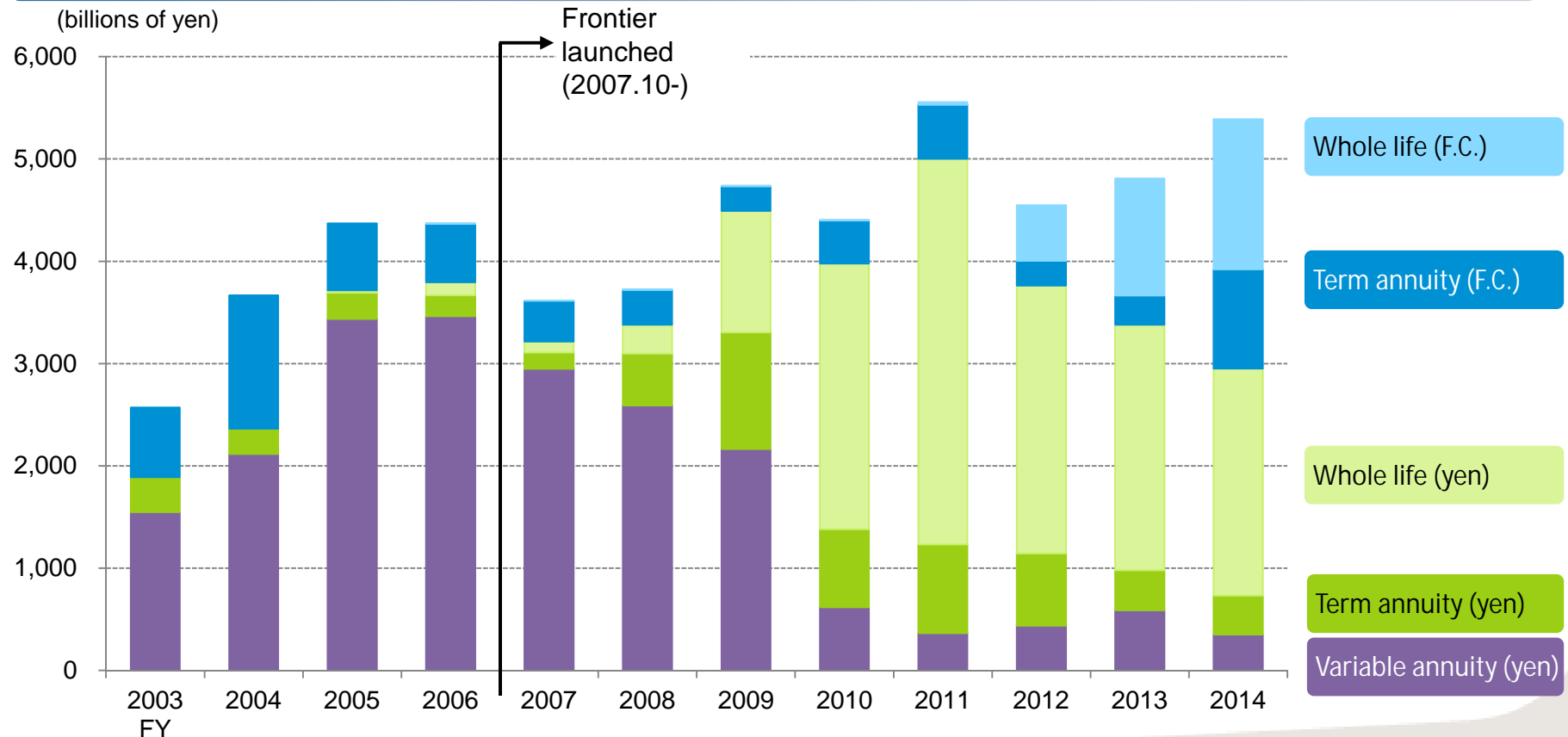
## Bancassurance Market (In-Force Sum Insured)



# Sales of Single Premium Products The Dai-ichi Frontier Life Insurance Co., Ltd.

- ◆ Low interest rates put pressure on demand for yen-denominated products
- ◆ Foreign currency-denominated products with relatively higher yields remain popular

## Sales of Single Premium Product by Type



(Source) Company estimate based on report from Japan Financial News

(Note) Hybrid products combining fixed and variable annuities are included in fixed annuities. Figures exclude sales through security brokers.

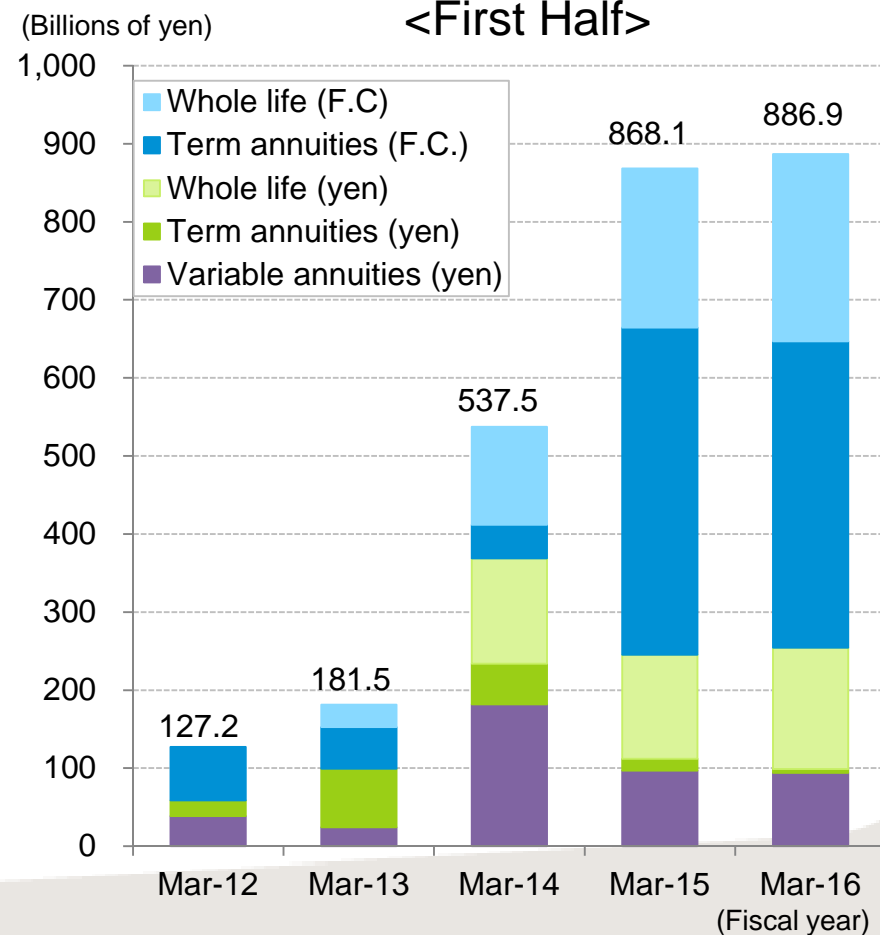
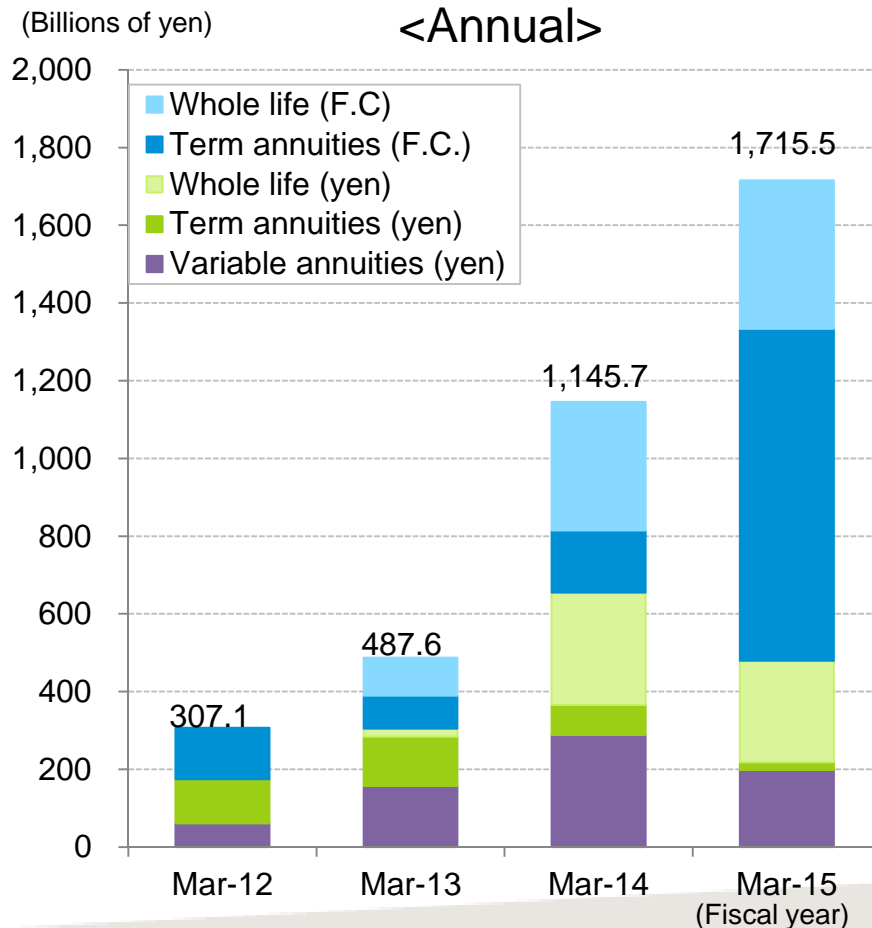
# Frontier Continues Record Sales



The Dai-ichi Frontier Life Insurance Co., Ltd.

- ◆ Record sales in FY Mar-2015
- ◆ Favorable sales continued due to ongoing healthy demand for foreign currency-denominated products in the first half of FY Mar-2016

## Dai-ichi Frontier's Sales of Savings-type Insurance Products by Type



(Note) Hybrid products combining fixed and variable annuities are included in fixed annuities.

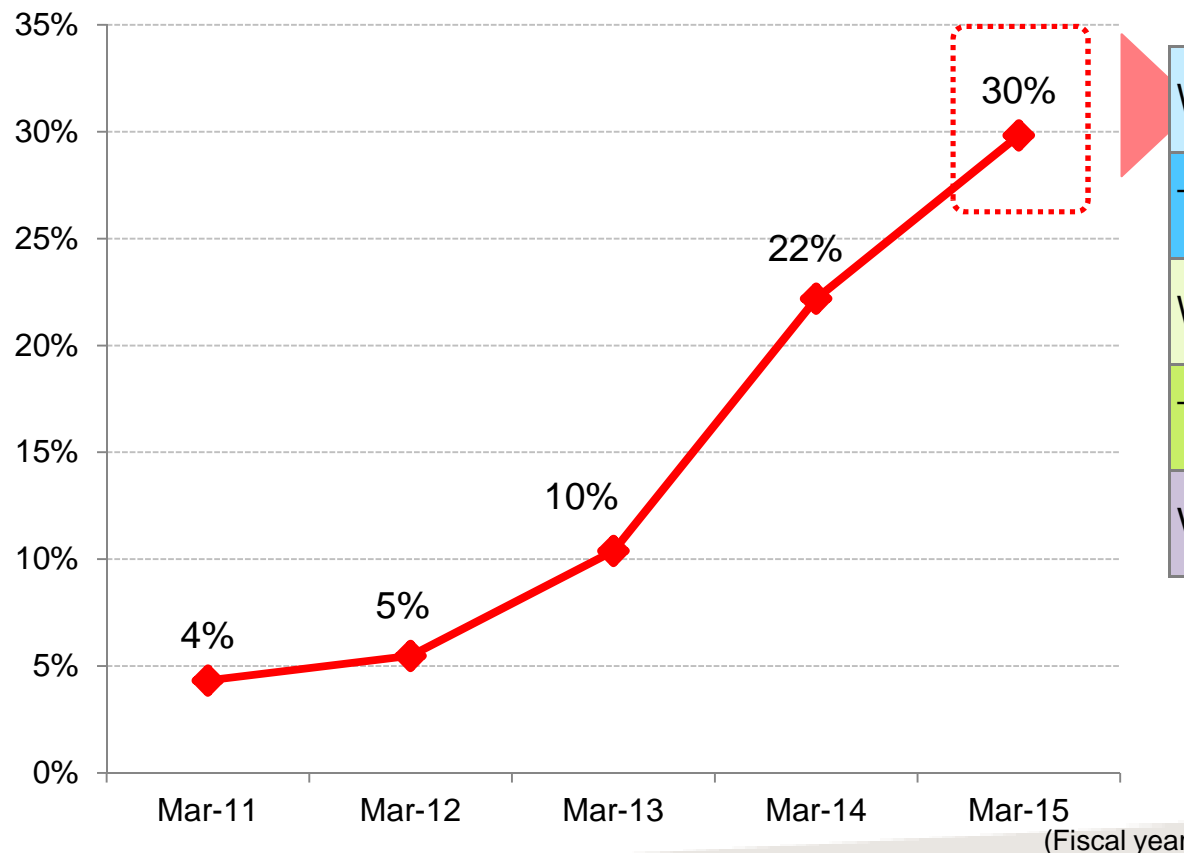
# Leading Market Share



The Dai-ichi Frontier Life Insurance Co., Ltd.

- ◆ Dai-ichi Frontier tops the market with 30% share
- ◆ Exceeded 80% share in foreign currency annuities with “Premier Jump”

## Frontier’s Share in Bancassurance Sales (Single Premium, Savings Type Products)



## Share by products (FY Mar-15)

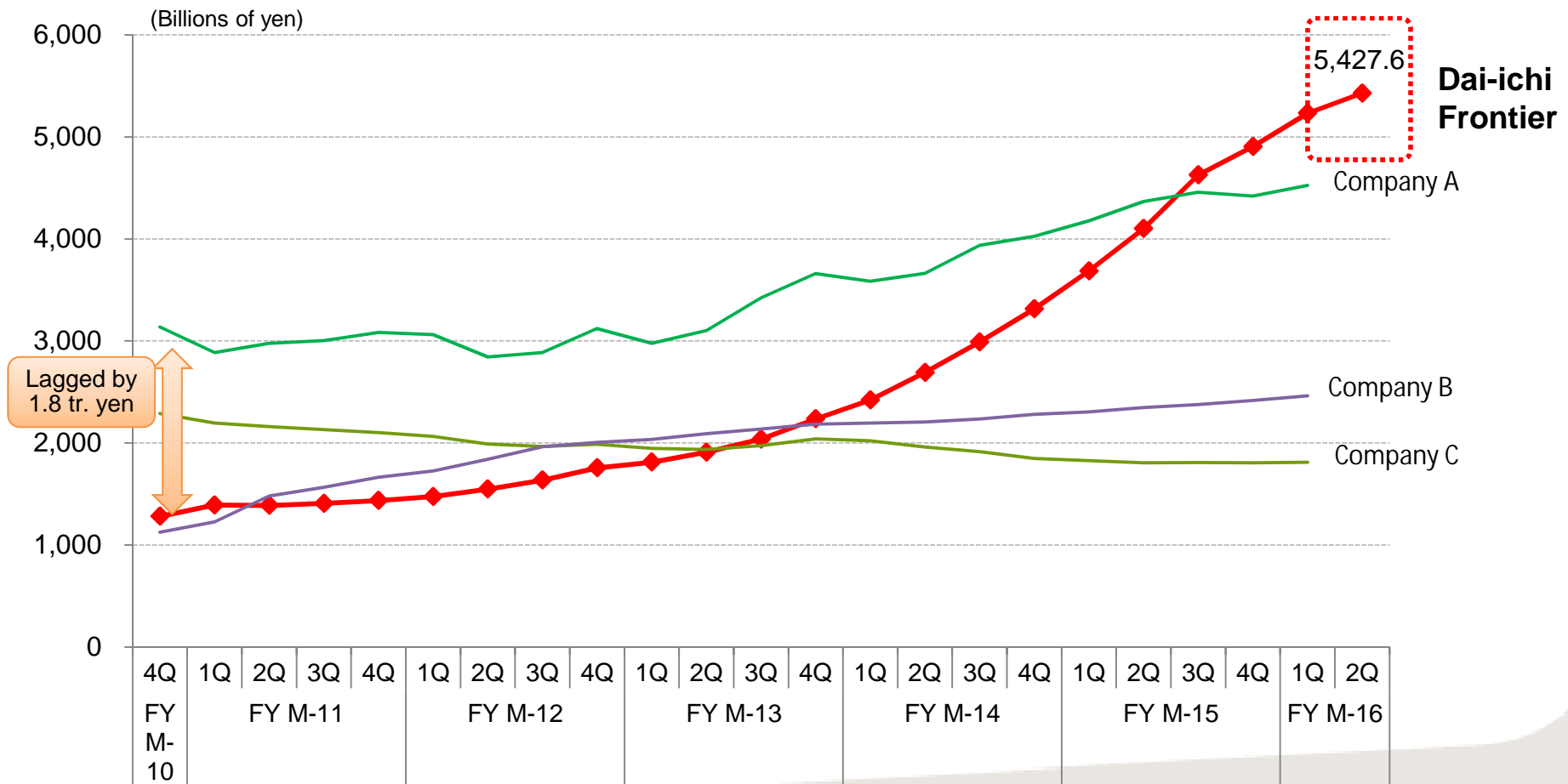
|                        |     |
|------------------------|-----|
| Whole life (F.C.)      | 20% |
| Term annuity (F.C.)    | 80% |
| Whole life (yen)*      | 10% |
| Term annuity (yen)*    | 5%  |
| Variable annuity (yen) | 50% |

\* Market is dominated by products without MVA

# Sum Insured In-force

- ◆ Topped the market with policy amount in-force of 5.4 trillion yen as of September 2015

## Policy Amount In-force of Pure Bancassurance Companies



(Source) Companies' disclosure

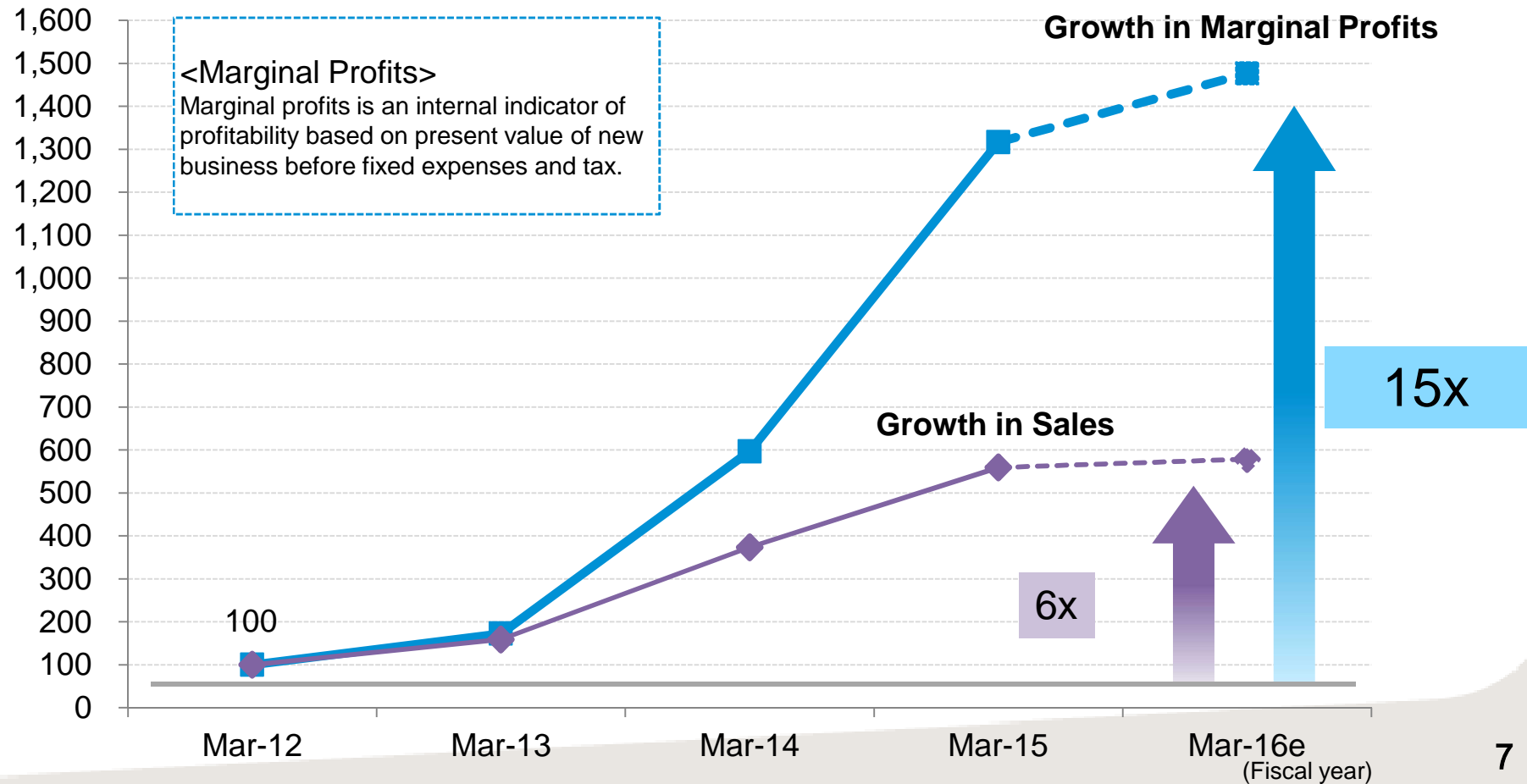
# Robust Growth in Value Creation



The Dai-ichi Frontier Life Insurance Co., Ltd.

- ◆ Robust growth in economic value creation on the back of increased sales of profitable foreign currency products

## Change in Marginal Profits (Indexed, Actual FY Mar-12 = 100)

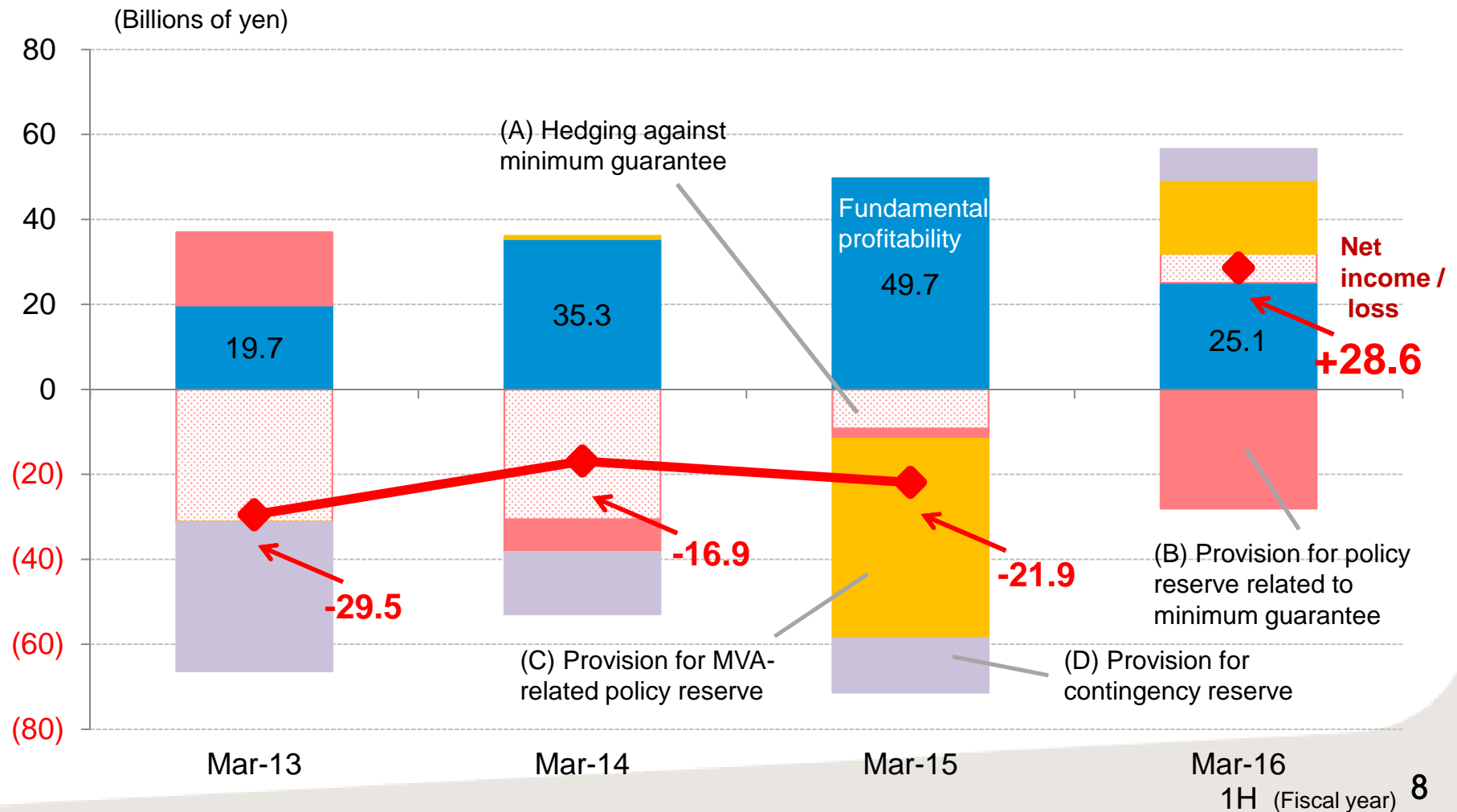




# Towards Profitability



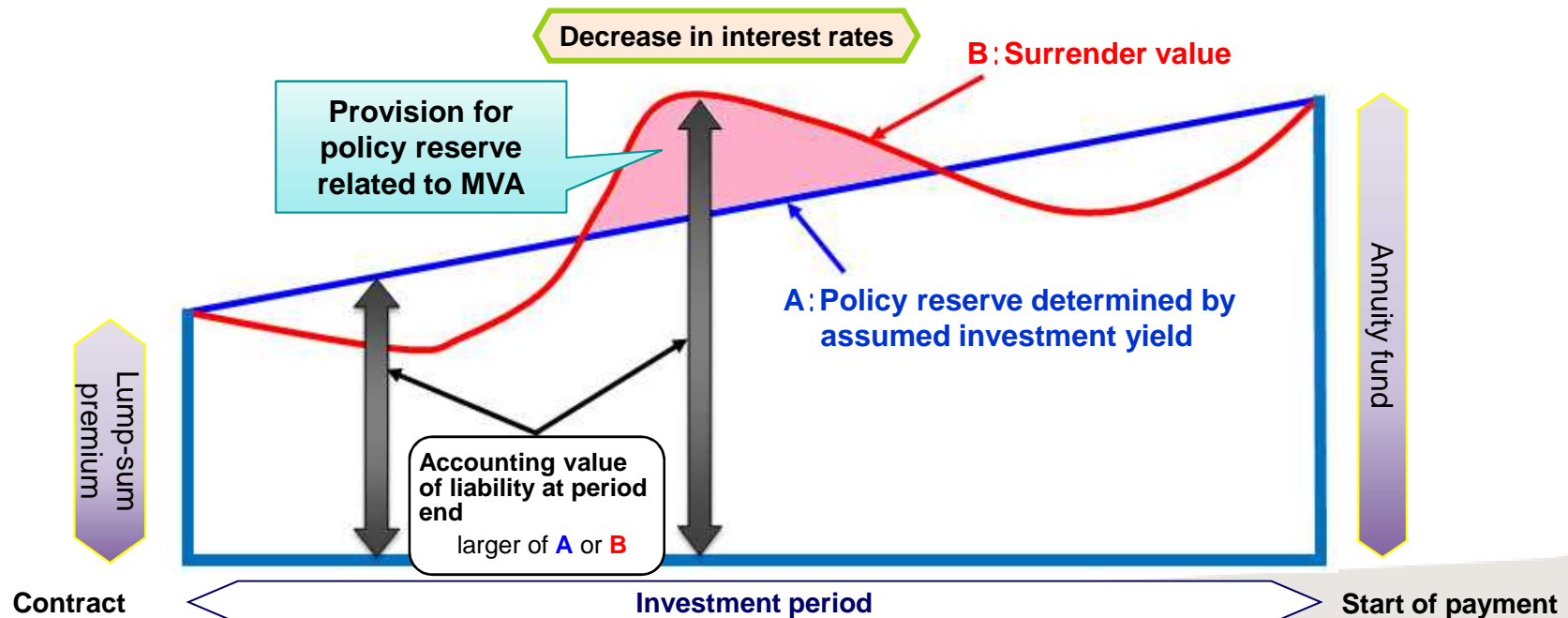
- ◆ Reported 1H Mar-16 net income of 28.7B yen as a result of reversal of MVA-related policy reserve
- ◆ Improving fundamental profitability before economic impact and reserves



# Market Value Adjustment Function The Dai-ichi Frontier Life Insurance Co., Ltd.

- The larger of “surrender value” or “policy reserve determined by the assumed investment yield” is recorded as an accounting liability of insurance products with MVA function.
  - When “surrender value” exceeds “policy reserve” as a result of the decrease in interest rates, an additional provision for policy reserve occurs.
- As the increase in the value of bonds (increase in unrealized gains) is not reflected to the income statement, accounting earnings worsen.
  - As unrealized gains actualize after selling bonds upon cancellation, it is not considered to be a loss on an economic-value basis. Additionally, when interest rates move upward, a reversal of policy reserve occurs.

[Image of individual annuity with MVA function]



# Controlling Volatility in Financial Markets The Dai-ichi Frontier Life Insurance Co., Ltd.

- ◆ Actively using hedging and reinsurance to control risk related to minimum guarantee and ALM mismatch
- ◆ Hedging and reinsurance could impact earnings

| Products                   | Risks                  | Hedging            | Details of the hedging   | Financial impacts   |
|----------------------------|------------------------|--------------------|--|---|
| Variable products (legacy) | Minimum guarantee risk | Dynamic hedging    | Daily adjustment of hedge position according to the change in minimum guarantee with futures | A change in provision (reversal) of policy liabilities related to minimum guarantee can be offset by the gain (losses) on hedging |
| Variable products (new)    |                        | Re-insurance       | Underwriting risk is assumed by the re-insurers  | No risk of provision (reversal) of policy reserves related to minimum guarantee   |
| Term products              | ALM mismatch           |                    |  | No risk of provision (reversal) of reserves related to MVA  |
|                            |                        | Cash flow matching | Maintain asset portfolio to match future cash from assets and liabilities                    | Minimize impact on earnings and net assets by using policy reserve matching yen bonds (held-to-maturity)                          |

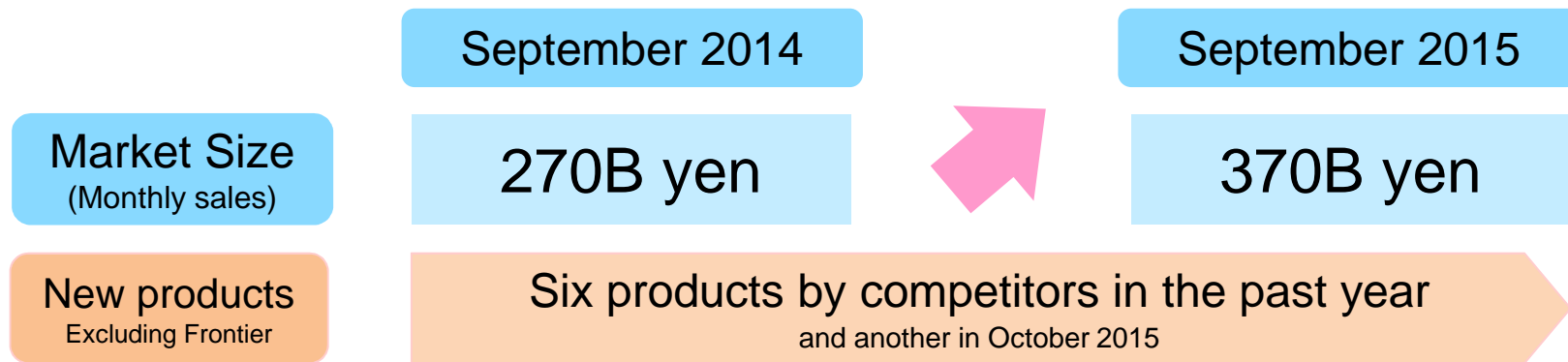
# Competitive Landscape



The Dai-ichi Frontier Life Insurance Co., Ltd.


- ◆ While competitive pressure is mounting in foreign currency products, we maintain competitive edge with new foreign currency products as well as VAs and yen denominated products

## Market of Foreign Currency Saving-type Insurance Products



### <Our initiatives>

#### New foreign currency products from Frontier

- New product (Jul. 2015) -  · Product revision (Apr and Oct. 2015) - 

#### Enhanced product portfolio with VAs, yen denominated products

- New products (Oct. 2014) -  · Product revision (Oct. 2014) 
- New products (Feb. 2015)  · Product revision (Apr. 2015) 









# Portfolio of Products



The Dai-ichi Frontier Life Insurance Co., Ltd.

- ◆ Industry-leading portfolio of products: 12 products in 8 categories
- ◆ Continue to introduce new products or enhancements, reacting to changes in customer needs and the market environment

As of November 2015

|                   | Fixed   |  | Variable  |  |
|-------------------|---|--|---|--|
|                   | Yen   | Foreign currency   | Yen   | Foreign currency   |
| <b>Annuities</b>  | <br>“Premier Happiness”<br>(Yen fixed annuities) | <br>“Premier Currency Plus”<br>(F/C fixed annuities) | <br>“Premier Pocket”<br>(Variable annuities) | <br>“Premier Jump”<br>(Hybrid annuities)    |
| <b>Whole life</b> | <br>“Premier Receive”<br>(Yen whole life)      | <br>“Premier Receive”<br>(F/C whole life)          | <br>“Premier Jump”<br>(Hybrid whole life)  | <br>“Premier Jump”<br>(Hybrid whole life) |

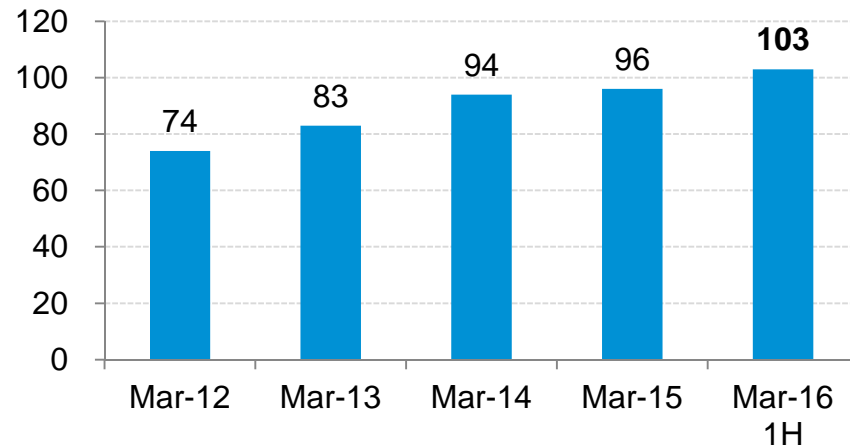
# Channel Development



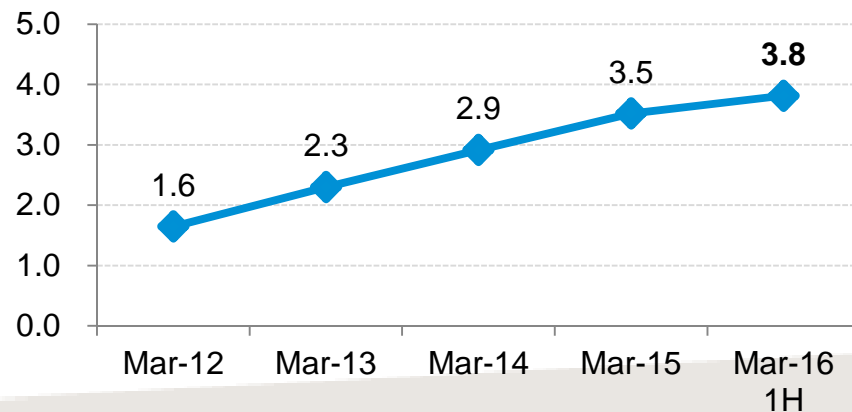
The Dai-ichi Frontier Life Insurance Co., Ltd.

- ◆ Number of channel partners and commissioned products are on the rise
- ◆ Continue to expand channel partners and strengthen alliance with existing partners

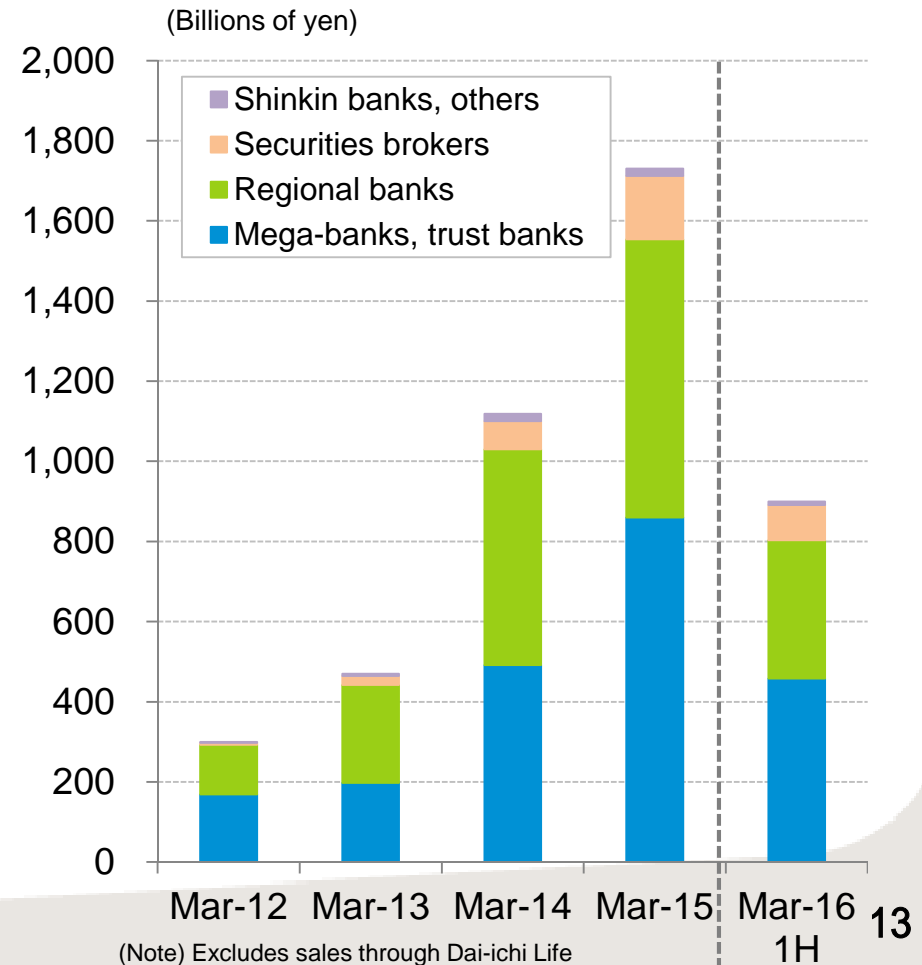
## Number of Channel Partners



## Products Commissioned per Channels



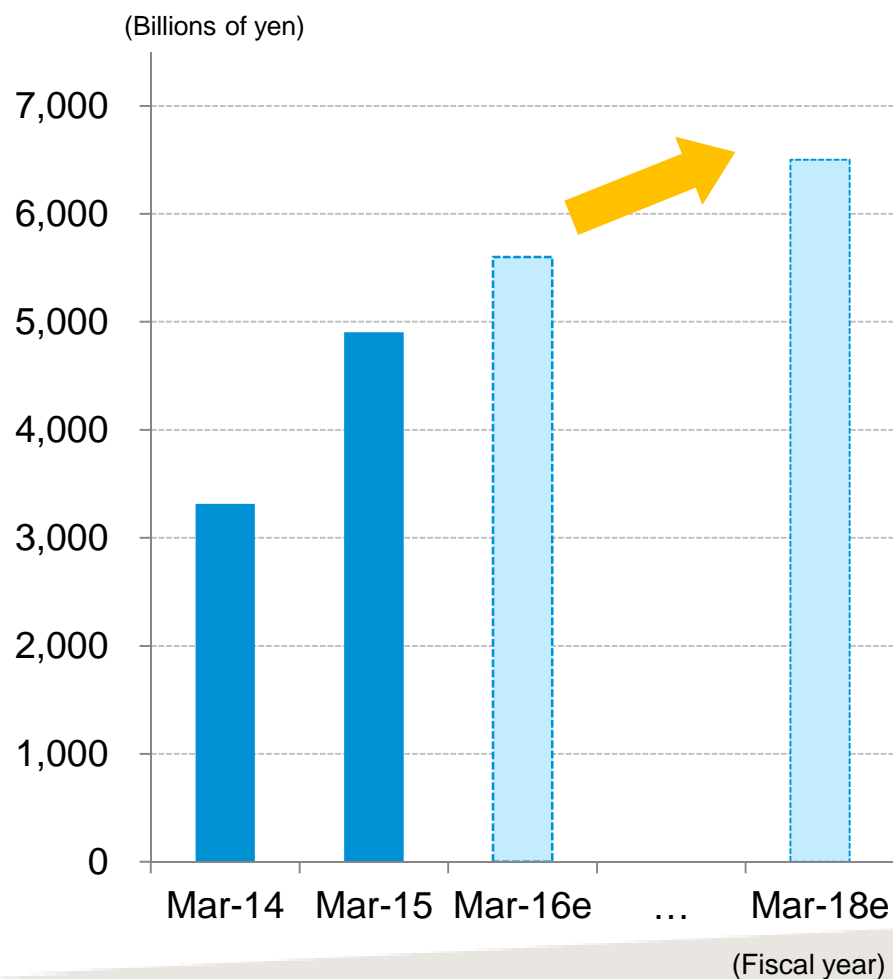
## Sales by Channels



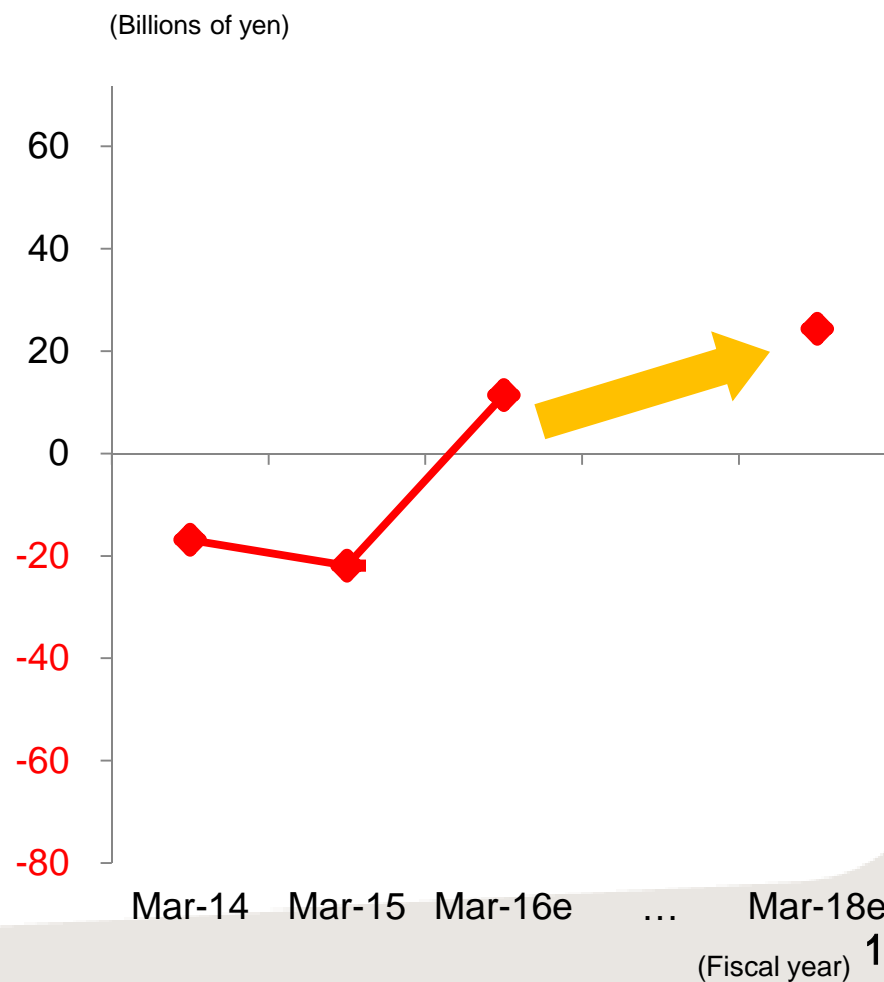
# Mid-term Business Plan

◆ Accumulate policy in-force to achieve positive contribution in FY Mar-2016

## Policy Amount In-force <Plan>



## Net Profit <Plan>





## **No. 1 Bancassurance Company!**

(in single premium savings type products)

**Earn Trust From Customers & Partners**

**Solid Financial Health**

**Efficient Management**

**Internal control to cope with changes in environment**

**Organization with Speed,  
sense of unity**

**Organization of challengers, deep  
knowledge, and broad vision**

**Equipped with ERM to achieve sustainable growth**





## **Investor Contact**

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