

(Unofficial Translation)
FY2016 Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: May 15, 2017 19:00 - 20:00
Respondent: Toshiaki Sumino, Executive Officer, Chief of Corporate Planning Unit
Dai-ichi Life Holdings, Inc. (the “Company”)

< Domestic Sales Strategy >

Q1: Value of Gross Sales Revenue (VGSR) per sales representative, which represents the productivity of your sales representatives, was flat year-on-year. What kind of sales initiatives do you think would be effective in order to generate results worthy of your investment in your sales representative channel?

A1: During fiscal year ended March 31, 2017, sales of level-premium individual annuities increased due to a rush in demand which did not lead to an increase in per head VGSR. However, we started to focus on sales of protection-type products from the second half of the fiscal year. From April 2017, we revised the evaluation scale for sales representative for sales of savings-type products. We are already seeing favorable results as sales of protection-type products are 20% to 30% higher compared to the previous year (internal sales report basis). We will continue to strive to increase VGSR through the enhancement of sales of protection-type products.

< Financial results for fiscal year ended March 2017 >

Q2: In terms of your Statement of Earnings, it looks like you did not book a significant amount of “Provision for reserve for possible loan losses” or “Write-down of loans.” Could you confirm this? Also, is my understanding correct that even though “Provision for reserve for possible loan losses” is a non-cash item, it is not reconciled to group adjusted profit?

A2: I will refrain from commenting on individual business entities but I can confirm that we did not book a significant amount of “Provision for reserve for possible loan losses” or “Write-down of loans” for the fiscal year ended March 31, 2017. As for group adjusted profit, because the amount of ordinary loans is limited within our asset portfolio and the bulk of loans are to companies in good standing, and because of the fact that we do not expect to book significant reserves for ordinary loans on a recurrent basis, we do not account for “Provision for reserve for possible loan losses” as an adjustment item for group adjusted profit.

Q3: Could you please explain why foreign exchange loss for Dai-ichi Life during the fourth quarter (January to March) was larger than the third quarter?

A3: Foreign exchange loss (costs related to hedging) was larger during the fourth quarter due to extraordinary factors during the third quarter. It was not a result of any special business activity in the fourth quarter.

(Supplementary information: Foreign exchange loss increased year-on-year because of the rise in hedge costs and increased investment allocation to foreign currency-denominated bonds with currency hedges.)

< Earnings Forecast >

Q4: Relating to Dai-ichi Life, how much of a decrease in positive spread are you expecting? Also, estimating from the figures in your earnings guidance, would investment gains around 30 billion yen and other one-time losses around 100 billion yen be a reasonable assumption?

A4: We expect a decrease of 10 billion yen to 20 billion yen in interest and dividend income, and gains on redemptions. However, because of other adjustments, we are expecting a net decrease in positive spread of a few billion yen. The level of capital gains and other one-time losses you mentioned are reasonable.

(Supplementary information: Figures shown above are net of tax.)

Q5: I believe that other than a decrease in positive spread, an increase in provision for policy reserves would be a factor to decrease fundamental profit. How much of an increase in provision for policy reserves do you estimate?

A5: We estimate an increase in provision for policy reserves of just below 20 billion yen, net of tax.

Q6: For fiscal year ending March 31, 2018, you expect an increase in net capital gains. However, it does not offset the decrease factors. How should we think about net capital gains for the fiscal year ending March 31, 2018?

A6: We expect net capital gains from various assets. However, for yen-denominated bonds, considering that it will lead to a decrease in future interest and dividend income, we do not plan on taking proactive measures other than minimal rebalancing of our investment portfolio. We do expect a certain level of gains from sale of risk assets.

< Shareholder Return >

Q7: How do you think about the balance between policyholder dividends and shareholder returns?

A7: Policyholders and shareholders are both valuable to us. We intend to increase the source of returns to meet our stakeholders' expectations. On top of this, we fully recognize the priorities relating to policyholder dividends and distribution of profit to shareholders as a public company. We will continue to make appropriate distribution .

Q8: 73.7 billion yen in total shareholder payout for fiscal year ended March 31, 2017 turns out to be around 40% against your group adjusted profit guidance of 180 billion yen for fiscal year ending March 31, 2018. Can we expect shareholder payout to be at a similar level for fiscal year ending March 31, 2018?

A8: Currently, for fiscal year ending March 31, 2018, we aim to achieve a total payout ratio of 40% against group adjusted profit. Since our forecast for group adjusted profit is 180 billion yen, total shareholder payout is expected to be around the same level as total shareholder payout for fiscal year ended March 31, 2017.

< European Embedded Value >

Q9: As you focus on sales of protection-type products, if your sales strategy goes well, how would it increase your value of new business for fiscal year ending March 31, 2018 in comparison to 145.5 billion yen for the previous fiscal year?

A9: It is difficult to provide a clear figure for value of new business because of changes in economic conditions. However, with our shift to sales of protection-type products, we aim for a year-on-year increase. For your reference, value of new business for the first half of fiscal year ended March 31, 2017 was 45.2 billion yen. The interest rates that we based our calculations on were different between the first half and the fiscal year and is therefore not directly comparable but having said so, we focused on sales of protection-type products in the second half and we believe this had a positive impact on value of new business for the second half. We believe that if we continue to focus on our initiatives, it will lead to the increase in value of new business barring any changes in economic conditions.

Note: We made partial additions and alterations in preparing the above summary for clarity.

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