

(Unofficial Translation)
Financial Analyst Meeting for the Six Months Ended September 30, 2017
Q&A Summary

Date: November 22, 2017 13:30 - 14:30
Respondents: Seiji Inagaki, President and Representative Director
Tatsusaburo Yamamoto, Managing Executive Officer
Toshiaki Sumino, Executive Officer, Chief of Corporate Planning Unit
Dai-ichi Life Holdings, Inc. (the “Company”)

[Questions and Answers]

(Note) The name of the respondent is mentioned at the end of each answer.

< InsTech >

Q1. Banks are planning to reduce workloads equivalent to work by tens of thousands of people. Referring to page 23 of the presentation material, do you intend to cover efficiency in administration processing with InsTech?

A1. Utilization of Robotic Process Automation (RPA), as described in the bottom left of page 23, refers to efficiency in administrative processing. Until now, it was difficult to automate low-volume wide-variety tasks. However, we have identified saving of 300 thousand work hours by utilizing RPA. Currently, any application can be completed via tablet devices but paperwork still needs to be filled out for insurance claims. This is also an area that can take advantage of technology. Improving the efficiency in business operations will be one of the pillars for the next medium-term management plan. We will provide further details at the appropriate timing. (Inagaki)

< Overseas Life Insurance Business >

Q2. You mentioned that you have established regional headquarters to implement a stronger governance structure. Some companies failed to keep up with the expectation with respect to M&A. In terms of your governance structure, what areas do you believe requires further enhancement?

A2. With the establishment of regional headquarters and the transition to a holding company structure, we have enhanced the governance structure for our overseas life insurance business. Going forward, we will further develop the “software” aspect through personnel interaction. For example, we have dispatched actuaries and consolidated accounting specialists from Dai-ichi Life to Protective as expats. I myself meet with CEOs of group companies to discuss how each group company can contribute to the whole Group. I believe it is important to increase transparency within the Group through further engagement in mutual communication. (Inagaki)

Q3. Members of Protective’s Board of Directors from Dai-ichi Life Holdings, Inc. do not hold the majority. Time has passed since the acquisition of Protective. What are your current thoughts on Protective’s board structure?

A3. As you pointed out, board members from Dai-ichi Life Holdings, Inc. do not hold the majority. However, board members dispatched from the Dai-ichi Life Group are able to exercise veto rights and I believe a functioning governance structure is in place. Considering the nature of the insurance business is very domestic, the board should mainly consist of members who have deep knowledge of the local business. I believe combining diversity to the current structure enables stronger governance. (Inagaki)

Q4. You touched on non-organic growth and affinity alliances. Do you have any specific regions or products that you are interested in? What do you have in the pipeline for affinity alliances?

A4. For example, in Vietnam, we traditionally have been distributing products through individual agents. As bancassurance and new distribution channels expands, Dai-ichi Life Vietnam is engaging in alliances with Vietnam Post and other commercial banks. Going forward, we will make good use of what we have learned through the business in Vietnam by actively applying the knowledge to the Mekong region. In such ways, we will continue to maximize our advantage as a group that operates in seven countries. With respect to affinity alliances, we are exploring the possibility of adapting what Protective and TAL have done in their respective markets to Japan as well. (Yamamoto)

Q5. I heard that some insurance companies in Germany and Italy are considering the sale of in-force blocks of insurance business. What is your position on such opportunities and what are the possibilities of entering the European market?

A5. We continue to conduct research on Europe. When we consider entering the market, it is important for us whether it will lead to enhancement of the Group. The catalyst for our global business expansion going forward will be whether the given opportunity will provide added-value to each Group company or if it will leverage the Group’s franchise. If our absence in the European market proves to be a weakness, then entering the market would be meaningful. At the same time, it would be necessary for us to carefully consider advantages and disadvantages. For now, we appreciate your understanding that this matter is currently under consideration. (Inagaki)

< Capital Policy and Regulations >

Q6. There will be a five-year monitoring period with respect to the implementation of the Insurance Capital Standard (ICS). What impact will this have in terms of planning your capital policy including economic solvency ratio (ESR), shareholder returns and asset liability management (ALM)?

A6. The decision made by the International Association of Insurance Supervisors (IAIS) can be interpreted as a postponement in the implementation of the ICS. At the end of March 2017, the Dai-ichi Life Group announced that it had changed the time frame to achieve its medium-term management objectives (quantitative targets) for average EV growth and ESR to a mid- to long-term vision. I believe we share the same philosophy. I assume that both Japanese and western insurance companies as well as regulatory authorities believe that regulations should not be prematurely implemented under an unusual financial environment. Therefore, our capital policy will not change immediately based on the decision by the IAIS. It is essential for us to grasp the potential impact to the business environment and carry out the most optimal capital policy as the financial environment normalizes. In terms of financial soundness, shareholder returns and growth strategy, we are not limited to just taking one option. Rather, it is important for us to take a balanced approach and we will reflect this philosophy in our next medium-term management plan. (Sumino)

Q7. The Financial Services Agency (FSA) published the “Strategic Directions and Priorities” which refers to improving the quality of insurance liabilities. I believe that the FSA is preparing to approach insurance companies to operate under better understanding of insurance liabilities or to change the characteristics of liabilities. Where do you think Dai-ichi Life needs to start making changes?

A7. Improving the characteristic of insurance liabilities has always been a topic that the Dai-ichi Life Group has been working on. As a group, we believe that we are already taking appropriate measures. For example, under a low interest rate environment, Dai-ichi Life shifted to a separate account rather than a general account when it comes to group annuities underwriting. Moreover, Dai-ichi Life suspended sales of single-premium whole-life insurance and begun to distribute Dai-ichi Frontier Life products with MVA features. (Inagaki)

< Next Medium-term Management Plan >

Q8. In terms of the next medium-term management plan, you explained that the cash generation cycle is an important element. What KPIs will you refer to? Will they be different from those of the current medium-term management plan?

A8. Group companies that operate in developed countries such as Dai-ichi Life, Protective and TAL are capable of generating ample cash flows. For these companies, contribution to the Group will be enhanced through dividend returns. KPIs for the next medium-term management plan are currently under consideration but I can say that at this point in time, I do not believe that it is necessary to make significant changes to the current KPIs. (Inagaki)

Q9. You explained a lot about health promotion among the population and the role that life insurance plays in society. What was the reason behind this?

A9. In the future, it will become increasingly difficult to differentiate products due to intensified competition. Under such an environment, we have a competitive advantage with a nationwide business foundation and over 40 thousand sales representatives. Until now, the Group has been providing value to customers through payment of claims and benefit. From here on, by supporting good health of customers as well, I believe we can create the ultimate win-win relationship with our customers. This is our direction in terms of how we will differentiate from our competitors. (Inagaki)

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

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