(Unofficial Translation)

FY 2019 Financial Results Conference Call for Institutional Investors and Analysts Q&A Summary

Date: May 15, 2019 19:00 - 19:45

Respondent: Taisuke Nishimura, Chief of Corporate Planning Unit
Dai-ichi Life Holdings, Inc. (the "Company")

Dai-ichi Life Performance

Q1: The Company expects an improvement in capital gains and losses in fiscal year ending March 31, 2020, despite an increase in hedging costs. How do you expect an improvement?

A1: In fiscal year ended March 31, 2019, the Company reshuffled bond holdings in response to rising interest rates and sold domestic stocks. For fiscal year ending March 31, 2020, while taking into account the financial market environment, our strategy on domestic stocks remains the same.

Q2: Dai-ichi Life's gains from core insurance activities for fiscal year ended March 31, 2019 appear stronger compared to the Company's expectations as well as compared to the previous fiscal year results. What are the factors behind this?

A2: A decrease in provision of standard policy reserves was the main factor. A decrease in operating expenses also had a favorable impact.

Q3: You explained that the change in group life insurance premium rates have an impact on fundamental profit for fiscal year ending March 31, 2020. Could you clarify whether this is related to the revision of the standard life table? What is the background of such a significant impact?

A3: The impact of the change in group life insurance premium rates is not significant. We intentionally made a note of it because it is a one-time factor. Group life insurance is renewable once a year and premiums are revised to new rates on the renewal date after the rate change. The effect then spreads beyond the relative fiscal year. Meanwhile, policyholder dividends on group life insurance are calculated to return the majority of risk margins for the fiscal year fully reflecting new rates. Thus, it makes a limited impact on net profits.

Q4: In that case, the deterioration in core insurance margins is mostly due to IT system investment, not due to effects from the group insurance business?

A4: That is correct.

Q5: **You mentioned that the overseas business will resume organic growth. However, if you compare the initial guidance of Protective's business in fiscal year ended March 31, 2019 and fiscal year ending March 31, 2020, guidance indicates a decline from 37.0 billion yen to 35.0 billion yen. Is the overseas business really growing?**

A5: Earnings of Protective were sluggish in the first quarter of fiscal year ended March 31, 2019 due to one-time factors such as an increase in insurance claims related to influenza. For fiscal year ending March 31, 2020, in addition to the full-year profit contribution from the acquired Liberty Life's blocks of business, new sales of annuities and insurance through Liberty Life's distribution channel are also expected. Once the acquisition of Great West's blocks of business is completed, contribution to earnings is expected to support the solid growth of the overseas business.

Q6: **Regarding the outlook for new policies, we expect a drop in sale of insurance for business owners in fiscal year ending March 31, 2020. Considering that there will be a twelve month contribution from dementia insurance sales as compared to four months in the previous fiscal year, will it be enough to offset the expected drop in sale of insurance for business owners or should we assume a decent?**

A 6: We are currently not selling insurance for business owners. The forecast for fiscal year ending March 31, 2020 is based on the premise that we continue to suspend sale of insurance for business owners. While the value of new business is expected to be affected to a certain extent, the value of new business excluding insurance for business owners is expected to increase slightly due to factors such as strong sales of dementia insurance in Japan. In addition, the Company expects the value of new business to increase overseas, partly due to the acquisition of Liberty Life's blocks of business and acquisition of Suncorp Life (Asteron Life). The decline in value of new business related to the termination of sale of insurance for business owners is expected to be partially offset by these factors.

<u>Dai-ichi Frontier Life Performance</u>

Q7: **Dai-ichi Frontier Life expects net income to increase by 10 billion yen in the current fiscal year. This seems like a large increase compared to the expected increase in ordinary profit of 1.8 billion yen. How should we understand this?**

A7: Dai-ichi Frontier Life has sold variable annuities with guaranteed minimum maturity benefit since its establishment in 2007. After ten years, these policies are maturing from the investment period and we are expecting reversal of contingency reserves. As such, the increase in net income appears to be large in comparison with the increase in ordinary income. Please note that provision of contingency reserves is a taxable transaction and no new taxes will be applied on reversal. In addition, market value adjustment related gains and losses are expected to deteriorate slightly due to the decline in Australian dollar interest rates toward the end of the fiscal year.

Capital policy

Q8: I believe that Dai-ichi Life sold around 80 billion yen in book value of Japanese stocks in the previous fiscal year. For this fiscal year, are you planning on selling about the same amount or are you expecting to sell more?

A8: We intend on selling domestic stocks in accordance with our plan explained at our financial results briefing held in November 2018.

Q9: There was a line of reinsurance transaction posted in the breakdown of fundamental profit. Could you elaborate on the background of such transactions?

A9: We undertook this reinsurance transaction as part of an effort to reduce market risk in order to improve capital efficiency amid a continuing low interest rate environment. As described, reinsurance premiums were 128.9 billion yen and policy reserve reversals related to reinsurance transactions were 98.6 billion yen. These two items had a negative impact of approximately 20.0 billion yen after tax on net income. On the other hand, the impact on EEV associated with reinsurance transactions was almost zero and the Company was able to carry out reinsurance transactions at par with EEV. The transaction reduces both assets and liabilities at market value in order to reduce market risks.

Q10: Is reinsurance intended to increase ESR? Does the Company plan to conduct similar transactions in fiscal year ending March 31, 2020?

A10: It does contribute to the improvement in ESR to a limited level. We take that reinsurance transactions are among other capital-related transactions and we will continue to take a comprehensive approach to market risks while taking the financial and economic environment into account.

Q11: How much risk was reduced by this transaction? What products are ceded to the reinsurer?

A11: Whole life insurance products (premium paid in full) with a high assumed rate of return was reinsured. While the impact on ESR is limited, in the context of limited market risk mitigation measures that can be taken amid a low interest rate environment, we believe it is meaningful that the Company is bringing aboard new tools that include extended durations, sale of stocks.

Q12: Amid a harsh business environment characterized by continued low interest rates, was it the case that there were concerns within the Company of a lack in capital and decided to take measures to address those concerns?

A12: Please let me clarify that the soundness of the Company is sufficient and it is not the case that capital constraints needed to be resolved through reinsurance transactions. It was an effort to actively work on market risk reduction measures to improve capital efficiency.

Q13: Assuming that this is a trial effort, considering the 20 billion yen cost that had a limited impact on the amount of risk and ESR, are you planning on any large scale initiatives to achieve sound capital efficiency going forward?

A13: With this reinsurance transaction, we were able to diversify our options for reducing market risk. Likewise with selling domestic stocks, reinsurance is a new means for us and we have no plans to do large scale reinsurance at this time.

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

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