

(Unofficial Translation)
FY2018-1Q Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: August 9, 2018 18:00 - 18:30
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Overview of M&A agreement with Suncorp Group

- As it was announced in press release, our Australian subsidiary TAL and Suncorp Group, an Australian financial services group, has signed a non-binding heads of agreement to acquire Suncorp Life and sales alliance with Suncorp Group.
- Based on the 20-year sales alliance agreement with Suncorp Group, TAL gain access to the customer base of Suncorp Group utilizing TAL's know-how. The Suncorp Group can also enjoy the growth of the life insurance business through a sales alliance with TAL, which is a win-win transaction for both parties.
- The difference between the acquisition price we announced (AUD 640 million) and that of Suncorp Group (AUD 725 million) is whether the acquisition price includes surplus capital to be paid as a dividend to the parent company or not.
- Impact on TAL's earnings through this transaction is currently under review, but we do not expect to record one-time gains at the time of acquisition. Although EV is also being calculated, we assume that it will contribute positively to the Group EV immediately after acquisition.
- This transaction is supposed to be settled with cash on hand within the group.

Domestic Life Insurance Business

Q1: Losses on sale of securities of Dai-ichi Life has increased, suppressing the apparent performance progress. As unrealized losses on foreign bonds are decreasing, it seems that losses on sale are posted on foreign bonds. Does capital loss in the first quarter affect the full year results?

A1: As the interest rate in the US rises, the Company had replaced some securities, and we do not expect it would impact our guidance for the full year.

Q2: Dai-ichi Life's insurance underwriting profit has increased for about 20%. The operation expenses have been substantially reduced, but should it be viewed as one-time factor, or should it be evaluated as an improvement in performance?

A2: Although operation expenses seem to be lower in the first quarter, it is too early to change projection for the fiscal year since there might also be some quarterly variances.

Q3: The new business annualized net premiums of the three domestic life insurance companies increased by 47.8% compared with the same period last year, but what is the sales results on monthly basis from April to June? Moreover, will there be any change in sales performance after July?

A3: There is no big change in sales performance if seen on monthly basis. Moreover, we do not expect any decline concerning any of our product or channel.

Q4: Is there a change in the investment strategy compared to the prior situation, such as the improvement in the outlook for interest and dividend income from the second quarter due to the rise in US interest rates?

A4: We do not expect any change so far as to affect the guidance.

Q5: As for the capital gains, is there any change in guidance is expected?

A5: Since the level of capital gains depends largely on trends in the market price, we will refrain from commenting at this time.

Q6: Please explain reasons for the decrease in sales of "Exceed"?

A6: While the sales of "Exceed" is decreasing the sales of "Neo de Kigyo" which is a similar insurance product for business owners is substantially increasing.

Q7: There are news reports on tax-saving products for business owners. What particular products you sell in Japan?

A7: We also observe those news reports. As a Group we sell "Exceed", "Success", "Majesty" underwritten by Dai-ichi Life and "Neo de Kigyo" by Neo First Life. In the market for insurance products for business owners we think there is still strong demand for business owners' protection needs and preparation for retirement allowance. Therefore, we will continue to address our customers' needs by flexibly developing products.

M&A agreement with Suncorp Group

Q8: What is the impact to the group adjusted profit from the TAL's acquisition of the Suncorp Group's life insurance business?

A8: Now we are working on finalizing of the binding acquisition agreement. The impact on the accounting aspect of this acquisition will be examined after the conclusion of the binding agreement.

Q9: How do you evaluate the price-to-EV multiple? Does that take into account the value of 20-year sales alliance agreement?

A9: Since we have not yet concluded binding acquisition agreement, we will refrain from answering now.

Q10: Please explain the impact of this acquisition on EV. There was a case with some other Australian company when re-evaluation of EV after the acquisition resulted in the reduction of the initial value by half, what is your expected EV value for this acquisition?

A10: We have not yet concluded binding agreement therefore I refrain from providing detailed comment now. However, the validity of this acquisition is thoroughly investigated with sufficient time and we anticipated that there will be a corresponding contribution to performance. We will explain in details after concluding binding acquisition agreement.

Overseas Life Insurance Business

Q11: Protective's Life Marketing segment is in loss. Although it was explained that it was due to the influenza, should we regard it as a one-time factor and what will be the impact on full-year results?

A11: Although mortality rate has deteriorated due to influenza in the first quarter, in the case of Protective, the insurance benefit payment per policy is rather large and unlike Japanese business one-time factors can easily fluctuate claims amount.

Q12: As for Protective, it was explained that an increase in claims was due to influenza epidemic, could we assume that pandemic happened? And also, are you implementing risk management for pandemics?

A12: Claims have increased in comparison with the same period of the prior year, but it is not a situation that could be called a pandemic. And Protective conducts stress test for the case of pandemic and it has been confirmed that even if it occurs, there is no adverse effect to damage the financial soundness of Protective.

Q13: Please explain why Net Income's sensitivity to interest rate has been reversed for TAL?

A13: At the beginning of every term TAL reviews insurance liability estimate. This time as the duration of insurance liabilities changed after review revenue sensitivity to the interest rate reversed and relationship became that the profit after tax will decrease as the interest rate falls.

European Embedded Value (EEV)

Q14: Could you provide an estimate for value of new business for the first quarter?

A14: As we are promoting multi-brand and multi-channel strategy, it is necessary to look at the total value of the new business for the three domestic brands. However some companies do not calculate the value of new business for the first quarter, so I will refrain from making comment with specific value.

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

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