(Unofficial Translation)

Financial Analyst Meeting for the Six Months Ended September 30, 2019
Q&A Summary

Date: November 21, 2019 13:00 - 15:00

Participants: Seiji Inagaki, President and Representative Director, Dai-ichi Life Holdings, Inc. (the "Company")
Tatsusaburo Yamamoto, Managing Executive Officer
Norimitsu Kawahara, Managing Executive Officer
Takashi Fujii, Chairman, DLI Asia Pacific Pte. Ltd.
Steven G. Walker, Executive Vice President, Chief Financial Officer, Protective Life Corporation
Lance P. Black, Senior Vice President, Protective Life Corporation

[Questions and Answers]

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

< Business Strategy >

Q1: Regarding non-consolidated Dai-ichi Life (DL), you mentioned that interest rate risk was dynamically reduced. Usually when interest rates drop significantly like we observed in the first half, interest rate risk measures are rarely conducted. What was the reason for you to continue addressing interest rate risk under such market environment? Is it because of external factors such as disclosures by mutual companies on risk reduction as ICS monitoring coming up next fiscal year?

A1: This year we saw monetary easing again in the U.S. and growing perception that low interest rates will continue in Japan.

Given this environment, it is difficult to extend duration only with bonds. We are managing tail risk under low interest rates with derivatives such as out of the money swaptions and structured bonds. And such derivatives will turn in the money and minimize interest rate risk when return on 30 year bonds decrease by another few dozen basis points. This is reflected in interest rate sensitivity.

The key point here is that we continued to reduce interest rate risk due to changes in the environment by using derivatives rather than bonds. (Inagaki)

Q2: Will you continue to use derivatives for interest rate risk reduction and to what extent you are planning to reduce your equity securities held going forward?

A2: We do not disclose specific figures relating to interest rate risk reduction. However, we have undertaken transactions in the amount little less than 1 trillion yen to extend duration. In addition to such assets side initiatives, we will engage from the liabilities side via reinsurance as we have done during the previous fiscal year. Our approach is to continue to reduce risk from both the assets side and the liabilities side. As for sale of equity securities, we are selling according to our sale program that has already been put in place. (Inagaki)

Q3: It was reported in September that risk will be reduced while considering trade friction between the U.S. and China. Doesn't this suggest a faster pace in selling equity securities? Is there any factors that are preventing you from accelerating the pace?

A3: We will continue to reduce equity securities held based on our risk assets reduction program for the current medium-term management plan period. In planning our next medium-term management plan, we are considering to rethink our asset management and portfolio from scratch. Personally, in preparation for future increase in interest rates, it is necessary to maintain a balanced portfolio. Nevertheless, we are in the process of consideration and the outcome will be reflected in our next mid-term plan. In terms of equity securities, we have sold in the past and at times it may require some time to sell. Our approach remains to maintain an ideal portfolio by methods that include hedging. We believe that there are no equity securities we are not able to sell. (Inagaki)

Q4: Sales of dementia insurance launched last December seems to be slow. What plans do you have to increase value of new business at DL?

A4: The decrease in value of new business is largely due to decline in interest rates. During the first half there was a notable decrease in 20-year bond yields of 14 basis points. This caused a decrease in embedded value that had an impact on the decrease. The market for business owner insurance also shrunk.

New products tend to sell well right after launch. However, there continues to be high demand for dementia insurance among aged customers and there is room for expansion.

Income support insurance for our younger customers got off to a good start. We will further promote this new product to younger customers to expand sales and eradicate the impact of the decline in interest rates.

Sales of Neo First Life (NFL) medical insurance products were favorable as well. (Inagaki / Yamamoto)

Q5: Will reinsurance costs reduce group adjusted profit and have a negative impact on shareholder returns? How large will the impact of reinsurance be?

A5: Unrealized gains affected by market fluctuations such as derivatives are excluded from group adjusted profit but reinsurance is accounted for. We do not have a specific target for reinsurance because it depends on interest rates and pricing but the scale of reinsurance from last year would be a rough indication. As of now, we maintain our group adjusted profit forecast at 240 billion yen and 250 billion yen for the current fiscal year and the next fiscal year, respectively. (Yamamoto)

Q6: How do you prioritize large-scale investments at your group companies? For the upcoming 5 years how would you prioritize 1) acquisitions by Protective Life Corporation (PLC), 2) other insurance related acquisitions, 3) technology and asset management?

A6: Given the low interest rate environment, increasing profits in Japan is rather difficult. Acquisitions by PLC can contribute to profits almost immediately as we saw with the Great-West and Liberty Life transactions. Therefore, in a low interest rates environment, the priority of PLC's acquisitions business is relatively high. At the same time, cultivating green fields is important for mid- to long-term profits so it is necessary to invest a certain level. Another important aspect is finding such opportunities. Our approach is to strike the balance between immediate profit contribution and mid- to long-term profit. At the same time, we are not considering any large-scale corporate acquisitions. (Inagaki)

Q7: Regarding adjusted profit from your overseas business, according to your mid-term plan, you are aiming for 80 billion yen in fiscal year ending March 31, 2021. TAL is being affected by regulatory changes. How do you assess your current situation considering your objective?

A7: TAL and the entire industry is being affected by regulatory changes putting us a slightly behind plan. PLC is on track. Dai-ichi Life Vietnam is entering the profit contribution phase. Our business in Asia including Vietnam is in line with our plan. We deployed capital to commence business in new markets such as Myanmar which was not accounted for at the planning stage of our mid-term plan. As for our entire overseas business, we are slightly behind our plan to achieve 80 billion yen. (Yamamoto)

Q8: Why did mortality and morbidity gains for DL decrease by 11%?

A8: In addition to a revision to group insurance premiums during the previous fiscal year, a one-time increase in mortality claims caused the decrease. Investment spread slightly decreased due to a decrease in net capital gains and the effect of low interest rates in Japan. However, fundamental profit is progressing in line with our annual forecast. (Yamamoto)

Q9: After the Tokyo Olympic games next year, the number of households in Japan will start to decline while the number of life insurers increase. Could you comment on the outlook of the Japanese market?

A9: Our think-tank forecasts continued growth in premium income. Dai-ichi Life market share is around 10% and we recognize the importance of expanding our market share going forward. We believe that we can continue to generate profit through the domestic life insurance business by offering products that address diverse customer needs and provide added value by leveraging our nationwide network of sales representatives. (Inagaki)

< Protective Life >

Q10: PLC has engaged in three mid-sized acquisition transactions since 2016. What are your plans moving forward? Also, do you expect any impact from the change in accounting standards?

A10: We see the U.S. market for acquisitions continue to be a steady flow of opportunities. We expect to see continued divestiture of capital intensive or non-core operations in blocks for companies looking to redeploy capital in different segments in the market. With respect to the low interest rate environment, it had a bit of a dampening effect so far this year in opportunities we have been able to look at. But as we get closer to the implementation date of the accounting standards change there will continue to be deal flow. (Walker)

< Asia Pacific >

Q11: You mentioned the sharing of know-how within the Asia Pacific region when entering the Myanmar market. What are the quantitative and qualitative synergies in the Asia Pacific region?

A11: It has been 12 years since we entered the Vietnam market. We have accumulated know-how during this time and have leveraged this know-how in our businesses in Cambodia and Myanmar. Local authorities are able to understand life insurance when we speak to them because of our experience in Vietnam. In emerging markets in Asia, the bancassurance market is growing and we are focused on expanding partnerships with banks. In this process, while we create a system that supports our sales strategy, we require support from Dai-ichi Life Vietnam and DLI Asia Pacific to offer an appealing product line up. In addition, due to the absence of actuary experts in Myanmar, we require support in this area as well. (Fujii)

Q12: Will you increase investment if foreign capital regulations are eased? Also, what is your policy on re-entering the Chinese market?

A12: Basically, we need to consider market potential, profitability and local partnerships. For example, in India, although there are reports that the easing of foreign capital regulations is under consideration, decision making points would be potential market growth and affinity with joint venture partners. As for China, there are political risks and regulations to consider. Careful consideration is required as the Chinese market is large and mature making it a difficult competitive environment. (Kawahara)

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