

# Financial Analyst Conference Call for the Fiscal Year Ended March 31, 2020

May 21, 2020

Dai-ichi Life Holdings, Inc.



**Dai-ichi Life**  
Holdings



# Agenda

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- I . The Impact of the COVID-19 Crisis on the Dai-ichi Life Group
- II . Financial Result for Fiscal Year Ended March 31,2020 (FY2019)
- III . Group Strategy for Sustainable Growth
- IV . Key Message: FY2020 Business Operations and Upcoming Medium Term Management Plan



## Primary Initiatives of the Group

- With the priority on the wellbeing of customers, business partners and employees, we continued business activities that include insurance benefit payments.
- Group companies implemented special measures as a life insurance provider.

### Primary Initiatives of the Group

\*Mainly at group companies based in Japan

#### Employees

- Promoting work from home to prevent further spread of the COVID-19.
- Dai-ichi Life sales representatives work from home / visits to customers are suspended.

#### Our Customers • Society

- Extended grace period for insurance premium payment and interest exemption on policyholder loans.
- Expanded extra benefit rider coverage for death and severe disability resulting from COVID-19.
- Paying benefits for COVID-19 cases with physician instructed hospitalization, including home treatment.
- Shifted some policy related procedures to handling online or mailing.
- Enhanced contact center functions and admin offices upon implementation of safety measures.
- Established COVID-19 related consultation services to policyholders.
- Donated masks to designated medical institutions.
- Donated face shields and established relief funds (overseas group companies).

[Reference]  
Payment of  
Insurance  
Claims

	Death Benefit (Payment)		Hospitalization Benefit	
	Cases	Amount	Cases	Amount
Japan	6	¥49.2 million	96	¥9.96 million
Overseas	313	¥1.7 billion	8	¥2.1 million

\* Identified as of May 13, 2020 for Japan, May 8 for overseas  
Exchange rate as of end of April 2020 applied to foreign currencies,  
after accounting for reinsurance.



## Potential Impact on the Group and Stress Testing

### Potential Impact on the Group and Stress Testing

#### <Prolonged Impact from COVID-19>

- ✓ Increase in mortality and hospitalization
- ✓ Extended state of emergency and lockdowns  
→ Slow economic activity in the long-term

#### Life Insurance Business

- ▶ Deterioration in profit due to an increase in insurance payments
- ▶ Decrease in new business due to a global economic slowdown and extended restraints on sales activities

#### Investment Management

- ▶ Decrease in investment returns due to prolonged low interest rates
- ▶ Decrease in value of foreign-currency-assets with yen appreciation
- ▶ Deterioration in financial condition of investees  
→ Higher default rate  
Lower dividends

As of March 31, 2020

Economic Solvency Ratio  
(ESR)

**195%**  
(updated-standard)

Consolidated Solvency  
Margin Ratio

**884%**

Under Stress Scenario

- ✓ In terms of financial soundness, group companies ran stress tests assuming a pandemic scenario

#### [Reference: Stress Scenario]

(Dai-ichi Life)

- COVID-19 morbidity rate: 10% of population, mortality rate: 10% or higher
- Domestic equity market: 30% fall, among other scenarios (Protective Life and TAL)
- Higher mortality and hospitalization rates, stock market decline, unfavorable credit environment

- ▶ Capable of securing ESR of more than 100% and consolidated solvency margin ratio of more than 200%

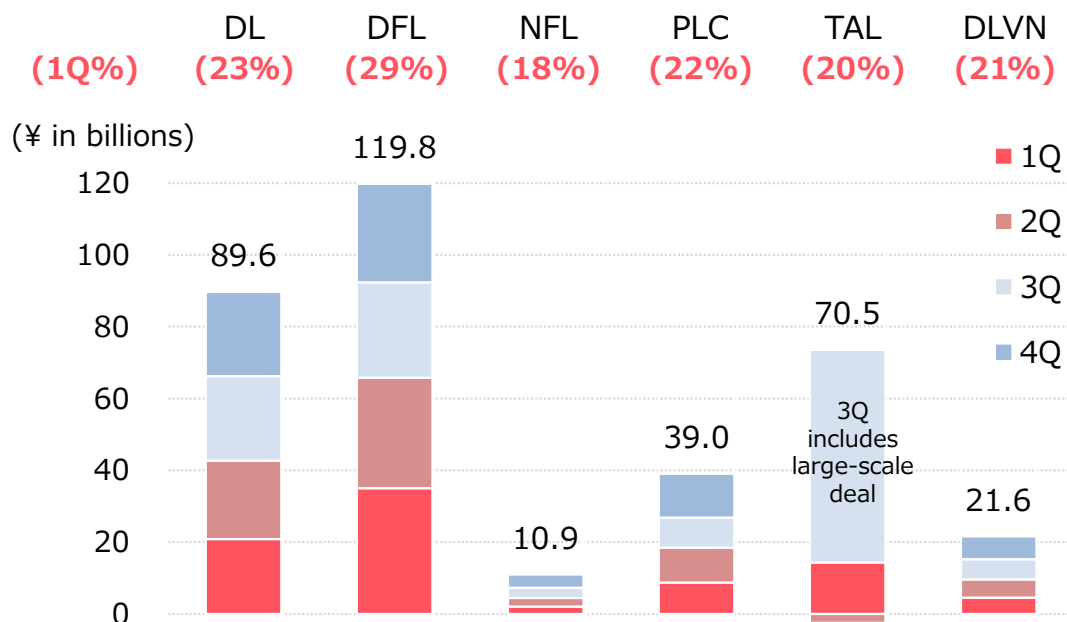


# Sales Activities and Investment Management of Group Companies

## Group Sales Activities

- ▶ First quarter represents 24% of group annual new business ANP for FY2019 (23% for DL)
- ▶ DL sales reps continue to refrain from sales activities, likewise, DFL sales in April were 50% of previous year, NFL up YoY from a temporary increase in demand but sales on a downward trend
- ▶ Overseas sales for April down YoY in most regions (30%-50% of previous year in most developing regions in Asia)

### FY2019 New Business ANP (Quarterly)



## Corporate Bond Investment

- ▶ Large foreign corporate bond investment balance for PLC and DFL, small exposure of non-investment grade bonds
- ▶ Diversified investment in mainly major players in the energy sector, limited exposure in airline companies

As of the end of FY2019	Foreign corporate bond investment balance (Market Value)	Credit Rating BB and under	Investment Balance in Energy Sector and Airline Companies	
DL	approx. ¥1.5tn (of which 75%USD)	0.1%	[Energy] [Airlines]	¥50bn None
DFL	approx. ¥2.6tn (of which 92%USD)	none	[Energy] [Airlines]	¥180bn none
PLC	approx. ¥5tn (all USD)	around 3%	[Energy] [Airlines]	¥410bn ¥25bn

\* Investment balances for DL and DFL are foreign-currency-denominated bonds in the general account (fund investment included for DL)  
Credit ratings and sector classification provided by each group company

### (Reference) CML Investment at PLC

CML: Commercial Mortgage Loan

- ✓ PLC has a strength in CML, with approximately ¥1 trillion
- ✓ With the adoption of allowance for expected credit loss model based on US GAAP, approximately ¥10 billion in additional allowance was implemented for the first quarter of FY2020 (calculated based on external economic scenarios and actual allowance data)
- ✓ However, investment balance of PLC is dispersed and there are no delinquent loans as of March 31, 2020.

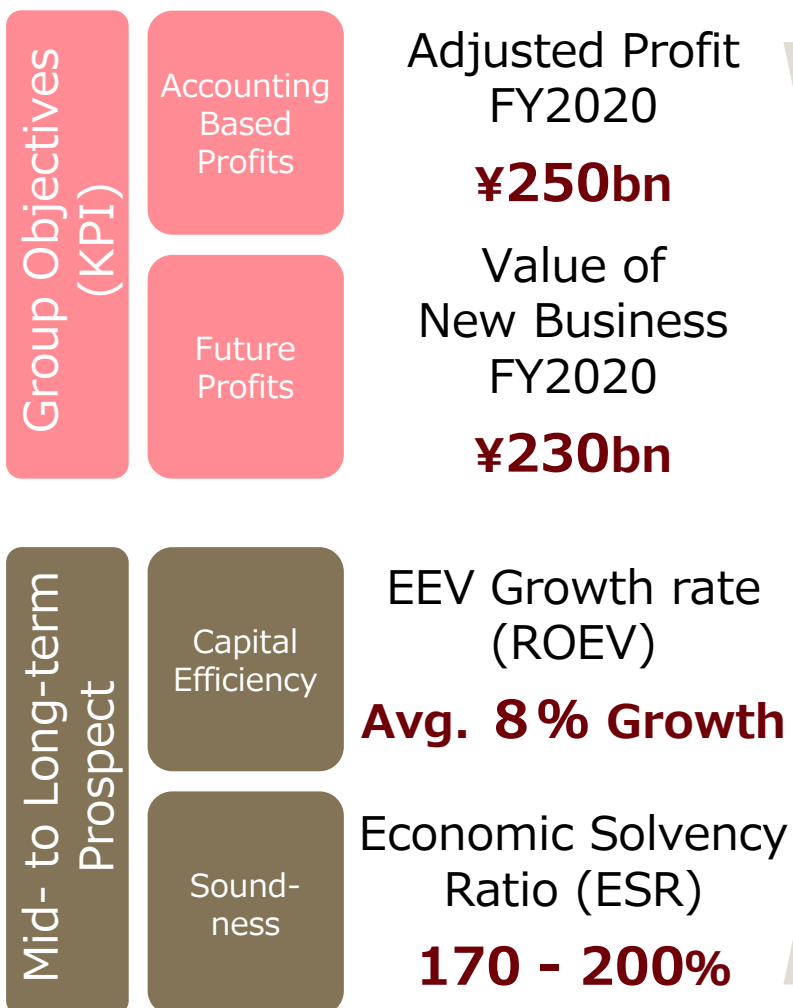
(1) Fiscal period for PLC and DLVN is Jan.-Dec. 2Q is Apr.-Jun. (2Q: PLC 25% DLVN:23%)

(2) TAL new business ANP include variances in policies of in-force group insurance.



# Medium Term Management Plan “CONNECT 2020” KPI Targets

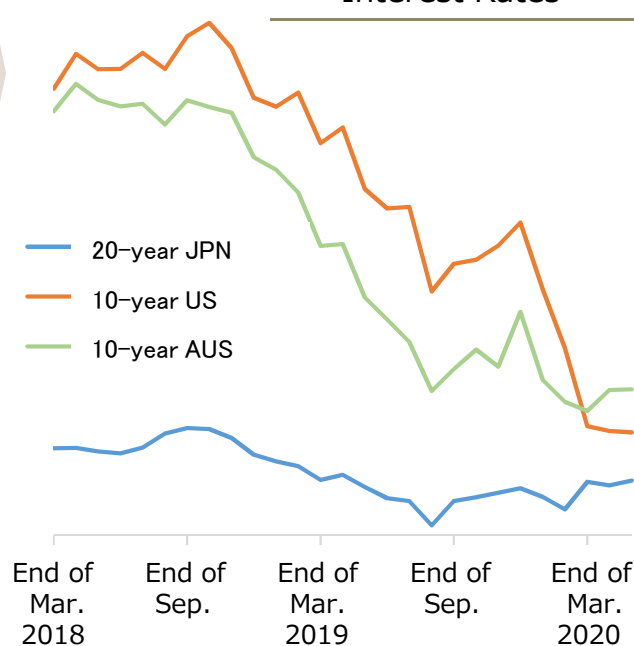
## Mid- to Long-term Objectives



## Current Environment

- ✓ Uncertainties concerning the long-term impact from the COVID-19 crisis
- Increase in insurance payments
  - Decrease in new business due to restrictions on sales activities or global economic slowdown
  - Deterioration in investment gains

Interest Rates



\*Bloomberg

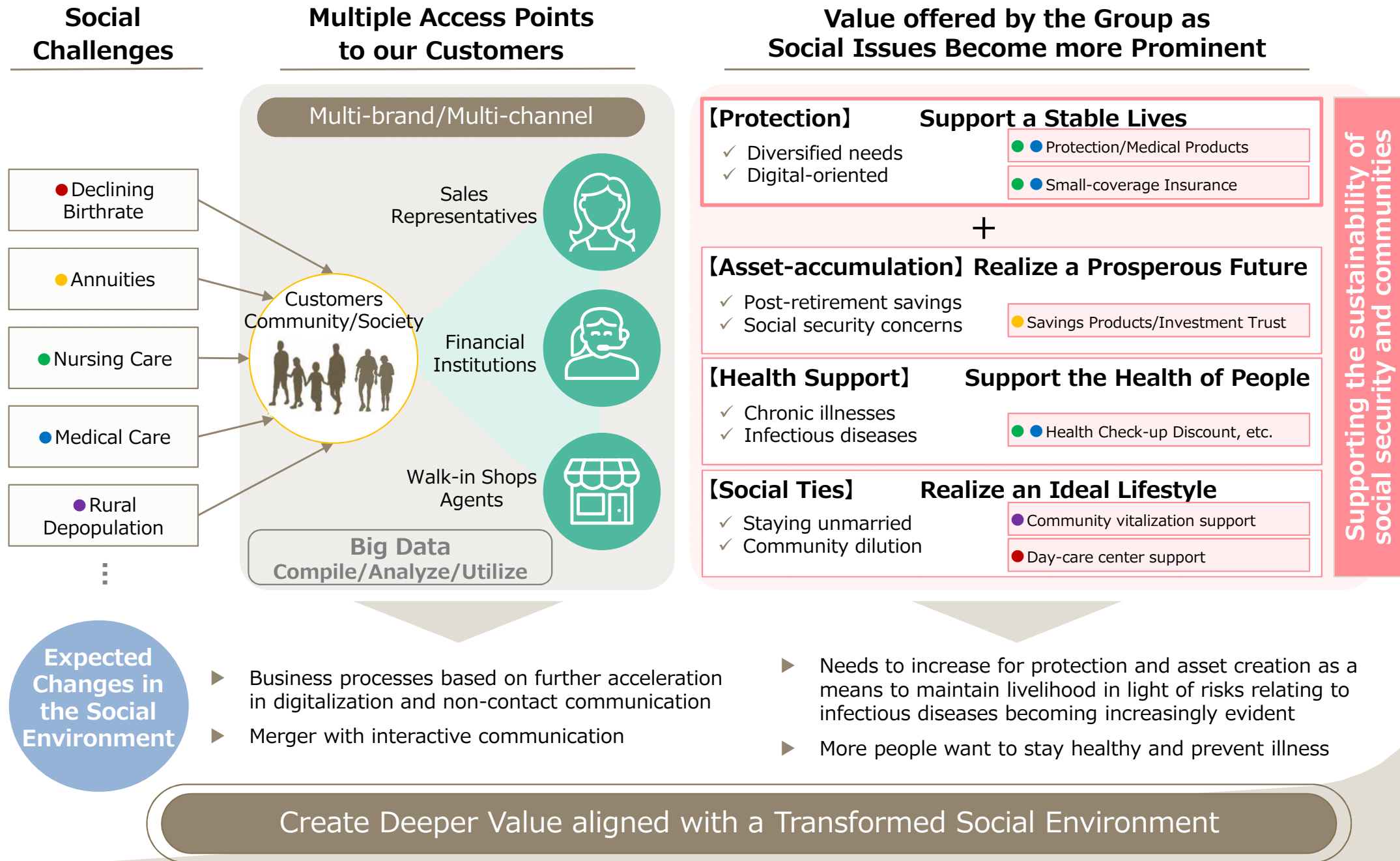
## Objectives for final year of “CONNECT 2020”

► Withheld at this time  
To be disclosed by the end of this calendar year

► Continue to implement initiatives to achieve our objectives



# Our Role as a Life Insurance Company: Create Value through Solving Social Challenges





## Highlights – 1 (Group Adjusted Profit/Consolidated Net Income)

### Group Adjusted Profit

FY2019 Results      **¥274.5bn**      (YoY)  
+ 16%

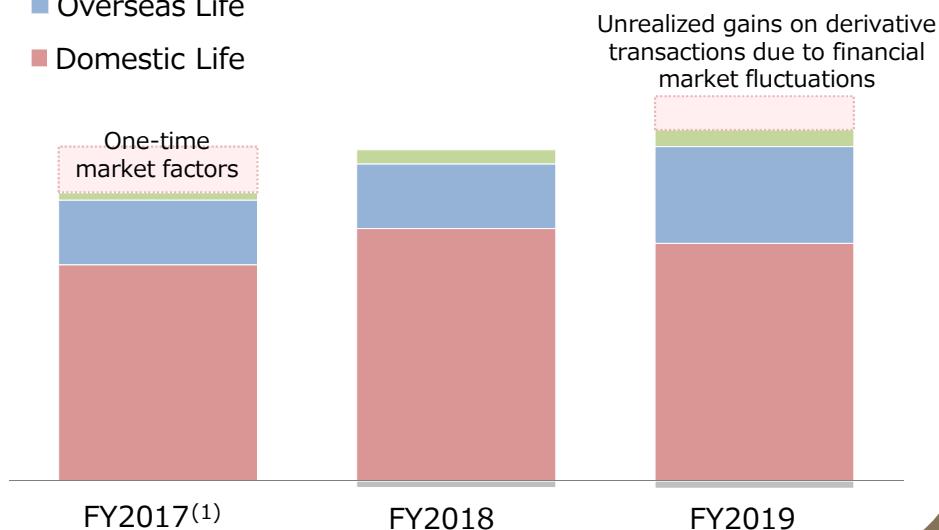
Actual profits excluding factors  
affected by market fluctuation in  
March at DL

**approx. ¥250bn**  
(+ 6% YoY)

of which, losses from strategic  
risk mitigation by reinsurance  
ceding at DL

**- ¥70.8bn**  
ceded policy reserves  
approx. ¥200bn (twofold YoY)

■ Asset Management  
■ Overseas Life  
■ Domestic Life

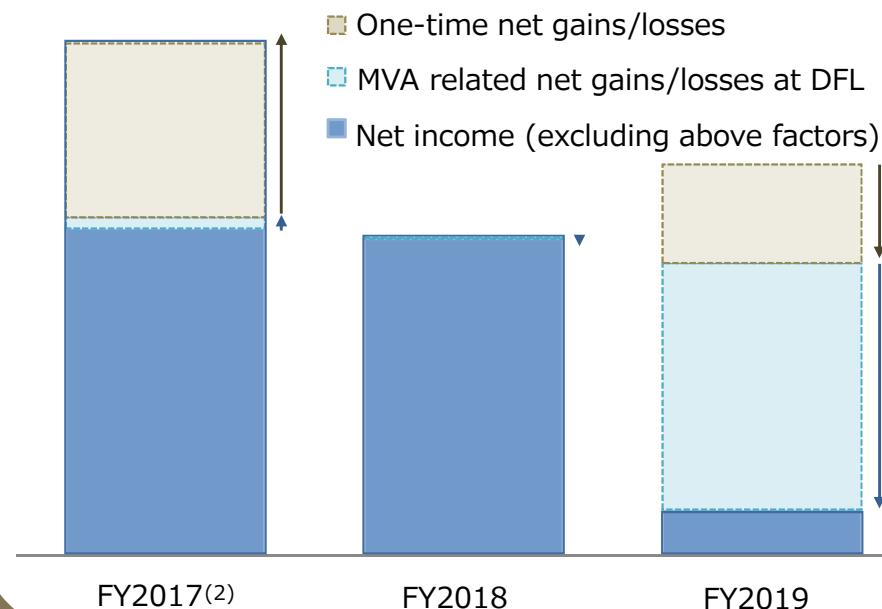


### Consolidated Net Income

FY2019 Results      **¥32.4bn**      (YoY)  
- 86%

of which, MVA related losses at DFL      **- ¥175.4bn**

of which, losses from one-time  
amortization of goodwill on JH  
and provision for contingency reserve  
(excess statutory reserve)      **- ¥70.1bn**



(1) Group adjusted profit for FY2017 include market factors such as gains on maturity of mutual funds (approximately ¥33.2 billion)

(2) Consolidated net income for FY2017 includes reorganization related gains in the asset management business and the impact of the U.S. corporate tax cuts at Protective (totaling approximately ¥123.6 billion).





## Highlights – 2 (Group Value of New Business/Group EEV)

### Group Value of New Business

FY2019 Results **¥150.3bn** (YoY)  
- 24%

Group total including 3 affiliated companies in Asia: ¥151.9bn

of which, Dai-ichi Life **¥141.0bn**  
(+1% YoY)

of which, TAL **¥15.0bn**  
(+38% YoY)

of which, Dai-ichi Frontier Life  
(preliminary calculation with  
investment spread factored in<sup>(1)</sup>) **- ¥27.7bn**  
(approx. ¥20.0bn)

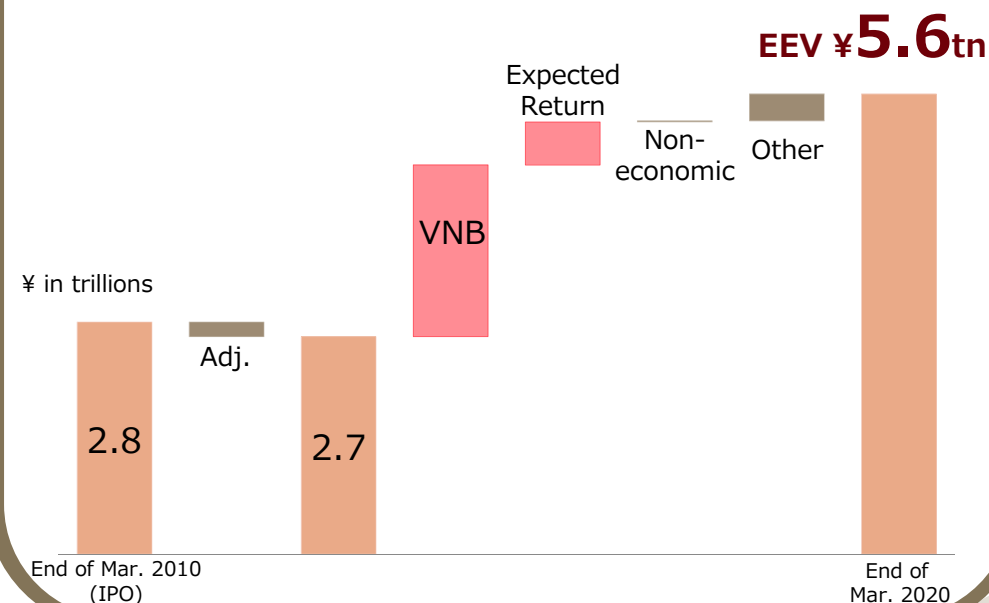


### Group EEV

As of March 31, 2020 **¥5,621.9bn** (YoY after Adj.)  
- 3%

Average growth rate since IPO **+8.9%**

Value of new business (VNB)  
and total PLC closed block acquisitions **+¥2.1tn**  
(+10% YoY)



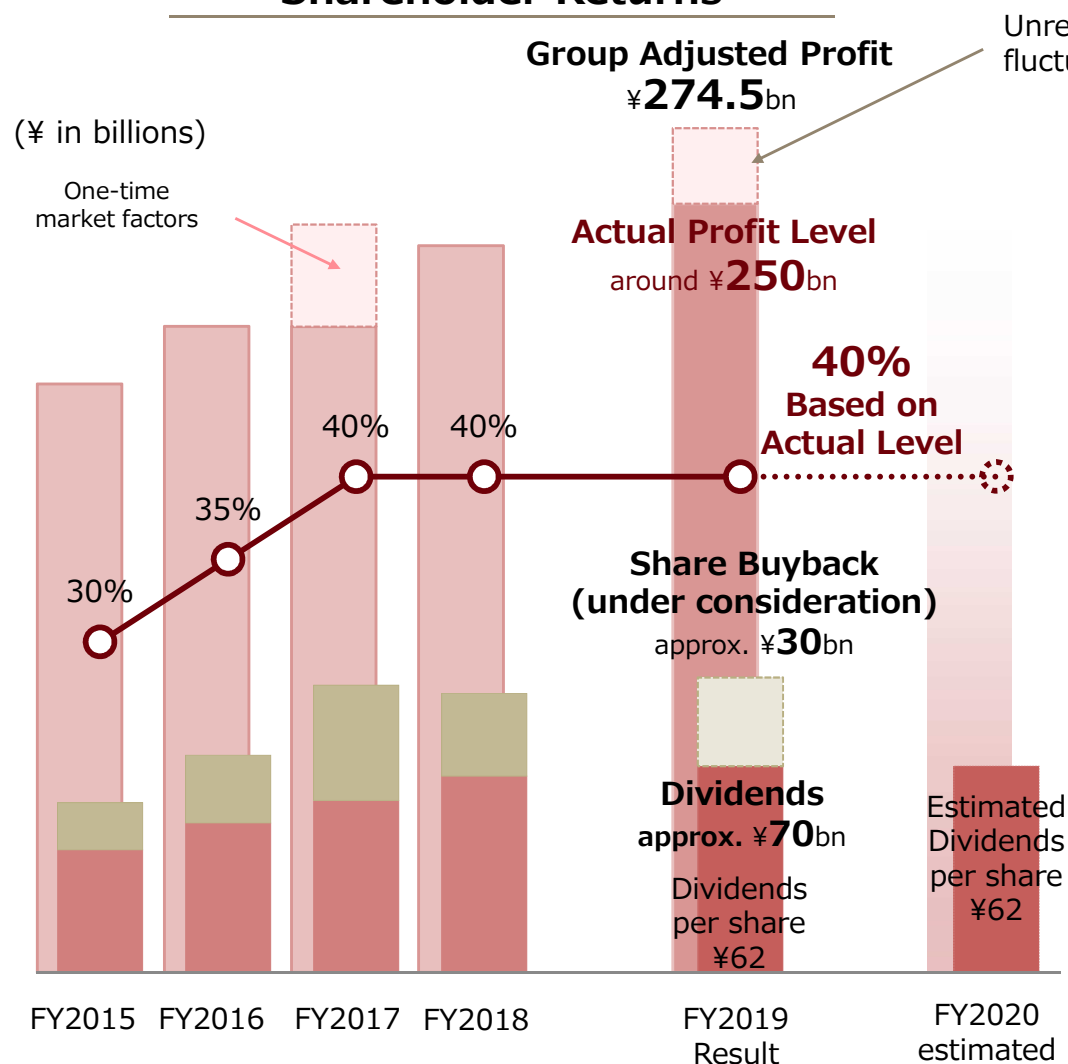
(1) Preliminary calculation without verification by actuary firm. Figures may change, depending on verification by actuary firm.

(Group EEV)  
Adj.: adjustment to opening EEV and closing EEV VNB: includes value added through acquisitions by Protective Life  
Expected return: the sum of expected existing business contribution (market-consistent approach, and top-down approach) and economic variances  
Non-economic: the sum of changes in non-economic experience variances and assumptions  
Other: include impact of transition to a holding company structure, changes in value on non-covered business



# FY2019 Shareholder Returns and FY2020 Financial Forecast/Dividend Outlook

## Group Adjusted Profit and Shareholder Returns



Group Adjusted Profit  
(Consolidated adjusted net income for FY2015)

Total Dividends

Share Buyback

Total Payout Ratio

(Total payout ratio against consolidated adjusted net income for FY 2015)

## FY2019 Shareholder Returns

- ▶ Dividends per share expected to be ¥62 per share as initially planned, a ¥4 increase compare to the previous fiscal year.
- ▶ Considering to allocate around ¥30 billion for share buyback based on around 40% total payout ratio against the actual profit level of ¥250 billion.
- ▶ Pending decision on share buyback until the end of this calendar year, when the impact of the COVID-19 crisis becomes more evident.

## FY2020 Financial/Dividend Forecast

- ▶ Currently unable to reasonably calculate a financial forecast due to the uncertain impact of COVID-19 on our business. Expected to disclose our annual forecasts upon completion of the revised planning by the end of this calendar year.
- ▶ Intend to maintain stable dividends at ¥62 per share.
- ▶ Total payout ratio expected to be around 40%.

# Economic Solvency Ratio (ESR)

ESR

As of  
March 31, 2020

Updated-standard  
**195%**

(YoY by Standard)  
Updated +25pt / Former +9pt

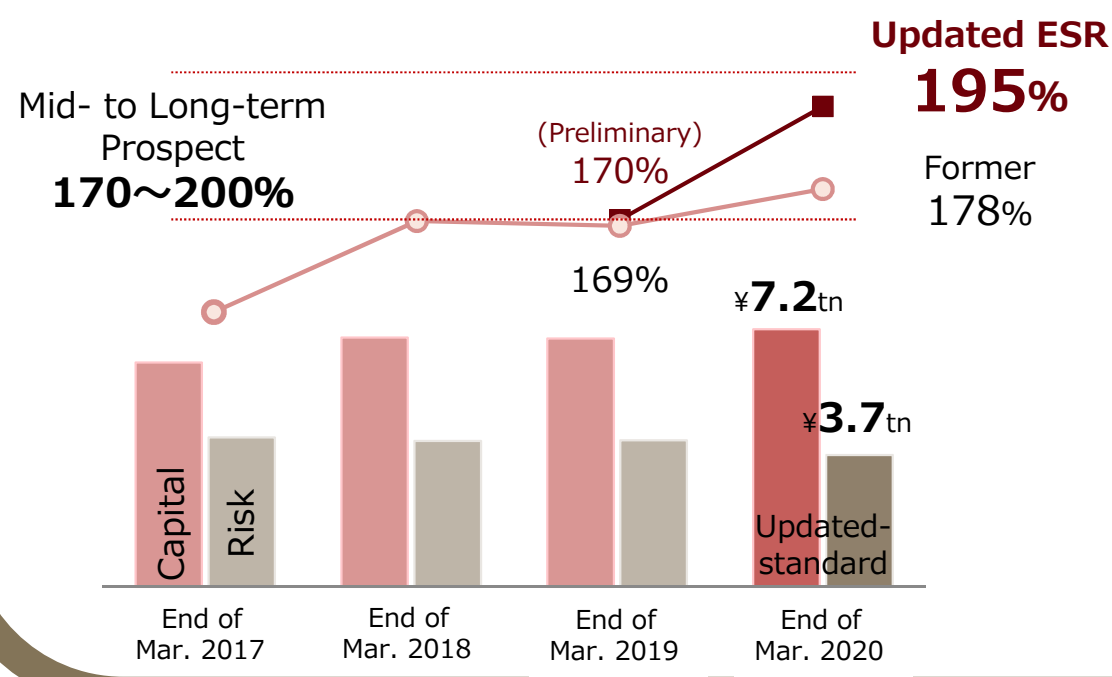
## Updated-standard

► Updated measurement standard based on the Insurance Capital Standard (ICS) and economic value regulations under development in Japan

- Changed volatility measurement period (past 10 years)
- Correlation of risk based on ICS and refined handling of nonlinear risks on derivative options at DL
- Reflected DFL corporate bond spread to liability discount rate

## Positive/Negative Factors (vs March 31, 2019)

- [Capital] + Issuance of subordinated bonds  
+ Overseas interest rate decline (causes an increase in unrealized gains)  
- Domestic interest rate decline  
- Stock market fall (causes a decrease in unrealized gains)
- [Risk] + Domestic interest rate decline  
- Stock market fall (causes a decrease in unrealized gains)  
- Financial market risk management at Dai-ichi Life



[Financial market risk management at Dai-ichi Life]

Bond duration extension  
Interest rate swaptions  
Reinsurance ceding, etc.

Domestic equity/currency hedging (options)  
Continuous reduction of equity securities held

Easing vulnerability to market fluctuations

\* Risk is calculated based on an internal model with reliability level of 99.5% (holding period of one year Capital and Risk are after-tax based.)

# Analysis of FY2019 Market Related Risk Mitigation at Dai-ichi Life

Supported **approximately +14pts** on ESR from end of the Previous Fiscal Year  
(based on former standard)

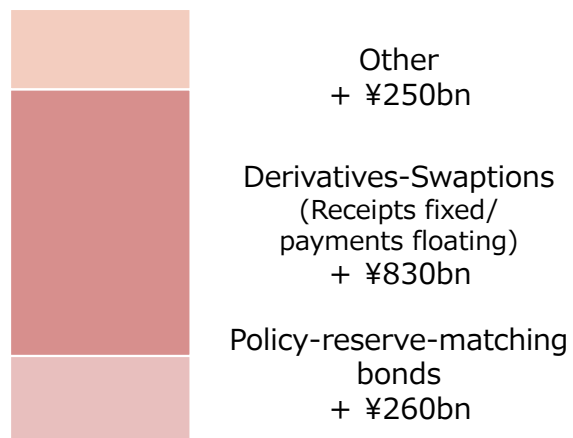
## Interest Rate Risk Mitigation

Accumulate Bonds  
Utilize Derivatives

**Total Increase**  
approx. **¥1.3tn**

- ▶ Purchased long-term bonds and accumulated swaptions based on market outlook and liquidity

Breakdown of total increase  
(book value/principal)



## Equity Risk Mitigation Currency Hedging

Reduce Equity Securities Held

**Market Value**  
approx. - **¥100bn**  
(book value approx. - **¥45bn**)

- ▶ Reduction plan carried out
- ▶ Secured financial soundness of portfolio with flexible hedging positions

Hedging Position at end of March 2020

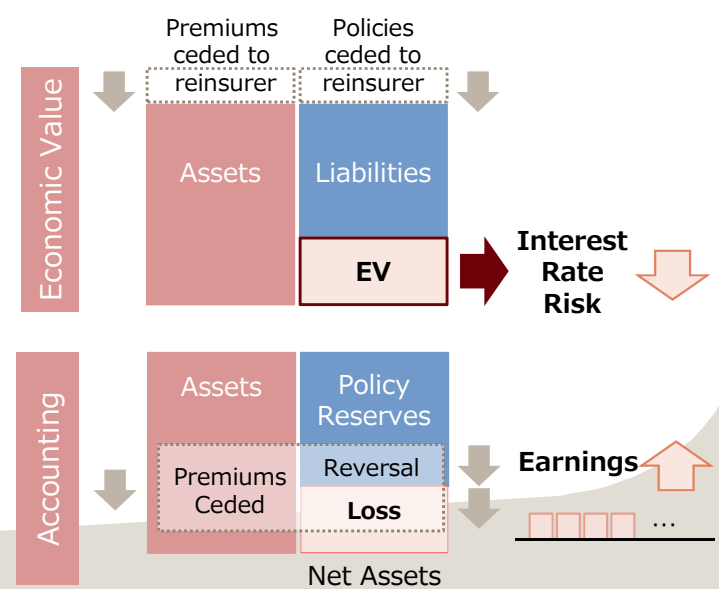
Stocks	[Total of futures sold/put option bought]	
	Domestic equity	approx. ¥175bn
	Foreign equity	approx. ¥110bn
Currency	[Forward sold/Put option bought]	
	Mainly \$US	approx. ¥850bn

## Utilization of Reinsurance

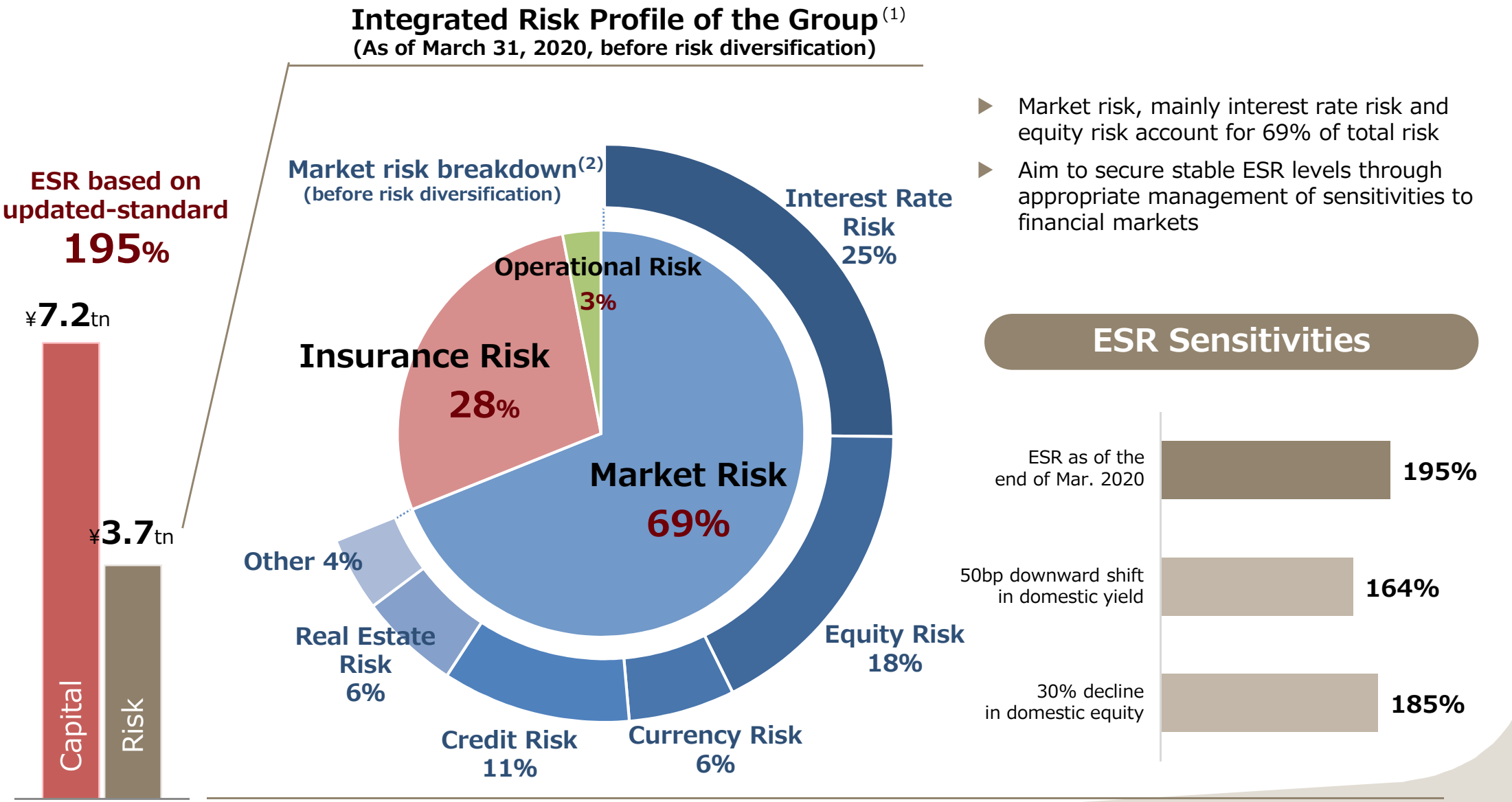
Cede Insurance Blocks (Policy Reserves)

**Whole-life Insurance paid in full**  
approx. **¥200bn**  
(cumulative total approx. **¥300bn**)

- ▶ Reduced interest rate risk, EEV maintained
- ▶ One-time accounting-based loss, but assumed interest rate expense to decrease by around ¥8 billion as from current fiscal year



# Group Economic Value based Risk Profile



(1) Excludes yen-conversion risk on Group consolidation.  
(2) Percentages for market risk are proportionally divided before considering risk diversification.

# Stabilize ESR through Further Financial Market Risk Mitigation

- ▶ Drive financial market risk mitigation at Dai-ichi Life to improve ESR stability.
- ▶ Aim for 20% reduction in interest rate risk/equity risk and EEV (economic value of the group) sensitivities by the end of March 2024 (compared to the end of March 2020).

## Interest Rate Risk Reduction

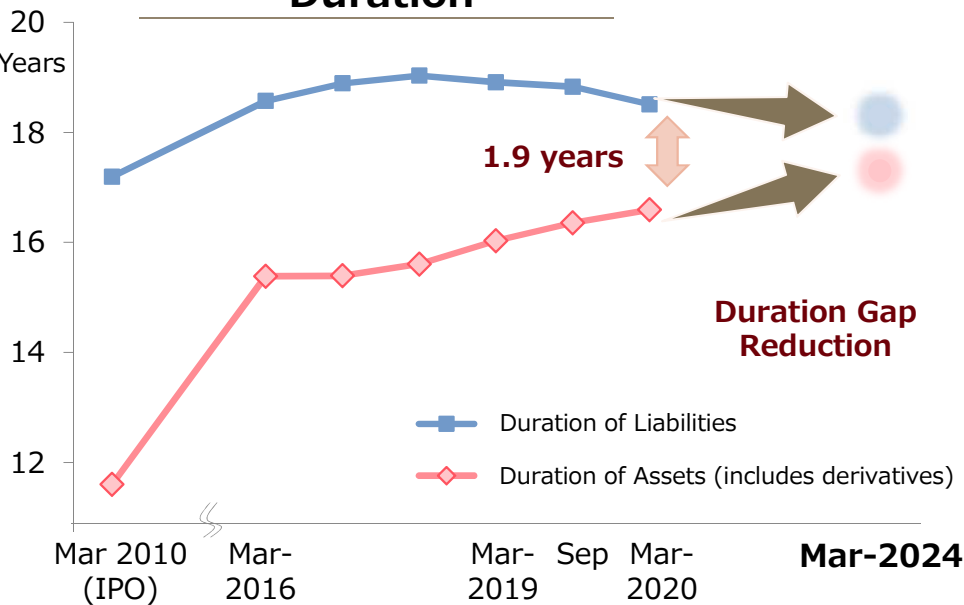
- ✓ Continue interest rate risk hedging through bond duration extension and derivative transactions
- ✓ Continue to consider of strategic reinsurance of insurance blocks

## Equity Risk Reduction

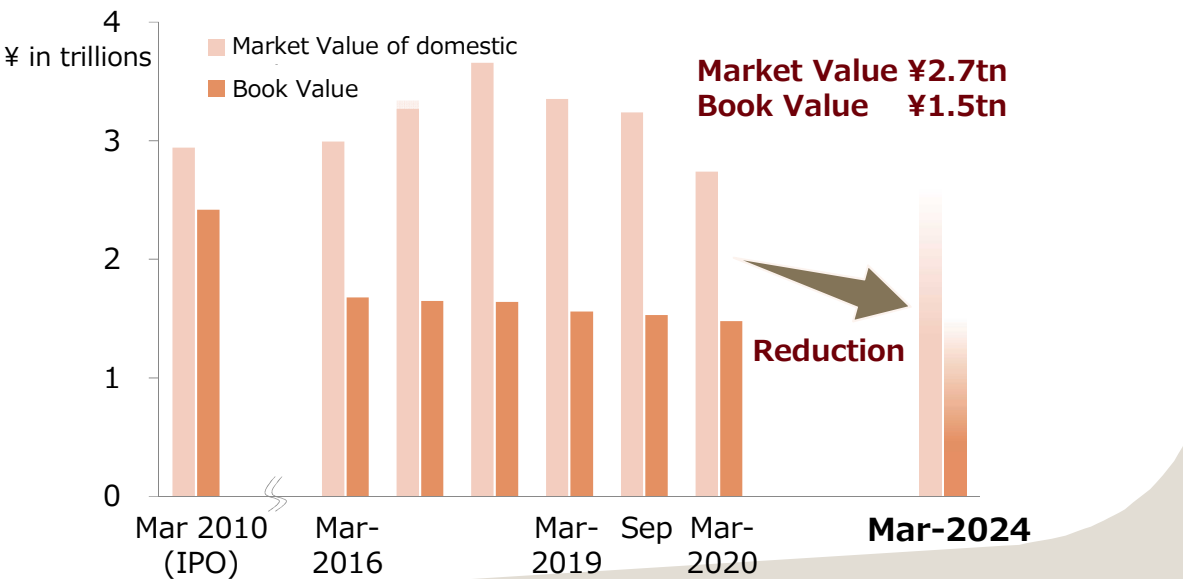
- ✓ Enhance coordinated reduction of equity securities held

Drive Risk Mitigation: 20% Reduction in Interest Rate Risk and Equity Risk

Duration <sup>(1)</sup>



Equity Securities Held <sup>(2)</sup>



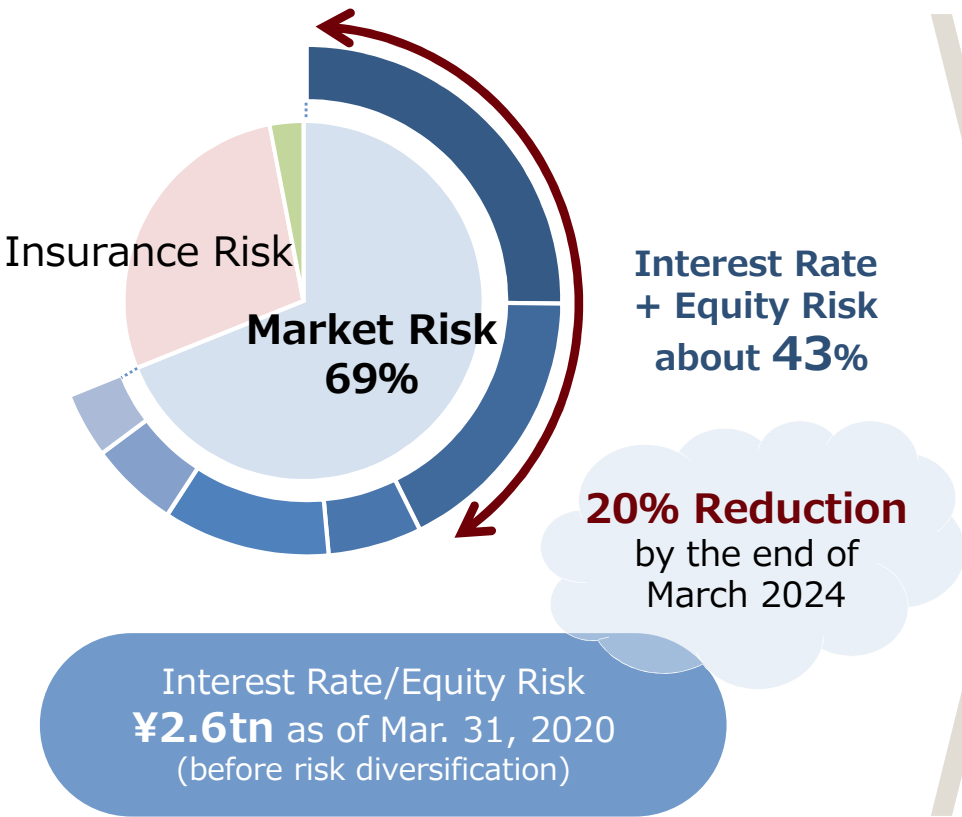
(1) Represents insurance liabilities associated with individual insurance and annuities in the company's general account and duration of yen-based fixed income assets(including interest rate swaps)

(2) Domestic stocks with market value (excludes subsidiaries, affiliates and private domestic stocks)

# 20% Reduction of Interest Rate Risk and Equity Risk

## Group Interest Rate/Equity Risk Profile

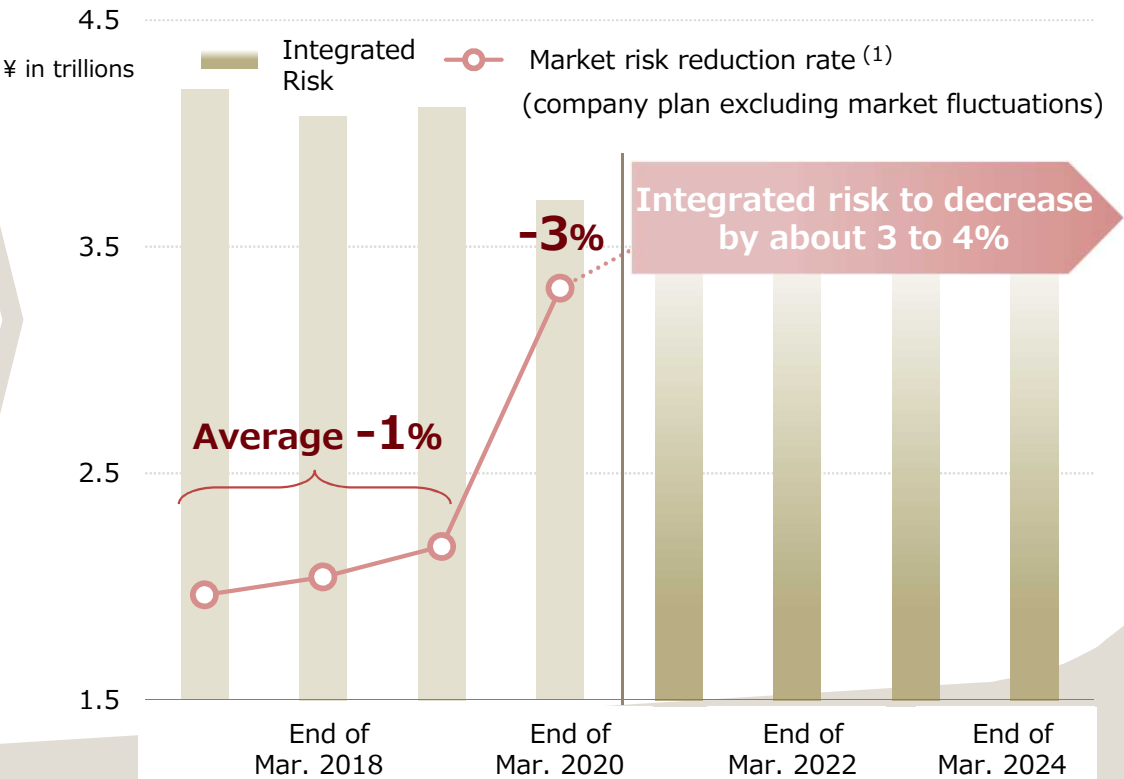
- ▶ Total amount of interest rate risk and equity risk subject to the 20% reduction is approximately ¥2.6tn as of March 31, 2020



20% Reduction of Interest Rate Risk and Equity Risk by the end of March 2024

## Stronger Risk Reduction Measures

- ▶ Accelerated market risk reduction measures from FY2019 assuming the low interest rate environment continues
- ▶ Group integrated risk including insurance risk is expected to decrease annually by 3 to 4% on average, as a result of our risk reduction measures



\* Assuming there is no significant gap between initial economic assumptions and actual trends.

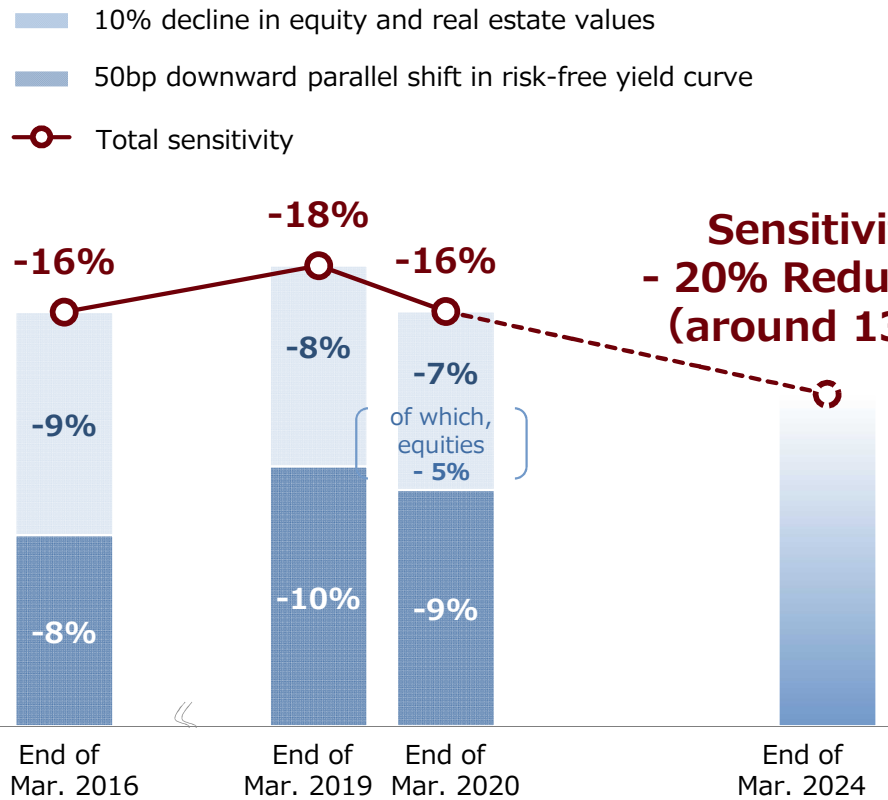
(1) Reduction ratio versus integrated risk as of the end of the previous fiscal year.



# 20% Reduction in Group EEV sensitivities to Financial Market Fluctuations

## Group EEV Sensitivities to the Market

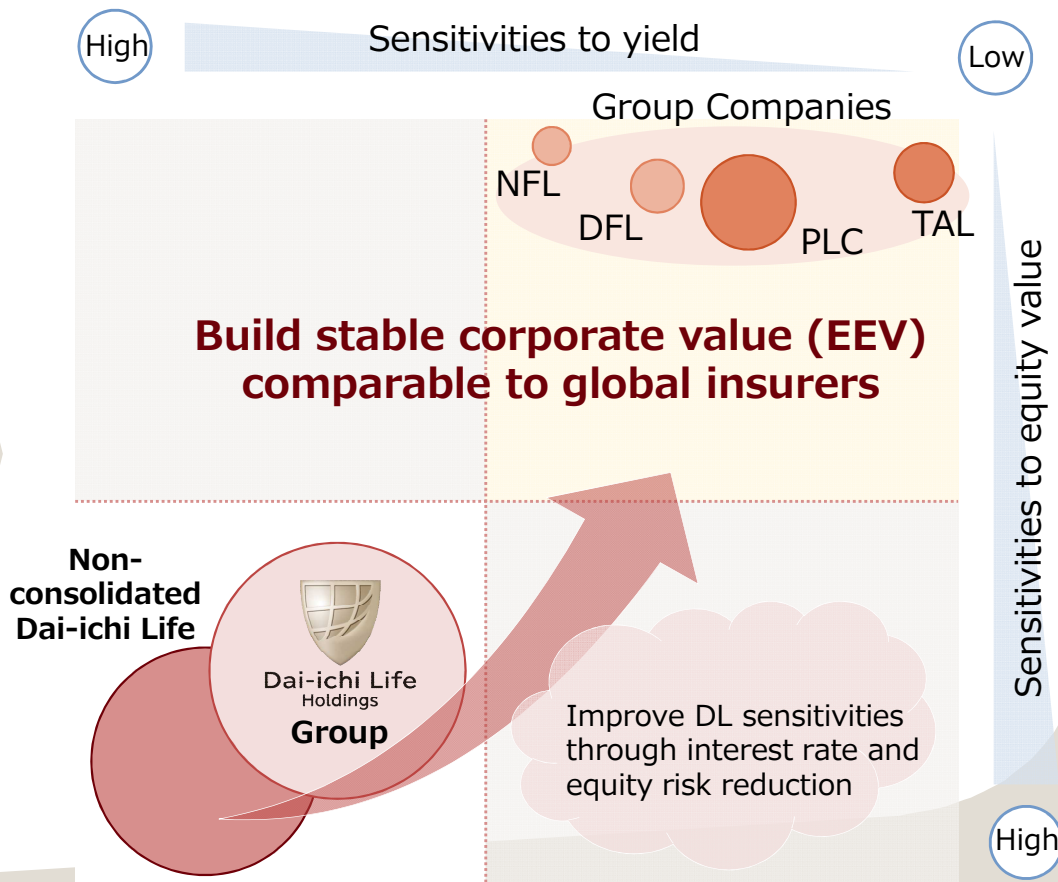
- ▶ Aim for 20% reduction in total EEV sensitivity through Interest rate/equity risk reduction.



**20% Reduction of EEV Sensitivities**  
by the end of March 2024

## Direction of Improvement in Sensitivities

- ▶ Drive shift to a business structure that is less vulnerable to financial market fluctuations.



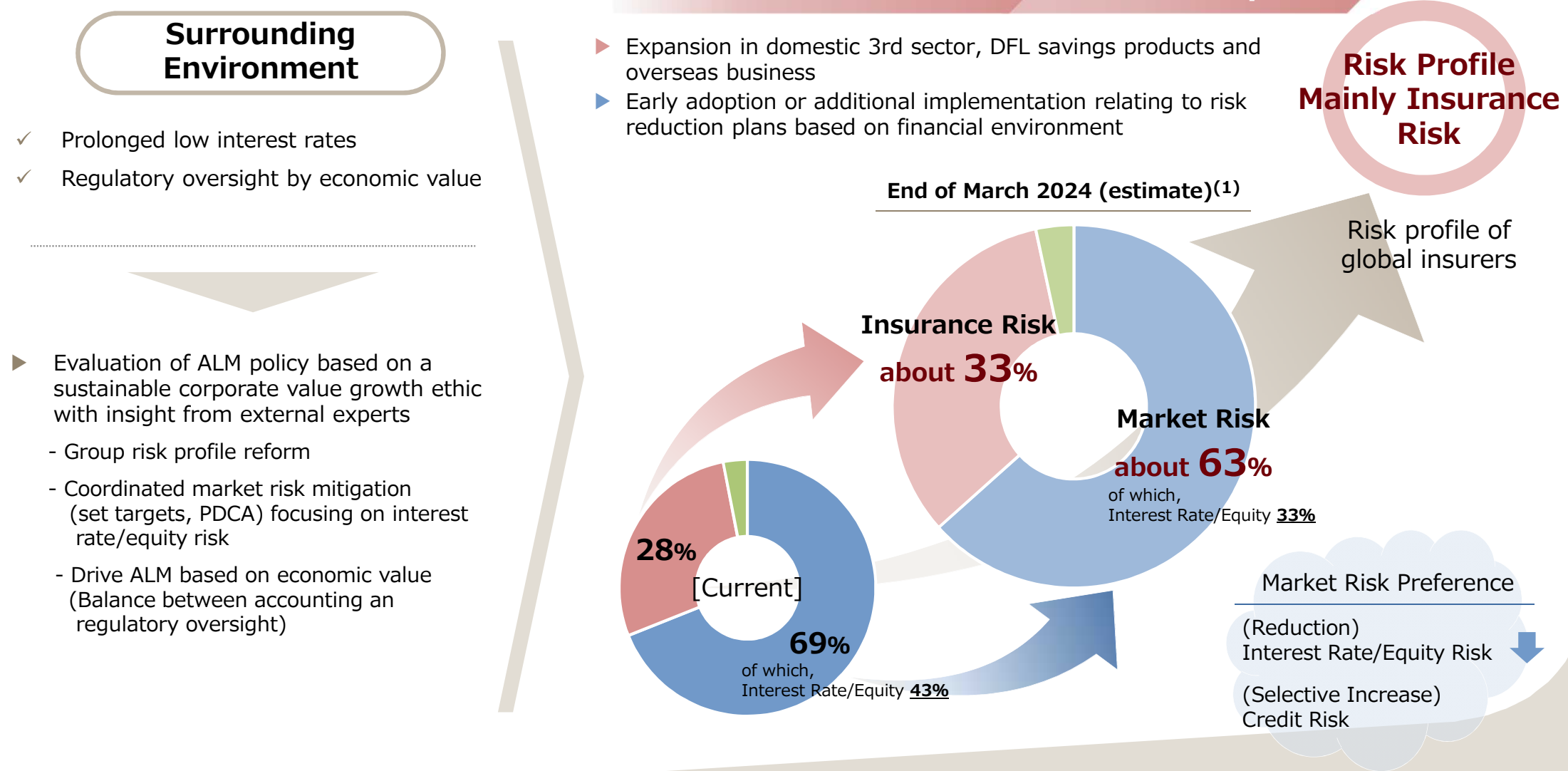
\* Assuming there is no significant gap between initial economic assumptions and actual trends.

\*Image (EEV sensitivities as of March 31, 2020. Size of circle represents scale of EEV)



# Dai-ichi Life Group Risk Profile Reform (Future Prospect)

## Insurance Risk Taking and Market Risk Mitigation



# FY2020 Business Operations and Upcoming Medium Term Management Plan



Dai-ichi Life  
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## FY2020 Business Operations – during the COVID-19 outbreak

- ▶ Carry out our role as an insurance provider by continuing vital business activities with priority on securing the safety and health of our customers, business partners and employees
- ▶ Disclose our total payout for fiscal year ended March 2020 and financial forecast (including KPI targets for our medium term plan) upon completion of the revised planning by the end of this calendar year after assessing the effect of COVID-19 on our group companies
- ▶ Maintain stable shareholder dividends based on cash flow generated in the long term from our diversified business portfolio

## Upcoming Medium Term Management Plan – after COVID-19 subsides

- ▶ Opportunity for the group to offer deeper value (protection, asset-accumulation, health support, social ties) following the change in social environment with different norms and values.
- ▶ Enhance various initiatives based on a sustainable corporate value growth ethic
  - ▣ Drive risk profile reform by taking insurance risk and mitigating market risk
  - ▣ Expand sales of third sector products in Japan, utilization of digital technology and improve business efficiency
  - ▣ Pursue growth opportunities in overseas life and asset management to expand business base
  - ▣ Strike a balance between solving social challenges and creating shareholder value through ESG and responsible investment
  - ▣ Collaborate with universities and startups in light of digitalization and economic social changes to develop the next generation business model stepping into the Society 5.0 era



Dai-ichi Life  
Holdings





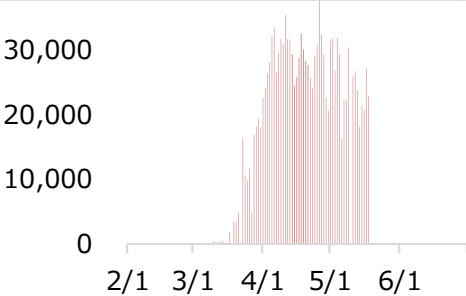
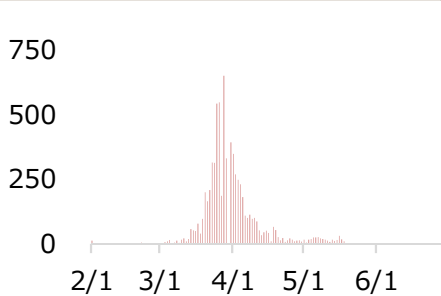
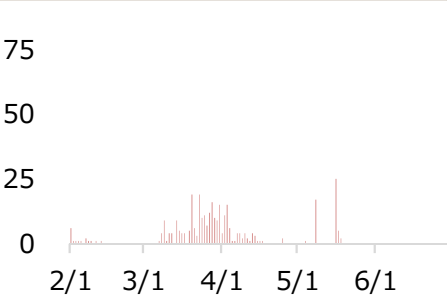
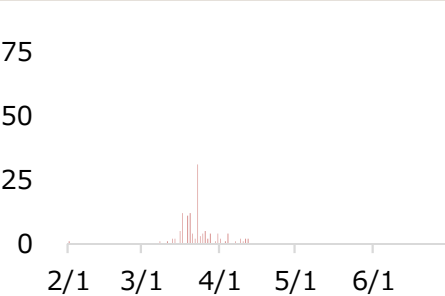




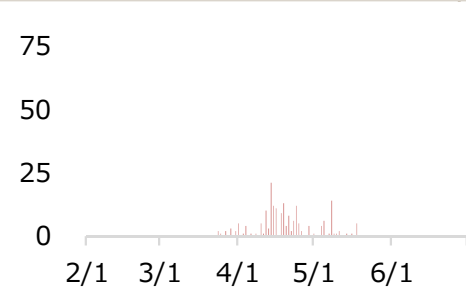
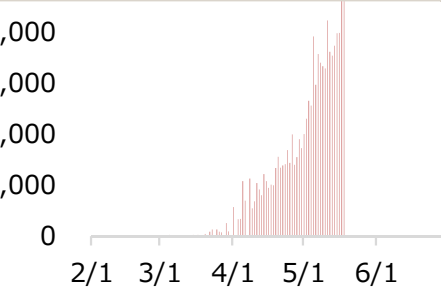
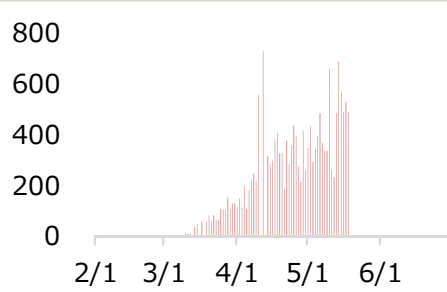
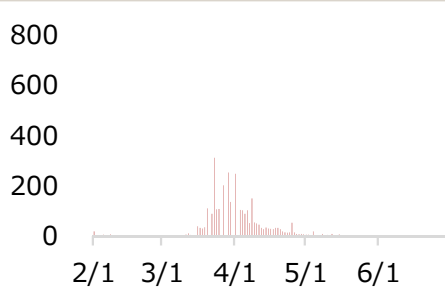
# Reference



**Dai-ichi Life**  
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# COVID-19 Patients in Countries we Operate (as of May 18, 2020)

	 (U.S.A.)	 (Australia)	 (Vietnam)	 Dai-ichi Life Cambodia (Cambodia)
Population	327.75 mn (2018)	24.99 mn (2018)	94.67 mn (2018)	16.30 mn (2018) <small>*IMF est.</small>
Number of nationwide Patients (Deaths)	1,432,265 (87,180)	7,045 (98)	320 (0)	122 (0)
Nationwide trend of new patients number				
	 Dai-ichi Life Myanmar (Myanmar)	 Star Union Dai-ichi Life Insurance (India)	 (Indonesia)	 (Thailand)
Population	51.41 mn (2014)	1,210.57 mn (2011)	255.00 mn (2015)	68.91 mn (2017)
Number of nationwide Patients (Deaths)	187名 (6名)	96,169 (3,029)	17,514 (1,148)	3,031 (56)
Nationwide trend of new patients number				



# Group Cash Flow Management

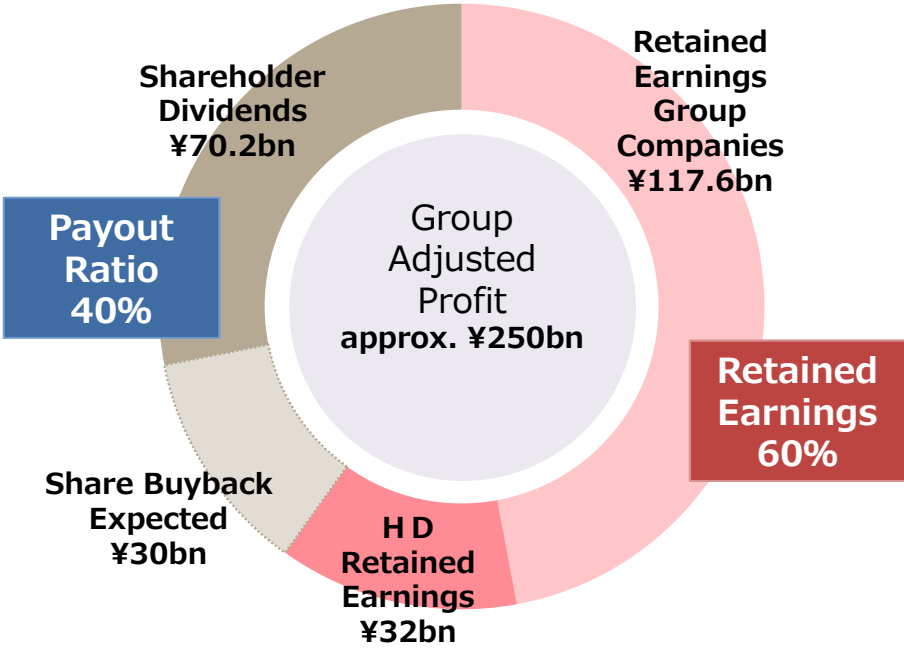
- ▶ Remittance to holding company from group companies according to growth stage.
- ▶ Drive capital efficiency and corporate value of the group through reallocation of retained earnings to high growth, capital efficient businesses.

## Group Cash Flow

(FY2019) (¥ in billions)

	Adjusted Profit	Remittance to Holding Company
DL	approx. ¥126bn <sup>(1)</sup>	approx. 80%
PLC	¥50.7bn	50%
TAL	¥10.2bn <sup>(2)</sup>	—
<b>Group</b>	approx. <b>¥250bn</b>	approx. <b>55%</b>

(1) Excludes unrealized gains on derivative transactions due to rapid financial market fluctuations in March.  
(2) Net income is shown for TAL.

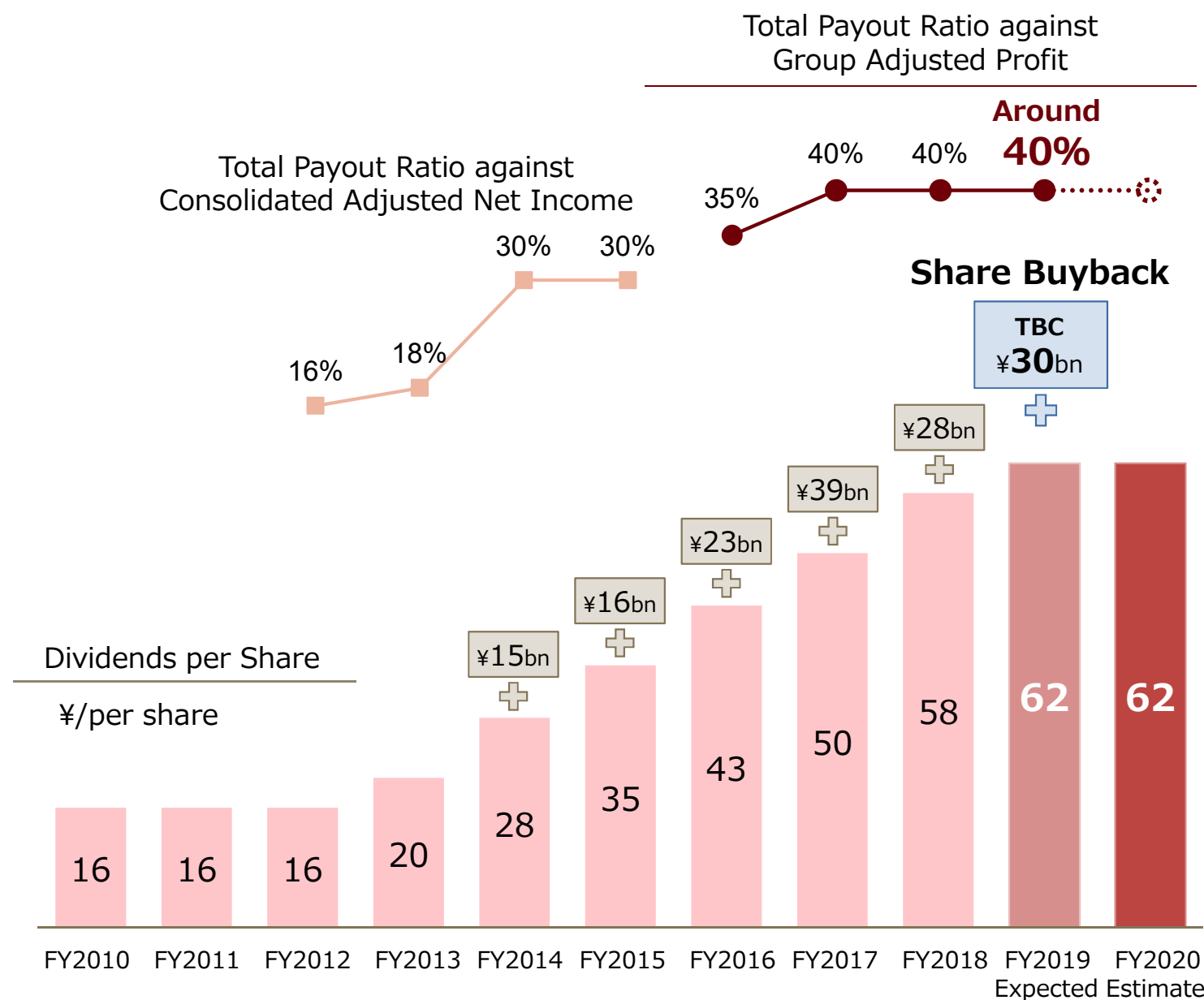


## Capital Allocation to High Growth/Capital Efficient Businesses

- (Fiscal year ended March 31, 2020)
- ✓ Increase capital in NFL for future growth
  - ✓ Establishment of Dai-ichi Life Realty Asset Management

- (Fiscal year ended March 31, 2019)
- ✓ Acquisition of closed-blocks from Liberty and Great West by PLC
  - ✓ Acquisition Asteron Life (former Suncorp Life) by TAL

# Shareholder Returns: Dividends per Share/Share Buyback/Total Payout Ratio



## Returns for FY2019

- ▶ Dividends per share expected to be ¥62 per share as initially planned, a ¥4 increase compare to the previous fiscal year.
- ▶ Considering to allocate around ¥30 billion for share buyback based on around 40% total payout ratio against the actual profit level of ¥250 billion.
- ▶ Pending decision on share buyback until the end of this calendar year, when the impact of the COVID-19 crisis becomes more evident.

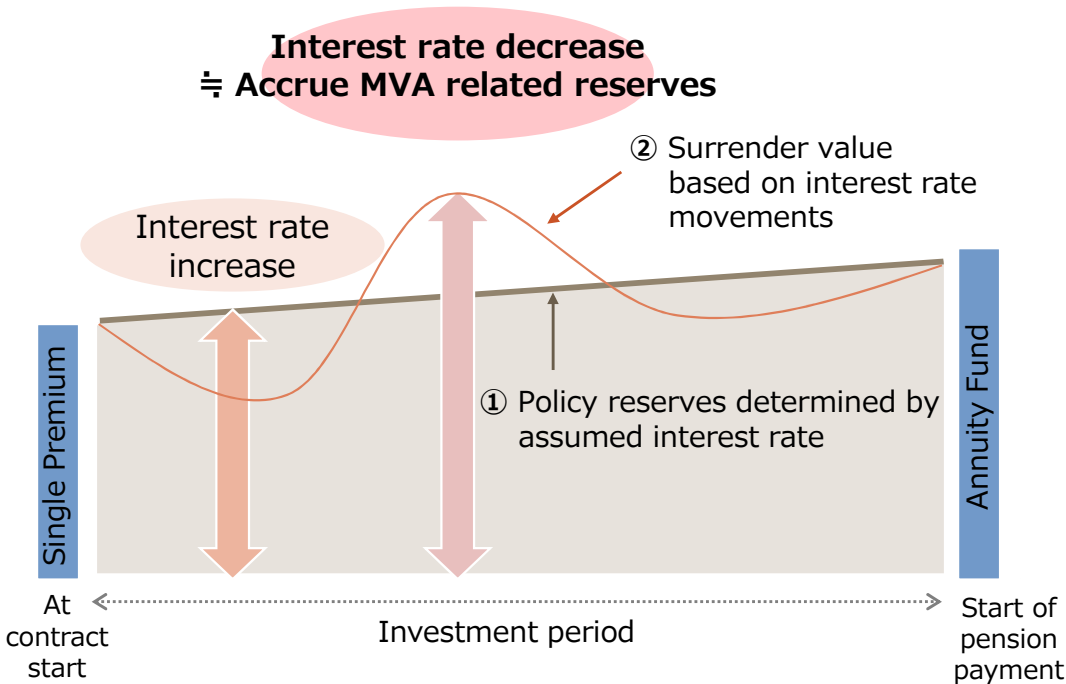
## Returns for FY2020

- ▶ Intend to maintain stable dividends at ¥62 per share.
- ▶ Total payout ratio expected to be around 40%.

# Gains and losses on market value adjustments (MVA)

- ▶ For products with MVA option, the J-GAAP liabilities are recognized as the greater of surrender value or the value of policy reserves determined by assumed interest rate. When interest rate decreases, the surrender value will be higher than the value of policy reserves, resulting in an accrual of MVA related policy reserves.
- ▶ Gains/losses on MVA are offset on an accounting basis over time, therefore excluded from group adjusted profit.

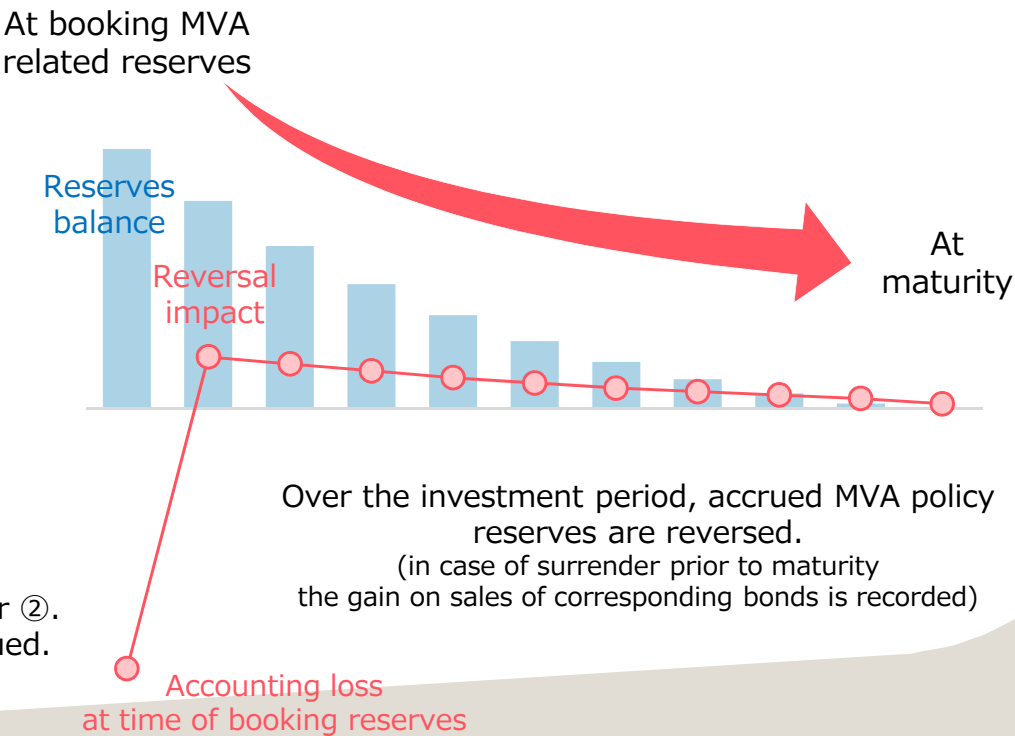
## Policy Reserves Accrual on MVA



J-GAAP liabilities at the end of each period are based on the higher of ① or ②. When interest rate decline and ② > ①, additional policy reserves are accrued.

## Reversal of Policy Reserves Accrued on MVA

Assuming flat interest rate after booking MVA related policy reserves, the amount of reserves is recalculated according to the market interest rate.





# Committee with Outside Experts to Discuss Risk Mitigation

## ALM Committee

- ▶ Established as a limited time voluntary advisory committee to the Board of Directors (August 2019 to March 2020)
- ▶ Committee members include outside experts to mainly discuss the investment policy of Dai-ichi Life from a ALM perspective
- ▶ Analysis results were reported to the Board of Directors during the fiscal year

## Committee Report Summary

- Dai-ichi Life has engaged in market related risk mitigation based on an economic value approach
- However, amid persistent low interest rates, corporate value (EEV) notably decreases as interest rate risk becomes evident
- 70% of total risk is market related risk, which is at a higher level compared to major western insurers. More life insurance risk should be taken as a life insurer
  - As a priority, regardless of market trends, a risk mitigation plan should be put in place for 30% interest rate risk
  - Need to continue planned reduction of 22% equity risk
- By reducing such market risks, economic solvency ratio (ESR) and EEV volatility need to be appropriately controlled
- Room for improvement in policies concerning risk-taking and investment management that are not simply an extension of current policies
  - For market risk mitigation, need to set long-term targets, time frames and clarify jurisdiction to build highly effective processes
  - For investment management, need to set a policy that focuses on maintaining and improving economic value while considering current accounting restrictions and their impact on business
- The committee expects the company to have strong will in driving economic value based ALM, going forward
- Need for stakeholders, including shareholders to understand the Company's risk appetite and asset management policy through engagement



# Establishment of an Intermediate Holding Company

## 1. Purpose of Establishing an Intermediate Holding Company

The overseas life insurance business is one of the Dai-ichi Life Group's (hereinafter Group) growth strategy pillars, with presence in eight overseas countries. Insurance premium income from overseas life insurance subsidiaries and affiliates (hereinafter overseas life companies) is ¥1 trillion (21% share of total Group insurance premium income) and adjusted profit is estimated at ¥70.3 billion (26% share of total Group adjusted profit).

The Intermediate Holding Company to be established in Japan, would provide management support to overseas life companies in cooperation with overseas regional headquarters. By incorporating overseas management capabilities at Intermediate Holding Company, the Company aims to accelerate growth of the overseas life insurance business and enhance further the global governance system.

The Intermediate Holding Company will be established as a subsidiary of the Company, and a portion of the overseas life companies' shares held by the Company will be transferred to the Intermediate Holding Company (\*).

(\*) Transfer is subject to an approval by the supervisory authority of each country.

Under the supervision of the Financial Services Agency (FSA), the Company has obtained an approval as an "Insurance Holding Company" under the Insurance Business Act and has been subject to stricter regulations compared to "major shareholder of insurance company". Under the Insurance Business Act, a parent company is classified as an "Insurance Holding Company" if the total amount of acquired domestic subsidiaries' and affiliates' shares exceeds 50% of the total assets of such parent company of the insurance company. Although the Company does not meet this condition at this time, the FSA as a regulatory agency, has expressed that our "Insurance Holding Company" status is valid. As a result of the establishment of an Intermediate Holding Company and completing related transactions, it is expected that the total amount of acquired shares of our domestic subsidiaries will exceed 50% of the Company's total assets fulfilling the condition for "Insurance Holding Company."

## 2. Next Steps

- |                         |   |
|-------------------------|---|
| June 2020 (planned):    | Establishment of an Intermediate Holding Company  |
| October 2020 (planned): | Transfer a portion of the shares of overseas life companies to the Intermediate Holding Company |
|                         | - Subject to approval from FSA  |
|                         | - Further details of the Intermediate Holding Company will be announced once resolved           |



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