(Unofficial Translation)

FY2019 Financial Results Conference Call for Institutional Investors and Analysts Q&A Summary

Date:
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Respondents from Dai-ichi Life Holdings, Inc. (the "Company"):
Seiji Inagaki, President and Representative Director
Toshiaki Sumino, Managing Executive Officer

Risk Taking and Risk Reduction

Q: What is your position on taking credit risk?

A: While we intend to reduce market risks (interest rate risk and equity risk), given the nature of the life insurance business with long-term insurance liabilities, we believe it is possible to take a more proactive approach in taking credit risk, as do western life insurers. We will take credit risk selectively as a group, taking into account that credit risk becomes more apparent in times of a crisis as opposed to normal conditions. (Sumino)

Q: European Embedded Value (EEV) for Dai-ichi Frontier Life (DFL) decreased significantly and US-GAAP based capital for Protective Life Corporation (PLC) also decreased significantly. You mentioned that you will take credit risk as a group. What are your thoughts on risk taking for each group company?

A: DFL and PLC generate profits mainly from spreads on savings-type products. At the same time, we have ALM and risk management frameworks in place. Although there are apparent risks arising from a decrease in EEV at DFL and the adoption of new accounting standards at PLC, the economic value-based risk is adequately controlled by managing risks based on credit ratings, sector allocation and individual security exposure. Therefore, we believe we can create added value from taking credit risk in the medium to long-term.

Credit risk taken at Dai-ichi Life is also limited considering its entire portfolio, but by exerting group synergies, we will explore deeper value creating opportunities in this aspect. We are also looking into investment opportunities from initiatives to tackle climate change and ESG perspective that include infrastructure investment and project finance. (Sumino)

Q: Regarding market risk mitigation, if interest rate and equity risks are reduced by 20%, Economic Solvency Ratio (ESR) will roughly increase from 195% to 213%. Which direction do you want to go for your next medium-term management plan? Improve ESR, increase insurance risk though M&A or take further credit risk? Or will you increase your total payout ratio from 40%?

A: We anticipate that risk mitigation will boost ESR and will consider our direction during this fiscal year before we enter our next medium-term management plan. We intend to shift towards increasing insurance risk and may effectively leverage M&A. Regarding the ESR target range of 170% -200%, as the Insurance Capital Standard (ICS) becomes more clear, we will re-evaluate whether it is acceptable to maintain this target level while benchmarking other companies in the same industry. If we find ourselves in a capital surplus situation, increasing the total payout ratio could be an option. Before making a decision, we will carefully assess the impact of the coronavirus crisis and take into account the downside risk associated with ESR volatility. (Inagaki)

Q: Regarding integrated risk, you plan a 3-4% reduction on average per year from FY2020 onwards. Will interest rate risk reduction, equity risk reduction and reinsurance ceding be implemented at same levels compared to FY2019 or do you expect some variance?

A: I will refrain from commenting on the scale of each initiative as it may have an impact on the market. However, we generally want to continue the efforts made last year. The ALM Committee concluded that there is more room for improvement in terms of interest rate risk reduction. Moving forward, we will make sizable efforts regardless of market price levels. Our top priority is to reduce interest rate risk but we will also make efforts to reduce other market-related risks as well. (Sumino)

Q: From a product strategy perspective, when considering duration gap, is it an option for you to shorten the duration on the liability side in addition to initiatives on the asset side? How will your risk mitigation efforts impact your product strategy?

A: Currently, most new polices are renewable every 10 years and policy reserves are not accumulated very much. In addition, we have stopped selling single-premium whole-life insurance following the introduction of negative interest rates. We recognize that duration on the liability side is being controlled to a certain extent because sales volume of whole-life insurance is very low considering the entire product portfolio. Moreover, products such as unit-linked insurance, mainly provided by European life insurers, could be something we can look into. (Inagaki)

Business Results and Medium-term Management Plan

Q: **As a KPI, group adjusted profit needs to be fine-tuned as is clear from the exclusion of one-time gains on derivative transactions we saw in the FY2019 results. Within economic value-based indicators, it might be more comprehensible to separate items affected by economic fluctuations from the core profit portion when considering an indicator for shareholder returns. In this sense, what are your thoughts on profit indicators?**

A: The essence of our business nature is recognizing stable profits from long-term insurance policies. Both policyholder dividends and shareholder returns should also be stable, reflecting such business nature. On the other hand, we adopt EEV for financial reporting purposes. If there was an indicator that could smooth out the volatility of EEV, we would consider adopting it. Currently, we believe that making decisions on returns based on a volatile EEV does not suit our business nature. Having said so, there are indeed issues with group adjusted profit and we will pursue ease of understanding for the next medium-term management plan. (Inagaki)

Q: **FY2020 is the final year covered by the current medium-term management plan. Will you maintain the group adjusted profit target of 250 billion yen? Also, reinsurance ceding has a great impact on whether the target can be achieved or not. How would you balance the profit target and reinsurance ceding?**

A: We pursue both profit target and risk reduction through ceding. Going into the final year covered by our medium-term management plan, we take our target of 250 billion yen seriously. We aim to achieve our target for a total payout ratio of 40% and, as a result, 100 billion yen in total payout to shareholders. On the other hand, we will consider appropriate risk reduction measures including ceding in order to achieve our four-year risk reduction objective. (Inagaki)

Q: **You did not announce your annual earnings forecast for FY2020. What are the concerns that led to pausing the announcement? Is it uncertainty on the asset side?**

A: On the liability side, profit is released from policy reserves every year. Even if new business for a single year falls, we do not expect accounting profit to drop significantly. On the asset side, the extent to which fluctuation factors such as valuation losses and increased provisions will normalize over time will be a key. We intend to identify the situation by the end of the first half. (Inagaki)

Q: Regarding PLC, I assume that based on the risk-based capital (RBC) level, investment capacity and dividend capacity are determined and dividend remittance to the holding company becomes a source for shareholder payout. Will remittance from PLC to the holding company be affected by the credit deterioration?

A: Remittance to the holding company from PLC is based on their accounting standards. The deterioration of credit will not become apparent unless there is an impairment loss. On the other hand, based on U.S. capital regulations, even if profits under accounting standards are stable, a decline in credit ratings of their bond holdings results in an increase in risk factors that puts downward pressure RBC. Therefore, it is possible that remittance to the holding company could be adjusted.

However, based on stress tests, it is unlikely that a large-scale adjustment will be made. Rather, it is likely that monetary fluctuations will occur because the volatility of profits under accounting standards is high. (Sumino)

Distribution Channel Strategy

Q: Face-to-face sales of insurance are becoming increasingly difficult due to the spread of the coronavirus. What are your thoughts on the sales representative channel going forward?

A: In the medium to long-term, there is a possibility that Artificial Intelligence (AI) will be leveraged and the market share of companies that can complete procedures digitally will increase. However, we do not think that they could completely replace our 40,000 sales representatives.

Assuming that digitalization will continue, our sales representative channel will be responsible for areas that cannot be replaced by digitalization. We will take advantage of both digital and physical interaction in our sales process to provide attractive added value to our customers.

The value we provide to our customers is not limited to conventional "protection," but we also provide consulting in the field of "asset accumulation" and "health promotion." Also, in the field of "social ties," we play a role of connecting people who have been isolated by the coronavirus. We are contemplating what we can do in the medium term, keeping in mind the threat that our physical channel could be replaced by digital unless we make dramatic improvements. (Inagaki)

Q: With the spread of the coronavirus and the shift to non-face-to-face channels, insurance contract procedures often still require stamping and signing. What is your view on the future?

A: Although stamping has already been abolished for new contract processing, various face-to-face procedures such as signing a tablet that sales representative carry are incorporated in the sales process. Currently, some of the procedures, including new contracts, have been changed so that the procedures can be completed by mail. We will continue to accelerate efforts to handle them remotely. (Inagaki)

Q: What do you think about the impact on insurance payments as online medical treatment is expected to spread in the future?

A: In the interest of our customers' convenience, currently we recognize online medical treatment as outpatient treatment and apply benefits. Regarding the possibility of an increase in risk due to more frequent virtual hospital visits in the future, we will pay close attention to it as a potential large-scale environment change. (Inagaki)

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

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