(Unofficial Translation)

FY2020-2Q Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: November 13, 2020 17:00 - 17:45

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

2Q Results

Q: Can you elaborate on the situation regarding the decrease in new policies at DL in the first half?

A: In the first half amid declaration of state of emergencies in April, the first priority was given to ensuring the safety of customers and employees as well as cooperating for preventing the spread of COVID-19 in various regions. As a result of implementing self-restrictions on face-to-face sales activities new business ANP decreased to approximately 40% of the prior year level.

Q: Please explain the sales outlook for the second half. Are there any cases observed that sales contracts which could not be closed during the self-restraint period, and as a result the sales in October are higher than expected?

A: DL resumed sales activities in the life plan designer channel since October, and its sales has recovered to 80-90% compared to the same month of the previous year. It is observed that new policies that could not be completed during the self-restraint period are being closed in the second half. However, we expect it will take some time for sales to fully recover to the same level compared to the past years, as restriction for visiting the worksites remains. Going on, we would like to develop and promote new products. For FY2020, we have not set quantitative sales targets for sales offices to give priority to the safety of customers and employees. On the other hand, in order to respond to changes in customers’ behavior and needs amid the spread of the COVID-19, we are considering introducing contactless sales processes using video calls and SNS on company-provided smartphones. To improve productivity, we are investing in a digital platform, and are considering remote sales support from the head office and the integration of sales offices in the next medium-term management plan.

Q: What are the factors behind the continued growth in new business ANP at NFL from Q1? While traditional sales channels are struggling, companies that mainly sell online are also growing. Can we assume that offered products and channels meet the changing needs of customers?

A: NFL mainly offers standalone medical insurance products through direct channel, in addition to insurance shops, independent professional agencies, and telemarketing agencies. Due to rising medical insurance needs and the ongoing digitalization of these channels, new business ANP results were robust.

Q: Why did ordinary revenues at PLC for Q2 fall YoY?

A: Significant movement in investment assets in separate accounts due to change in market environment from the end of the 1Q till the end of the 2Q resulted in ordinary revenues decrease at PLC.

Q: What are the reasons for the decrease in claims payment at DL?

A: The decrease in death benefits at DL was due to a decrease in in-force policy amount, and the decrease in hospitalization benefits was attributable to a decrease in other medical claims due to the spread of COVID-19.

Q: Based on the fact that PLC's claims payment related to COVID-19 are on-track, can we assume that they are in line with your expectations?

A: Almost all of the claims payments made by overseas group companies that are shown on page 2 are made by PLC. Although the percentage of actual death cases versus PLC's plan is high, the benefit payments amount is generally in-line.

<u>Shareholder Returns</u>

Q: Can we expect that 24.5 billion yen, which was deducted from group adjusted profit for shareholder's payout calculation in FY2019, could be reversed for FY2020?

A: For FY2019 shareholder payout base was based on recognized actual adjusted profit of 250 billion yen, given the sharp and significant increase of valuation gains on foreign exchange forward contracts corresponding to the unrealized gains of foreign currency-denominated bonds. For FY2020, we are considering adjustment to increase the amount because the loss in the current fiscal year is in a form to offset the valuation gains observed in the previous fiscal year. As changes in accounting profits and shareholder payout base due to sudden and significant financial market fluctuations are not desirable, we would like to consider what should be the optimal shareholder payout base in the future.

Q: In FY2019, 24.5 billion yen was deducted from group adjusted profit for shareholder payout base as if the Company wanted to adjust it to 250 billion yen. In this sense, can you share your view on how you will make a decision in the future. For FY2020, group adjusted profit forecast is 180 billion yen. Can we expect that group adjusted profit will reach 200 billion yen, adding 20 billion yen?

A: Adjustments in the previous fiscal year corresponded to the temporary upside in gains on derivative transactions resulting from sudden and significant financial market fluctuations in March 2020. It does not mean that the definition of group adjusted profit has been changed, only the actual profit level was considered to be around 250 billion yen. For FY2020, although it depends on future financial markets conditions, the level may be as you stated in the question if the current market environment remain.

EEV

Q: As given on page 4, of the factors behind the change in value of new business, 10 billion yen in salary compensation was recorded in first half. Is it correct to assume that it is a half of the annual forecasted 20 billion yen disclosed with Q1 results in August?

A: Your understanding is correct.

Q: Please share the breakdown of "experience variances and assumptions change" of approximately 730 billion yen regarding the causes of group EEV change shown on page 4.

A: As for EEV at the end of Q2, it is a preliminary figure and has not been verified by a third-party. Therefore, the same movement factor analysis as for the full-year disclosure has not been conducted. Having said that, almost all of the approximately 730 billion yen is economic variances. This consisted of an increase in unrealized gains on equity holdings, a rise in domestic interest rates, and a decrease in spreads that impacted DFL, while a decrease in U.S. interest rates unfavorably impacted PLC.

Future Outlook

Q: It was reported that Financial Services Agency is considering a standard change for fundamental profit and introducing reserves for the foreign currency denominated products. If such changes are implemented will they mainly impact DFL? And will the product designs be also impacted?

A: As we continually emphasize economic value indicators and group adjusted profit as performance indicators, management stance will not change even if there is a change in the standard for fundamental profit. DFL expects the low interest rate environment in the U.S. to continue and therefore, regardless of regulatory trends, DFL is working to develop products such as asset succession-type products that leverage insurance functions such as inheritance and making gifts during one’s life time.

Q: How does the revision of assumed interest rate for group pension products affect?

A: As released on October 29, 2020(1), effective from October 2021, DL will reduce the assumed interest rate and assumed expense rate for group pension (general account) and provide alternative solutions after the reduction. The assumed interest rate will decline by 1% against the balance of the applicable group pension insurance of 2.7 trillion yen, but because it is expected to increase policyholder dividends and other factors, net income will have a positive impact of around 10 billion yen.

(1) Available only in Japanese language.

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

[Abbreviated company names]

DL: Dai-ichi Life, DFL: Dai-ichi Frontier Life, NFL: Neo First Life, PLC: US Protective, TAL: Australia TAL

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