

Financial Analyst Conference Call for the Six Months Ended September 2020

November 20, 2020

Dai-ichi Life Holdings, Inc.



Dai-ichi Life
Holdings

Timetable



Dai-ichi Life
Holdings

Time	Agenda	Presenter	Title
Group Management Strategy & Sales Representative Channel Strategy of Dai-ichi Life			
15:30-15:55	- FY2020 First Half Results - Next Medium-term Management Plan - Sales Representative Channel Strategy of Dai-ichi Life	Seiji Inagaki	President and Representative Director, Dai-ichi Life Holdings, Inc. The Dai-ichi Life Insurance Company, Limited
15:55-16:20	- Q&A Session - 1		
Domestic Life Insurance Business Strategy			
16:20-16:30	- Dai-ichi Frontier Life	Masao Taketomi	President and Representative Director, The Dai-ichi Frontier Life Insurance Co., Ltd.
16:30-16:40	- Neo First Life	Yuji Tokuoka	President and Representative Director, The Neo First Life Insurance Company, Limited
16:40-17:00	- Q&A Session - 2		

Group Management Strategy

FY2020 First Half Results Next Medium-term Management Plan

Seiji Inagaki
President and Representative Director,
Dai-ichi Life Holdings, Inc.



Dai-ichi Life
Holdings

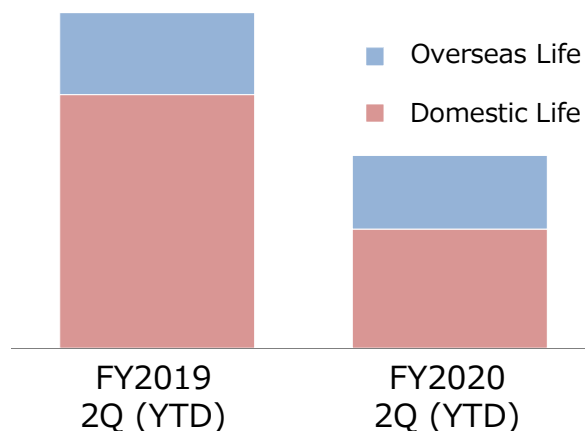
Highlights - 1



Sales Results

New Business ANP
First Half¥85.9bn
(down 43% YoY)Domestic Life
(YoY)¥52.9bn
(down 53%)Overseas Life
(YoY)
(After TAL Adj.⁽¹⁾)¥33.0bn
(down 10%)
(up approx.2%)In-force ANP
from prev. FY end

up 0.5%



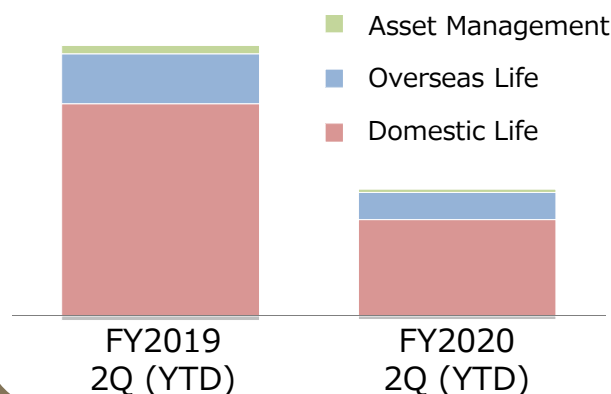
Group Adjusted Profit

First Half

¥84.1bn
(down 54% YoY)Losses on derivative
transactions at DL
(Gains recognized in
the prev. 4Q⁽²⁾)(¥126.2bn)
¥103.0bnVersus
Annual Forecast

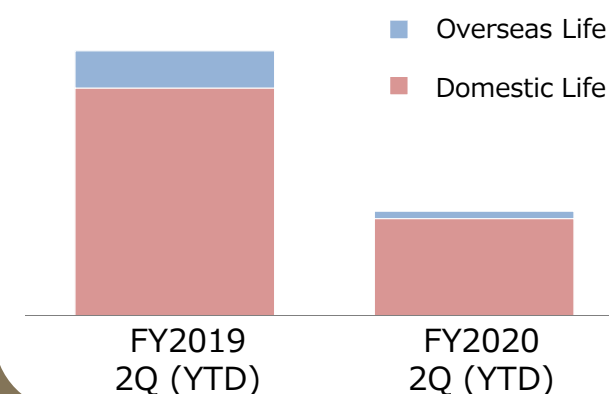
47%

On track to achieving our annual forecast



Value of New Business

First Half

¥25.6bn
(down 61% YoY)Domestic Life⁽³⁾
(YoY)¥23.7bn
(down 57%)Overseas Life
(YoY)¥1.8bn
(down 80%)A decline in U.S. interest rates affected PLC
and a reactionary decline in group insurance
effected TAL

(1) Figures exclude a reactionary decline from a group insurance contract secured in the same period of the previous fiscal year at TAL.

(2) Changes in net gains (losses) on derivative transactions from the previous fiscal year 3Q (end of Dec.) to 4Q (end of Mar.) are shown.

(3) In light of the spread of COVID-19, DL excluded (i) approximately ¥10 billion in salary compensation and (ii) a portion of operating-related fixed costs of approximately ¥40 billion from the calculation of the value of new business and deducted the amount directly from adjusted net worth of EEV.

Highlights - 2

Dai-ichi Life
Holdings

Group EEV

As of
Sep. 30, 2020 **¥6,562.8bn**
(vs end of Mar.) (up 17%)

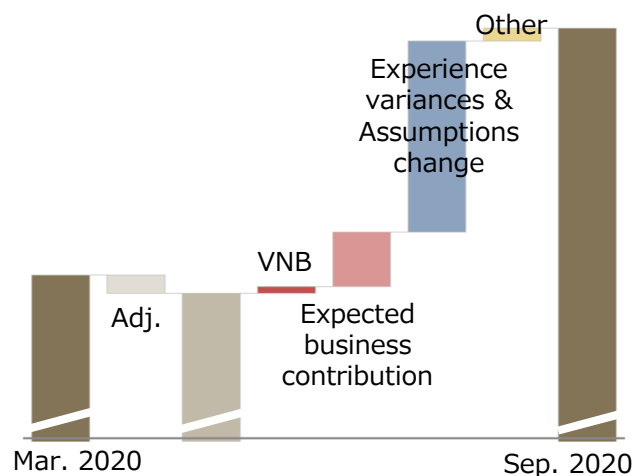
Value of new business &
expected business
contribution

approx.
¥230bn

Experience variances &
assumptions change

approx.
¥730bn

EEV ¥6.5tn

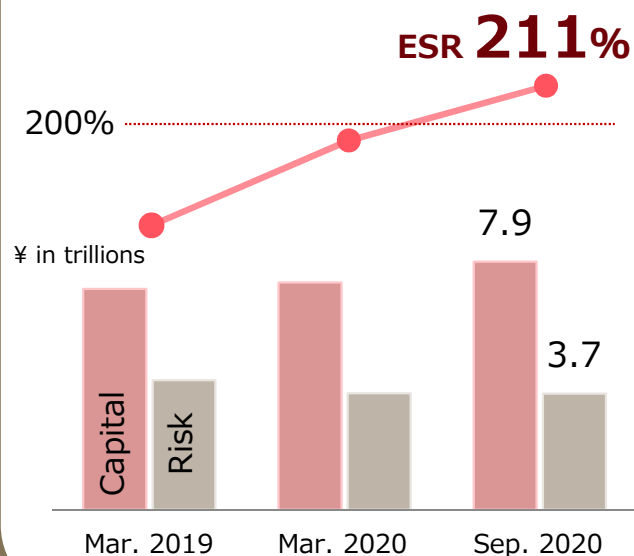


Economic Solvency Ratio

As of
Sep. 30, 2020 **211%**
(vs end of Mar.) (up 16%pts)

<Increase/Decrease Factors>

- [Capital] + Rise in domestic interest rates
 + Increase in stock prices
 (increase in unrealized gains)
- [Risk] - Market risk reduction initiatives
 - Rise in domestic interest rates
 + Increase in stock prices



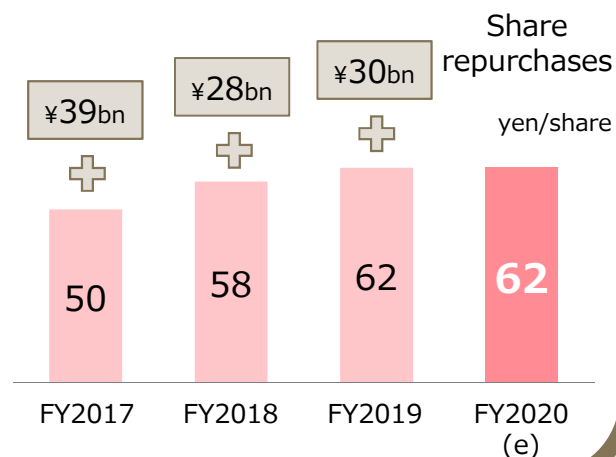
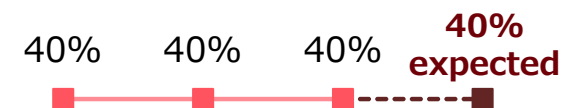
Shareholder Payouts

Est. dividends per
share for FY2020 **62 yen**
(YoY) (flat)

Completed share repurchases of ¥30bn
based on FY2019 financial performance
(as announced on Aug. 12)

Our current total payout ratio target for
FY2020 is 40%

Total payout ratio of group adjusted profit



Group Economic Value based Risk Profile



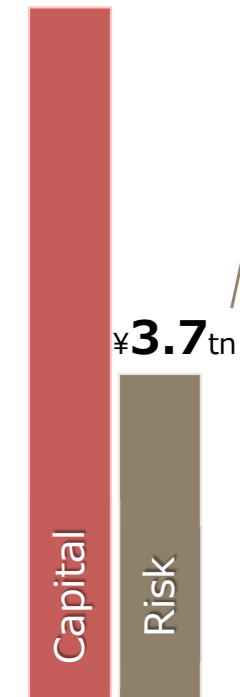
Dai-ichi Life Holdings

Integrated Risk Profile of the Group ⁽¹⁾ (As of September 30, 2020, before risk diversification effect between insurance and market risk)

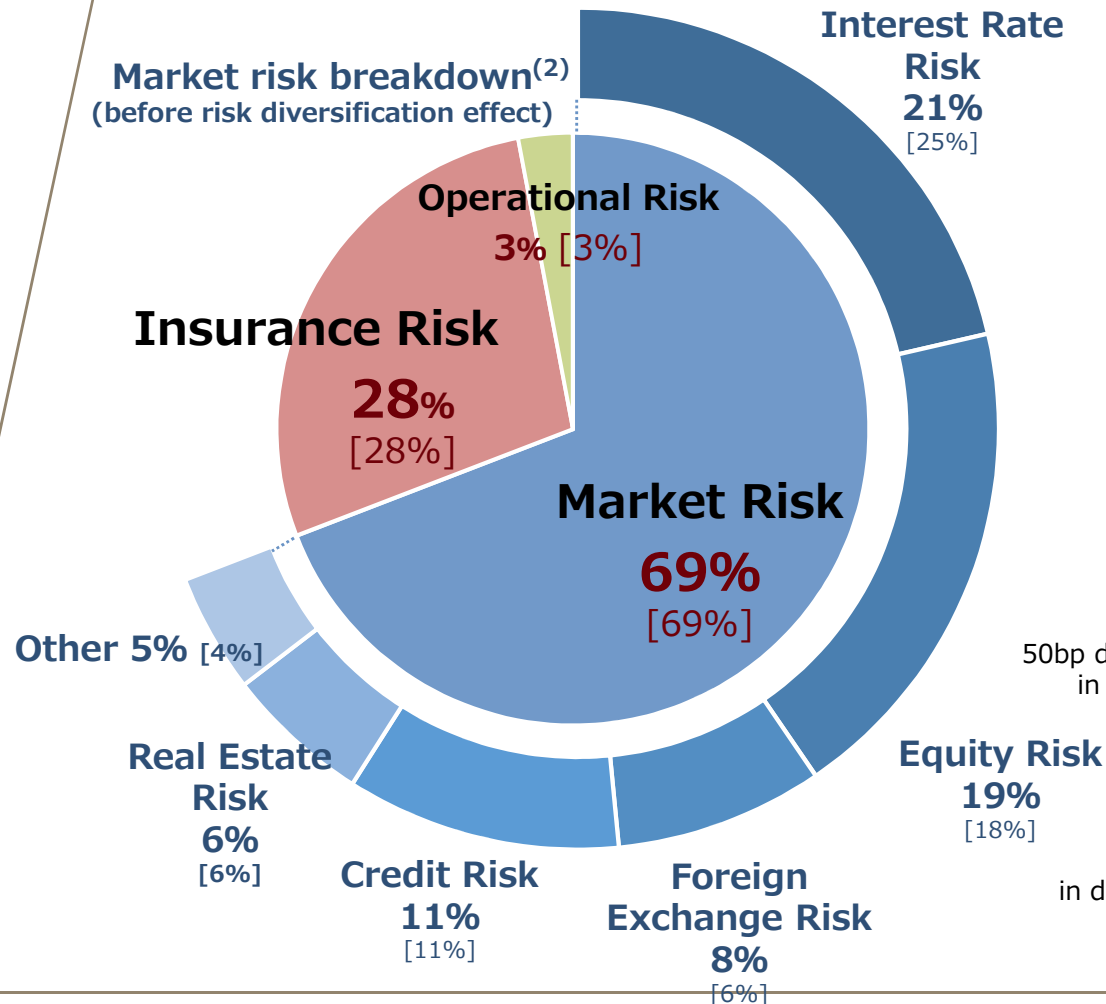
Figures in [] are as of March 31, 2020

Economic Solvency Ratio
211%

¥7.9tn



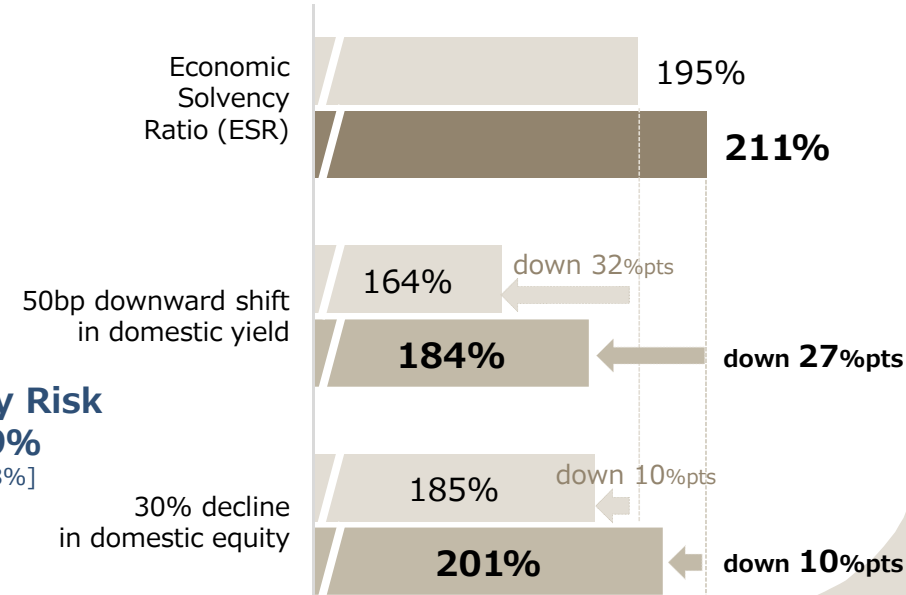
End of Sep. 2020



- ▶ Market risk remained flat compared to March 31, 2020 at 69%
- ▶ Proportion of interest rate risk and sensitivity to a downward shift in domestic yield was suppressed due to implementation of risk reduction measures

ESR Sensitivities

■ [top] Mar. 2020 ■ [bottom] Sep. 2020



(1) Excludes yen-conversion risk on Group consolidation.

(2) Percentages for market risk are proportionally divided before considering risk diversification.



Interest Rate and Equity Risk Reduction (Current Status)

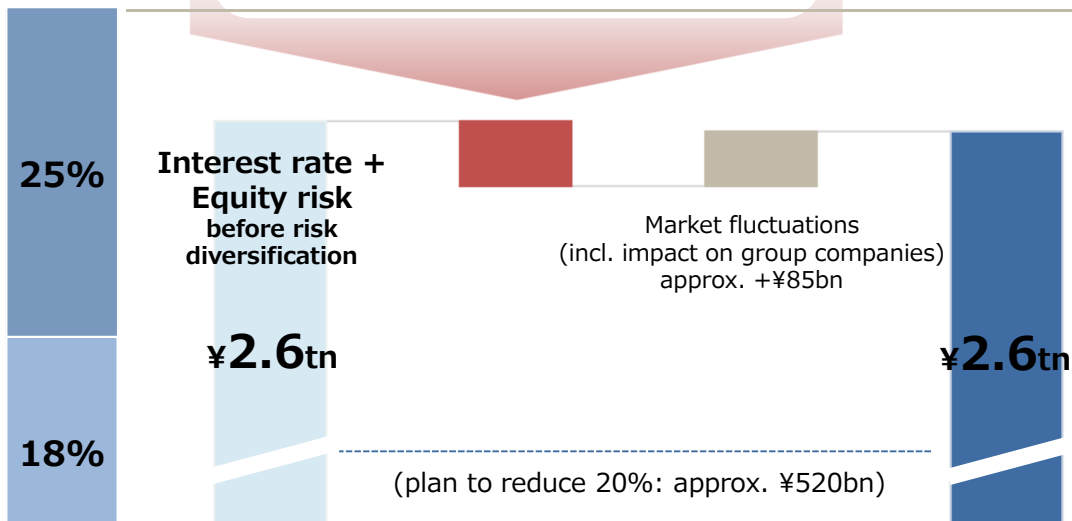
Market Risk Breakdown and Changes in Interest Rate and Equity Risk

(DL) Impact of Risk Reduction Measures

Reduction of approx. **¥100bn**

Mainly accumulation of approx. ¥540bn in policy reserve matching bonds and duration lengthening

End of
Mar. 2020
69%



[Key Indicators]

Nikkei 225

¥18,917

up 23%

¥23,185

20 yr. JGB yield

0.32%

up 8bp

0.40%

USD/¥ TTM

¥108.8

down 3%

¥105.8

- Interest rate risk reduced due to active bond accumulation
Expecting reduction in equity risk in the second half
- Increase in interest rates during the period had a significant impact on improvement in EEV sensitivity to interest rates

End of
Sep. 2020
Market Risk
69%

EEV sensitivity

50bp downward shift in domestic yield

(End of Mar. 20)

-9%

(End of Sep. 20)

-6%

10% decline in domestic equity

(End of Mar. 20)

approx. -5%

(End of Sep. 20)

approx. -5%

Interest Rate and Stock Sensitivity Total

(plan to reduce 20%: approx. -3%pts)

(End of Mar. 20)

approx. -14%

(End of Sep. 20)

approx. -11%

Interest Rate

25%

Equity

18%

Foreign Exchange

6%

Credit

11%

Real Estate

6%

Other

4%

21%

19%

8%

11%

6%

5%



Next Medium-term Plan – Recognition and Direction (Key Challenges)

Surrounding Environment

- ✓ Change in values (behavior, needs) of customers due to COVID-19
- ✓ Accelerated advancement in technology
- ✓ Prolonged global low interest rate environment

Management Challenges

- ▶ Major turning point for life insurance companies
- ▶ Become a customer choice as a high-quality corporate entity through unprecedented transformation for sustainable growth and contribution in a new world we live in

Direction for the Next Plan

- ▶ **Value creation and improvement in productivity based on customer experience**
- ▶ **Maximize contributions from existing businesses and implement new growth strategies**
- ▶ **Reinforce market risk reduction measures**
- ▶ **Promote liability structure reforms**
- ▶ **Disciplined allocation of capital and enhancement of shareholder payouts**
- ▶ **Achieve capital efficiency in excess of cost of capital**

Key Challenges

Business Strategy

[Japan] Transform business model for sustainable growth

[Overseas] Build a business portfolio to drive growth

Financial Strategy

Transition to insurance risk-centric risk profile

Generate stable cash flow and capital

Capital Strategy

Balance growth investments and shareholder payouts

Fundamental improvement of group capital efficiency

Domestic Business Strategy – Intended Business Model

Business model to gain a competitive edge and be the customer's choice

Reform of Basic Values

Marketing centered on products and channels

CX*/Value delivery
[From the viewpoint of customers]

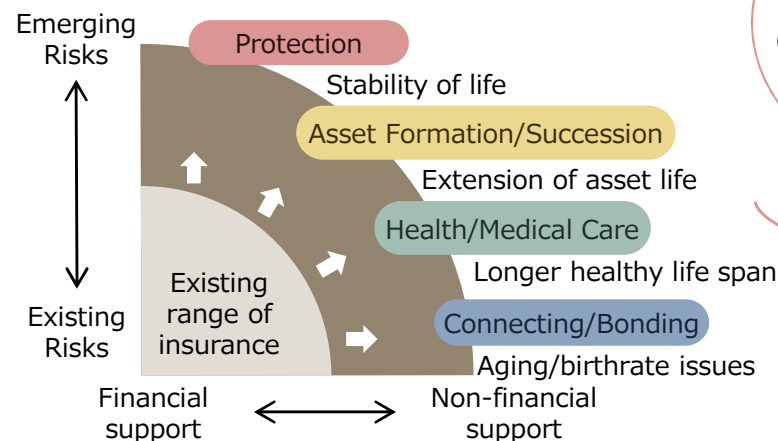
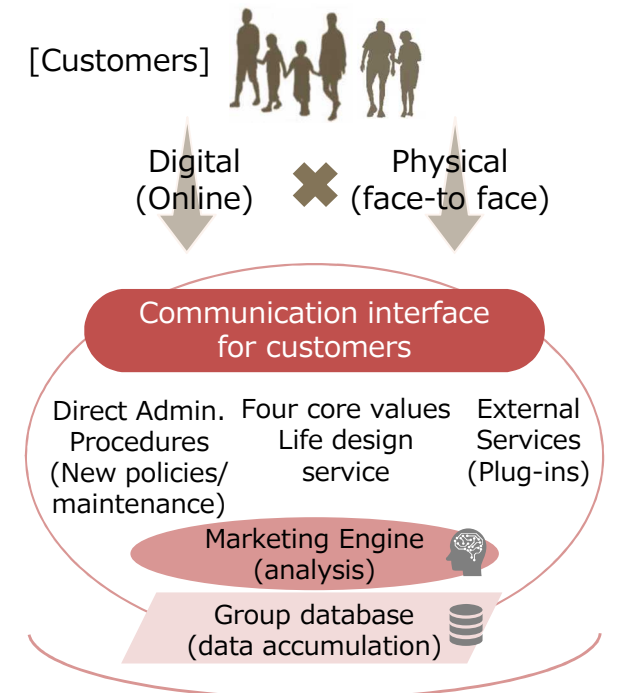
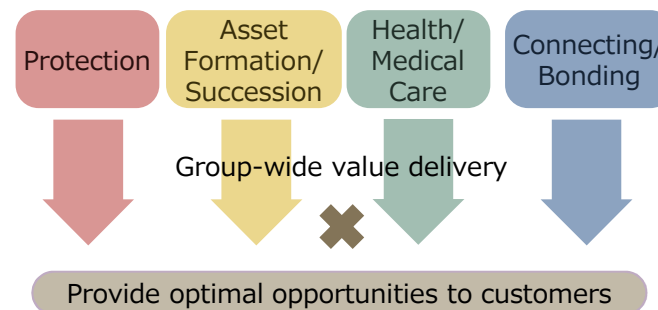
Have customers appreciate value through continuous customer experience

*Customer Experience

Intended Business Model

- ▶ Improve quality of life based on CX
- ▶ Expand and deepen business domains based on four core values (Develop towards global markets)

- ▶ Create an interface for customers to engage with us on a regular basis



Establish a Foundation for Sustainable Growth

Value provided to customers

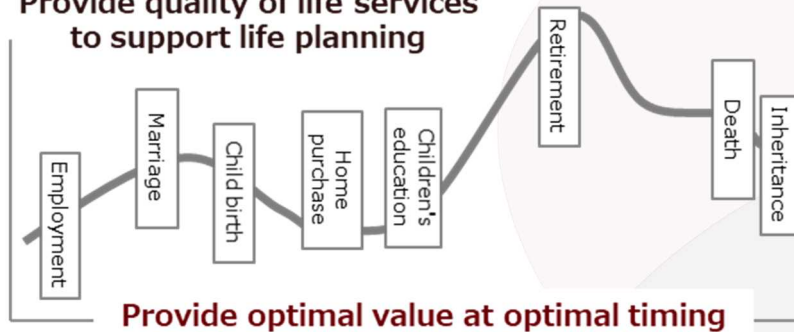
Time axis

Next Medium-term Management Plan Domestic Business Strategy – Expand and Deepen Business Domains based on Four Core Values

Protection

- ▶ Expand product/underwriting and services to improve quality of life for high customer satisfaction and appreciation
- ▶ Expand non-physical procedures and direct operations where people live with COVID-19

Provide quality of life services to support life planning



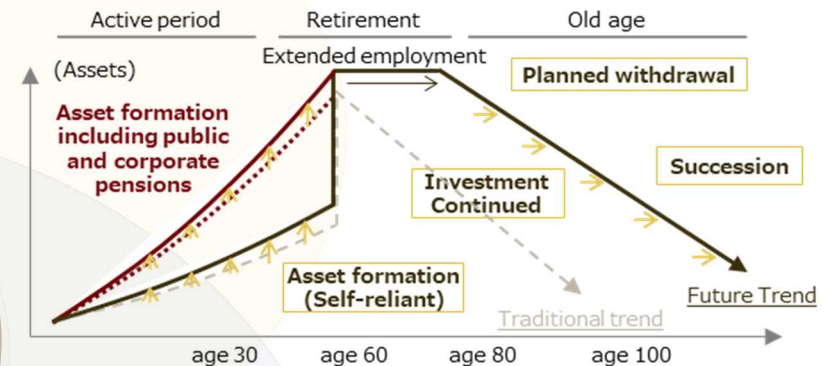
Sharpen competitive edge with existing life insurance business

Asset Formation/Succession

- ▶ Leverage the strengths as a life insurer in product development and consulting services for asset formation and succession

- ▶ Manage assets with an asset formation platform

[Asset formation Phase] [Withdrawal phase]



Platform
for delivering
four values

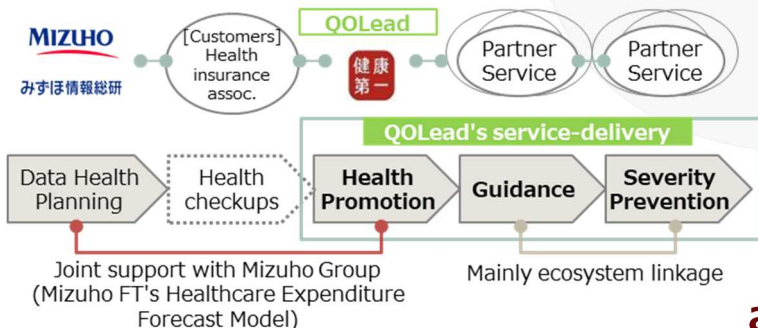


Connecting/Bonding

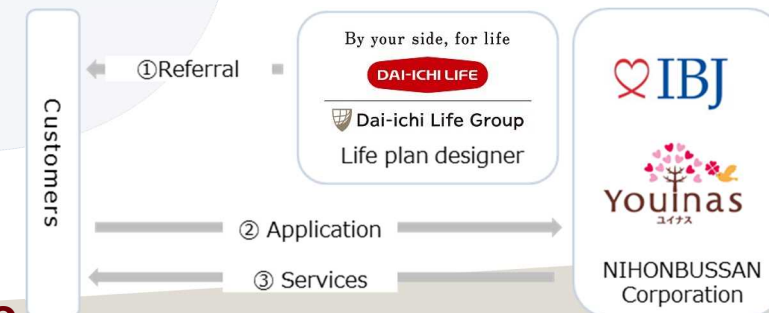
- ▶ Create new points of contact with customers and insurance opportunities through efforts to resolve issues for an ideal society
- ▶ Engage in proactive business partnerships with external partners (e.g.: matchmaking business)

Health/Medical Care

- ▶ Progressive expansion of prevention domain (dementia etc.)
- ▶ Develop fee-based businesses by creating ecosystems peripheral to life insurance (e.g.: medical expense support for health insurance associations)



Acquire new organizational abilities for innovation and to strengthen competitiveness



Next Medium-term Management Plan

Financial Strategy - Dai-ichi Life Group Risk Profile Reform

(excerpt from presentation in May)

Insurance Risk Taking and Market Risk Mitigation

Surrounding Environment

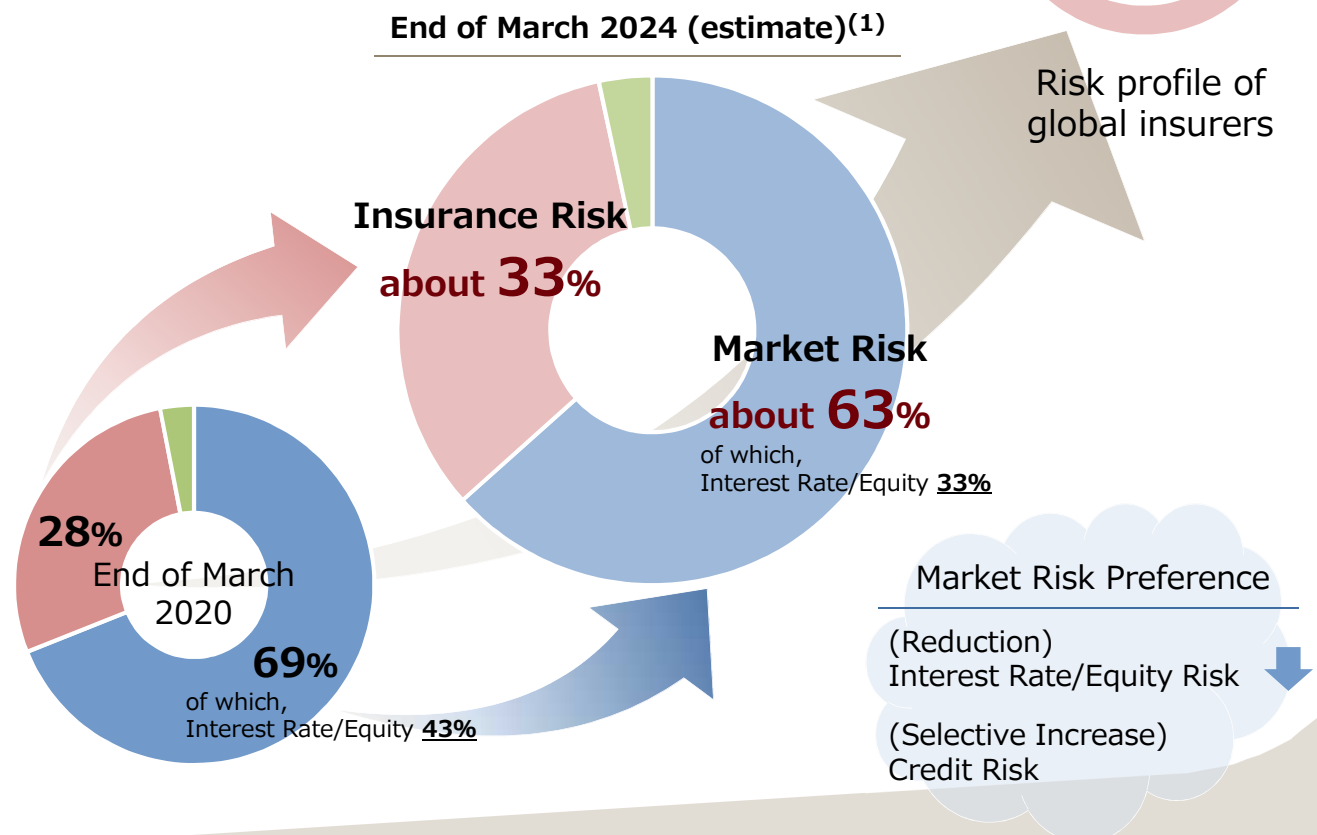
- ✓ Prolonged low interest rates
- ✓ Regulatory oversight by economic value

- Evaluation of ALM policy based on a sustainable corporate value growth ethic with insight from external experts
 - Group risk profile reform
 - Coordinated market risk mitigation (set targets, PDCA) focusing on interest rate/equity risk
 - Drive ALM based on economic value (Balance between accounting and regulatory oversight)

Now to March 2024 → Future Prospect

- Expansion in domestic 3rd sector, DFL savings products and overseas business
- Early adoption or additional implementation relating to risk reduction plans based on financial environment

**Risk Profile
Mainly Insurance
Risk**



(1) Risk profile as of the end of March 2024 are current estimates by the company before considering risk diversification between insurance risk and market risk.



Our Cost of Capital Based on Capital Asset Pricing Model

Recognition of our cost of capital

Exceeded our previous assumption (8%) at a level of around 10% amid changes in the business environment

Increase in equity risk premium (expected return)

Our stock price vs market beta (β)*

1.8

High at β 1.4 and above even after the introduction of negative interest rates

1.4

Our stock price
20-year JGB yield
TOPIX

Mar. 2010 (IPO) Mar. 12 Mar. 14 Mar. 16 Mar. 18 Mar. 2020

Efforts to Reduce Cost of Capital

Insurance risk-centric risk profile
→ Reduce cost of capital (vs market beta) by weighing more to insurance business that is inherently less volatile

Our rationale behind our high cost of capital

High volatility of economic value capital and risk (EEV and ESR) and periodic profit attributable to DL's assets (bonds, stocks, etc.)

Financial sensitivity to EEV and stock price β ~high correlation~



Aim for beta levels comparable to global insurers by further reducing market risk

Insurance risk-centric global insurers

High

Sensitivity to financial market fluctuation in economic value capital (interest rates and stock markets)

Low

vs market beta (β)

1.8
1.6
1.4
1.2
1.0
0.8

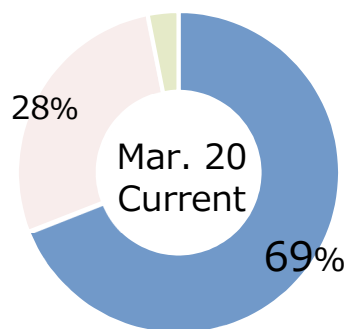
*Image (Sensitivity of economic value-based capital to financial market fluctuations and beta at the end of Mar. 20)



End Mar. 2020 to End Mar. 2024

Aim to achieve within +3 years

Change in group risk profile



Insurance risk
about 33%

Mar. 24
Milestone

Market risk

about 63%

of which, interest
rate and equity 33%

Insurance risk, etc.
(including operational risk)

about 50%

Objective

Market risk

about 50%

Reinforce market risk reduction measures at DL

Assets

[Plan announced in April]
Commitment to reduce 20%
interest rate and equity risk

▶ **Early interest rate risk reduction**

- Expansion of long-term bond purchases

▶ **Expand equity risk reduction**

- In addition to sale of stock equivalent to
market value of ¥700bn based on plan

Drive liability structure reform

Liabilities

▶ **Strengthen strategic reinsurance**

- Expand ceding at DL and leverage intra-group reinsurance
(Establishment of reinsurance company within the group⁽¹⁾)

▶ **Revision to DL group pension product**

(change in assumed rate of return for DL general account)

**Transform to a Business
structure that generates
capital and steady cash flow**

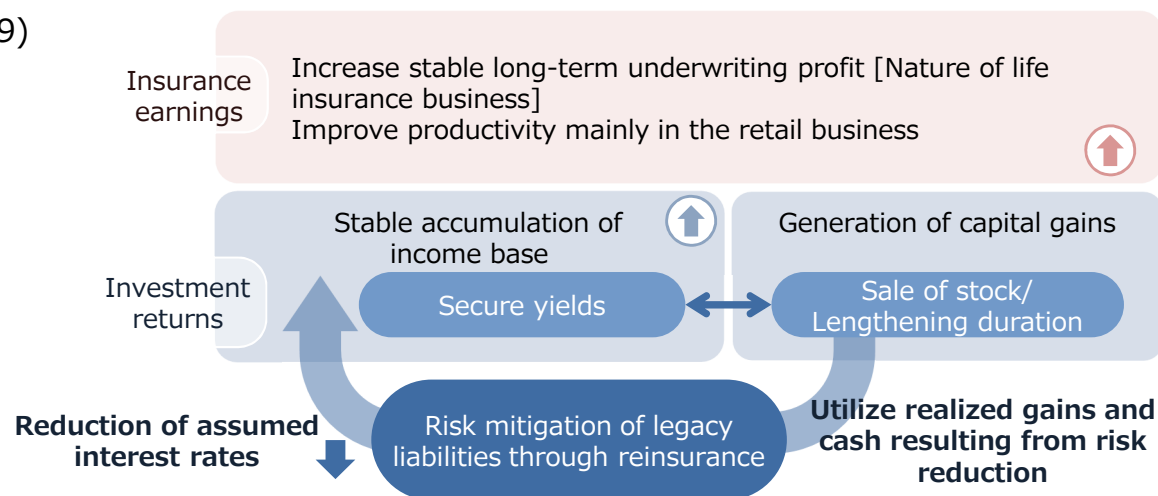


[Surrounding environment and DL management direction]

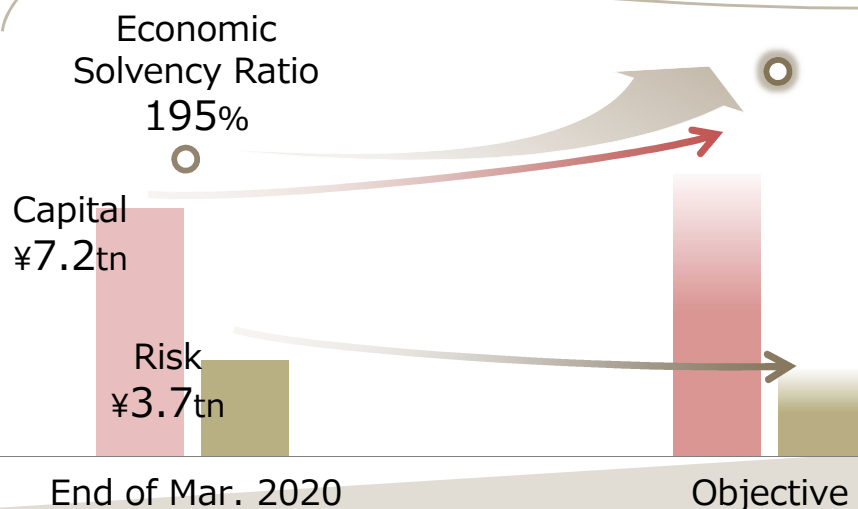
- ① Prolonged global low interest rate environment (+COVID-19)
- ② Revisit the need for early improvement of risk profile
- ③ Accumulate expertise in reinsurance (ceding)

► **Full-fledged risk mitigation of legacy liabilities through organized market risk reduction with assets held**

DL profitability and cash flow structure reform



**Improve profitability/cash flows
and ability to generate capital**



► **Contribute to generate stable capital surplus**

- ✓ Accumulate capital and reduce volatility through stable profits and new life policies
- ✓ Reduce risk and volatility through risk profile reform



Maximize earnings/free cash flow and capital
(Economic value/insurance regulations/financial accounting)

**Free cash flow remitted to the holding company
to be used for optimal capital reallocation and
shareholder payouts**

(Retained earnings at group companies)

- ✓ Secure capital considering financial soundness, growth stage and business characteristics of each group company

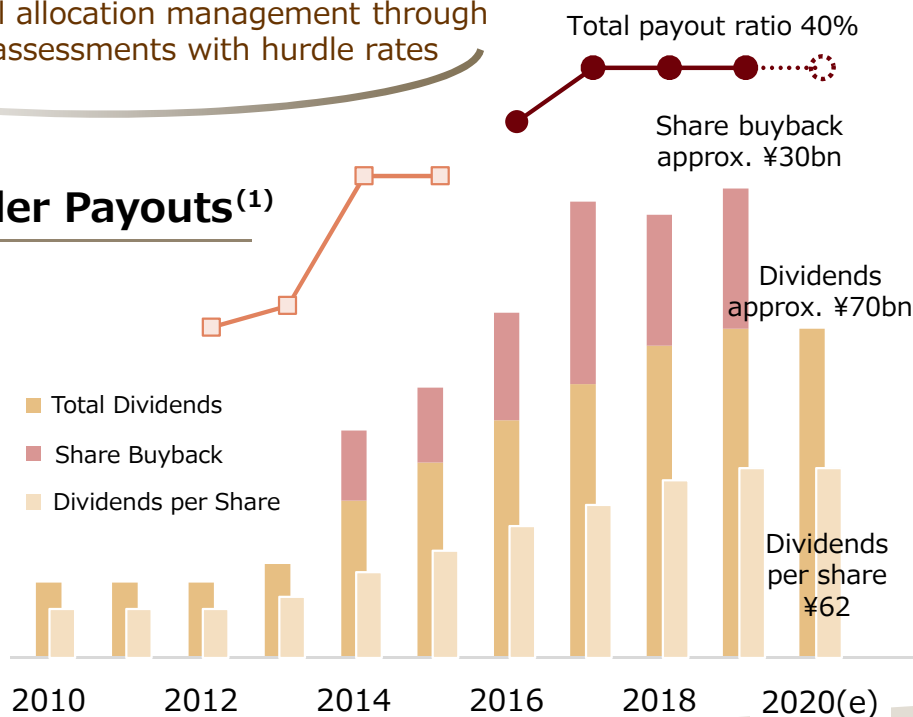
Growth Investment

**Selective investment in high-
growth/highly capital efficient businesses
(incl. capital injection to existing businesses)**

- Disciplined capital allocation management through strict business assessments with hurdle rates

Towards Strong Shareholder Payouts

Shareholder Payouts⁽¹⁾



**Enhance shareholder payouts
through effective use of free cash
flow and excess capital**

▶ **Further enhance share buyback strategy**

▶ **Maintain stable dividends in line with
profit levels**

Next Medium-term Management Plan

Capital Strategy –

Achieve Capital Efficiency in Excess of Cost of Capital



Dai-ichi Life
Holdings

Group EEV, Adjusted Profit and Capital Efficiency

Ideal form

$$\text{Capital Efficiency} \geq \text{Cost of Capital}$$

Our cost of capital

Exceeded our previous assumption (8%) at a level of around 10% amid changes in the business environment

[Improvement of capital efficiency]
&
[Reduction of capital cost]

Value provided to capital markets

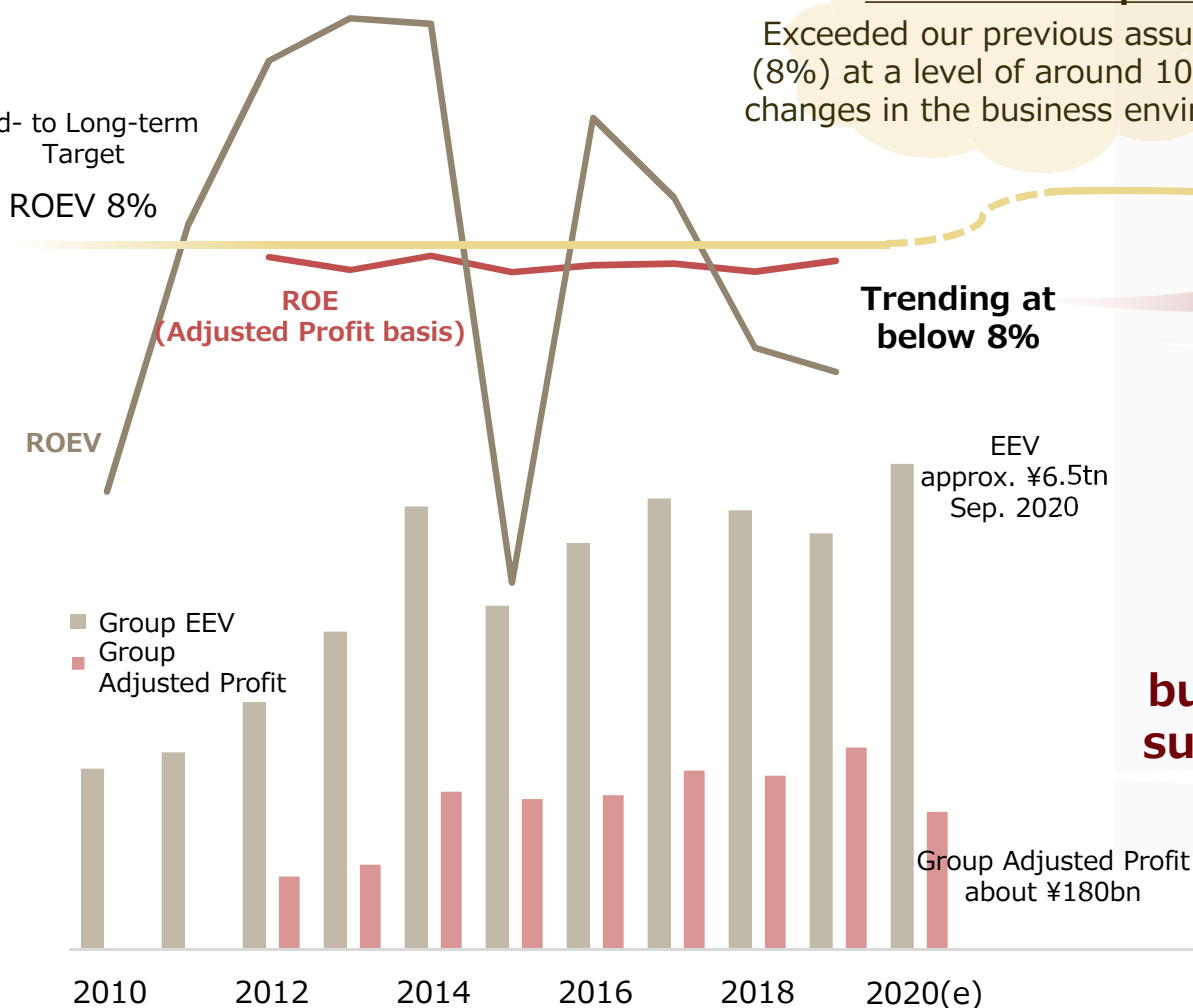
Sustained Value
Delivery to capital
markets

Implementation of
business/financial strategies
supported by capital strategy

Trending at
below 8%

EEV
approx. ¥6.5tn
Sep. 2020

Group Adjusted Profit
about ¥180bn



Time Axis

Next Medium-term Plan – Challenges and Direction (Summary)



Sales Representative Channel Strategy of Dai-ichi Life

Seiji Inagaki
President and Representative Director,
The Dai-ichi Life Insurance Company, Limited

By your side, for life

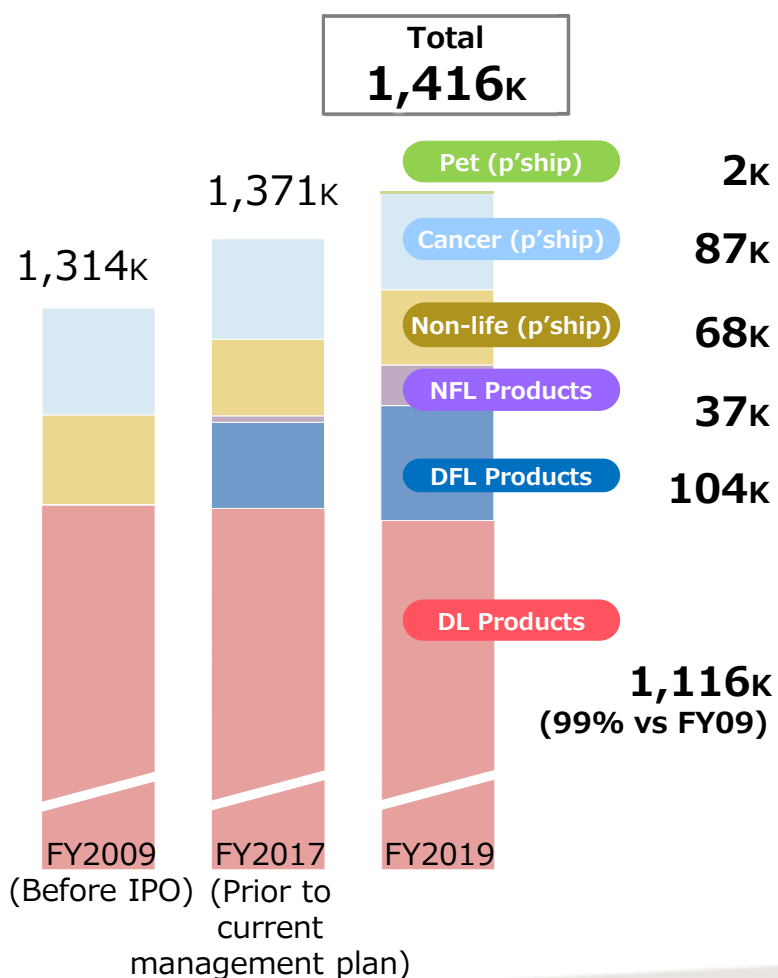
DAI-ICHI LIFE

 Dai-ichi Life Group

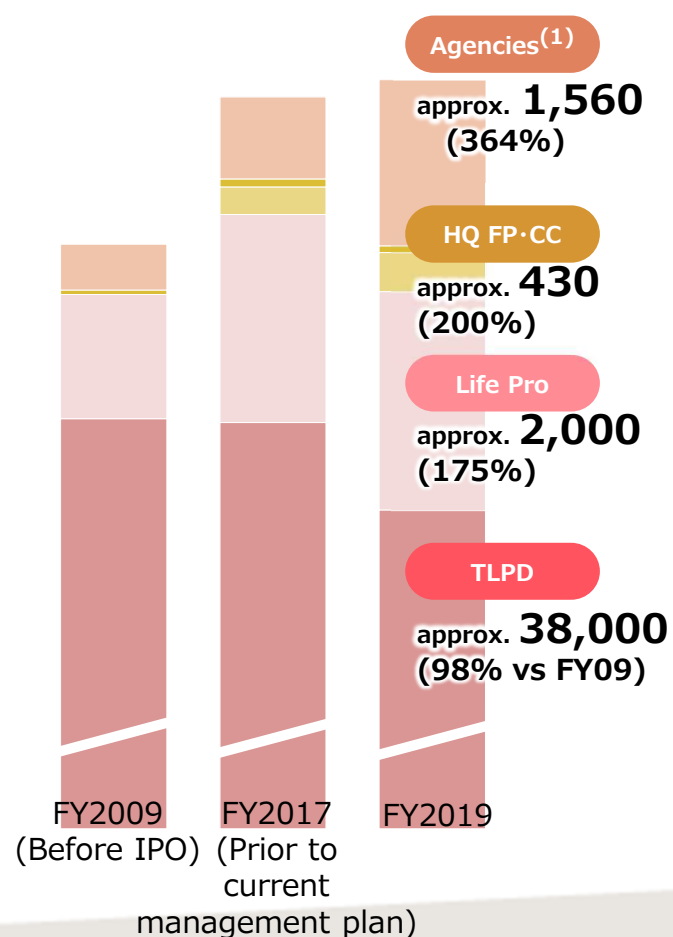
Review of our Multi-brand, Multi-channel Strategy

- ▶ Driven by our strategy, DL product sales, including group/partnership company products expanded
- ▶ More Life Professionals and HQ based consultants, expansion of agencies at DL channel
Total Life Plan Designers formed a stable channel foundation with improvement in retention

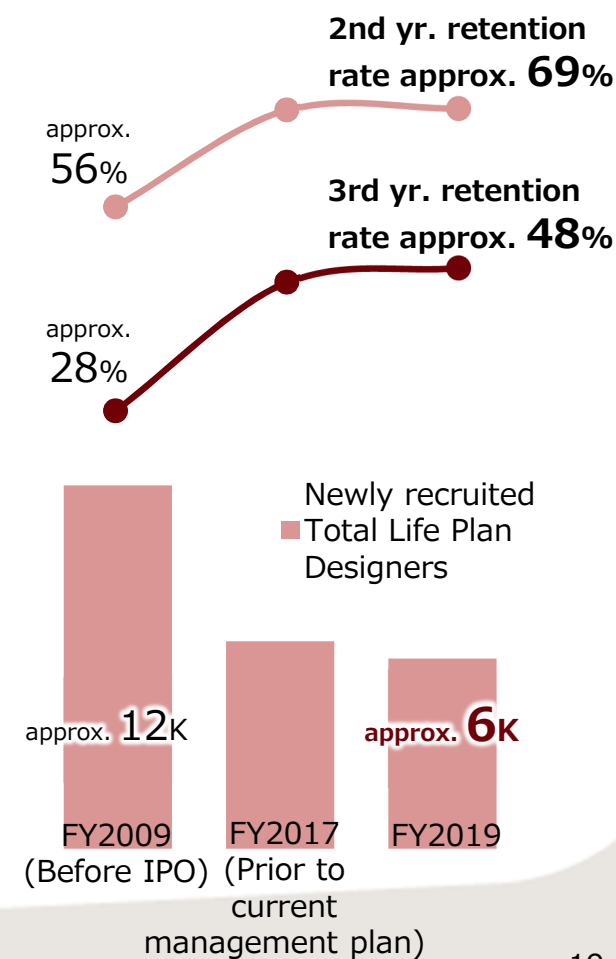
DL Unit Sales by Brand



Number of employees in the DL channel/number of agencies



Retention rate of Total Life Plan Designers⁽²⁾



[Channel Name] TLPD: Total Life Plan Designers Life Pro: Life Professionals HQ FP: Headquarter based Financial Planners CC: Customer Consultants

(1) Agencies entrusted excluding Sampo Japan agencies (FY2019: approx. 2,500) (2) Retention rate after a certain period of time after recruitment

Challenges of the Domestic Business and Initiatives Going Forward

Structural Challenges	Social Surrounding	<ul style="list-style-type: none"> Secure a sustainable customer base amid declining birthrate and aging population Create value that eases concerns about the viability of social security
	Business Operations	<ul style="list-style-type: none"> Efforts to improve the productivity of the Total Life Plan Designer channel Offer high quality services to boost customer satisfaction Leverage technological innovations in various business operations



Spread of COVID-19

Change in customer values and behavior
Standardization of digital/online/remote

Urgent need to respond

Initiatives
Going Forward

Provide value that is chosen and satisfies our customers

- ✓ Improve sales channel productivity through topline growth and cost reform
- ✓ Gain a competitive edge by drastically improving customer satisfaction

Raise capabilities
of sales reps

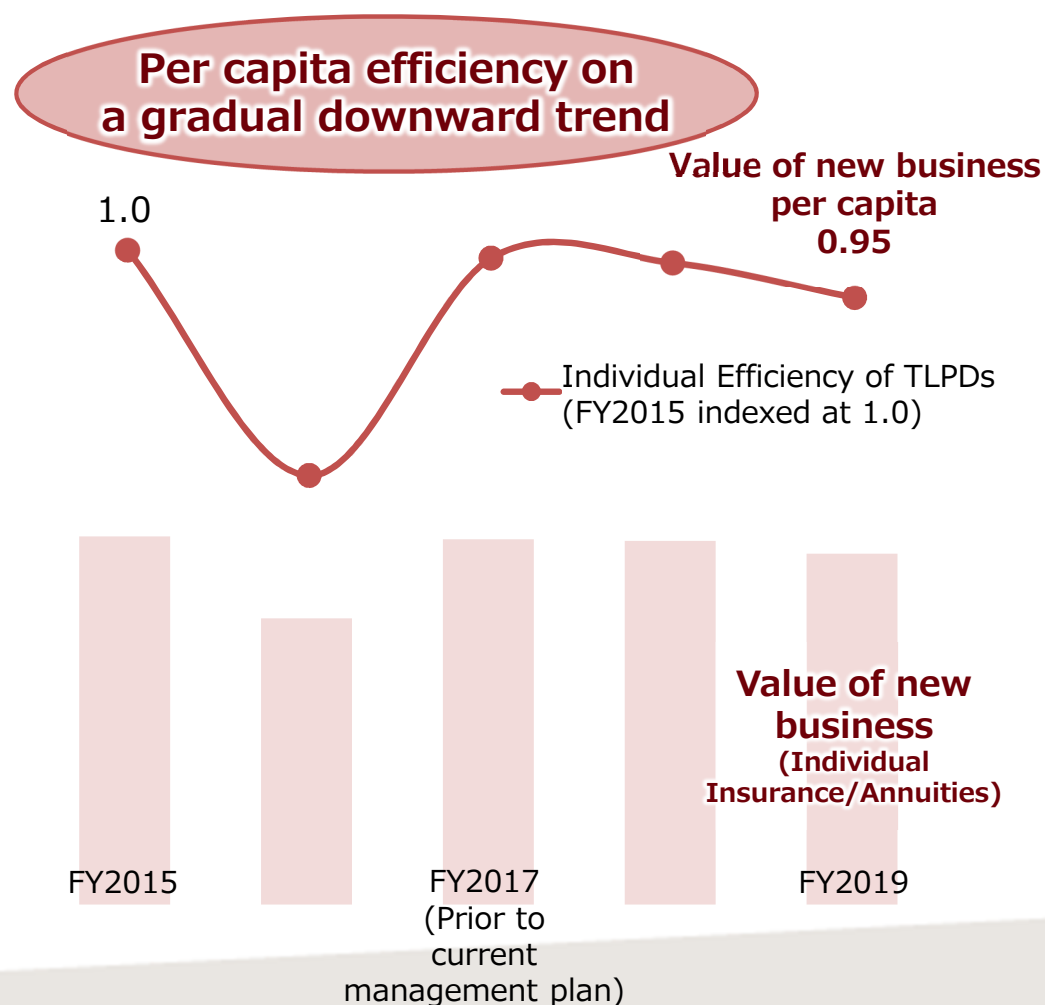
More efficient
sales support

Effective use
of digital technology

[Challenges] Review of Productivity and Costs of the Sales Channel

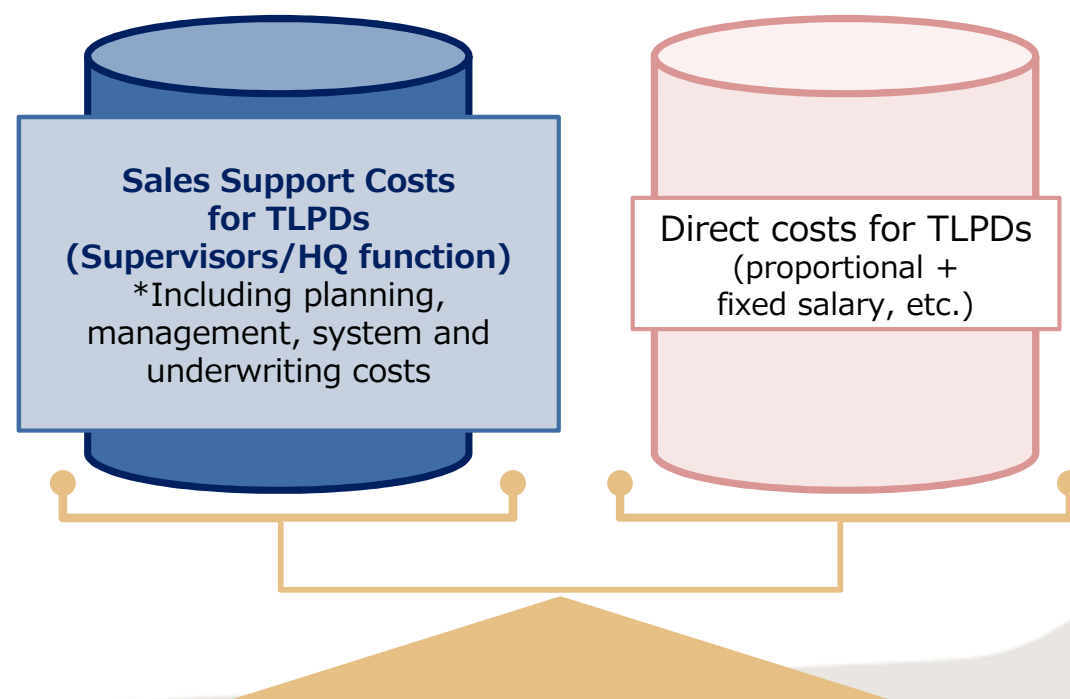
- ▶ Productivity of sales reps has gradually declined over the past few years calling for full-scale efforts for improvement in light of changes in the business environment
- ▶ At the same time, it is necessary to streamline costs for sales support

Efficiency of Total Life Plan Designers (TLPDs)



Sales Support Costs for New Policies

Diagram of cost per new policy⁽¹⁾

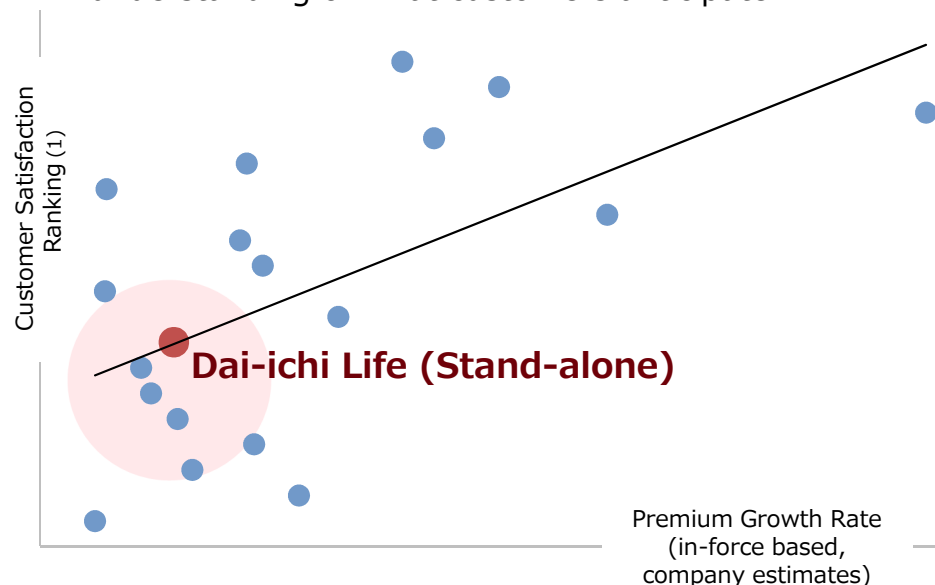


(1) Based on FY2019 figures

[Challenges] Customer Satisfaction and Utilization of Digital Technology

Improving Customer Satisfaction and Business Growth

- ▶ Certain correlation between customer satisfaction and growth rate of in-force policies
- ▶ There is a need to provide value with a deeper understanding of what customers anticipate



- Items with lower degree of satisfaction compare to peers⁽¹⁾



Need for Utilizing Digital Technologies

- ▶ Further leverage digital technology to create new value that caters to customers, channels and employees

Customers



- Standardize digital and online
- Increase in channel and product options
- Changes in customer attributes
- Harder to secure new customer contact points

Stress-free
customer experience

Attractive
new services

Customer-driven
channel selection

Channels



- Pursue balance between physical/digital
- Entrants from other industries and possibility of the emergence of new channels
- Online procedures and improve efficiency

Sales activities
anywhere

Attractive
new products

Task simplification/
Paperless operations

Employees



- Establish full digital operations
- Fundamentally review BCP

Standardization of
digital operations

Marketing focused on
customer experience

BCP for a new era

The Future of the Total Life Plan Designer Channel

- ▶ Shift to values that aim to improve customer satisfaction more than ever
- ▶ Build a robust channel structure to improve customer satisfaction, productivity and profit

Until Now

Objective	Maximize both New Business and Customer Satisfaction with Equal Emphasis
Salesforce	Focused on both scale and efficiency
Activities (Individual efficiency)	Provide value mainly focused on protection Mainly face-to-face communication
Recruitment	Recruitment policy focused on both scale and efficiency
Training/ Education	Single training system Different educational styles by instructor
Support Costs	Relatively high sales support costs
Goal	Focused on top-line

Shift in Values

Direction

Maximize new business as a result of maximizing customer satisfaction

- Focus more on efficiency (quality)

- Delivery of 4 values (expand regular interaction)
- Efficient sales activities by taking in quantitative and qualitative aspects through digital integration

- Recruitment policy focused more on efficiency

- Training system based on individual capability
- Efficient education system delivered online

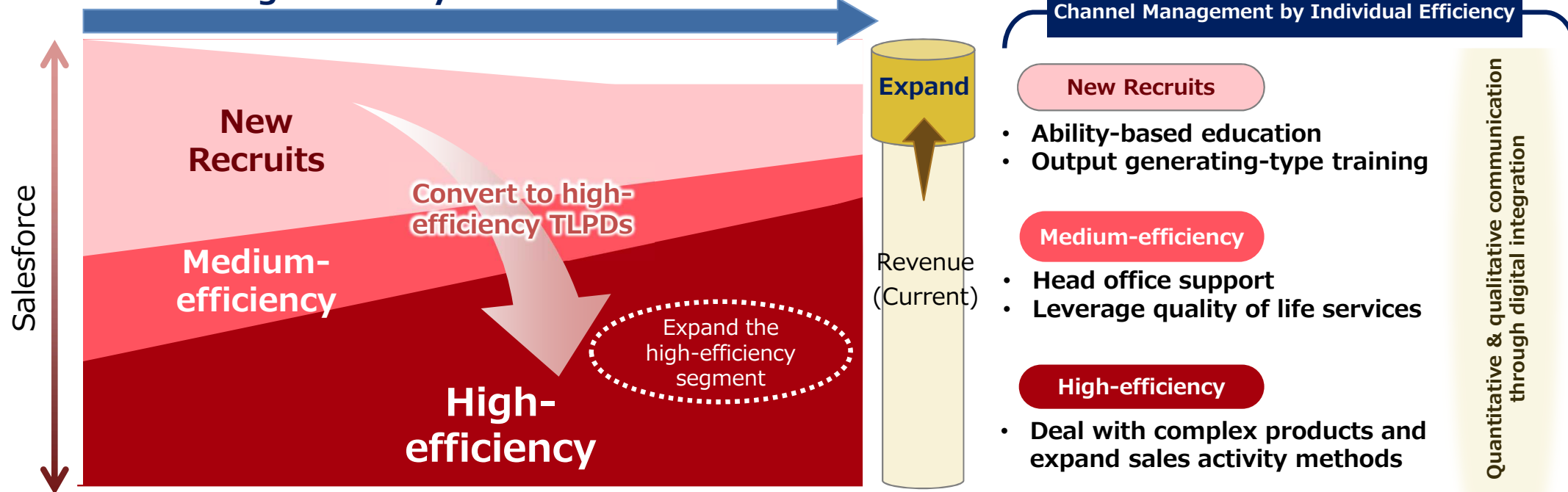
- Streamline sales support costs with active utilization of efficient digital tools

- Focus on customer satisfaction and no. of customers
- Focus on the bottom-line as well

Improving Total Life Plan Designer (TLPD) Efficiency

- ▶ Focus on expanding the high-efficiency segment of TLPDs to maximize bottom-line
- ▶ Increase efficiency of new recruits and the medium- efficiency segment with quantitative and qualitative communication through digital integration

Raising Efficiency of Individual TLPDs



Further develop sales support to TLPDs

Managers/Trainers/Administrators

- Efficiency through remote management
- Integrate functions to head office, etc.

Head Office/Branch/Sales Offices

- Efficient usage of space with shares offices, etc.
- Increase productivity as a link with local communities

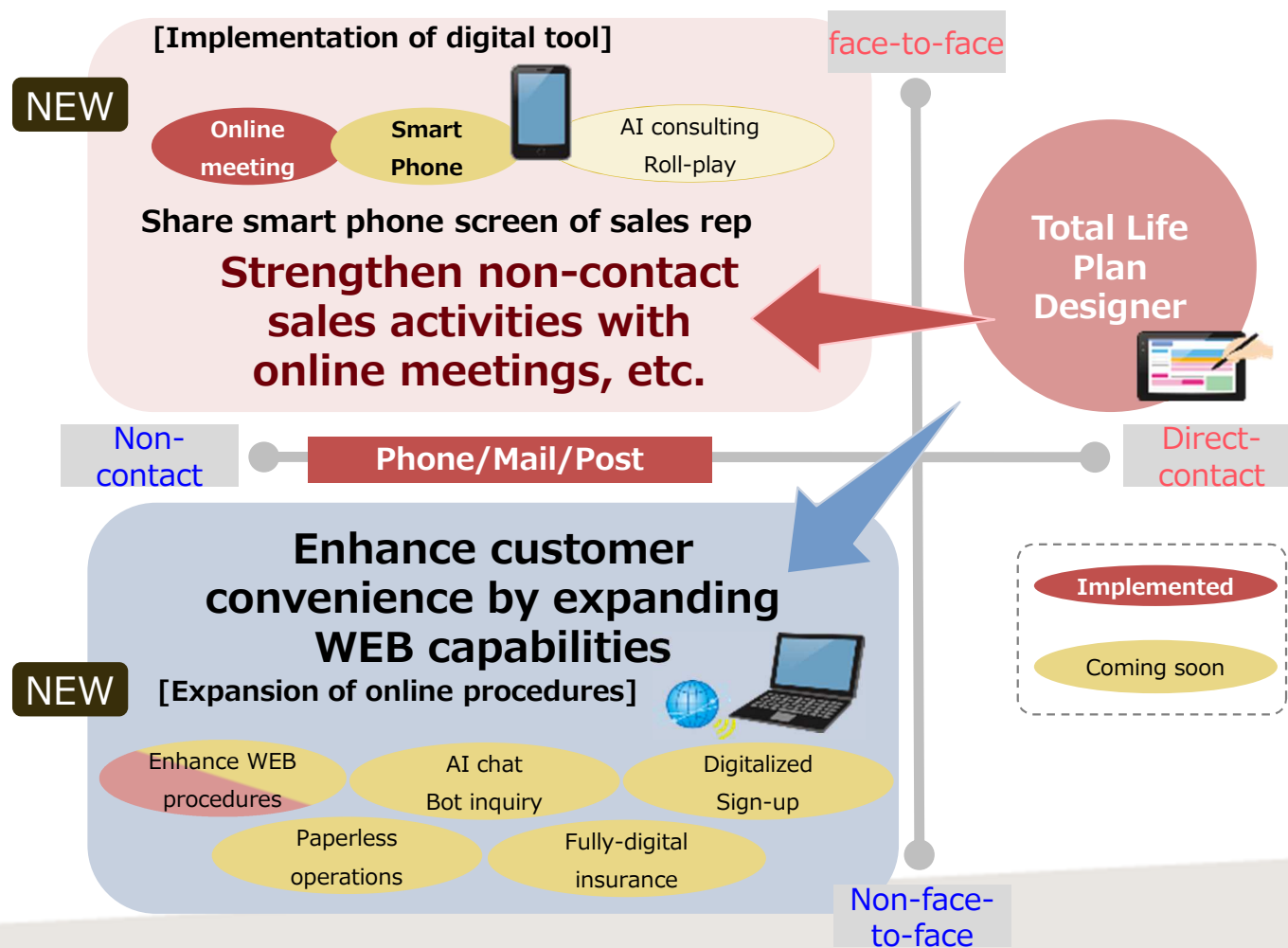
Head Office Support

New Customer Communication Style utilizing Digital Technology

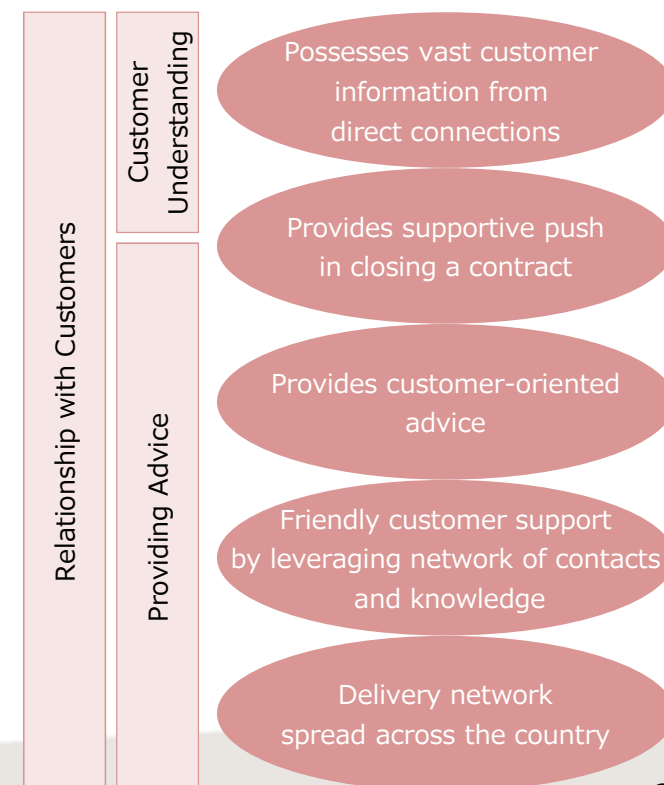
- ▶ Accelerate efforts to establish a new sales process based on "social distancing" amid COVID-19
- ▶ Enhance the strengths of the face-to-face channel by strengthening non-contact sales activities and expanding online administrative procedures

New Customer Communication Style

Leverage strengths that cannot be replaced by integrating with digital



Core Values of Face-to-face Channel



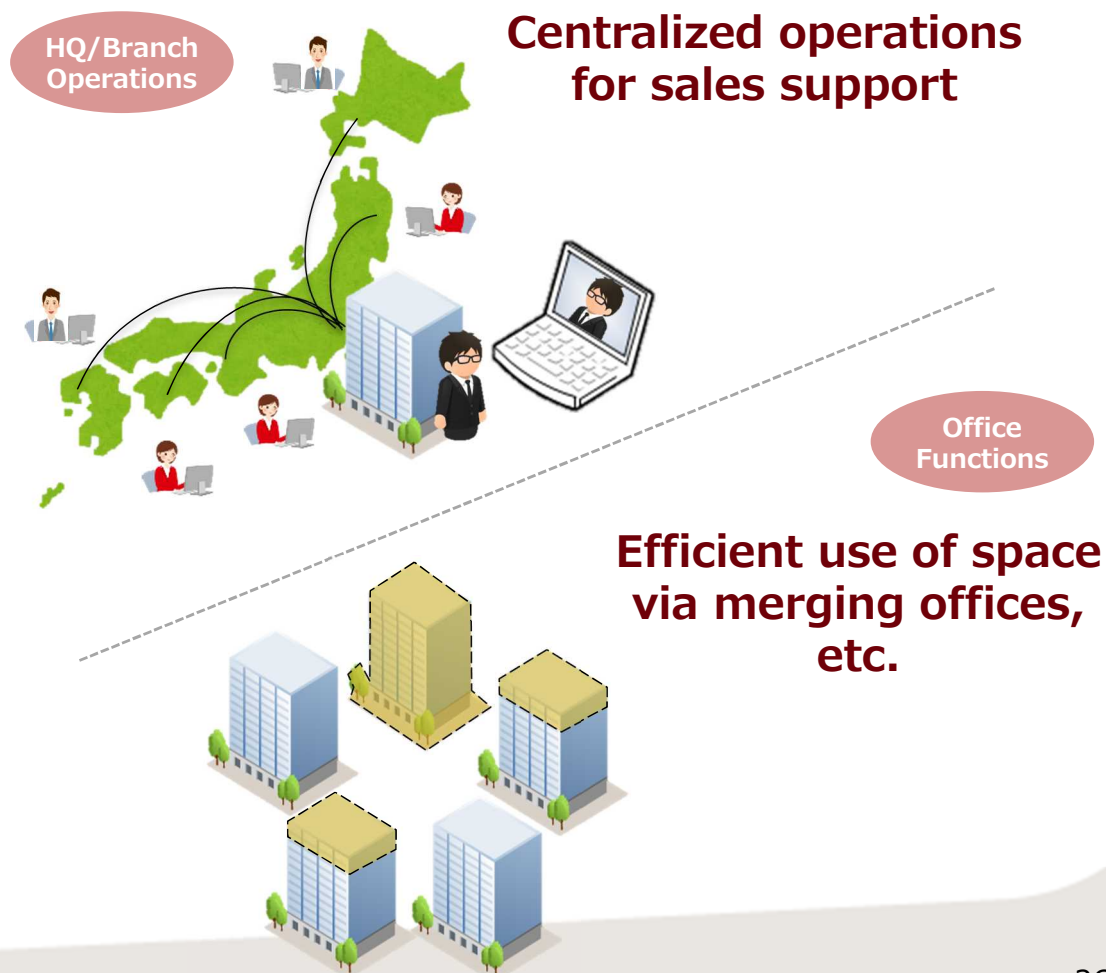
Improve efficiency in sales support operations

- ▶ Improve the productivity of sales support operations via remote dialog and centralizing operations
- ▶ Merge existing offices to save space and explore possibility of new office space usage

Efficiency of Sales Support Leadership



Efficiency of Head Office and Branch Office

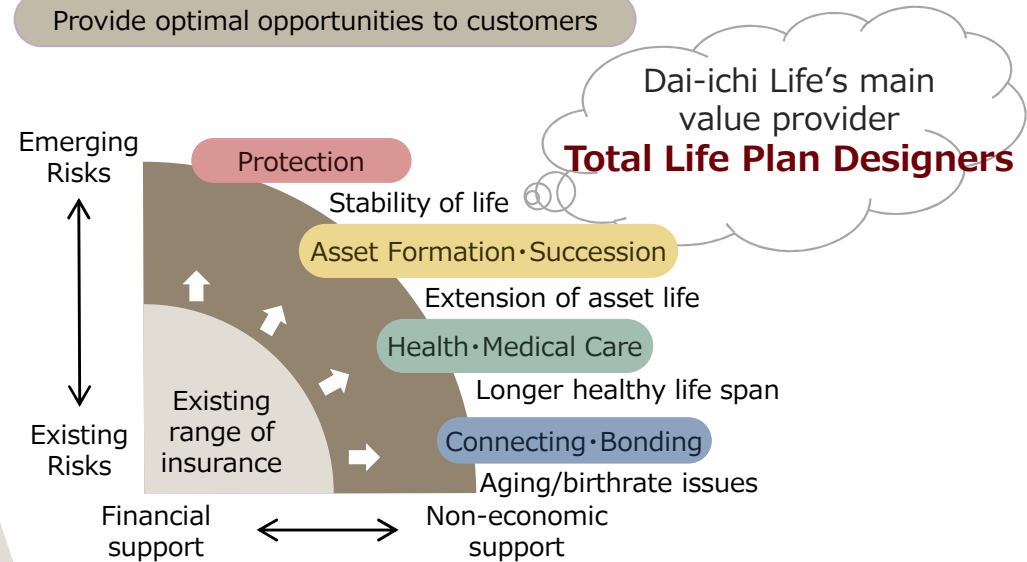


Dai-ichi Life Sales Representative Channel Strategy

Strive for full-scale improvement in productivity with high customer satisfaction and appreciation

- Shift focus to efficiency (quantity to quality) with a distribution channel possessing advanced financial literacy and consulting capabilities
- With the objective to maximize new business as a result of customer satisfaction, we will shift to channel management with more emphasis on the bottom-line
- Streamline sales support operations by improving the customer experience by integrating digital with physical

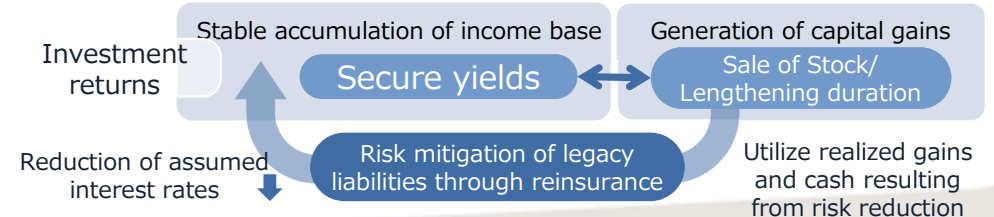
Delivering four values to customers



Contribution to the Group

Insurance Earnings

Increase stable long-term underwriting profit
Improve productivity mainly in the retail business





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