

Business Strategy of Dai-ichi Frontier Life

November 20, 2020

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第一フロンティア生命

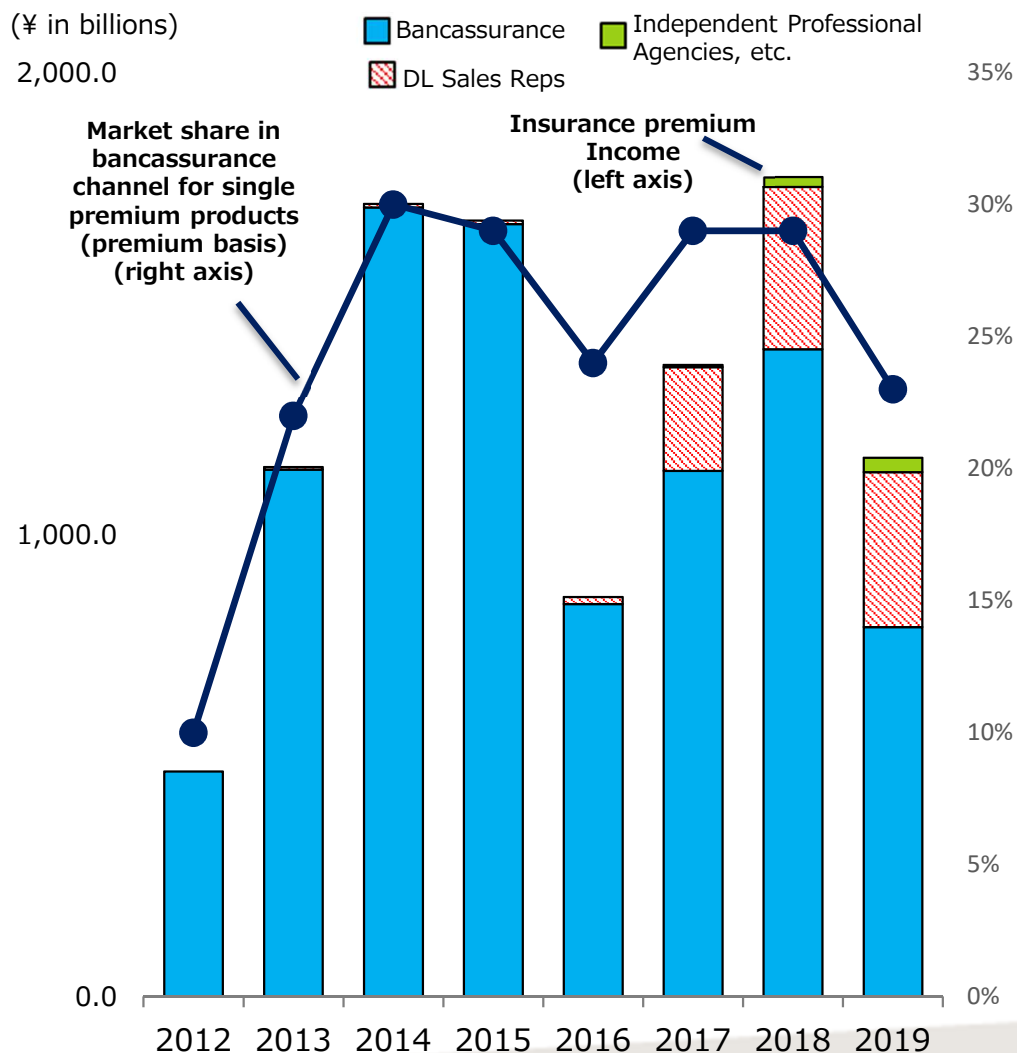
 第一生命グループ

Dai-ichi Frontier Life

Review of Dai-ichi Frontier Life

- ◆ Sum insured and the number of in-force policies as well as the amount of pension payments have substantially increased.
- ◆ Have maintained top market share based on premium in bancassurance channel for single premium products.

Sales performance



Various performance indicators trends

	FY2012 (end)		FY2019 (end)
Sum insured of in-force policies	Approx. ¥2.2 trillion	➡	Approx. ¥8.5 trillion
Number of in-force policies	Approx. 380,000	➡	Approx. 1.6 million
Premium income (Single premium)	Approx. ¥480 billion	➡	Approx. ¥1.16 trillion
Payment of Annuity ⁽¹⁾	Approx. ¥700 million	➡	Approx. ¥549 billion
Number of outsourced agencies ⁽²⁾	103 agencies	➡	209 agencies
Number of employees	252	➡	425
Market share in bancassurance channel for single premium products ⁽³⁾	About 10%	➡	Approx. 23%

(1) Including lump-sum payments of pension funds.

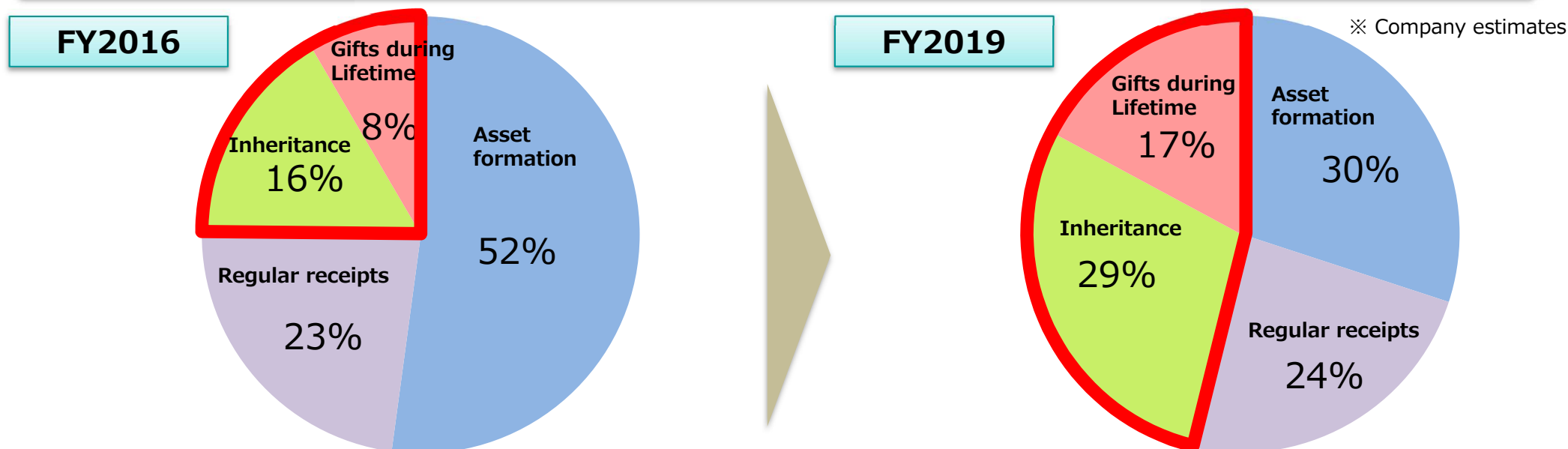
(2) Number of agencies concluding solicitation agency consignment agreements.

(3) Premium basis, company estimates.

Customer Needs Changes in Bancassurance Channel and Product Development

- ◆ In bancassurance channel in FY2016, the majority of sales came from asset formation and investment-type products. However, in recent years, sales of asset succession-type products that use insurance functions for inheritance and gifts during lifetime has expanded.
- ◆ Responding to customer needs diversification by flexible product development.

Bancassurance Channel Sales by Product Type



New Products

Inheritance
August 2017
プレミアプレゼント
 Premier Present

Gifts
September 2018
プレミアストーリー-2
 Premier Story 2

Asset formation (Tontine annuity)
October 2019
プレミアカレンシー-3
 Premier Currency 3

Inheritance (Addition of dementia and nursing care plans, etc.)
July 2020

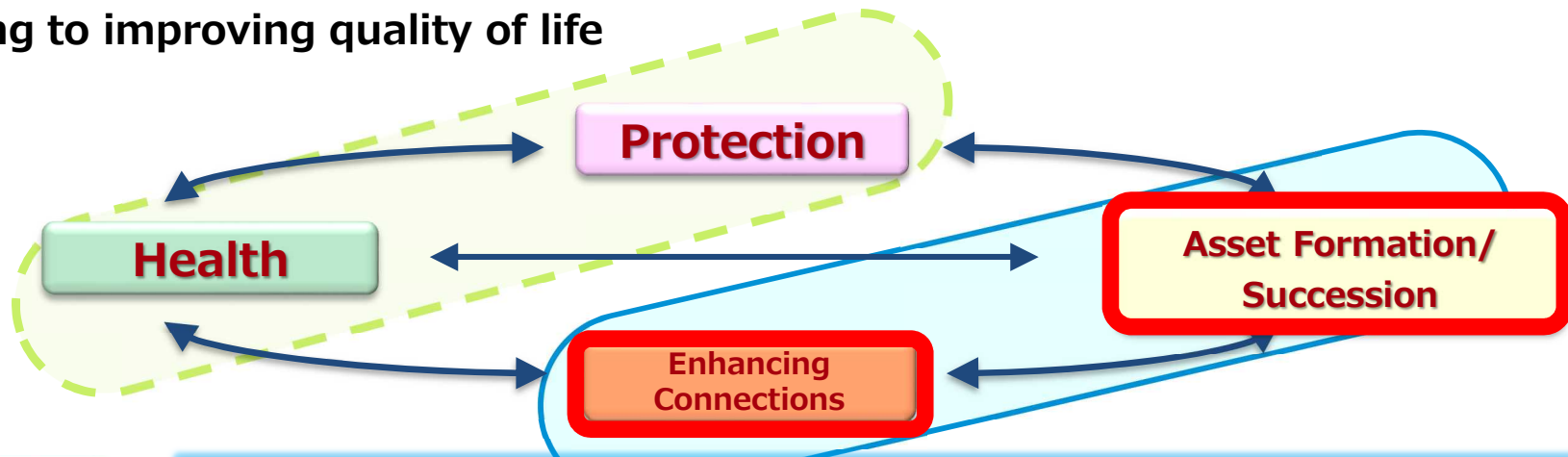
Premier Present 2

Gifts (Addition of yen to designated currency, etc.)

November 2020

Premier Story 3

◆ Contributing to improving quality of life



Vision

**Supporting peace of mind and affluence in the 100-year life society
"Top company in the savings-type insurance products market"**

Customers

Asset formation

Preparing funds for
safe and affluent lifestyles

Asset succession

Passing valuable assets to the
next generations

Agencies

Total consulting support

**Society and
local
communities**

Solving social and regional issues



DFL Business Environment Changes (up to 2030)

◆ Expected changes over the medium term (till 2023) and long term (till 2030).

		In 2019	In 2023	In 2030	2019 ⇒ 2030 years
Social Changes	Total population	126 million	123 million	119 million	Population decrease due to declining birthrate, etc. The elderly population will continue to increase
	Elderly people (65 years or older)	35.61 million	36.58 million	37.16 million	
	Elderly people (75 years and above)	18 million	20.4 million	22.88 million	
Market Changes	Financial assets held (households)	¥1,860 trillion	¥1,884 trillion	¥1,904 trillion	Households financial assets is expected to exceed ¥1,900 trillion and elderly population (60 years and higher) own 70% of household assets
	Number of inheritances	1,380K	1,480K	1,610K	The number of inheritances will increase by 230K vs. 2019
	Number of gifts during lifetime	2,097K	2,298K	2,695K	Need for gifts during lifetime will increase by 600K million vs. 2019 due to inheritance tax law revisions in 2015, etc.
	Public pension income substitution rate	62%	61%	58%	Increasing demand for retirement funds Higher need for self-reliance due to increasing burden on public pension system

Business Issues due to Environment Change

Economic and Social Environment

- ✓ Continuing ultra low interest rates in major countries
- ✓ Increasing social awareness for fiduciary duty

Customer Needs

- ✓ Increasing needs for asset succession to the next generation
- ✓ Diversifying needs for asset formation among young and middle-aged population
- ✓ Growing need for contactless and digital procedures due to COVID-19

Distribution and Competitive Environment

- ✓ Strengthening consulting at banks and shifting sales staff
- ✓ Intensified competition in bancassurance channel (competition in product supply and yield)

Strategic Initiatives (Next Medium-Term Management Plan)

① Product Strategy

Creating added value in asset succession (inheritance and gift) market

- Expansion of asset succession and long-term savings-type products to capture changes in customer needs

② Sales/ Channels Strategy

Diversification and sophistication of customer contact (channel development) and agent support

- While focusing on financial institutions, promote channel diversification, including life insurance independent professional agencies, walk-in shops, and direct sales
- Total consulting support for agencies
- Provide value by direct post-sales follow-ups

③ FDX (Frontier Digital Transformation)

Strengthening operations by effectively utilizing digital

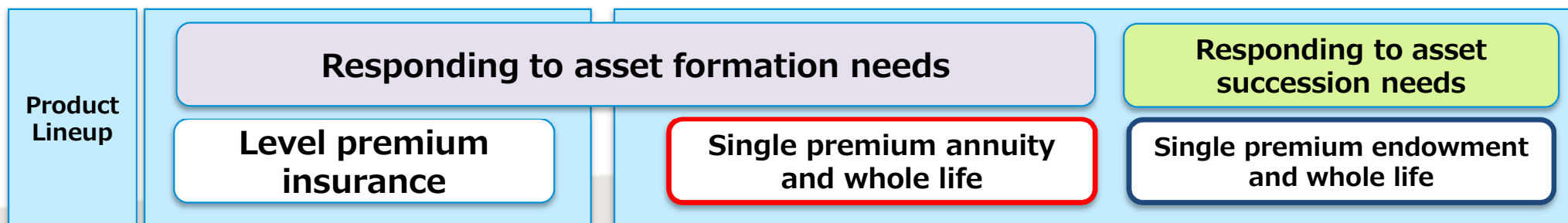
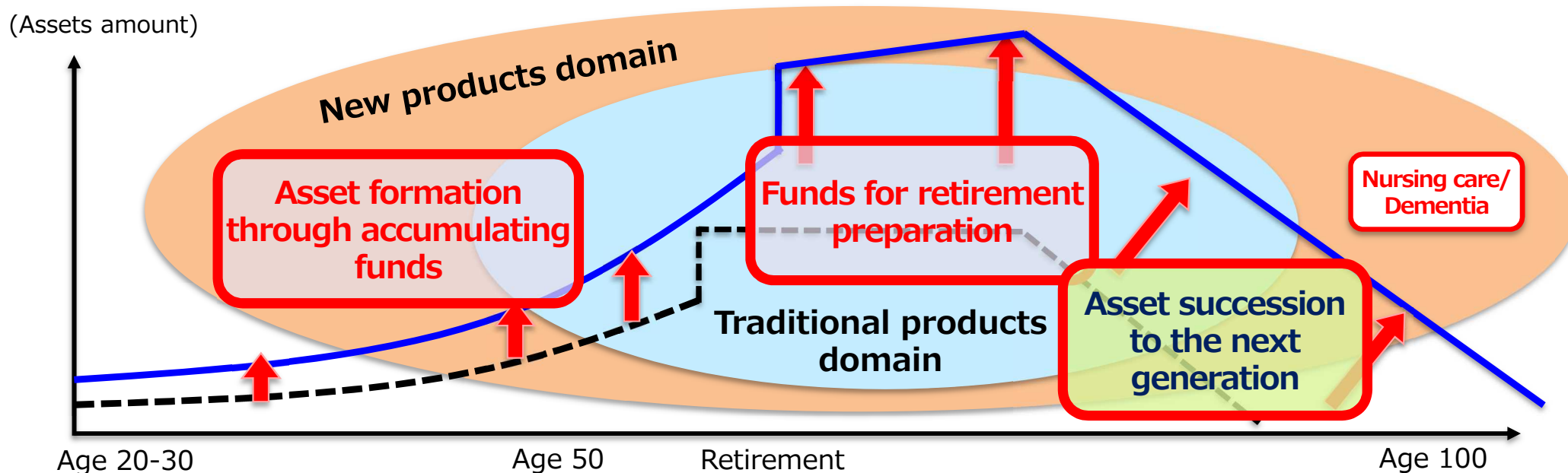
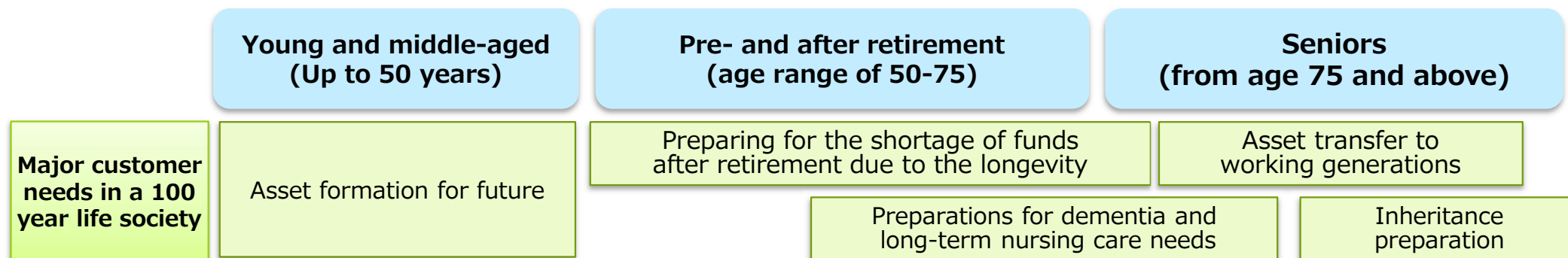
- Improve support to agencies by using digital technology
- Expansion of online procedures, and collaboration with external platforms
- Agile products and services development, reduction of fixed costs, etc.

④ Finance/ Investment Strategy

Maximizing Profit Productivity through Strengthening Risk Management

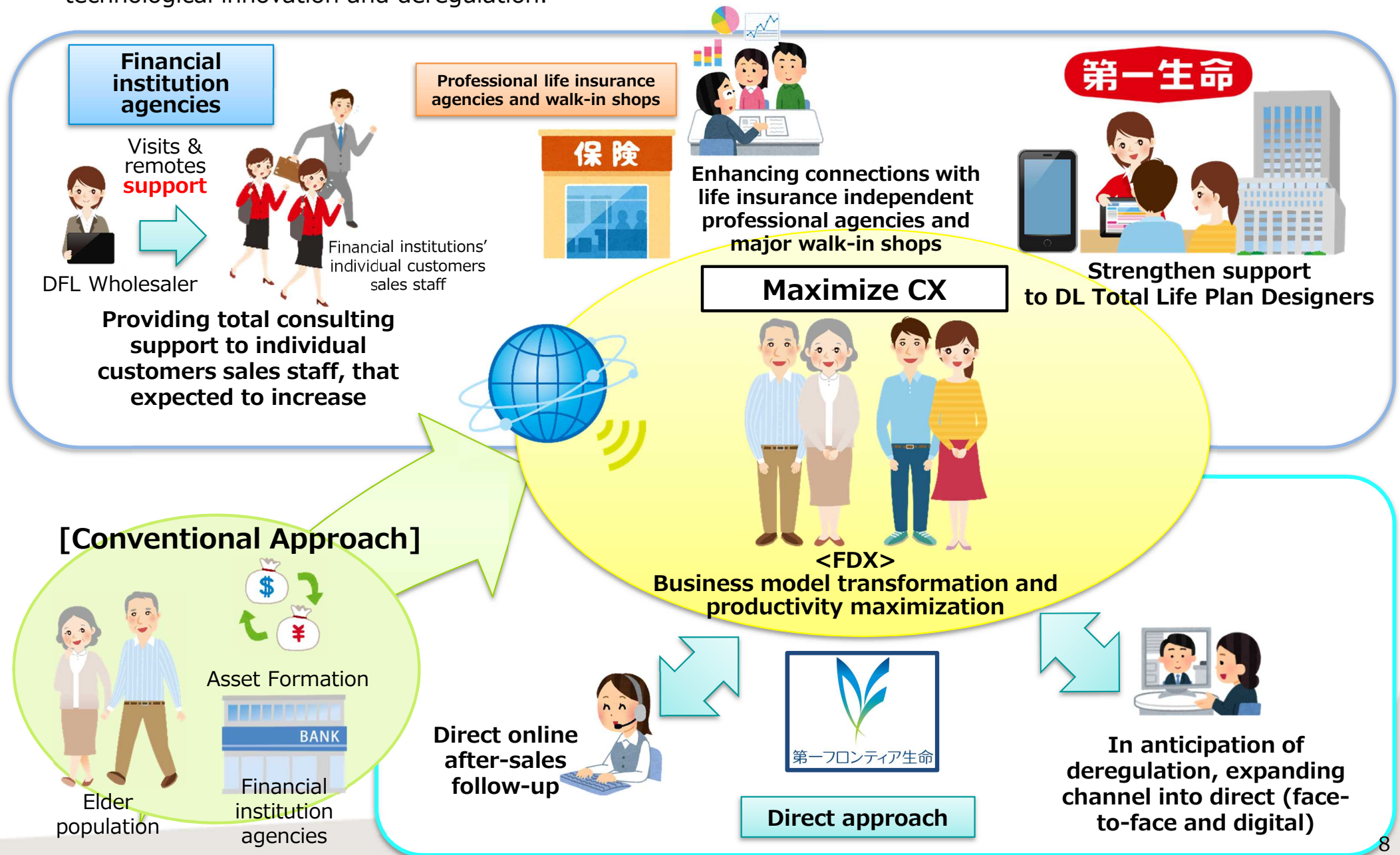
- Strict risk and return management utilizing "RCA returns"⁽¹⁾
- Credit risk taking in light of the prolonged low interest rate environment
- Efforts for stabilizing financial soundness by intra-group reinsurance

Diverse Customer Needs and Product Offerings



Channel Development Strategy

- ◆ Expanding customer contact opportunities (= channel development) amid changes in customer lifestyles, technological innovation and deregulation.



DFL DX Strategy

FDX (Frontier Digital Transformation) Overview

Strengthen existing sales practices with effectively utilizing digital technology

FDX is an important driving force behind the realization of individual strategies such as improving customer experience, supporting agencies by overcoming obstacles of time and distance, agile product development, employee work style reforms, reductions in fixed costs, etc.

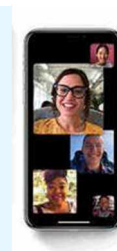
Customers

- Promote direct contact with customers
⇒Expand online procedures, etc.
- In collaboration with external platforms respond to dealing with procedures at 1-stop



Distributor

- Increase the level and content of agencies support with digitalization
- Remote distribution of advanced trainings from headquarters nationwide



DFL



- Substituting more and more of current procedures with digital and remote operations ...

Realization of agile product and support development

Reduction of fixed costs

- Reduction of system infrastructure renovation costs
- Control of administrative costs, etc.

Diverse workstyles Enhancement of human capital

- Improve non-face-to-face communication skills
- Promote further remote work
- Actively using shorter working day options, etc.

Digital-based Agency Support (Frontier College)

- ◆ Provide agencies access to **Frontier College** to enable them to learn our products and related information on smartphones and tablets, any time and anywhere.
- ◆ In FY2020, we introduced the **new function "Study Group Live Distribution" and renewed such as the substantial expansion of training videos**, and increased the number of agencies using Frontier College.

Smartphone screen image

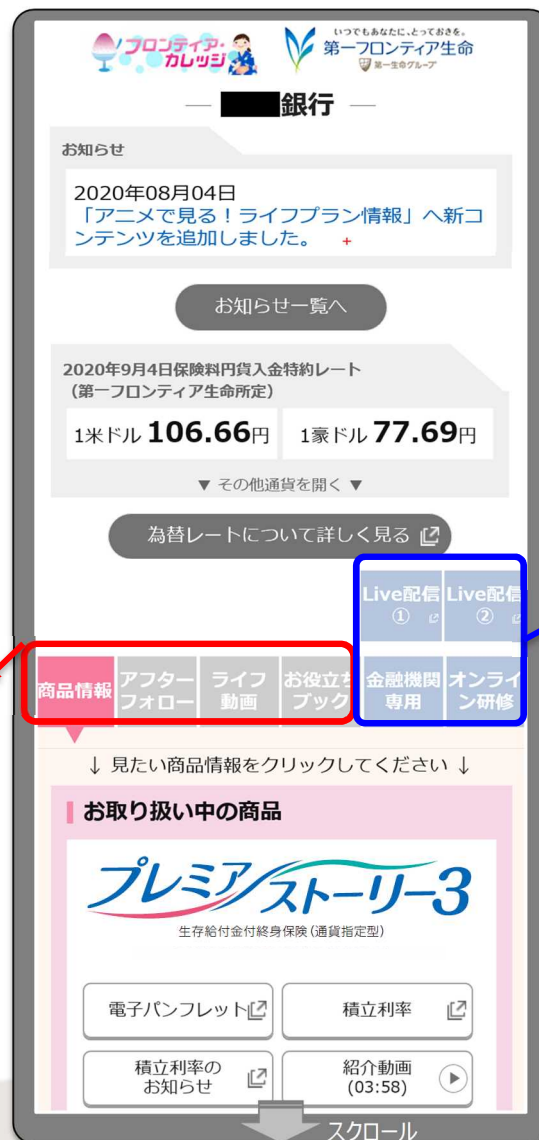
Number of agencies expanding

- **70 agencies using Frontier College** (as of end of September 2020)

Significant increase from 37 agencies using as of end of March

■ Content that can be presented to customers

- Provision of information on asset formation and succession needs (videos and e-books), etc.



■ Dedicated content for agencies

- Training videos on products, proposal methods, financial knowledge, tax, etc.
- **"Study Group Live Distribution" etc.**

Topic: basics of inheritance



Live distribution image



Easy access to a rich information, and in addition to using for sales, it is well received as a tool for education and training, such as basic learning for newly appointed or employees after child care leave

- ◆ We have established a strict cash flow matching investment and risk control system based on the insurance liability characteristics.

✓Control of interest rate risk through matching ALM

- Duration gap between assets and liabilities is around +/-5%

(Reference)

Duration of assets and liabilities of U.S. dollar-denominated instruments, in years

As of end of September 2020	Assets	Liabilities
U.S. dollar-denominated funds	8.8	9.1

✓Controlling credit risk through enhanced diversification

- Maximize use of group resources



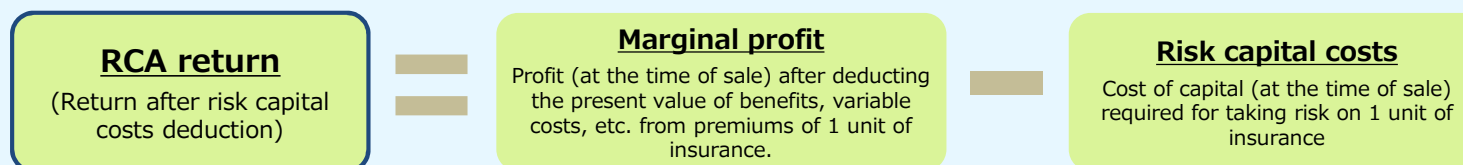
Started outsourcing since Nov.2018



Started outsourcing since Oct. 2019

✓Strict risk return and cost-of-capital management on an economic value basis using internal KPI (RCA returns)

- Repeated trials to control earnings at point of insurance sales, and introduced from FY2015. Since then keep improving considering ICS, etc.
- Tight pricing based on timely measurement of product-specific risk returns, net of cost of capital for risk-taking.



Objectives Going Forward

External environment

- ✓ Prolonged low interest rate environment
- ✓ Flow of economic value base to supervisory regulation

Maintain sufficient financial soundness on an economic value basis

(Stable ESR within 170% to 200%)

Maximize profit (RCA return × sales volume) by strengthening risk management

Control the risk of accounting results fluctuations due to MVA

- **Grow EEV in excess of cost of capital**
- **Eliminate accumulated losses during the next medium-term management plan**
- **Accelerate adoption of economic value based capital management**

- ◆ Strengthen credit risk-taking to provide attractive investment return and achieve business growth in an ultra-low interest rate environment (interest rate risk control to be continued).
- ◆ Maximize profit (sales volume × RCA return) through adequate risk management.

Selecting high quality
issuers and expanding
diversification

➤ **Anticipating increase of investments in U.S. dollar assets,
expand outsourcing investment management**

Overview of U.S. dollar funds	End of Sep. 2018	End of Sep. 2020
Assets Outstanding	¥1.4 trillion	¥2.9 trillion
Investment grade percentage	100%	100%
Number of issuers	156 companies	406 companies
of which Outsourced(AMOne, JH)	0 companies	128 companies

Future Direction

Expect to continue
expansion

Maintain as is

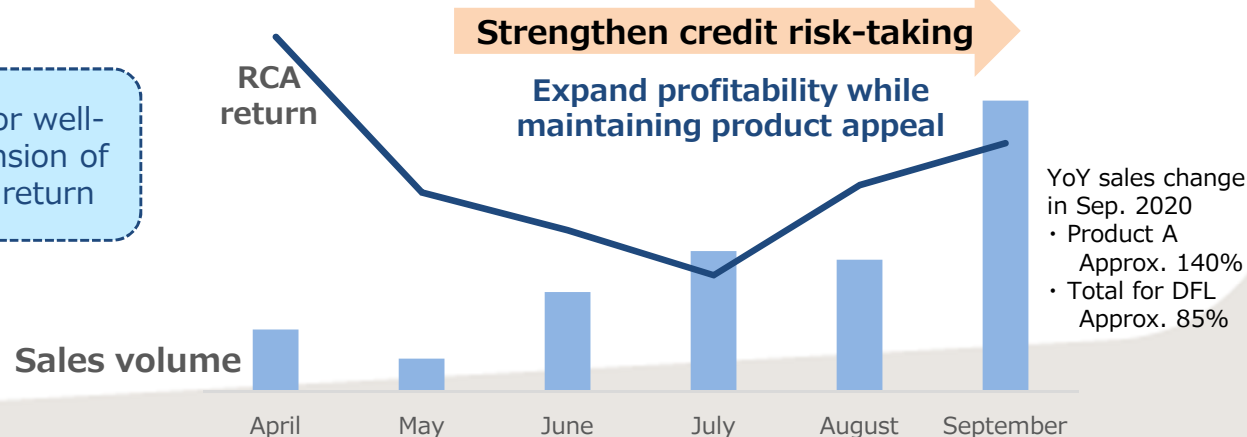
Further strengthen
diversification

Strict pricing
based on RCA return

➤ **To measure and analyze risk returns in a timely and finely tuned manner,
and to continuously improve practices**

- Trends in monthly sales and RCA return rates for our core product A (first half of FY2020)

An examples for well-
balanced expansion of
sales and risk return



Through sound risk-taking
maximize profit

Mitigating J-GAAP Results Fluctuation Risks due to MVA

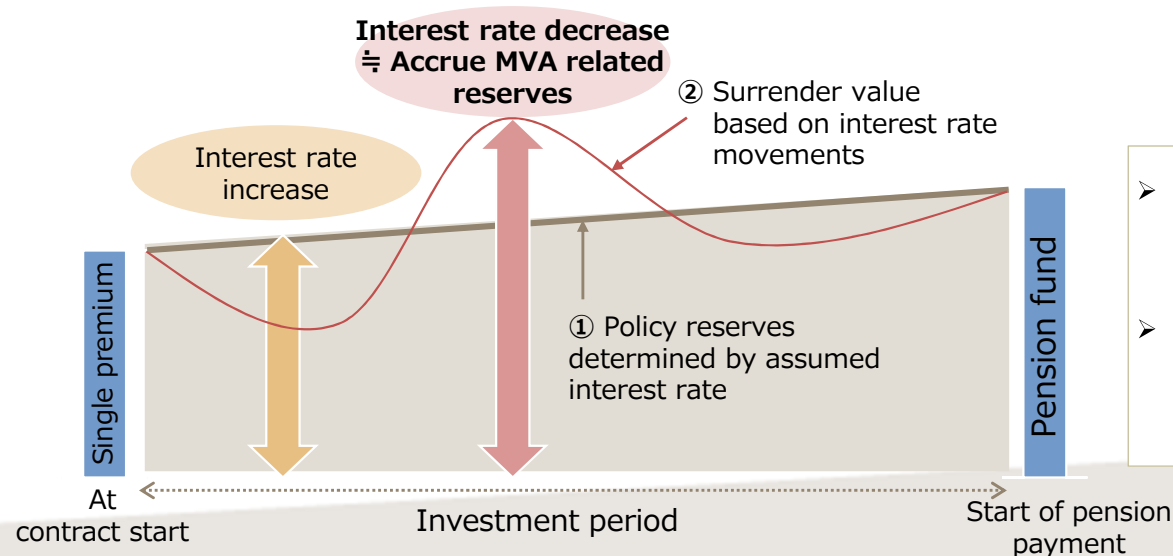
- ◆ Economic value basis interest rate fluctuation risk is controlled through appropriate ALM, however, results under the current accounting standards (J-GAAP) fluctuate due to MVA.
- ◆ As such impact is expanding due to the increase in assets and fluctuations in interest rates, going forward we will aim to stabilize our financial position by ceding within the group, in addition to measures undertaken so far.

● Implemented countermeasures to control fluctuation risks

Our major countermeasures (example of implementation in FY2019)

External reinsurance (coinsurance type)	All risks, including accounting fluctuations, for the reinsured blocks, are transferred outside the company (Implemented based on cost levels, credit limits, etc.)
Change in purpose of holding classification for securities	Change in classification of Australian dollar products related assets from policy reserve-matching bonds to available-for-sale securities
Contingency reserves reversal	Reversed portion used as financial resource for provision of MVA (Future reversal of MVA will be used for establishing additional contingency reserves.)

● Image of policy reserves accrual due to MVA



Countermeasures utilizing group resources

Ceding new business to group reinsurance company ⁽¹⁾

- Transfer all risks of target block to group reinsurance company
- As both assets and liabilities are marked-to-market, impact on accounting results due to interest rate fluctuations are consistent

MVA related gains(losses) are not incurred on ceded policy blocks, therefore required capital is stable regardless of interest rates
⇒ enabling efficient capital control

(1) Assuming relevant authorities approval for establishment is obtained.

- Liabilities for accounting purposes at the end of each fiscal period is the larger amount of ① or ②, and when ② > ① due to a decrease in interest rates, the provision of policy reserves for the difference is accrued.
- Since policy reserves related to MVA are reversed due to an increase in interest rates and at the end of the investment period fully reversed, the impact on the accounting is neutral when considered over whole period.



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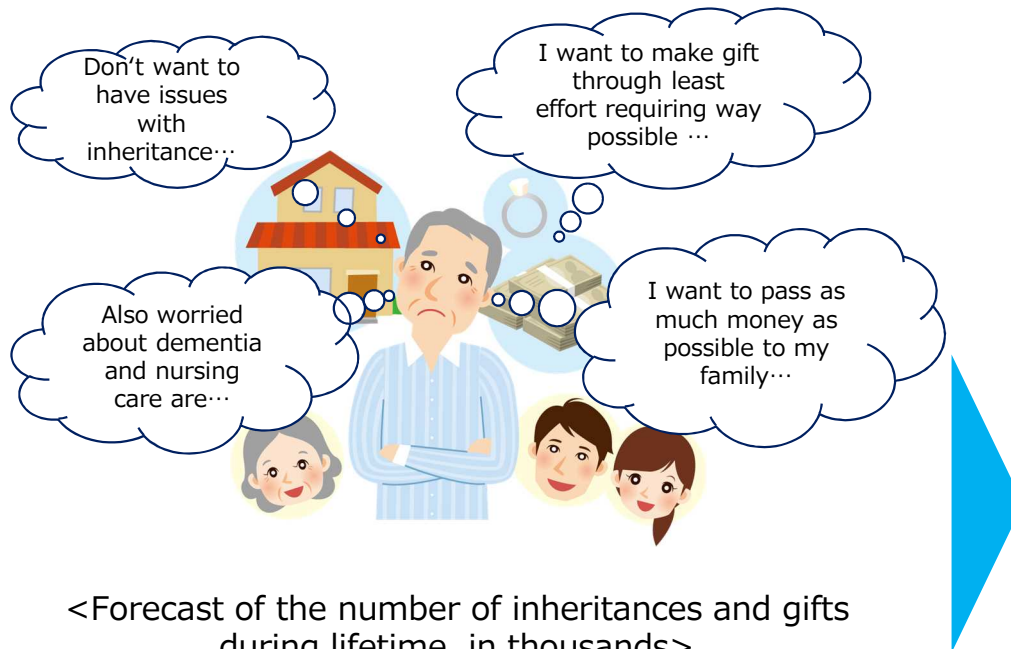
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**Achieving sustainable profit and corporate value growth through
"Consulting, Digitalization, Direct Capabilities"**

Appendix

- ◆ Started offering products “Premier Present 2” and “Premier Story 3” in FY2020 in response to the growing needs for customers to succeed to assets in an aging of society.

Customer Needs



<Forecast of the number of inheritances and gifts during lifetime, in thousands>

	2019	2023	2030
Number of inheritances	1,380	1,480	1,610
Number of gifts during lifetime	2,097	2,298	2,695

Created by DFL from the National Institute of Population and Social Security Research "Japan's Future Estimated Population (2017 Estimate)"

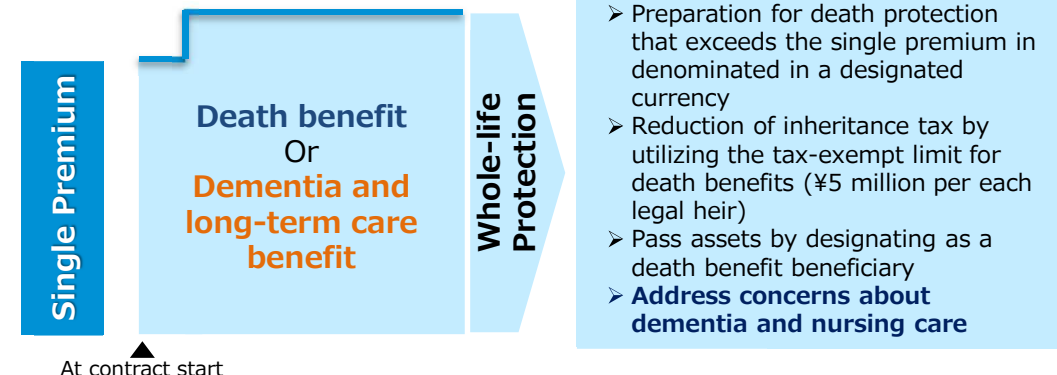
Our Product Offerings

Premier Present 2

Launched from July 2020

Leave assets (inheritance) to your important family

* Product Image



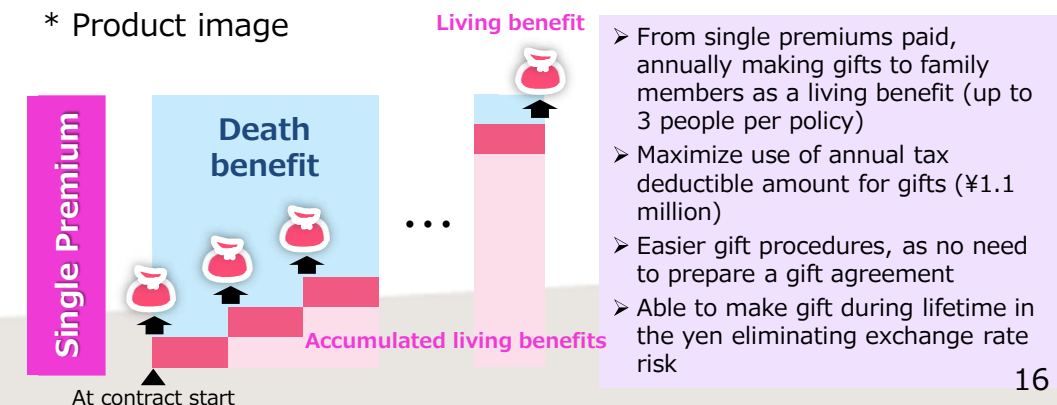
At contract start

Premier Story 3

Launched from November 2020

Passing assets to important family (Gifts during lifetime)

* Product image



At contract start

Complaints on Foreign Currency Insurance and DFL's Efforts

- ◆ Although the number of complaints has increased along with the increase in the number of sales and in-force policies, the number decreased in FY2019 as a result of various initiatives.
- ◆ In particular, the number of complaints occurring in first 6 months after the start of contract declined significantly (success was achieved by focusing on reducing complaints caused by inadequate explanations at selling time and strengthening conformity checks and fiduciary duty (FD) efforts).
- ◆ Going forward, we will further strengthen compliance checks and promote timely and appropriate after-sales follow-ups, etc.

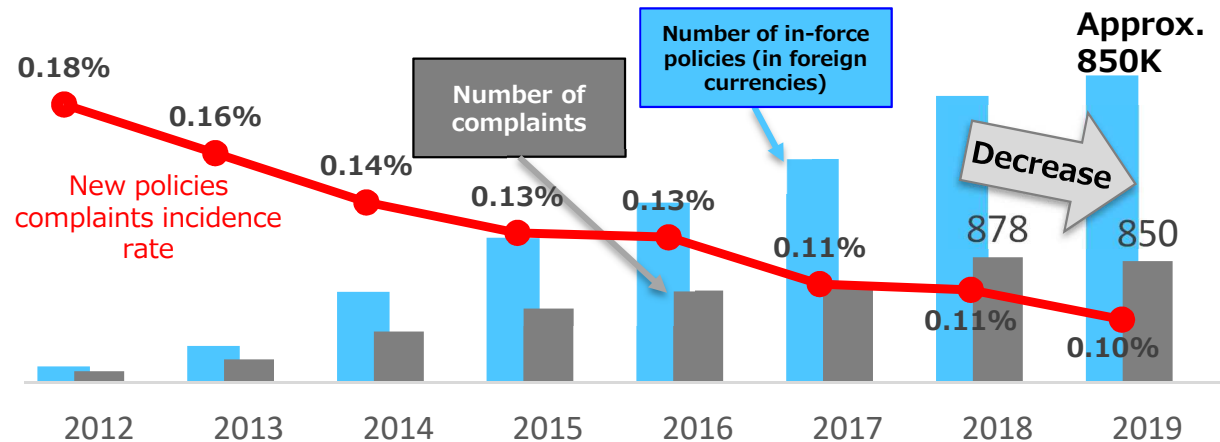
Initiatives to Date

- Enhancing information provision to customers
- Strengthening rules for selling to the elderly
- Strengthening of intention and compliance confirmation
- Offering financial gerontology trainings to agencies
- Establishing FD Promotion Council with agencies
- Periodic provision of contract data to agencies through joint group works (enhancing after-sales follow-ups) etc.

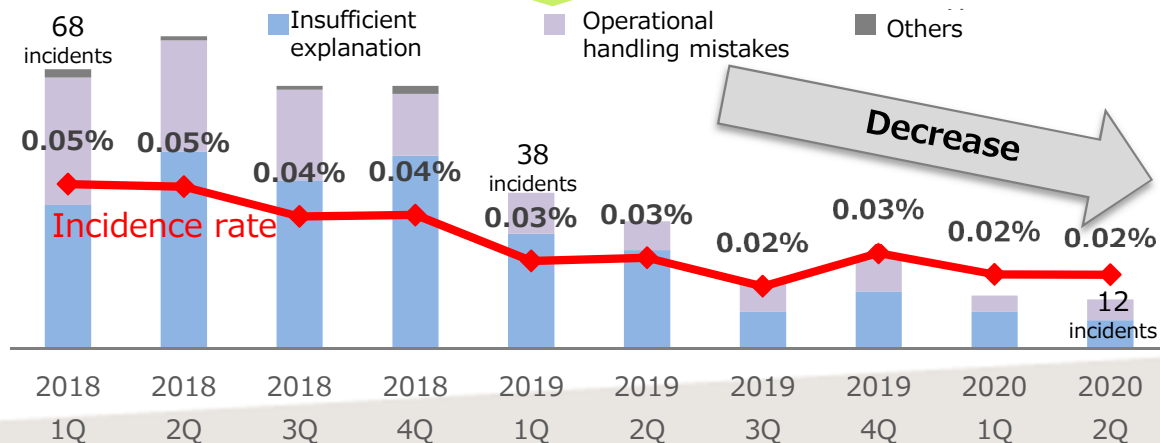
Future Initiatives

- **Further strengthen conformity verification**
- **In a timely and appropriate manner promoting after-sales follow-ups (Establishing a System for direct follow-ups) etc.**

Number of in-force policies and complaints on new policies (caused by banks, agencies)



o/w occurred within 6 months after the contract start



Promotion of financial literacy among elementary, junior high school and university students

- “Life simulation game Frontier World”, which was independently developed by our company for the purpose of financial literacy for elementary and junior high school students, will be adopted in Himeji City.
⇒ Expanding nationwide to local governments, schools, financial institutions (training for junior staff) and Dai-ichi Life
- Seminar at Waseda University
Conducting courses as a donation to Okuma Juku



Promotion of ESG investment

- Started investing in SDGs bonds from 2017 onward
Cumulative investment results: 41 cases ¥115 billion
(up to Sep.2020)
- Jointly invested in the world's first waste-plastic reduction bond with Dai-ichi Life (July 2020)



Promotion of female employees activities

- Held exchange meetings for female leaders who are active in each region, such as female branch managers of regional financial institutions, to support the exchange of opinions and the development of personal connections
Implemented in FY2017
<Total participants> 64 financial institutions/211 participants



Investor Contact

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