



[Unofficial Translation]

May 15, 2017

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## Dai-ichi Life Holdings Announces Results for the Year Ended March 31, 2017

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On May 15, 2017, Dai-ichi Life Holdings, Inc. (the “Company”, President: Seiji Inagaki) announced its financial results for the year ended March 31, 2017. The following is a message from President Inagaki to our stakeholders.

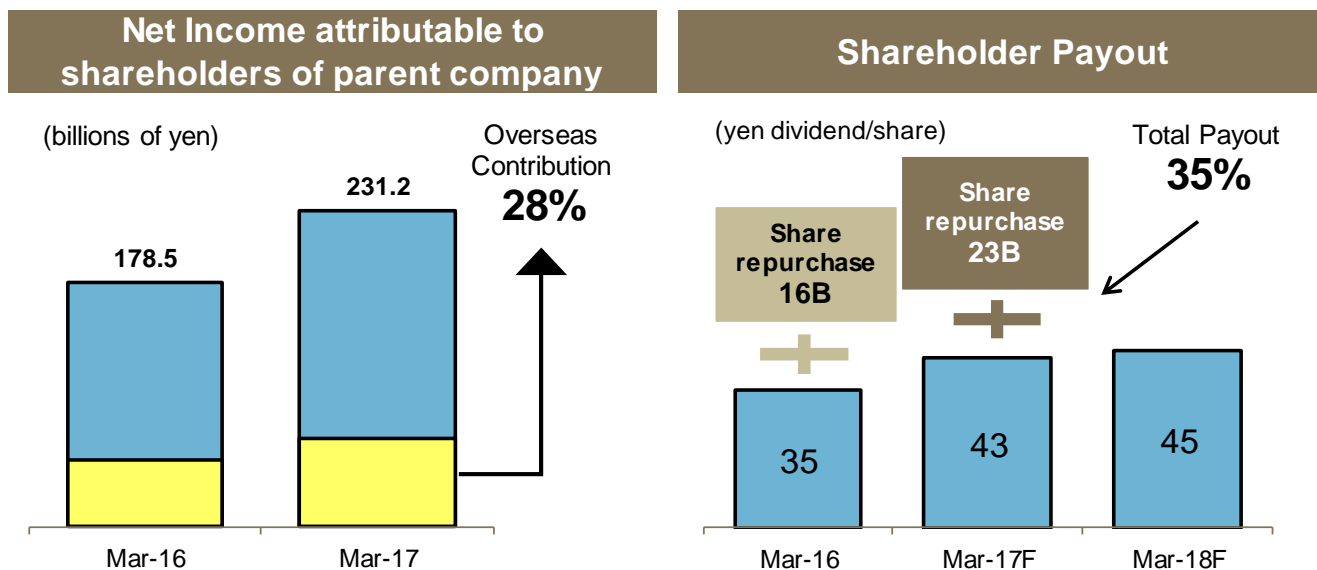
### **1. Results for the Year Ended March 31, 2017**

The Domestic Life Insurance Business recorded an increase in net profit despite lower revenues as the Company managed to control its product portfolio strategically. Net Profit from the Overseas Life Insurance Business exceeded the Company forecast with the contribution from improved investment income. While domestic interest rates stayed low, resulting in a difficult business environment, the Company reported double digit growth in net income as a result of the diversification of its businesses and operating regions.

Thank you for your continued support of Dai-ichi Life Holdings, Inc. The fiscal year was packed with events that had an impact on global political and economic trends, such as the U.K. referendum on E.U. membership in June and the U.S. presidential election in November. World economies actually stayed on a mild recovery course as the central banks of major economies supported them with monetary easing measures. In Japan, the Bank of Japan reviewed its monetary policy in September and introduced a yield curve control policy and an inflation-overshooting commitment until inflation stays over a target of two percent in a stable manner. After that, while the financial environment improved after the U.S. presidential election, interest rates in Japan improved only modestly.

In this environment, the Group, while catering to strong savings demand, made a strategic decision to control the sale of single premium yen-denominated savings-type products in the domestic life insurance market, and introduced a nursing care benefit annuity for business owners in a move to strengthen the protection-type product portfolio. That resulted in about twenty percent growth in new business annualized net premium for third-sector (medical and nursing care) products for the year. In the overseas life insurance business, the Group enhanced partnerships in its sales networks and improved the sales of retail life insurance products.

The Group has been pursuing diversification in businesses and geographic areas, and is proud to report that 28% of the consolidated net profit came from the overseas life insurance and asset management businesses. That enabled the Company to report robust growth in net profit under difficult business environment.



The consolidated results reflected the strategic shift in domestic life insurance product sales, and ordinary revenue declined while profits increased compared with the previous year. Net income of Dai-ichi Life declined due to a fluctuation in foreign exchanges and stock prices. But Dai-ichi Frontier Life posted a strong growth in net income as it reversed the policy reserve related to market value adjustment in light of improvements in interest rates. The overseas life insurance business reported profits well above the full-year forecast, as Australian business saw improvements in claims of death protection and the U.S. business reported the first contribution from the block of term insurance policies Protective acquired at the beginning of the fiscal year, on top of favorable investment returns in both markets.

Together with a shift to a holding company structure on October 1, 2016, the Company established a new formula on which the Company calculates shareholder payout in order to strengthen cash flow management within the Group. The Group Adjusted Profits is cash based profit and therefore forms the basis for sustainable payouts.

Based on the results described above, the Group revised its forecast for dividends per share to 43 yen, an eight yen increase from the prior year, from 40 yen, or a five yen increase from the previous year. The Group’s board of directors also resolved a share repurchase of up to 23 billion yen. The total shareholder return, sum of cash dividends and share repurchase, should account for 35% of Group adjusted profits.

## **2. Review of Progress on Medium-Term Management Plan “D-Ambitious”**

The Group shifted to a holding company structure on October 1, 2016 and was renamed as “Dai-ichi Life Holdings, Inc.”. The Group considered this event as “the second stage of a new foundation,” a significant milestone for the Group since the demutualization and listing of its shares in April 2010, and is determined to accelerate the Group business process for further growth. At the same time, the Group shifted to a company with an audit and supervisory committee. As the Group makes efforts to enhance diversity in its businesses and operating regions, the audit and supervisory committee reinforces the governance function of the Group and assists the Group to achieve sustainable growth in corporate value.

The Group continued to make progress on a number of initiatives of the Medium-Term Management Plan for FY15 to FY17. Such initiatives during the second half included:

### [1] Domestic Life Insurance Business

- In September 2016, Dai-ichi Life introduced the “TOP PLAN EXCEED U” annuity product, which addresses nursing care risks for business owners. Also, Dai-ichi Life announced, after reviewing the trends in interest rates and the revision of standard assumed rate of return, the adjustment in the premiums of individual annuities and whole life, applicable in April 2017, and altered some features of other selected products to maintain the competitiveness of those products.
- In March 2017, Dai-ichi Life launched an application named “KENKO DAIICHI” (“health as No. 1”) for smartphones designed to support the health enhancement activities of its customers. The application’s users can accumulate stamps by storing the number of steps recorded through smartphones or wearable devices. The application features “FaceAI,” a feature that transforms selfie pictures into images of the user’s future self with changes in body mass index and ages. Other features will follow.
- Dai-ichi Life has been weaving a network of strategic agreements with prefectures and metropolitan governments in order to bring solutions to local communities to improve awareness of cancer, care for the elderly, diversity, and the education of children. As of March 2017, Dai-ichi Life signed agreements with 47 prefectural governments in addition to the agreement with the Tokyo Metropolitan Government signed during FY16.
- Neo First Life introduced a new product called “KARADA KAKUMEI” (“body revolution”) in December 2016. The new product prices premium based on policyholders’ Health Age® <sup>(note)</sup> rather than actual age, a revolutionary product in the domestic life insurance market. The product was one of the results of the Group’s “InsTech” initiative, which integrates the insurance business and technology, leading to innovation in the life insurance business.
- Since our foundation, Dai-ichi Life has always put the customer first. This philosophy continues to guide us as we move forward. As part of the Dai-ichi Life Group, all our companies continue to stand by our customers’ side and their loved ones, for life. In March 2017, the three domestic life insurance companies of the Group jointly announced “the principle of business management to put the customer first,” which reinstalls the corporate philosophy into the business process and guides the companies to become insurance providers influenced by the choices of the customers.

(Note) Health Age is the registered trademark of Japan Medical Data Center.

## [2] Overseas Life Insurance Business

Overseas Life Insurance Business maintains a balanced combination of stability and growth under the trilateral structure spanning Japan, North America and Asia Pacific regions, in close association with regional headquarters

- The Company increased its stake in Star Union Dai-ichi Life Insurance Company, a life insurance affiliate in India, to 45.94%. The Company also set up representative offices in Cambodia and Myanmar.

## [3] Investment and Asset Management Business

The Company continues to improve returns through active allocation of funds to risk assets and increasingly sophisticated investment strategies, while investing in new, growing businesses. As a responsible investor, the Company actively engaged in ESG investments and established a function in charge of governance in responsible investments.

- In a prolonged low interest rate environment, Dai-ichi Life continues to invest in growth areas such as infrastructure and project finance. Through the sophistication and diversification of its investment approach, Dai-ichi Life believes it can improve investment returns and corporate value.
- Dai-ichi Life actively invests, in full consideration of ESG principles, in health bonds issued by the Asian Development Bank. At the start of the fiscal year ending March 31, 2018, Dai-ichi Life set up a Responsible Investment Promotion Center and a Responsible Investment Committee. The Center focuses on execution of rights related to the stewardship activities and addresses conflicts of interests within the Group as a responsible investor.

Since we announced “D-Ambitious” in May 2015, we have seen big changes in the political, economic and financial environment. When the Bank of Japan introduced its initial quantitative and qualitative monetary easing policy, the Group believed interest rates in Japan would normalize over a short period of time. The negative interest rate policy continued and last September, however, the Bank of Japan released a comprehensive review of its policy. This resulted in changes in the Group’s assumptions and the Group now takes into account a scenario where super-low interest rates will persist for some time beyond the period of the plan.

If the Group maintains the three-year schedule, the Group will have to pursue a dogmatic risk reduction program that could lead to the negative spiral I touched on earlier, forfeiting our growth potential in the future. The Group elected to maintain its growth initiatives instead of focusing only on improving its economic solvency ratio, which would contribute to stakeholders’ value in the long run. The Group redefined some KPIs as a mid-to-long-term vision rather than as targets. Please refer to the corresponding press release below.

[Progress Report on Dai-ichi Life Group's Medium-Term Management Plan 'D-Ambitious' covering Fiscal 2015 to 2017 and Update on Management Objectives \(Quantitative Targets\)](#)

### **3. Final Comments from the President**

This is the final year of the medium-term management plan “D-Ambitious.” In the Domestic Life Insurance Business, the Company will accelerate its drive to shift its product portfolio to protection-type products, with the launch of new products that reflected premium changes in April. The Company plans to strengthen its sales effort in order to grow the in-force base and thus increase corporate value in the medium–to-long term. We appreciate your continued support.

(Please refer to the following review of operation)

## Review of the Group Financial Results for the Year Ended March 31, 2017

### Consolidated Financial Results Highlights

	(billions of yen unless otherwise noted)				(Reference)	
	Year ended Mar-16	Year ended Mar-17 (a)	Change		Year ending Mar-17 (B) *Revised forecast on Nov 14, 2016	(a/b)
Ordinary revenues	7,333.9	6,456.7	Δ 877.1	Δ 12%	6,277.0	103%
Ordinary profit	418.1	425.3	+ 7.1	+ 2%	406.0	105%
Net income <sup>(note)</sup>	178.5	231.2	+ 52.7	+ 30%	197.0	117%

(Note) Net income represents net income attributable to shareholders of parent company

### 1. Consolidated Results Highlights

The Group recorded consolidated ordinary revenue of 6,456.7 billion yen for the fiscal year ended March 31, 2017 (12% decline year-on-year). As discussed earlier, the Group reduced sales of yen-denominated single premium savings-type insurance products in the domestic market. Consolidated ordinary profit increased by 2% YoY to 425.3 billion yen, and consolidated net income attributable to shareholders of the parent company increased by 30% YoY to 231.2 billion yen. As interest rates elsewhere improved after the U.S. presidential election, Dai-ichi Frontier Life reversed policy reserves related to market value adjustment. The overseas life insurance business achieved a higher contribution due to favorable investment returns. Progress against the Group's annual guidance for ordinary profit and net income was high at 105% and 117%, respectively.

### Financial Results of Each Group Company

	【Dai-ichi Life】 <sup>(1)</sup>			【Dai-ichi Frontier Life】			【Protective Life (USA)】 <sup>(2)</sup>		【TAL (Australia)】 <sup>(2)</sup>			【Consolidated】		
	billions of yen			billions of yen			millions of USD		millions of AUD			billions of yen		
	Year ended Mar-16	Year ended Mar-17	Change	Year ended Mar-16	Year ended Mar-17	Change	11 months ended Dec-15	Year ended Dec-16	Year ended Mar-16	Year ended Mar-17	Change	Year ended Mar-16	Year ended Mar-17	Change
Ordinary revenues	4,265.7	3,946.7	(7%)	1,967.5	1,183.2	(40%)	6,784	8,873	3,231	3,574	+11%	7,333.9	6,456.7	(12%)
Ordinary profit	344.2	281.8	(18%)	29.6	63.7	+115%	399	594	152	211	+38%	418.1	425.3	+2%
Net income <sup>(3)</sup>	129.1	117.1	(9%)	24.3	50.2	+107%	268	393	119	148	+24%	178.5	231.2	+30%

- (1) Results of Dai-ichi Life are unaudited figures that combine the first half results from non-consolidated Dai-ichi Life before the company shifted to a holding company structure and the second half results of the current Dai-ichi Life.
- (2) Figures of Protective Life and TAL are disclosed after re-classifying items from Protective Life's and TAL's financial statements under U.S. and Australian accounting standards, respectively, to conform to Dai-ichi Life Holdings' disclosure standards. For consolidation, these financial statements are translated into Japanese yen at the rates of 1 USD = 120.61 yen (Mar-16) and 116.49 yen (Mar-17), 1 AUD = 86.25 yen (Mar-16) and 85.84 yen (Mar-17), respectively.
- (3) Figures of "Consolidated Net income" represent those of "Net income attributable to shareholders of parent company."

### 2. Financial Results of Each Group Company

#### [1] Dai-ichi Life

Ordinary revenues declined due to an 11% decline in premium and other income due to the controlled sales of single premium insurance products. Higher pension obligation expense due to lower discount rate and expenses related to our initiatives to strengthen the sales representative channel reduced gains on core

insurance activities. Profitability worsened as fluctuations in exchange rates and stock prices reduced income and capital gains of the company. Those factors were partially offset by a lower provision of additional policy reserve and no reversal of deferred tax assets compared to the previous year, and net income was down slightly.

## **[2] Dai-ichi Frontier Life**

Ordinary revenue declined significantly as the company controlled the sales of yen-denominated fixed annuity products, together with lower sales of variable products as customers' interest shifted away from these products in light of the highly volatile equity and foreign exchange markets. However, Dai-ichi Frontier Life was able to reverse its policy reserves thanks to improvements in long-term interest rates in domestic and overseas markets, and net income increased significantly compared to the previous year.

## **[3] Protective Life**

The life insurance segment and the annuity segment were below company forecasts, but the acquisition segment exceeded the projection with improvements in investments on top of the new contribution from term life policy blocks that the company had acquired from Genworth. The stable value segment also benefited from customers' demand for yield products. Overall, Protective Life reported better-than-expected earnings. An improvement in the financial markets helped the company realize higher investment income, but that investment income includes profits attributable to re-insurance companies and should be amortized over time.

## **[4] TAL**

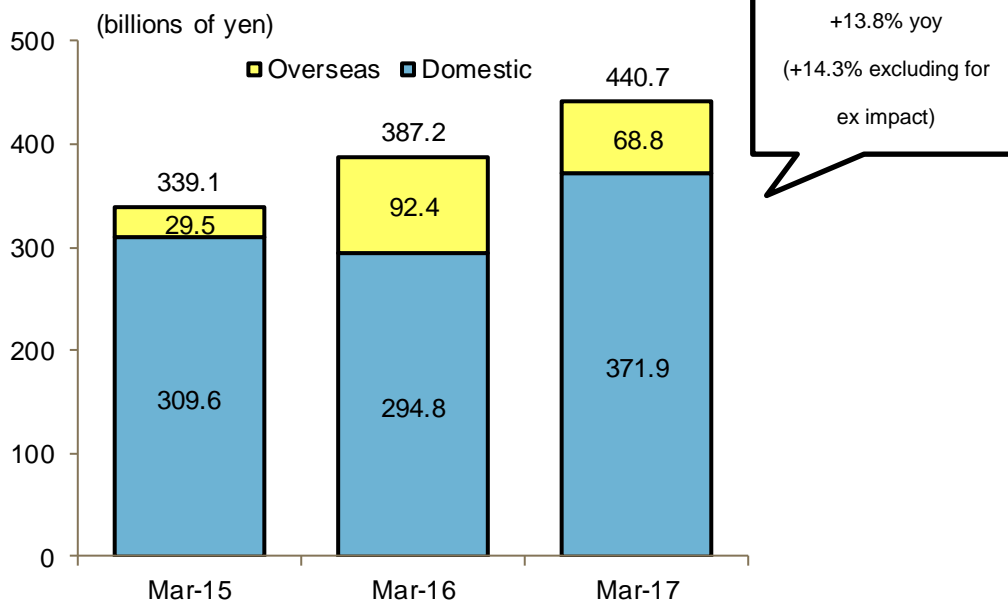
Claims on income protection and others continued to be high in light of a weak economic environment, but the company saw a reasonable improvement in profitability of retail life insurance products. In addition, higher investment income in a favorable market environment contributed to an increase of 24% in net income.

### **3. Group Sales Results**

The following statements describe the sales activities of the Group.

In the domestic life insurance business, Dai-ichi Life and Dai-ichi Frontier Life both controlled the sales of yen-denominated single premium savings products. In addition, volatility in the financial markets reduced the sales of variable products in the bancassurance market. While witnessing strong demand for savings products, Dai-ichi Life increased its sales of level-payment annuities and Dai-ichi Frontier Life increased its sales of foreign currency fixed annuities. The strategic shift of product portfolio to protection-type products is also taking effect, and Group new business ANP for third-sector (medical and nursing care) products increased around 20% YoY. In the Overseas Life Insurance Business, TAL faced the impact of large new sales in the group insurance business recorded during the last fiscal year. Protective also experienced lower sales of annuity products in the wake of the introduction of new regulations reinforcing fiduciary duties of agents. Meanwhile, overseas companies added new sales partners. Protective added more sales partners in addition to CostCo. TAL and Dai-ichi Life Vietnam are also expanding its network of partners. Dai-ichi Life Vietnam achieved high growth as sales through individual insurance agents expanded.

## New Business ANP



#### 4. Solvency Margin Ratio

The solvency margin ratio is one of many administrative control measurements of an insurance company's "solvency" against risks which could materialize beyond the normal course of business.

Dai-ichi Life's solvency margin ratio was 850.5% as of March 31, 2017. The number is lower than 900.8% as of the end of the previous fiscal year due to capital changes that occurred when the holding company was established through the corporate split. The consolidated solvency margin ratio of the holding company was 749.2% as of March 31, 2017.

#### 5. Group Embedded Value

	(billions of yen)		
	As of Mar-16	As of Mar-17	Change
EEV of the Group	4,646.1	5,495.4	+849.3

Embedded value represents the corporate value of insurance companies and is the combination of accumulated realized profits and present value of future profits from existing policies in-force.

The Group embedded value increased by approximately 850 billion yen to approximately 5.5 trillion yen as of March 31, 2017, from 4.6 trillion yen as of March 31, 2016, due mainly to an underwriting of new business and improvements in financial condition.



## 6. Earnings Guidance

For the fiscal year ending March 31, 2018, the Company expects declines in both revenues and net profits. Dai-ichi Frontier Life and overseas life insurance companies reported higher than expected results during the recently concluded fiscal year, and the Company expects a decrease from the previous level, in light of financial markets around the world.

The Group forecasts dividends per share of 45 yen, up by 2 yen, for the fiscal year ending March 31, 2018, in order to achieve a 40% total shareholder payout for the fiscal year.

## Consolidated Earnings Guidance

	FYE Mar-17 (Actual)	FYE Mar-18 (Forecast)	Change
(billions of yen)			
Ordinary revenue	6,456.7	6,004.0	(452.7)
Ordinary income	425.3	363.0	(62.3)
Net income	231.2	179.0	(52.2)
(yen)			
Net income per share	196.62	152.32	(44.30)
Dividends per share	43	45	+2

(Note) Figures of "Net income" represent those of "Net income attributable to shareholders of parent company." Per share data uses the number of shares outstanding excluding treasury stock which include shares of common stock of the Company owned by the Stock Granting Trust (J-ESOP trust) and the Trust-type Employee Shareholding Incentive Plan (E-Ship®).

## Summary Consolidated Statements of Earnings and Balance Sheet

	Year ended Mar-16	Year ended Mar-17	Change
(billions of yen)			
Ordinary revenues	7,333.9	6,456.7	(877.1)
Premium and other income	5,586.0	4,468.7	(1,117.2)
Investment income	1,344.8	1,626.1	+281.3
Interest and dividends	1,075.3	1,107.7	+32.4
Gains on sale of securities	222.4	223.7	+1.2
Gains on investments in separate accounts	-	115.7	+115.7
Other ordinary revenues	403.0	361.8	(41.2)
Ordinary expenses	6,915.7	6,031.4	(884.3)
Benefits and claims	3,830.9	3,618.3	(212.5)
Provision for policy reserves and others	1,496.3	1,016.7	(479.6)
Investment expenses	524.0	342.1	(181.9)
Losses on sale of securities	64.2	94.2	+29.9
Losses on valuation of securities	4.1	27.1	+23.0
Derivative transaction losses	53.8	29.4	(24.3)
Foreign exchange losses	180.4	73.7	(106.7)
Losses on investments in separate accounts	96.1	-	(96.1)
Operating expenses	661.3	650.9	(10.3)
Ordinary profit	418.1	425.3	+7.1
Extraordinary gains	0.3	17.4	+17.1
Extraordinary losses	55.2	47.4	(7.8)
Provision for reserve for policyholder dividends	97.5	85.0	(12.5)
Income before income taxes, etc.	265.7	310.3	+44.6
Total of corporate income taxes	87.1	79.0	(8.1)
Net income attributable to non-controlling interests	0.0	0.0	+0.0
Net income attributable to shareholders of parent company	178.5	231.2	+52.7

	As of Mar-16	As of Mar-17	Change
(billions of yen)			
Total assets	49,924.9	51,985.8	+2,060.9
Cash, deposits and call loans	960.3	980.4	+20.1
Monetary claims bought	239.2	198.2	(41.0)
Securities	41,560.0	43,650.9	+2,090.9
Loans	3,715.5	3,566.6	(148.9)
Tangible fixed assets	1,178.8	1,138.4	(40.4)
Deferred tax assets	1.3	0.1	(1.1)
Total liabilities	46,991.9	48,848.5	+1,856.6
Policy reserves and others	43,894.0	44,694.1	+800.1
Policy reserves	42,922.5	43,740.2	+817.7
Bonds payable	485.6	989.7	+504.0
Other liabilities	1,486.6	1,852.0	+365.4
Net defined benefit liabilities	443.8	421.5	(22.2)
Reserve for price fluctuations	155.2	174.6	+19.4
Deferred tax liabilities	270.7	324.4	+53.7
Total net assets	2,932.9	3,137.2	+204.3
Total shareholders' equity	1,129.2	1,300.7	+171.4
Total accumulated other comprehensive income	1,802.6	1,835.2	+32.5
Net unrealized gains on securities, net of tax	1,840.0	1,906.0	+66.0
Reserve for land revaluation	(16.4)	(17.5)	(1.1)

(Note) The following items include items that are offset by provision for (reversal of) policy reserves and unrealized gains (losses) on investments. There is impact of Gains (losses) but they do not have a significant impact on business results. (Gains or losses on investments in separate accounts, foreign exchange gains or losses, derivative transaction gains or losses.)

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