

Basic Policy

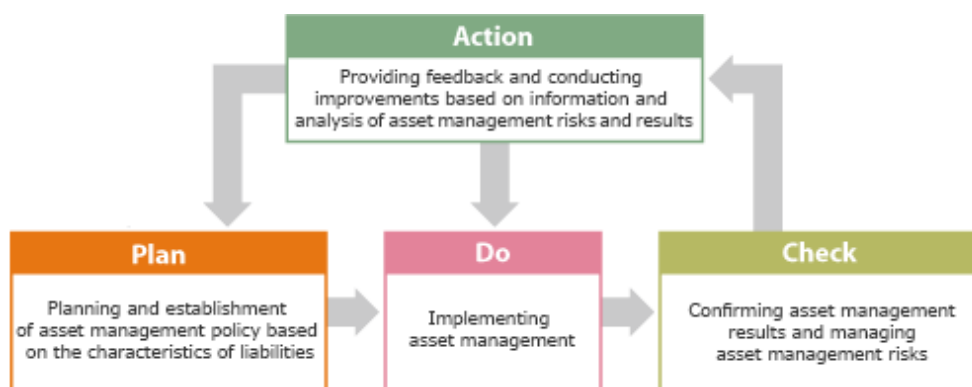
Basic Policy

Asset Management: Basic Policy and Process

With the primary objective of providing for stable pension, insurance claims, and insurance benefits payments over the long-term, and while taking into consideration the characteristics of life insurance policy liabilities, Dai-ichi Life conducts asset management focused on fixed interest-bearing assets based on Asset Liability Management (ALM).

In addition, upon sufficiently establishing the soundness of management, we seek to manage assets effectively by holding equities and foreign securities with acceptable risks. Moreover, we use our finely tuned risk management system to monitor risks and improve the efficiency of asset management.

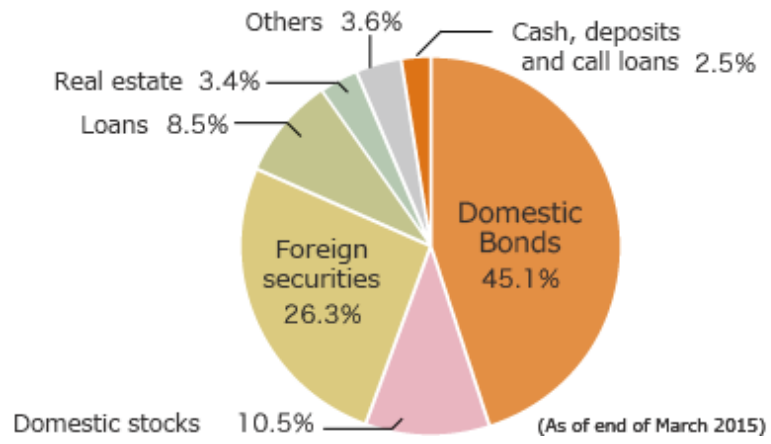
Our asset management process incorporates analysis and verification as appropriate, utilizing feedback on information relating to asset management risks and returns. In addition, we work together with the Product Development and Management Unit in a framework that ensures liability information is constantly reflected and ALM is thoroughly implemented.



Status of Assets

In fiscal 2014, Dai-ichi Life continued to set fixed income investments, including domestic bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. In light of the persisting low interest rate environment in Japan, the Company refrained from purchasing super long-term bonds classified as policy reserve matching bonds and shifted from domestic bonds to foreign currency-denominated bonds with currency hedges by considering investment efficiency within its fixed income assets, in order to further enhance its Asset Liability Management (ALM) strategy and improve its profitability.

The Company has controlled flexibly the allocation of its risk assets (such as domestic stocks and foreign securities intended to promote diversification of risks and to improve its profitability) by taking market trends into account.



ESG Investment and Lending

ESG Investment and Lending

As an institutional investor that controls approximately 35 trillion yen in capital, Dai-ichi Life's approach to asset management focuses not only on stability and profitability, but also on the benefits for society and the public. With interest growing around the world in asset management that considers environmental (E), social (S) and governance (G) issues, Dai-ichi Life has drawn up its own set of principles of behavior by incorporating the ESG perspective

E: Environmentally friendly asset management

Environmentally friendly real estate investment

Dai-ichi Life, which owns 272 buildings (as of March 31, 2015) across Japan as investment properties, has been working to improve energy efficiency in both hardware and software aspects of buildings. Hardware includes improvement of environmental performance by introducing high-efficiency equipment with constructing, renovating and rebuilding, and planting trees in and around buildings. Energy efficiency is increased also in the software aspect based on daily management and operation through continuous improvement by cooperating with building management companies including The Dai-ichi Building Co., Ltd.

Example of Tokyo Square Garden (completed in March 2013)

In the construction of Tokyo Square Garden, as the multifaceted environmental measures on behalf of next-generation, a green space of approximately 3,000m² called Kyobashi no Oka was created to help reduce the urban heat island effect, with latest equipment introduced. The Kyobashi Environment Station was also placed in the building as an advanced initiative to promote energy conservation in the area as a whole. It presents information on area energy management and environmental technologies. This building construction project was selected by the Ministry of Land, Infrastructure, Transport and Tourism as a leading housing/building project in CO2 control, and also has been recognized by many organizations.



Tokyo Square Garden (Chuo-ku, Tokyo)

Main awards and commendations for environmental initiatives

▶ [Please see the link.](#)

S: Social contribution through asset management

■ Initiatives with International Finance Corporation

In December 2014, Dai-ichi Life purchased the Inclusive Business Bonds issued to it by the International Finance Corporation (IFC), a member of the World Bank Group. This was the first time in the world that the bonds were issued to institutional investors, and Dai-ichi Life purchased the entire amount (for approximately USD100 million).

Inclusive Business models are commercially viable and replicable business models that incorporate low-income communities around the world (BOP*1) of 4.5 billion into the business value chain. In recent years, there has been a marked increase in the number of companies that view BOP as strategic partners in terms of potential customers, producers, distributors and retailers, as BOP is estimated to represent a market with purchasing power of USD5 trillion.

Investing in Inclusive Business Bonds allows us to help BOP in developing countries to participate in business and support their economic growth. Dai-ichi Life supports IFC's principle, which is focused on support for the private sector in developing countries, and decided on the investment as a part of its ESG investments.

*1 BOP: Base of the economic pyramid. IFC defines BOP as people who earn less than the equivalent of USD8 per day in Purchasing Power Parity terms or who do not have access to basic goods and services

■ Investment made through the ESG Fund

For the first time for Japanese life insurers, the Socially Responsible Investment (SRI*1) fund was raised internally *2 in October 2010.

This fund, renamed the ESG Fund in 2013, selects the companies to invest in by evaluating from the perspectives such as diversity, governance and environmental protection. Dai-ichi Life has raised the weight of diversity assessment such as the level of participation of female (e.g. percentage of female managers or rate at which childcare leave is taken) as one of the criteria for selecting companies in which to invest. In addition, it also proactively invests in Health and Productivity Management Brand stocks and Nadeshiko Brand stocks selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

*1: SRI is generally a type of investment that concerns aspects such as legal compliance, information disclosure, consideration for employees, clients' labor conditions, contribution to local communities, and consideration for the environment, in addition to financial matters.

*2: This fund is managed in-house (not outsourced), investing in domestic listed stocks.

■ Initiatives to eliminate the issue of children waitlisted to enter daycare facilities

Since 2011, Dai-ichi Life has been working to invite daycare facilities to open in the real estate properties it owns as an institutional investor. See the link below for more information.

▶ [Creating an Affluent Next-Generation Society](#)

G: Initiatives for Corporate governance through asset management

As an institutional investor that holds more than 3 trillion yen in Japanese equity (at current prices), Dai-ichi Life agrees with and publicly accepts the Principles for Responsible Institutional Investors: Japan's Stewardship Code.

Dai-ichi Life makes equity investments from a medium-to-long term perspective and has established a policy governing its stewardship activities that focuses on dialogue with the companies it invests in and the exercising of voting rights. From the perspective of supporting the corporate value improvement and the sustainable growth of the companies in which it invests, Dai-ichi Life places particular importance on dialogue and encourages proactive stewardship activities. There are increasing international expectations for institutional investors to play a role in promoting growth and corporate governance improvement of the companies in which they invest. To meet such expectations, Dai-ichi Life will strive to contribute to the reinvigoration of the stock market and Japanese government's growth strategies, by improving its stewardship activities through continuous reviews of its dialogue process and its criteria for exercising its voting rights.

Overview of stewardship activities



■ Dialogue oriented activities

In the course of these dialogue-oriented activities, we focus on three perspectives; corporate governance, sustainable growth in ROE, and better shareholder return. To ensure steady progress on these priorities, we deepen our understanding of corporate initiatives through dialogue while seeking to support corporate value improvement through discussions and provision of the pertinent information. In fiscal 2015, a seven member-strong Stewardship Activity Promotion Team was newly established. The team will coordinate with the 15 stock analysts in the Equity Investment Research Center to promote dialogue.

■ Exercising Voting Rights

In exercising its voting rights, Dai-ichi Life avoids making determinations with formalities based on concerns such as short-term business performance and stock prices, and instead decides whether to approve or disapprove measures on an individual basis from the perspective of maintaining and improving stock value after taking non-financial information into account. However, with regard to important frameworks concerning corporate governance, we believe it is desirable for all listed companies to meet certain standards, and accordingly, we make decisions regarding measures based on formal criteria. Dai-ichi Life appropriately exercises its voting rights for all proposals of the companies it invests in, based on the perspective of maintaining and improving stock value over the medium to long term.

Our Initiatives under Japan's Stewardship Code

Our Initiatives under Japan's Stewardship Code

Dai-ichi Life agrees with and publicly accepts the Principles for Responsible Institutional Investors: Japan's Stewardship Code. We have established the following policies based on principles one through seven of the Code.

Principle 1 Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.

- Dai-ichi Life has established the following Stewardship Policy based on its acceptance of Japan's Stewardship Code and we will fulfill our responsibilities as an institutional investor following this policy.

 [Stewardship Activities Policy \(38KB\)](#)

Principle 2 Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

- We have established the following policy to ensure that the interests of our shareholders and policyholders are not unreasonably damaged during stewardship activities, such as the exercise of voting rights.
 - Based on company rules, only the department in charge of investment can determine whether to agree with a proposal for enhancing the stock value or governance of a investee company when exercising voting rights.(*)
 - Only the department in charge of investment can create or revise this company rule.

*Excluding subsidiaries, affiliates and strategic tie-ups,etc.

Principle 3 Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

- Dai-ichi Life periodically confirms the business conditions of companies that it invests in and makes efforts to conduct dialogs on a routine basis in order to accurately understand the situation of these companies and share information regarding issues.
- Periodic management checks and daily dialogue include not only short-term corporate performance, but also a broad range of non-financial information as well, such as the company's strategy, medium-term management plan, and policy on shareholder returns, which will enable us to assess medium- to long-term growth potential.

Principle 4 Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

- To enhance the stock value of investee companies over medium- to long-term viewpoint, we strive to engage investee companies in constructive engagement with regards to business strategy, financial strategy, and policy on shareholder returns.
- We emphasize this constructive engagement and by continuing with this dialogue we are working to share common vantage points with our investee companies and striving to resolve issues.
- This dialogue is not intended to obtain material undisclosed facts. If in the unlikely event a material fact is disclosed, we manage this information appropriately in accordance with our company rules.

Principle 5 Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

- We exercise voting rights in accordance with company rules. The results of voting rights are made public in a summary table.
- Reference: We do not engage in stock lending that overlaps with the rights base date related to the voting shares of investee companies.

Principle 6 Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

- Our Stewardship Activities Policy, Summary of the Exercise of Voting Rights, and Results of Exercise of Voting Rights for General Meetings of Shareholders are regularly reported through our website.

Principle 7 To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

- Dai-ichi Life works to develop highly specialized human resources so that it can conduct stewardship activities based on a deep understanding of matters such as the companies invested in and the business environment.
- Furthermore, the Stewardship Activities Policy is regularly reviewed in consideration of factors including social trends in an aim to achieve stewardship activities of a consistently high level.

| Exercise of Voting Rights/Dialogue Activities

○ Exercise of Voting Rights/Dialogue Activities

 [Stewardship Activities Report\(FY2014\)\(219KB\)](#)