



FALIA Invitational Seminar in Japan

“Product Development Strategy Course”

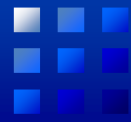
Products and its Sales Strategy for Bancassurance

Aug. 3rd, 2015

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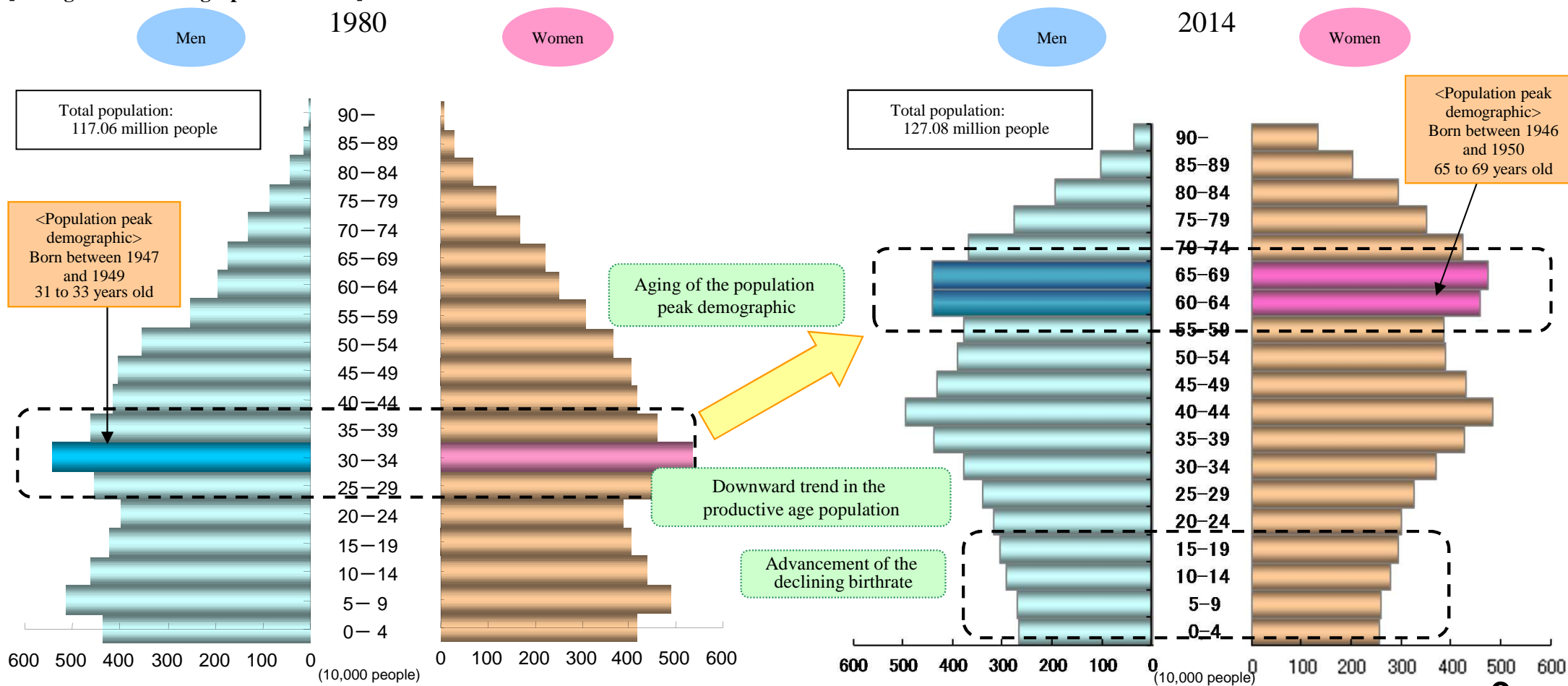


Section 1. Environment Surrounding Japan's Life Insurance Industry

1. Population Demographic Changes ~ Advances in the Declining Birthrate and Aging of Society

- (Aging of society) The population pyramid's peak demographic is shifting from early 30s to late 60s, and the aging of society is proceeding significantly.
 - (Declining birthrate) The declining of birthrates is proceeding in the wake of factors like diversifying lifestyles in the form of people marrying later and an increasing number of single people.
 - (Decrease of the population of people in their productive years) The population of people between 15 and 64 years of age is on a downward trend from its peak in 1995 due to the impact from the declining birthrate and aging of society.
- * Owing to the impact from factors like the tightening of financial resources due to the progress of the aging of society and the decrease in the population of productive age, there has been a trend toward the slimming of public social security systems.

[Changes in the demographic structure]



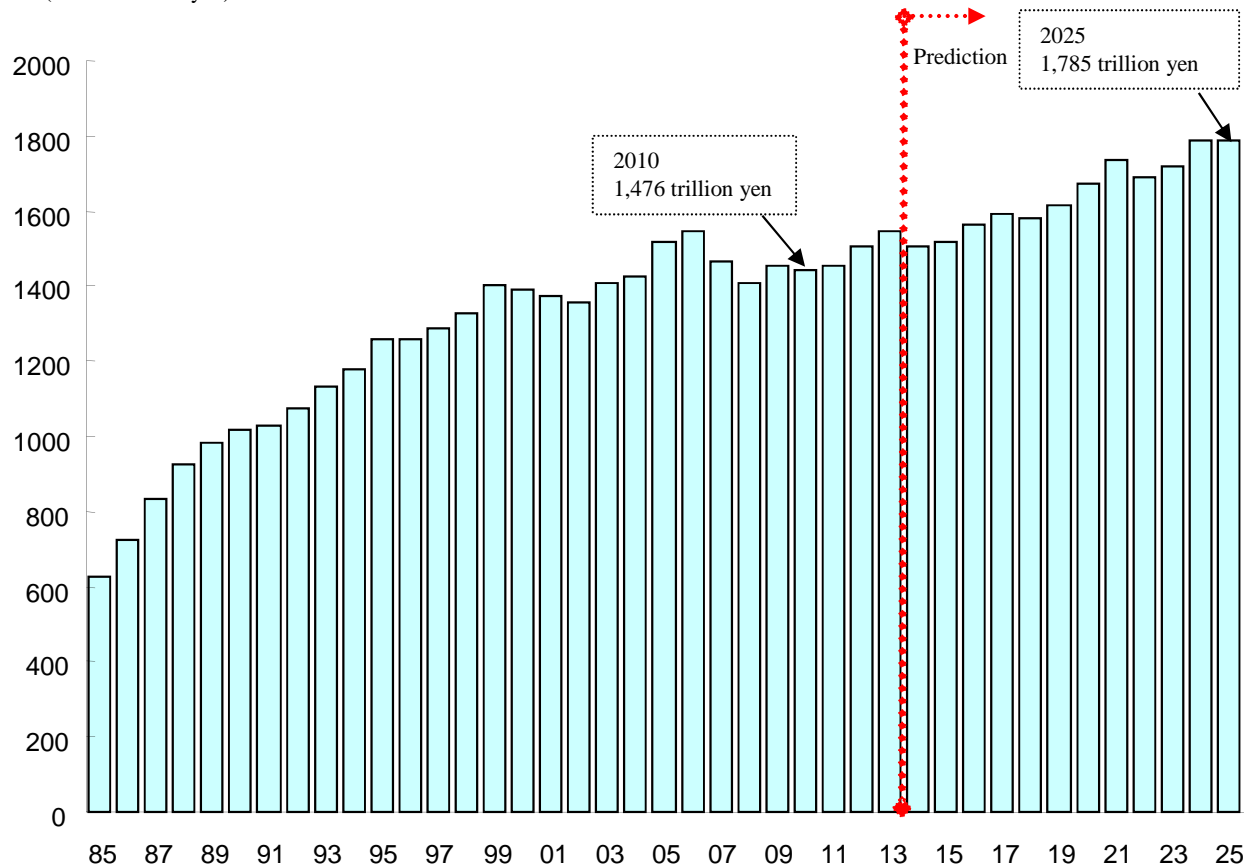
(Source) Population Statistics of Japan 2014 by the National Institute of Population and Social Security Research, in which the original data on the current population as of October 1 came from the Annual Report on Current Population Estimates from the Statistics Bureau of the Ministry of Internal Affairs and Communications.

2. Household Financial Assets of Japanese People

- The balance of household financial assets which form the base of the investment-type pension market is roughly 1,476 trillion yen as of the end of March 2011 with predictions that it will exceed 2,000 trillion yen by the year 2020.
- For the breakdown of household financial assets by product, currently cash and deposits and savings continue to comprise 55.3% of the total at 816 trillion yen.
- On account of the impact from factors like changing population demographics, diversifying lifestyles, and the streamlining of the social security system, the competitive environment for the life insurance industry is shifting from the risk of death to the risk of longevity, easy and comfortable retired life, the market for bank's over the counter sales is a market which can grow in the future.

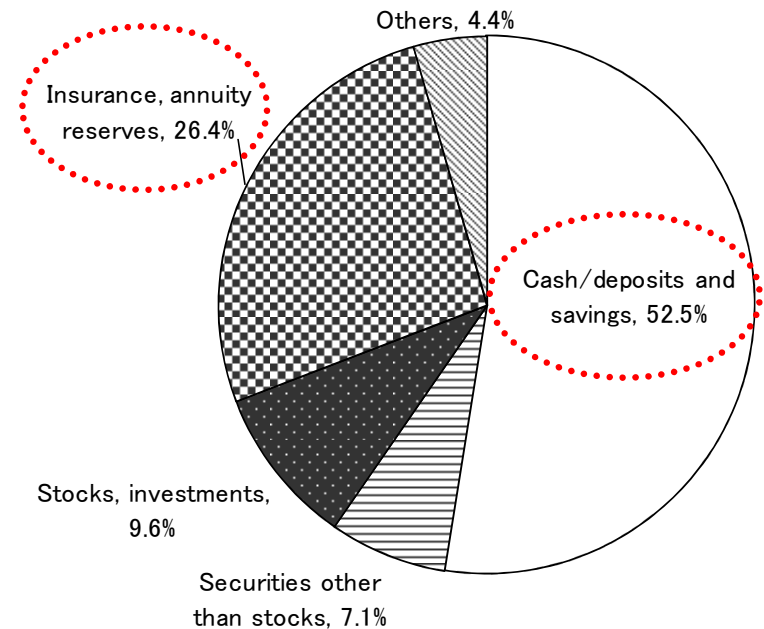
■ Changes in the Balance of Household Financial Assets

(Unit: 1 trillion yen)



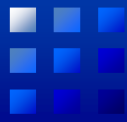
(Source) Dai-ichi Life Research Institute Inc. estimates from the Flow of Funds Accounts Statistics by the Bank of Japan

■ Portfolios of Household Financial Assets (March 2014)



* Securities other than stocks refer to treasury discount bills, central government securities and fiscal investment and loan program bonds, bank debentures, industrial bonds, investment trust beneficiary certificates, trust beneficiary rights, and structured financing instruments.

(Source) Flow of Funds Account (Preliminary Figures; December 2014) Bank of Japan



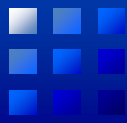
Section 2. Overview of the Over the Counter Sales Business in Japan

1. Changes in the Lifting of the Bank on Over the Counter Life Insurance Products (Deregulation)

- (Over the counter sales by banks) **Transactional products expanded in a phased manner beginning with the lifting of the ban on credit life insurance in April 2001.**
 - Product regulations were completely abolished in December 2007, allowing sales of all products, including protection-type products.
- (Over the counter sales by securities firms) As a result of revisions to the Securities Exchange Law **the ban on sales of insurance was lifted in December 1998, and from the outset there were no regulations concerning products and sales of all products were permitted.**

Trends in the Deregulation of Banks and Securities Firms (Products Sold)

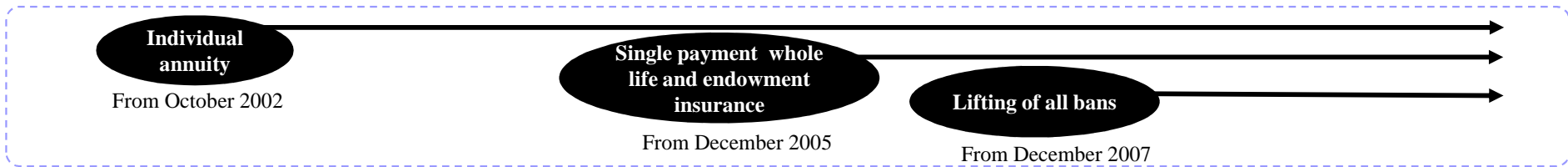
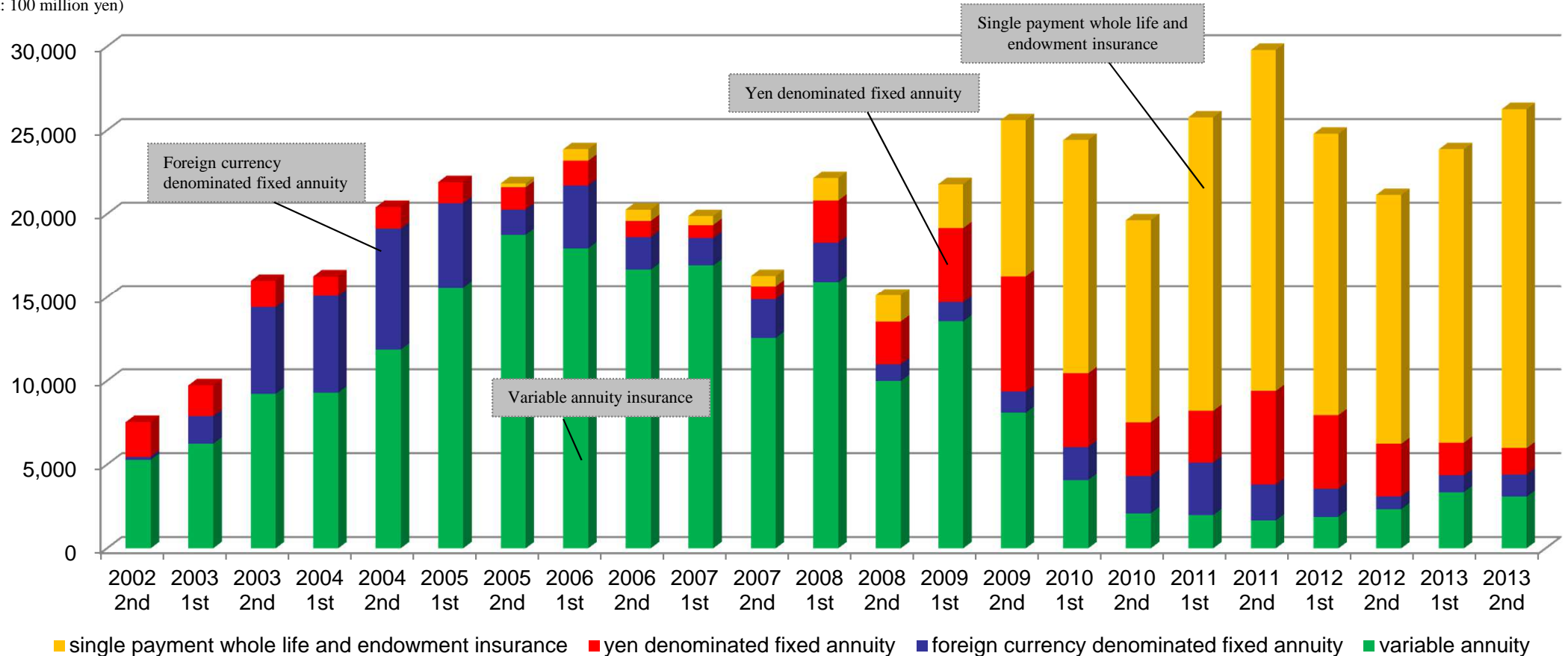
| | First Period (December 1998) | → | Second Period (April 2001) | → | Third Period (October 2002) | → | Fourth Period (December 2005) | → | Fifth Period (December 2007) |
|---|---------------------------------|---|--|---|---|---|----------------------------------|---------------------------------|---------------------------------|
| Banks (Including bank securities) | | | Sales of "credit life insurance" initiated | | → | | | | |
| | | | | | Sales of "individual annuity plans" initiated | | → | | |
| | | | | | | "Single payment whole life / endowment insurance" and "level payment endowment insurance (10 years or under)" initiated | | → | |
| | | | | | | | | Sales of all products permitted | |
| Securities Firms | Sales of all products permitted | | → | | | | | | |



2. Over the Counter Sales Market (1) Changes in the Incoming Premiums from Bank's Over the Counter Sales (Single payment Products Only)

- ◇ Since the lifting of the ban on individual annuities in October 2002, insurance sales via bank's over the counter sales have grown steadily, but faltered across the board in the second half of 2007 due to the impact from the Financial Instruments and Exchange Law.
- ◇ Since the first half of 2008 there has been a rise in customers' orientation toward stability, and yen denominated fixed annuities have grown.
- ◇ Single payment whole life insurance, which has a strongly savings-based nature, has grown rapidly since the second half of 2009.

(Unit: 100 million yen)



Source1: DLRI aggregates from the NIKKIN Report by the Japan Financial News Co., Ltd.

Source2: Other companies' conversion data (since 2nd half 2012)

2. Over the Counter Sales Market (2) Over the Counter Sales Characteristics and Target Demographics

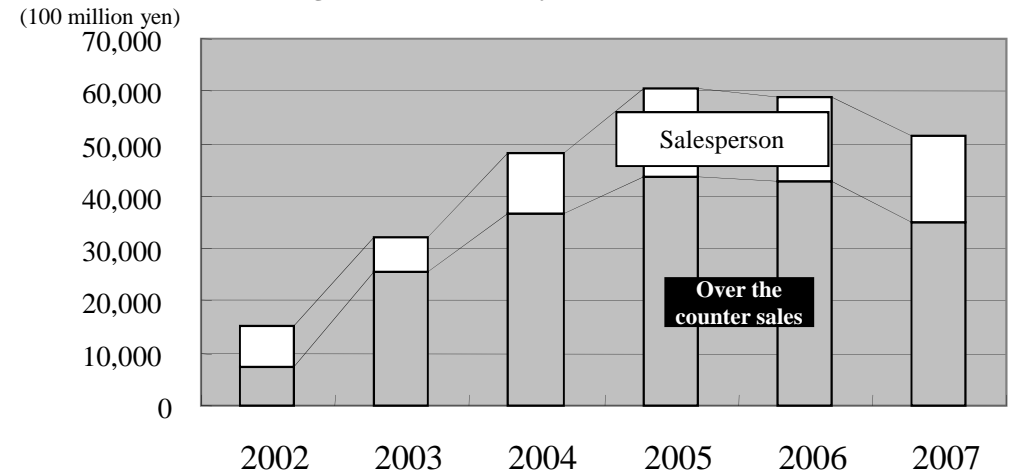
- (Customer demographic) Elderly persons 60 years old and older are the main customer demographic for over the counter sales. Annuity sales to customer demographics which the life insurance industry has previously been unable to adequately incorporate will be expanded.
=> The stock funds and excess funds held by elderly persons (and the wealthy) which are retained by banks and securities firms will be incorporated.
- (Sales share accounting for individual annuities) The proportion of bancassurance channels accounting for overall individual annuity sales expanded from 50% in 2002 up to 80% the following year in 2003 (and was 68% in 2007).
- (Payment method) The majority of over the counter sales channels are single payments (the proportion of over the counter sales accounting for single payments is 71%, whereas conversely the proportion of over the counter sales accounting for equalized payments is miniscule at 3%).

■ **Performance in the Number of Annuity Insurance Sales by Age Group (2007)**



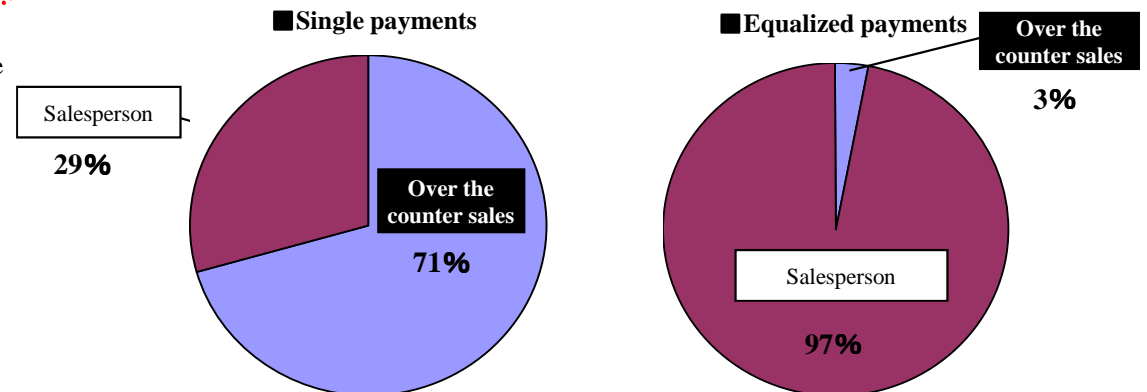
(Source) Dai-ichi Life Group's performance

■ **Changes in the Proportion of Over the Counter Sales Channels Accounting for Overall Annuity Sales**



(Source) "Summary of Life Insurance Industry" by the Life Insurance Association of Japan

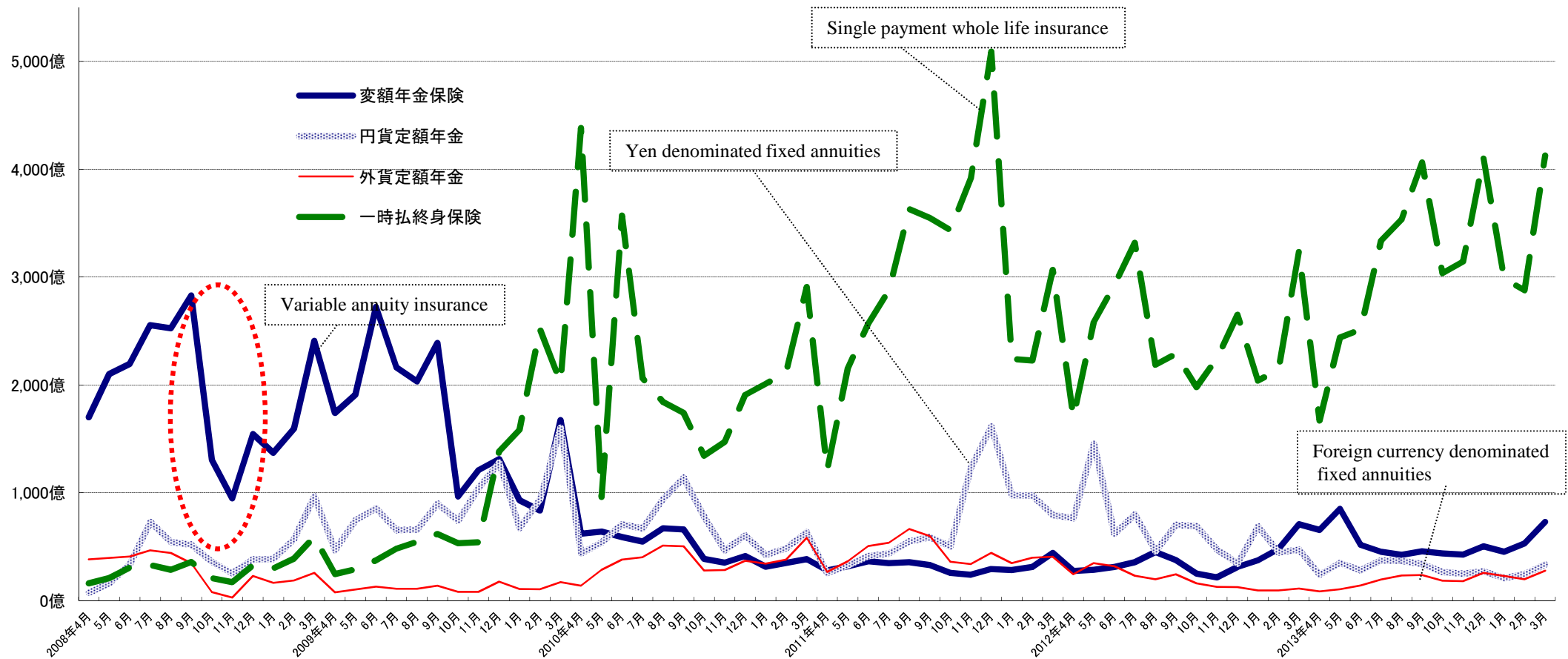
■ **Share of Over the Counter Sales Accounting for Annuity Insurance (2007)**



(Source) "Summary of Life Insurance Industry" by the Life Insurance Association of Japan

2. Over the Counter Sales Market (3) Sales Situation by Product Sector (April 2008~)

- In the second half of 2008, variable annuities and foreign currency denominated annuities total sales declined significantly owing to the impact from the Lehman Brothers shock and managerial crisis at AIG in September 2008. But this has been making a gradual recovery since December and had reached 272.3 billion yen by June 2009.
- However, since a string of sales suspensions of variable annuities occurred one after another, there has been a precipitous drop-off in performance since September 2009.
- The demand for highly secure products rose following the Lehman Brothers shock in September 2008, and yen denominated fixed annuities have grown steadily since January 2009.
- Single payment whole life insurance, with its emphasis on its savings-based nature, has grown rapidly since December 2009.



2. Over the Counter Sales Market (4) Sales Trends for Major Banks and Securities Firms

- For both banks and securities firms, **sales performance is strong for banks and securities firms with a broader customer base (account balance, assets on deposit) and network of branches.**
- ⇒ **Regarding partnerships with banks and securities firms, partnerships with those institutions that have a broad network of branches and extensive customer base are ideal.**

Annuity Insurance Sales Amount for Major Banks (2014)

Unit: 100 million yen

| Bank | Annuity insurance sales amount (variable annuities + fixed annuities) | (Reference) | |
|--|--|-------------------------------|--------------------|
| | | Individual account balance | Number of branches |
| Bank of Tokyo-Mitsubishi UFJ | about 4,500 | 605,684 | 764 |
| Sumitomo Mitsui Banking Corporation | about 3,500 | 401,595 | 438 |
| Mizuho Bank | about 4,500 | 385,027 | 460 |

Annuity Insurance Sales Amount for Major Securities Firms (2014)

Unit: 100 million yen

| Securities Firm | Individual assets on deposit | Number of branches |
|-----------------------------|---------------------------------|--------------------|
| Nomura Holdings | 917,000 | * 159 |
| SMBC Nikko Securities | 381,000 | 123 |
| Daiwa Securities Group Inc. | 484,000 | * 134 |
| Mizuho Securities | 340,490 | 273 |

Regarding partnerships with banks and securities firms, partnerships with those institutions that have a broad network of branches and extensive customer base are ideal

(Source) Closing IR materials from each company (end of FY2014). The number of branches is each company's HP (September 2014).

3. State of the Sales Stoppage and Halt of Sales of Variable Annuities through Over the Counter Sales

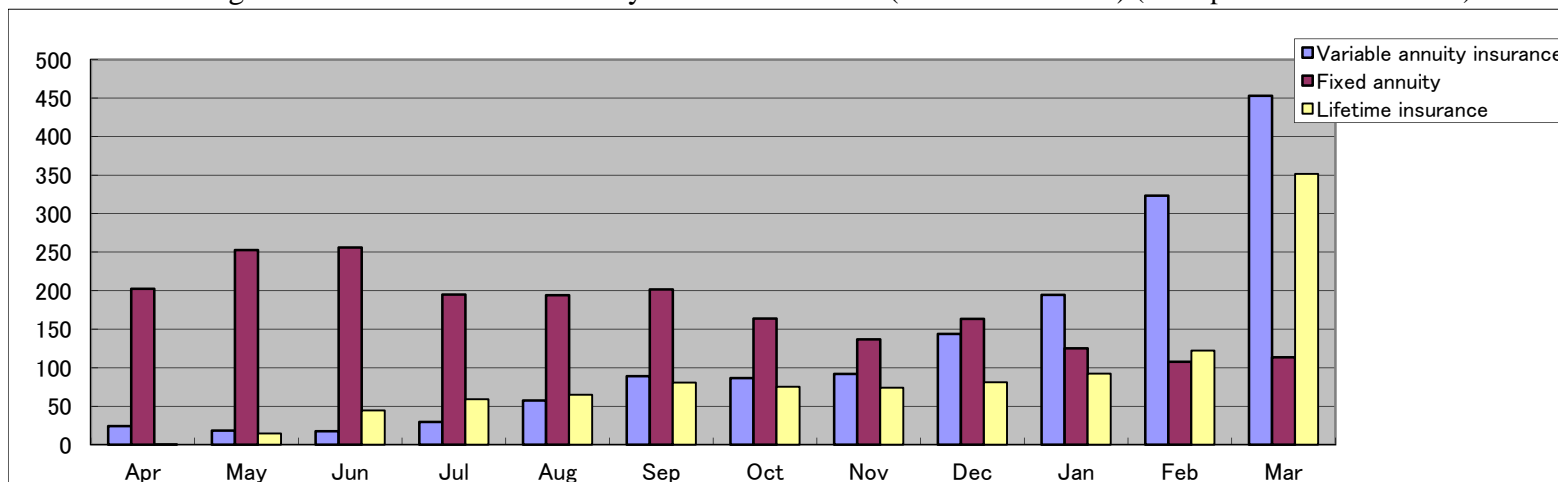
- Since the Lehman Brothers shock in September 2008, a succession of major underwriting companies have announced that they will be suspending and halting sales of products since they are unable to bear the cost burden associated with the minimum guarantees.
- We set an upper limit on second half sales of variable annuities for each sales company starting in the second half of FY2009 for the sake of the stable continuation of variable annuities. This was due to the excessive concentration of sales in that we surpassed 500 billion yen over the first half of FY2009.
- Despite the input of variable annuities for which their merchantability has changed after this, including by our company, it has not been easy to restore our performance.

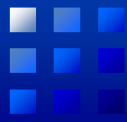
■ Responses by Different Companies

| Insurance underwriting company | Response | Period |
|---|--|-----------|
| Allianz Life Insurance Japan | Halted sales of variable annuities | Feb. 2009 |
| Mitsui Life Insurance Company Limited | Withdrawal from variable annuities | Apr. 2009 |
| Crédit Agricole Life Insurance Company Japan Ltd. | Halted sales of some variable annuity products | Apr. 2009 |
| Hartford Life Insurance K.K. | Halted sales of all products | Jun. 2009 |
| Allianz Life Insurance Japan | Restarted sales of variable annuities | Aug. 2009 |
| ING Life Insurance Company (Japan), Ltd. | Halted sales of variable annuities | Aug. 2009 |
| Sumitomo Life Insurance Company | Halted sales of some variable annuity products | Oct. 2009 |
| Allianz Life Insurance Japan | Halted sales of all products | Jan. 2012 |
| Tokyo Marine Nichido Financial Life Insurance | Halted sales of all products | Jul. 2012 |

<Reference> Changes in Our Sales Performance by Month in FY2011 (Premium Income) (Final performance for 2011)

(Sources) Each companies' homepages and news releases





4. Sales Policy (Incentives)

- The sales indicators adopted by the various banks and securities firms can be broadly categorized into three types: “earnings objectives (handling fees),” “sales value (premium income),” and “earnings objectives + sales value”.
 - **Compared to banks, the deployment of sales policies which are generally inclined toward earnings objectives (handling fees) by securities firms have been gaining in momentum.**
- While there are differences in sales handling fees depending on factors like the product and age bracket, these are around 2 to 3% of single payment premium in case of single payment whole life insurance, which is our major sales product.

Major Sales Objectives

Major sales indicators for various banks and securities firms are largely the following three.

(1) Earnings objectives

(2) Sales value

(3) Earnings objectives + sales value

Product

Variable annuities

Foreign currency denominated fixed annuities

Yen denominated fixed annuities

Single payment whole life insurance

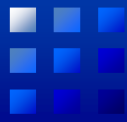
Sales Handling Fees

• **1 to 8%** relative to single payment premiums

• **2 to 5%** relative to single payment premiums

• **1 to 4%** relative to single payment premiums

• **2 to 6%** relative to single payment premiums



5. Various Regulations to Keep in Mind

- (Banks) In light of the fact that strong influence is applied to bank customers, **sales regulations have been set in place in the interest of safeguarding customers and preserving fairness in competition conditions.**
- (Securities firms) Since their influence on customers is relatively weak compared to that of banks, **sales regulations are limited.**
 - With regard to bank securities which function as bank-related companies, the same regulations apply as those for banks.

[Presence or Lack of Regulations]

| Major Sales Regulations concerning Over the Counter Sales of Insurance | [Presence or Lack of Regulations] | |
|--|-----------------------------------|----------------------|
| | Banks | Securities firms (*) |
| •Member regulations – Life insurance contracts which take agents or else their executives and employees as policyholders or the insured cannot be handled. | Yes | Yes |
| •Ban on the abuse of dominant bargaining position: Insurance sales which make improper use of one’s dominant bargaining position in terms of bank transactions such as loans are not permitted. | Yes | No |
| •Measures to safeguard non-disclosed information: Banks are not permitted from conducting insurance sales which use financial information that was acquired through means such as bank services without the consent of the customer. | Yes | No |
| •Borrower regulations: Insurance sales other than annuities which collect a handling charge targeting banks’ borrowing companies and their representatives are prohibited. | Yes | No |

Legal grounds for the above regulations: Insurance Business Law

* Bank securities are the same as for banks

•Commission regulations – In Japan there are no regulations related to commission



Section 3. Dai-ichi Life Group's Financial Institute Agent Strategy



1. Dai-ichi Life Group's Initiatives for the Over the Counter Sales Business

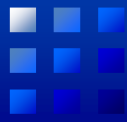
➤ We are proactively carrying out initiatives for the savings-based market which can be expected to grow.

[Policy]

We have positioned banks and securities firms with vast customer bases and sales networks as core sales channels for savings-based products, primarily annuities, and are actively working to develop these.



| [Content of Initiatives for the Over the Counter Sales Business] | |
|---|---|
| April 2000 | Start of agency consignments to securities firms |
| October 2002 | Release of variable annuity insurance (with no guarantee of principle) mainly through urban banks and large-scale rural banks, etc. |
| December 2005 | Release of single payment whole life insurance and single payment endowment insurance |
| April 2006 | Release of fixed annuity insurance |
| December 2006 | “Dai-ichi Frontier Life (hereafter referred to as DFL)” established as a subsidiary company for the over the counter sales business |
| October 2007 | DFL begins operating. Release of variable annuity insurance (with a guarantee of principle) |
| March 2009 | Dai-ichi Life terminated sales of products through bancassurance |
| April 2009 | Sales of first yen denominated fixed annuities by DFL |
| August 2010 | Sales of first foreign currency denominated annuities by DFL |
| November 2010 | Sales of first variable whole life annuities by DFL |
| January 2011 | Sales of Australian dollar dominated fixed annuities by DFL |
| May 2012 | Sales of first foreign currency dominated whole life annuities by DFL |



2. Establishment of Dai-ichi Frontier Life

- Dai-ichi life established a subsidiary life insurance company in December 2006 that was the first in Japan to be fully financed by a life insurance company. Accompanying the expansion of the savings-based market, the company was designed to strengthen the over the counter sales business through banks and securities firms.
- DFL’s net amount of capital was 185 billion yen as of April 1, 2015 (from 50 billion yen when it was established: Dai-ichi Life 100%).

[Background to its Establishment]

- Alterations in the population composition due to factors like the declining birthrate and aging of society
- Expanding need for annuity products due to insecurity over aging
- Growth of bank and securities firm channels

(Over the Counter Sales Business) Business Characteristics
which Differ from Our Main Business

| | Main business <small>(Sales of insurance products by salespeople)</small> | Over the counter sales business |
|--------------------|--|--|
| (Channel) | Channels exclusive to one company | Independent channels (severe competition) |
| (Products) | Primarily insurance | Mainly savings-based (shortening of the development cycle) |
| (No. of contracts) | Extremely vast number of contracts | Small number of contracts per product |
| (System) | Vast information processing | Rapid development suited to the product cycle |
| (Service) | Uniform service structure throughout all of Japan | Service varies for each agent |

The decision was made to establish a subsidiary company specializing in the over the counter sales business that was separate from our main company

[Company Overview of Dai-ichi Frontier Life]

- Established: December 1, 2006
- Capital: 185 billion yen
- Shareholder: Dai-ichi Life Insurance Company (100%)
- Start of operations: October 1, 2007
- Products handled: Individual annuity insurance (from the outset of the start of operations)

Through the establishment of a subsidiary company we have achieved “the provision of competitive products suited to our customers’ needs and the unique characteristics of sales channels,” as well as “low cost, flexible operations”



3. List of our Insurance

| Category of Insurance | Lineup of our Insurance |
|---|-------------------------|
| Variable annuities (Yen) | Premier Touch3 |
| | Premier Step Global2 |
| | Premier Pocket |
| Variable annuities (Foreign currency) | Premier Jump |
| Yen denominated fixed annuities | Premier Happiness |
| Foreign currency denominated fixed annuities | Premier Currency Plus |
| Single payment whole life insurance (Yen) | Premier Receive |
| Single payment whole life insurance (Foreign currency) | Premier Receive |
| | Premier Gift |



4. Figure of structure

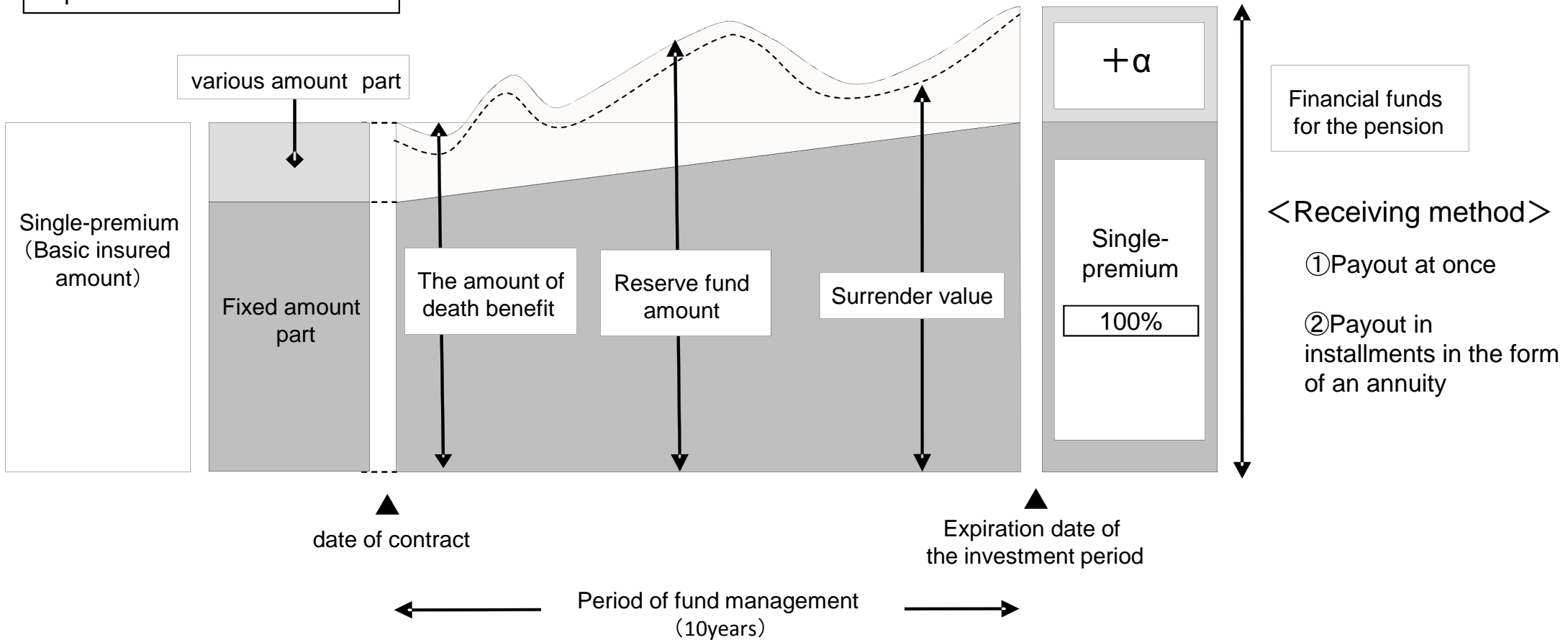
■ Premier Jump

<Case of "the 100% guarantee">

The examination of the doctor and the notice at the time of participation is unnecessary

There is no burden of the initial expense

When it arrives at the targeted value of the Japanese yen conversion that appointed at the time of a contract, secure operative result automatically and can receive it

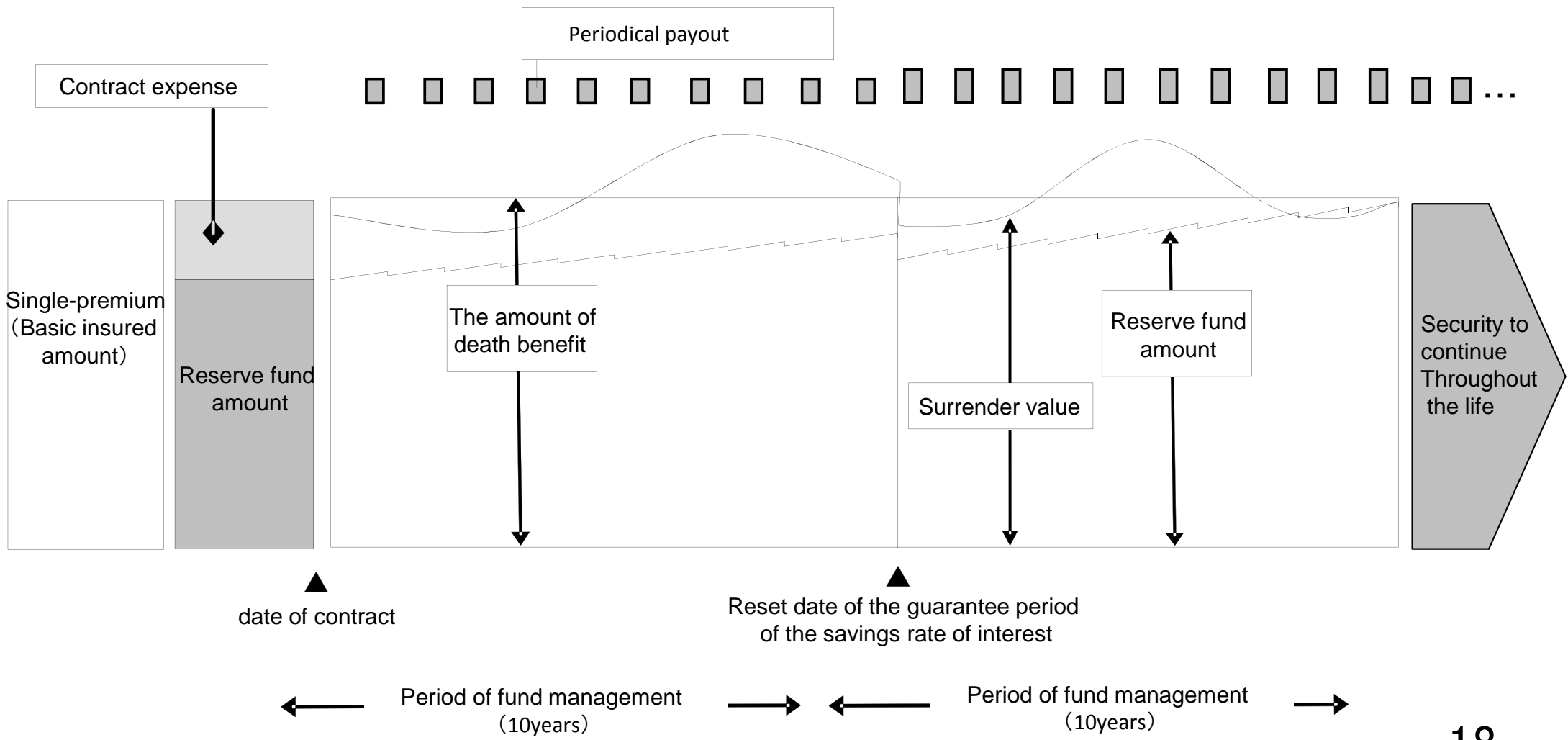




4. Figure of structure

■ Premier Receive

The examination of the doctor and the notice at the time of participation is unnecessary





4. Figure of structure

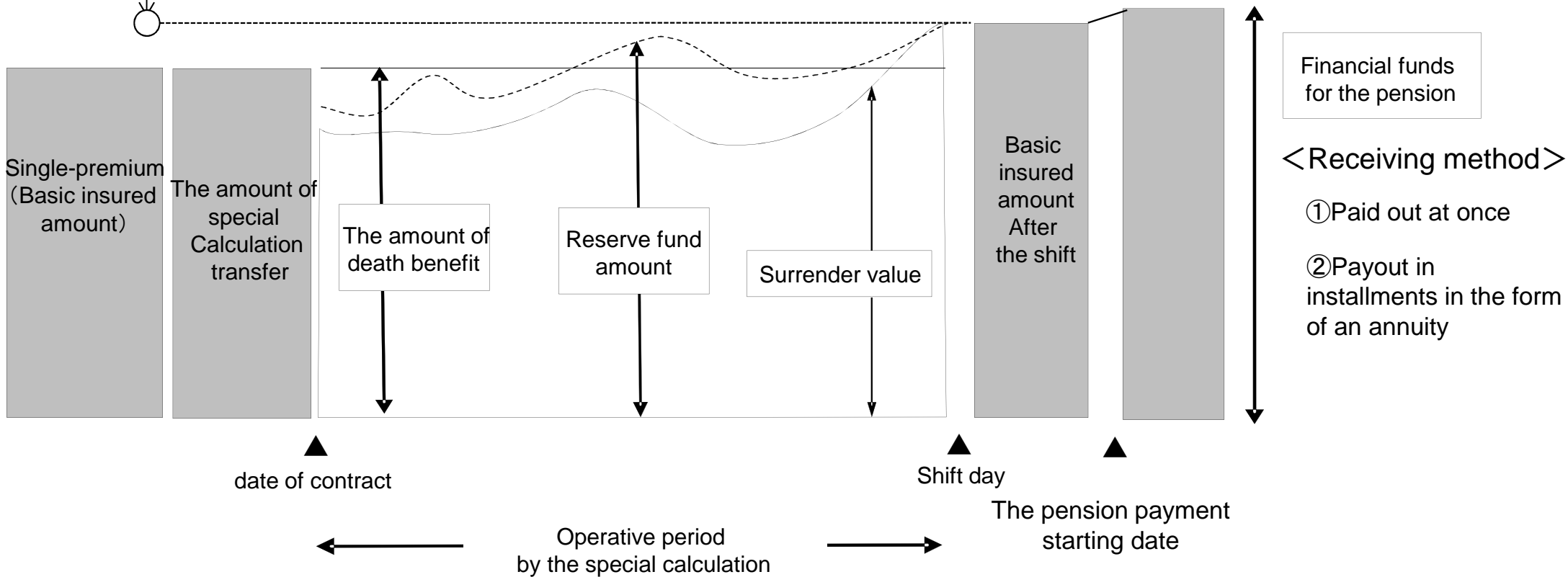
■ Premier Touch 3

The examination of the doctor and the notice at the time of participation is unnecessary

There is no burden of the initial expense

When it arrives at the targeted value of the Japanese yen conversion that appointed at the time of a contract, secure operative result automatically and can receive it

Designation of the targeted value
<100%·120%·130%>

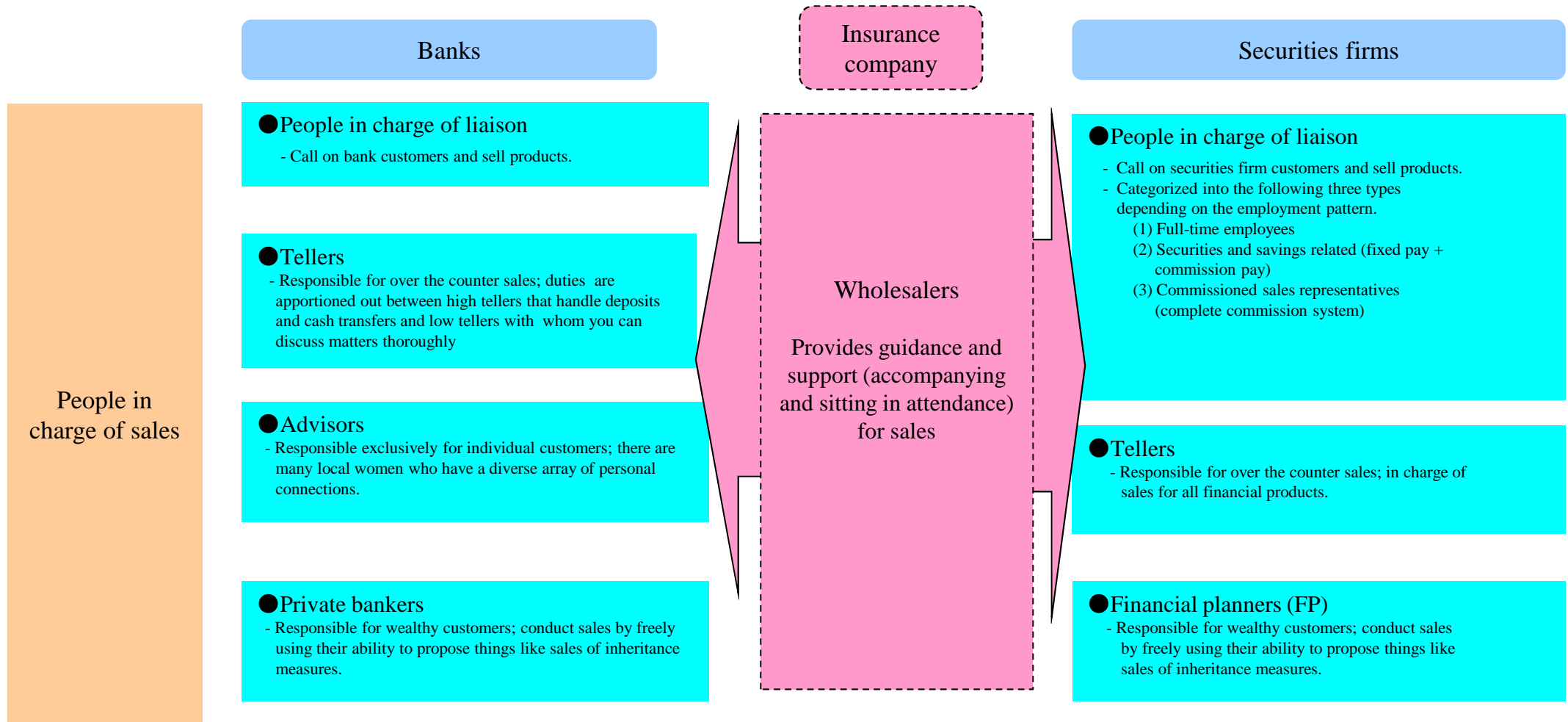


6. Sales Leaders

➤ For sales leaders, reflecting customer attributes and merchantability, **the main people in charge of sales are the people in charge of liaison at banks and securities firms who visit customers' at home and so on.**

⇒ With regard to sales leaders, while no major disparities can be seen between banks and securities firms, **with securities firms that have a small network of branches sales by the people in charge of liaison are more prominent.**

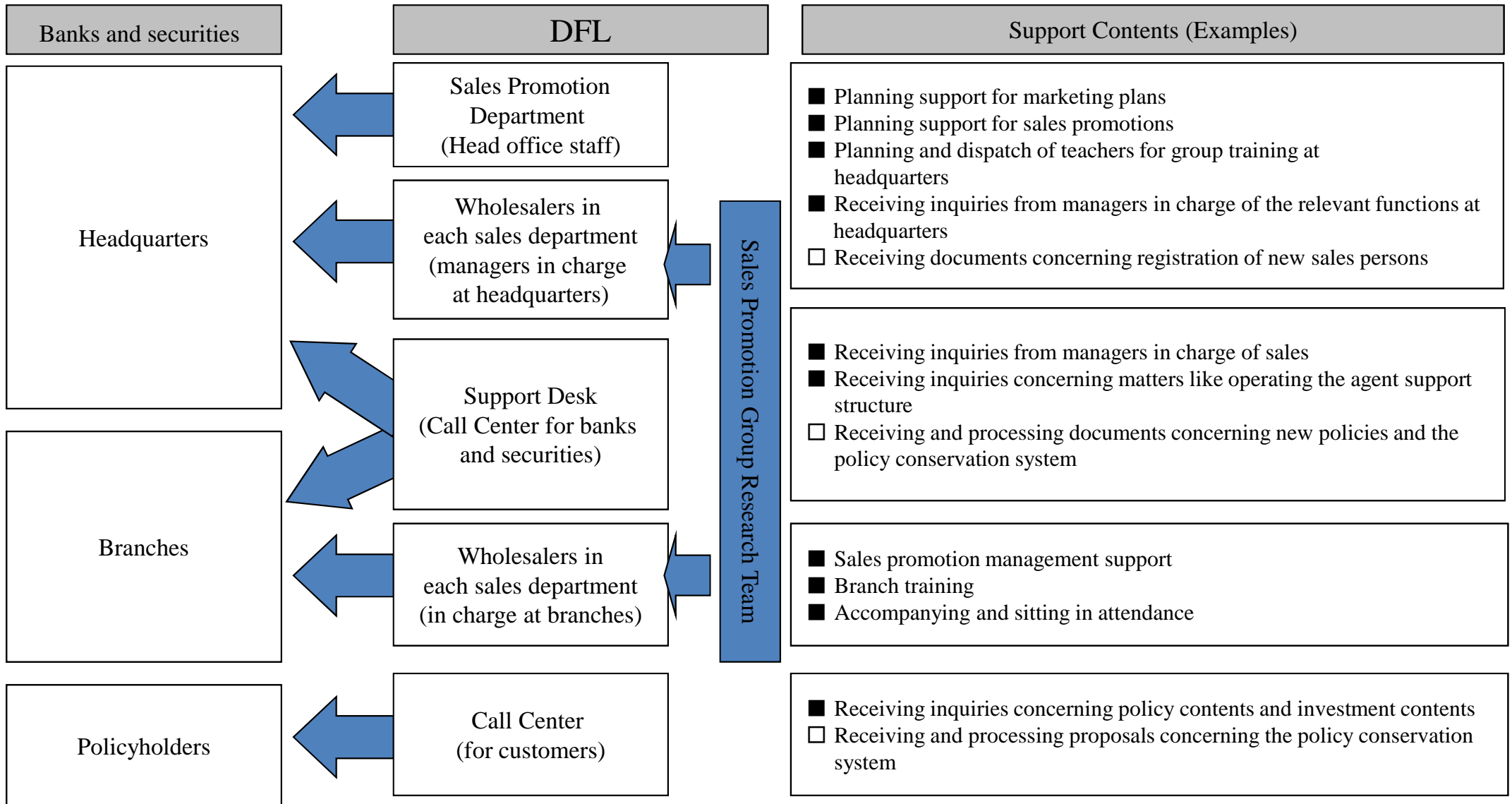
⇒ For banks, the extent to which they should expand their over the counter sales is an issue





7. Support Structure (1) Dai-ichi Life's Support Structure

➤ The Development Support Center (within DL) was established in 2008 to provide training know-how to securities firms and urban banks and strengthen managerial support. Currently, this has been taken over by the Sales Promotion Group Training Team, with the planning and running of training performed in collaboration with the wholesalers in each sales department.



7. Support Structure (2) Training and Sales Support Structure for Banks, Securities Firms

- (Training) We systematically offer various types of training which are suited to the intended recipient and purpose, such as training for handling qualification examinations, training for each branch and by group, and training by capacity and experience.
- (Seminars) We support seminars aimed at customers which are held for purposes of generating wealth using insurance and to further the retention of customers.
- (Other) We offer timely finance-related information and good case examples in a continuous manner (DB for sharing successful case examples, etc.).

Overview of the Training Curriculum Provided to Banks and Securities Firms

Training Before the Start of Sales

General course testing and training

Specialized course / variable insurance testing and training

Training before variable insurance sales

(Compliance training)

Training designed for the acquisition of the qualifications needed for insurance sales.

Training after Sales

Training for individual branches

Across the board branch group training

Practical training for accompanying and sitting in attendance

Selective training by invitation

Training is conducted by categorizing the participants into “beginner”, “intermediate”, and “advanced” categories by ability and experience.

Seminars Aimed at Customers (Examples)

| Category | Example Subjects | Target | Content |
|---------------------------|--|--|---|
| Pension/Annuity Seminar | Life Plan and Variable Annuity | <ul style="list-style-type: none"> · Universal · Women, company employees, self-employed individuals, and the like are specifically targeted | <ul style="list-style-type: none"> · Declining birthrate / aging of society and the necessity of funds for one's · Contents of and impact from public annuity system reforms · Asset accumulation for one's second life etc. |
| | Whereabouts of the public annuity system and how to use variable annuities | | |
| | New options for one's second life | | |
| Inheritance seminar | Gentle inheritance measures | The wealthy | <ul style="list-style-type: none"> · Current status regarding inheritance · Estate division measures · Inheritance tax measures · Inheritance measures utilizing annuities |
| Seminar for policyholders | Seminar for Policyholders of Variable Annuity | Policyholders | <ul style="list-style-type: none"> · Fund investment status reports · Annuity system reforms and inheritance measures, etc. ⇒Additional contract proposals conducted |

Other Sales support

Financial market information

Effective sales methods and discourse

Good examples from other branches

Various sales incentive measures

◇ DB for providing information

Sales tool library DB

DB for sharing successful case examples

7. Support Structure (3) Support Structure for Banks, Securities Firms, and Customers

- A Support Desk and Customer Service Center have been set up in order to respond to the various inquiries from banks, securities firms, and customers.

<Agent Support Desk> (For banks and securities firms)

- A phone center designed to respond to matters like inquiries from those in charge of over the counter sales at banks and securities firms.
- Exclusive toll free number: 0120-00-3361
- Overview of operations
Responding to matters like:
 - Product details
 - New contracts services (how to fill in the application forms and necessary forms, etc.)
 - Handling policy conservation and inquiries on contract contents
 - Handling tax services as well as sales tools
- Operating hours
 - Weekdays from 9:00 to 17:00 (excluding holidays and nonworking days)
- Number of employees
 - 6 people (as of April 2012)
- Number of calls received
 - 42,809 calls (FY2011)

■ Content of Calls Received

| Content | No. of Calls |
|-----------------------|---------------|
| Products | 17,416 |
| New contracts | 12,602 |
| Handling conservation | 10,016 |
| Other | 2,775 |
| Total | 42,809 |

<Customer Service Center> (For customers)

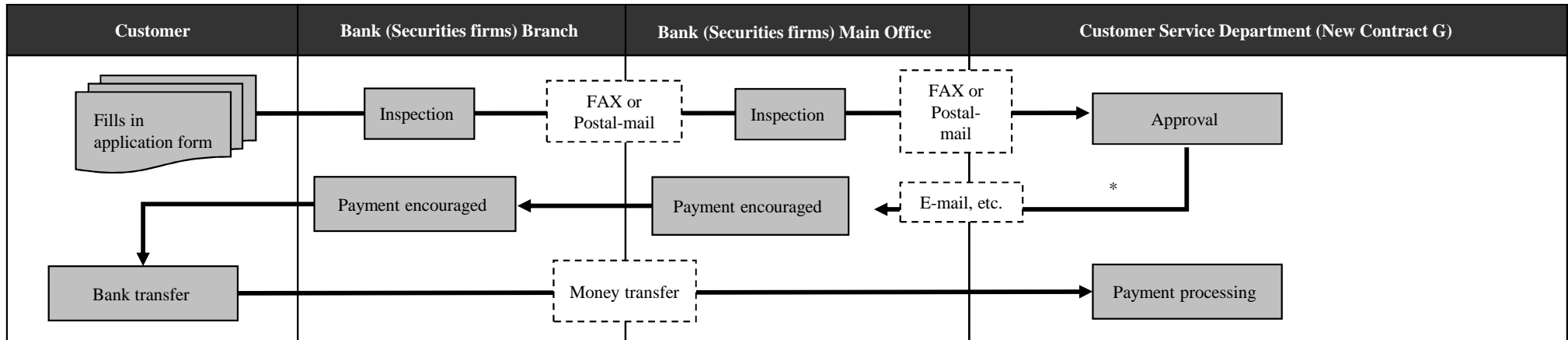
- A phone center designed to respond to matters like various procedures and inquiries from customers.
- Exclusive toll free number: 0120-876-126
- Overview of operations
Responding to matters like:
 - Procedures for changing contract contents
 - Procedures for benefit claims, etc.
 - Questions and inquiries concerning contract contents
 - Basic price inquiries
- Operating hours
 - Weekdays from 9:00 to 17:00 (excluding holidays and nonworking days)
- Number of employees
 - 6 people (as of April 2012)
- Number of calls received
 - 30,613 calls (FY2011)
- Content of Calls Received

| | Total | Breakdown | | |
|----------------------------------|---------------|---------------|------------|---------------|
| | | Inquiries | Complaints | Conservation |
| From existing policy holders | 26,558 | 11,289 | 631 | 14,638 |
| Not from existing policy holders | 1,059 | 1,053 | 6 | - |
| Agent | 2,996 | - | - | - |
| Total | 30,613 | 12,342 | 637 | 14,638 |

7. Support Structure (4) Handling Service

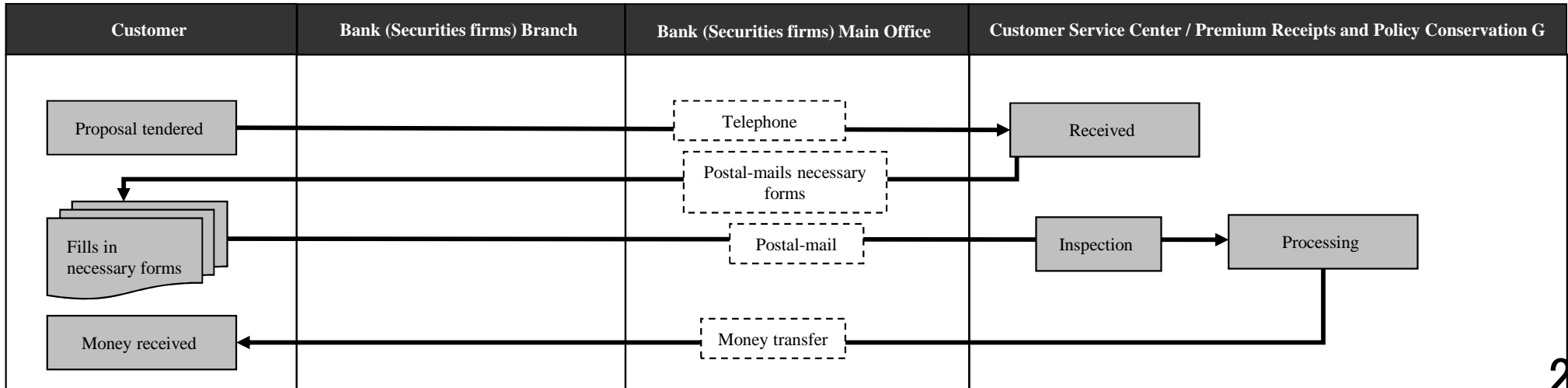
- (New contracts) After passing through the branches and main offices of banks (securities firms), they are received by our Support Desk.
- (Receipt of premium payment) After our company has given its approval, we encourage that payment be made and receive payment through a bank transfer. Payments can also be made at the same time as applications.
- (Policy Conservation) The majority of conservation arrangements are concluded by customers contacting our Customer Service Center directly, rather than going through banks.

[Flow of Operations for New Contracts]



* Payments can also be made at the same time that the application is filled in.

[Flow of Operations for Policy Conservation (Insurance Benefits)]



8. Points for the Over the Counter Sales Business

- Essentially, banks and securities firms **handle products from multiple life insurance companies at the same time.**
- Accordingly, competition is extremely fierce, and **success or failure is determined by factors such as: (1) the level of commission, (2) the simplicity of products, (3) the convenience and speed of service, and (4) how substantial the support structure is.**

Sales selection criteria at bank (securities) branches (which life insurance company's products do they sell continuously?)

One company will handle products from multiple life insurance companies, with the following four factors being the main components which influence sales at each branch

(1) Commission

Banks and securities firms like products with high commission in order to achieve their earnings objectives.

(2) Simplicity of products

Products which are easy to explain to customers and easy for them to understand are preferred.

(3) Convenience and speed of service

Rapid responses to service processing are preferred, as is a high level of convenience in terms of service, such as making the filling out of documents simple and easy to understand.

(4) Substantial Support Structure

It is preferred that ample training and workshops be held for clerks, and that various inquiry responses be at a substantially high level.