FY2010-3Q Financial Results Conference Call for Institutional Investors and Analysts
Q&A Summary

Date: February 10, 2011 18:30 – 19:30
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< Sales Performances >

Q1. The Company's sum insured of new business has exceeded its surrender and lapse amount for two consecutive quarters. Given such trend, is Dai-ichi going to overcome the downward trend in sum insured of policies in force?

A1. Although sales indicators have shown good performances, we don't expect our sum insured of policies in force to increase in the near future mainly because (1) we expect a decrease due to maturities and termination of policies on policyholders' deaths and (2) sales of third sector products, though expanding, do not contribute to the "sum insured" indicator. Despite the decrease, we can maintain or improve our profitability as we have restructured our product line-up to expand sales of our third sector products.

Q2. You mentioned that the quality of your sales representatives had improved. Could you discuss the number of sales representatives for the next fiscal year?

A2. We will aim to maintain at least 40,000 sales representatives, while also ensuring their quality at the same time. However, we are not aiming to increase the number of sales representatives at the cost of the quality of policies as we did in the past. As we will not relax our recruiting criteria, the number of sales representatives may increase or decrease, depending on the number of prospective applicants who meet the criteria. Therefore, the number of our sales representatives may increase or decrease next year.

< Fundamental Profit, Operating Expenses and Others >

Q3. Your fundamental profit attributable to life insurance activities (fundamental profit before negative spread) for the three months ended December 31, 2010 was approx. 105 billion, showing a recovery from its previous levels. What was the reason for the recovery?

A3. As a result of improvements in operating indicators such as sales volume and surrender and lapse amount, (1) our morbidity and mortality gain increased, (2) we have mitigated the downward trend of loading of premium, and (3) we cut the operating expenses more than originally planned.

Q4. Dai-ichi Life on a non-consolidated basis has reduced its operating expenses for the 3rd quarter by approx. 3 billion yen year-on-year. Also, the reduction accelerated and exceeded the pace of reduction in the first two quarters. What was the main driver of the reduction and acceleration?

A4. The main reasons for the decrease in our operating expenses are that (1) expenses associated with demutualization and public listing have almost disappeared and (2) our initiatives taken a few years ago to reduce administrative personal costs continue to come into effect.

The main reasons for the acceleration are that costs associated with (1) demutualization and public listing and (2) being a joint stock corporation (such as costs associated with holding shareholder meetings) were recognized mostly in the first two quarters.

Q5. Please explain what the quarterly cost for routine expenses would be?

A5. We think that current annual fixed cost is approximately 320 billion yen. Roughly speaking, you could estimate the quarterly cost by dividing this figure by four.

< Investments >

Q6. Besides domestic stock reduction, were there any changes in the third quarter investment activities in other assets, such as fixed income assets?

A6. There were no significant changes in the investment activities for the third quarter. Meanwhile, in terms of investment performance, in addition to recording a 69.1 billion yen loss on valuation of securities, interest, dividend and other income related to foreign-currency denominated bonds decreased due to continued yen appreciation.

Q7. How long is the duration of fixed income assets as of December 31, 2010?

A7. The duration of fixed income assets relating to the investments of individual insurance and annuities as of December 31, 2010 is not that different to the figure as of September 30, 2010 that was slightly less than 12 years.

Q8. The Company recorded a 69.1 billion yen of loss on valuation of securities for this nine month period. Is the understanding appropriate that this loss would contribute to the earnings growth for earnings forecasts for the fiscal year ending March 31, 2012?

A8. The basic idea of earnings forecast is that the Company establishes the forecast by taking into account sales trend, based on the assumption that the financial condition will be to some extent stable. It is not to say that there are other stocks that could cause large loss on valuation of securities, but since the market trends fluctuate, I hope you will understand that this fiscal year's loss on valuation of securities would not directly link to next fiscal year's earnings forecast.

Additionally, of 69.1 billion yen of total loss on valuation of securities, a large stock accounted for about 60 billion. Also, next fiscal year's earnings forecasts will be disclosed with the announcement of financial results for the fiscal year ended March 31, 2011, scheduled for release in May 2011.

< Capital Strategies >

Q9. Regarding a response to the economic value based capital regulations (which is expected to be adopted in Japan, although the timing of the introduction has not yet been decided), please explain about the Company's management policy about risk reduction. Also, please explain the current status of duration risk reduction through bond replacement.

A9. Since we recognize that the strengthening of economic value based capital level is one of the important management issues, we continuously strive to risk reduction.

To deal with the economic value based capital regulations, it is necessary to observe the timing of the introduction and the contents of the regulations to be adopted in Japan. The timing of the introduction, which seems to be around 2015 or 2016 (although Japan's FSA has not made it clear), will come out by 2013, up to 2014. Also, the contents of the regulations would be based on the framework of European Solvency II, making some adjustments unique to Japan.

In terms of management policy regarding risk reduction, taking into account the current economic situation the Company is pursuing the domestic stock reduction as a priority and will continue these efforts in the years ahead. Additionally, we will work on duration risk reduction over the next few years, while monitoring absolute level of interest rates. In this fiscal year, thanks to the recent interest rate recovery, the Company has accumulated about 990 billion yen of (super) long-term bonds. After next fiscal year, we will conduct the accumulation of (super) long-term bonds on a scale of approximately 1 trillion yen per year, taking into account interest-rate trends.

Q10. In the revised "Inspection Manual for Insurance Companies" by the Financial Services Agency, check points based on economic capital have been newly added, and strong involvement by board of directors is now required. Is it necessary for the Company to change its decision-making process?

A10. We have been managing economic capital based on our internal model for several years already (most recently, measurement standard of the model was revised on the occasion of our public listing). Capital situations based on (a) economic capital, and (b) financial accounting as of latest month-end are reported to the board every month, and capital management issues are discussed based on the reports. Moreover, capital management initiatives based on economic capital are already built into our business plan. Thus, there is no need for us to change our decision-making process in relation to the revision of the Manual.

Meanwhile, my understanding is that this revision presages an economic-capital-based regulation to come, and FSA revised the Manual first in light of variability among life insurance companies in terms of readiness to economic-based capital management.

Q11. You announced an agreement between the Company and TOWER Australia Group Limited (“TOWER”), to make TOWER a wholly owned subsidiary: please discuss capital sufficiency based on economic capital including the additional investment in TOWER. Do you have a plan for hybrid capital raisings in relation to additional investment in TOWER?

A11. In our economic-based capital management framework, we have a certain amount allotted for growth investment; the additional investment in TOWER is within the allotment. As for financing for the additional investment in TOWER, as already disclosed by us, we plan to use fund in hand.

Q12. In relation to your plan to make TOWER a wholly owned subsidiary, please explain about your Company's internal hurdle rate levels for executing mergers and acquisitions.

A12. We set hurdle rates based on, among other things, (1) short-term interest rate of respective countries, and (2) equity risk premium. Testing against the hurdle rates is done at the time of market entry, as well as continuously afterwards.

Specific parameters we look at are, for example, long-term ROE and ROI (which is based on invested capital). Without giving the specific hurdle rate for TOWER, it is in the double digits.

Q13. Regarding Dai-ichi Frontier Life (hereafter “DFL”), is it necessary to increase its capital in the future?

A13. Right now, DFL's assets under management is a little less than 1.5 trillion yen, and it has paid-in capital of 185 billion yen. In light of our plan to increase the assets under management to around 3 trillion yen, there is a possibility that we will increase its capital by a modest size (around several dozen billion yen).

Q14. Is there something you can share with us today about the new solvency margin standard (to be officially introduced from the year ending March 2012)?

A14. We will disclose the Company's solvency margin ratio based on the new standard starting from the year ending March 2011: so please wait for our disclosure. We anticipate the ratio to decrease by a few hundred points in comparison to that based on the current standard (994.8% as of December 2010): however, since the regulatory threshold is 200%, we don't think any special response relating to financial soundness is necessary as a result of the introduction.

＜Overseas Businesses＞

Q15. Could you give us an update on your efforts to seek entry into Chinese market?

A15. We are continuing our efforts to enter the market. There was rise in political tension between China and Japan a while ago, but it hasn't changed how we intend to approach the market: by finding a right local partner for joint venture.

< European Embedded Value >

Q16. How do you consolidate Dai-ichi Life's stand-alone embedded value ("EV") and Dai-ichi Frontier Life's EV into the Group's EV?

A16. The formula is as follows: the Group's EV equals

Dai-ichi Life's EV plus DFL's EV attributable to Dai-ichi Life's equity stake in DFL minus Dai-ichi Life's carrying amount of equity of DFL

< Business Alliances >

Q17. With regard to the business alliance with Resona Group since 2007, how do you describe its benefits in insurance area? Please also explain future directions.

A17. Benefits of the business alliance are (a) Resona Group's role as one of the most reliable bancassurance distributors for our individual annuity products, (b) a strengthened relationship in individual insurance and corporate insurance areas, etc.

On the other hand, the Resona Group, to my knowledge, is planning to boost profits by promoting cross-selling of various financial products to customers whose activities are currently limited to using deposit (or transaction) accounts. As for future directions of the business alliance, we are currently in discussion with the Resona Group in order for us to provide more of the Company's products, in line with the Resona Group's business model just mentioned.

Note: we made partial additions and alterations in preparing the above summary, for better understanding.