(Unofficial Translation)

Financial Analysts Meeting for the Fiscal Year Ended March 2012, Q&A Summary

Date: May 21, 2012 14:00 – 15:00

Respondent: Koichiro Watanabe, President and Representative Director
The Dai-ichi Life Insurance Company, Limited (the "Company")

< Investment >

Q1. In relation to reducing the mismatch between the duration of your assets and liabilities, you increased the balance of policy-reserve-matching bonds (PRMB) by 1.4 trillion yen to approximately 8.2 trillion yen in the fiscal year ended March 31, 2012. But, on a book value basis, you still hold approximately 7.5 trillion yen of yen-bonds categorized under other than PRMB, leaving room for purchasing more PRMB. You plan to purchase another 2 trillion yen of super-long term bonds in the current fiscal year but please indicate to what degree you plan to reduce the duration mismatch in the coming few years.

A1. To reduce the mismatch between the duration of our assets and liabilities, we are considering purchasing another 2 trillion yen of PRMB for our general account in the current fiscal year, of which 1.5 trillion yen will be for the individual insurance and annuities fund. The average duration of our liabilities attributable to individual insurance and annuities is slightly less than 18 years. On the other hand, the average duration of our fixed income assets attributable to individual insurance and annuities is approximately 13.5 years and that of yen-bonds is approximately 15.7 years. Every 1 trillion yen purchase of 20-year bonds is expected to extend the duration of our assets by 0.5 years as a rough estimate. Therefore, the 1.5 trillion yen purchase of 20-year bonds will extend the average duration of our assets by slightly less than 1 year. Although it depends on the level of interest rates, we plan to increase the balance of super-long term bonds in our general account by about 2 trillion yen for one to three years. We will consider whether to further reduce the duration gap when we establish our capital plan for the coming year.

Q2. I suppose that the amount of super-long term bonds that you decide to purchase will depend on market interest rate levels. Do you plan to buy super-long term bonds at the same pace as before, even in the current low interest rate environment?

A2. In our program to purchase super-long term bonds, we set a certain yield as a condition to purchasing the super-long term bonds. We plan to purchase the bonds consistently to some degree, but we prefer to purchase bonds with a higher yield than the current level.

Q3. The current fiscal year is supposed to be the last year of the five year program to reduce the balance of domestic stocks started in FY2008. I believe the program progressed almost as planned in the first four years. Please indicate your plan to reduce domestic stocks from the current year onward.

A3. During the four years up to FY2011, the financial markets were so volatile that we speeded up the reduction of our domestic stocks. Although we will continue to reduce our exposure to domestic stocks, we may gear down the pace of reduction. However, I would prefer not to disclose the actual amount of reduction.

< Dai-ichi Frontier Life (DFL) >

Q4. On page 22 of your presentation materials, you indicated that the "accumulation of contingency reserve (category III: the reserve to prepare for the risk associated with guaranteed minimum maturity benefits (GMMB)) will be achieved in <u>several years</u> and thereafter accounting profit is expected to improve significantly." Please provide the exact number of years required to achieve the target accumulation.

A4. "Several years" refers to two to three years. DFL will provide for the contingency reserve (category III) up to the statutory limit, which is 6% of its policy reserve attributable to variable annuities with GMMB risk and not hedged by a reinsurance scheme and, therefore, estimated to be slightly over 60 billion yen. DFL already provided 38 billion yen leading up to FY2011 and plans to provide approximately 15 billion yen in the current fiscal year and the rest (several billions of yen) in the next fiscal year. Currently, DFL fully hedges the GMMB risk of new variable annuity policies through a reinsurance scheme. Based on DFL's current product mix, if the management environment does not fluctuate significantly, DFL will achieve the accumulation of contingency reserve (category III) in two years. Even if DFL were to face significant fluctuation factors, it is expected to achieve the target accumulation in around three years.

< Overseas Life Insurance Business >

Q5. European insurance companies are in the process of divesting their businesses in Asia. Please indicate the possibility of Dai-ichi Life acquiring such divested businesses.

A5. We are aware of moves by European insurers to divest their businesses. The possibility of our acquiring a business depends significantly on whether the business fits our strategy. The acquisition criteria include whether (1) the business is located in the Asia-Pacific region, (2) the scale of the business fits our capital strategy and (3) the profitability of the business exceeds our hurdle rate. While we currently have no specific acquisition to disclose, please understand that we are continually seeking out and considering acquisition opportunities based on, among others, the above criteria.

< Enterprise Risk Management (ERM) >

Q6. On page 31 of your presentation materials, you mentioned that you achieved improvement in your capital levels as a result of your various initiatives and that you are increasing your insurance underwriting risk weight. Does this mean that you are simply increasing the relative weight of insurance underwriting risks by reducing investment related risks or that you are proactively taking underwriting risks? If the latter, please indicate what kind of insurance business you plan to take risks in.

A6. Under the ERM framework, we will create capital surplus by reducing the amount of market-related risks. We intend to allocate the capital surplus to domestic and overseas insurance businesses and, consequently, increase our insurance underwriting risk weight. In doing so, we will continue to allocate capital to each business line and strictly manage expected risks versus returns by business line. For example, investing in a new product in the third sector, one of our domestic growth areas, involves risk-taking and we will carefully monitor associated risks, returns, capital efficiency and other factors in proceeding with the business. Also, we intend to increase the overall group's underwriting risk by taking on underwriting risk and obtaining corresponding capital returns in our overseas businesses. As a result, we will increase the weight of underwriting risks, rather than market-related risks. Aside from the overseas life insurance business, we will also pursue growth in the overseas asset management business.

Q7. In promoting full-scale ERM, do you plan to disclose additional information on capital, i.e. the amount of capital surplus?

A7. The ERM framework, we believe, is basically an extension of our existing risk management framework and will not drastically change the existing framework. In addition, because the ERM exists to manage risks internally, rather than for outside disclosure purposes, we do not plan to change our capital disclosure items in the immediate term. Going forward, however, economic value based capital regulation assumptions for Japanese life insurance companies will be decided over the three years to be covered by the next medium term management plan (FY2013 – FY2015). As you may know, even with the same economic value based EEV, a tiny change in EV assumptions can significantly impact value calculations. Therefore, once the capital regulation assumptions are decided, we will consider disclosing various items under the assumptions.

< Capital Strategy >

Q8. I assume that your fundamental profit will approximate your net income before tax after your intensive additional policy reserve provision program ends in FY2015. Please indicate your outlook on the balance between policyholder and shareholder dividends after FY2015.

A8. We are in the middle of our nine-year program (FY2007-2015) to intensively provide for the additional policy reserve. Although we will continue to provide for the reserve after FY2015, we will significantly reduce our provision and we expect an increase in our profitability to match the alleviation in our assumed return burden. However, we cannot make a conclusive comment on the balance between policyholder and shareholder dividends at this point. But we will continue to set our shareholder dividends under the payout ratio of 20% – 30%, although a stock repurchase will be an option. Also, taking into account the policyholder dividend scheme of our products, we have no intention of changing our policyholder dividend ratio, although the ratio is also affected by industry competition. Moreover, we will need to retain earnings to implement our growth strategies. Going forward, we will take into account the balance between these factors.

< European Embedded Value (EEV) >

Q9. "Economic variances" related to the value of the in-force business (negative 343 billion yen) includes the negative impact arising from the fact that interest rates did not rise as implied by the forward curve used in the March 2011 embedded value calculations. Please indicate the degree of this negative impact and the overall impact in relation to changes in interest rates excluding the negative impact.

A9. The economic variances of negative 343 billion yen mainly consist of (1) approximately 770 billion yen of negative impact to the value of the in-force business of Dai-ichi Life on a non-consolidated basis and (2) approximately 440 billion yen of positive impact to the adjusted net worth of Dai-ichi Life on a non-consolidated basis as a result of increased unrealized gains on securities. Out of the 770 billion yen negative impact, the negative impact from the fact that interest rates did not rise as implied by the forward curve used in the March 2011 embedded value calculations is estimated to be 330 billion yen and the overall impact in relation to changes in interest rates excluding the 330 billion yen negative impact is estimated to be 440 billion yen.

We do realize that our EEV is quite sensitive to changes in interest rates and, therefore, we are undertaking measures to control the interest rate sensitivity from EEV and accounting perspectives. In addition, we consider the impact of changes in interest rates to capital on an economic value basis as significant and, therefore, will make it a focal point of future discussions with the Japanese regulator on capital regulation.

Q10. You mentioned in the answer to the previous question that "the overall impact in relation to changes in interest rates excluding the 330 billion yen negative impact" is estimated to be 440 billion yen. However, assuming that the average duration of your liabilities is slightly less than 20 years and the decline in the interest rate for the duration is 28bp, I calculated an impact of approximately 600 billion yen, instead of your 440 billion yen. Please explain the reason for the difference.

A10. The interest rates you referred to may be different from the ones we used since we recognized the decline in the yield curve to be approximately 20bp. Also, please understand that the 330 billion yen negative impact that you referred to was also affected by the shape and the steepness of the yield curve as of March 31, 2011. Moreover, although I am comfortable with your assumption that the average liability duration is slightly less than 20 years, please note that our liability cash flows are so complex that the decline in the 20-year interest rate does not always provide the exact sensitivity.

Note: We made partial additions and alterations in preparing the above summary for clarity.