

**(Unofficial Translation)**  
**FY2013 Financial Results Conference Call for Institutional Investors and Analysts**  
**Q&A Summary**

Date: May 15, 2014 18:00 - 19:00  
Respondent: Seiji Inagaki, Executive Officer  
General Manager, Corporate Planning Department  
The Dai-ichi Life Insurance Company, Limited (the “Company”)

**< Sales Results >**

**Q1. Please indicate the sales trend for the three months ended March 2014.**

A1. Although the number of new policies of core products decreased YoY, recent sales trend shows a gradual improvement. On the other hand, the number of new policies of savings-type products significantly decreased YoY due to the effect of premium changes. As a result, new business annualized net premium (ANP) for the three months ended March 2014 substantially decreased YoY. However, the YoY decrease in new business ANP of death protection products including third sector is limited to approximately 10%.

**Q2. Please provide the forecast for new business ANP of Dai-ichi Life on a non-consolidated basis for the fiscal year ending March 2015, taking into account the sales trend of newly launched products.**

A2. Based on the indicator used for managing sales results, a concept close to the value of new business of Embedded Value (EV), we set a goal higher than the previous fiscal year.

**< Investment >**

**Q3. In page 10 in the presentation material, the book value of domestic stocks as of March 2014 was almost flat compared to that as of March 2013. Please explain your plan to decrease domestic stocks going forward.**

A3. For the fiscal year ended March 2014, carefully monitoring stock market trends we overweighted the domestic stock exposure within the discretion of investment departments for executing operations. Including medium- to long-term holdings, the book value of domestic stocks as of March 2014 was almost flat YoY. Although it is difficult to forecast the book value of domestic stocks as of March 2015, as investment activities depend on the market environment, we will continue to control the exposure of medium- to long-term holdings.

**Q4. You explained that you reduced the accumulation of super long-term bonds for the**

**second half of the fiscal year ended March 2014. Please discuss your investment policy in case the low interest rate environment continues going forward.**

- A4. Although we did not extend asset duration by purchasing super long-term bonds for the second half of the fiscal year, we maintained the recent level of duration gap between assets and liability as of March 2014. Given the low interest rate environment, we forecast a duration gap close to the current level, but in case interest rates increase to a certain extent we would like to take further action to reduce the duration gap.

< International Businesses >

**Q5. In page 14 in the presentation material, the increase in new business ANP and in-force ANP of TAL for the three months ended March 2014 is remarkable, compared to that for the nine months ended December 2013. Please discuss whether the high growth for the recent three months is due to increase in new policies or decrease in the amount of claim requests.**

- A5. The increase is mostly attributable to the increase in premiums realized by negotiating with TAL'S group clients to reflect claim increases to the premium. The premium increase more than offset the negative effects of a claim increase.

**Q6. Please discuss trends in claim payments of TAL. Please indicate whether claim ratio has been decreasing or recent claim ratio has not yet peaked.**

- A6. Although the increase in benefits and claims somewhat includes the impact of the increase in sum insured of policies in force, the increasing trend in claim payments YoY has not changed for the three months ended March 2014. On the other hand, taking into account the progress of premium changes, total claim ratio has been improving.

**Q7. You explained trends in claim payments of TAL have not changed significantly. Please indicate whether surrenders have continued to deteriorate.**

- A7. Due to the economic downturn, surrender activities slightly increased mainly in products for low-income individuals. However, it is within our control and we do not believe it will have a significant impact on TAL's profit.

**Q8. Please discuss the possibility that you will make new investments in already-entered countries such as Australia.**

- A8. Although we do not rule out the possibility of making new investments in already-entered countries, we will put more focus on geographical diversification in our international expansion strategy going forward.

< Earnings Forecast For the Fiscal Year Ending March 2015 >

**(1) Fundamental Profit, Positive/Negative Spread**

**Q9. Please explain why Dai-ichi Life's fundamental profit on a non-consolidated basis is forecasted to decrease YoY.**

A9. On the investment side, dividends from investment trusts increased by several tens of billions of yen YoY for the fiscal year ended March 2014, due mainly to the overall improvement in market environment. While such dividends have characteristics close to capital gains, on an accounting basis they are recorded as interest and dividends, components of fundamental profit. For the fiscal year ending March 2015, given the conservative economic assumptions, we expect interest and dividends will decrease YoY, as dividends from investment trusts are forecasted to decrease. Additionally, based on conservative views, fundamental profit attributable to life insurance activities is expected to slightly decrease, as the sum insured of policies in force of Dai-ichi Life on a non-consolidated basis is forecasted to gradually decline.

**Q10. The decrease in fundamental profit attributable to life insurance activity of Dai-ichi Life on a non-consolidated basis seems to be substantial. Please explain whether it is because you conservatively assume mortality rates.**

A10. Along with the continuous decreasing trends in sum insured of policies in force, mortality and morbidity gains and loading of premium are expected to decrease. The decrease is not because we conservatively estimate mortality and morbidity rates.

**Q11. Positive spread (sum of Dai-ichi Life and Dai-ichi Frontier Life) for the fiscal year ended March 2014 was 32.3 billion yen. Please indicate the positive/negative spread forecast for the fiscal year ending March 2015.**

A11. Although it depends on net investment income which may be significantly affected by the market environment, at this moment we expect positive/negative spread for the fiscal year ending March 2015 to be approximately at the break-even level.

**Q12. Please explain the impact of the increase in consumption tax on the decrease in fundamental profit attributable to life insurance activity. Also, please discuss whether there is a factor which may significantly push fundamental profit attributable to life insurance activity downward.**

A12. The impact of the increase in consumption tax is several billion yen and we believe the impact is minimal. We do not now anticipate negative factors which may significantly affect fundamental profit attributable to life insurance activity such as operating expenses.

**Q13. You explained positive/negative spread for the fiscal year ending March 2015 is expected to be approximately break-even. Please discuss whether we can expect you will steadily generate positive spread in or after the fiscal year ending March 2016.**

A13. Although market trends such as interest rates and foreign exchange rates may affect positive/negative spread, unless there is a significant negative impact due to a special factor, we believe we will be able to earn positive spread going forward.

**Q14. If you can secure sustainable positive spread, it seems it is possible to increase policyholder dividends for participating policies. Please discuss the other strategies to leverage the positive spread.**

A14. As you pointed out, an increase in policyholder dividends may be one available option. As the increase in interest rates to a certain extent may be the premise, we would like to launch more competitive products through flexibly setting assumed interest rates of single-premium products, etc.

**Q15. Please indicate whether it is possible you will increase the amount allotted for growth investment after securing sustainable positive spread.**

A15. For growth investment, we have 300.0 billion yen budgeted in our medium-term management plan "Action D" covering fiscal year ended March 2014 to fiscal year ending March 2016. For the fiscal year ended March 2014, although we used a certain amount allotted for growth investment to acquire a 40% stake in Panin Dai-ichi Life, we still have more than 200.0 billion yen unused budget. In "Action D", we plan to accelerate growth through a disciplined capital allocation to growth areas. While the above-mentioned amount is one of ways to advance our initiatives for growth areas, as explained before we do not rule out the possibility to increase the amount allotted for growth investment, to the extent that various conditions are met.

**Q16. Please provide the forecast for the average assumed rate of return going forward.**

A16. As a rough estimate, we expect the average assumed rate of return will decrease by 7 to 8 bps per year, due to the downward impact on the assumed rate of return as a result of provision for additional policy reserves for the past several years.

**Q17. Assuming the average actual rate of investment return stays flat compared to the fiscal year ended March 2014, please explain the understanding that the expected increase of positive spread is roughly estimated by multiplying the amount of policy reserves (less contingency reserve) by 7-8 bps is reasonable.**

A17. For the precise calculation, you need to exclude the policy reserve attributable to group

annuities. We understand that the amount of policy reserves of individual insurance and individual annuities subject to the provision for additional policy reserve is approximately 20 trillion yen. Additionally, whole life insurance policies, acquired in or before March 1996, which will be paid-up are subject to the provision for additional policy reserve. Please note that the above-described improvement in average assumed rate of return is a rough estimate and it is not always true that you can calculate the increase in positive spread, by simply multiplying the 20 trillion yen amount of policy reserves by the decrease in the average assumed rate of return.

## **(2) Ordinary Profit, Net Income**

**Q18. Although consolidated ordinary profit for the fiscal year ending March 2015 is expected to decrease YoY, consolidated net income is expected to increase YoY. Please provide the breakdown of major changes from ordinary profit to net income items.**

A18. First, Dai-ichi Life on a non-consolidated basis provided for 28.0 billion yen reserve for price fluctuation for the fiscal year ended March 2014. However, we expect the amount of provision for reserve for price fluctuations will decrease to 14.0 billion yen for the fiscal year ending March 2015. Next, although we recorded a certain amount of impairment losses on fixed assets related to real estate holdings for the fiscal year ended March 2014, we do not expect a large amount of impairment losses for the fiscal year ending March 2015. Additionally, we expect the statutory corporate income tax rate will decrease and the negative impact of the advanced abolition of special corporate tax for reconstruction will disappear for the fiscal year ending March 2015. As a consequence, we expect a slight decrease in net income YoY on a non-consolidated basis. stly, as net loss of Dai-ichi Frontier Life will decrease by approximately 10.0 billion yen YoY, consolidated net income for the fiscal year ending March 2015 is expected to increase YoY.

**Q19. It seems we can calculate forecasted net capital gains of Dai-ichi Life on a non-consolidated basis for the fiscal year ending March 2015 to be around several tens of billions of yen, by subtracting one-time expenses (forecasted amount of provision for additional policy reserves and contingency reserve), from the difference between around 340.0 billion yen fundamental profit and ordinary profit. Please indicate whether this understanding is correct.**

A19. As you pointed out, we do not expect capital gains for the fiscal year ending as large as those for the fiscal year ended March 2014.

**Q20. If the decrease in corporate tax rate is decided during the fiscal year ending March 2015 and deferred tax assets of Dai-ichi Life are written down, would it be possible to**

**respond to it by reversing contingency reserve?**

A20. We reversed contingency reserve, etc. when the corporate tax rate was reduced in the past. Hypothetically speaking, we believe we can take similar measures even if the decrease in corporate tax rate is decided during this fiscal year.

### **(3) Shareholder Return**

**Q21. Please provide forecasted adjusted net income for the fiscal year ending March 2015.**

A21. For the fiscal year ending March 2015, forecasted consolidated adjusted net income is approximately 92.5 billion yen, by adding the after-tax amount of provision for contingency reserve to forecasted net income of 80.0 billion yen.

**Q22. Given the forecasted dividend per share for the fiscal year ending March 2015 is 25 yen, total payout ratio for the same period can be calculated to be approximately 27%. Please explain the background that total payout ratio will significantly increase to approximately 27%, from approximately 18% for the previous fiscal year. Also, please discuss whether the total payout ratio will maintain an upward trend.**

A22. Please understand that we will strive to enhance the shareholder return by seeking “a total payout ratio of around 30%” as a goal stated in “Action D”.

### **(4) Consolidated Adjusted Net Income**

**Q23. Consolidated adjusted net income for the fiscal year ended March 2014 is 112.5 billion yen and that for the fiscal year ending March 2015 exceeds 90.0 billion yen. It seems that achieving the goal of medium-term management plan, 100.0 billion yen consolidated adjusted net income for the fiscal year ending March 2016 is feasible. Please confirm the understanding that fixed cost reduction or contribution from growth areas will increase adjusted net income is correct.**

A23. Although it is difficult to comment on the forecast for the fiscal year ending March 2016 at this moment, we can expect to achieve 100.0 billion yen consolidated adjusted net income, a commitment during the three years shown in “Action D”. Specifically, as business results of growth areas such as international life businesses and Dai-ichi Frontier remain steady and we recorded a positive spread for the fiscal year ended March 2014, the possibility to achieve the goal of achieve 100.0 billion yen is increasing.

### **(5) Policyholder Dividends**

**Q24. Please explain whether 8.0 billion yen of the increase in provision for policyholder dividends corresponds to changes in of policyholder dividend rate related to investment spread of individual insurance.**

A24. Although the amount of policyholder dividends of individual insurance increased, the increase in total policyholder dividends is mostly attributable to the increase in dividends of group annuities. For the group annuities segment, based on the principle to revise policyholder dividends related to investment spread associated with the actual return of the fund, we increased the dividends as a result of good investment returns for the fiscal year ended March 2014.

**Q25. Given the forecasted net capital gains to be decreased YoY for the fiscal year ending March 2015, would it be reasonable to expect that policyholder dividends of group annuities will decrease accordingly?**

A25. While we assume the market environment to be flat, policyholder dividends of group annuities will be generated from income-related revenues such as interest and dividends. Therefore, we expect similar amount to the result for the previous fiscal year.

**Q26. Please explain the forecast for policyholder dividends for the fiscal year ending March 2015.**

A26. Currently, it is difficult to have an optimistic view regarding the level of policyholder dividend for the fiscal year ending March 2015, as long-term interest rates remain low. We will make a judgment, taking into account the current market environment.

**Q27. Please explain whether you revised the assumption of policyholder dividends for EV calculation according to the increase in policyholder dividends of individual insurance.**

A27. Basically, we decide the level of each year's policyholder dividends taking into account business results, etc. However, for EV calculation we assume we will allocate a certain amount as policyholder dividends, taking into consideration past track record and we did not change the assumption for EV calculation for the fiscal year ended March 2014.

**< European Embedded Value >**

**Q28. Group EEV as of March 2014 amounted to approximately 4.3 trillion yen, a slight increase compared to that as of December 2013. Looking back at the market environment during the three months ended March 2014, it seems there were negative effects for EV calculation such as a stock price decrease, lower interest rates and yen appreciation. Would it be correct to estimate that the actual EV did not decrease significantly as the decrease in interest rates in long-term zone was limited?**

A28. Your understanding regarding the interest rate movement is correct. We believe the difference between the estimate as of December 2013 and the actual result as of March 2014 can be explained by the accumulation of new business.

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

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