

Message from the President

Thank you for continuing to support The Dai-ichi Mutual Life Insurance Company. In this Annual Report, we introduce our operating results and initiatives, with the aim of offering our stakeholders greater insight into our Company.

Demutualization and Public Listing

The Japanese life insurance market is confronting not only emerging structural changes—which include a declining birthrate, an aging population, and changes to social security systems—but also stronger competition and deregulation that are taking place across industries.

In this environment, to achieve sustainable growth, we have determined that the Company must demutualize and list its shares, so that it can be more flexible in its operating strategies and achieve greater management transparency based on market discipline. Consequently, we prepared for our demutualization and public listing, and a proposal to become a stock company (an organizational change from a mutual company to a stock company) on April 1, 2010 was approved by the 108th General Meeting of Representative Policyholders held on June 30, 2009. Accordingly, the Company aims to become a stock company, subject to the approval of the regulatory authorities, and it will publicly list its shares on, or soon after, the date when it becomes a stock company, subject to the approval of the stock exchange.

Business Strategy

While seeking to become a stock company and publicly list its shares, the Company has been taking a number of initiatives under its medium-term management plan, Value Up 2010, to enhance quality in accordance with the Dai-ichi Life Declaration of Quality Assurance.

■ Strengthening Competitiveness in Core Businesses

To improve customer satisfaction, we focused on developing the skills of our Total Life Plan Designers (sales representatives) and strengthening their abilities. We have also initiated activities in which Total Life Plan Designers visit customers to coincide with the arrival of the Total Life Plan Report issued each year, to explain the details of policies.

In October 2008, we created a lineup of products that are simple and easy to understand by consolidating existing core products that had different names based on gender, age, and the applicable riders, into just three products in the *Jinsei*

(Life) series, namely: *Dodo Jinsei* (Dignified Life), *Junpu Jinsei* (Favorable Life), and *Shuyaku Jinsei* (Starring Life). We also began offering a *With Partner* service for policyholders to add to our services.

■ Proactive Investments in Growth Markets

We have identified a number of growth businesses, including the individual savings product business and overseas life insurance business. We have begun taking steps to strengthen our operations in these areas.

In the individual savings product business, The Dai-ichi Frontier Life Insurance Co., Ltd. (hereinafter, “Dai-ichi Frontier Life”), the Company’s subsidiary, has been generating strong sales, thanks to a larger network of sales agents, as a result of vigorous sales promotion of variable individual annuities through branches of banks and securities companies. In April 2009, Dai-ichi Frontier Life launched fixed annuity products as part of its initiatives to bolster its product lineup.

In the overseas life insurance business, we took an equity stake in Ocean Life Insurance Co., Ltd. of Thailand in July 2008, followed by an investment in Tower Australia Group Limited in October 2008. Both companies have now become affiliates. In addition, Star Union Dai-ichi Life Insurance Company Limited, a joint life insurance company established together with two local state-run banks, commenced operations in India in February 2009. We aim to contribute to the penetration of life insurance and the development of life insurance markets in countries where we have started operations, and generate earnings in line with local economic growth.

Financial Results for the Fiscal Year Ended March 31, 2009

Reflecting severe conditions in both domestic and overseas financial markets, net investment income for the fiscal year ended March 31, 2009 fell from the previous fiscal year given rising investment expenses, including devaluation losses on securities. To deal with the capital losses incurred from the recent extreme changes in the financial markets, the Company recorded reversals of reserves. However, to respond to risks, including significant changes in the market environment, the Company has made efforts to strengthen its capital base. In addition, the Company raised capital, including syndicated subordinated debt financing. As a result of these efforts, the Company has secured a robust capital base that we believe is adequate to respond to future risks, with net worth of ¥1,652.4 billion, based on the

Company's own standards, as of March 31, 2009.

Premium and other income generated by both Dai-ichi Life and Dai-ichi Frontier Life rose from the previous fiscal year, the first increase in four years, driven by strong sales of variable annuities offered by Dai-ichi Frontier Life. In addition, with initiatives taken to improve the customer service system, the amount of surrenders and lapses has declined for nine consecutive years. However, the amount of the sum insured (new policies) for individual insurance and individual annuity insurance policies fell from the previous fiscal year, given sluggish demand for death benefits and reflecting the declining birthrate and the aging population as well as the diversification of individual lifestyles. As a result, the amount of policies in force decreased year-on-year. Fundamental profit, which is one indicator that shows profit from the core insurance business, declined during the term under review as a result of lower interest and dividend income because of worsening market conditions in Japan and the appreciation of the yen.

In light of the investment environment, the rates of policyholder dividends attributable to investment spread for individual insurance and individual annuities have been lowered. As a result, dividend payments on individual insurance and individual annuities for fiscal 2009 have been reduced.

In the corporate insurance business, the amount of group insurance policies in force rose from the end of the previous fiscal year, due to an increase in general welfare group term life insurance. However, the amount of group annuity policies in force fell from the end of the previous fiscal year, reflecting lower stock prices.

Business Improvement Plan

To execute its business improvement plan, the Company has been taking steps to ensure that all of its directors, officers, and employees fully understand that the time when insurance claims and benefits are paid is the moment when insurance fulfills its purpose. The Company has also been fully committed to continuous improvement based on the perspective of customers.

Moreover, the internal audit department and related departments of the Company examine the effectiveness of the improvement plan, and conduct operational reviews as necessary based on results of the examinations to ensure that there is continuous improvement in the Company's operations. In addition, to examine and evaluate the effectiveness of the plan from an external perspective, the



Company has been discussing improvements with its Deliberation Committee for Claims Payment, which consists mainly of external experts. It also conducted a survey of approximately 10,000 policyholders who received insurance benefits, and gathered their opinions about the Company's information services for insurance claims and its payment operations. The results of this survey are being used to further improve the payment system.

The Company will continue to review improvement measures and strengthen the necessary internal systems. We remain committed to providing customers with security for many years to come.

We are very aware of the social role of life insurance. With this awareness, Dai-ichi aims to become the insurance company that enjoys the highest reputation with its customers, through an approach that seeks sustainable development as a good corporate citizen.

Katsutoshi Saito

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President