

Summary of Financial Results

1. Assets and Liabilities

(1) Selected Balance Sheet Items

	As of March 31,		As of March 31,	
	2010	2011	2010	2011
	(billions of yen)		(billions of yen)	
Assets			Liabilities and Net Assets (Capital)	
Cash and deposits, call loans	356.4	441.1	Policy reserve and others:	27,803.7 28,190.8
Deposit paid for securities borrowing transactions	–	–	Policy reserves	27,324.8 27,589.5
Monetary claims bought	289.8	2,911.1	Reserve for policyholder dividends	329.2 403.6
Trading account securities	–	–	Subordinated bonds	46.5 149.1
Money held in trust	22.2	21.1	Reserve for employees' retirement benefits	409.6 418.3
Securities	22,793.3	23,201.3	Allowance for policyholder dividends	92.5 –
Domestic bonds	12,989.9	13,434.9	Reserve for price fluctuations	115.4 80.4
Domestic stocks	3,258.1	2,538.0	Deferred tax liabilities for land revaluation	124.7 123.6
Foreign Securities	6,325.9	7,035.6	Others	1,229.6 1,140.8
Loans:	3,834.3	3,627.4	Total liabilities	29,822.1 30,103.2
Policy loans	571.4	539.4	Foundation funds	– –
Ordinary loans	3,262.9	3,087.9	Accumulated redeemed foundation funds	420.0 –
Real estate (Note 1)	1,238.8	1,290.7	Revaluation reserve	0.2 –
Deferred tax assets	337.6	475.1	Surplus	184.4 –
Others	699.9	398.5	Reserve for future losses	5.6 –
Reserve for possible loan losses ..	(21.0)	(12.9)	Other surplus	178.8 –
Total general account assets	29,551.6	29,733.8	Unappropriated net surplus for the year	64.1 –
Foreign currency-denominated assets	5,027.8	5,435.2	Total foundation funds and surplus	604.6 –
Total separate account assets (Note 2)	1,270.8	1,135.7	Capital stock	– 210.2
Total assets	30,822.4	30,869.6	Capital surplus	– 210.2
Notes:			Legal capital surplus	– 210.2
1. The amount of real estate is the sum of the amounts of land, buildings, and construction in progress.			Retained earnings	– 192.8
2. Receivables generated from transactions involving general account assets are deducted under the Insurance Business Act.			Legal retained earnings	– 5.6
			Other retained earnings	– 187.2
			Retained earnings brought forward	– 61.2
			Treasury stock	– (20.4)
			Total shareholders' equity	– 592.8
			Net unrealized gains on securities, net of tax	461.1 237.5
			Deferred hedge gains (losses)	(2.0) 1.2
			Reserve for land reevaluation	(63.5) (65.1)
			Total of valuation and translation adjustments	395.6 173.6
			Total net assets	1,000.3 766.4
			Total liabilities and net assets	30,822.4 30,869.6
			For the details of the balance sheet, please refer to pages 90 and 91.	

In accordance with the plan for demutualization under Article 86 of the Insurance Business Act, the balance sheet (major items of net assets) was determined as in the table below at the time the organization was changed on April 1, 2010.

	Commencement of business on April 1, 2010 (billions of yen)
Capital stock	210.2
Capital surplus	210.2
Legal capital surplus	210.2
Retained earnings	184.2
Legal retained earnings	5.6
Other retained earnings	178.6
Retained earnings brought forward	64.1
Total shareholders' equity	604.6
Net unrealized gains on securities, net of tax	461.1
Deferred hedge gains (losses)	(2.0)
Reserve for land reevaluation	(63.5)
Total of valuation and translation adjustments	395.6
Total net assets	1,000.3

(2) Status of Assets

During the fiscal year ended March 31, 2011, Dai-ichi continued to position fixed income investments, including bonds, a core of its asset portfolio, so that they are consistent with its medium- to long-term investment policies. Meanwhile, Dai-ichi increased its position in policy reserve-matching bonds, centering on long-term and super long-term bonds, in an effort to promote ALM and enhance its profitability.

Dai-ichi has appropriately managed the risk associated with its risk assets, such as domestic stocks and foreign securities, which have been acquired primarily to diversify its investment portfolio and achieve higher profitability. In doing so, the Company takes market trends into account.

Outstanding general account assets as of March 31, 2011 increased by ¥182.2 billion from the end of the previous fiscal year, to ¥29,733.8 billion, primarily reflecting a rise in premium and other income due to strong sales of the main products, despite a decline in unrealized gains on securities. The balance of separate account assets decreased by ¥135.0 billion, to ¥1,135.7 billion. As a result, total assets climbed by ¥47.1 billion, to ¥30,869.6 billion.

2. Revenues and Expenditures

(1) Selected Items on Results of Operations

	Years ended March 31,	
	2010	2011
	(billions of yen)	
Ordinary revenues:		
Premium and other income	2,837.2	3,056.5
Investment income	1,153.4	922.6
Other ordinary revenues	340.8	329.2
Total ordinary revenues	4,331.5	4,308.4
Ordinary expenses:		
Benefits and claims	2,610.5	2,625.0
Provision for policy reserves and others	328.2	322.5
Investment expenses	330.0	429.5
Operating expenses	438.7	424.6
Other ordinary expenses	430.3	427.6
Total ordinary expenses	4,137.9	4,229.5
Ordinary profit	193.6	78.9
Extraordinary gains	0.3	40.1
Extraordinary losses	116.5	11.8
Provision for allowance for policyholder dividends	92.5	-
Provision for reserve for policyholder dividends	-	78.5
Net surplus before adjustment for taxes, etc.	77.4	-
Income before income taxes	-	28.6
Corporate income taxes:		
Current	0.3	25.9
Deferred	16.3	(14.2)
Total of corporate income taxes	16.6	11.7
Net surplus for the year	60.8	16.9
The provision for the reserve for policyholder dividends	-	-
Net income	60.8	16.9

* For the details of the results of operations, please refer to pages 92.

(2) Insurance-Related Income and Expenses (Premiums and Other Income, and Benefits and Claims)

Premiums and other income increased by 7.7% from the previous fiscal year, to ¥3,056.5 billion, reflecting steady premium income related to new individual insurance policies. Benefits and claims payments rose by 0.6%, to ¥2,625.0 billion, on an increase in surrender value payment, etc. in group annuity insurance, despite a significant fall in the payment of surrender value in individual insurance.

(3) Investment-Related Income and Expenses

Interest and dividend income declined from the previous fiscal year due to a fall in (1) interest income from foreign bonds reflecting the appreciation of the yen (2) gains on sale of securities and (3) net separate account investment income as a result of a fall in the market value of separate account assets associated with the weaker financial market environment. As a result, investment income slipped by ¥230.7 billion from the previous fiscal year, to ¥922.6 billion.

Meanwhile, investment expenses increased by ¥99.5 billion, to ¥429.5 billion, mainly due to an increase in devaluation losses on securities.

As a result, net investment income and expenses declined by ¥330.3 billion from the previous fiscal year, to net investment income of ¥493.0 billion.

(4) Provision for Reserve for Policyholder Dividends

The Company accumulated a reserve for policyholder dividends to pay policyholder dividends and provided ¥78.5 billion for the reserve for policyholder dividends in fiscal 2010.

The rate of policyholder dividends for fiscal 2010 was 65.6%. This is the ratio of the amount of the provision for the reserve for policyholder dividends (¥78.5 billion in fiscal 2010) to the surplus attributable to participating policyholders (¥119.6 billion in fiscal 2010), calculated based on earnings relating to participating policies defined in the Articles of Incorporation and the plan for demutualization.

(5) Dividends to Shareholders

Public life insurance companies pay policyholder dividends and dividends to shareholders.

The policyholders of the mutual life insurance company are owners with the rights to receive the policyholder dividends. Those rights are transferred to the public company after its demutualization. Our policy for policyholder dividends is included in the Articles of Incorporation under the Insurance Business Act, and the rights of policyholders relating to dividends are protected.

We aim to provide stable returns to shareholders in the medium to long term, taking into account the need to enhance the soundness and strike a balance between dividends to shareholders and policyholder dividends. Specifically, we intend to determine a dividend level each year with a targeted dividend payout ratio of 20-30% based on our consolidated adjusted net income, while taking into account factors such as consolidated and non-consolidated financial results, the market environment, and regulatory changes.

