

Internal Control and Overall Risk Management

Management Control

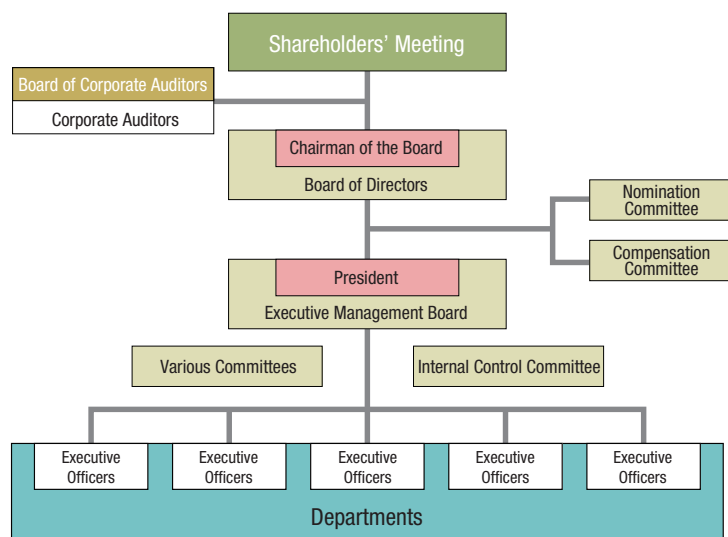
The Board of Directors makes important management decisions and supervises the execution of operations. To separate and thereby strengthen its functions of decision making and supervision on the one hand and operational execution on the other, Dai-ichi has introduced an executive officer system. Executive officers are elected by the Board of Directors and carry out duties assigned by the Board of Directors. Dai-ichi also has an Executive Management Board that consists of the president and executive officers appointed by the president and meets twice a month, in principle. The Executive Management Board considers important management and executive issues. As of July 1, 2011, Dai-ichi had 11 directors (including one outside director) and 24 executive officers (including eight officers who are concurrently directors).

To further enhance management transparency, Dai-ichi has established a Nomination Committee

and a Compensation Committee, each of which consists of the chairman, president, and outside members, as independent advisory committees to the Board of Directors. The Nomination Committee confirms the eligibility of candidate directors. The Compensation Committee deliberates on the compensation systems for directors and executive officers and other related matters.

In addition to attending meetings of the Board of Directors and the Executive Management Board, corporate auditors audit the execution of duties by directors and executive officers through interviews with directors, executive officers, and the relevant departments. Corporate auditors also audit the status of compliance, risk management in overall operations, and the operational and financial status of Dai-ichi and its subsidiaries. In addition, the Board of Corporate Auditors deliberates on important audit issues. As of July 1, 2011, Dai-ichi had 5 corporate auditors (including three outside auditors).

Management Control System



Status of Internal Control Systems

In response to the enforcement of the Companies Act, Dai-ichi has established a Basic Internal Control Policy, which sets out its basic approach and policy concerning internal control.

As part of the establishment of its internal control system, the Company has set up an Internal Control Committee. The Committee is a special organization assisting the Board of Directors and the Executive Management Board and is responsible for the following: driving the establishment and operation of an internal control system; checking the appropriateness of financial reports and the effectiveness of internal audits; and checking and discussing issues of compliance, the protection of information property, risk management, the handling of antisocial forces as an organization dominating the Compliance Committee, Risk Management Committees, and Antisocial Forces Handling Committee. The Internal Control Committee consists of representative directors and the executive officers in charge of the divisions responsible for internal control and holds a meeting every month, in principle.

To enhance the effectiveness of internal controls, Dai-ichi also carries out internal control self-assessment (CSA) in all operations. Through CSA, the Company (1) grasps the condition of the risk to identify major risks in each operation, (2) evaluates the importance of the risks in view of the magnitude of the potential effects for customers and losses they may cause, and (3) assesses risk prevention systems. The Company seeks to mitigate risks and improve operations by developing and introducing measures against risks in order of priority.

Basic Internal Control Policy

1. Conduct business activities in compliance with laws and regulations, the Articles of Incorporation, social standards, and rules in the market
2. Protect and manage information assets appropriately, including customer information, shareholder information, important facts, and other unique information
3. Manage risks effectively in accordance with the characteristics of those risks
4. Block any relationships with antisocial forces to prevent any damage that might occur
5. Ensure appropriate operations at subsidiaries
6. Ensure the reliability of financial reports and disclose them appropriately on a timely basis
7. Check the appropriateness and effectiveness of internal control through operational audits

Compliance (observance of laws and ordinances, etc.)

Basic Recognition

Dai-ichi understands that complying with laws and regulations, its Articles of Incorporation, social standards, and rules in the market is the basis for conducting business activities. To fulfill social responsibility and public missions as a life insurance company, Dai-ichi is developing systems to promote compliance in all of its operations, including insurance sales and investment.

Policies and Regulations Designed to Promote Compliance

Dai-ichi has established Compliance Regulations that set out a basic approach to compliance system and the details of that system, under the Basic Internal Control Policy. Based on its Basic Management Policy, the Company has also established the DSR Charter, the Corporate Action Principles of the Dai-ichi Life Group that set out the specific principles of action as a company, and a Code of Conduct that sets out the specific principles of the behavior of directors, executive officers and employees. The Company has created a Compliance Manual that includes explanations of laws and regulations and points to keep in mind in performing operations, in addition to the internal rules for promoting compliance. Distributing the manual to all directors, executive officers and employees and providing them with training programs, the Company seeks to keep them informed of the internal rules, laws and regulations, as well as other important points. The Compliance Committee holds preliminary discussions on important regulations and manuals, the Executive Management Board discusses them, and the Board of Directors makes decisions.

Organizational Systems Associated with Compliance

The Compliance Committee (consisting primarily of relevant directors and executive officers) under the Internal Control Committee discusses important matters relating to compliance and consults with the Executive Management Board, President, and the Board of Directors. The Compliance Control Department refines the Companywide compliance system. To ensure compliance, especially in the area of insurance sales management, at branch offices that directly engage in insurance sales, Dai-ichi has

established a Sales Compliance Promotion Center as a standing organ that bolsters the system and gives instructions and support directly to branches. To the Compliance Control Department and Sales Compliance Promotion Center the Company assigns compliance officers who ensure compliance at head office departments and branches, and they manage compliance and insurance sales in cooperation with compliance managers, who are the head of each department or branch.

Important matters associated with compliance that arise in departments and branches are reported through compliance managers to the Compliance Control Department. The Company handles and resolves the matters in the most appropriate way. The Company has established an internal inquiry desk in the Compliance Control Department as a channel through which employees can directly report and consult on compliance matters. The Company has also developed a system in which outside lawyers directly provide advice.

To check whether compliance is promoted effectively and appropriately, the Internal Audit Department conducts operational audits regularly.

■ Compliance Promotion

The Board of Directors of Dai-ichi sets out a Compliance Program each year as a specific plan of action for compliance in accordance with the issues identified for each fiscal year. The Company promotes compliance in a plan-do-check-action (PDCA) cycle, particularly among executives, in which the Compliance Committee checks the status of each issue in the Compliance Program regularly and reviews the issues as necessary.

In addition, the Company requires the general managers of the head office and branch offices to submit a confirmation sheet concerning compliance promotion semi-annually so that management officers can monitor the effectiveness of compliance promotion.

Information Property Protection

■ Basic Recognition

Dai-ichi keeps personal information on customers, including their names, birth dates, addresses, contract details, and medical information, for long times and also retains information about business clients that it has obtained in the course of its operations, such as financial transactions. The Company believes that complying with laws, regulations and its internal regulations and appropriately managing the protection of information property are the major premise for earning the trust of its customers.

■ Policy, Regulations, etc. Associated with the Protection of Information Property

Dai-ichi has established a Basic Internal Control Policy and, under that policy, Information Property Protection and Control Regulations. These regulations set out basic principles for protecting information property and standards for appropriately protecting information property. Dai-ichi has also created information property protection and control standards, which stipulate the details of standards for specific security measures. Based on the spirit of the Personal Information Protection Law, Dai-ichi has established a Personal Information Protection Policy and a Shareholder Personal Information Protection Policy, which describe the purposes of the use of personal information and shareholder information and the protection and control of personal information and shareholder information, based on decisions by the Board of Directors, and has posted those policies on its website.

The Company has created a Compliance Manual and an Information Property Protection and Management Manual, which specify rules and regulations relating to the management and promotion of information property protection, as well as points to keep in mind in the execution of operations. The Company has distributed these manuals to all directors, executive officers and employees and has provided training programs based on the manuals to keep them fully informed about the contents.

■ Organizational Systems Associated with the Protection of Information Property

The Information Property Protection Working Group, which has been established as a subsidiary body of the Compliance Committee, discusses important matters relating to the promotion of information property protection and reports the results of the discussions to the Compliance Committee. We have established an Information Security Management Center, a standing organ that promotes protection of information property across the board, within the Compliance Control Department. The Information Security Management Center gives the necessary instructions and support to each department of the head office and each branch, and develops a system for the appropriate protection and management of information property in each organ through compliance managers and compliance promoters, who have been appointed across the board.

The Internal Audit Department regularly carries out operational audits to ensure that these systems are working effectively throughout the Company and reports the results of the audits to the Board of Directors and the Executive Management Board.

■ Information Property Protection and Control

Dai-ichi has developed information property protection and control systems based on the Personal Information Protection Law, guidelines, and other regulations associated with the protection of personal information in the financial industry. To strengthen the protection and control, Dai-ichi takes the following steps:

- Strengthening compliance with information handling rules through regular staff training and conducting regular inspections of compliance with the rules
- Stepping up checks of Internet e-mail when it is used and reducing the use of external memory devices
- Supervising and checking outsourcing service providers, including their subcontractors

■ Handling of Requests for the Disclosure of Personal Information and Others

When customers or shareholders request the disclosure of their own personal information, Dai-ichi promptly and appropriately responds after confirming that the requests have been made by the customers or shareholders themselves or by legal proxies.

Information about disclosure requests based on the Personal Information Protection Law is also available on Dai-ichi's website.

■ Handling of Comments, etc.

Dai-ichi responds promptly and appropriately to any comments, etc. about the handling of customer information or personal information.

Handling of Antisocial Forces

■ Basic Recognition

Under the basic management policy of Securing Social Trust, all organizations of Dai-ichi are united in their resolution to reject any coercion from antisocial forces that threaten the order and security of civil society and disrupt sound economic and social development and corporate activities. Dai-ichi is fully committed to blocking the development of any relationships with such forces to prevent any damage that may occur.

■ Policies, Regulations, etc. Associated with the Handling of Antisocial Forces

In accordance with the Basic Internal Control Policy, which sets out basic approaches and policies for preventing damage from antisocial forces, Dai-ichi has established regulations to handle such antisocial forces, which cover basic principles, including the roles of directors, executive officers and employees, the roles of departments in charge, and measures taken by individual departments of the head office and branch offices. Moreover, based on the policy and regulations, Dai-ichi has established detailed standards, which set out rules for directors, executive officers and employees, and specific initiatives for blocking any relationships with antisocial forces from developing and preventing damage.

■ Systems for Handling Antisocial Forces

In an effort to hold Companywide deliberations with a wide range of participants about the handling of antisocial forces, Dai-ichi has established an Antisocial Forces Handling Committee. It has also designated the General Affairs Department as the department in charge of developing and strengthening systems to block the development of any relationships with antisocial groups or to prevent damage that may occur.

Dai-ichi also has developed a system in which each department and branch office appoints a manager in charge of the handling of antisocial forces and a person who promotes the appropriate handling of antisocial forces. Under this system, if a department or a branch office is contacted by antisocial forces, receiving undue claims and other demands, the manager and the designated person of that department or office play the leading role to take an appropriate response against such forces by cooperating with the General Affairs Department.

In addition, to appropriately handle antisocial forces, Dai-ichi is permanently committed to developing close cooperative systems with external specialist organizations, such as local police offices, the National Center for the Elimination of Boryokudan, and lawyers.

Risk Management

Basic Recognition

To ensure sound and proper business operations and to ensure that we fulfill the obligations arising from our insurance policies, we identify and evaluate potential risks, take appropriate action based on the specific characteristics of each risk and comprehensively manage these risks.

Specifically, we classify risks into insurance underwriting risks, investment risks, liquidity risks, operational risks, system risks, and others. Based on this classification, we have developed risk management structures and rules and manage our risks in accordance with their specific risk characteristics. We are committed, on a companywide basis, to improving soundness through the management and control of the financial base, including risk volume and capital.

We have established a crisis management system and a risk management system to respond to catastrophes, in addition to our everyday risk management system.

Risk Management Policies and Regulations

Our Basic Internal Control Policy includes our basic philosophy and policies regarding risk management. The approach used to manage each type of risk is developed in line with our series of Basic Risk Management Policies. In addition, each of the risk management regulations and standards is translated into practical rules, following our series of Basic Risk Management Policies.

Risk Management Structures

Risks arising from operations are managed at the discretion of the departments responsible for executing the related operations, in accordance with our series of Basic Risk Management Policies, and the management of risks is monitored by the departments responsible for risk management activities. To strengthen our risk management structure, we have established a Risk Management Department, which manages risks comprehensively, on a companywide basis. Management shares information regarding individual risks at regular meetings of our ALM Committee, Operational Risk Management Committee and System Risk Management Committee, and uses the shared information to guide its decision making. Moreover, our Internal Audit Department examines the effectiveness and appropriateness of our risk management functions.

Our Board of Directors receives reports on risk management to make its decisions about risk management. Our Corporate Auditors inspect overall risk management, including those taken by our management.

Dai-ichi's Risk Management Structure

