Embedded Value

Embedded value of Dai-ichi Life Group

At the end of fiscal year 2011: ¥2,661.5 billion

(At the end of fiscal year 2010: ¥2,440.3 billion)

(At the end of fiscal year 2009: ¥2,836.3 billion)

Embedded value of Dai-ichi Life (non-consolidated): ¥2,715.0 billion

(At the end of fiscal year 2010: ¥2,479.6 billion)

(At the end of fiscal year 2009: ¥2,868.0 billion)

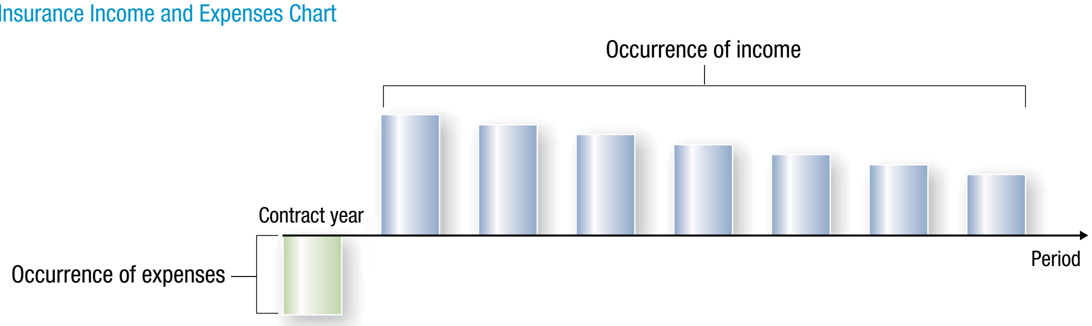
* For the details of embedded value, please refer to page 154.

Embedded Value

The Dai-ichi Life Group discloses its embedded value (EV) as an indicator of its corporate value in the market, aiming to improve its EV.

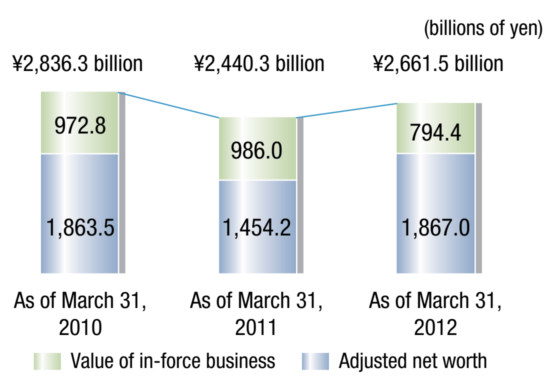
Under current statutory accounting practices applicable to life insurance companies in Japan, there is a time lag between the sale of policies and recognition of accounting profits. Most expenses, such as sales commissions, are incurred in the initial period of each policy. On the other hand, life insurance policy periods are very long (20 years, 30 years, etc.), and revenues are generated over long periods. Since the EV principles allow life insurers to recognize discounted future profits from already-acquired policies in force at the time of sale, the EV measure is considered to complement financial data based on statutory accounting practices.

Life Insurance Income and Expenses Chart



EV is widely used in overseas markets, especially in Europe, as a criterion for the valuation of the stock prices of life insurance companies. To improve investor understanding of Dai-ichi Life, the Dai-ichi Life Group has been disclosing EV in accordance with the European Embedded Value (EEV) Principles since the end of FY2007. EEV at the end of FY2011 increased from the end of the previous fiscal year, to ¥2,661.5 billion.

EV



EEV of Dai-ichi Life Group

	As of March 31, 2011	As of March 31, 2012
	(billions of yen)	
EEV	2,440.3	**2,661.5**
Adjusted net worth	1,454.2	**1,867.0**
Value of in-force business	986.0	**794.4**
Value of new business	158.1	**187.7**

* 1. The Group EEV is calculated as follows: Dai-ichi Life's EEV plus the EEVs of The Dai-ichi Frontier Life Insurance (DFL) and TAL (only as of March 31, 2012) attributable to Dai-ichi Life's equity stake in DFL and TAL (only as of March 31, 2012) less Dai-ichi Life's carrying amount of the equity of DFL and TAL (only as of March 31, 2012).

2. Dai-ichi Life held 90.0% of the shares of DFL as of March 31, 2011, and as of March 31, 2012. Dai-ichi Life held 100.0% of the shares of TAL as of March 31, 2012.

3. Dai-ichi Life's carrying amount of DFL's equity was ¥163.4 billion as of March 31, 2011, and as of March 31, 2012. Dai-ichi Life's carrying amount of TAL's equity was ¥136.5 billion as of March 31, 2012.

4. The calculation of TAL's EEV began in fiscal 2011. In the calculation of the Group EEV as of March 31, 2011, TAL's EEV is not used, but a ¥0.4 billion unrealized gain of Dai-ichi's equity stake in TAL which is calculated based on the market price is included in the Group's adjusted net worth. As of March 31, 2012, TAL's EEV is included in the Group EEV.

5. The Group's value of new business for fiscal 2010 does not include TAL's value of new business. While Dai-ichi made TAL a wholly owned subsidiary on May 11, 2011, the value of new business for TAL for fiscal 2011 is calculated by including the value of new business for TAL from April 1, 2011 to May 10, 2011.

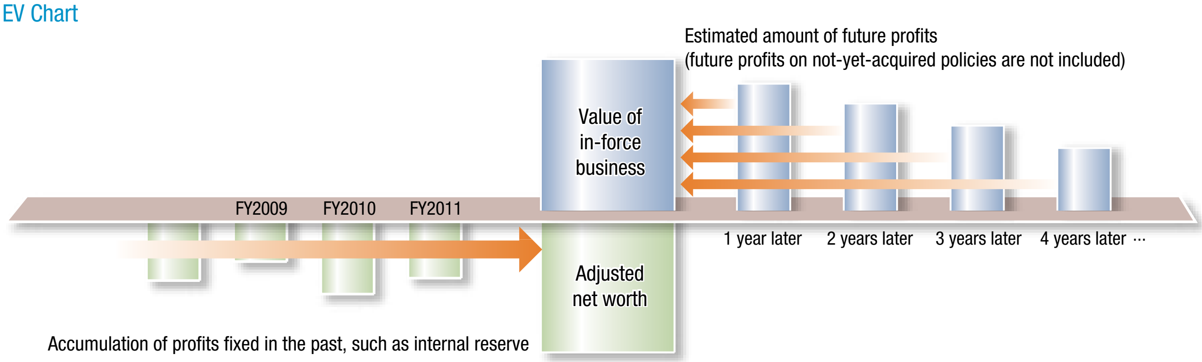
- **Adjusted net worth**

Adjusted net worth is accumulation of realized profits and is the sum of net assets on the balance sheet, certain quasi-equity reserves in liabilities, and unrealized gains and losses on assets not accounted for under the marked to market methodology.

- **Value of in-force business**

The value of in-force business is the present value as of the closing date of future after-tax profits occurring from already-acquired policies in force in each fiscal year (Future profits on not-yet acquired policies are not included.)

EV Chart

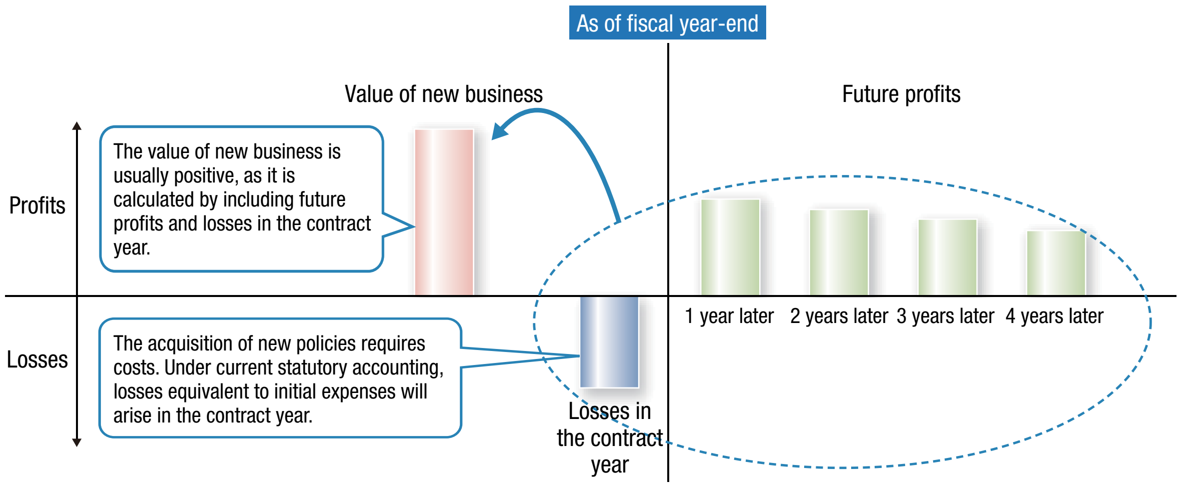


* This graph is for illustrative purposes only and does not pertain to actual results, etc.

● **Value of new business**

The value of new business is the value at the time of sale, after all acquisition-related costs, of new policies (including net increase by conversion) obtained during the reporting period (FY2011).

Value of New Business Chart



The Dai-ichi Life Group requested a third party (actuarial firm) with expertise in actuarial calculation to review the assumptions and calculation method and obtained a written opinion. For information on the written opinion, please refer to the news release posted on the Company's website (http://www.dai-ichi-life.co.jp/english/investor/ir/financial/results/2011/pdf/index_026.pdf).

The calculation of EV involves certain assumptions regarding future projections that are subject to risks and uncertainties. Actual future results might differ materially from the assumptions used in the EV calculations. Moreover, changes of assumptions might cause significant changes in future results. We therefore ask that full care is exercised when using or analyzing EV figures.

Fundamental Profit

Fundamental Profit

		Years ended March 31,	
		2011	**2012**
		(millions of yen)	
Fundamental revenues		4,086,378	**4,138,132**
Premium and other income		3,056,555	**3,056,096**
Investment income		700,598	**713,972**
[Interest and dividends]		698,159	**691,988**
Other ordinary revenues		329,224	**368,063**
Fundamental expenses		3,810,457	**3,835,706**
Benefits and claims		2,625,013	**2,508,726**
Provision for policy reserves and others		233,881	**403,995**
Investment expenses		99,186	**72,285**
Operating expenses		424,686	**415,611**
Other ordinary expenses		427,688	**435,087**
Fundamental profit	A	275,921	**302,425**
Capital gains		222,087	**259,983**
Gains on money held in trust		–	**522**
Gains on sale of securities		212,245	**259,461**
Derivative transaction gains		9,842	**–**
Capital losses		329,996	**291,019**
Losses on money held in trust		1,051	**–**
Losses on sale of securities		120,905	**180,705**
Losses on valuation of securities		179,621	**44,713**
Derivative transaction losses		–	**31,156**
Foreign exchange losses		28,417	**34,444**
Net capital gains (losses)	B	(107,908)	**(31,035)**
Fundamental profit after net capital gains (losses)	A+B	168,012	**271,390**
Other one-time gains		25,000	**79,090**
Reversal of contingency reserve		25,000	**79,000**
Reversal of specific reserve for possible loan losses		–	**90**
Other one-time losses		114,110	**106,716**
Provision for contingency reserve		–	**–**
Provision for specific reserve for possible loan losses		–	**–**
Write-down of loans		410	**58**
Others		113,699	**106,657**
Other one-time profits	C	(89,110)	**(27,625)**
Ordinary profit	A+B+C	78,902	**243,765**

Notes:

1. “Others” in “Other one-time losses” for the fiscal year ended March 31, 2011 represents the amount of the additional policy reserves provided (113,699 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.
2. “Others” in “Other one-time losses” for the fiscal year ended March 31, 2012 represents the sum of the amount of the additional policy reserves provided (106,640 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act, and the amount of provision for reserve for possible investment losses (17 million yen).

For fiscal year 2011:	¥302.4 billion

(For fiscal year 2010: ¥275.9 billion)
(For fiscal year 2009: ¥330.1 billion)

Fundamental profit is one of the indicators that shows profit from the core insurance business during the term under review. Namely, we collect insurance premiums from policyholders and gain investment income, to pay insurance claims and benefits in accordance with the provisions of insurance policies from those premiums and returns, while accumulating policy reserves for future payments and managing them.

Fundamental profit is an indicator used to measure ordinary profitability. Ordinary profit is obtained by adding capital gains and losses which include gains and losses on the sale of securities and other one-time gains and losses such as the provision for contingency reserve to fundamental profit.

Fundamental profit for fiscal 2011 increased from the previous fiscal year, to ¥302.4 billion, primarily attributable to an increase in profit attributable to life insurance activities, mainly due to the reversal of policy reserves that were accumulated to prepare for the payment of claims and benefits associated with the Great East Japan Earthquake.

The Company continues to make an effort to maintain and bolster fundamental profit by strengthening the competitiveness of its core business and investing aggressively in growth markets.

Breakdown of Fundamental Profit

(billions of yen)

	FY2010	**FY2011**
Fundamental profit (i)	275.9	**302.4**
(Negative) positive spread amount	(90.3)	**(91.4)**
Effect of changes in policy reserve associated with guaranteed minimum maturity benefits	(0.2)	**0.4**
Fundamental profit attributable to life insurance activities	366.5	**393.3**
Mortality and morbidity gains	348.0	**386.1**
Net capital gains (losses) (ii)	(107.9)	**(31.0)**
Other one-time gains (losses) (iii)	(89.1)	**(27.6)**
Ordinary profit (iv) (= i + ii + iii)	78.9	**243.7**
Net extraordinary gains (losses) (v)	28.2	**(28.3)**
Provision for reserve for policyholder dividends (vi)	(78.5)	**(69.0)**
Corporate income taxes (vii)	(11.7)	**(128.7)**
Net income (viii) (= iv + v + vi + vii)	16.9	**17.6**

Notes:

1. Negative spread amount results from the difference between the assumed investment return (assumed interest rate) and the actual investment return.
2. Policy reserve associated with guaranteed minimum maturity benefits represents the policy reserve provided to prepare for risks associated with minimum guarantees of variable annuities, in addition to the customers' premium reserve. In case the actual investment return declines, the policy reserve associated with guaranteed minimum maturity benefits increases as a result of the increase in the burden of the Company's minimum guarantees.

Negative Spread

For fiscal year 2011: ¥91.4 billion

(Negative spread in fiscal 2010: ¥90.3 billion)

(Negative spread in fiscal 2009: ¥82.8 billion)

When calculating the amounts of insurance premiums, an insurance company guarantees policyholders a certain level of return from its investments in advance, and discounts future insurance premiums by the guaranteed rate of return. This discount rate is called the "assumed rate of (investment) return." For this reason, an insurance company needs to secure the sum equivalent to guaranteed investment return from investment returns and other income.

If actual investment returns and other income are short of total guaranteed investment return, the difference is called a negative spread.

The negative spread for fiscal 2011 amounted to ¥91.4 billion.

Calculation Formula for Negative/Positive Spread Amount

Negative/positive spread amount = (Actual rate of investment return on fundamental profit – Average assumed rate of investment return) × Policy reserves for general account

Note: Values in the above formula are all in the general account

Negative/Positive Spread

	Years ended March 31,	
	2011	**2012**
Average assumed rate of return	2.81%	**2.73%**
Average actual rate of return	2.46%	**2.38%**
(Negative)/Positive spread amount (billions)	(¥90.3)	**(¥91.4)**

Accumulation of Policy Reserves

Policy reserves are mandatory reserves the accumulation of which is required by law in preparation for the future payment of claims, annuities, and benefits. The accumulation level of policy reserves is determined by the accumulation method and actuarial assumptions. The Insurance Business Act that came into force in April 1996 introduced the standard policy reserve rules, in which the accumulation method and actuarial assumptions for policy reserves were set forth by the Financial Services Agency.

Dai-ichi accumulates statutory reserves based on the criteria stipulated by the Insurance Business Act, etc. and adopts the most conservative method among those required by law. Effective FY2007, Dai-ichi also accumulates additional policy reserves for whole life insurance policies with a high assumed rate of return after the completion of premium payment to reduce the future negative spread amount and thus its financial soundness.

The details of customers' policies will not change with the accumulation of additional policy reserves by Dai-ichi.

Solvency Margin Ratio

At the end of fiscal year 2011: 575.9%

(At the end of fiscal year 2010: 547.7%)

* The figures above are for Dai-ichi on a non-consolidated basis.

Solvency Margin Ratio

The solvency margin ratio is one of the indicators used by the supervising administrative agency to ascertain the extent to which an insurance company can meet payments in the event risks exceed the normally anticipated level.

Specifically, the ratio is the index that shows how diverse risks are covered by the total of capital and other internal reserves, as well as by unrealized gains on securities and other assets (solvency margin total), when exposed to risks greater than normally anticipated. The diverse risks may include those involved in the payment for claims and other benefits and investment risks. The solvency margin ratio is obtained by dividing the solvency margin total by the risk total, and a ratio exceeding 200% is one indication of an insurance company's meeting the standard for general financial stability.

The solvency margin ratio at the end of fiscal 2011 rose from the end of the previous fiscal year, to 575.9%, thanks to an increase in unrealized gains on securities associated with lower interest rates and our efforts to reduce risks, among other factors.

Dai-ichi views the solvency margin ratio as one of the most important indicators for giving customers a sense of security in Dai-ichi. The Company continues its efforts to maintain enough ability to meet payments of insurance claims.

Unrealized Gains (Losses) on General Account Assets

At the end of fiscal year 2011: ¥1,179.9 billion

(At the end of fiscal year 2010: ¥639.2 billion)

(At the end of fiscal year 2009: ¥942.0 billion)

Unrealized Gains and Losses

Unrealized gains and losses represent differences between the market value of assets (securities, real estate, etc.) held and their book value, and are considered to be substantial capital because they constitute part of the solvency margin total used as a numerator when the solvency margin ratio is calculated. Unrealized gains also act as a buffer against the different types of risks to which Dai-ichi is exposed, and at the same time leave more room for risk taking in investments, thus making a substantial contribution to stronger profitability.

With respect to unrealized gains and losses as of March 31, 2012, unrealized gains on securities increased by ¥601.5 billion from the end of the previous fiscal year, to ¥1,215.6 billion, mainly reflecting falling interest rates in Japan and overseas. Unrealized gains on real estate (land etc.) decreased by ¥57.0 billion, to unrealized losses of ¥36.5 billion, mainly reflecting a drop in land prices. As a result, total unrealized gains on all general account assets increased by ¥540.7 billion, to ¥1,179.9 billion.

Total Net Unrealized Gains (Losses) on General Account Assets

	As of March 31,	
	2011	2012
	(billions of yen)	
Securities	614.1	**1,215.6**
Domestic bonds	383.8	**790.6**
Domestic stocks	305.6	**297.8**
Foreign securities (Note 1)	(80.4)	**114.4**
Foreign bonds	(65.5)	**138.9**
Foreign stocks and other securities	(14.9)	**(24.5)**
Other securities	(5.0)	**(5.6)**
Others (Note 2)	10.1	**18.4**
Real estate (Note 3)	20.5	**(36.5)**
Total (including others not listed above) (Note 4)	639.2	**1,179.9**

Notes:
1. Foreign exchange valuation gains (losses) only are taken into account for foreign securities whose fair value is deemed extremely difficult to recognize.
2. "Others" includes assets that are considered appropriate to handle as securities, as defined in the Financial Instruments and Exchange Act.
3. Difference between the book value before revaluation and fair value is reported as unrealized gains (losses) of land.
4. Unrealized gains (losses) on loans and buildings are not recorded.

Adjusted Net Assets

At the end of fiscal year 2011: ¥3,670.1 billion

(At the end of fiscal year 2010: ¥3,066.8 billion)

(At the end of fiscal year 2009: ¥3,321.6 billion)

* The figures above are for Dai-ichi on a non-consolidated basis.
* If adjusted net assets fall into negative territory, the Company could receive a suspension of operations from the supervisory authorities.

■ Adjusted Net Assets

Adjusted net assets are derived by subtracting non-capital adjusted liabilities from adjusted assets at fair market value. In other words, they refer to real net worth after market price-based valuation, and serve as one of the indicators used by the supervising administrative agency to ascertain the financial soundness of insurance companies.

Adjusted assets represent assets reported in the balance sheet plus unrealized gains/losses and other off-balance sheet assets. Adjusted liabilities are calculated by deducting various reserves and allowances from on-balance sheet liabilities.

Adjusted net assets as of the end of fiscal 2011 increased from the end of the previous fiscal year, to ¥3,670.1 billion, principally because of an increase in unrealized gains on securities associated with falling interest rates.

Ratings

As of July 1, 2012		
Rating and Investment Information	**A+**	Rating on Insurance Claims Paying Ability
Japan Credit Rating Agency	**A+**	Rating on Ability to Pay Insurance Claims
Standard & Poor's	**A**	Insurer Financial Strength Rating
Fitch Ratings	**A**	Insurer Financial Strength Rating

■ Ratings

Ratings are given and published by independent third-party agencies primarily as their opinions about the financial soundness of businesses. Ratings are usually expressed in symbols for ease of understanding. There are two types of ratings: those published by rating agencies at the request of the subject company and those published by rating agencies as their independent opinions irrespective of whether they are requested or not.

Ratings for life insurance companies usually represent the degree of certainty with which insurance claims, annuities, etc. are paid in accordance with the policies involved.

Dai-ichi views credit ratings as one of the factors for objectively determining a company's business performance such as its financial soundness. It obtains ratings for the capability to pay insurance claims from Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. and those for the insurer's financial strength from Standard & Poor's and Fitch Ratings.

As of July 1, 2012, Rating and Investment Information rated Dai-ichi at A+, and Japan Credit Rating Agency gave Dai-ichi a high rating of A+, Standard & Poor's gave Dai-ichi rating of A, and Fitch Ratings rated Dai-ichi at A.