

Review of Operations in the Most Recent Fiscal Year

■ Financial and Economic Environment

In fiscal 2012, the Japanese economy continued to decelerate in the first half, but began to pick up after the end of 2012. In the first half of the fiscal year, the economy slowed against the backdrop of a significant fall in exports, influenced by decelerating growth in overseas economies and a decline in capital investment due to an erosion of business confidence. After the end of the calendar year, however, the Japanese economy began recovering, with exports ceasing to fall due to the pickup in overseas economies and increasing automobile production.

Stock prices remained weak until the beginning of autumn due to the effect of the decelerating overseas economies and the deteriorated Japanese economy. After November, however, the Nikkei Stock Average rose sharply, and rebounded to the 12,000 level in March thanks to the rapid depreciation of the yen, reflecting stronger expectations for monetary easing. Long-term interest rates remained low in Japan following a fall in long-term interest rates in the United States, and dropped further at the end of the fiscal year in the context of increased expectations for monetary easing by the Bank of Japan.

In a severe business environment, which saw financial markets remaining weak, the life insurance industry endeavored to develop new products and enhance customer services, and further bolstered its efforts to address overseas businesses and more diverse sales channels such as bancassurance and the store-visit model.

■ Consolidated Ordinary Revenues

With respect to consolidated ordinary revenues for fiscal 2012, premium and other income increased by 3.0% from the previous fiscal year, to ¥3,646.8 billion, investment income increased by 28.9% year on year, to ¥1,335.1 billion, and other ordinary revenues declined by 15.3%, to ¥302.0 billion. As a result, ordinary revenues increased by 7.1% from the previous fiscal year, to ¥5,283.9 billion. Premium and other income increased from the previous fiscal year, mainly reflecting continuing firm sales in The Dai-ichi Frontier Life Insurance and TAL, which made efforts in growth areas. Investment income rose from the previous fiscal year, primarily attributable to an increase in gains

on investments in separate accounts due to the favorable turnaround in the financial and economic environments.

■ Consolidated Ordinary Profit

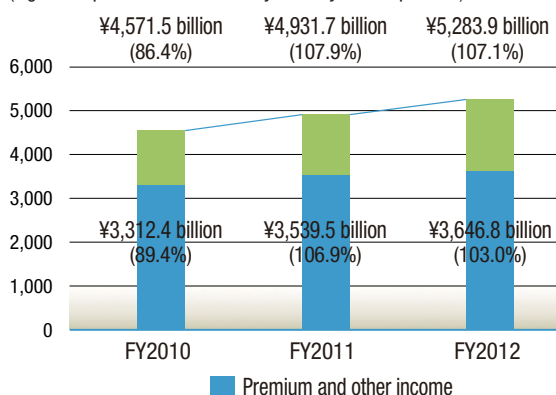
Regarding consolidated ordinary expenses, benefits and claims increased by 4.0% from the previous fiscal year, to ¥2,795.3 billion, while provisions for policy reserves and others increased by 65.9%, to ¥1,191.9 billion. Investment expenses decreased by 41.7% year on year, to ¥221.7 billion, operating expenses rose by 3.3%, to ¥486.4 billion, and other ordinary expenses decreased by 3.6%, to ¥431.2 billion. As a result, consolidated ordinary expenses increased by 8.9% year on year, to ¥5,126.6 billion, and consolidated ordinary profit declined by 30.4% from the previous fiscal year, to ¥157.2 billion. The fall in ordinary profit was mainly due to the absence of the reversal of internal reserves (contingency reserves) conducted in the previous fiscal year in light of the financial and economic environment, and the effect of the accounting treatment for changes in corporate income tax rates in the previous fiscal year.

■ Consolidated Net Income

After adjusting consolidated ordinary profit for extraordinary gains, extraordinary losses, provision for reserves for policyholder dividends, income taxes-current, income taxes-deferred, corporate income tax-current, corporate income tax-deferred and minority interests in losses, to and from consolidated ordinary profit, consolidated net income increased by 59.3% from the previous fiscal year, to ¥32.4 billion. The increase in net income was mainly due to a rise in net investment income thanks to the favorable change in the financial and economic environment as our efforts in growth areas continued to steadily produce results.

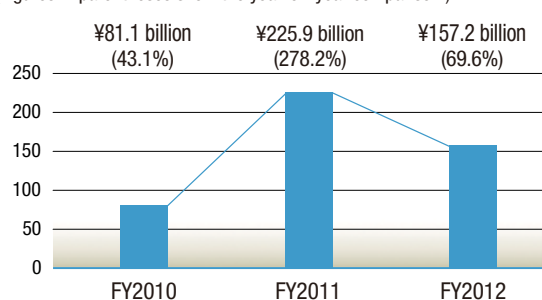
Consolidated Ordinary Revenues

(Figures in parentheses show the year-on-year comparison.)



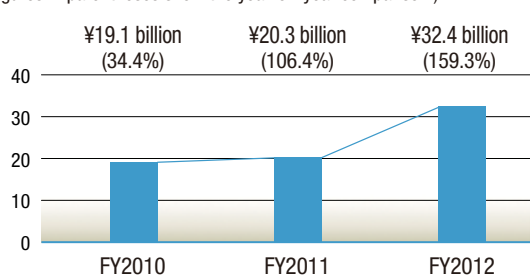
Consolidated Ordinary Profit

(Figures in parentheses show the year-on-year comparison.)



Consolidated Net Income

(Figures in parentheses show the year-on-year comparison.)



* See page 70 for more details on consolidated statements of earnings.

Individual Life Insurance Products Offered to Individuals

In October 2012, we launched *Junpu Life Power Medical*, a product commemorating the 110th anniversary of our founding that has been highly rated by customers.

We sell savings-type products of Dai-ichi Frontier Life through financial institutions such as banks and securities companies.

We also strive to meet the needs of a wide range of customers by selling non-life insurance products of Sampo Japan and cancer insurance products of AFLAC.

In an effort to thoroughly maintain and enhance our points of contact with customers over the long term, in August 2012 we introduced the DL Pad, a tablet computer for sales and business use, centering on its ability to enable Total Life Plan Designers to provide face-to-face consulting services.

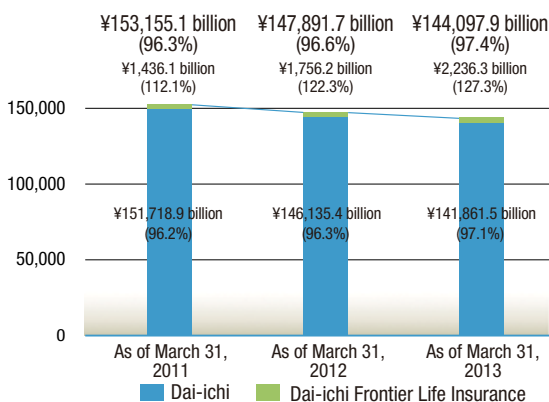
Policies in Force, New Business, and Decreased Policies

In fiscal 2012, the sum insured of new business for individual insurance and individual annuities (the combined figure for Dai-ichi and The Dai-ichi Frontier Life Insurance; the same to apply to sum insured of policies in force and decreased sum insured) increased by 12.7% from the previous fiscal year, to ¥8,333.5 billion. Decreased sum insured declined by 4.2% year on year, to ¥12,127.3 billion. As a result, the sum insured of policies in force at the end of fiscal 2012 declined by 2.6% from the end of the previous fiscal year, to ¥144,097.9 billion.

The sum insured of new business for Dai-ichi on a non-consolidated basis increased by 10.9% from the previous fiscal year, to ¥7,821.6 billion.

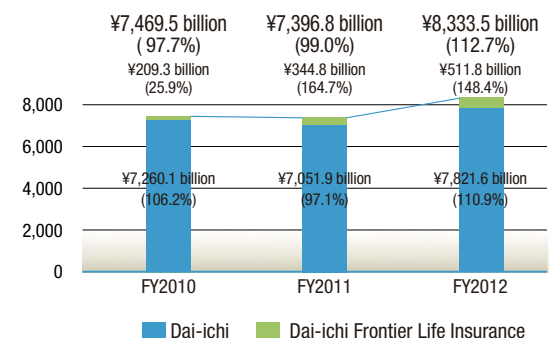
Sum Insured of Policies in Force

(Figures in parentheses show the year-on-year comparison.)



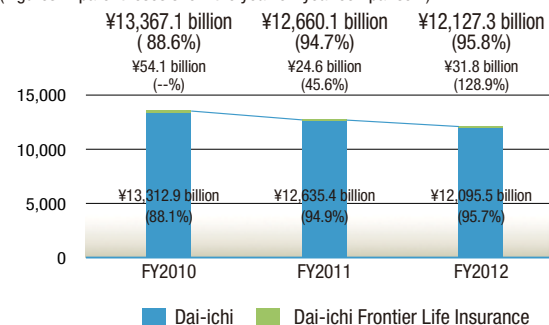
Sum Insured of New Business

(Figures in parentheses show the year-on-year comparison.)



Decreased Sum Insured

(Figures in parentheses show the year-on-year comparison.)



* For the sum insured of policies in force, the sum insured of new business, and decreased sum insured, the combined figures for Dai-ichi and The Dai-ichi Frontier Life Insurance are stated.

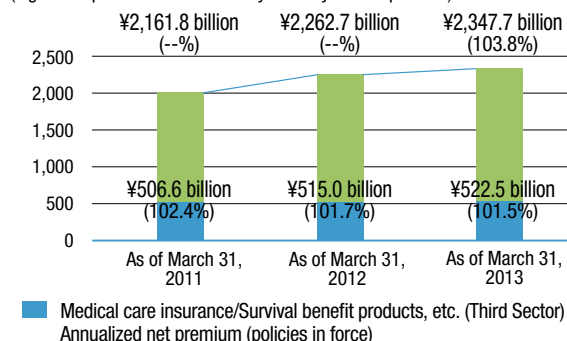
Annualized Net Premium From Policies in Force

Annualized net premium is calculated by applying multipliers for various payment terms to the premium per payment. In single premium contracts, the amount is calculated by dividing the premium by the duration of the policy.

The Dai-ichi Group's annualized net premium from policies in force for individual insurance and individual annuities rose by 3.8% from the end of the previous fiscal year to ¥2,347.7 billion. For Dai-ichi on a non-consolidated basis, it increased by 1.0% to ¥2,025.9 billion. The annualized net premium from policies in force in the Third Sector increased by 1.5% to ¥522.5 billion.

Annualized Net Premium from Policies in Force

(Figures in parentheses show the year-on-year comparison.)



■ Medical care insurance/Survival benefit products, etc. (Third Sector)
Annualized net premium (policies in force)

* The Third Sector represents the annualized net premium for the portion of policies that fall under benefits for hospitalization, surgery, specific illness, nursing care, etc., and the premium waiver benefits resulting from a hospitalization, surgery, specific illness, nursing care, etc.

* The combined figures for the four companies—namely, Dai-ichi, The Dai-ichi Frontier Life Insurance, TAL Dai-ichi Life Australia Pty Ltd., and Dai-ichi Life Insurance Company of Vietnam, Limited, are stated (the values for TAL and Dai-ichi Life Insurance Company of Vietnam are recorded from fiscal 2011).

* The year-on-year percent change is not stated for fiscal 2010 and fiscal 2011, as there are no combined figures for fiscal 2009 and fiscal 2010.

■ Annualized Net Premium for New Policies

The Dai-ichi Life Group's annualized net premium for new policies for individual insurance and individual annuities rose by 20.8% from the previous fiscal year, to ¥233.6 billion. For Dai-ichi on a non-consolidated basis, it increased by 17.0% year-on-year, to ¥149.7 billion. The annualized net premium for new policies in the Third Sector declined by 3.3% year on year, to ¥40.5 billion.

■ Status of Tied Sales

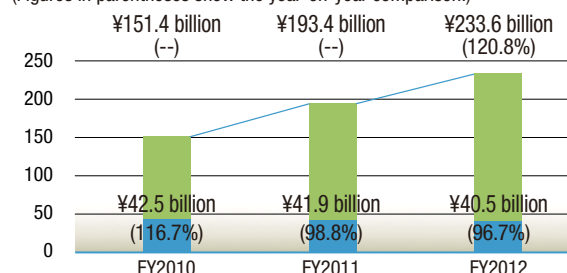
The business alliance with Sampo Japan and AFLAC entered into in fiscal 2000 plays an important role in the product infrastructure.

The Company will continue to conscientiously deal with a wide range of customer needs by selling Sampo Japan's non-life insurance products and AFLAC's cancer insurance.

Also, we sell our life insurance products (First Sector) through Sampo Japan agents in conjunction with the product lineup of the Sampo Japan Group.

Annualized Net Premium for New Policies

(Figures in parentheses show the year-on-year comparison.)



■ Medical care insurance/Survival benefit products, etc. (Third Sector)
Annualized net premium (policies in force)

* The Third Sector represents the annualized net premium for the portion of policies that fall under benefits for hospitalization, surgery, specific illness, nursing care, etc., and the premium waiver benefits resulting from a hospitalization, surgery, specific illness, nursing care, etc.

* The combined figures for the four companies—namely, Dai-ichi, The Dai-ichi Frontier Life Insurance, TAL Dai-ichi Life Australia Pty Ltd., and Dai-ichi Life Insurance Company of Vietnam, Limited, are stated (the values for TAL and Dai-ichi Life Insurance Company of Vietnam are recorded from fiscal 2011).

* The year-on-year percent change is not stated for fiscal 2010 and fiscal 2011, as there are no combined figures for fiscal 2009 and fiscal 2010.

Status of the Company's Sales of Its Partners' Products (actual results in fiscal 2012)

Number of policies (thousands)		Annualized net premium (Unit: billion yen)	
Actual results	Year-on-year	Actual results	Year-on-year
Actual sales of non-life insurance products (new policies)			
502	98.2%	28.85	99.4%
Actual sales of cancer insurance (new policies)			
70	92.9%	2.47	89.6%
AFLAC policies in force (sales by the Company)			
Actual results	Year-on-year	Actual results	Year-on-year
1,210	99.7%	49.97	98.7%

Status of Sampo Japan's Sales of the Company's Products (actual results in fiscal 2012)

	Number of policies		Sum insured of new business (Unit: billion yen)		Number of commissioned agents (stores)
		Year-on-year		Year-on-year	
Individual insurance/ individual annuities	13,583	104.4%	209.4	107.8%	2,234

Sales Results of Products and Services for Corporate Clients

Dai-ichi has been offering a range of products and services to corporate clients, including consultation on welfare, pension, and retirement benefit systems, as well as a broad range of information through seminars.

In group insurance, Dai-ichi is proposing to its corporate clients general welfare group term life insurance products that support systems for condolence money and retirement benefits at the time of death, and group term life insurance and (group) medical care insurance products, which help employees prepare insurance by themselves.

In the arena of group annuities, in addition to customized pension plans to meet the needs of customers. Dai-ichi is proposing the New DB Master Plan II, which takes advantage of a standardized system design by fixing the amount of contributions in the defined benefit (DB) system, and the Dai-ichi Life DC Smart Plan, which is designed to manage the corporate defined contribution (DC) plans of multiple companies by using a single pension code in the DC system, in addition to customized pension plans to meet the needs of customers.

A look at the status of group life insurance as of March 31, 2013 shows that the number of organizations with policies in force declined, reflecting surrenders in association with changes in employment systems and revisions to benefit programs. As a result, the sum insured of group insurance policies in force fell by 3.4% from the end of the previous fiscal year, to ¥48,766.6 billion.

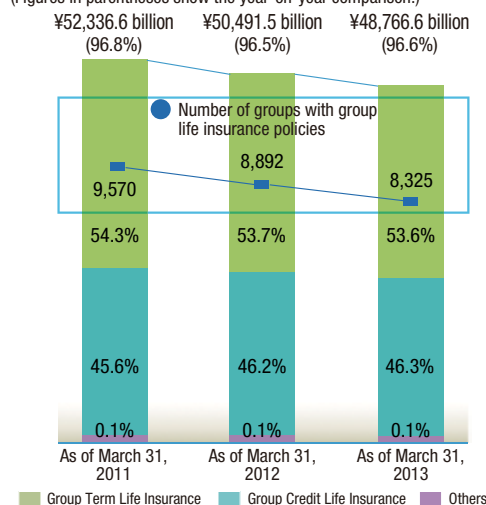
With respect to group annuities, the sum insured of group annuity policies in force as at the end of fiscal 2012 increased by 1.3% from the end of the previous fiscal year, to ¥6,146.1 billion, although the number of groups with annuity policies declined.

The balance of the group annuity assets of DIAM Co., Ltd. increased by 22.0% from the end of the previous fiscal year, to ¥4,638.4 billion.

As a result, the balance of group annuity assets for the overall Dai-ichi Life Group as of March 31, 2013 increased by 9.3% from the end of the previous fiscal year, to ¥10,784.6 billion.

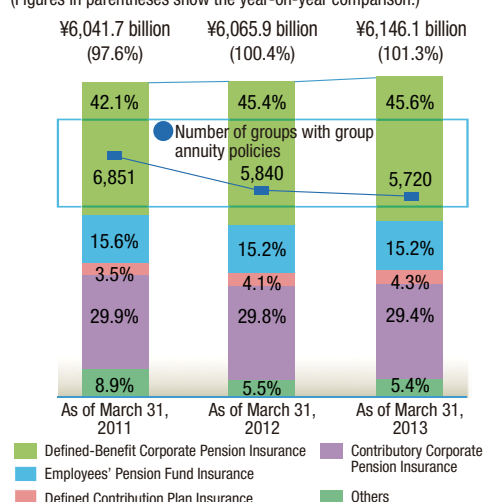
Policies in Force of Group Life Insurance

(Figures in parentheses show the year-on-year comparison.)



Policies in Force of Group Annuities

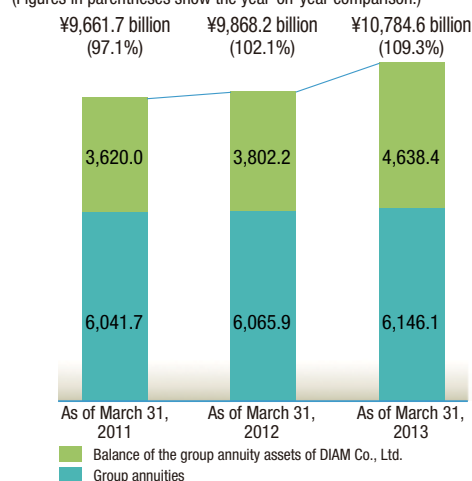
(Figures in parentheses show the year-on-year comparison.)



* The amount of group annuities is the amount of outstanding policy reserves.

Balance of the group annuity assets of the Dai-ichi Life Group

(Figures in parentheses show the year-on-year comparison.)



* 1. Balance of the group annuity assets of DIAM Co., Ltd. valued at market.
2. For group annuities, the amount of the policy reserve is stated.

Assets and Liabilities

Selected Balance Sheet Items (Non-consolidated)

	As of March 31,		
	2011	2012	2013
	(Unit: billion yen)		
Assets			
Cash and deposits, call loans	441.1	440.9	710.0
Monetary claims bought	291.1	294.3	283.1
Money held in trust	21.1	20.6	24.0
Securities:	23,201.3	24,314.6	26,079.8
Domestic bonds	13,434.9	15,541.6	16,427.3
Domestic stocks	2,538.0	2,284.8	2,557.4
Foreign securities	7,035.6	6,298.2	6,816.2
Loans:	3,627.4	3,412.5	3,139.6
Policy loans	539.4	509.8	480.2
Ordinary loans	3,087.9	2,902.7	2,659.4
Real estate (Note 1)	1,290.7	1,249.1	1,224.4
Deferred tax assets	475.1	282.6	65.5
Others	398.5	360.0	389.2
Reserve for possible loan losses	(12.9)	(10.6)	(4.1)
Total general account assets	29,733.8	30,364.2	31,911.8
Foreign currency-denominated assets	5,435.2	4,669.6	5,262.6
Total separate account assets (Note 2)	1,135.7	1,097.6	1,160.6
Total assets	30,869.6	31,461.9	33,072.4
Liabilities and Net Assets (Capital)			
Policy reserves and others:	28,190.8	28,529.9	29,168.3
Policy reserves	27,589.5	28,011.6	28,637.0
Reserve for policyholder dividends	403.6	387.8	392.7
Subordinated bonds	149.1	148.6	154.5
Reserve for employees' retirement benefits	418.3	432.0	437.5
Reserve for price fluctuations	80.4	74.4	88.4
Deferred tax liabilities for land revaluation	123.6	95.6	94.8
Others	1,140.8	1,152.9	1,451.0
Total liabilities	30,103.2	30,433.5	31,394.7
Capital stock	210.2	210.2	210.2
Capital surplus:	210.2	210.2	210.2
Legal capital surplus	210.2	210.2	210.2
Retained earnings:	192.8	206.7	216.5
Legal retained earnings	5.6	5.6	5.6
Other retained earnings	187.2	201.1	210.9
Retained earnings brought forward	61.2	73.6	81.9
Treasury stock	(20.4)	(16.7)	(13.4)
Total shareholders' equity	592.8	610.3	623.5
Net unrealized gains on securities, net of tax	237.5	479.4	1,092.5
Deferred hedge gains (losses)	1.2	(0.0)	(1.8)
Reserve for land revaluation	(65.1)	(61.6)	(36.9)
Total of valuation and translation adjustments	173.6	417.8	1,053.7
Subscription rights to shares	—	0.1	0.3
Total net assets	766.4	1,028.3	1,677.6
Total liabilities and net assets	30,869.6	31,461.9	33,072.4

Notes:

1. The amount of real estate is the sum of the amounts of land, buildings, and construction in progress.

2. Receivables generated from transactions involving general account assets are deducted under the Insurance Business Act.

* See pages 116 and 117 for details of the balance sheets.

■ Status of Assets

During the fiscal year ended March 31, 2013, Dai-ichi continued to position fixed income investments, including domestic bonds, as a core of its asset portfolio, so that they are consistent with its medium to long-term investment policies. Meanwhile, Dai-ichi accumulated policy reserve-matching bonds, centering on super-long-term bonds, in an effort to promote ALM (Asset Liability Management) and enhance its profitability.

From fiscal 2011, Dai-ichi continues to appropriately manage the risk associated with its risk assets, such as domestic stocks and foreign securities, which it 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, 2013, increased by ¥1,547.6 billion from the end of the previous fiscal year, to ¥31,911.8 billion, primarily reflecting a rise in unrealized gains on securities. The balance of separate account assets increased by ¥62.9 billion, to ¥1,160.6 billion. As a result, total assets climbed by ¥1,610.5 billion, to ¥33,072.4 billion.

Revenues and Expenditures

Selected Items on Consolidated Statements of Earnings

	Years ended March 31,		
	2011	2012	2013
	(Unit: billion yen)		
Ordinary revenues:			
Premium and other income	3,312.4	3,539.5	3,646.8
Investment income	922.7	1,035.6	1,335.1
Other ordinary revenues	336.3	356.5	302.0
Total ordinary revenues	4,571.5	4,931.7	5,283.9
Ordinary expenses:			
Benefits and claims	2,711.3	2,688.4	2,795.3
Provision for policy reserves and others	466.4	718.6	1,191.9
Investment expenses	444.6	380.3	221.7
Operating expenses	434.8	471.0	486.4
Other ordinary expenses	433.0	447.3	431.2
Total ordinary expenses	4,490.3	4,705.8	5,126.6
Ordinary profit	81.1	225.9	157.2
Extraordinary gains	40.0	30.4	8.8
Extraordinary losses	11.5	36.3	24.0
Provision for reserve for policyholder dividends	78.5	69.0	86.0
Income before income taxes and minority interests	31.1	151.0	56.1
Corporate income taxes:			
Current	26.5	29.5	80.6
Deferred	(14.3)	104.0	(54.0)
Total of corporate income taxes	12.1	133.6	26.5
Income before minority interests	19.0	17.4	29.5
Minority interests in loss of subsidiaries	0.0	2.9	2.8
Net income for the year	19.1	20.3	32.4

* See page 70 for details of the consolidated statements of earnings.

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

Premium and other income for the Dai-ichi Life Group increased by ¥107.2 billion from the previous fiscal year, to ¥3,646.8 billion, mainly attributable to strong sales at The Dai-ichi Frontier Life Insurance and TAL, which made efforts in growth areas. Benefits and claims rose by ¥106.9 billion year on year, to ¥2,795.3 billion. This was mainly due to an increase in refunds, as the target values set by customers were reached in the annuity products sold by The Dai-ichi Frontier Life Insurance against the backdrop of the favorable change in the financial and economic environment.

■ Investment-Related Income and Expenses

The Dai-ichi Life Group's investment income increased by ¥299.4 billion from the previous fiscal year, to ¥1,335.1 billion, primarily thanks to an increase in gains on investments in separate accounts due to the favorable change in the financial and economic environment.

Meanwhile, investment expenses declined by ¥158.5 billion year-on-year, to ¥221.7 billion, reflecting a decrease in losses on the sale of securities.

As a result, net investment income improved by ¥458.0 billion from the previous fiscal year, to ¥1,113.3 billion.

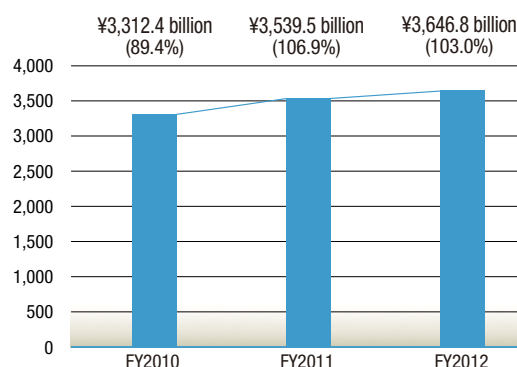
■ Provision for Reserve for Policyholder Dividends

The Company accumulated a reserve for policyholder dividends and provided ¥86.0 billion for the reserve in fiscal 2012.

The rate of policyholder dividends for fiscal 2012 was 68.8%. This is the ratio of the amount of the provision for the reserve for policyholder dividends (¥86.0 billion in fiscal 2012) to the surplus attributable to participating policyholders (¥124.9 billion in fiscal 2012), calculated based on earnings related to participating policies defined in the Articles of Incorporation.

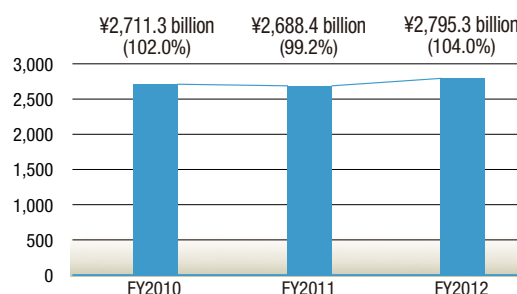
Premiums and Other Income

(Figures in parentheses show the year-on-year comparison.)



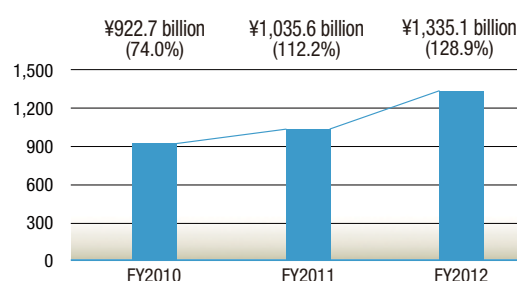
Benefits and Claims

(Figures in parentheses show the year-on-year comparison.)



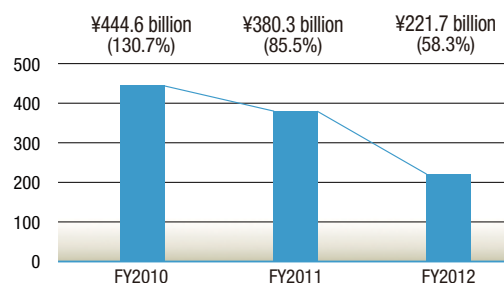
Investment Income

(Figures in parentheses show the year-on-year comparison.)



Investment Expenses

(Figures in parentheses show the year-on-year comparison.)

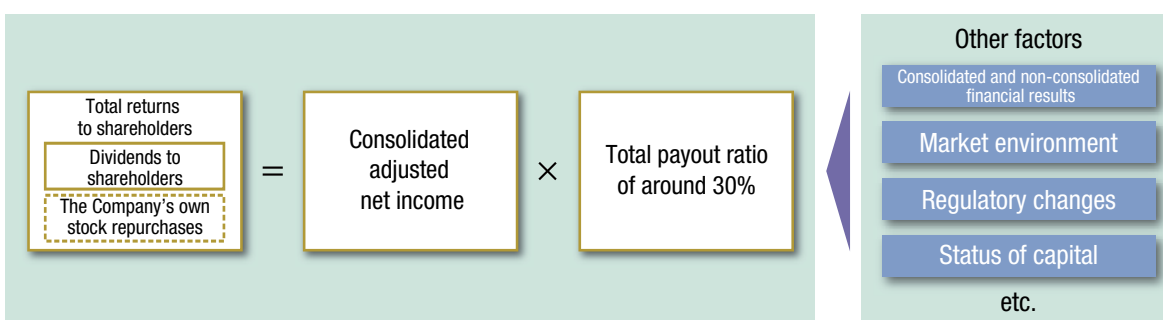


■ Dividends to Shareholders

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

The policyholders of a mutual life insurance company are owners with the rights to receive policyholder dividends. Those rights are transferred to a public company after its demutualization. Our policy for policyholder dividends is included in the Articles of Incorporation under the Insurance Business Act, so that we aim to protect the rights of policyholders related to dividends.

We aim to increase returns to shareholders in tandem with growth in profits, with our basic policy being to provide stable dividends to shareholders, by setting a total payout ratio of around 30% based on our consolidated adjusted net income as our medium-term target. Specifically, we intend to determine the dividend level each year by taking into account factors such as our consolidated and non-consolidated financial results, the market environment, and regulatory changes.



[Consolidated adjusted net income]

Consolidated adjusted net income is the indicator showing our effective real profitability, which is calculated by adding back to our consolidated net income items such as a provision for a contingency reserve in excess of the statutory amount (after-tax).

[Total payout ratio]

Total payout ratio = (Total dividends to shareholders + Total amount of the Company's own stock repurchases) / Consolidated adjusted net income

Investments

Investment Environment

During fiscal 2012, the Japanese economy temporarily contracted, following a decline in exports influenced by slower growth in overseas economies and decelerating capital investment due to the erosion of business confidence. Toward the end of the fiscal year, however, the economy picked up, driven by exports, due to a recovery in the global economy.

Meanwhile, growth in the US economy was moderate, affected by slower capital investment due to the uncertain outlook regarding the European sovereign-debt crisis and the problem of the fiscal cliff, despite an increase in consumer spending and housing investment associated with monetary policy easing by the Federal Reserve Board (FRB). Growth in the European economy turned negative due to constraints on government spending for fiscal reconstruction and an increase in unemployment.

Given the economic conditions described above, the investment environment was as follows:

■ Domestic Interest Rates

Ten-year government bond yields followed a declining trend in the first half of the fiscal year, as the Japanese economy slowed down due to falling exports, reflecting diminished economic growth worldwide. Thereafter, the yield dropped to the 0.5% level, reflecting expectations for bold aggressive monetary easing by the new regime at the Bank of Japan, although the Japanese economy began to recover.

Yield on ten-year government bonds:

March 31, 2012	0.985%
March 31, 2013	0.560%

■ Domestic Stocks

The Nikkei 225 Stock Average temporarily fell to a low of 8,000, as the market reacted to the appreciation of the yen associated with the worsening European sovereign-debt crisis and the worldwide economic deceleration in the first half of the fiscal year. However, the index rebounded sharply to the 12,000 level for the first time since September 2008 after the dissolution in November of the House of Representatives in the Japanese Lower House of Parliament. This reflected expectations of an improvement in corporate earnings due to a correction of the

strong yen, as expectations for breaking away from deflation were raised by the aggressive monetary policy and economic policies proposed by the new administration led by Shinzo Abe.

Nikkei 225 Stock Average:

March 31, 2012	10,083
March 31, 2013	12,397

TOPIX:

March 31, 2012	854
March 31, 2013	1,034

■ Foreign Currency

The yen became significantly stronger against the euro, rising to above ¥94/EUR in July 2012, due to the worsening European sovereign-debt crisis, including fears that Greece would withdraw from the euro and concerns about Spain's financial system. The yen also strengthened against the US dollar, reaching a level below ¥80/US dollar by the summer, following concerns about the slowdown in the US economy and a third round of quantitative easing by the FRB.

However, the appreciation of the yen corrected significantly, finishing at the end of the fiscal year at above ¥96/US dollar, the sharpest depreciation of the yen against the US dollar since August 2009. This was attributable to the unwinding of risk aversion due to improvements in the European sovereign-debt crisis, in addition to Japan's deteriorated trade balance and expectations for a departure from deflation due to the aggressive monetary policy and fiscal stimulus expected after the commencement of the new Abe administration.

Yen/U.S. dollar:

March 31, 2012	¥82.19
March 31, 2013	¥94.05

Yen/Euro:

March 31, 2012	¥109.80
March 31, 2013	¥120.73

Fundamental Investment Policy

Our fundamental investment policy is based on the Asset Liability Management (ALM) approach. The objective of this approach is to secure the payment of annuities and claims, etc. into the future, taking the characteristics of the liability of life insurance policies into consideration. Specifically, we set yen-denominated fixed income assets, consisting mainly of domestic bonds, as the core of our asset portfolio. On the other hand, we are striving to increase the profitability of our portfolio by incorporating stocks and foreign securities within an acceptable range of risk to ensure financial soundness. Through a meticulous risk management system, Dai-ichi ensures the effectiveness of its risk monitoring and seeks to improve investment efficiency.

[ALM]

ALM stands for Asset Liability Management. For a life insurance company, it means grasping the risks arising from fluctuations in interest rates on liabilities (insurance policies) and managing the assets that are appropriate given the characteristics of those risks. Among other imperatives, it is important to maintain assets in accordance with the characteristics of the liabilities and prepare for the future payment of insurance claims.

[Portfolio]

A portfolio is a set of assets that a particular company has.

Summary of Investment Results

■ Summary of General Account Assets ^(Note 1)

● Balance of Cash and Deposits Kept Low

While domestic interest rates remained low, Dai-ichi sought to improve investment efficiency by keeping the balance of cash and deposits low.

● Domestic Bonds: Increase

The Company actively prolonged the duration of bonds, mainly when interest rates were rising, and also increased its investment in policy-reserve-matching bonds (mainly super-long-term bonds) to strengthen its ALM. It also replaced foreign currency-denominated bonds with currency hedges with domestic bonds to improve the investment efficiency of fixed-income assets. The Company also made efforts to improve investment yields by carefully selecting and diversifying among various credit risk products, including corporate bonds and securitized products, in accordance with its internal guidelines on risk-adjusted credit-spread (Note 2).

● Domestic Stocks: Increase

Although the Company controlled risks based on stock market trends, the market capitalization of domestic stocks in the portfolio increased due to rising stock prices. To improve the profitability of the portfolio, the Company replaced the stocks of certain companies and sectors with more competitive stocks of companies offering greater competitive advantage, growth potential, and a more attractive valuation, based on corporate research by in-house analysts.

● Foreign Bonds: Increase

The Company decreased its investment in foreign currency-denominated bonds with currency hedges, aiming for an improved return on investment in the fixed income asset category, while increasing its investment in foreign currency-denominated bonds without currency hedges, taking into account market trends, resulting in an increase in the total balance of foreign bonds. Meanwhile, the Company also made efforts to improve return on investments and to control risk by diversifying its portfolio by sector and currency.

● Foreign Stocks: Increase

The Company increased the balance of foreign stocks in its portfolio, improving the portfolio's profitability. The Company also began increasingly diversifying the geographic distribution of its foreign stocks, utilizing in-house management (Note 3) as well as multi-manager investments (Note 4),

employing outside managers.

● **Loans: Decrease**

The total balance of loans decreased, mainly due to weak demand for corporate capital needs and other factors. The Company also provided loans to maintain excess returns by setting adequate risk-adjusted spreads, while paying attention to the credit spread trends in the bond market.

● **Real Estate: Decrease**

The Company sought to improve the profitability of the portfolio by renegotiating rents and improving occupancy rates in its existing real estate portfolio. The Company also took steps to increase the value of existing real estate by refurbishment and housing rehabilitation.

Asset investment yield (general account)

	FY2010	FY2011	FY2012
Rate of return of investment on fundamental profit	2.46%	2.38%	2.42%
Investment yield	1.78%	1.99%	2.42%

Rate of return of investment on fundamental profit =

(Return of investment in fundamental profit – Interest on policyholder dividends) / Policy reserves

Investment yield = Net investment income / Average daily balance of general account assets

Notes:

- Changes in assets are based on the book value on the balance sheets.
- Credit spread
Yield in excess of the yield of government bonds
- In-house management
The Company manages assets, acquiring stocks and bonds and setting up deposits by itself, without assigning the management to outside investment managers.
- Multi-manager investment
More than one manager manages assets that are allocated from one fund.

Breakdown of Assets in General Account

