

## Embedded Value

### Embedded value of Dai-ichi Life Group

**At the end of fiscal year 2012: ¥3,341.9 billion**

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

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

### Embedded value of Dai-ichi (non-consolidated)

**At the end of fiscal year 2012: ¥3,352.9 billion**

(At the end of fiscal year 2011: ¥2,715.0 billion)

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

\* For the details of embedded value, please refer to pages 164–166.

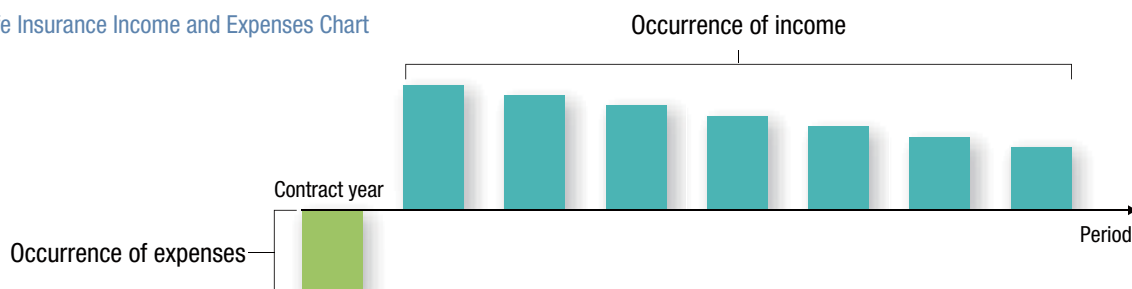
### ■ Embedded Value

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

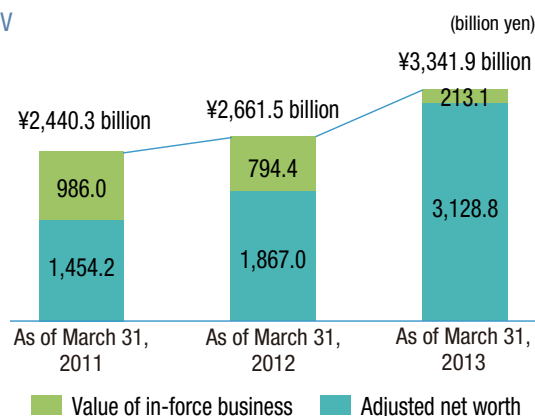
initial period of each policy. On the other hand, life insurance policy periods are very long (20 years, 30 years, etc.), and revenues are generated over long periods. Since the EV principles allow life insurers to recognize discounted future profits from already-acquired policies in force at the time 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. The EEV at the end of FY2012 increased from the end of the previous fiscal year, to ¥3,341.9 billion, due to an increase in unrealized gains on securities associated with the depreciation of the yen and rising stock prices as well as the acquisition of new policies.

### EV



## EEV of Dai-ichi Life Group

	As of March 31,		
	2011	2012	2013
	(Unit: billion yen)		
EEV.....	2,440.3	2,661.5	3,341.9
Adjusted net worth.....	1,454.2	1,867.0	3,128.8
Value of in-force business.....	986.0	794.4	213.1
Value of new business.....	158.1	187.7	211.2

- \* 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 attributable to Dai-ichi Life's equity stake in DFL and TAL less Dai-ichi Life's carrying amount of the equity of DFL and TAL.
2. The calculation of TAL's EEV began in fiscal 2011. TAL's EEV is included in the Group EEV.
3. 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.

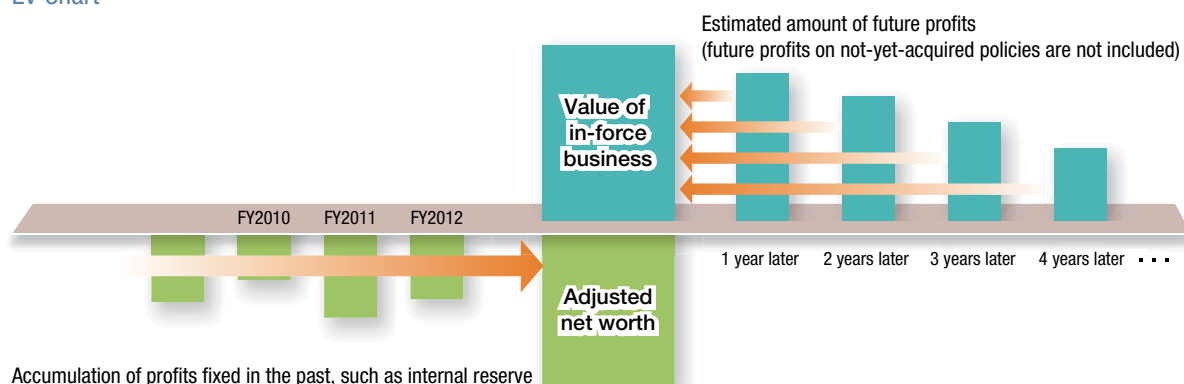
### ● Adjusted net worth

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 at the year end 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

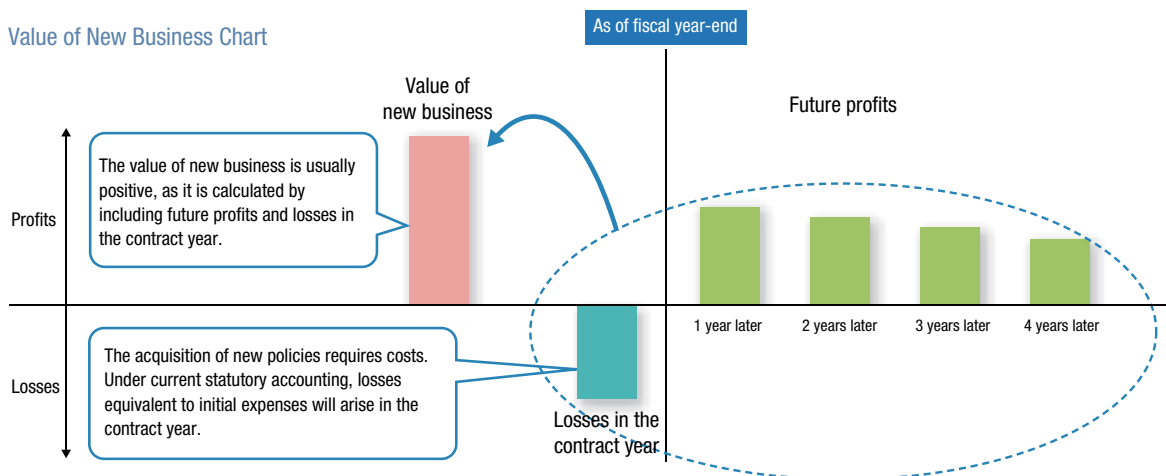


\* This graph is for illustrative purposes only and does not pertain to actual results, etc.

### ● Value of new business

The value of new business is the value at the time of sale, after all acquisition-related costs, of the new policies obtained during the fiscal year (one year).

Value of New Business Chart



The Dai-ichi Life Group requested a third party (an actuarial firm) with expertise in actuarial calculations to review the assumptions and calculation method, and provide a written opinion. For information on this written opinion and the details of the EEV of the Dai-ichi Life Group, please refer to the news release posted on the Company's website. ([http://www.dai-ichi-life.co.jp/english/investor/ir/financial/results/2012/pdf/index\\_026.pdf](http://www.dai-ichi-life.co.jp/english/investor/ir/financial/results/2012/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 in assumptions might cause significant changes in future results. We therefore ask that full care be exercised when using or analyzing EV figures.

## Fundamental Profit

### ■ Fundamental Profit

Fundamental profit is one of the indicators that show a 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.

The fundamental profit for fiscal 2012 (the combined figure for Dai-ichi and Dai-ichi Frontier Life Insurance) increased by ¥27.6 billion from the previous fiscal year to ¥347.6 billion, primarily attributable to a decrease in the sum equivalent to guaranteed investment return and an improvement in net investment income due to the accumulation of additional policy reserves.

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.

**Combined figures of fundamental profit for Dai-ichi and Dai-ichi Frontier Life Insurance****For fiscal year 2012: ¥347.6 billion**

(For fiscal year 2011: ¥319.9 billion)

(For fiscal year 2010: ¥273.5 billion)

**Fundamental profit of Dai-ichi (non-consolidated)****For fiscal year 2012: ¥314.5 billion**

(For fiscal year 2011: ¥302.4 billion)

(For fiscal year 2010: ¥275.9 billion)

**■ Negative Spread**

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 2012 (the combined figure for Dai-ichi and Dai-ichi Frontier Life Insurance) amounted to ¥58.4 billion.

**Combined figures of negative spread for Dai-ichi and Dai-ichi Frontier Life Insurance****For fiscal year 2012: ¥58.4 billion**

(Negative spread in fiscal 2011: ¥90.7 billion)

(Negative spread in fiscal 2010: ¥90.2 billion)

**Negative spread of Dai-ichi (non-consolidated)****For fiscal year 2012: ¥61.1 billion**

(For fiscal year 2011: ¥91.4 billion)

(For fiscal year 2010: ¥90.3 billion)

**Calculation Formula for Negative/Positive Spread Amount  
(For Dai-ichi on a non-consolidated basis)**

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

**Negative/Positive Spread**

	Years ended March 31,		
	2011	2012	2013
Average assumed rate of return .....	2.81%	2.73%	2.66%
Average actual rate of return .....	2.46%	2.38%	2.42%
(Negative)/Positive spread amount (billions) .....	(¥90.3)	(¥91.4)	(¥61.1)

## Accumulation of Policy Reserves (For Dai-ichi and Dai-ichi Frontier Life Insurance)

Policy reserves are mandatory reserves the accumulation of which is required by law in preparation for the future payment of claims 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 by the Financial Services Agency.

Dai-ichi and Dai-ichi Frontier Life Insurance have accumulated statutory reserves based on the criteria stipulated by the Insurance Business Act, etc., and have adopted a most conservative method among those required by law. Effective in FY2007, Dai-ichi is also accumulating additional policy reserves for whole life insurance policies with a high assumed rate of return after the completion of premium payments to reduce the future negative spread amount and thereby increase its financial stability.

The details of customers' policies will not change as a result of Dai-ichi's accumulation of additional policy reserves.

## Solvency Margin Ratio

### ■ 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. A solvency margin ratio exceeding 200% is one indication that an insurance company has met the standards for general financial stability.

Dai-ichi's solvency margin ratio on a non-consolidated basis at the end of fiscal 2012 rose from the end of the previous fiscal year, to 715.2%, thanks to an increase in unrealized gains on securities due to the depreciation of the yen, rising stock prices, and lower interest rates, as well as our efforts to accumulate internal reserves.

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.

#### For Dai-ichi on a non-consolidated basis

**At the end of fiscal year 2012: 715.2%**

(At the end of fiscal year 2011: 575.9%)

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

#### Consolidated

**At the end of fiscal year 2012: 702.4%**

(At the end of fiscal year 2011: 563.2%)

#### Method for calculating the solvency margin ratio

$$\text{Solvency margin ratio} = \frac{\text{Total solvency margin amount}}{1/2 \times \text{Total risk amount}} \times 100 (\%)$$

## Unrealized Gains (Losses) on General Account Assets

### ■ 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 at March 31, 2013, unrealized gains on securities increased by ¥1,598.8 billion from the end of the previous fiscal year to ¥2,814.4 billion, mainly reflecting falling interest rates in Japan and overseas, rising stock prices, and the depreciation of the yen. Unrealized gains on real estate (land, etc.) improved by ¥58.0 billion to ¥21.4 billion, mainly because of the effect of the trading of properties. As a result, total unrealized gains on all general account assets increased by ¥1,654.0 billion, to ¥2,833.9 billion.

#### For Dai-ichi on a non-consolidated basis

**At the end of fiscal year 2012: ¥2,833.9 billion**

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

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

#### Total Net Unrealized Gains (Losses) on General Account Assets

	As of March 31,		
	2011	2012	2013
	(Unit: billion yen)		
Securities.....	614.1	1,215.6	2,814.4
Domestic bonds.....	383.8	790.6	1,627.5
Domestic stocks.....	305.6	297.8	643.3
Foreign securities (Note 1).....	(80.4)	114.4	505.0
Foreign bonds.....	(65.5)	138.9	416.1
Foreign stocks and other securities.....	(14.9)	(24.5)	88.9
Other securities.....	(5.0)	(5.6)	21.3
Others (Note 2).....	10.1	18.4	17.1
Real estate (Note 3).....	20.5	(36.5)	21.4
Total (including others not listed above) (Note 4).....	639.2	1,179.9	2,833.9

#### 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

### ■ 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 for Dai-ichi on a non-consolidated basis as of the end of fiscal 2012 increased from the end of the previous fiscal year to ¥5,563.3 billion, chiefly due to an increase in unrealized gains on securities associated with falling interest rates.

#### For Dai-ichi on a non-consolidated basis

**At the end of fiscal year 2012: ¥5,563.3 billion**

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

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

#### Consolidated

**At the end of fiscal year 2012: ¥5,671.3 billion**

(At the end of fiscal year 2011: ¥3,751.7 billion)

\* If adjusted net assets fall into negative territory, the Company could receive a suspension of operations notice from the supervisory authorities.

## Ratings

As of June 30, 2013

Rating and Investment Information	<b>A+</b>	Rating on Insurance Claims Paying Ability
Japan Credit Rating Agency	<b>A+</b>	Rating on Ability to Pay Insurance Claims
Standard & Poor's	<b>A</b>	Insurer Financial Strength Rating
Fitch Ratings	<b>A</b>	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.

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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 June 30, 2013, Rating and Investment Information rated Dai-ichi at A+, Japan Credit Rating Agency gave Dai-ichi a rating of A+, Standard & Poor's gave Dai-ichi a rating of A, and Fitch Ratings rated Dai-ichi at A.