

Management Control System

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 discusses important management and executive issues. As of June 30, 2013 Dai-ichi had 13 directors (including two outside directors) and 26 executive officers (including nine officers who are concurrently directors). In addition, the Group Management Headquarters' Meetings discuss important management and executive issues for the Dai-ichi Life Group.

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.

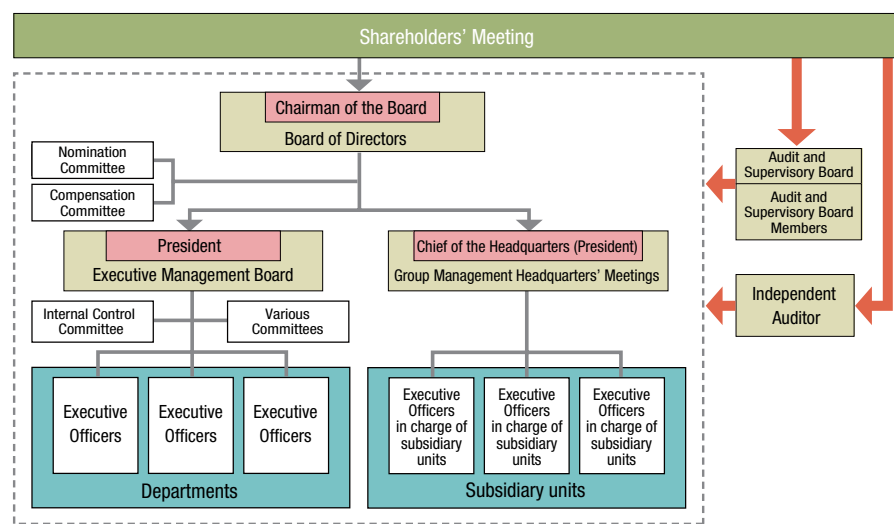
In addition to attending meetings of the Board of Directors and the Executive Management Board, Audit and Supervisory Board Members audit the execution of duties by directors and executive officers through interviews with directors, executive officers, and the relevant departments. Audit and Supervisory Board Members 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 Audit and Supervisory Board deliberates on important audit issues. As of June 30, 2013 Dai-ichi had five Audit and Supervisory Board Members (including three outside Audit and Supervisory Board Members).

Status of Internal Control Systems

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: promoting the establishment and

Management Control System



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, and the handling of antisocial forces as an organization overseeing 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 departments 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) identifies 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. Not only the Company, but also its subsidiaries and affiliated companies promote these CSA efforts in order to determine and control risks and improve the overall operations of the Dai-ichi Life Group.

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. Ensure insurance sales compliance with laws and regulations, etc. and conduct appropriate insurance sales management
3. Protect and manage information property appropriately, including customer information, shareholder information, material facts, and other unique information
4. Manage risks effectively in accordance with the characteristics of those risks
5. Block any relationships with antisocial forces to prevent any damage that might occur
6. Ensure appropriate operations at subsidiaries
7. Ensure the reliability of financial reports and disclose them appropriately on a timely basis
8. Check the appropriateness and effectiveness of internal control through operational audits

Internal Control System

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, etc. Designed to Promote Compliance

Dai-ichi has established Compliance Regulations that outline its basic approach to the compliance system and the details of that system under the Basic Internal Control Policy. Under its Basic Management Policies, the Company has also established the DSR Charter, the Dai-ichi Life Group's corporate action principles, which outline the specific principles of its actions as a company, and the Code of Conduct, which outlines specific principles for 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 when performing operations, in addition to the internal rules for promoting compliance. By 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, the President, and the Board of Directors. The Compliance Control Department develops and promotes the company-wide compliance system. To ensure

compliance, especially in the area of insurance sales management, Dai-ichi has established a Sales Compliance Promotion Center, which strengthens the system and provides branch offices that engage in insurance sales directly with instructions and support. The Company assigns compliance officers to the Compliance Control Department and Sales Compliance Promotion Center to ensure compliance at head office departments and branches, and manage compliance and insurance sales in cooperation with the compliance managers at the head of each department or branch.

The Company establishes a system to handle and resolve important matters associated with compliance in the most appropriate manner. These matters that arise in departments and branches are reported through the compliance managers to the Compliance Control Department. The Company has established an internal hotline in the Compliance Control Department to act as a channel through which employees can directly report and consult on compliance matters. The Company has also developed a system where outside lawyers can directly provide advice to those who need it.

To check whether compliance is being promoted

effectively and appropriately, the Internal Audit Department regularly conducts internal audits.

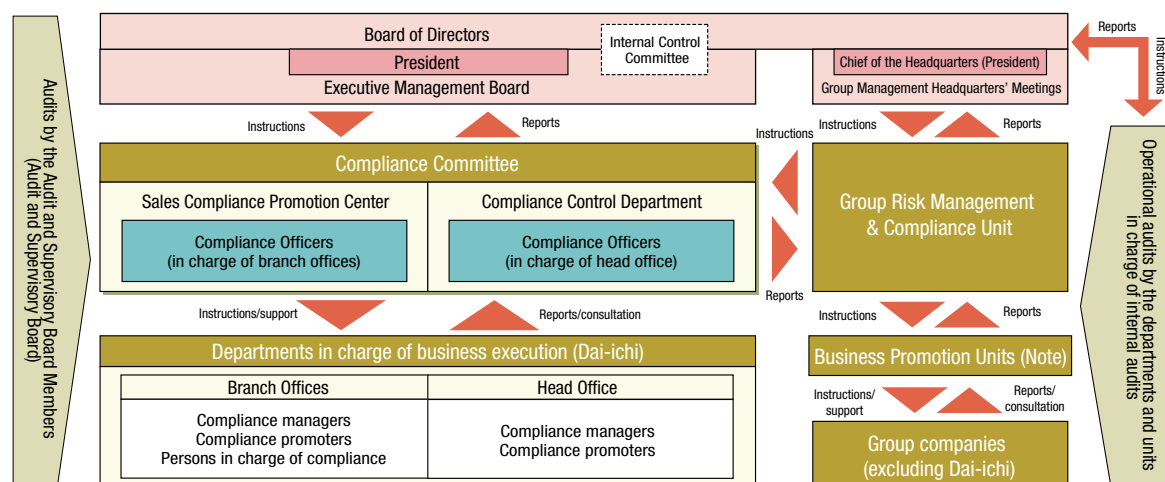
The Company is endeavoring to develop and strengthen its compliance system as a Group, taking into account the attributes of each company, by establishing a Group Risk Management & Compliance Unit at the Group Management Headquarters.

■ 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 revises the issues appropriately.

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 can monitor the effectiveness of compliance promotion.

Organizational Systems Associated with Compliance



(Note) Collective term for the Group Management Strategy Unit, the Bancassurance & Asset Management Business Unit, and the International Life Insurance Business Unit

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 periods 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 managing the protection of information property appropriately 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 Act on the Protection of Personal Information, 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. These policies are posted on the Company website.

The Company has created a Compliance Manual and an Information Property Protection and Control Manual, which specify rules and regulations related to the control 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 related 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 permanent 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 head office department 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 various departments.

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.

The Company is working to establish the Group's information management system according to each sector and the quality and quantity of information owned by the Group, with the Group Risk Management & Compliance Unit taking a central role in obtaining the cooperation of the Group companies.

■ Information Property Protection and Control

Dai-ichi has developed information property protection and control systems based on the Act on the Protection of Personal Information, guidelines, and other regulations associated with the protection of personal information in the financial industry by taking the following safety control measures in terms of its human resources, organizations, and technology:

- Publishing its personal information protection policy and developing internal regulations on the protection of information property
- Strengthening compliance with information handling rules through regular staff training and conducting regular inspections of compliance with the rules
- Establishing a firewall, regulating access to data inside the Company, and acquiring logs as a measure to prevent unauthorized external access from outside
- 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 Act on the Protection of Personal Information 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.

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 those risks. We are committed, on a Company-wide basis, to improving

soundness through the management and control of the financial base, including risk volume and capital.

We have also established a crisis management system and a risk management system to respond to catastrophes and large-scale disasters in addition to our everyday risk management system.

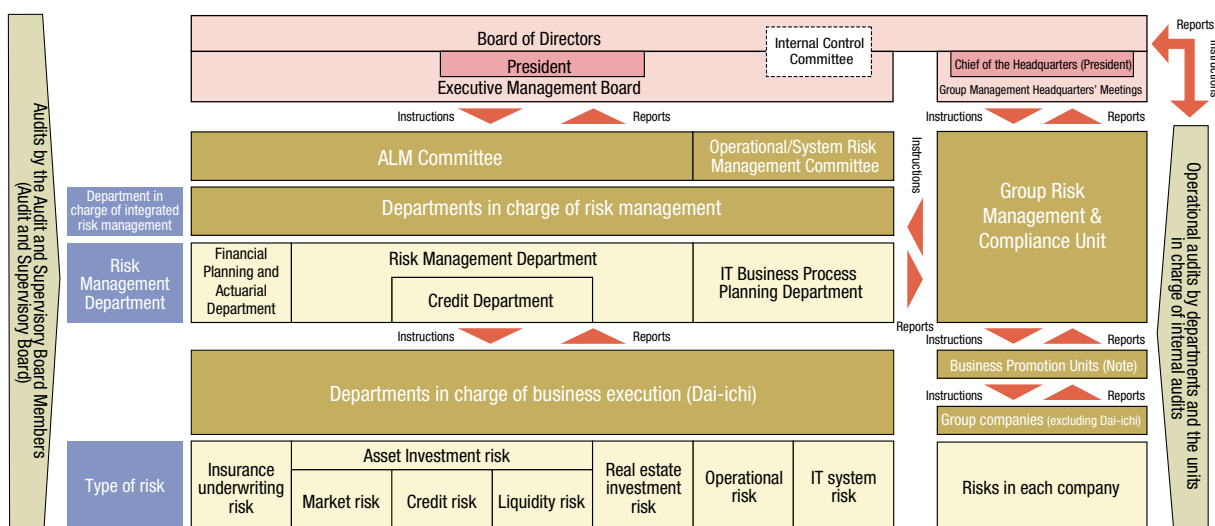
■ Risk Management Policies and Regulations

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

For risks arising from operations at the discretion of the departments responsible for executing the related operations, the departments responsible for risk management activities monitor the operations for each risk category, in accordance with our series of Basic Risk Management Policies. To strengthen our risk management structure, we have established a Risk Management Department, which manages risks comprehensively, on a Company-wide basis.

Organizational Systems Associated with Compliance



(Note) Collective term for the Group Management Strategy Unit, the Bancassurance & Asset Management Business Unit, and the International Life Insurance Business Unit

The Group Risk Management & Compliance Unit has taken a central role in strengthening the risk management system of the Group by monitoring the status and soundness of the Group's overall risk management and its financial soundness.

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.

The Board of Directors, the Executive Management Board, and the Group Management Headquarters' Meetings receive reports on risk management. The Executive Management Board and the Group Management Headquarters' Meetings discuss the status of risk management, and the Board of Directors makes decisions based on these reports and discussions. Our Audit and Supervisory Board Members inspect overall risk management, including those taken by our management.

■ Integrated Risk Management Initiatives

Integrated risk management is an approach in which the Company controls the risks it is exposed to in its overall operations, including in the flow of business such as underwriting insurance and setting premium rates, by considering risks, including potentially significant ones, as a whole and comparing them against its capital, etc. Dai-ichi ensures its financial stability by integrating various risks on an accounting and economic value basis and comparing them against its capital, etc. The economic value basis is a valuation standard that is consistent with Embedded Value, one of the indicators that represent the corporate value of a life insurance company.

To ensure sound management and conduct ALM (Asset Liability Management) appropriately, Dai-ichi has established an ALM Committee, and encourages the refinement of its management system and the improvement of financial soundness.

The Company has also established an Operational Risk Management Committee and System Risk Management Committee to curb its operational and system risks and strengthen its management system.

In addition, when formulating the Company's investment policy taking liability characteristics into consideration, developing new products and setting appropriate assumed rates of return, the departments in charge of risk management check the various risks involved in insurance underwriting and investments and examine the adequacy of those operations.

■ Promotion of ERM

The Company promotes ERM (Enterprise Risk Management), a risk management approach to promote business activities, by formulating a management plan and capital strategies in accordance with its capital, risk, and profit situation.

When formulating a management plan and capital strategies as a risk management measure related to ERM, the department in charge of enterprise risk management examines the adequacy of the plan and the strategies, properly controls capital, risks, and profits by setting and managing risk tolerance, etc., taking into consideration the source, types, and characteristics of risks, and promotes the enhancement of the Group's risk management.

■ Implementation of Stress Tests

To recognize and determine events that cannot be captured by quantifying risks, Dai-ichi implements a stress test, assuming a worst-case scenario based on past events, such as disruptions in the financial market and large-scale disasters, as well as the Company's future outlook to analyze the effect on the Company's financial soundness. Stress test results are regularly reported to the Board of Directors and the Executive Management Board so that management can check market conditions, strengthen its monitoring, and consider and implement managerial and financial measures as necessary.

Definition of Risks

Type of risk		Details
Insurance underwriting risk		The risk that an insurance company may suffer a loss due to changes in economic conditions, or a frequency ratio of insured events that are contrary to the projections made at the time premiums were set.
Asset investment risk	Market risk	The risk of suffering a loss due to changes in the value of the assets and liabilities owned because of changes in market conditions such as interest rates, exchange rates, and share prices, and the risk of suffering a loss due to changes in the income generated from assets and liabilities.
	Credit risk	The risk of suffering a loss due to a decrease in or eradication of the value of assets because of a deterioration in the financial condition of credit recipients.
	Real estate investment risk	The risk of suffering a loss due to a drop in income from real estate due to changes in rent, etc. or a decrease in the value of the real estate itself because of factors such as changes in market conditions.
Liquidity risk		The risk of suffering a loss due to being forced to sell assets at a markedly lower price than normal as a result of a deterioration in cash management from a drop in premium income, etc. (cash management risk), or the risk of not being able to participate in market transactions because of a market disruption (market liquidity risk).
Operational risk		The risk that customers and the Company may suffer a loss due to an officer or employee, etc. neglecting to conduct a proper operation, experiencing an accident, or engaging in wrongdoing.
IT system risk		The risk that customers and the Company may suffer a loss due to a system flaw such as the failure or malfunction of a Company computer system or the unauthorized use of a Company computer.

* In addition to the risks above, the Company also manages legal risk, human risk, tangible asset risk, and reputational risk.

Ensuring the Appropriate Operations at Subsidiaries, etc.

■ Basic Recognition

The subsidiaries, etc. of Dai-ichi means subsidiary companies, subsidiary corporations, and related corporations, as established in the Insurance Business Act, the Order for Enforcement of the Insurance Business Act, and the Ordinance for Enforcement of the Insurance Business Act.

To manage its subsidiaries, etc., Dai-ichi, as a major shareholder, monitors the decisions and the supervision of the operation of its subsidiaries, etc. by their Boards of Directors as a basic practice, and takes measures according to the characteristics of subsidiaries, etc. by verifying how their operations are executed.

■ Policies and Regulations, etc. Associated with the Management of Subsidiaries, etc.

The Company has established basic regulations and policies in its Basic Internal Control Policy to ensure appropriate operations at its subsidiaries, etc. Also, based on this Basic Internal Control Policy, Dai-ichi has developed the internal regulations and rules necessary to ensure appropriate operations at its subsidiaries, etc., such as the Internal Control Regulations for Subsidiaries, etc.

■ Management System for Subsidiaries, etc.

Departments that are in charge of the management of subsidiaries, etc. and that are responsible for the internal control of subsidiaries, etc. take steps according to the characteristics of subsidiaries, etc., such as building an internal control system and planning and implementing

measures to increase the effectiveness of internal control at subsidiaries, etc., and instructing and supporting subsidiaries, etc. in cooperation with other related departments in charge of internal control and the delegation of business to subsidiaries, etc.

Also, in cooperation with the departments in charge of internal control, important matters are reported to Dai-ichi's Board of Directors, Executive Management Board, and Internal Control Committee.

Actions Regarding Internal Control over Financial Reporting

■ Basic Recognition

In accordance with the Financial Instruments and Exchange Act, we have prepared an Internal Control Report that evaluates the effectiveness of our internal control over financial reporting.

■ Policies and Regulations, etc. Associated with Internal Control over Financial Reporting

In the Basic Internal Control Policy, Dai-ichi has established basic policies and regulations to ensure the reliability of financial reporting and its appropriate disclosure on a timely basis. Based on the Basic Internal Control Policy, the Company has developed Evaluation Regulations for Internal Control over Financial Reporting, which outlines procedures to appropriately evaluate internal control over financial reporting.

■ Actions Regarding Internal Control over Financial Reporting

To ensure the reliability of its financial reporting, Dai-ichi evaluates the effectiveness of its internal controls, such as the important processes related to financial reporting and the system for preparing financial reports.

Based on the results of this evaluation, the Company creates an internal control report, which verifies that Dai-ichi's internal control over its financial reporting was effective, and submits this Report together with the annual securities report. With respect to the internal control report dated March 31, 2013, the Company received an internal control audit from an independent auditor and obtained its unqualified opinion.

Operational Audit System

■ Basic Recognition

To ensure sound and proper business operations, Dai-ichi examines the appropriateness and effectiveness of its internal control through operational audits. To implement effective operational audits, the Company develops and carries out the necessary arrangements such as ensuring the independence of the internal control and audit department.

■ Policies and Regulations, etc. Associated with Operational Audits

Dai-ichi has established basic regulations and policies for operational audits in its Basic Internal Control Policy. Under the Basic Internal Control Policy, the Company has established Operational Audit Regulations so that all officers and employees will understand the importance of operational audits and will smoothly and effectively promote all activities related to operational audits by clarifying basic matters related to operational audits. The Company has also established Operational Audit Work Regulations as implementation guidelines for operational audits.

■ Operational Audit System

Dai-ichi has established the Internal Audit Department as an independent organ with a verification function for those departments receiving an operational audit. The Internal Audit Department examines the appropriateness and effectiveness of the Company's and its Group companies' compliance, internal controls including risk management, and business operations in their overall management activities, discovers and points out problems, assesses their internal controls, makes proposals for improvements, and reports the results of its operational audits to the Board of Directors and the Executive Management Board.

Handling of Antisocial Forces

■ Basic Recognition

Under the basic management policy of Securing Social Trust, all Dai-ichi organizations are united in their resolve to reject any coercion from antisocial forces that threatens the order and security of civil society or that disrupts sound economic and social development or corporate activities. Dai-ichi is fully committed to halting the development of any relationships with these forces in all of its transactions, including insurance policies, to prevent any damage from occurring.

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

In accordance with the Basic Internal Control Policy, which establishes basic approaches and policies to halt the development of any relationships with antisocial forces in order to prevent any damage, Dai-ichi has established regulations regarding antisocial forces. Moreover, based on its Code of Conduct, which establishes specific principles for the behavior of officers and employees, Dai-ichi endeavors to fully enforce these approaches, policies, and regulations. By establishing detailed standards, the Company clearly articulates rules for directors, executive officers, and employees, as well as specific steps to halt the development of any relationships with antisocial forces and prevent any 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 streamlining 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 (Organized Crime Groups), and lawyers.