

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 Life 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 Life 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, 2014 Dai-ichi Life had 13 directors (including two outside directors) and 27 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 Life 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, Dai-ichi Life has established an Advisory Board so that it

can receive advice on its overall management issues from outside experts from a medium- and long-term perspective to further strengthen and enhance its governance.

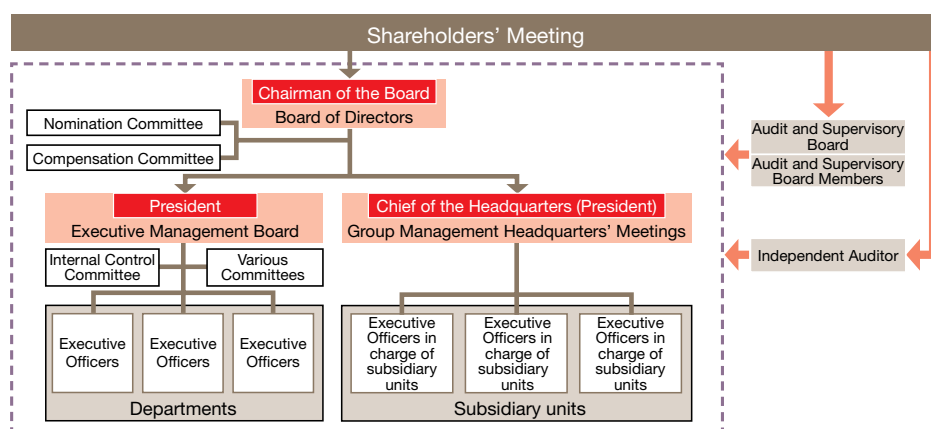
In addition to attending meetings of the Board of Directors and the Executive Management Board, Audit and Supervisory Board Members audit the execution of duties by directors and executive officers through interviews with directors, executive officers, and the relevant departments. Audit and Supervisory Board Members also audit the status of compliance, risk management in overall operations, and the operational and financial status of Dai-ichi Life and its subsidiaries. In addition, the Audit and Supervisory Board deliberates on and resolves important audit issues. As of June 30, 2014 Dai-ichi Life had five Audit and Supervisory Board Members (including three outside Audit and Supervisory Board Members).

Status of Internal Control Systems

Dai-ichi Life has established Internal Control Policy for Dai-ichi Life Group and Basic Internal Control Policy, which set 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 operation of an internal control system; checking

Management Control System



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 Life 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 Life 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 Life 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 Life has established basic policies and regulations, including Compliance Regulations that outline its basic approach to the compliance system and the details of that system, under the Internal Control Policy for Dai-ichi Life Group and 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 Life has established a cooperation system between the Compliance Control Department and the Quality Management Promotion Department, which provides branch offices that engage directly in insurance sales directly with instructions and support. The Company assigns Compliance Officers to the Compliance Control Department to provide direct compliance support at head office departments and branches, as well as Quality Management Officers to the Quality Management Promotion Department to give direct instructions and support for further advances in business quality, such as the promotion of compliance at branch offices, from a customer-based perspective. In doing so, the objective is to manage compliance and insurance sales in cooperation with the compliance managers as 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 also established an internal hotline (in the Compliance Control Department) and a consultation service (with outside lawyers) in accordance with the Whistleblower Protection Act to act as a channel through which employees can directly report and consult on

compliance matters. The Company operates these systems with full respect for privacy so that those who duly blow the whistle or consult are not subject to unfavorable treatment resulting from their whistleblowing or consultation.

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

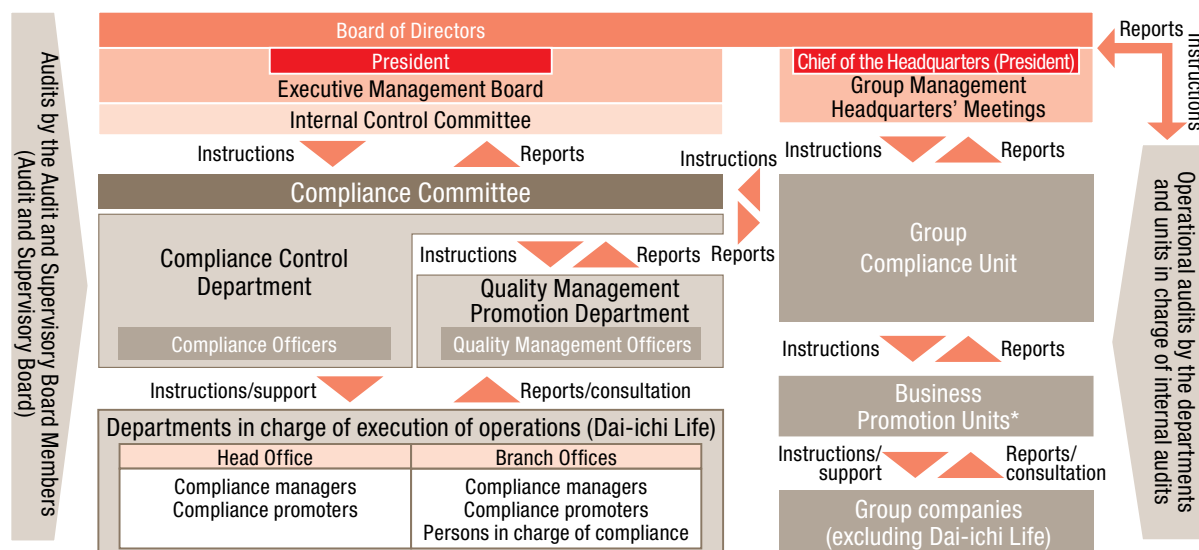
The Company is endeavoring to develop and strengthen its compliance system as a Group, taking into account the attributes of each company, by establishing a Group Compliance Unit at the Group Management Headquarters.

■ Compliance Promotion

The Board of Directors of Dai-ichi Life 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



* Collective term for the Group Management Strategy Unit, the Asset Management Business Unit, and the International Life Insurance Business Unit

Salesmanship Policy of Dai-ichi Life

Basic policy

- To further pursue its management philosophy of “Customer First – By your side, for life,” which it has maintained since its founding in 1902, Dai-ichi Life will seek to promote the concept of Total Life Plan that proposes and provides products and services tailored to diversifying needs and changes in the life stage of its customers.
 - To enhance the confidence of customers, Dai-ichi Life will make appropriate solicitations in compliance with laws, regulations, social norms, rules and the Company regulations, etc.
- **Appropriate solicitations and proposals**
- Under the basic policy above, we will make solicitations and proposals in line with the concept of the Total Life Plan, taking into account the age, income, assets and the status of policies of family members, etc. of our customers.
 - We will explain clearly to customers what they wish to know regarding their policies, and the important aspects of their policies at the time of contract, throughout the duration of the policy, and in the process of paying insurance claims.
 - We will conduct appropriate solicitation and proposal activities based on customers’ intent, giving consideration to their convenience such as the time when visiting or calling them.
 - When making a proposal of an insurance product, we will strive to ensure that customers have a correct understanding about the content of the product by using and handing over the Policy Illustration (policy overview), the Material Representation (heads-up information), the Contract Guide, and the Policy Provisions, etc.
 - When a customer makes an application, we will reconfirm that the insurance product the customer applies for meets customer needs with an intention confirmation document and double check the premium and protection, etc. to make sure that the customer will purchase a product that meets his or her wishes. In addition, if the customer does not understand or misunderstands the content, etc. of the insurance product, we will strive to explain in a more easy-to-understand matter and clear up the misunderstanding.
 - Particularly for a life insurance policy in which the insured person is a minor (less than 20 years old), we will check the content of the policy from the standpoint of eliminating moral risk and strive to make an appropriate solicitation.
- Investment-type products such as variable annuity insurance and investment trusts
- With respect to investment-type products such as variable annuity insurance and investment trusts, we will propose products that are suitable for the customer, taking into account the customer’s age, income, assets, status of policies of family members, investment experience, knowledge about investment-type products and the purpose of purchasing the policy, etc.
 - Particularly for important matters such as market risk, we will hand over an explanation document and give a sufficient explanation, taking into account the customer’s knowledge, investment experience, income, assets, and the purpose of purchasing the policy, etc., so that the customer will have the correct understanding of the product.
- We will try to avoid causing misconceptions, etc. about products and the insurance company underwriting the products by making appropriate solicitations and proposals through a clear categorization of life insurance, non-life insurance, investment trusts and other financial products that we cover.
- **Education and cultivation of employees**
- To meet diversified customer needs, we will build the Total Life Plan Designer System and work to cultivate Total Life Plan Designers with the knowledge and skills to propose a total life plan.
 - We provide ongoing training to our employees to raise their awareness of compliance and facilitate appropriate solicitations and proposals in light of the continuous education system of The Life Insurance Association of Japan.
 - We encourage Total Life Plan Designers to acquire FP qualifications to develop more advanced consulting capabilities.
 - With respect to the employees who propose investment-type products, we oblige them to acquire predetermined qualifications and fulfill the requirements set by Dai-ichi Life to become a qualified sales representative.
- **Protection of personal information**
- We will properly handle information about customers which we come to know in the course of our business under strict management in accordance with the Personal Information Protection Policy set by Dai-ichi Life.

Explanation of Important Matters and Full Enforcement of Identification

■ In the area of individual insurance

For new policies, we have been taking steps since April 1999 to verify the identity of the customer when a contract is made and when the medical examination is conducted, to explain important matters to the policyholder and the insured person. In April 2006, we enhanced these procedures, so that the explanation of important matters is handed to customers as a Material Representation (heads-up information). In addition, since September 2007 we have been preparing a Customer Intention Confirmation for customers to make a final check before purchasing an insurance product to ensure that the product they are about to apply for meets their needs. When changing the name of policyholder or beneficiary, we have also been verifying the identity of the current policyholder and the insured person since April 1999. In July 2009, we changed the application procedure, with the exception of that for corporate customers, so that the applicant does not need to affix a seal on the application form, etc. but checks various items simply by signing, for the purpose of simplifying the application procedure.

● Identification at the time a contract is made

A sales representative visits the home or a place of employment of a policyholder and an insured person to verify their identity. If the identity is unable to be verified by visiting a home or a place of employment, it is verified by a certificate with photo.

If a policyholder is a corporation, an employee in charge checks the existence and business activities of the company by checking the actual condition of business activities with the company's building and signboard, the display of the company name and the existence of employees by visiting the company and checking documents (the directory of companies and the certified copy of corporate register).

At the time of a medical examination by a doctor or a meeting with a qualified interview inspector of life insurance, the identity of an insured person is verified with a certificate with photo (driver's license, passport, company ID card with photo, and student ID card with photo, etc.).

● Explanation of important matters to a policyholder

When a new policy is purchased, we hand over the Policy Illustration (policy overview), the Material Representation (heads-up information) that summarizes particularly important matters that need to be checked, and the Contract Guide—Policy Provisions that state the content of the policy and its details to a customer and explain the overview of the policy and important matters before the customer makes an application. Before the application, we ask the customer to check on his/her own whether the insurance product he/she is about to apply

for meets his/her needs, using the Customer Intention Confirmation. We also ask the customer to submit the Confirmation Slip of Important Document Receipt to ensure that the Policy Illustration (policy overview), the Disclosure Statement (heads-up information) and the Contract Guide—Policy Provisions have indeed been handed over to the customer.

Other than the above, if a customer uses a conversion (trade-in structure), we explain important matters and ask the customer to check various systems to review the protection after comparing the contents of the old policy the customer has already purchased and the new policy he/she will purchase.

● Explanation of important matters to an insured person

To confirm the application form, a sales representative explains the content of the policy to an insured person, confirms his/her agreement and receives his/her signature on the application form. In addition, in a policy where the policyholder and insured person are different, the sales representative hands over the Policy Description and Confirmation Slip of Insured Person's Agreement (a copy for the insured person) and receives the signature of the insured person on the application form when receiving it.

● Identification at the time the name of policyholder is changed

In the procedure to change the name of policyholder, we verify the identity of the current policyholder, the new policyholder and the insured person using a copy of their driver's license, etc., which we ask them to submit.

● Handling of other matters

If the death benefit or the disability benefit is paid in a policy purchased after April 2, 1999 in which the claimant is a corporation and the insured persons are its employees (excluding the president and directors), we check the understanding of a bereaved family or the insured person (the bereaved family or the insured person needs to fill out the Confirmation Slip of the Content of Claim for Insurance Contracted by Corporation/ Business Owner via the group they belong to, and the group needs to submit it).

■ In the area of group insurance

● Confirmation of the existence and business activities of company holding the policy

When a new contract is made or when the name of the policyholder is changed (when the policyholder is changed as a result of a merger, etc.), we confirm the existence and business activities of the company with the visit by an officer and the collection of public documents.

● Explanation of important matters to a policyholder and an insured person

We explain important matters to a policyholder with the Contract Guide—Policy Provisions when a policy is

purchased, hand it over before the application is made, and receive the policyholder's receipt stamp on the application form.

With respect to the explanation of important matters to insured persons in employer contribution insurance, we ask the policyholder to announce the insurance to the insured persons by posting important matters in a notice distributed by the policyholder to its employees as a company when confirming the insured persons' agreement. Meanwhile, in the case of employee contribution insurance, we ask the policyholder to announce important matters (the policy overview and heads-up information) in an individual brochure distributed to the insured persons to recommend enrollment.

- **Notice of content of a comprehensive welfare group term life insurance to insured persons**

We receive a report on the method of giving notice from the policyholder from the perspective of whether eligible persons have agreed to become the insured persons after they were properly notified of the content of the policy.

- **In the area of group annuity insurance**

When we confirm the existence and business activities of a company, etc., a policyholder, and explain important matters to the policyholder, we take similar measures to those for group insurance.

For the explanation of important matters (policy overview and heads-up information) to the insured persons of an employee contribution corporate pension insurance, we also take similar measures to those for group insurance.

- **Explanation of important matters in insurance for special tax-treatment savings plan for salaried employees**

We explain important matters to a policyholder by delivering the Disclosure Statement (heads-up information) to the policyholder and explaining matters the policyholder needs to pay special attention to before the application is made, and to receive a receipt stamp on the application form.

The Act on Prevention of Transfer of Criminal Proceeds

The purpose of this Act is to prevent terrorism financing and money laundering from being conducted through financial institutions, etc. by obliging financial institutions, etc. to make verification at the time of a transaction, prepare and store verification records and transaction records etc. and report suspicious transactions.

- **What is verification at the time of transaction?**

The Act on Prevention of Transfer of Criminal Proceeds stipulates that financial institutions, etc. shall verify customer identification data (the name, address and date of birth in the case of individual customers and the name and the address of the head office, etc. in the case of corporate customers), the purpose of transaction, and occupation or the contents of business, as well as a person with substantial control in the case of corporate customers when conducting certain transactions with a customer, such as the opening of a savings account, the transaction of securities and the purchase of a savings-oriented insurance policy.

Information Property Protection

- **Basic Recognition**

Dai-ichi Life keeps personal information on customers, including their names, dates of birth, 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 Life has established Internal Control Policy for Dai-ichi Life Group and Basic Internal Control Policy. Under these policies, it has established basic policies and regulations, including Information

Property Protection and Control Regulations, to set out basic principles and rules for protecting information property and standards for appropriately protecting information property. Dai-ichi Life has also created the 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 Life 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 Compliance Unit taking a central role in obtaining the cooperation of the Group companies.

■ Information Property Protection and Control

Dai-ichi Life 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 Life 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 Life's website.

■ Handling of Comments, etc.

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

Personal Information Protection Policy

The Dai-ichi Life Insurance Company, Limited (hereinafter “Dai-ichi Life” or the “Company”) gives first priority to the trust given to us by our customers and endeavors to protect personal information by complying with the Act on the Protection of Personal Information (hereinafter the “Personal Information Protection Act”), the Insurance Business Act and other related laws and regulations in order to improve management quality.

1. Purpose of using personal information

Dai-ichi Life will use personal information only to the extent necessary to achieve the following purposes and will not use it for any other purpose.

- (1) Underwriting, continuation and maintenance of various insurance policies and the payment of insurance claims and benefits;
- (2) Notice and provision of various products and services including those of affiliated companies and business partners and the maintenance of insurance policies;
- (3) Provision of information on and the operation and administration of the Company's business and the enhancement of its products and services;
- (4) Other businesses related and incidental to insurance.

These purposes of use are stated on the Company's website and disclosure documents, etc. and expressed clearly when information is gathered directly from customers themselves in writing, etc.

2. Kinds of personal information to be gathered and owned

The personal information that Dai-ichi Life gathers and retains is that necessary to achieve the purposes of use described in the preceding paragraph, such as name, address, date of birth, sex, occupation and health condition.

3. Methods of gathering personal information

Personal information is gathered using appropriate methods according to the Personal Information Protection Act, the Insurance Business Act, Policy Provisions and other related laws and regulations, etc.

4. Provision of personal information

Dai-ichi Life will not provide personal information externally, except in the following cases.

- (1) When the customer him/herself has agreed;
- (2) When the provision is based on laws and regulations;
- (3) When personal information is used jointly under the Personal Information Protection Act, such as registering the contents of insurance policies and riders with the Life Insurance Association of Japan;
- (4) When part of the Company's business is delegated to the extent necessary to achieve the purposes of use of the information;
- (5) When the provision is permitted under the Personal Information Protection Act.

5. Protection and management of personal information

Dai-ichi Life makes efforts to keep the contents of personal information accurate and up to date and takes organizational, human and technical safety control measures to protect personal information and reviews the measures as necessary. Dai-ichi Life also promotes the appropriate management of information and makes efforts to protect personal information at the Compliance Committee.

6. Disclosure of personal information and request for revision, etc.

If there is a request for the disclosure or revision, etc. of personal information, Dai-ichi Life will respond promptly after confirming that the party making the request is the customer him/herself, unless there is a special reason such as the request being made posing a considerable impediment to the appropriate operation of business.

7. Review of the Personal Information Protection Policy

Dai-ichi Life will review the Personal Information Protection Policy on an ongoing basis to protect personal information appropriately in light of changes in the environment and other factors.

Shareholders' Personal Information Protection Policy

The Dai-ichi Life Insurance Company, Limited (hereinafter "Dai-ichi Life" or the "Company") strives to protect the personal information of shareholders by complying with the Act on the Protection of Personal Information (hereinafter the "Personal Information Protection Act"), the Insurance Business Act, the Companies Act and other related laws and regulations in order to improve management quality.

1. Purpose of using the personal information of shareholders

Dai-ichi Life will use the personal information of shareholders only to the extent necessary to achieve the following purposes and will not use it for any other purpose.

- (1) Exercise of rights and the performance of obligations under the Companies Act;
- (2) Provision of various benefits to the status as a shareholder from the Company;
- (3) Implementation of various measures to facilitate relationships between the Company and its shareholders from the perspective of relationships between an association and its members;
- (4) Management of shareholders such as preparing their data based on prescribed standards under various laws and regulations.

2. Kinds of the personal information of shareholders to be gathered and owned

The personal information of shareholders Dai-ichi Life gathers and retains is that necessary to achieve the purposes of use described in the preceding paragraph, such as name, address, and the number of shares owned.

3. Methods of gathering personal information of shareholders

Personal information of shareholders is gathered in appropriate methods according to the Personal Information Protection Act, the Insurance Business Act, the Companies Act and other related laws and regulations, etc.

4. Provision of the personal information of shareholders

Dai-ichi Life will not provide the personal information of shareholders to third parties, except in the following cases.

- (1) When the shareholder him/herself has agreed;
- (2) When the provision is based on laws and regulations;
- (3) When part of the Company's business is delegated to the extent necessary to achieve the purposes of use of the information;
- (4) When the provision is permitted under the Personal Information Protection Act.

5. Protection and management of the personal information of shareholders

Dai-ichi Life makes efforts to keep the personal information of shareholders accurate and takes organizational, human and technical safety control measures to protect the personal information of shareholders and reviews the measures as necessary. Dai-ichi Life also promotes the appropriate management of information and makes efforts to protect the personal information of shareholders at the Compliance Committee.

6. Disclosure of the personal information of shareholders and request for revision, etc.

If there is a request for the disclosure and revision, etc. of the personal information of shareholders, Dai-ichi Life will respond promptly after confirming that the party making the request is the shareholder him/herself, unless there is a special reason such as the request being made posing a considerable impediment to the appropriate operation of business.

7. Review of the Shareholders' Personal Information Protection Policy

Dai-ichi Life will review the Shareholders' Personal Information Protection Policy on an ongoing basis to protect the personal information of shareholders appropriately in light of changes in the environment and other factors.

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 Internal Control Policy for Dai-ichi Life Group and Basic Internal Control Policy include 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. The Group Risk Management 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.

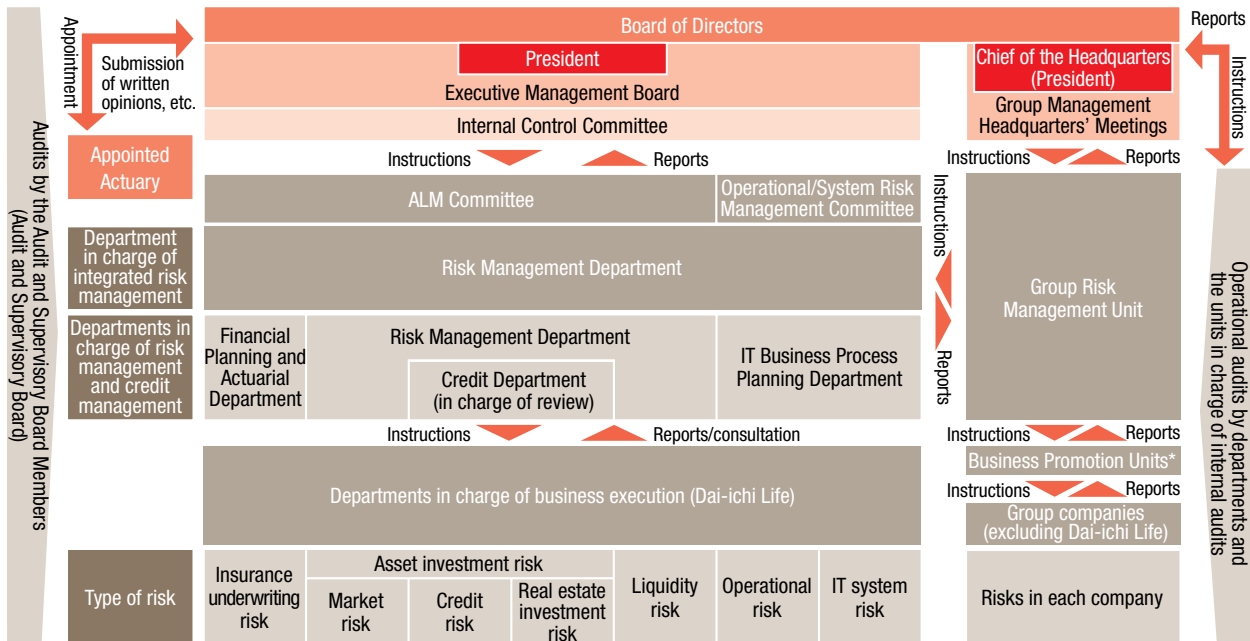
Management shares information regarding individual risks at regular meetings of our ALM Committee, Operational Risk Management Committee and System Risk Management Committee, and uses the shared information to guide its decision making. Moreover, our Internal Audit Department examines the effectiveness and appropriateness of our risk management functions.

The status of risk management is reported to the Board of Directors, the Executive Management Board and the Group Management Headquarters' Meetings. 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

Organizational Systems Associated with Risk Management



* Collective term for the Group Management Strategy Unit, the Asset Management Business Unit, and the International Life Insurance Business Unit

potentially significant ones, as a whole and comparing them against its capital, etc. Dai-ichi Life 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 Life 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.

Note: As part of the integrated risk management, Dai-ichi Life carries out internal control self-assessments (CSA), ensures the appropriateness of business at its subsidiaries, etc., and implements risk management for large-scale disasters. Please see pages 91 and 102 for details.

■ 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 Life 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.

Note: 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 Life 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 Life, 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.

Dai-ichi Life has established basic matters for the development and operation of an internal control system in its Internal Control Policy for Dai-ichi Life Group and Basic Internal Control Policy to ensure sound and appropriate operations at its subsidiaries, etc. and to continuously improve their corporate value. Also, based on the Internal Control Policy for Dai-ichi Life Group and Basic Internal Control Policy, Dai-ichi Life has developed the necessary company regulations and rules.

■ 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 Life'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 Internal Control Policy for Dai-ichi Life Group and the Basic Internal Control Policy, Dai-ichi Life has established basic policies and regulations to ensure the reliability of financial reporting and its appropriate disclosure on a timely basis. Under 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 Life 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 Life'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, 2014, 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 Life 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 Life has established basic regulations and policies for operational audits in its Internal Control Policy for Dai-ichi Life Group and 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 Life 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 Life 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 Life 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 Life 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 Life 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 Life 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 Life 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 ensure that we have no relations with and to prevent damage related to antisocial forces, Dai-ichi Life 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.