

May 30, 2008

Exposure to Securitized Products

Including Subprime-Related Investments

The Dai-ichi Mutual Life Insurance Company (hereinafter “the Company,” President: Katsutoshi Saito) discloses its exposure to securitized products, including subprime-related investments, based on the “Leading-Practice Disclosures for Selected Exposures” included in the Financial Stability Forum (FSF) report.

The Company’s exposure to securitized and subprime-related products is as follows:

- While the Company had sold subprime-related products during FY 2007 and recognized ¥15 million of losses (Table 2), the Company held no direct investments in subprime-related products as of March 31, 2008 (Table 3).
- The Company holds investments in hedge funds in the form of fund-of-funds and single funds, and some of their underlying investments include subprime-related products. As there are both long and short positions, the Company believes that they will have a limited impact on the Company’s financial condition even under market fluctuations (Table 6).
- RMBS accounts for approximately 70% of the Company’s whole securitized products in terms of fair value. The breakdown of the RMBS is: 1) securities backed by US government agencies or US government sponsored enterprises, 2) securities backed by Japanese mortgage loans, and 3) securities issued by Japan Housing Finance Agency.
- Unrealized losses of ¥21.4 billion on RMBS consisted of: 1) ¥21.3 billion unrealized losses on mortgage securities backed by US government agencies or US government sponsored enterprises (¥1.6 billion unrealized gains due to interest rate effect and ¥23.0 billion losses due to foreign currency effect) and 2) ¥0.1 billion unrealized losses on securities issued by Japan Housing Finance Agency (Table 6).

The Company defines “unrealized gains (losses)” as fair value less book value and “realized gains (losses)” as total of gains (losses) on sale and impairment losses.

1. The Company's exposure to securitized products

Table 1. Special-Purpose Entities (SPEs, as of March 31, 2008)

The Company holds no investments in SPEs.

(¥ in billion)

	Fair value	Unrealized gains (losses)	Realized gains (losses)
Special-Purpose Entities, Total	–	–	–
ABCP	–	–	–
SPEs which the Company originated	–	–	–
SIV	–	–	–
SPEs which the Company originated	–	–	–
Others	–	–	–
SPEs which the Company originated	–	–	–

Table 2. Collateralized Debt Obligations (CDOs, as of March 31, 2008)

(¥ in billion)

	Fair Value	Unrealized gains (losses)	Realized gains (losses)
CDOs (*1) (*3)	43.4	(9.7)	(10.2)
ABS-CDOs			(0.0)
Senior			
Subprime/Alt-A exposure			
Mezzanine			
Subprime/Alt-A exposure			
Equity			(0.0)
Subprime/Alt-A exposure			(*2) (0.0)
CLOs	25.9	(3.5)	(10.2)
Senior	1.5	0.0	
Mezzanine			
Equity	24.4	(3.5)	(10.2)
CBOs			
Senior			
Mezzanine			
Equity			
Synthetic CDOs	17.4	(6.1)	(0.0)
Senior	3.8	(1.9)	
Mezzanine	6.0	(2.9)	(0.0)
Equity	7.5	(1.2)	
Others			
Senior			
Mezzanine			
Equity			

*1. The size of issuance as a whole on such CDOs is ¥2,573.7 billion which consists of senior (¥731.5 billion), mezzanine (¥590.0 billion) and equity (¥1,252.2 billion). Among the total amount, CDOs of ¥43.4 billion are held by the Company.

*2. The Company sold an ABS-CDO including subprime-related products and recognized ¥15 million of realized losses.

*3. Breakdown of credit ratings of CDOs which the Company held as of March 31, 2008 is as follows:

(¥ in billion)

Credit rating	Fair value	Percentage
AAA	4.5	10.5%
AA	0.9	2.3%
A	8.2	19.0%
BBB	5.1	11.7%
no credit ratings	24.4	56.2%
Total	43.4	100.0%

Table 3. Other Subprime/Alt-A Exposure (as of March 31, 2008)

The Company holds no securitized products backed by subprime/Alt-A exposure.

(¥ in billion)

	Fair value	Unrealized gains (losses)	Realized gains (losses)
Other Subprime/Alt-A Exposure, Total			
Unsecuritized loan			
RMBS			
Derivatives			
Commitment line			
Others			

Table 4. Commercial Mortgage-Backed Securities (CMBS, as of March 31, 2008)

(¥ in billion)

	Fair value		Unrealized gains (losses)	Realized gains (losses)
		(ref.) as of March 31, 2007		
CMBS	1.4	14.2	0.0	(0.0)
Japan	1.4	14.2	0.0	(0.0)
USA				
Europe				
UK				
Others				

*1. Real estate as collateral consists of office buildings only.

Table 5. Leveraged Finance (as of March 31, 2008)

The Company holds no leveraged finance products.

(¥ in billion)

	Fair value		Unrealized gains (losses)	Realized gains (losses)
		(ref.) as of March 31, 2007		
Leveraged Finance, Total				
Telecommunication				
Electronics				
Entertainment				
Service				
Others				

Table 6. Others (as of March 31, 2008) (*1)

(¥ in billion)

	Fair value	Unrealized gains (losses)	Realized gains (losses)
Hedge fund (*2)	265.0	(16.0)	(0.1)
CDS	(*3)	(0.0)	(0.6)
RMBS (*4)	710.5	(*5) (21.4)	(13.3)
ABS	104.1	2.2	(0.0)
Credit-linked note	3.0	0.0	0.0

*1. The Company held no direct investment in subprime-related products as of March 31, 2008.

*2. The Company holds hedge funds in the form of fund-of-funds and single funds, and some of their underlying investments include subprime-related products. As there are both long and short positions, the Company believes that they will have a limited impact on the Company even under market fluctuations.

*3. Notional amount of CDS amounted to ¥6 billion, totaling long and short protection.

*4. Consisted of: 1) approx. ¥424.0 billion US mortgage securities backed by US government agencies or US government sponsored enterprises, 2) approx. ¥254.4 billion securities backed by Japanese mortgage loans, and 3) approx. ¥32.0 billion securities issued by Japan Housing Finance Agency.

*5. Consisted of: 1) ¥21.3 billion unrealized losses on mortgage securities backed by US government agencies or US government sponsored enterprises (¥1.6 billion gains due to interest rate effect and ¥23.0 billion losses due to foreign currency effect) and 2) ¥0.1 billion unrealized losses on securities Issued by Japan Housing Finance Agency.

2. Breakdown of Securitized Products as a Whole

While the Company had sold subprime-related products during FY 2007 and recognized ¥15 million of losses, the Company held no direct investments in securitized products related to subprime loans as of March 31, 2008.

The Company recognized ¥45.0 billion of unrealized losses, of which ¥31.3 billion were foreign currency losses.

(¥ in billion)

	Fair value	Unrealized gains (losses)	Realized gains (losses)	Percentage (Fair Value)
Securitized products, total	1,127.6	(45.0)	(24.5)	100.0%
CDO	43.4	(9.7)	(10.2)	3.8%
CMBS	1.4	0.0	(0.0)	0.1%
Hedge fund	265.0	(16.0)	(0.1)	23.5%
CDS	–	(0.0)	(0.6)	0.0%
RMBS	710.5	(21.4)	(13.3)	63.0%
ABS	104.1	2.2	(0.0)	9.2%
Credit-linked note	3.0	0.0	0.0	0.3%

The Company holds investments in hedge funds in the form of fund-of-funds and single funds, and some of their underlying investments include subprime-related products. As there are both long and short positions, the Company believes that they will have a limited impact on the Company even under market fluctuations.

3. Other Related Information on Securitized Products

The Company's subsidiaries have no exposure on subprime-related products.

Abbreviated terms:

ABCP: Asset Backed Commercial Paper

ABS: Asset Backed Security

ABS-CDO: CDO of ABS

CBO: Collateralized Bond Obligation

CDO: Collateralized Debt Obligation

CDS: Credit Default Swap

CLO: Collateralized Loan Obligation

CMBS: Commercial Mortgage-Backed Securities

RMBS: Residential Mortgage-Backed Securities

SIV: Structured Investment Vehicle