September 14, 2009

The Dai-ichi Mutual Life Insurance Company
The Dai-ichi Frontier Life Insurance Co., Ltd.

# Disclosure of European Embedded Value as of March 31, 2009

The Dai-ichi Mutual Life Insurance Company (hereinafter "Dai-ichi Life"; President: Katsutoshi Saito) and the Dai-ichi Frontier Life Insurance Co., Ltd. ("Dai-ichi Frontier Life" or "DFL"; President: Shigenori Takano) (collectively, the "Group") hereby disclose their European Embedded Value ("EEV") as of March 31, 2009 which is calculated in accordance with the European Embedded Value Principles (the "EEV Principles").

Dai-ichi Life and DFL started to report their Traditional Embedded Value ("TEV") in the fiscal year ended March 31, 2008. In the fiscal year ended March 31, 2009, in addition to the TEV results published on May 20, 2009, the Group has decided to disclose European Embedded Value ("EEV") to promote better understanding of the Group's financial condition.

The Group has chosen a market-consistent approach in calculating its EEV in order to address issues raised by TEV approaches and to improve transparency of calculation. A comparison between TEV and EEV is provided in Appendix C.

**Contents**

## 1. Outline

### 1-1 About EEV

The EEV Principles and related guidance were published in May 2004 by the CFO Forum, an organization comprising the chief financial officers of Europe's leading life insurers, for improved consistency and transparency in EV reporting. In October 2005, further guidance on minimum required disclosures of sensitivities and other items was provided by the Forum.

### 1-2 EEV Methodology

In the calculation of EEV, the Group has adopted a market-consistent approach – an approach which values cash flows from both assets and liabilities of a company consistently with comparable financial instruments traded in the market. An increasing number of insurers, mainly in Europe, have implemented similar market-consistent approaches, and in response to such trends, the CFO Forum published the European Insurance CFO Forum Market Consistent Embedded Value Principles©[1] (the "MCEV Principles") in June 2008. The use of the MCEV Principles was intended to be mandatory for EV reporting for member insurers with effect from fiscal year 2009. However, in light of recent severe market conditions, the principles are under review, which may result in significant amendments, and it was decided to defer mandatory MCEV reporting for all members until 2011.

Taking into consideration the current situation, the Group has fully adopted EEV Principles, while also taking into account a market-consistent approach, in restating its EV.

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## 2. EEV as of March 31, 2008 and 2009

### 2-1 EEV Results of the Group

The EEV of the Group as of March 31, 2008 and 2009 is as follows:

(billions of yen)

| | | March 31, 2008 | March 31, 2009 | Increase (Decrease) |
|---|---|---|---|---|
| EEV | | 3,648.8 | 1,758.4 | (1,890.3) |
| | Adjusted net worth | 2,700.6 | 1,296.6 | (1,404.0) |
| | Value of in-force business | 948.2 | 461.8 | (486.3) |
| Value of new business | | 115.3 | 83.5 | (31.7) |

*(Note1) The Group EEV is calculated as follows; [Dai-ichi Life's EEV] plus [DFL's EEV corresponding to Dai-ichi Life's equity stake in DFL] less [Dai-ichi Life's carrying amount of equity of DFL].*

*(Note2) Dai-ichi Life held 100.0% and 93.9% of the shares of the DFL as of March 31, 2008 and as of March 31, 2009, respectively.*

*(Note3) Dai-ichi Life's carrying amount of DFL's equity is ¥46.9 billion as of March 31, 2008 and ¥151.9 billion as of March 31, 2009.*

### 2-1-1 Adjusted Net Worth

Adjusted net worth represents the net assets attributed to shareholders and represents the market value of assets in excess of policyholder liabilities, represented by statutory reserves (excluding contingency reserve), and other liabilities (excluding reserve for price fluctuations).

In other words, adjusted net worth is calculated by adjusting the total net assets on the balance sheet for the retained earnings in liabilities, general reserve for possible loan losses, unrealized gains/losses in assets/liabilities not accounted for under the mark-to-market methodology, unfunded retirement benefit obligations, and tax effect equivalent of the items above. The breakdown of the Group's adjusted net worth is as follows:

(billions of yen)

| | March 31, 2008 | March 31, 2009 | Increase (Decrease) |
|---|---|---|---|
| Adjusted net worth | 2,700.6 | 1,296.6 | (1,404.0) |
| Total net assets on the balance sheet (Note1) | 511.8 | 645.0 | 133.1 |
| Retained earnings in liabilities (Note2) | 1,229.4 | 625.8 | (603.6) |
| General reserve for possible loan losses | 5.5 | 7.4 | 1.9 |
| Unrealized gains (losses) on securities and miscellaneous items | 1,768.9 | 264.1 | (1,504.8) |
| Unrealized gains (losses) on loans | 230.2 | 160.5 | (69.7) |
| Unrealized gains (losses) on real estate(Note3) | 310.3 | 261.0 | (49.3) |
| Unrealized gains (losses)(Note4) on liabilities | (4.9) | (9.7) | (4.7) |
| Unfunded retirement benefit obligation(Note5) | (45.6) | (42.8) | 2.7 |
| Tax effect equivalent of above items | (1,258.2) | (456.1) | 802.0 |
| Consolidation adjustment(Note6) | (46.9) | (151.9) | (105.0) |
| Minority interest in DFL's adjusted net worth(Note7) | 0.0 | (6.6) | (6.6) |

*(Note 1) Foundation funds, the total amount of valuation and translation adjustments and expected disbursements from capital outside the company is excluded.*

*(Note 2) The sum of reserve for price fluctuations, contingency reserve, and the unallocated portion of reserve for policyholder dividends is reported.*

*(Note 3) With respect to land, the difference between fair value and carrying value before revaluation is posted.*

*(Note 4) The figure represents the unrealized gains (losses) in foundation funds and subordinated debt that Dai-ichi Life issued.*

*(Note 5) The sum of unrecognized gains on plan amendments and unrecognized actuarial differences in the notes of the balance sheet is reported.*

*(Note 6) Dai-ichi Life's carrying amount of equity of DFL, which is reported in "Total net assets on the balance sheet", is deducted to offset.*

*(Note 7) Minority interest in DFL's adjusted net worth is deducted. All the items above this item ("Total net assets on the balance sheet" to "Consolidation adjustment") display the sum of the figures for Dai-ichi Life and DFL.*

Reconciliations between the Group's adjusted net worth and total net assets are as follows.

(billions of yen)

| | | March 31, 2008 | March 31, 2009 | Increase (Decrease) |
|---|---|---|---|---|
| Total Net Assets *(Note1)* | | 475.5 | 496.5 | 20.9 |
| | ***PLUS*** Retained earnings in liabilities *(Note2)* | 1,229.4 | 625.8 | (603.6) |
| | ***PLUS*** General reserve for possible loan losses | 5.5 | 7.4 | 1.9 |
| | ***PLUS*** Unrealized gains/losses *(Note3)* | 2,293.8 | 665.8 | (1,628.0) |
| | ***PLUS*** Unfunded retirement benefit obligation *(Note4)* | (45.6) | (42.8) | 2.7 |
| | ***PLUS*** Tax effect equivalent of above items | (1,258.2) | (456.1) | 802.0 |
| | ***LESS*** Book value of businesses not covered | 0.0 | 0.0 | 0.0 |
| Adjusted net worth | | 2,700.6 | 1,296.6 | (1,404.0) |

*(Note 1) Foundation funds, the total amount of valuation and translation adjustments and expected disbursements from capital outside the company is excluded.*

*(Note 2) The sum of reserve for price fluctuations, contingency reserve, and the unallocated portion of reserve for policyholder dividends is reported.*

*(Note 3) The sum of the unrealized gains/losses in securities and miscellaneous items, loans, real estate and liabilities is reported. Due to the consolidation adjustment with regard to consolidated subsidiaries and affiliated companies accounted for under the equity method, unrealized gains/losses on equity within this item is different from the sum of the unrealized gains/losses on equity in Dai-ichi Life and DFL.*

*(Note 4) The sum of unrecognized gains on plan amendments and unrecognized actuarial differences in the notes of the balance sheet is reported.*

### 2-1-2 Value of In-force Business

The value of in-force business is the amount of (i) certainty equivalent present value of future profit, less (ii) time value of financial options and guarantees, less (iii) cost of holding required capital, less (iv) allowance for non-financial risks. The breakdown by item is as follows:

(billions of yen)

| | March 31, 2008 | March 31, 2009 | Increase (Decrease) |
|---|---|---|---|
| Value of in-force business | 948.2 | 461.8 | (486.3) |
| Certainty equivalent present value of future profit(Note1) | 1,143.7 | 644.2 | (499.4) |
| Time value of financial options and guarantees(Note2) | (70.8) | (97.4) | (26.6) |
| Cost of holding required capital | (77.5) | (36.9) | 40.6 |
| Allowance for non-financial risks | (47.0) | (48.0) | (0.9) |

*(Note1) The decrease in certainty equivalent present value of future profit is mainly attributed to the decline of risk-free rate.*

*(Note2) The increase in time value of financial options and guarantees is mainly attributed to the increase in implied volatility.*

### 2-1-3 Value of New Business

The value of new business is the value at the time of sale, after all acquisition-related costs, of new policies (including net increase by conversion) obtained during the fiscal year. The value of new business for the years ended March 31, 2008 and 2009 are as follows;

(billions of yen)

| | Year ended March 31, 2008 | Year ended March 31, 2009 | Increase (Decrease) |
|---|---|---|---|
| Value of new business | 115.3 | 83.5 | (31.7) |
| Certainty equivalent present value of future profit | 125.9 | 113.8 | (12.1) |
| Time value of financial options and guarantees | (4.8) | (24.1) | (19.2) |
| Cost of holding required capital | (4.1) | (4.0) | 0.0 |
| Allowance for non-financial risks | (1.5) | (2.0) | (0.4) |

The new business margins (the ratio of the value of new business to the present value of premium income) for the last two fiscal years are as follows;

(billions of yen)

| | Year ended March 31, 2008 | Year ended March 31, 2009 | Increase (Decrease) |
|---|---|---|---|
| Value of new business | 115.3 | 83.5 | (31.7) |
| Present Value of Premium Income(Note1) | 2,366.5 | 2,505.5 | 138.9 |
| New Business Margin | 4.88% | 3.34% | (1.54 points) |

*(Note1) Future premium income is discounted by the risk-free rate used for the value of new business calculation.*

## 2-2 EEV by Company

(1) Dai-ichi Life

(billions of yen)

| | March 31, 2008 | March 31, 2009 | Increase (Decrease) |
|---|---|---|---|
| EEV *(Note1)* | 3,654.4 | 1,795.9 | (1,858.5) |
| Adjusted net worth | 2,710.8 | 1,345.8 | (1,364.9) |
| Total net assets *(Note2)* | 476.1 | 540.4 | 64.2 |
| Retained earnings in liabilities *(Note3)* | 1,228.5 | 621.4 | (607.1) |
| General reserve for possible loan losses | 5.5 | 7.4 | 1.9 |
| Unrealized gains (losses) on securities and miscellaneous items | 1,768.6 | 263.5 | (1,505.1) |
| Unrealized gains (losses) on loans | 230.2 | 160.5 | (69.7) |
| Unrealized gains (losses) on real estate *(Note4)* | 310.3 | 261.0 | (49.3) |
| Unrealized gains (losses) on liabilities *(Note5)* | (4.9) | (9.7) | (4.7) |
| Unfunded retirement benefit obligation *(Note6)* | (45.6) | (42.8) | 2.7 |
| Tax effect equivalent of above items | (1,258.1) | (455.9) | 802.1 |
| Value of in-force business | 943.6 | 450.0 | (493.6) |
| Certainty equivalent present value of future profit | 1,136.7 | 615.9 | (520.8) |
| Time value of financial options and guarantees | (68.7) | (82.6) | (13.8) |
| Cost of holding required capital | (77.3) | (35.6) | 41.6 |
| Allowance for non-financial risks | (47.0) | (47.6) | (0.6) |
| Value of new business | 117.8 | 102.1 | (15.7) |
| Certainty equivalent present value of future profit | 125.4 | 108.2 | (17.2) |
| Time value of financial options and guarantees | (2.2) | (1.3) | 0.9 |
| Cost of holding required capital | (3.8) | (3.0) | 0.7 |
| Allowance for non-financial risks | (1.5) | (1.6) | (0.1) |

*(Note 1) Dai-ichi Life's share of DFL is valued on a book value basis. The EEV of the Group is adjusted for consolidation..*

*(Note 2) Foundation funds, total of valuation and translation adjustments and expected disbursements from capital outside the company are excluded.*

*(Note 3) The sum of reserve for price fluctuations, contingency reserves, and the unallocated portion of reserve for policyholder dividends is reported.*

*(Note 4) With respect to land, the difference between fair value and carrying value before revaluation is posted.*

*(Note 5) The figure represents the unrealized gains (losses) in foundation fund and subordinated debt that Dai-ichi Life issued.*

*(Note 6) The sum of unrecognized gains on plan amendments and unrecognized actuarial differences in the notes of the balance sheet is reported.*

(2) Dai-ichi Frontier Life

(billions of yen)

| | March 31, 2008 | March 31, 2009 | Increase (Decrease) |
|---|---|---|---|
| EEV *(Note1)* | 41.2 | 121.8 | 80.5 |
| Adjusted net worth | 36.7 | 109.3 | 72.5 |
| Total net asset *(Note2)* | 35.7 | 104.5 | 68.8 |
| Retained earnings in liabilities *(Note3)* | 0.8 | 4.3 | 3.4 |
| General reserve for possible loan losses | 0.0 | 0.0 | 0.0 |
| Unrealized gains (losses) on securities and miscellaneous items | 0.2 | 0.5 | 0.2 |
| Unrealized gains (losses) on loans | 0.0 | 0.0 | 0.0 |
| Unrealized gains (losses) on real estate | 0.0 | 0.0 | 0.0 |
| Unrealized gains (losses) on liabilities | 0.0 | 0.0 | 0.0 |
| Unfunded retirement benefit obligation | 0.0 | 0.0 | 0.0 |
| Tax effect equivalent of above items | 0.0 | (0.1) | (0.1) |
| Value of in-force business | 4.5 | 12.5 | 8.0 |
| Certainty equivalent present value of future profit | 6.9 | 30.1 | 23.1 |
| Time value of financial options and guarantees | (2.0) | (15.7) | (13.7) |
| Cost of holding required capital | (0.2) | (1.3) | (1.1) |
| Allowance for non-financial risks | 0.0 | (0.4) | (0.3) |
| Value of new business | (2.5) | (19.7) | (17.2) |
| Certainty equivalent present value of future profit | 0.5 | 5.9 | 5.4 |
| Time value of financial options and guarantees | (2.6) | (24.2) | (21.6) |
| Cost of holding required capital | (0.2) | (1.0) | (0.8) |
| Allowance for non-financial risks | 0.0 | (0.3) | (0.2) |

*(Note 1) This table shows the full value of DFL as an independent entity. When used in the calculation of Group EEV, the value is in proportion to Dai-ichi Life's shareholding in DFL (100% as of March 31, 2008 and 93.9% as of March 31, 2009).*

*(Note 2) The total of valuation and translation adjustments is excluded.*

*(Note 3) The sum of the reserve for price fluctuations and contingency reserve is reported.*

(3) Dai-ichi Life Insurance Company of Vietnam

Dai-ichi Life Insurance Company of Vietnam, Limited, a consolidated life insurance subsidiary in Vietnam, is assumed to have a limited impact on the Group EEV and thus in the EEV calculation process the Group considers the TEV of Dai-ichi Life Vietnam as equal to the fair value of Dai-ichi Life's ownership interest. The TEV of Dai-ichi Life Vietnam at the end of the last two fiscal years is as follows:

(billions of yen)

| | December 31, 2007 | December 31, 2008 | Increase (Decrease) |
|---|---|---|---|
| TEV | 2.0 | 5.7 | 3.7 |
| Adjusted net worth | 1.3 | 5.1 | 3.7 |
| Value of in-force business | 0.6 | 0.6 | 0.0 |

*(Note) The figures were converted into yen at the prevailing exchange rate on the final day in each period (1VND = 0.0071 yen as of December 31, 2007 and 1VND = 0.0052 yen as of December 31, 2008).*

The Group intends to consider the future adoption of EEV-based reporting by its overseas subsidiaries depending on their materiality.

## 3. Movement Analysis

### 3-1 Movement Analysis of Group EEV

(billions of yen)

| | Adjusted net worth | Value of in-force business | EEV |
|---|---|---|---|
| Values as of March 31, 2008 | 2,700.6 | 948.2 | 3,648.8 |
| (1) Adjustments to the values as of March 31, 2008 | 0.8 | (0.2) | 0.5 |
| Adjusted values as of March 31, 2008 | 2,701.4 | 947.9 | 3,649.3 |
| (2) Value of new business | 0.0 | 83.5 | 83.5 |
| (3) Expected existing business contribution (risk-free rate) | 10.0 | 32.1 | 42.2 |
| (4) Expected existing business contribution (in excess of risk-free rate) | 29.6 | 255.2 | 284.8 |
| (5) Expected transfer from value of in-force business to adjusted net worth *(Note)* | 48.5 | (48.5) | 0.0 |
| (6) Non-economic experience variances | (20.4) | (3.1) | (23.5) |
| (7) Non-economic assumptions changes | 0.0 | 0.0 | 0.0 |
| (8) Economic variances | (1,472.6) | (805.4) | (2,278.0) |
| Values as of March 31, 2009 | 1,296.6 | 461.8 | 1,758.4 |

*(Note) This item includes the expected profit during the fiscal year transferred from the value of new business, equal to (¥155.4) billion in adjusted net worth and ¥155.4 billion in value of in-force business.*

(1) Adjustments to the values as of March 31, 2008
During the fiscal year ended March 31, 2009, Dai-ichi Frontier Life raised ¥115 billion of new capital, of which ¥10 billion was paid in by a minority shareholder. Therefore, Dai-ichi Life's ownership interest in the value of in-force business of Dai-ichi Frontier Life was diluted accordingly.

(2) Value of new business
The value of new business represents the value at the time of sale, after all acquisition-related costs, attributable to new business obtained during the fiscal year ended March 31, 2009.

(3) Expected existing business contribution (risk free rate)
In calculating EEV, future expected returns are discounted back using risk-free rates. Thus, the discounted value is assumed to earn the expected return over time. Moreover, this item includes the release for the fiscal year ended March 31, 2009 of time value of financial options and guarantees, cost of holding required capital and allowance for non-financial risks.

(4) Expected existing business contribution (in excess of risk-free rate)
Rates of future expected returns are assumed to be risk-free rates in calculating EEV. However, the Group holds (and will hold) risky assets and expects higher rates of returns on these assets than the risk-free rates. In calculating this item, the Group assumed the same expected rates of returns as those used in calculating its TEV as of March 31, 2008. Please refer to Appendix B for details.

(5) Expected transfer from value of in-force business to adjusted net worth
The total expected profit during a fiscal year on a statutory accounting basis is transferred to the adjusted net worth. This item includes both the profit expected to emerge from business in force at the start of the fiscal year, as well as the expected emergence in adjusted net worth during the fiscal year of statutory losses, including the impact of acquisition costs, and a corresponding increase in the value of in-force business, arising from the new business issued in the fiscal year.
Note that the transferred amounts do not affect the total amount of Group EEV.

(6) Non-economic experience variances
This item represents the difference between (i) the non-economic assumptions, which were used for calculating EEV as of March 31, 2008 and (ii) the actual experience during the fiscal year ended March 31, 2009 corresponding to such assumptions.

(7) Non-economic assumptions changes

This item quantifies the amount of change attributable to increase/decrease in future profits/losses after March 31, 2009 due to changes made to the assumptions. The impact was nil because the same assumptions were used for calculating EEV as of March 31, 2008 and 2009.

(8) Economic variances

This item represents the impact of actual to assumed differences in economic assumptions, such as market interest rate and implied volatilities. This item includes the effects on future estimated differences attributable to changes in assumptions.

The main factors of the differences are (i) the decrease in adjusted net worth due to declines in stock prices and the reduction in retained earnings and (ii) the decrease in value of in-force business due to declines in interest rates.

### 3-2 Movement Analysis by Company

(1) Dai-ichi Life

(billions of yen)

| | Adjusted net worth | Value of in-force business | EEV |
|---|---|---|---|
| Values as of March 31, 2008 | 2,710.8 | 943.6 | 3,654.4 |
| Adjustments to the values as of March 31, 2008 | 0.0 | 0.0 | 0.0 |
| Adjusted values as of March 31, 2008 | 2,710.8 | 943.6 | 3,654.4 |
| Value of new business | 0.0 | 102.1 | 102.1 |
| Expected existing business contribution (risk-free rate) | 9.5 | 30.3 | 39.9 |
| Expected existing business contribution (in excess of risk-free rate) | 29.5 | 252.4 | 282.0 |
| Expected transfer from value of in-force business to adjusted net worth*(Note)* | 51.9 | (51.9) | 0.0 |
| Non-economic experience variances | (19.0) | (3.1) | (22.1) |
| Non-economic assumptions changes | 0.0 | 0.0 | 0.0 |
| Economic variances | (1,437.0) | (823.4) | (2,260.5) |
| Values as of March 31, 2009 | 1,345.8 | 450.0 | 1,795.9 |

*(Note) This item includes the expected profit during the fiscal year transferred from the value of new business, equal to (¥150.9) billion in adjusted net worth and ¥150.9 billion in value of in-force business.*

(2) Dai-ichi Frontier Life

(billions of yen)

| | Adjusted net worth | Value of in-force business | EEV |
|---|---|---|---|
| Values as of March 31, 2008 | 36.7 | 4.5 | 41.2 |
| Adjustments to the values as of March 31, 2008 | 115.0 | 0.0 | 115.0 |
| Adjusted values as of March 31, 2008 | 151.7 | 4.5 | 156.2 |
| Value of new business | 0.0 | (19.7) | (19.7) |
| Expected existing business contribution (risk-free rate) | 0.5 | 1.9 | 2.4 |
| Expected existing business contribution (in excess of risk-free rate) | 0.0 | 3.0 | 3.0 |
| Expected transfer from value of in-force business to adjusted net worth*(Note)* | (3.6) | 3.6 | 0.0 |
| Non-economic experience variances | (1.4) | 0.0 | (1.4) |
| Non-economic assumptions changes | 0.0 | 0.0 | 0.0 |
| Economic variances | (37.8) | 19.2 | (18.6) |
| Values as of March 31, 2009 | 109.3 | 12.5 | 121.8 |

*(Note) This item includes the expected profit during the fiscal year transferred from the value of new business, equal to (¥4.8) billion in adjusted net worth and ¥4.8 billion in value of in-force business.*

## 4. Sensitivity Analysis

### 4-1 Sensitivity Analysis of Group EEV

The following table shows a sensitivity analysis of Group EEV to changes in assumptions. Although each figure in the table indicates the sensitivity in response to a change in one parameter, it should be noted that the sum of two or more figures in the table do not always and exactly indicate the sensitivity to a change in two or more parameters corresponding to such figures.

The sensitivities are calculated based on the assumption that the Group's management actions would remain unaffected by changes in parameters.

(billions of yen)

| Assumptions | EEV | Increase (decrease) |
|---|---|---|
| Values as of March 31, 2009 | 1,758.4 | - |
| Sensitivity 1: 50bp upward shift in risk-free yield curve | 2,162.6 | 404.1 |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 1,277.6 | (480.8) |
| Sensitivity 3: 10% decline in equity and real estate values | 1,453.7 | (304.6) |
| Sensitivity 4: 10% decline in maintenance expenses | 1,900.5 | 142.0 |
| Sensitivity 5: 10% decline in surrender and lapse rate | 1,871.6 | 113.1 |
| Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products | 1,877.9 | 119.4 |
| Sensitivity 7: 5% decline in mortality and morbidity rates for annuities | 1,750.6 | (7.8) |
| Sensitivity 8: Setting required capital at statutory minimum level | 1,795.1 | 36.6 |
| Sensitivity 9: 25% increase in implied volatilities of equity and real estate values | 1,734.4 | (24.0) |
| Sensitivity 10: 25% increase in implied volatilities of swaptions | 1,753.3 | (5.1) |

The sensitivities in the above table show the effect on the total EEV but only the Group's value of in-force business is effected in sensitivities 4 through 10. The following table shows the effect on the Group's adjusted net worth of sensitivities 1 through 3.

(billions of yen)

| | Increase (decrease) |
|---|---|
| Sensitivity 1: 50bp upward shift in risk-free yield curve | (594.3) |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 621.5 |
| Sensitivity 3: 10% decline in equity and real estate values | (309.5) |

Sensitivity analysis of the Group's value of new business

(billions of yen)

| Assumptions | Value of new business | Increase (decrease) |
|---|---|---|
| Values as of March 31, 2009 | 83.5 | - |
| Sensitivity 1: 50bp upward shift in risk-free yield curve | 103.1 | 19.5 |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 62.6 | (20.9) |
| Sensitivity 3: 10% decline in equity and real estate values | 80.1 | (3.4) |
| Sensitivity 4: 10% decline in maintenance expenses | 92.5 | 8.9 |
| Sensitivity 5: 10% decline in surrender and lapse rate | 101.3 | 17.7 |
| Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products | 85.8 | 2.2 |
| Sensitivity 7: 5% decline in mortality and morbidity rates for annuities | 83.6 | 0.0 |
| Sensitivity 8: Setting required capital at statutory minimum level | 87.5 | 3.9 |
| Sensitivity 9: 25% increase in implied volatilities of equity and real estate values | 75.6 | (7.9) |
| Sensitivity 10: 25% increase in implied volatilities of swaptions | 83.7 | 0.1 |

- Sensitivity 1

The item represents the effect on EEV of an upward shift of 50bp in the yield curve of risk-free forward rates. As prices of bonds and loans change, the adjusted net worth changes. Also, as future expected investment yields change, the value of in-force business changes.

In accordance with the EEV principles, life insurers are required to disclose their EEV sensitivities to a 100bp shift in the yield curve. However, taking into consideration the low level of interest rates in Japan, we disclosed our sensitivities to a 50bp shift in the yield curve.

- Sensitivity 2

The item represents the effect on EEV of a downward shift of 50bp in the yield curve of risk-free forward rates. The lower limit of the risk-free forward rates is assumed to be zero.

- Sensitivity 3

This item shows the effect on EEV of a decline of 10% in equity and real estate values. Adjusted net worth would be directly affected by the decline. On the other hand, the value of in-force business would also be affected by the decline, as the decline would affect both (1) the asset balance of the portfolio (and, thus, the volatility of the portfolio) and (2) the cash value of variable annuities.

- Sensitivity 4

The item represents the effect on EEV of a decrease of 10% in estimated maintenance expenses associated with maintaining in-force business.

- Sensitivity 5

The item represents the effect on EEV of a decrease of 10% in surrender and lapse rates.

- Sensitivity 6

The item represents the effect on EEV of a decrease of 5% in mortality and morbidity rates for life and medical insurance products.

- Sensitivity 7

The item represents the effect on EEV of a decrease of 5% in mortality and morbidity rates for annuities.

- Sensitivity 8

The item represents the effect on EEV in the event that required capital was changed to the statutory minimum level, a solvency margin ratio of 200%.

- Sensitivity 9

The item represents the effect on EEV of an increase of 25% in the implied volatilities of equity and real estate values. This is because the value of in-force business should change as the time value of financial options and guarantees change.

- Sensitivity 10

The item represents the effect on EEV of an increase of 25% in the implied volatilities of swaptions. This is because the value of in-force business should change as the time value of financial options and guarantees change.

## 4-2 Sensitivity Analysis by Company

(1) Dai-ichi Life

(billions of yen)

| Assumptions | EEV | Increase (decrease) |
|---|---|---|
| Values as of March 31, 2009 | 1,795.9 | - |
| Sensitivity 1: 50bp upward shift in risk-free yield curve | 2,197.7 | 401.8 |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 1,317.9 | (477.9) |
| Sensitivity 3: 10% decline in equity and real estate values | 1,493.0 | (302.8) |
| Sensitivity 4: 10% decline in maintenance expenses | 1,937.5 | 141.6 |
| Sensitivity 5: 10% decline in surrender and lapse rate | 1,909.7 | 113.8 |
| Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products | 1,915.3 | 119.4 |
| Sensitivity 7: 5% decline in mortality and morbidity rates for annuities | 1,787.9 | (7.9) |
| Sensitivity 8: Setting required capital at statutory minimum level | 1,831.5 | 35.6 |
| Sensitivity 9: 25% increase in implied volatilities of equity and real estate values | 1,778.1 | (17.7) |
| Sensitivity 10: 25% increase in implied volatilities of swaptions | 1,791.1 | (4.7) |

The sensitivities in the above table show the effect on the total EEV but only Dai-ichi Life's value of in-force business is effected in sensitivities 4 through 10. The following table shows the effect on the adjusted net worth of sensitivities 1 through 3.

(billions of yen)

| | Increase (decrease) |
|---|---|
| Sensitivity 1: 50bp upward shift in risk-free yield curve | (590.0) |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 617.8 |
| Sensitivity 3: 10% decline in equity and real estate values | (303.7) |

Sensitivity analysis of Dai-ichi Life's value of new business

(billions of yen)

| | Value of new business | Increase (decrease) |
|---|---|---|
| Values as of March 31, 2009 | 102.1 | - |
| Sensitivity 1: 50bp upward shift in risk-free yield curve | 120.6 | 18.5 |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 83.0 | (19.1) |
| Sensitivity 3: 10% decline in equity and real estate values | 102.3 | 0.2 |
| Sensitivity 4: 10% decline in maintenance expenses | 110.6 | 8.5 |
| Sensitivity 5: 10% decline in surrender and lapse rate | 120.1 | 17.9 |
| Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products | 104.4 | 2.2 |
| Sensitivity 7: 5% decline in mortality and morbidity rates for annuities | 102.1 | 0.0 |
| Sensitivity 8: Setting required capital at statutory minimum level | 105.2 | 3.0 |
| Sensitivity 9: 25% increase in implied volatilities of equity and real estate values | 101.4 | (0.7) |
| Sensitivity 10: 25% increase in implied volatilities of swaptions | 102.7 | 0.5 |

(2) Dai-ichi Frontier Life

(billions of yen)

| | EEV | Increase (decrease) |
|---|---|---|
| Values as of March 31, 2009 | 121.8 | - |
| Sensitivity 1: 50bp upward shift in risk-free yield curve | 124.3 | 2.5 |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 118.8 | (3.0) |
| Sensitivity 3: 10% decline in equity and real estate values | 119.9 | (1.9) |
| Sensitivity 4: 10% decline in maintenance expenses | 122.3 | 0.5 |
| Sensitivity 5: 10% decline in surrender and lapse rate | 121.1 | (0.7) |
| Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products | 121.8 | 0.0 |
| Sensitivity 7: 5% decline in mortality and morbidity rates for annuities | 121.9 | 0.0 |
| Sensitivity 8: Setting required capital at statutory minimum level | 122.9 | 1.1 |
| Sensitivity 9: 25% increase in implied volatilities of equity and real estate values | 115.2 | (6.6) |
| Sensitivity 10: 25% increase in implied volatilities of swaptions | 121.4 | (0.3) |

The sensitivities in the above table show the effect on the total EEV but only Dai-ichi Frontier Life's value of in-force business is effected in sensitivities 4 through 10. The following table shows the effect on the adjusted net worth of sensitivities 1 through 3.

(billions of yen)

| | Increase (decrease) |
|---|---|
| Sensitivity 1: 50bp upward shift in risk-free yield curve | (4.5) |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | 3.9 |
| Sensitivity 3: 10% decline in equity and real estate values | (6.1) |

Sensitivity analysis of Dai-ichi Frontier Life's value of new business

(billions of yen)

| | Value of new business | Increase (decrease) |
|---|---|---|
| Values as of March 31, 2009 | (19.7) | - |
| Sensitivity 1: 50bp upward shift in risk-free yield curve | (18.6) | 1.0 |
| Sensitivity 2: 50bp downward shift in risk-free yield curve | (21.7) | (1.9) |
| Sensitivity 3: 10% decline in equity and real estate values | (23.7) | (3.9) |
| Sensitivity 4: 10% decline in maintenance expenses | (19.2) | 0.5 |
| Sensitivity 5: 10% decline in surrender and lapse rate | (20.0) | (0.2) |
| Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products | (19.7) | 0.0 |
| Sensitivity 7: 5% decline in mortality and morbidity rates for annuities | (19.7) | 0.0 |
| Sensitivity 8: Setting required capital at statutory minimum level | (18.8) | 0.9 |
| Sensitivity 9: 25% increase in implied volatilities of equity and real estate values | (27.4) | (7.6) |
| Sensitivity 10: 25% increase in implied volatilities of swaptions | (20.2) | (0.4) |

## 5. Note in Using EV

In calculating the embedded value of the Group, numerous assumptions (some of which are shown in Appendix B) are required concerning the Group's lines of business with respect to industry performance, business and economic conditions and other factors, many of which are outside the Group's control. Although the assumptions used represent estimates that the Group believe are appropriate for the purpose of embedded value reporting, future operating conditions may differ, perhaps significantly, from those assumed in the calculation of the embedded value. Consequently, the inclusion of embedded value herein should not be regarded as a statement by the Group, Towers Perrin or any other entity, that the stream of future after-tax profits discounted to produce the embedded value will be achieved.

## Appendix A: EEV Methodology

The methodology and assumptions adopted by the Group to calculate EEV are market-consistent and in accordance with the EEV Principles and related guidance issued by the CFO Forum in May 2004 and a further EEV guidance on minimum required disclosures of sensitivities and other items issued by the Forum in October 2005.
Dai-ichi Life is currently a mutual company. In calculating its EEV, the surplus after policyholder dividends is considered to be the value attributable to the company.

### 1. Covered Business

The covered business represents all of the life insurance business of the Group (all the businesses and subsidiaries are covered in the EEV calculations).

### 2. Adjusted Net Worth

Adjusted net worth is calculated by adjusting the total net assets on the company's balance sheet for the following:

- In order to mark to market, differences in market value and book value of assets have been reflected, specifically differences of bonds held to maturity, policy-reserve-matching bonds, loans, land, building, debt and borrowings etc., after adjusting for unrealized gains/losses after tax. For retirement benefits, figures from the notes of the Group's consolidated balance sheet have been used after adjustment for tax.
- Consolidated subsidiaries operating life insurance businesses are treated as follows:
  - Dai-ichi Frontier Life
    EEV of the company is calculated and included in the Group's EEV.
  - Dai-ichi Life Insurance Company of Vietnam, Limited
    As the company has a limited impact on Group EEV, its TEV is included in the Group's adjusted net worth as the fair value of Dai-ichi Life's ownership interest.
  - Affiliated companies accounted for under the equity method
    EEV is not calculated, and differences in market value and book value of assets have been reflected as unrealized gains (losses) in adjusted net worth.
- Liabilities that are appropriate to be added to the adjusted net worth (contingency reserve, price fluctuation reserve, unallocated portion of reserve for policyholder dividends, and general reserve for possible loan losses) have been added on an after-tax basis.

**3. Value of in-force business**

The value of in-force business is calculated as the certainty equivalent present value of projected after-tax profits deducting the time value of financial options and guarantees, cost of holding required capital and allowance for non financial risks.

Future profits for each year are estimated based on the assumption that policy reserves are held on a statutory basis. There are no projected residual assets at the end of the projection period.

With regard to reinsurance, both reinsured and reinsuring parts are reflected.

**4. Certainty equivalent present value of future profit**

The certainty equivalent present value of future profit is the present value of after-tax profits based on the projected cash flows, calculated on a deterministic basis. All cash flows are discounted at the risk-free rate, assuming the investment yield of all assets is equivalent to the risk-free rate.

The certainty equivalent present value of future profit reflects the intrinsic value of options and guarantees.

**5. Time value of financial options and guarantees**

The time value of financial options and guarantees is calculated as the difference between (i) the average of the present value of future after-tax profits calculated by stochastic methods where economic assumptions are consistent with current market prices for traded assets, and (ii) the certainty equivalent present value of future profits.

Asset allocation is assumed to be the same as the one at the valuation date over the projection periods and any discretion of management in terms of investment strategy is not incorporated.

There are various options in the insurance contracts. The following options and guarantees are considered in calculating the time value of financial options and guarantees of the Group using stochastic methods.

- Participating policies options

  When profits arise, policyholder dividends are paid out. On the other hand, when losses arise, the cost of guarantees is not attributed to policyholders. Such asymmetric nature emerges in the net surplus after distribution of policyholder dividends. The value of this option is calculated in the time value of financial options and guarantees by assuming future policyholder dividends along with future profits by stochastic scenarios.

- Minimum guarantees for variable life insurance

  When investment performance is good, policyholders will be entitled to the full amount of the account. On the other hand, when investment performance is poor, an insurance company will bear the cost of guarantees attached to variable life insurance policies. The value of this option is calculated in the time value of

financial options and guarantees of the Group

- Minimum interest-rate guarantee for interest rate-sensitive products

  When interest rates rise, high interest rates are credited to interest rate-sensitive products. On the other hand, even when interest rates decline, the minimum interest rate is guaranteed in some cases. Such asymmetric nature emerges in future cash flows. The value of this option is calculated in the time value of financial options and guarantees of the Group

- Policyholder behavior

  Policyholders have options depending on the movement of financial markets. The cost of selective lapses, such as the lapses based on the “in-the-moneyness” in variable annuities or relation between assumed interest rate and interest rate in saving products, is reflected in the time value of financial options and guarantees of the Group.

**6. Cost of holding required capital**

This is referred to as “frictional cost” in market-consistent methodology.

In order to secure financial solidity, life insurance companies are required to hold additional assets in excess of the statutory liability. The cost of holding required capital is the cost incurred through the payment of taxes on the investment income of the assets backing the required capital and the related investment expenses incurred for the management of the assets. Although the “cost of capital” in TEV is a similar item, it was calculated by multiplying required capital by the spread between investment yield (after-tax) and discount rate.

The EEV Principles define the minimum required capital to be equal to the statutory minimum capital requirement, and if the required capital calculated by an internal model exceeds the statutory requirement, an internal model may be used. The Group defines required capital as the level required to maintain 600% level of solvency margin ratio. The values of required capital as of March 31, 2008 and 2009 are ¥1,190.9 billion and ¥893.5 billion, respectively (free surplus as of March 31, 2008 and 2009 are ¥1,509.6 billion and ¥403.0 billion, respectively).

MCEV Principles define required capital as the amount of assets, which is calculated by an internal model and should be held in addition to the assets corresponding to the statutory liability. The Group will continue investigation in reviewing the definition of required capital, taking into account worldwide trends and discussions on economic value based solvency assessment.

**7. Allowance for non-financial risks**

EEV Principles define the EV to be the present value of distributable profits attributable to shareholders arising from assets allocated to the covered business, calculated taking into account all the risks of the covered business including non financial risks.

The uncertainty around the return on most non-financial risks can be diversified away. Thus, provided the best estimate assumptions are set to provide the mean expected financial outcome to shareholders, no further allowance for non-financial risk such as mortality is required.

There are some non-financial risks where the existing best estimate experience assumptions do not reflect the mean expected financial outcome to shareholders. These are typically operational risks.

When profits arise, the company pays tax. On the other hand, when losses arise, tax can not be negative. In such cases, carrying losses on a tax accounting basis are collectable in most cases. However, there is a risk of uncollectibility within in the deferrable period.

The Group quantified non-financial risks by a simplified model.

**8. Value of new business**

The value of new business for the year ended March 31, 2009 is the value of new policies issued during the 12 month period, and is calculated by the same method as the value of in-force business. The value of new business is the value at the time of sale of new policies. The profit during the fiscal year ended March 31, 2009 from new business is calculated based on the same assumptions used for the value of in-force business. The economic assumptions applied are as of the end of each fiscal year.

In addition to the new policies, net increases in conversions and addition of riders have been included in the value of new business, while renewal of policies is not included. With regard to the corporate insurance, such as group insurance, corporate pension and workers compensation insurance, the increase of the proportion underwritten by an insurance company in a group scheme, the increase of members in a group scheme and the increase of the sum insured by members in a group scheme are included. This definition of the new business is consistent with statutory financial reporting except for the corporate insurance.

## Appendix B: Principal EEV assumptions

### 1. Economic assumptions

(1) Risk-free rate

In the certainty equivalent calculation, the Japanese Government Bond (JGB) is used as a proxy for risk-free rates, taking assets in the Group's portfolio and the liquidity in the market into account.

We will continue to examine which rate should be applied, taking the ongoing discussion in Europe into account. The table below shows, for selected terms, the risk-free rates (spot rates) which are used in the calculations.

| Term | March 31, 2008 | March 31, 2009 |
|---|---|---|
| 1 Year | 0.552% | 0.328% |
| 2 Year | 0.593% | 0.418% |
| 3 Year | 0.593% | 0.555% |
| 4 Year | 0.691% | 0.698% |
| 5 Year | 0.756% | 0.811% |
| 10 Year | 1.327% | 1.416% |
| 15 Year | 1.838% | 1.869% |
| 20 Year | 2.264% | 2.074% |
| 25Year | 2.486% | 2.157% |
| 30Year | 2.693% | 2.199% |

(Source: Bloomberg)

We assumed that forward rates in the 31st year and beyond were equal to those in the 30th year.

(2) Principal dynamic assumption

i. Interest rate model

As an interest rate model, the Group has adopted a single-factor Hull-White model, in which interest rates associated with Japanese yen, U.S. dollars, Euro and British pounds are calculated. The model has been adjusted to be in line with a risk-neutral approach in which Japanese yen is set as a base currency, and correlations between the interest rates have been also taken into account. The interest rate model has been calibrated consistently with the market environment as of each fiscal year end, and parameters used are estimated from the yield curve and implied volatilities of interest rate swaptions with various maturities. 5,000 scenarios are used in calculating time value of financial options and guarantees through stochastic method. These scenarios have been generated by Towers, Perrin Forster & Crosby, Inc.

Summary of implied volatilities of interest rate swaptions used to calibrate the scenarios are as follows:

Interest rate swaptions

| | | March 31, 2008 | | | | March 31, 2009 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Option Term | Swap Term | JPY | USD | EUR | GBP | JPY | USD | EUR | GBP |
| 5Year | 5Year | 26.1% | 20.8% | 12.9% | 12.2% | 29.7% | 26.9% | 17.5% | 15.8% |
| 5Year | 7Year | 22.9% | 19.8% | 12.4% | 11.7% | 27.4% | 25.9% | 17.7% | 15.3% |
| 5Year | 10Year | 20.0% | 18.5% | 11.9% | 11.2% | 25.2% | 25.0% | 17.5% | 14.7% |
| 7Year | 5Year | 21.3% | 17.9% | 11.6% | 11.5% | 25.1% | 24.3% | 16.0% | 13.2% |
| 7Year | 7Year | 19.6% | 17.4% | 11.4% | 11.2% | 23.8% | 23.6% | 15.9% | 13.0% |
| 7Year | 10Year | 17.5% | 16.8% | 11.2% | 10.7% | 22.3% | 23.4% | 15.9% | 12.9% |
| 10Year | 5Year | 18.5% | 15.1% | 10.8% | 10.9% | 22.0% | 21.6% | 14.5% | 11.0% |
| 10Year | 7Year | 17.2% | 15.0% | 10.7% | 10.7% | 21.0% | 21.7% | 14.7% | 11.2% |
| 10Year | 10Year | 15.6% | 14.6% | 10.7% | 10.4% | 20.0% | 21.7% | 15.2% | 11.8% |

(Source: Bloomberg)

ii. Implied volatilities of equities and currencies

Volatilities of traditional equity indices and currencies are calibrated based on implied volatilities of relevant options traded in the market. Implied volatilities used to calibrate the scenarios are as follows:

Stock Options

| Currency | Underlying Asset | Option Term | Volatility | |
|---|---|---|---|---|
| | | | March 31, 2008 | March 31, 2009 |
| JPY | Nikkei 225 | 3Year | 24.0% | 34.3% |
| | | 4Year | 24.0% | 34.1% |
| | | 5Year | 24.0% | 33.9% |
| USD | S&P 500 | 3Year | 24.7% | 34.9% |
| | | 4Year | 25.5% | 34.8% |
| | | 5Year | 26.1% | 34.8% |
| EUR | EuroStoxx 50 | 3Year | 24.0% | 33.3% |
| | | 4Year | 24.1% | 32.7% |
| | | 5Year | 24.2% | 32.3% |
| GBP | FTSE 100 | 3Year | 24.0% | 31.2% |
| | | 4Year | 23.9% | 30.8% |
| | | 5Year | 23.8% | 30.7% |

(Source: Investment Bank)

Currency Options

| Currency | Option Term | Volatility | |
|---|---|---|---|
| | | March 31, 2008 | March 31, 2009 |
| USD | 10Year | 13.1% | 13.3% |
| EUR | 10Year | 13.0% | 22.0% |
| GBP | 5Year | 12.9% | 24.1% |

(Source: Bloomberg)

iii. Volatilities of real estate and other asset classes

Market-consistent implied volatilities have not been observed with regard to real estate. Therefore, the volatility of real estate has been derived by multiplying the historical volatility ratio of Tosho REIT index to TOPIX (Tokyo Stock Exchange Stock Price Index) by the implied volatility of Japanese equity.

In addition, foreign real estate and emerging equity/bond markets are modeled as an asset class in stochastic calculation for variable type products. Volatilities of those asset classes have been derived in the same manner.

iv. Correlations

In addition to implied volatilities described above, Dai-ichi Life has calculated implied volatilities reflecting its asset portfolio and correlation factors. The share of each asset is assumed to be unchanged over the projection periods.
With regard to correlation factors, market-consistent data from exotic options with sufficient liquidity have not been observed in the market. Therefore, market data for 8 year up to the end of December 2008 have been used. Following table shows correlation factors between major variables.

| | Short Rate /JPY | Short Rate /USD | Short Rate /EUR | Exchange Rate /USD | Exchange Rate /EUR | Stock Index /JPY | Stock Index /USD | Stock Index /EUR | REIT Index /TSE REIT Index |
|---|---|---|---|---|---|---|---|---|---|
| Short Rate /JPY | 1.00 | 0.35 | 0.24 | 0.18 | 0.08 | 0.38 | 0.17 | 0.16 | 0.13 |
| Short Rate /USD | 0.35 | 1.00 | 0.19 | 0.38 | 0.11 | 0.35 | 0.50 | 0.55 | 0.16 |
| Short Rate /EUR | 0.24 | 0.19 | 1.00 | 0.05 | (0.08) | 0.18 | 0.23 | 0.30 | 0.30 |
| Exchange Rate /USD | 0.18 | 0.38 | 0.05 | 1.00 | 0.53 | 0.35 | 0.23 | 0.30 | 0.17 |
| Exchange Rate /EUR | 0.08 | 0.11 | (0.08) | 0.53 | 1.00 | 0.40 | 0.37 | 0.27 | 0.08 |
| Stock Index /JPY | 0.38 | 0.35 | 0.18 | 0.35 | 0.40 | 1.00 | 0.65 | 0.63 | 0.42 |
| Stock Index /USD | 0.17 | 0.50 | 0.23 | 0.23 | 0.37 | 0.65 | 1.00 | 0.90 | 0.49 |
| Stock Index /EUR | 0.16 | 0.55 | 0.30 | 0.30 | 0.27 | 0.63 | 0.90 | 1.00 | 0.50 |
| REIT Index /TSE REIT Index | 0.13 | 0.16 | 0.30 | 0.17 | 0.08 | 0.42 | 0.49 | 0.50 | 1.00 |

(Source: Bloomberg)

(3) Assumed investment yield on each asset used for the expected return calculation
Assumed investment yield on each asset used for the calculation of "Expected existing business contribution (in excess of risk-free rate)" in "3 Movement Analysis" is as follows:

| | Assumed investment yield |
|---|---|
| Cash and deposits, call loans | 0.50% |
| Fixed income assets | 1.54% |
| Domestic stocks | 4.78% |
| Foreign bonds | 3.78% |
| Other assets | 2.26% |
| Total | 2.26% |

*(Note1) Figures above are the same as those used in calculating the TEV as of March 31, 2008.*

The assumed investment yield used for the calculation of "Expected existing business contribution (in excess of risk-free rate)" is calculated by multiplying the share of each asset as of March 31, 2008 by the assumed investment yield of each asset above.

**2. Non-economic assumptions**
All cash flows (premium, operating expense, benefits and claims, cash surrender value, tax, etc.) are projected applying the best estimate assumptions up to the termination of the policies, by product, referring to past, current and expected future experience

As this is the initial disclosure in accordance with the EEV principles and the EEV as of March 31, 2008 was calculated retroactively, the same assumptions were applied both for the EEV as of March 31, 2008 and 2009, except economic assumptions.

- Operating expenses
  Operating expenses are set based on the experience of Dai-ichi Life and Dai-ichi Frontier Life. The look-through basis is applied in terms of operating expenses of insurance business in the Group.
  - For Dai-ichi Life, adjustment is made for one-time expenses which are considered to be non-recurrent in the future. The amount of such one-time expense is ¥2.7 billion.
  - For Dai-ichi Frontier Life, operating expenses are assumed to decrease for the certain period of time, because it has operated for only a short period of time and the improvement of operating efficiency is expected in the future. Therefore, based on future new business and future operating expenses along with the mid-long term business plan, decrease of unit-cost (by 17% per annum on

average) for 10 years is assumed.

- Future inflation rate is assumed zero.

- Policyholder dividends

(1) Dai-ichi Life

Policyholder dividend rates are set based on the current dividend policy. It is consistent with the post-demutualization policyholder dividend policy, stated in the plan for demutualization in anticipation of its demutualization planned in April 2010.

(2) Dai-ichi Frontier Life

No assumption of policyholder dividend rate is set, as it sells only non-participating policies.

- Effective tax rate

Set based on the most recent effective tax rate for each company

Dai-ichi Life: 36.08%

Dai-ichi Frontier Life: 36.21%

## Appendix C: Comparison between TEV and EEV

The major differences between TEV and EEV are as follows (with regard to TEV, please refer to the press release on May 20, 2009):

### 1. Dai-ichi Life

(billions of yen)

| | | EV | Value of new business |
|---|---|---|---|
| TEV as of March 31, 2009 | | 1,560.8 | 46.1 |
| Impact | (1) Change of the model and revision of non-economic assumptions | 53.0 | (18.4) |
| | (2) Change to market-consistent approach | 6.9 | 74.4 |
| | (3) Adjusted net worth | 174.9 | - |
| EEV as of March 31, 2009 | | 1,795.9 | 102.1 |

(1) Change of the model and revision of non-economic assumptions
This item represents the impact by the refinement of the projection model and the revision of non-economic assumptions taking the past, current and expected future experience into account.

(2) Change to the market-consistent approach
This item represents the impact by the change from traditional to market-consistent approach. The change includes the application of risk-free rate for the investment return and the discount rate as well as the explicit calculation of “Time value of financial options and guarantees” and “Allowance for non-financial risks”.
It also includes the impact by changing the timing of valuation for the value of new business from the fiscal year end to the time of sale of new policies.

(3) Adjusted net worth
This item represents the impact on adjusted net worth by the change of the method and scope of mark-to-market valuation.

- In its EEV reporting, the Group marked its assets to market using the balance sheet date of March 31, 2009. On the other hand, in its TEV reporting, stocks were marked to market by using average prices during March 2009. As stock prices had risen during the latter half of March 2009, the fair value of the stock portfolio as of March 31, 2009 was higher than that measured by the average stock prices.
- The Group calculated fair values of securities which are not traded in the market, policy loans and subordinated debt etc.. Also, the method and scope of valuation for real estate has been changed.

(4) Implied discount rate

The implied discount rate ("IDR") represents the discount rate which reconciles the market-consistent EEV applying TEV methodologies.

IDR for EEV is 5.29% and for value of new business is 3.66%, which was lower than the discount rate applied in TEV reporting (6.3%).

(5) Assumed investment yield and discount rate used in TEV calculation

i. Investment yield

Investment yield set in TEV calculation as of March 31, 2009 is as follows.

| | Assumed investment yield |
|---|---|
| Cash and deposits, call loans | 0.10% |
| Fixed income assets | 1.73% |
| Domestic stocks | 3.35% |
| Foreign bonds | 3.35% |
| Other assets | 1.24% |
| Total | 1.97% |

ii. Discount rate

The discount rate set in TEV calculation as of March 31, 2009 is 6.3%.

**2. Dai-ichi Frontier Life**

TEV and EEV as of March 31, 2009 are ¥128.9 billion and ¥121.8 billion, respectively.

The value of new business on a TEV basis and on an EEV basis as of March 31, 2009 are (¥20.9) billion and (¥19.7) billion, respectively.

Major differences are a result of the change to a market-consistent approach.

## Appendix D: Actuarial opinion

The Group requested Towers Perrin, an independent actuarial firm, to review the calculation of the Group's EEV and obtained the following opinion.

Towers Perrin has reviewed the methodology and assumptions used to determine the embedded value results as at March 31, 2008 and March 31, 2009 for Dai-ichi Life Group ('Dai-ichi'). The review covered the embedded value as at March 31, 2008 and March 31, 2009, the value of new business issued in fiscal 2007 and 2008, the analysis of movement in the embedded value during fiscal 2008 and the sensitivities of the embedded value and new business value to changes in assumptions.

Currently, Dai-ichi Life is a mutual company, and the embedded value has been calculated as if Dai-ichi Life is a proprietary company, based on the current policyholder dividend practice and its demutualisation plan.

Towers Perrin has concluded that the methodology and assumptions used comply with the EEV Principles. In particular:

- The methodology makes allowance for the aggregate risks in the covered business through Dai-ichi's bottom-up methodology as described in Appendix A of this document, which includes a stochastic allowance for financial options and guarantees, and deductions to allow for the frictional cost of required capital and the impact of non-financial risks;

- The operating assumptions have been set with appropriate regard to past, current and expected future experience;

- The economic assumptions used are internally consistent and consistent with observable market data; and

- For participating business, the assumed policyholders' dividend rates, and the allocation of profit between policyholders and assumed shareholders, are consistent with the projection assumptions, established company practice, Dai-ichi's demutualisation plan and local market practice.

The methodology and assumptions also comply with the EEV Guidance, with the disclosed exceptions of showing the sensitivity of a 0.5% change in interest rates (rather than 1%).

Towers Perrin has also performed checks on the results of the calculations, without however undertaking detailed checks of all the models, processes and calculations involved. On the basis of these checks, Towers Perrin is satisfied that the disclosed results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in this disclosure document.

In arriving at these conclusions, Towers Perrin has relied on data and information provided by Dai-ichi Life Group. This opinion is made solely to Dai-ichi Life Group in accordance with the terms of Towers Perrin's engagement letter. To the fullest extent permitted by applicable law, Towers Perrin does not accept or assume any responsibility, duty of care or liability to anyone other than Dai-ichi Life Group for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

## Appendix E: Glossary

| | |
|---|---|
| Allowance for Non-financial Risks | Explicit cost for asymmetric non-financial risks such as operational risks. |
| Best Estimate Assumption | An assumption that represents the expected outcome from the range of possible outcomes for future experience of that assumption. |
| Certainty Equivalent Present Value of Future Profit | The present value of future statutory after-tax profits, projected over the life time of the policies in a scenario where all investments are assumed to earn the risk-free rate. |
| CFO Forum | The CFO Forum is a high-level discussion group formed and attended by the Chief Financial Officers of major European insurance companies. Its aim is to discuss issues relating to financial reporting developments for their businesses and how they can create greater transparency for investors. The CFO Forum was created in 2002. |
| Cost of Holding Required Capital | The additional investment and taxation costs incurred by shareholders through investing required capital in the company rather than directly. |
| EEV Principles | European Embedded Value (EEV) Principles were published by the CFO Forum in May 2004, together with additional guidance on disclosures in October 2005, addressed the treatment of options and guarantees and provided the insurance industry with improved sensitivities and disclosures. |
| Implied Volatility | The implied volatility of an option contract is the volatility implied by the market price of the option. |
| Look-through Basis | A basis via which the impact of an action on the whole group, rather than on a particular part of the group, is measured. |
| Market-consistent Approach | A measurement approach where economic assumptions are such that projected asset cash flows are valued consistently with current market prices for traded assets. |

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| MCEV Principle | The European Insurance CFO Forum Market Consistent Embedded Value Principles (Copyright© Stichting CFO Forum Foundation 2008) were published by CFO Forum in June 2008 to ensure the valuation to be on a market consistent basis and to improve comparability between companies. The use of the MCEV Principles was intended to be mandatory for EV reporting for all members from 2009.<br>However, in the light of the recent financial turmoil, the MCEV principles are under review, in particular with regard to implied volatilities, cost of non-hedgeable risk, the use of swap rates as a proxy for risk free rate and the effect of liquidity premia, which may result in significant amendments, and it was decided to defer mandatory MCEV reporting for all members until 2011. |
| Required Capital | The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted. |
| Risk-free Rate | Prospective yields on securities to be considered to be free of default or credit risk. |
| Stochastic Method | Techniques that incorporate the potential future variability in assumptions affecting their outcome. |
| Swaption | A swaption is an option giving the holder the right to enter into a certain interest rate swap at a certain time in the future. |
| Time Value of Financial Options and Guarantees | An option feature has two elements of value, the time value and intrinsic value. Intrinsic value is that of the most valuable benefit under the option under conditions at the valuation date. Time value is the additional value ascribable to the potential for benefits under the option to increase in value prior to expiry. |