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Code: 8750 (TSE First section)

Exposure to Securitized Products Including Subprime-Related Investments

The Dai-ichi Life Insurance Company, Limited (the “Company”; President: Koichiro Watanabe) 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 announced in April 2008.

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

- The Company held no direct investments in subprime-related products as of September 30, 2013.
- The Company holds investments in hedge funds, and some of their underlying investments include subprime-related products. As the exposure in the total portfolio is small, the Company believes that they would have a limited impact on its financial condition even under market fluctuations.
- RMBS accounts for slightly less than 70% of the Company’s total balance of securitized products in terms of fair value as of September 30, 2013. 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.

The Company defines “unrealized gains (losses)” as fair value less book value and “realized gains (losses)” as total of gains (losses) on sales and impairment losses. Realized gains (losses) of CDS represent the amount of net derivative transaction gains (losses) associated with CDS, which are derivative transaction gains from CDS less derivative transaction losses from CDS.

1. The Company's exposure to securitized products

Table 1. Special-Purpose Entities (SPEs, as of September 30, 2013)

The Company holds no investments in SPEs.

| (¥ in billion) | | | |
|-----------------------------------|------------|---------------------------|-------------------------|
| | Fair value | Unrealized gains (losses) | Realized gains (losses) |
| Special-Purpose Entities, Total | – | – | – |
| ABC | – | – | – |
| 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 September 30, 2013)

| (¥ in billion) | | | |
|-------------------------|------------|---------------------------|-------------------------|
| | Fair Value | Unrealized gains (losses) | Realized gains (losses) |
| CDOs (*1)(*2) | 1.5 | 0.0 | – |
| ABS-CDO | – | – | – |
| Senior | – | – | – |
| Subprime/Alt-A exposure | – | – | – |
| Mezzanine | – | – | – |
| Subprime/Alt-A exposure | – | – | – |
| Equity | – | – | – |
| Subprime/Alt-A exposure | – | – | – |
| CLO | 1.5 | 0.0 | – |
| Senior | 1.5 | 0.0 | – |
| Mezzanine | – | – | – |
| Equity | – | – | – |
| CBO | – | – | – |
| Senior | – | – | – |
| Mezzanine | – | – | – |
| Equity | – | – | – |
| Synthetic CDO | – | – | – |
| Senior | – | – | – |
| Mezzanine | – | – | – |
| Equity | – | – | – |
| Others | – | – | – |
| Senior | – | – | – |
| Mezzanine | – | – | – |
| Equity | – | – | – |

*1. The Company held approx. ¥1.5 billion of CDOs as shown in the table above. The size of issuance as a whole of the CDOs is ¥421.6 billion.

*2. Breakdown of credit ratings of the CDOs held by the Company as of September 30, 2013 is as follows:

(¥ in billion)

| Credit rating | Fair value | Percentage |
|-------------------|------------|------------|
| AAA | – | – |
| AA | 1.5 | 100.0% |
| A | – | – |
| BBB | – | – |
| BB | – | – |
| B | – | – |
| no credit ratings | – | – |
| Total | 1.5 | 100.0% |

Table 3. Other Subprime/Alt-A Exposure (as of September 30, 2013)

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 September 30, 2013)

The Company holds no commercial mortgage-backed securities.

(¥ in billion)

| | Fair value | | Unrealized gains (losses) | Realized gains (losses) |
|--------|------------|----------------------------|---------------------------|-------------------------|
| | | (ref.) as of June 30, 2013 | | |
| CMBS | – | – | – | – |
| Japan | – | – | – | – |
| USA | – | – | – | – |
| Europe | – | – | – | – |
| UK | – | – | – | – |
| Others | – | – | – | – |

Table 5. Leveraged Finance (as of September 30, 2013)

The Company holds no leveraged finance products.

(¥ in billion)

| | Fair value | | Unrealized gains (losses) | Realized gains (losses) |
|--------------------------|------------|----------------------------|---------------------------|-------------------------|
| | | (ref.) as of June 30, 2013 | | |
| Leveraged Finance, Total | – | – | – | – |
| Telecommunication | – | – | – | – |
| Electronics | – | – | – | – |
| Entertainment | – | – | – | – |
| Service | – | – | – | – |
| Others | – | – | – | – |

Table 6. Others (as of September 30, 2013) ^{(*)1}

(¥ in billion)

| | Fair value | Unrealized gains (losses) | Realized gains (losses) |
|----------------------------|-----------------------|------------------------------|----------------------------|
| Hedge fund ^{(*)2} | 245.0 | 1.9 | – |
| CDS | – | – | (0.0) |
| RMBS | ^{(*)3} 994.4 | 67.2 | 2.5 |
| ABS | 117.8 | 2.9 | – |
| Credit-linked note | 73.2 | 1.2 | – |

*1. The Company held no direct investments in subprime-related products as of September 30, 2013.

*2. The Company holds investments in hedge funds, and some of their underlying investments include subprime-related products. As the exposure in the total portfolio is small, the Company believes that they would have a limited impact on its financial condition even under market fluctuations.

*3. RMBS consisted of: (1) approx. ¥684.1 billion of US mortgage securities backed by US government agencies or US government-sponsored enterprises, (2) approx. ¥258.4 billion of securities backed by Japanese mortgage loans, and (3) approx. ¥51.8 billion of securities issued by Japan Housing Finance Agency.

2. Breakdown of Securitized Products as a Whole

The Company held no direct investments in securitized products related to subprime loans as of September 30, 2013.

(¥ in billion)

| | Fair value | Unrealized gains (losses) | Realized gains (losses) | Percentage (Fair Value) |
|-----------------------------|------------|------------------------------|----------------------------|----------------------------|
| Securitized products, total | 1,432.1 | 73.5 | 2.5 | 100.0% |
| CDO | 1.5 | 0.0 | – | 0.1% |
| CMBS | – | – | – | – |
| Hedge fund | 245.0 | 1.9 | – | 17.1% |
| CDS | – | – | (0.0) | – |
| RMBS | 994.4 | 67.2 | 2.5 | 69.4% |
| ABS | 117.8 | 2.9 | – | 8.2% |
| Credit-linked note | 73.2 | 1.2 | – | 5.1% |

3. Other Related Information on Securitized Products

The Dai-ichi Frontier Life Insurance Co., Ltd. (DFL), a subsidiary of the Company, held approx. ¥10.7 billion of securitized products as of September 30, 2013. However, DFL held no direct investments in subprime-related products. The other subsidiaries held no exposure to securitized products.

Abbreviated terms:

| | |
|----------|--|
| ABCP: | Asset Backed Commercial Paper |
| ABS: | Asset Backed Securities |
| 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 |

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