

Daido Life's Business Strategy

July 23, 2013

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**Chairman , Representative Director
Daido Life Insurance Company**

| | | |
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1. Overview, History of Daido Life

< Summary of corporate data >

| | |
|--|---|
| Date of establishment | July, 1902 |
| Location of headquarters | 1-2-1 Edobori, Nish-ku, Osaka-city, Osaka |
| Capital stock | ¥110 billion |
| Number of employees (As of March 31, 2013) | In-house sales representatives: 3,943 Administrative personnel : 3,274 |
| Number of agencies (As of March 31, 2013) | 13,459 |

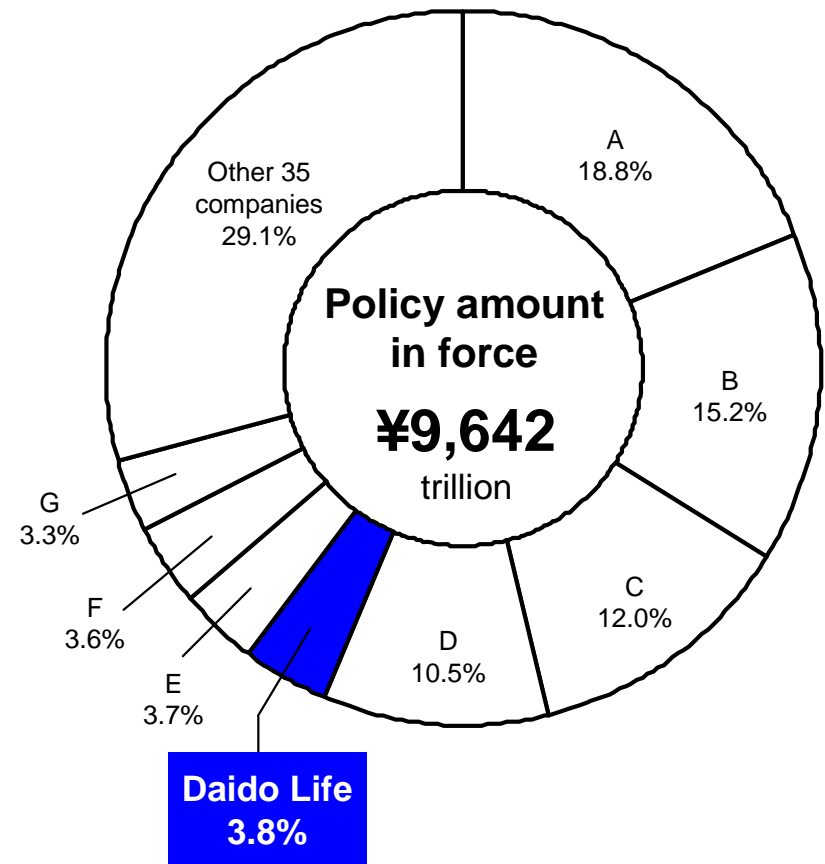
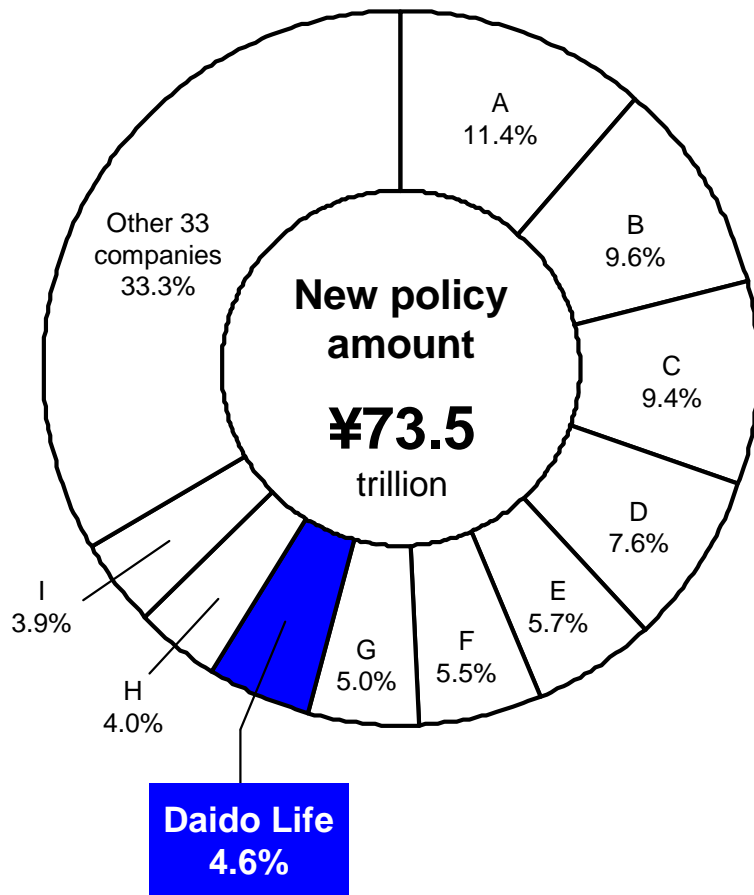
< Summary of financial data (FY2012) >

| | |
|--|---|
| New policy amount* | ¥3,992 billion (year-on-year comparison: 108.9%) |
| Policy amount in force* | ¥36,933 billion (year-on-year comparison: 101.0%) |
| Annualized premiums of new policies | ¥71 billion (year-on-year comparison: 113.2%) |
| Annualized premiums of policies in force | ¥636 billion (year-on-year comparison: 102.1%) |
| Income from insurance premiums | ¥724 billion (year-on-year comparison: 100.6%) |
| Ordinary profit | ¥67 billion (year-on-year comparison: 111.1%) |
| Net income | ¥28 billion (year-on-year comparison: 152.3%) |
| Total assets | ¥5,399 billion (year-on-year comparison: +¥204bn) |
| Solvency margin ratio | 1,043.2% (year-on-year comparison: +191.3pt) |

*including the insured amount of J-type product

- New policy amount: ranked 8th (4.6% market share), Policy amount in force: ranked 5th (3.8% market share).

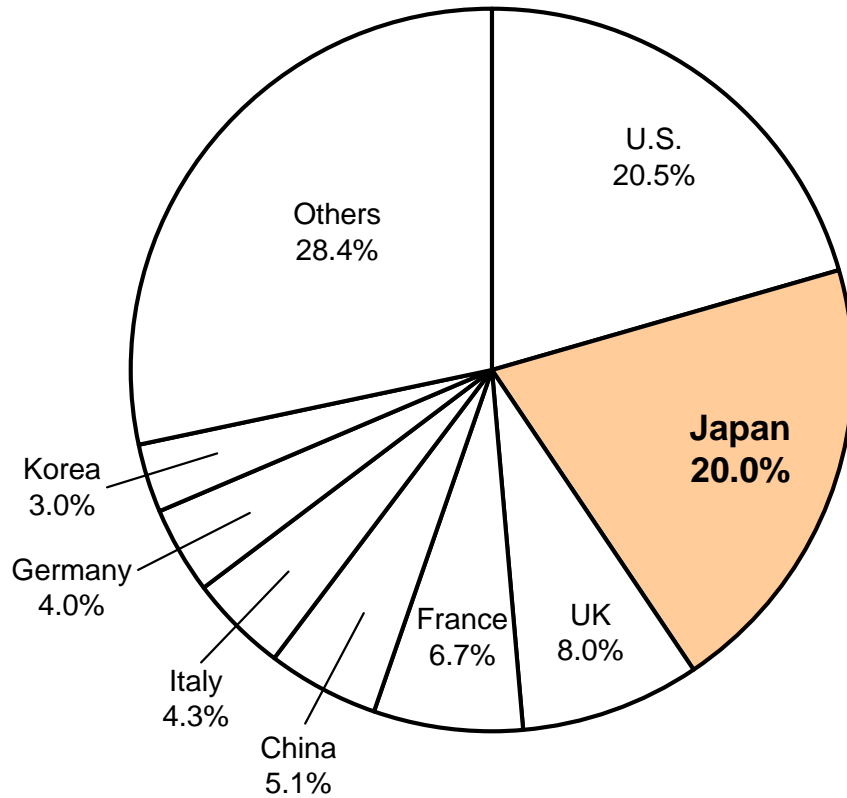
< Market shares in 2011 >



(Source) Life Insurance Association of Japan, 2012
"Summary of Life Insurance Business in Japan"

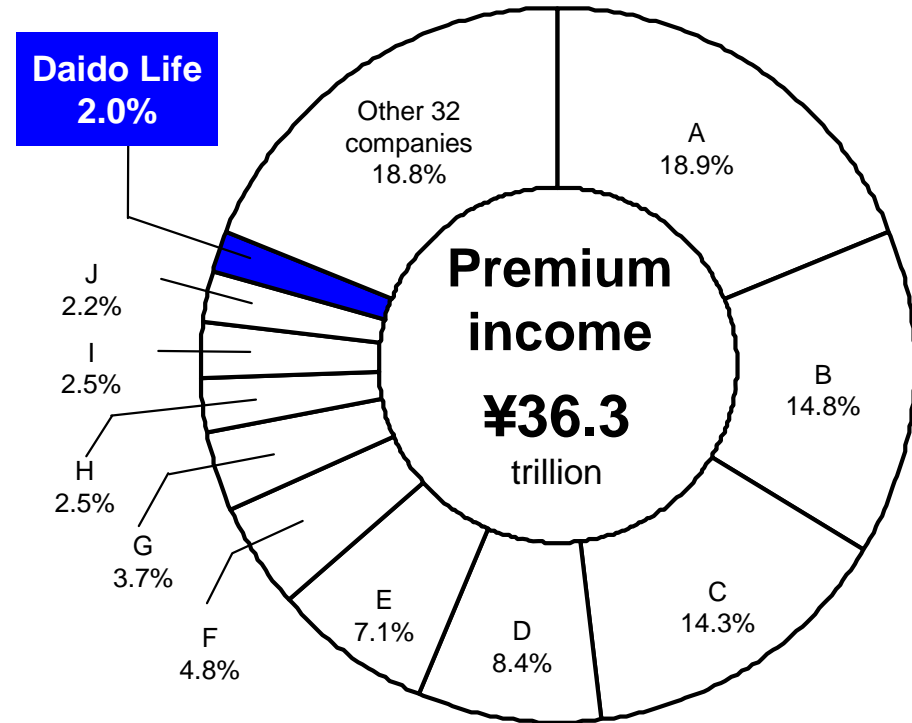
- Japanese life insurance industry is the second largest by premium income in the world, following the U.S.
- Daido ranks 11th in Japanese life insurance industry (2.0% market share).

< World life insurance in 2011 :
Country ranking by premium income >



(Source) Swiss Re "World insurance in 2011"

<Japanese life insurance industry in 2011:
Ranking by premium income >



(Source) Life Insurance Association of Japan, 2012
"Summary of Life Insurance Business in Japan"

| | | |
|-----------|--|------------|
| Year 1902 | <ul style="list-style-type: none"> Daido was founded by the merger of Asahi Life Insurance, Gokoku Life Insurance and Hokkai Life Insurance | → Photo1 |
| 1947 | <ul style="list-style-type: none"> Daido restarted as a mutual company | |
| 1971 | <ul style="list-style-type: none"> Daido entered the business alliance with AIU (currently "AIU Insurance Company"). Daido launched the comprehensive insurance plan, Ohgata Hoshu Plan, through the tie-up with the National Federation of Corporate Taxpayers Associations. Daido launched the comprehensive insurance plan, Ohgata Hoshu Plan, through the tie-up with the Tax Payment Associations. | } → Photo2 |
| 1976 | <ul style="list-style-type: none"> Daido launched the TKC Corporate Defense Plan through the tie-up with the TKC National Federation. | |
| 1999 | <ul style="list-style-type: none"> Daido entered the comprehensive business alliance with Taiyo Life. The alliance group was named as "T&D Life Group". | |
| 2001 | <ul style="list-style-type: none"> Together with Taiyo Life, Daido acquired Tokyo Life that was at bankruptcy then and renamed T&D Financial Life. | |
| 2002 | <ul style="list-style-type: none"> Demutualization of Daido Daido became the first domestic life insurer in Japan listed on the Tokyo Stock Exchange (TSE) 1st section and the Osaka Stock Exchange (OSE) 1st section. | → Photo3 |
| 2004 | <ul style="list-style-type: none"> Daido, together with Taiyo Life and T&D Financial Life established "T&D Holdings" as the first domestic insurance holding company listed on TSE 1st section and OSE 1st section. | → Photo4 |



1. Merger agreement



2. Brochure in launching each plan



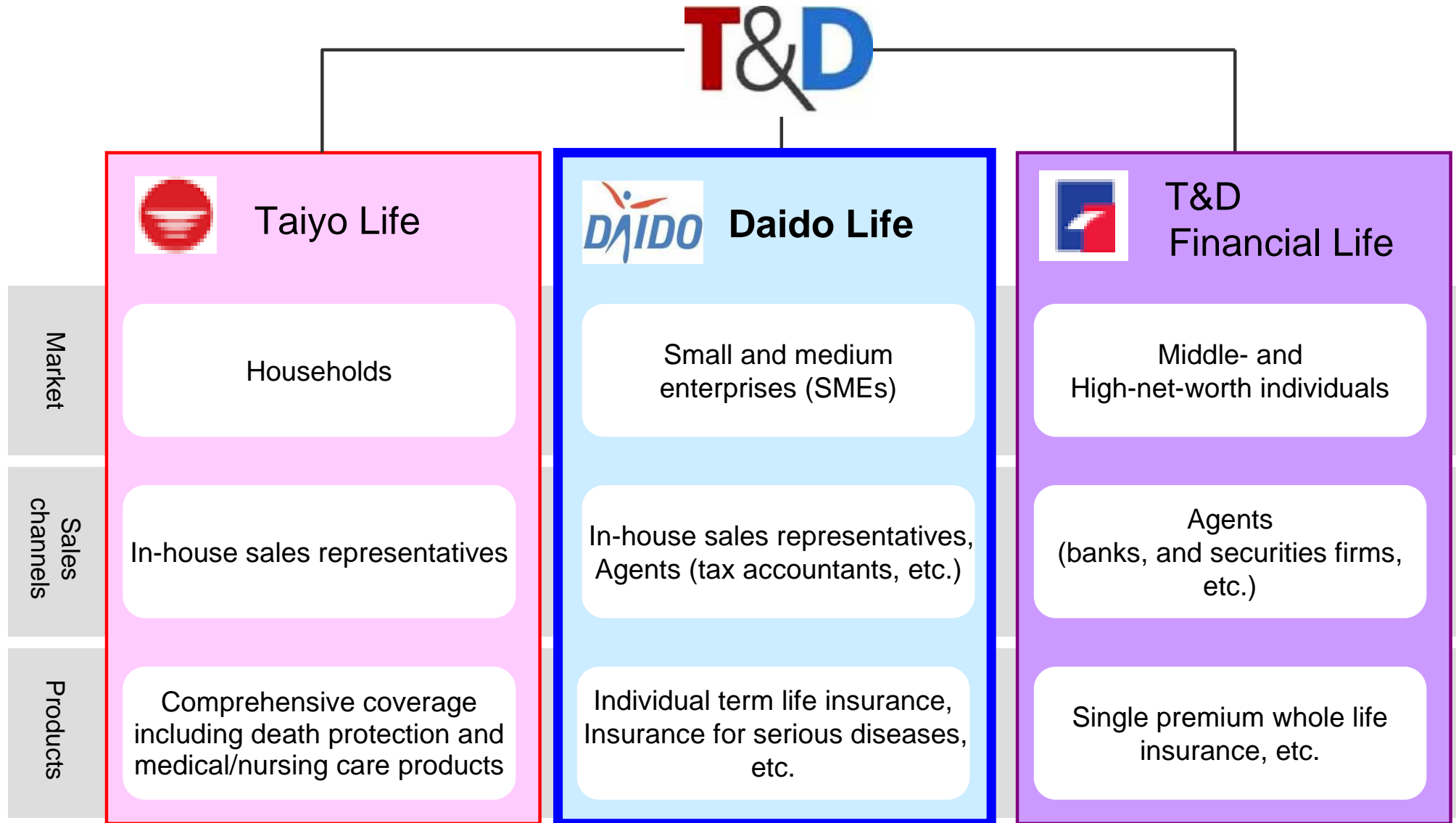
3. First day listed on TSE



4. T&D Holdings starting ceremony

1-3 Overview of T&D Life Group (1/3)

- T&D Life Group mainly consists of three life insurers. Each of them has a unique business model.



- T & D Life Group (T&D Holdings) ranks within the top 15 by the market capitalization among the domestic financial institutions.

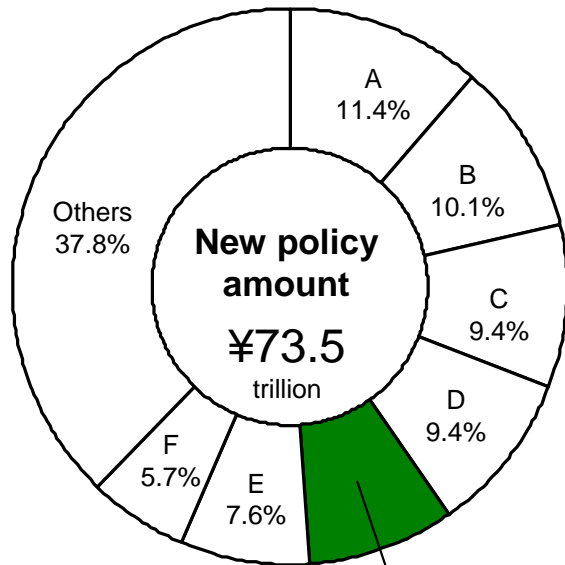
<Ranking by the market capitalization among the domestic financial institutions* >

| Ranking | As of March 31, 2012 | | As of March 31, 2013 | | As of June 30, 2013 | |
|---------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|
| | Company | Market capitalization | Company | Market capitalization | Company | Market capitalization |
| 1 | Mitsubishi UFJ Financial Group | ¥5.83tn | Mitsubishi UFJ Financial Group | ¥7.90tn | Mitsubishi UFJ Financial Group | ¥8.67tn |
| 2 | Sumitomo Mitsui Financial Group | ¥3.85tn | Sumitomo Mitsui Financial Group | ¥5.34tn | Sumitomo Mitsui Financial Group | ¥6.43tn |
| 3 | Mizuho Financial Group | ¥3.24tn | Mizuho Financial Group | ¥4.80tn | Mizuho Financial Group | ¥4.98tn |
| 4 | Tokio Marine Holdings | ¥1.83tn | Nomura Holdings | ¥2.21tn | Nomura Holdings | ¥2.79tn |
| 5 | Nomura Holdings | ¥1.40tn | Tokio Marine Holdings | ¥2.04tn | Tokio Marine Holdings | ¥2.42tn |
| 6 | The Dai-ichi Life Insurance Company | ¥1.14tn | Sumitomo Mitsui Trust Holdings | ¥1.84tn | Sumitomo Mitsui Trust Holdings | ¥1.81tn |
| 7 | Sumitomo Mitsui Trust Holdings | ¥1.10tn | ORIX Corporation | ¥1.33tn | ORIX Corporation | ¥1.71tn |
| 8 | MS&AD Insurance Group Holdings | ¥1.08tn | MS&AD Insurance Group Holdings | ¥1.31tn | MS&AD Insurance Group Holdings | ¥1.60tn |
| 9 | Resona Holdings | ¥0.96tn | The Dai-ichi Life Insurance Company | ¥1.27tn | Daiwa Securities Group | ¥1.46tn |
| 10 | ORIX Corporation | ¥0.87tn | Resona Holdings | ¥1.23tn | The Dai-ichi Life Insurance Company | ¥1.43tn |
| 11 | NKSJ Holdings | ¥0.77tn | Daiwa Securities Group | ¥1.15tn | Resona Holdings | ¥1.21tn |
| 12 | T&D Holdings | ¥0.65tn | NKSJ Holdings | ¥0.82tn | NKSJ Holdings | ¥0.98tn |
| 13 | Sony Financial Holdings | ¥0.64tn | T&D Holdings | ¥0.77tn | T&D Holdings | ¥0.91tn |
| 14 | The Shizuoka Bank | ¥0.58tn | The Bank of Yokohama | ¥0.73tn | The Shizuoka Bank | ¥0.71tn |
| 15 | Daiwa Securities Group | ¥0.57tn | The Shizuoka Bank | ¥0.71tn | Sony Financial Holdings | ¥0.68tn |

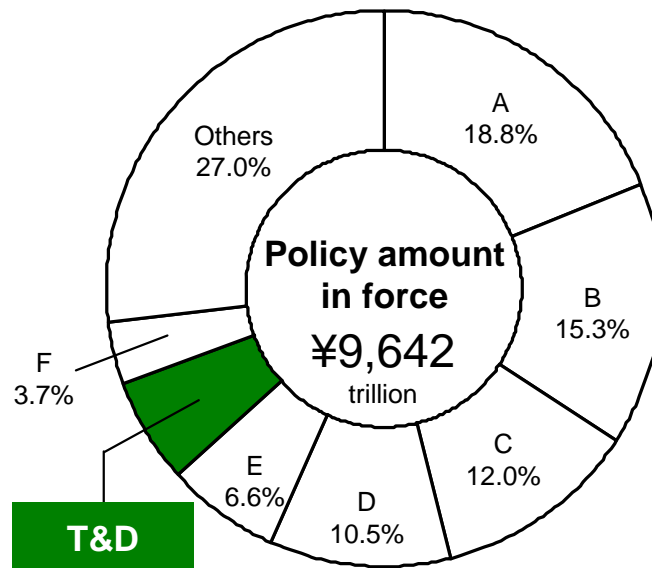
*Including insurance, banking, securities, and leasing companies

- Ranking of T&D Life Group in the Japanese life insurance industry: 5th by new policy amount, 6th by policy amount in force and 8th by premium income

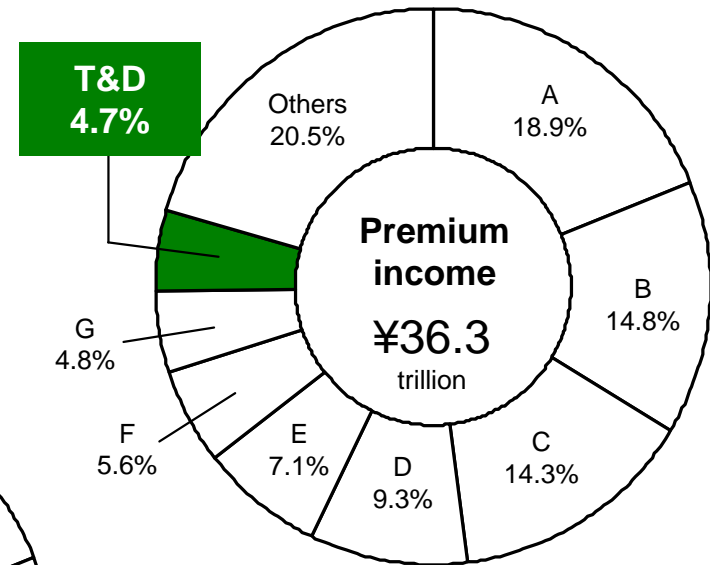
<Market shares in the Japanese life insurance industry in 2011 by insurance group>



T&D
8.6%



T&D
6.1%



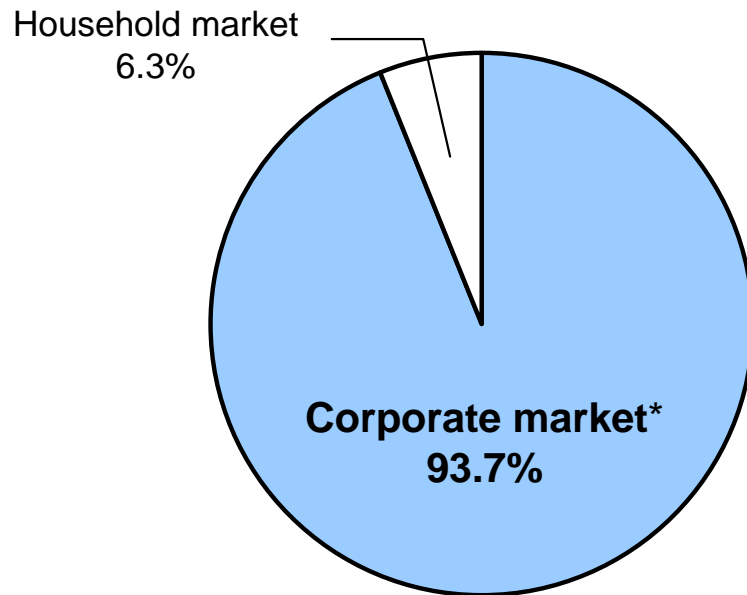
T&D
4.7%

(Source) Life Insurance Association of Japan, 2012
"Summary of Life Insurance Business in Japan"

2. Daido Life's Distinctive Business Model

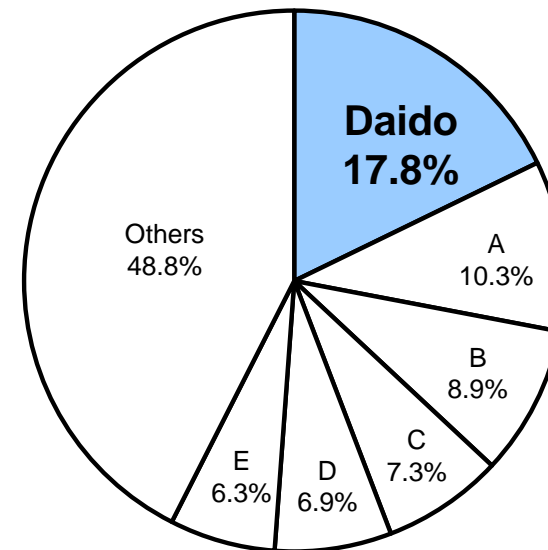
- Daido's sales activities target the SME market. Policies from the corporate market accounted for approximately 94% of Daido's new policy amount in fiscal 2012.
- Daido has No.1 share in individual term life insurance market. Term life insurance enables SMEs to obtain a high protection amount at reasonable price, therefore Daido believes term life insurance would be the most suitable for protection of SMEs.

<Market breakdown of Daido's new policy amount>



* Corporate market = new policy amount of individual insurance and individual annuities applied by group discounted premium + new policy amount of group insurance

<Individual term life insurance market shares by policy amount in force>

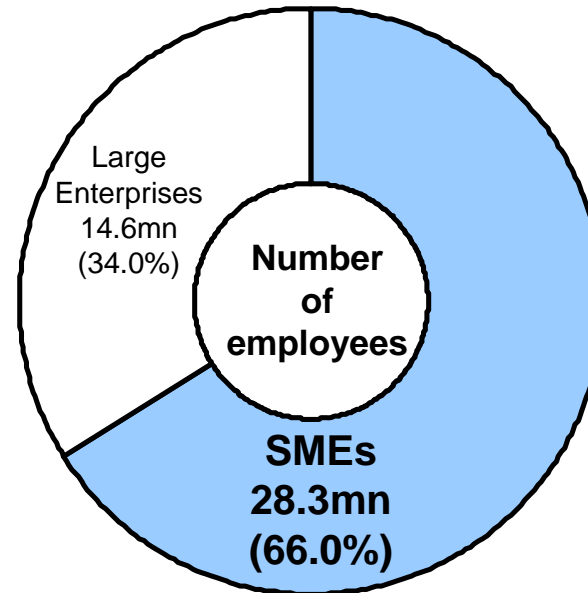
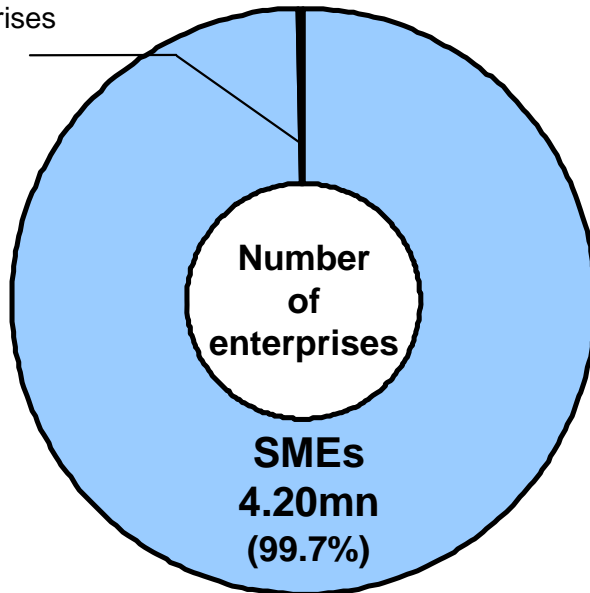


(Source) Life Insurance Association of Japan, 2012
"Summary of Life Insurance Business in Japan"

- SMEs account for 99% in total enterprises and 66% in total employees. That is to say, SMEs play a significant role in the Japanese economy.

<Number of enterprises and employees>

Large Enterprises
0.012mn
(0.3%)



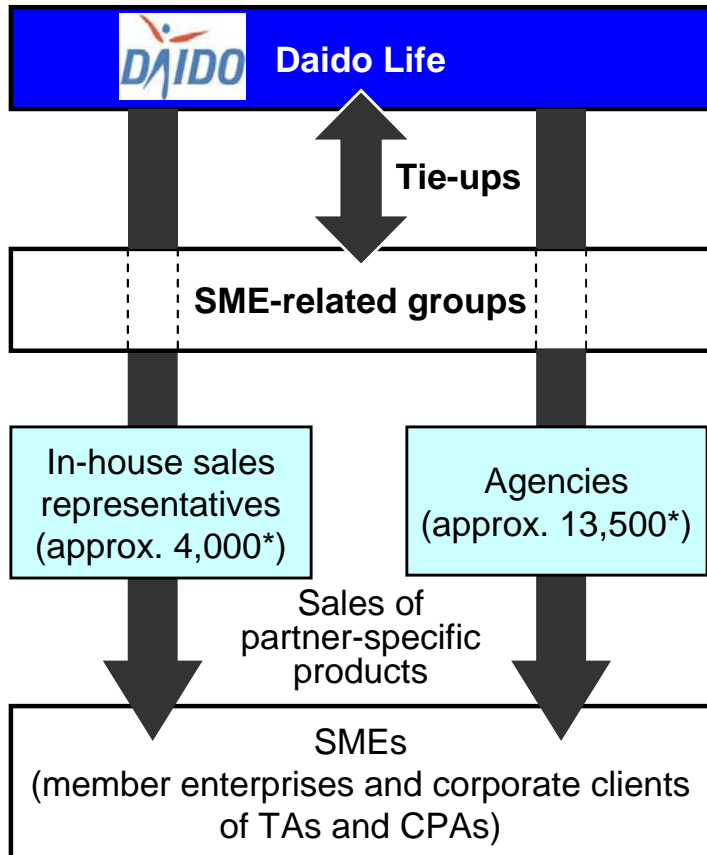
<Definitions of SMEs in Japan>

| | Capital | Number of regular employees |
|--|--------------------|-----------------------------|
| 1) Manufacturing, construction, transport, other industries (excluding 2), 3), 4)) | Up to ¥300 million | Up to 300 |
| 2) Wholesale | Up to ¥100 million | Up to 100 |
| 3) Services | Up to ¥50 million | Up to 100 |
| 4) Retail | Up to ¥50 million | Up to 50 |

Source: SME Agency, "2013 White Paper on Small and Medium Enterprises in Japan"

- Daido forms business tie-ups with SME-related groups to offer life insurance products to member enterprises of the groups and corporate clients of tax accountants (TAs) and CPAs as each group's benefit package.
- By developing partner-specific products in collaboration with each group, Daido offers SMEs the products which would enhance their satisfaction. Thereby, Daido maintains competitive advantage.

<Approach to the SME market>



<Outline of the tie-up groups>

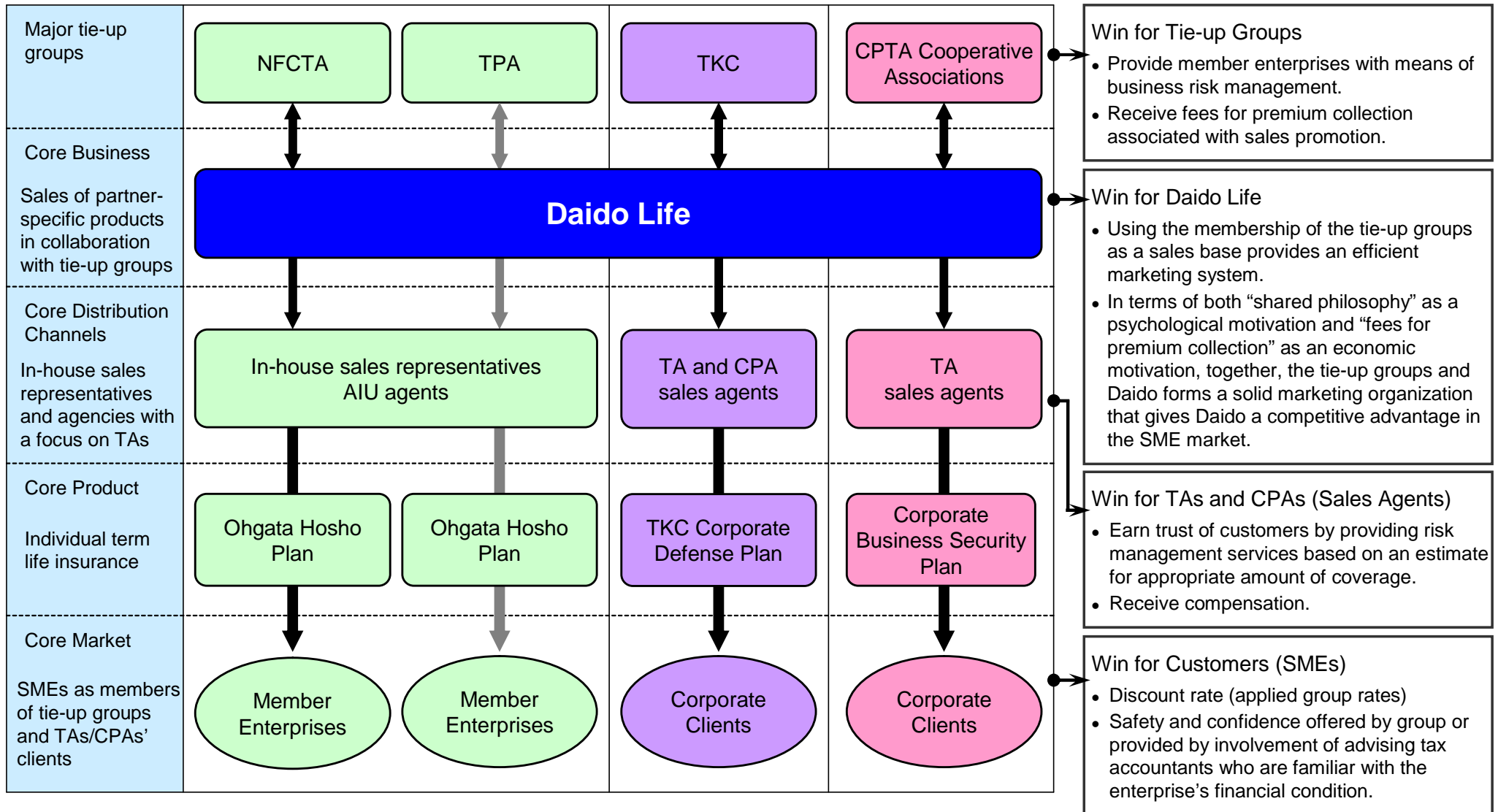
| Group | Start-ing year | Overview | Title of the partner-specific product |
|---|----------------|--|--|
| National Federation of Corporate Taxpayers Associations [NFCTA] | 1971 | It was established to provide tax-related information and advice to business entities, which are outside the Kinki region, to encourage proper payment of taxes. | Ohgata Hoshu Plan (comprehensive insurance plan) |
| Tax Payment Associations [TPA] | 1971 | It was established for the same purpose of NFCTA. TPA consists of business entities and sole proprietors in the Kinki region. | Ohgata Hoshu Plan (comprehensive insurance plan) |
| TKC National Federation [TKC] | 1974 | TKC has provided distinctive accounting systems for approximately 10,000 TAs and CPAs. They consider insurance advice as their proper duties in order to totally protect their clients from various risks. | TKC Corporate Defence Plan |
| CPTA Cooperative Associations | From 1960's | TAs are members of the cooperative associations. The groups engage in a variety of mutual aid activities. | Comprehensive Business Security Plan |

*As of March 31, 2013

- “Ohgata Hosho Plan” collaborated with NFCTA and TPA triggered Daido’s dramatic growth.
- Every following effort that was achieved at that time was the industry’s first one.

| Effort | Situations in 1971 | Details |
|--|---|---|
| Developed a packaged life and non-life product with maximum ¥100 million of coverage. | <ul style="list-style-type: none"> • Although life products’ maximum amount of coverage limit had been rising, it was at most ¥10 million. | <ul style="list-style-type: none"> • As our business model is to target the SME market, we developed the packaged life and non-life product that was able to provide maximum ¥100 million (¥470 million in the present value) of coverage. |
| Established a sales structure with a focus on male in-house sales representatives who also had a non-life agent license. | <ul style="list-style-type: none"> • Mainly, female in-house sales representatives who only had a life agent license sold life products. | <ul style="list-style-type: none"> • Since our sales activities started targeting the SME market, we established the sales structure which mainly consisted of male in-house sales representatives with a non-life agent license as well as a life agent license. |
| Established a bank account transfer network. | <ul style="list-style-type: none"> • Usually, dedicated personnel collected insurance premiums. | <ul style="list-style-type: none"> • Mainly, by working on Bankers’ Association, we established nation-wide bank account transfer network in Japan. • Simultaneously, we founded a subsidiary whose main business was to receive insurance premiums with industry’s largest network. |
| Obtained National Tax Agency’s consent that certain insurance premiums would be deductible expenses. | <ul style="list-style-type: none"> • Tax treatment related to term life insurance premiums was unclear. | <ul style="list-style-type: none"> • Since we wanted to utilize term life insurance in order to protect enterprises from various risks, we lobbied with the National Tax Agency for the tax treatment. As a result, the agency issued the ruling that all term life insurance premiums would be included in deductible expenses. |

- The greatest advantage of Daido's business model is that we have built win-win situation for all parties—SMEs, tie-up groups, TAs and CPAs (sales agents), and Daido.



- SMEs usually depend highly on the abilities and skills of owners and/or key employees. To prepare for key person risks is one of the important business issues for SMEs.

| (Risks) | SME owners and key employees | Employees |
|----------------------------|--|---|
| Death | <ul style="list-style-type: none"> <input type="checkbox"/> Repayment of loans In case of death of owners and key employees, SMEs might be required to fully repay loans. <input type="checkbox"/> Working capital, funds for business succession In case of death of owners and key employees, SMEs might not have enough funds to ensure working capital and smooth business succession. <input type="checkbox"/> Death benefit, condolence money In case of death of owners and key employees, SMEs might not afford to pay death benefit and condolence money for their family. | <ul style="list-style-type: none"> <input type="checkbox"/> Funds for recruiting an alternative person, human resource development In case of death of employees, SMEs might not have enough funds to recruit employees and develop human resources. <input type="checkbox"/> Death benefit, condolence money In case of death of employees, SMEs might not afford to pay death benefit and condolence money for their family. |
| Serious diseases (Disease) | <ul style="list-style-type: none"> <input type="checkbox"/> Repayment of loans In case of temporary absence or retirement of owners and key employees due to serious diseases, SMEs might be required to fully repay loans. <input type="checkbox"/> Working capital In case of temporary absence or retirement of owners and key employees due to serious diseases, SMEs might not have enough funds for operation and smooth business succession. Likewise, SMEs might face a drop in sales. <input type="checkbox"/> Retirement benefit In case of retirement of owners and key employees due to serious diseases, SMEs might not afford to pay retirement benefit. | <ul style="list-style-type: none"> <input type="checkbox"/> Funds for recruiting an alternative person, human resource development In case of temporary absence or retirement of employees due to serious diseases, SMEs might not have enough funds to recruit employees and develop human resources. <input type="checkbox"/> Retirement benefit In case of retirement of employees due to serious diseases, SMEs might not afford to pay retirement benefit. |
| Living | <ul style="list-style-type: none"> <input type="checkbox"/> Funds for any business activities As SMEs conditions get deteriorated, shortfall in funds for any business activities might force SMEs to go bankrupt. <input type="checkbox"/> Retirement benefit In case of retirement of owners and key employees, SMEs might not afford to pay retirement benefit. | <ul style="list-style-type: none"> <input type="checkbox"/> Retirement benefit In case of retirement of employees, SMEs might not afford to pay retirement benefit. |

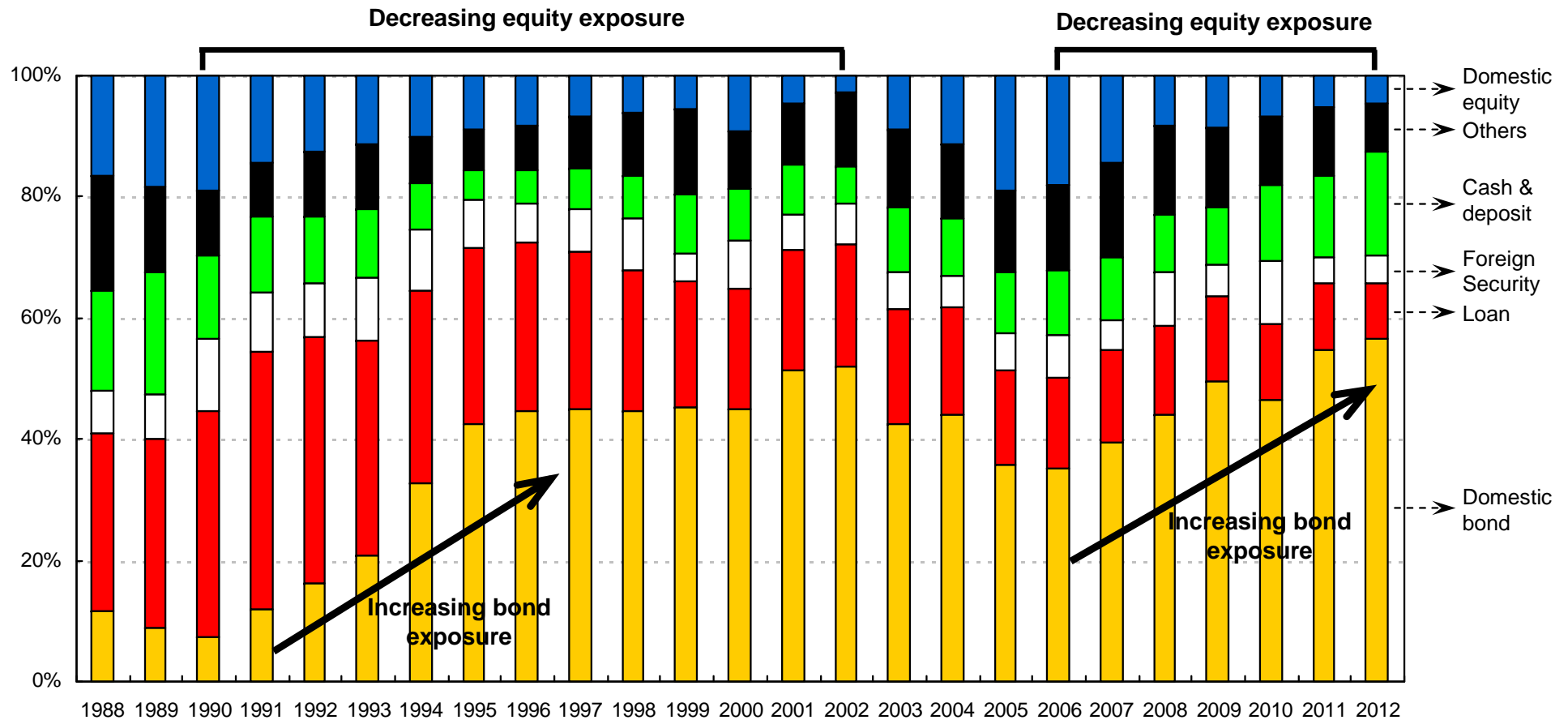
- Daido provides the products to protect SMEs from risks caused by losses of key persons.

| Product name | Image of the product | Risks to cover | Characteristics |
|-------------------------------------|----------------------|---|--|
| R-type (Launched in 1971) | | <ul style="list-style-type: none"> Death | <ul style="list-style-type: none"> Short duration: renewable 5 years or 10 years Insured amount: large protection at reasonable/low premium Age coverage: Maximum extension up to age 80 with auto renewal subject to some conditions Tax benefit of premium: fully deductible expense subject to some conditions |
| L-type (Launched in 1987) | | <ul style="list-style-type: none"> Death Living | <ul style="list-style-type: none"> Long duration: up to age 100 with constant premium. Surrender value: increasing gradually up to some point Tax benefit of premium: fully/partly deductible expense subject to some conditions |
| J-type (Launched in 2010) | | <ul style="list-style-type: none"> Serious diseases | <ul style="list-style-type: none"> Coverage by base policy: the serious diseases such as cancer, acute myocardial infarction, or cerebral strokes subject to particular conditions Additional coverage by rider (¥1 million benefit): the less serious diseases not covered by the base policy. Tax benefit of premium: fully deductible expense subject to some conditions |

※We also have age-specific maturity insurance that is able to accumulate surrender value.

- After the bubble economy period, Daido took the swift actions for investments among the Japanese life insurers. Daido reduced risk assets and shifted its asset allocation from domestic equity to domestic bond. The soundness of life insurers is crucial for Daido's customers, SMEs in Japan.

< Trends in asset allocation >



- Daido has developed its own services for SMEs, including the accounting guidance service for how to book insurance premiums annually.

Accounting guidance service

| 経理島屋案内サービス | | | |
|---|------------|-------------------------------|------------|
| 契約者: 大田生保株式会社 様 西暦日: 平成25年 4月 5日 | | | |
| ■ 決算月: 平成25年 3月 | | | |
| ■ 加入契約: 全4契約 | | | |
| ○ち、以下の仕訳科目・貸借上振戻料の別表となる契約は、1契約です。 対象とならない契約は、「事業年度の仕訳科目に含まれない契約」の一覧表をご覧ください。 | | | |
| 事業年度の仕訳合計 | | 計算期間: 平成24年 4月 1日~平成25年 3月31日 | |
| (保険料-契約者配当金) | | | |
| 勘定科目 | 仕訳金額 | 勘定科目 | 仕訳金額 |
| 支払保険料 | 6,595,052円 | 戻戻金 | 5,672,676円 |
| 前払保険料 | 1,491,469円 | 前払保険料 | 1,915,944円 |
| 前払金 | 220,733円 | 高戻前払費用 | 501,992円 |
| 配当金積立金 | 1,407円 | 前払金 | 220,733円 |
| | | 雑収入 | 1,407円 |
| 合計 | 8,312,672円 | 合計 | 8,312,672円 |

| 経理島屋案内サービス | | | |
|---|------------|-------------------------------|-------------|
| 契約者: 株式会社 様 西暦日: 平成25年 4月 5日 | | | |
| ○ち、以下の仕訳科目・貸借上振戻料の別表となる契約は、1契約です。 対象とならない契約は、「事業年度の仕訳科目に含まれない契約」の一覧表をご覧ください。 | | | |
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| (保険料-契約者配当金) | | | |
| 勘定科目 | 仕訳金額 | 勘定科目 | 仕訳金額 |
| 支払保険料 | 624,729円 | 戻戻金 | 1,238,520円 |
| 前払保険料 | 583,800円 | 前払保険料 | 7,346,198円 |
| | | 高戻前払費用 | 2,926,617円 |
| | | 前払金 | 220,733円 |
| | | 配当金積立金 | 1,407円 |
| | | 雑収入 | 1,407円 |
| 合計 | 1,208,529円 | 合計 | 11,233,000円 |

| 事業年度の貸借上振戻計 | | 事業年度に払込んだ保険料 | |
|-------------|-------------|--------------|------------|
| 勘定科目 | 貸借上振戻 | 生命保険料: | 5,587,476円 |
| 前払保険料 | 21,715,064円 | 雑費保険料: | 85,200円 |
| 高戻前払費用 | 2,969,617円 | | |
| 配当金積立金 | 270,214円 | | |
| 前払金 | 220,733円 | | |
| 合計 | 25,175,644円 | | |

| 経理島屋案内サービス | | | |
|---|------------|-------------------------------|-------------|
| 契約者: 株式会社 様 西暦日: 平成25年 4月 5日 | | | |
| ○ち、以下の仕訳科目・貸借上振戻料の別表となる契約は、1契約です。 対象とならない契約は、「事業年度の仕訳科目に含まれない契約」の一覧表をご覧ください。 | | | |
| 事業年度の仕訳合計 | | 計算期間: 平成24年 4月 1日~平成25年 3月31日 | |
| (保険料-契約者配当金) | | | |
| 勘定科目 | 仕訳金額 | 勘定科目 | 仕訳金額 |
| 支払保険料 | 424,729円 | 戻戻金 | 1,238,520円 |
| 前払保険料 | 583,800円 | 前払保険料 | 7,346,198円 |
| | | 高戻前払費用 | 2,926,617円 |
| | | 前払金 | 220,733円 |
| | | 配当金積立金 | 1,407円 |
| | | 雑収入 | 1,407円 |
| 合計 | 1,008,529円 | 合計 | 11,233,000円 |

Notice of policy details

ご契約内容のお知らせ(契約明細)

契約内容: 大田生保株式会社 様
 契約期間: 平成25年 3月
 加入契約: 全4契約

1 保障内容

1-1 保障内容

死亡・高度障害のとき 5,000万円

2 保障内容

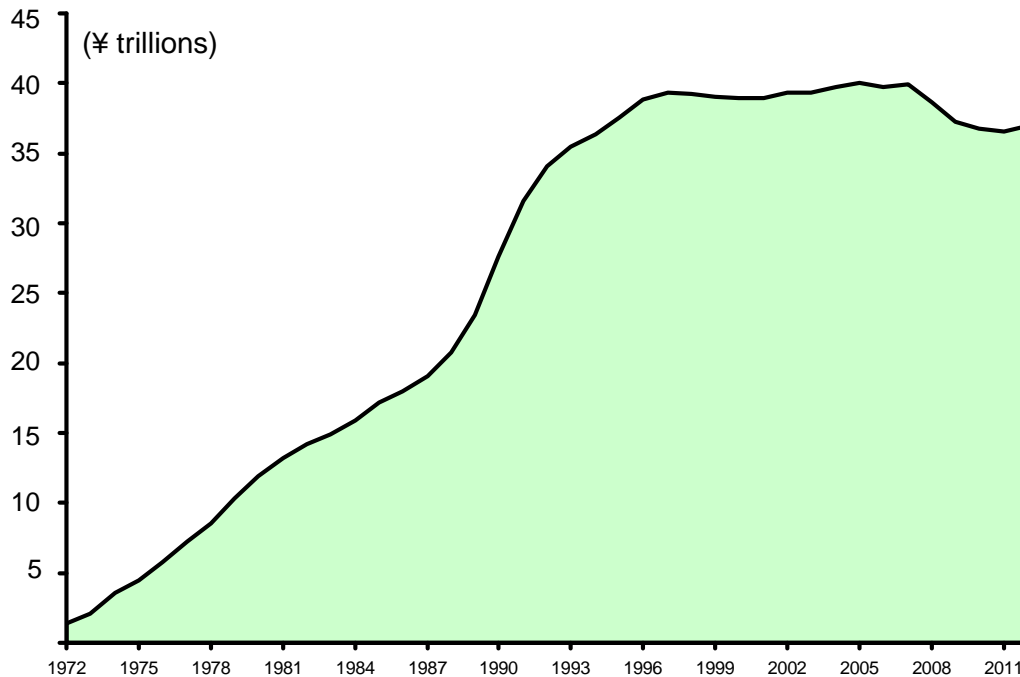
| 年齢 | 死亡・高度障害 | 疾病 | 介護 |
|-----|---------|---------|------|
| 18歳 | 10,000円 | 10,000円 | 50万円 |
| 20歳 | 10,000円 | 10,000円 | 50万円 |
| 30歳 | 10,000円 | 10,000円 | 50万円 |
| 40歳 | 10,000円 | 10,000円 | 50万円 |
| 50歳 | 10,000円 | 10,000円 | 50万円 |
| 60歳 | 10,000円 | 10,000円 | 50万円 |
| 70歳 | 10,000円 | 10,000円 | 50万円 |
| 80歳 | 10,000円 | 10,000円 | 50万円 |
| 90歳 | 10,000円 | 10,000円 | 50万円 |



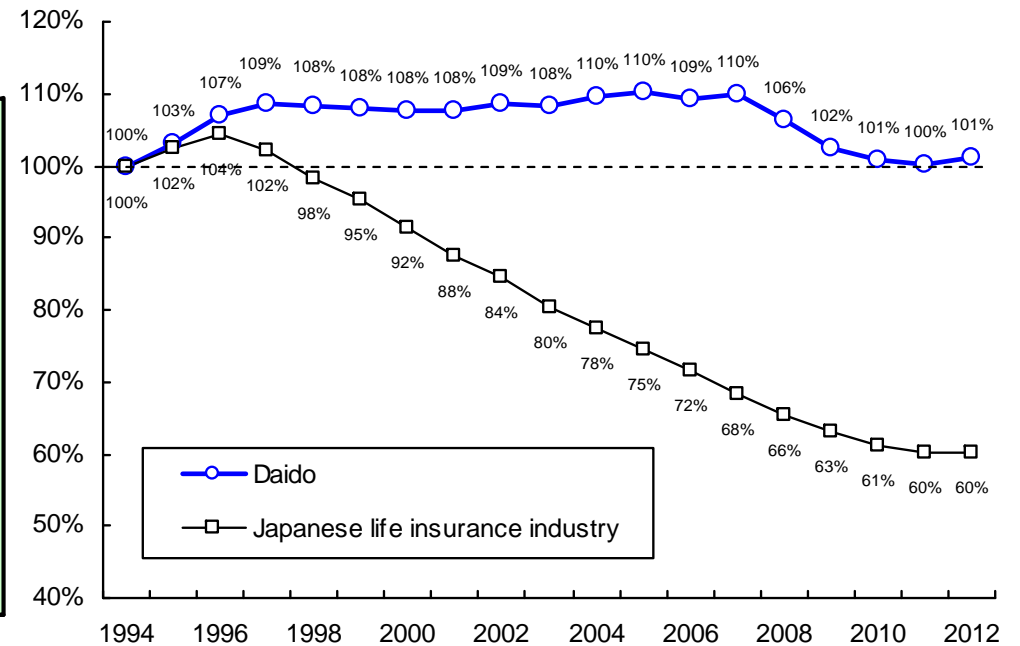
| 契約者 | 契約内容 | 契約期間 | 契約者 | 契約内容 | 契約期間 |
|----------|--------|----------|----------|--------|----------|
| 大田生保株式会社 | 生命保険 | 平成25年 3月 | 大田生保株式会社 | 雑費保険 | 平成25年 3月 |
| 大田生保株式会社 | 介護保険 | 平成25年 3月 | 大田生保株式会社 | 高戻前払費用 | 平成25年 3月 |
| 大田生保株式会社 | 前払保険料 | 平成25年 3月 | 大田生保株式会社 | 前払金 | 平成25年 3月 |
| 大田生保株式会社 | 配当金積立金 | 平成25年 3月 | 大田生保株式会社 | 雑収入 | 平成25年 3月 |

- Daido has steadily increased the policy amount in force for individual life insurance since 1970s, when Daido shifted its focus onto the SME market.
- Daido has achieved the stable result after the growth of policy amount for individual life insurance in Japan turned to be negative in 1996.

< Trends in Daido's policy amount in force for individual life insurance >



< Trends in policy amount in force for individual life insurance: Comparison between Daido and the Japanese life insurance industry >



* The policy amount in force is for individual life insurance and individual annuity.
 * Since 2010, benefit amount of serious diseases for J-type has been included in the policy amount in force.

* Indexed at FY 1999=100
 * Since FY 2010, benefit amount of serious diseases for J-type has been included in the policy amount in force.

- Daido was awarded the Porter Prize in 2004 that was the first case in the Japanese insurers.
- The organizer of this prize highly evaluated Daido's distinctive business strategy which provides the appropriate insurance products as risk management to SME's owners.

< Reasons for wining the prize >

- ◆ Daido provides the appropriate products that protect SMEs from their risks.
- ◆ Daido has the effective distribution platform by the tie-ups with SME-related groups and associations of tax accountants.
- ◆ Since 1970, Daido has taken the consistent business strategy but also kept developing its innovation for the high value propositions.
- ◆ Daido has kept its profitability above the industry average.

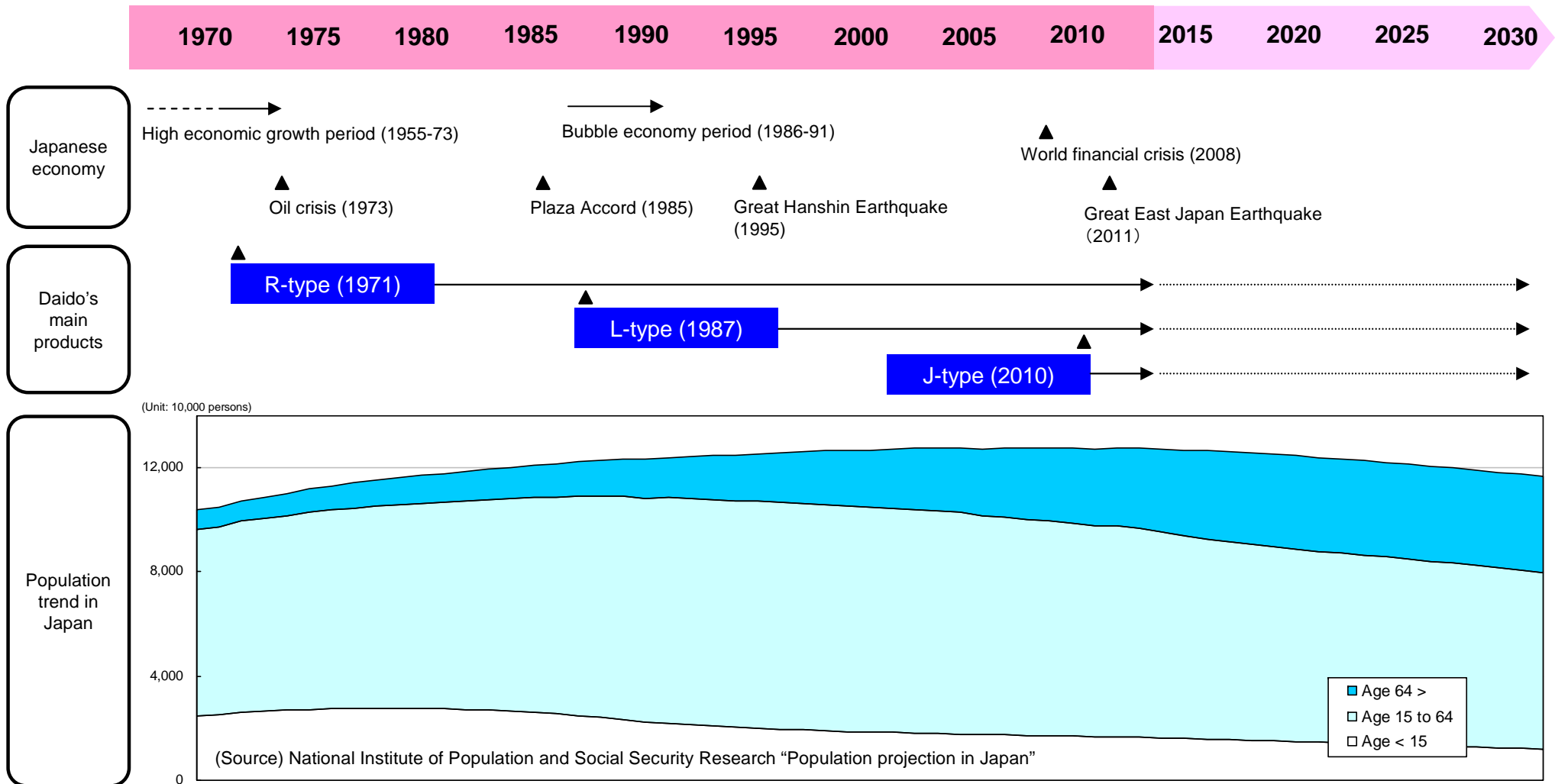
* About the Porter Prize (Source: Porter Prize homepage)

- *Aim:* Improving the competitiveness of Japanese corporations.
- *Target:* A company or division of a company which is innovative in terms of a product, a process and business management and but also does its own business strategy that results in the high profitability in its industry.
- *Organizer:* Hitotsubashi University, Graduate school of international corporate strategy
- *Name of the prize:* Deriving from Micahel E. Porter, Professor of Harvard University, who is one of the most prominent persons for the theory of competition strategy and has been interested in Japanese corporations for a long time.



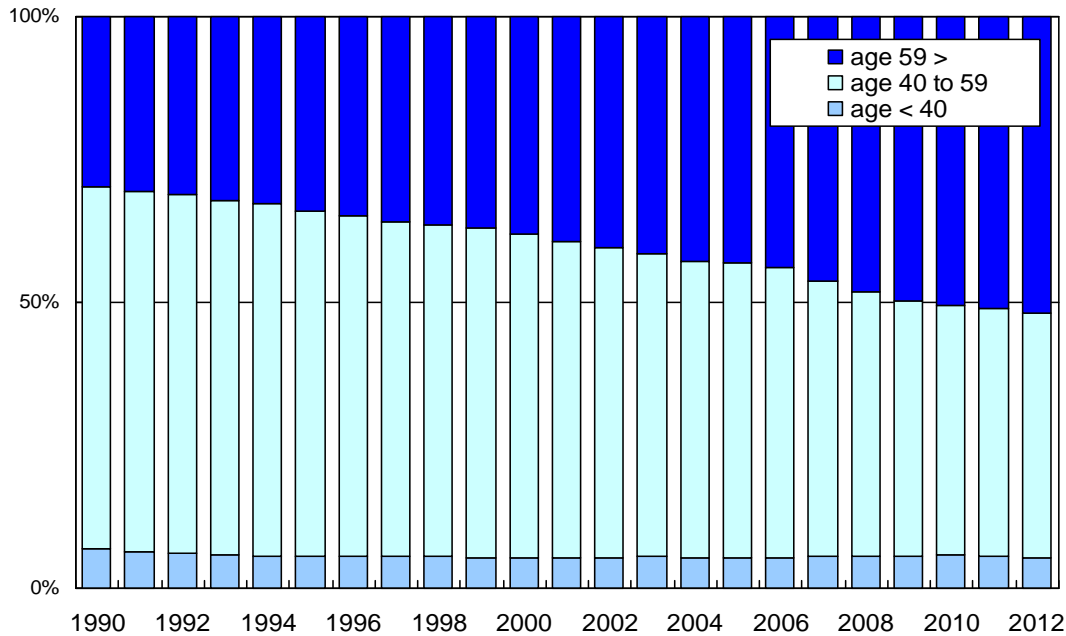
3. Further Penetration into the SME Market

- Daido has developed the product lineup including the main products of “R-type” and “L-type” that caters to changing needs and/or times.
- The aging population and lower birthrate in Japan will accelerate for the foreseeable future.



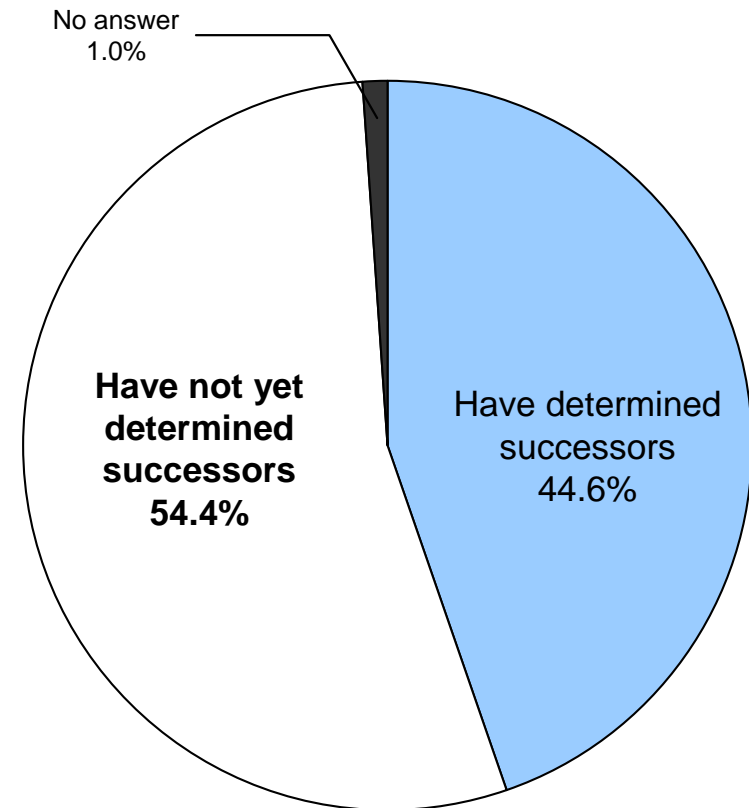
- The aging population and lower birthrate in Japan has affected SME owners. For the last 20 years, the average age of top managements has gone up by 4 years.
- More than 50% of SME owners have not yet determined their successors. The trend of aging SME owners will accelerate due to their longer tenure caused by the lack of successors.

< Breakdown of top management by age >



(Source) Teikoku Databank, "Survey on president in Japan"

< Decision on business succession >



(Source) Daido's survey on 10,000 SME owners in Japan

< Average age of top managements >

| | 1992 | 2002 | 2012 |
|--------------------|------|--------|--------|
| Average age | 54.5 | 57.0 | 58.7 |
| (Change from 1992) | | (+2.5) | (+4.2) |

(Source) Teikoku Databank, "Survey on president in Japan"

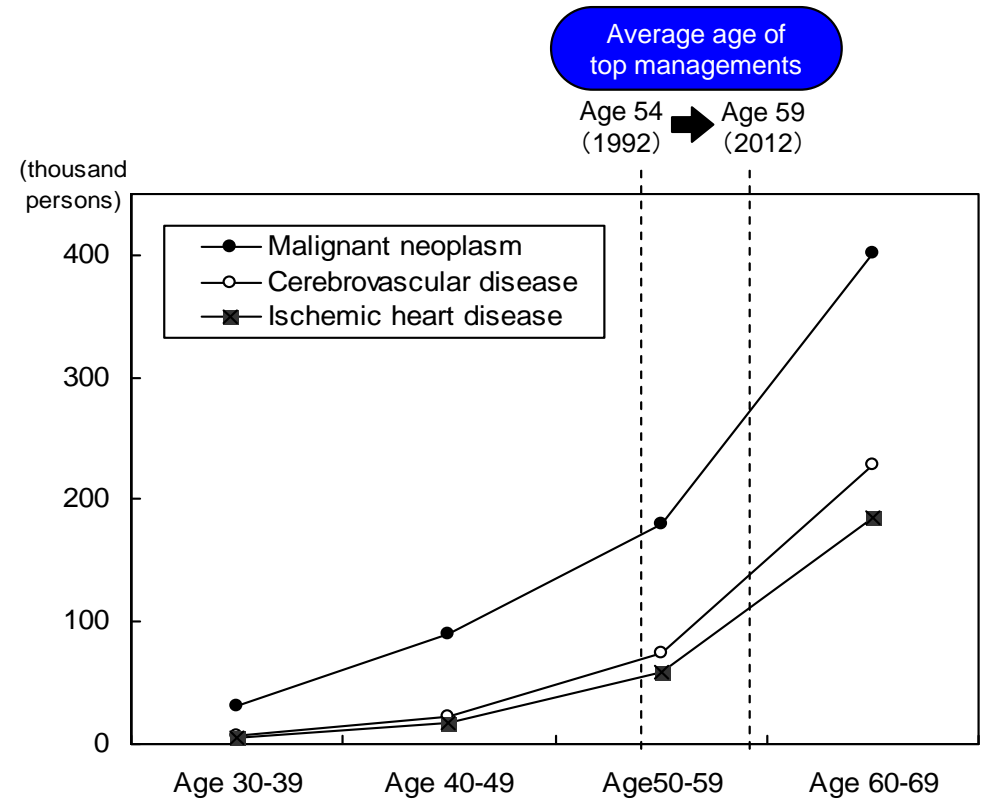
- Average life expectancy due to the aging has been extended more than healthy life expectancy. Unhealthy life-span, during which elders need nursing care, lasts longer than before.
- The need for how SME owners are prepared for disability caused by serious diseases has been increasing.

< Trends in unhealthy life-span >

| | | A: Year 2001 | B: Year 2010 | B-A |
|-------|-----------------------------|--------------|--------------|-------|
| Men | Average life expectancy (①) | 78.07 | 79.64 | +1.57 |
| | Healthy life expectancy (②) | 69.40 | 70.42 | +1.02 |
| | Unhealthy life-span (①-②) | 8.67 | 9.22 | +0.55 |
| Women | Average life expectancy (①) | 84.93 | 86.39 | +1.46 |
| | Healthy life expectancy (②) | 72.65 | 73.62 | +0.97 |
| | Unhealthy life-span (①-②) | 12.28 | 12.77 | +0.49 |

(Source) Ministry of Health, Labour and Welfare

< Number of patients in serious diseases >

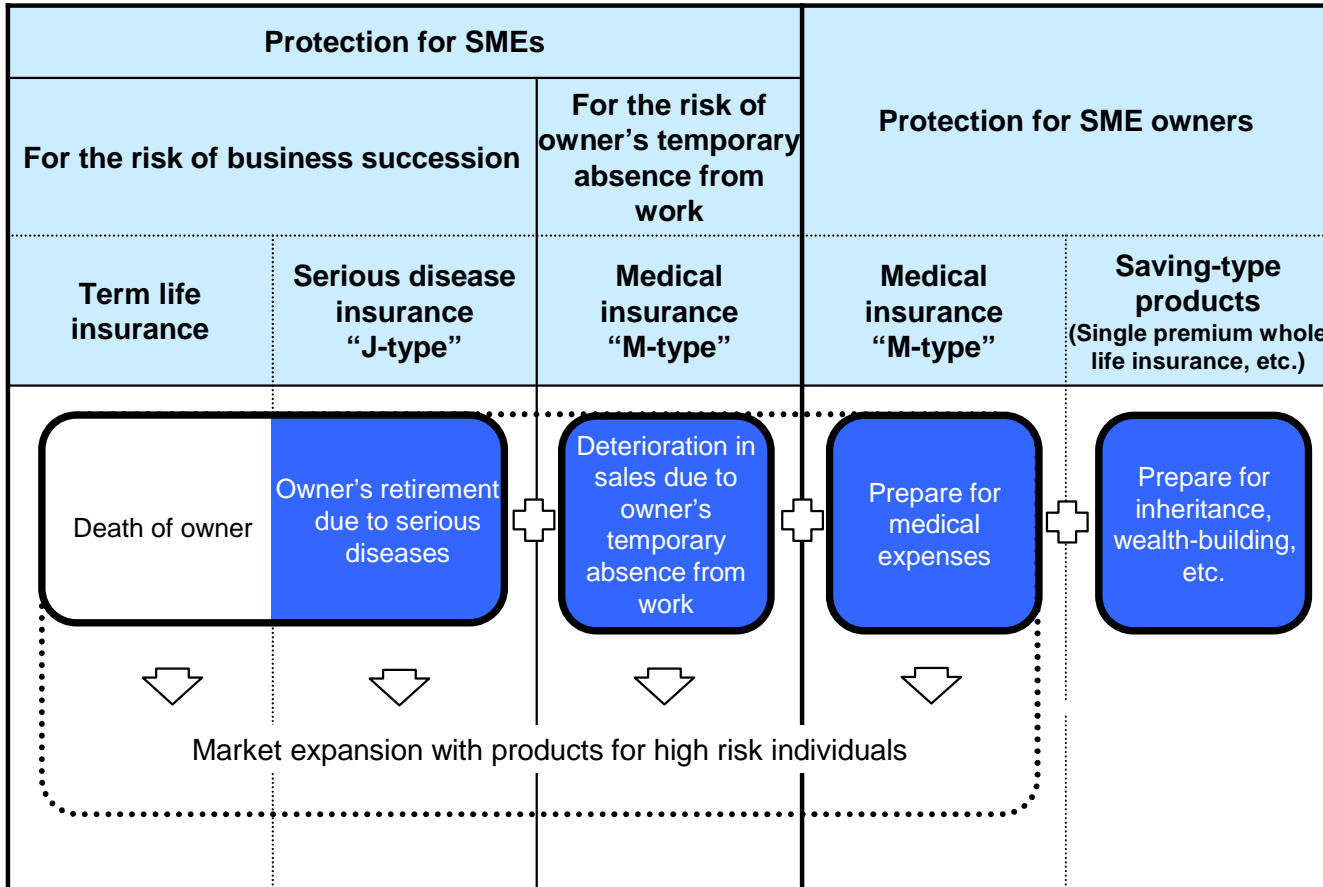


* Estimated number of patients under continued treatment in October 2011.

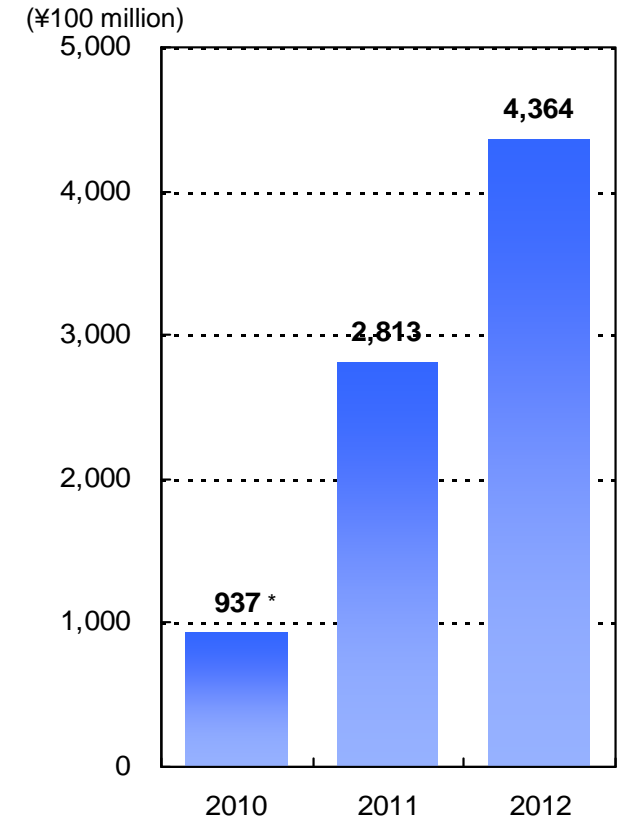
(Source) Ministry of Health, Labour and Welfare, "Patient survey in 2011"

- By launching serious disease insurance products and expanding products for high risk individuals, Daido has created a new market it had not been able to reach with the existing term life insurance line-up.
- Especially, the new sales for the “J-type”, which is a serious disease insurance product, has grown steadily since its launch of October 2010.
- Daido will strengthen this initiative furthermore.

< Market creation and expansion >



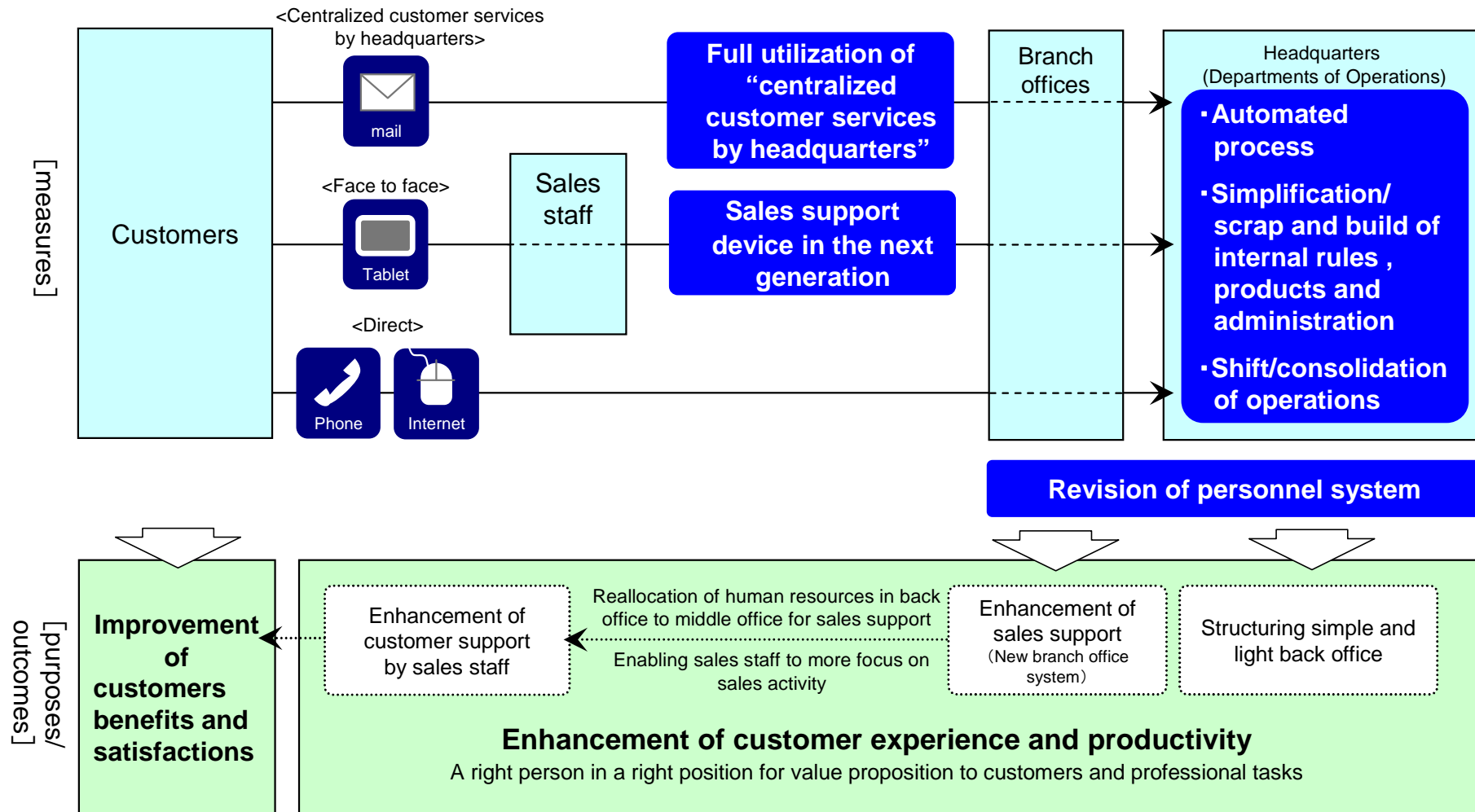
< New policy amount of J-type >



* 6 months from October 2010 to March 2011

- Daido is undergoing the process in renovating sales activities, sales administration, and operations for enhancement of customer experience and productivity.

< Business process renovation in sales activity, sales administration, and operations >



- After the world financial crisis in 2008, Daido has reduced risks in its investment portfolio to prepare for the introduction of new solvency margin standard.
- By introducing ERM which is an integrated economic value-based management of profit, risk and capital in 2013, Daido seeks to ensure its soundness but also achieve its profit goal.

New solvency margin standard

- New solvency margin standard which included tightening risk measurement was introduced in 2011.
- The economic value-based standard will be introduced in the future.

Requirement of tightening risk management

Introduction of the economic value-based standard could require insurers to tighten risk management.



Sophistication of risk management

In 2010, Daido set up the project team for ERM. Daido has reduced risks in its investment portfolio and dealt with the measures to sophisticate its risk management as well.



Introduction of ERM

In 2013, Enterprise Risk Management which is an integrated economic value-based management of profit, risk and capital has just been introduced.

4. Conclusion

- Adverse circumstances led to Daido's differentiation from other life insurers.

→ The challenging business environment pushed Daido to differentiate itself from other life insurers. As a result, Daido was able to have the opportunity to shift to the prospective market.

- The fatal decision brought the innovation to Daido to overcome the barrier for differentiation.

→ The decision to focus on the SME market was very crucial for Daido's future. It brought the innovation to Daido and enabled Daido to overcome the barrier.

- Daido built the "win-win" relationship between customers, tie-up groups and Daido.

→ Daido's business model which is beneficial for Daido as well as its customers and tie-up groups enabled its sustainable growth.

- Daido has centered on "sound management" and "customer oriented" that are the philosophy of its foundation.

→ The principle of Daido's founding philosophy has been unchanged. Daido has achieved stable growth by respecting its good tradition but also taking a necessary action to cope with changes in the times.