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European Embedded Value Restatement as of March 31, 2007

T&D Holdings (“TDH”), Taiyo Life Insurance Company (“Taiyo”), Daido Life Insurance Company (“Daido”) and T&D Financial Life Insurance Company (“TDF”) (collectively, “the Group”) has been disclosing results calculated on a traditional embedded value (“TEV”) basis for a number of years. The TEV results as of March 31, 2007 were disclosed on May 17, 2007. Today the Group is disclosing the effects of restating these results onto a European Embedded Value (“EEV”) basis, to help investors and other users of the information better understand the Group. In future, the Group plans to disclose its EEV results on an annual basis.

The methodology adopted by the Group to allow for risk on the EEV basis is a bottom-up market-consistent approach. The approach aims to address issues raised by TEV approaches, and to improve the transparency of the disclosed information.

This disclosure document compares the EEV results with the TEV results as of March 31, 2007 and describes the EEV methodology.

The embedded value on an EEV basis as of March 31, 2007 is ¥2,072.1 billion, a reduction of ¥61.2 billion from the value on a TEV basis of ¥ 2,133.3 billion. On an EEV basis the value of new business issued in fiscal 2006 is ¥84.8 billion, an increase of ¥14.3 billion from the value on a TEV basis of ¥ 70.5 billion.

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1. Outline of EEV

(1) What is EEV?

Recently the valuation and disclosure of embedded values (“EV”) calculated under the EEV Principles have been widely adopted among leading insurance companies in Europe.

The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group consisting of CFOs from leading European insurance companies. The aim of the EEV Principles and Guidance is to improve the consistency and transparency of the financial reporting of embedded values. Further EEV Guidance was published by the CFO Forum in 2005 which covered sensitivities and aspects of disclosure.

(2) EEV Approach

The allowance for risk in the shareholder cash flows is a key feature of the EEV Principles. There are broadly two possible approaches to the allowance for risk:

- “Top-down” approach; and
- “Bottom-up” approach.

The top-down approach applies a uniform risk discount rate/risk premium to future cash flows of the entire group to derive the value. Typically, the risk discount rate/risk premium is set by a WACC approach (an approach which calculates a weighted average of cost of equity and loan capital), based on the Group’s beta observed in the market.

The bottom-up approach uses different risk discount rates by product and by region reflecting closely the risk profile of each. Typically, a market-consistent approach is used.

A Market-Consistent Embedded Value (“MCEV”) is calculated in a manner such that each cash flow is valued consistently with similar traded market instruments. The MCEV approach has been increasingly adopted among leading European insurers.

The Group’s EEV results have been calculated using a bottom-up market-consistent approach.

(3) Covered Business

The covered business is the life insurance business of the Group (through its three life insurance subsidiaries, Taiyo, Daido and TDF). TDH holds 100% of the shares of the three life insurance subsidiaries.

(4) Main differences from TEV

There have been some criticisms of TEVs as described below, and a MCEV approach provides a way to address these criticisms:

- TEV increases if more high-risk assets are assumed to be held.
Under the TEV approach, future investment returns are projected based on investment return assumptions for each asset class and the asset mix assumption. If a higher proportion of high-risk assets is assumed to be held, projected investment returns increase, which may result in a higher TEV. In such a case, the use of a higher risk discount rate is considered to be the solution under the TEV approach, but the basis of making such adjustments is not well defined.
In the case of MCEV, cash flows from all assets and liabilities are valued consistently with cash flows of traded instruments in the financial markets with similar characteristics. Returns on riskier assets are discounted with a market-consistent risk premium.

- **Subjectivity in risk discount rate**
The TEV approach applies a single risk discount rate to the cash flows of the entire company to obtain a present value. The risk discount rate may be set taking into account in aggregate the various risks the company is exposed to, but deriving a single rate to be applied is subjective. It is common practice to show the sensitivity of the results to different risk discount rates so as to allow investors to make a judgment. Because the impact of the risk discount rate tends to be large, subjective elements in setting the risk discount rate can be an issue under a TEV approach.

Under an MCEV approach, both investment return assumptions and discount rates are set consistently with financial markets.

- **Recognition of cost of options and guarantees**
The TEV approach typically uses a single deterministic cash flow projection, and thus does not explicitly capture the cost of options and guarantees. For example, participating policies receive a share in profits when investment performance is good, while the company needs to bear the cost of minimum guarantees when investment performance is bad. Typically, the TEV approach does not capture explicitly the impact on value of this asymmetry of returns to shareholders.

The EEV Principles require stochastic calculations be performed to value explicitly the cost of such financial options and guarantees. Under an MCEV approach, such valuations are made on a market-consistent basis.

- **Cost of capital**
The TEV approach calculates each future year's cost of capital as the required capital multiplied by the difference between the risk discount rate and the investment yield (after tax), and subjectivities may be introduced through the risk discount rate and investment yield assumptions. Under MCEV, cost of capital is redefined as frictional cost of capital, which is the double taxation cost associated with maintaining required capital. Objectivity is improved, although there may still remain issues in respect of the definition of the amount of required capital.

2. EEV results of T&D Life Group

The table below summarizes the Group's EEV results as of March 31, 2007 from the three life insurance companies in the Group. The figures exclude the impact of TDH and the other subsidiaries of TDH.

(Billions of yen)	
Embedded value	2,072.1
Adjusted net worth	1,344.8
Value of in-force business	727.2
Value of new business	84.8

(1) Adjusted Net Worth

Adjusted net worth represents the market value of assets in excess of policyholder liabilities, represented by statutory reserves, and other liabilities.

Adjusted net worth is the sum of the stated amount in the financial statements and appropriate adjustments for unrealized gains and losses and other items. The adjusted net worth has been derived as follows.

(Billions of yen)	
Adjusted net worth	1,344.8
Shareholders equity on the balance sheet ^(Note1)	437.2
Unrealized gains/losses of securities (after tax)	687.8
Unrealized gains/losses of loans (after tax)	24.3
Unrealized gains/losses of land (after tax)	(5.6)
General reserves for possible loan losses (after tax)	1.0
Internal reserves as quasi-equity liabilities (after tax) ^(Note2)	201.4
Unrealized gains/losses of subordinated debts (after tax)	(1.3)

Note1: Excluding unrealized gains/losses

Note2: Price fluctuation reserve, contingency reserve and unallocated amount in policyholders' dividend reserve

(2) Value of in-force business

Value of in-force business represents the present value as of the valuation date of future profits distributable to shareholders from the in-force business as of March 31, 2007 and consists of the following components.

(Billions of yen)	
Value of in-force business	727.2
Certainty equivalent present value of future profit	918.1
Time value of financial options and guarantees	(117.0)
Frictional cost of capital	(29.7)
Allowance for non financial risk	(44.1)

The certainty equivalent present value of future profit is the present value of future profit calculated deterministically by assuming the investment yield is equal to the risk-free rate and using the risk-free rate as the discount rate. This value includes the intrinsic cost of the financial options and guarantees present in the Group's products.

The time value of financial options and guarantees is calculated stochastically using a set of market-consistent risk neutral economic scenarios.

The frictional cost of capital represents the double taxation cost associated with maintaining the level of capital which the Group considers to be required in continuing the life insurance business.

The allowance for non financial risk is an estimate of the impact of non financial risks which are not adequately allowed for directly in the models, as described further below.

Further explanation of the above components is provided in Section 5 of this document.

(3) Value of new business

Value of new business is the value as at the valuation date of the new business issued in the fiscal year ended March 31, 2007. It has been calculated applying the same assumptions used to calculate the embedded value at March 31, 2007. It does not include values anticipated from future new business. For conversions, only net increases in value by conversions have been included in the value of new business. The table below shows the results. The figure for adjusted net worth represents the loss arising between the point of sale and March 31, 2007 on business sold in the period.

Value of new business	84.8
Adjusted net worth	(60.9)
Value of in-force business	145.7
Certainty equivalent present value of future profit	160.4
Time value of financial options and guarantees	(6.6)
Frictional cost of capital	(0.3)
Allowance for non financial risk	(7.6)

The table below shows the new business margin, calculated as the ratio of the value of new business to the present value of new business premiums.

Present value of new business premiums ^(Note)	1,258.2
Value of new business	84.8
Value of new business/present value of new business premiums	6.7%

Note: Single premiums plus present value of regular premiums expected to be paid from the point of sale to the end of the term of the contract

(4) Reconciliation between Consolidated GAAP accounts and Adjusted Net Worth

A reconciliation between the adjusted net worth of ¥1,344.8 billion and the group consolidated net assets of ¥1,090.2 billion is shown below.

Adjusted net worth	1,344.8
- Items classified as liabilities in the accounts (after tax) ^(Note1)	202.5
- Difference in unrealized gains/losses(after tax) ^(Note2)	72.7
+ Net assets not allocated to life insurance subsidiaries	20.5
Net assets shown on consolidated balance sheet	1,090.2

Note1: Price fluctuation reserve, contingency reserve, unallocated amount in policyholders' dividend reserve, and general reserve for possible loan losses.

Note2: This is the difference between the unrealized gains/losses included in the adjusted net worth of ¥705.1 billion and the unrealized gains/losses shown on the consolidated balance sheet of ¥632.4 billion.

3. Impact of Adopting the EEV Principles

The table below shows the difference between the results for the period to March 31, 2007 calculated on the TEV basis (as disclosed on May 17, 2007) and the results calculated on the EEV basis.

	(Billions of yen)		
	EEV	TEV	EEV - TEV
Embedded value	2,072.1	2,133.3	(61.2)
Adjusted net worth	1,344.8	1,298.8	46.0
Value of in-force business	727.2	834.4	(107.2)
Value of new business	84.8	70.5	14.3

(1) Adjusted net worth

The EEV-based amount is ¥1,344.8 billion, which is ¥46.0 billion higher than the TEV-based amount of ¥1,298.8 billion. The main reason is that net unrealized gains on some securities and loans the Group invests in, and on subordinated debt the Group has issued, are included in the EEV figures but excluded in the TEV figures. (In TEV, they have been reflected in the value of in-force business.)

	(Billions of yen)		
	EEV	TEV	EEV - TEV
Adjusted net worth	1,344.8	1,298.8	46.0
Shareholders equity on the balance sheet ^{Note1)}	437.2	437.2	-
Unrealized gains/losses on securities (after tax)	687.8	664.8	22.9
Unrealized gains/losses on loans (after tax)	24.3	-	24.3
Unrealized gains/losses on land (after tax)	(5.6)	(5.6)	-
General reserves for possible loan losses (after tax)	1.0	1.0	-
Internal reserves as quasi-equity liabilities (after tax) ^{Note2)}	201.4	201.4	-
Unrealized gains/losses on subordinated debts (after tax)	(1.3)	-	(1.3)

Note1: Excluding unrealized gains/losses

Note2: Price fluctuation reserve, contingency reserve, unallocated amount in policyholders' dividend reserve

(2) Value of in-force business

The EEV-based amount is ¥727.2 billion, which is ¥107.2 billion less than the TEV-based amount of ¥834.4 billion. As described in 3(1) above, part of the value of in-force business under the TEV basis has been included in the adjusted net worth under the EEV basis. Also, the value of future profits is lower on the EEV basis largely because of policies with high guarantees. The result indicates that the EEV-based value makes a greater allowance for risk than the TEV-based value. Comparison of the values by item is summarized in the table below.

(Billions of yen)			
	EEV	TEV	EEV-TEV
Value of in-force business	727.2	834.4	(107.2)
Value of future profit ^(Note)	918.1	1,001.2	(83.0)
Time value of financial options and guarantees	(117.0)	-	(117.0)
Cost of capital	(29.7)	(166.7)	137.0
Allowance for non financial risk	(44.1)	-	(44.1)

Note: This represents certainty equivalent value for EEV.

Value of future profit and cost of capital on TEV basis may be considered to include cost of financial options and guarantees and allowance for non financial risk implicitly.

(3) Value of new business

The EEV-based amount of ¥84.8 billion exceeds the TEV-based amount of ¥70.5 billion by ¥14.3 billion. A high proportion of the new business is protection type and the average level of guarantees on the new business is lower than on the in-force business. As a result, under the EEV basis the new business is recognized as having a lower risk profile than under the TEV-basis.

The TEV-based amount includes converted policies in full, whilst the EEV-based amount includes the net increase in value by conversions only. The impact of this methodology change is a reduction in value of ¥4.1 billion.

(Billions of yen)			
	EEV	TEV	EEV-TEV
Value of new business	84.8	70.5	14.3
Adjusted net worth	(60.9)	(60.6)	(0.2)
Value of in-force business	145.7	131.2	14.5
Value of future profit ^(Note)	160.4	136.6	23.7
Time value of financial options and guarantees	(6.6)	-	(6.6)
Cost of capital	(0.3)	(5.4)	5.0
Allowance for non financial risk	(7.6)	-	(7.6)

Note: Certainty equivalent value in the case of EEV

(4) Implied Risk Discount Rate

The implied risk discount rate (“IDR”) is the risk discount rate to be applied to the results calculated on a TEV basis which gives the same values as the results calculated on the market-consistent basis. In deriving the IDR, all TEV assumptions other than the risk discount rate have been set to be the same as those applied for the published TEV.

The IDR for the embedded value is 6.71%, which is higher than the risk discount rate used for TEV of 6.0%. The IDR for the new business value is 4.79%, which is lower than the risk discount rate used for TEV of 6.0%.

The impact of each item on the IDR is analyzed as follows.

	Embedded value	New Business Value
IDR	6.71%	4.79%
Adjusted net worth + certainty equivalent	4.71%	3.77%
Time value of financial options and guarantees	1.15%	0.44%
Cost of capital	0.33%	0.03%
Allowance for non financial risk	0.52%	0.56%

4. EEV by Company

The table below shows each company's EEV results for the period ended March 31, 2007.

(Billions of yen)

	Taiyo	Daido	TDF	Total
European Embedded value	738.6	1,263.0	70.4	2,072.1
Adjusted net worth	574.9	728.0	41.8	1,344.8
Shareholders equity on the balance sheet	160.8	241.2	35.0	437.2
Unrealized gains/losses on securities (after tax)	320.0	368.3	(0.5)	687.8
Unrealized gains/losses on loans (after tax)	15.6	8.2	0.5	24.3
Unrealized gains/losses on land (after tax)	(16.6)	10.9	-	(5.6)
General reserves for possible loan losses (after tax)	0.9	0.1	0.0	1.0
Internal reserves as quasi-equity liabilities (after tax)	95.5	99.1	6.7	201.4
Unrealized gains/losses on subordinated debts (after tax)	(1.3)	-	-	(1.3)
Value of in-force business	163.7	534.9	28.5	727.2
Certainty equivalent value of future profit	218.0	660.9	39.1	918.1
Time value of financial options and guarantees	(22.4)	(85.8)	(8.7)	(117.0)
Frictional cost of capital	(18.0)	(10.4)	(1.2)	(29.7)
Allowance for non financial risk	(13.7)	(29.7)	(0.5)	(44.1)
Value of new business	33.4	55.2	(3.8)	84.8
Adjusted net worth	(19.3)	(31.4)	(10.0)	(60.9)
Value of in-force business	52.8	86.7	6.2	145.7
Certainty equivalent value of future profit	56.4	94.2	9.7	160.4
Time value of financial options and guarantees	(0.8)	(2.9)	(2.8)	(6.6)
Frictional cost of capital	(0.1)	0.2	(0.4)	(0.3)
Allowance for non financial risk	(2.6)	(4.8)	(0.1)	(7.6)

5. EEV Methodology

(1) Basis of Preparation

The methodology and assumptions adopted by the Group to calculate the EEV results is in accordance with the EEV Principles & Guidance issued by the European CFO Forum in May 2004, with the exception that a look-through basis has not been applied to T&D Asset Management ("TDAM").

Although EEV disclosures require the inclusion of two consecutive years' results and an analysis of the change in EV over the year, this disclosure only covers the embedded value as of March 31, 2007. The Group is planning full disclosure of the EEV, including two years' results and an analysis of change in EV, at the time of the disclosure of the March 31, 2008 EEV results.

The EEV results presented in this document only relate to the covered business. No figures are included for TDH or the other businesses of TDH, such as asset management.

(2) Covered Business

The covered business represents all of the life insurance business of the Group, through TDH's three wholly owned life insurance subsidiaries, Taiyo, Daido and TDF.

(3) Embedded value

The embedded value provides an estimate of the value of the shareholders' interest in the covered business, excluding any value that may be generated from future new business. This value comprises the sum of the adjusted net worth and the value of in-force business. The adjusted net worth is the net assets attributable to shareholders, and is represented by the sum of required capital and free surplus. The value of in-force business is the present value of the projected stream of future distributable profits available to shareholders from the existing business at the valuation date, on a best estimate basis allowing for risk, adjusted for the cost of holding required capital.

(4) Value of new business

The value of new business is the value of new policies issued during the 12 month period to March 31, 2007. It is calculated in a similar manner to the value of in-force business. The value has been calculated as of March 31, 2007, and the same assumptions as those applied for the valuation of in-force business are used. The value of new business includes the impact of all cash flows arising from the point of sale to March 31, 2007.

Future renewals of the new business policies are included in the value of new business. The value of new business includes the net increase in value arising from conversions. The value arising from the sale of future new business policies is not included.

(5) Allowance for Risk

The allowance for risk in the valuation is a key feature of the EEV Principles. The EEV guidance sets out three main areas available to allow for risk:

- The risk discount rate
- The allowance for the cost of financial options and guarantees
- The cost of holding both prudential reserves and any additional required capital

The Group decided to use a market-consistent approach to allow for risk in all three areas. The resulting value is referred to as a Market Consistent Embedded Value ("MCEV").

An MCEV is calculated in a manner such that the valuation is consistent with the valuation of similar cash flow and risk profile in the market based on financial theories.

Under the MCEV approach:

- Assets and liabilities other than policy reserves are valued at market value;
- Investment return assumptions and risk discount rates are set consistently with the market. By so doing, those assumptions can be set more objectively;
- Time value of financial options and guarantees associated with the life insurance business is valued explicitly and consistently with market prices of equivalent traded options.

A market-consistent value has been calculated for each product line by valuing the cash flows in line with the prices of similar cash flows traded on the open market.

In principle, each cash flow is valued using the discount rate consistent with that applied to such a cash flow in the capital markets. For example, an equity cash flow is valued using an equity risk discount rate, and a bond cash flow is valued using a bond risk discount rate. If a higher return is assumed for equities, the equity cash flow is discounted at this higher rate.

In practice, for liabilities where the payouts are either independent or move linearly with market movements, a short-cut method has been applied known as the “certainty equivalent” approach whereby it is assumed all assets earn the risk-free rate and all cash flows are discounted using the risk-free rate. This gives the same result as applying the method in the previous paragraph.

A market-consistent cost of financial options and guarantees and a market-consistent cost of holding required capital have also been calculated.

Further details of the methodology are described in the sub-sections below.

(6) Adjusted net worth

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

- Differences in market value and book value of assets have been reflected after tax.
- For retirement benefits, figures from the primary statements, which are calculated on the Japanese ACR 13 basis, have been used without adjustment.
- Certain liabilities that are effectively part of net worth (contingency reserve, price fluctuation reserve, unallocated portion in the policyholders’ dividend reserve, and general reserve for possible loan losses) have been added.

(7) Value of in-force business

The value of in-force business is calculated as follows:

	Certainty equivalent present value of future profit
less	Time value of financial options and guarantees
less	Frictional cost of capital
less	Allowance for non financial risk

The value of new business is calculated in the same way, but in addition the cash flows arising between the point of sale and March 31, 2007 are allowed for.

(8) Certainty equivalent present value of future profit

The certainty equivalent value is the value of the future cash flows, calculated on a deterministic basis, and assuming all assets earn the risk-free rate and all cash flow are discounted at the risk-free rate. The certainty equivalent approach ensures that future investment risk premiums (i.e. excess investment yield over the risk-free rate, expected from risk assets such as equities and corporate bonds) are not capitalized in the embedded value and value of new business.

It reflects the intrinsic value of financial options and guarantees (e.g. policyholder dividends), but the time value of financial options and guarantees is not reflected and is calculated separately.

(9) Time value of financial options and guarantees

The time value of financial options and guarantees is calculated as the difference between the average of the values calculated under a set of market-consistent risk neutral stochastic economic scenarios and the value based on a mean scenario (i.e. the certainty equivalent value).

The economic scenarios were calibrated to reproduce the market prices of similar traded options. This approach is usually used in the market to value derivatives.

The elements described below have been taken into account in calculating the time value of financial options and guarantees. Some potential management actions such as changes in asset allocation have not been reflected in the valuation.

Participating policies

When investment performance and other experience is good, policyholders' dividends are paid out and shareholders may not receive 100% of the profit. On the other hand, when losses arise, shareholders need to bear the cost of guarantees attached to participating policies.

Policyholders' dividends have been assumed as certain percentages of the profit of the corresponding segment in accordance with each life insurance company's dividend policy, and future dividend rates therefore vary according to the projected circumstances.

Selective Surrenders

Policyholders have a variety of options against the company. In this valuation, the risk of selective lapses in the event that interest rates rise has been allowed for.

Minimum Guarantees on Variable Annuities

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, shareholders need to bear the cost of guarantees attached to variable annuity policies. These features have been allowed for in the valuation.

(10) Required Capital

The EEV Principles define the minimum required capital to be equal to the statutory minimum capital requirement, and also allows companies to use other levels of required capital, such as their own required risk assessment, as long as the minimum requirement is satisfied.

The Group assumed a level of required capital corresponding to a 600% solvency margin ratio. In Japan, the statutory minimum is a 200% solvency margin ratio, and the Group's assumption satisfies the EEV Principles. A breakdown of the adjusted net worth can be given as the required capital, on which the cost of capital is based, of ¥235.4 billion, and free surplus of ¥1,109.3 billion.

It should be noted that the Japanese solvency regulations allows for implicit items, such as subordinated debt and policy reserves in excess of surrender values. The calculations reflect such implicit items.

Recently, actual solvency margin ratios of domestic life insurers tend to be significantly greater than the Group's assumption of 600%. If the level of required capital were to be set to a solvency margin ratio of 1,000%, the required capital would become ¥928.8 billion and the cost of capital ¥114.2 billion.

The definition of required capital may be reviewed in the future considering international and Japanese developments in this area, including development of international accounting standards and the trend towards the introduction of economic-value-based solvency margin standards.

(11) Frictional cost of capital

This item is the cost of having to retain the level of required capital, and within MCEV, it is referred to as "frictional cost".

Within this item, tax on investment returns on required capital has been allowed for. Investment expenses incurred in respect of the assets backing the required capital (another frictional cost) are reflected in the unit cost assumptions.

(12) Non financial risk

EEV Principles defines 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.

According to corporate finance theory, an investor can diversify away the uncertainty around the return on most non-financial risks. So, an allowance for non-financial risk is generally made through the appropriate choice of best estimate experience assumptions relating to risks such as mortality. Provided the best estimate assumptions are set to provide the mean expected financial outcome to shareholders, no further allowance for non-market risk is required. This is true for the majority of the Group's non-financial risks.

Some non-financial risks are correlated with market risk (e.g. policyholder behaviour linked to changes in investment markets). These have been allowed for directly in the cost of financial options and guarantees.

There are some non-financial risks where the existing best estimate experience assumptions do not allow for the impact on embedded value of the full range of potential outcomes. These are typically operational risks and are allowed for in the EEV through the allowance for non-financial risk.

The Group has estimated these costs per year based on a simple model, and projected them forwards to derive an explicit allowance.

(13) Implied Risk Discount Rates

For presentational purposes, a set of risk discount rates for in-force and new business, have been derived by calculating the risk discount rate under a traditional embedded value approach that gives the same value as that from the market-consistent embedded value determined above. These are referred to as Implied Discount Rates and the results are disclosed in Section 3. These Implied Discount Rates are a function of the assumptions used (e.g. equity risk premium, corporate bond spreads). However, as the market-consistent approach is used these assumptions do not have an impact on the level of embedded value; a higher equity risk premium results in a compensating higher risk discount rate.

6. Principal EEV assumptions

(1) Economic assumptions

In the certainty equivalent calculation, the discount rates and investment yields are the risk-free rates at the valuation date. These risk-free rates have been determined based on swap rates (mid price). The table below shows, for selected terms, the swap rates as of March 31, 2007, which are used for the calculation.

Swap Rates as of March 31, 2007

1 year	2 year	3 year	4 year	5 year
0.781%	0.946%	1.087%	1.221%	1.343%
10 year	15 year	20 year	25 year	30 year
1.810%	2.118%	2.315%	2.406%	2.476%

Source: Bloomberg

For the stochastic calculations, to derive the time value of financial options and guarantees, the asset portfolio of each company is modeled into three asset classes, cash, equities and bonds, and different volatilities are assumed for each asset class.

The economic scenarios have been calibrated to reproduce the market prices of swaptions and equity options. The table below shows a sample of the implied market volatilities for swaptions and equity options as of March 31, 2007.

Implied Market Volatility of Swaptions as at 31 March 2007

Option Term / Swap Term	5 years	10 years	15 years	20 years
5 years	22.0%	17.4%	16.6%	15.8%
10 years	17.3%	15.7%	14.9%	14.5%

Source: Bloomberg

Implied Market Volatility of Nikkei 225 Option as of March 31, 2007

Strike Price / Term	3 years	4 years	5 years
90%	18.3%	18.8%	19.2%
100%	17.9%	18.5%	19.0%
110%	17.8%	18.4%	18.8%

Source: Investment Bank

The expense inflation assumption was taken to be zero.

(2) Other assumptions

All cash flows (premium, commission, non-commission expense, death benefit, cash surrender value, tax, etc.) are projected applying the best estimate assumptions up to the termination of the policies, by product, referring to recent experience, trends and the Group's future views. Here, as recent experience, the latest 3 years' mortality, morbidity and lapse and surrender experiences, the last year's expense and corporate tax experiences were particularly referred to.

Expenses

Expense assumptions have been set based on the expenses incurred by each of the life insurance companies. Some adjustments were made including the elimination of one-off expenses which are not expected to be regularly repeated in the future. The amount of one-off expenses eliminated is ¥8.2 billion (pre tax), which mainly relates to the one-off increase in retirement benefit liabilities due to changes in the valuation basis.

The group has an asset management company, TDAM, which manages assets of the life insurance companies. The look-through basis has not been applied to the profits arising in TDAM relating to managing the assets of the life insurance companies. Therefore the EEV results do not include the capitalised value of these profits.

Dynamic Assumptions

Interest-sensitive dynamic lapse assumptions are applied to conventional products. For variable business, dynamic lapse assumptions are related to the ratio of the actual fund value to the level of minimum guarantees.

Dynamic policyholders' dividend assumptions have been set based on each life insurance company's policyholders' dividend policy. Daido and Taiyo set their dividend policies in April 2002 and in April 2003 respectively when they demutualized. TDF, previously Tokyo Mutual Life Insurance Company which was rehabilitated and acquired by Taiyo and Daido jointly in October 2001 (now held directly by TDH), has a policyholders' special dividend rule as part of its rehabilitation schedule.

7. Sensitivities

The impact of changes in assumptions (sensitivities) on the EEV results is summarized below. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged from the base. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of two sensitivities with only one assumption change. Under different sensitivity scenarios, the basis for policy reserves (excluding unit fund reserves) is unchanged, in line with the Japanese statutory reserving rules. The sensitivity results on the value of new business exclude the impact on the adjusted net worth.

Sensitivity 1: 1% increase in risk-free rate (for all future years)

Fixed interest assets (bonds, loans, etc.) are revalued according to the change in the interest rate. The value of in-force business is re-calculated according to the change of investment yield and risk discount rate. Policyholder behavior also changes corresponding to these changes.

Sensitivity 2: 1% decrease in risk-free rate (for all future years)

Same as sensitivity 1. However if the risk-free rate becomes negative after the deduction of 1%, 0% is applied instead.

Sensitivity 3: 10% decrease in equity and real estate value as of the valuation date

Market values of equities and real estate at the valuation date are changed. The impact on the value of new business is not considered.

Sensitivity 4: 10% decrease in lapse rate

Base lapse rates are multiplied by 0.9.

Sensitivity 5: 10% decrease in operating expenses

This is applied only to operating expenses, leaving other expenses unchanged

Sensitivity 6: 5% decrease in claim incidence rates for the life business

Base claim incidence rates (mortality and morbidity) are multiplied by 0.95. The possibility of premium rate cuts and any other managerial actions associated with such changes in the claim level are not reflected.

Sensitivity 7: 5% decrease in mortality for the annuity business

Base mortality rates are multiplied by 0.95. The possibility of premium rate increases and any other managerial actions associated with such changes in the claim level are not reflected.

Sensitivity 8: Change the required capital to the statutory minimum (200% solvency margin ratio)

Sensitivity figures shown below are the difference from the base result.

	(Billions of yen)	
	Change in EEV as of March 31, 2007	Change in Value of New Business as of March 31, 2007
Base Scenario	2,072.1	84.8
Sensitivity 1: 1% increase in risk-free rate	299.4	22.9
Sensitivity 2: 1% decrease in risk-free rate	(408.0)	(31.9)
Sensitivity 3: 10% decrease in equity and real estate value	(186.0)	-
Sensitivity 4: 10% decrease in lapse rate	64.0	11.6
Sensitivity 5: 10% decrease in operating expenses	39.3	3.6
Sensitivity 6: 5% decrease in claim incidence rates for the life business	78.9	5.5
Sensitivity 7: 5% decrease in mortality for the annuity business	(2.1)	0.3
Sensitivity 8: 200% solvency margin ratio	29.6	0.3

8. Notes on the Use of the Information

The calculation of EV results involves certain assumptions regarding future projections that are subject to risks and uncertainties. It should be noted that actual future results might differ materially from the assumptions used in the EEV calculations. Moreover, although EV is one indicator of the corporate value of a stock life insurance company/group, the actual market value may significantly diverge from the EV, and investors are advised to be cautious.

9. Third Party Opinion

The Group engaged Tillinghast, an independent actuarial firm, to review its EEV results and obtained the opinion from Tillinghast shown below.

Tillinghast has reviewed the methodology and assumptions used to determine the embedded value results as of March 31, 2007 for the T&D Life Group. Tillinghast's review covered the embedded value as of March 31, 2007, the value of new business issued in fiscal 2006 and the sensitivities of the embedded value and new business value to changes in assumptions.

Tillinghast 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 the Group's market-consistent methodology as described in section 5 of this document;
- 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 shareholders, are consistent with the projection assumptions, established company practice and local market practice.

The methodology and assumptions also comply with the EEV Guidance, with the disclosed exception of the exclusion from the life EEV results of the value of profits arising in the Group's asset management subsidiary relating to managing assets of the life insurance companies.

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

Glossary

Allowance for Non Financial Risks:

An allowance for insurance and operational risks which are not covered by the best estimate assumptions. The EEV Principles require all risks inherent in the covered business to be taken into account, and it is widely seen among European insurers that an explicit allowance for non financial risks is made.

Best Estimate Assumptions:

Projection assumptions which represent the most likely outcome of the future and which are set based on past, current and expected future experience.

Certainty Equivalent Value:

The present value of future projected cash flow over the life time of the policies assuming the investment returns are risk free and discounted at the risk-free rate.

Cost of Financial Options and Guarantees:

Cost of financial options and guarantees consists of intrinsic value and time value.

The intrinsic value quantifies the amount by which the financial options and guarantees are in-the-money. In the calculation of MCEV, this corresponds to the impact on value of the financial options and guarantees in the certainty equivalent scenario.

The time value is calculated as the difference between the present value of the financial options and guarantees on the certainty equivalent scenario and the average of the values calculated with a set of risk neutral scenarios under the MCEV approach. The average of the values calculated with a set of risk neutral scenarios represents the total value of the financial options and guarantees, and by deducting the intrinsic value, the time value is derived.

The financial options and guarantees to be valued on the EEV basis needs to include all important financial options and guarantees inherent in the life insurance business, in accordance with the EEV Principles.

Deterministic Approach:

An approach under which a single future scenario is applied in developing a cash flow projection.

Dynamic Assumptions:

Projection assumptions which change according to economic and other parameters following certain formulae. Examples include policyholders dividend assumptions linked to investment return and lapse rate linked to the difference between risk-free rate and the guaranteed rate.

European Embedded Value (EEV):

An embedded value calculated and disclosed in accordance with the EEV Principles and Guidance published by the CFO Forum, a group consisting of CFOs from leading European insurance companies. The aim of the EEV Principles and Guidance is to improve the consistency and transparency of the EV methodology and disclosure.

EEV publications started in Europe with 2004 reporting, and now over 30 European insurers, including both CFO Forum members and non-members, publish EEV results.

Free Surplus:

Part of capital and surplus allocated to the covered business but not required to be maintained.

Frictional Cost of Capital:

The cost to maintain a certain level of capital in excess of policy reserves required to continue the life insurance business.

EEV Principles require the level of required capital to be at least the statutory minimum, and allows companies to use other levels such as the internally required level provided that this minimum is met.

MCEV assesses the value of life insurance business for shareholders. In addition to the operational costs of the insurer, shareholders may be subject to other costs of ownership of the business. Such costs to shareholders are referred to as frictional costs.

In the Group's calculations, the tax on investment returns on required capital has been allowed for. Investment expenses in respect of the investment of required capital have been reflected in the unit cost assumptions.

Implied Risk Discount Rate (IDR):

IDR is the risk discount rate to be applied to the TEV at which the TEV becomes equal to the MCEV. In the TEV calculations, investment return assumptions include risk margins and future cash flows are discounted at a risk discount rate.

Market Consistent Embedded Value (MCEV):

An evaluation of a company's net assets and value of in-force business on a market-consistent basis. For the valuation of in-force business, market values of cash flows arising from assets and liabilities of the in-force business are assessed. The values are determined by referring to the market value of financial instruments traded in the market which have the best match to the cash flow and risk characteristics of the asset or liability being valued.

Look Through Basis:

An approach which includes in the EEV results the value of profits and losses arising in service companies within a group from providing services to the life insurance company.

Present Value of New Business Premiums:

The present value of premiums projected to be paid in the future from the new business issued in a single year, discounted at the risk-free rate.

Risk Neutral Scenarios:

Investment return scenarios used to value assets and liabilities applying a Monte Carlo simulation approach on a market-consistent basis. Risk neutral scenarios are generated applying an arbitrage-free stochastic model based on financial markets data.

Stochastic Approach:

An approach to project a range of possible future outcomes applying probability distribution models. In the calculation of the cost of options and guarantees, a set of scenarios are generated based on a probability model and each scenario is applied to project future cash flows.

Swap Rates:

The rates at which cash flows based on fixed interest rates and those based on floating rates are exchanged in the market. Typically, swap rates represent fixed interest rates which can be exchanged against standard floating rates, such as LIBOR (London Inter-Bank Offered Rate).

For inquiries regarding the above, please contact:

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