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SELECTED FINANCIAL DATA

■ CONSOLIDATED FINANCIAL DATA FOR T&D HOLDINGS/NON-CONSOLIDATED FINANCIAL DATA FOR ALL THREE COMPANIES

The following selected financial data are calculated based on consolidated T&D Holdings data for the fiscal year ended March 31, 2005, and a simple sum of the non-consolidated financial data from the fiscal year ended March 31, 2004, for Taiyo Life, Daido Life, and T&D Financial Life.

Figures from the fiscal year ended March 31, 2002, have been calculated based on the sum of all three companies' non-consolidated financial data. Figures for the fiscal year ended March 31, 2001, and earlier have been calculated based on the sum of the non-consolidated financial data for Taiyo Life and Daido Life, rounded to the nearest million. Therefore, the figures below may differ by ¥1 million to ¥3 million.

Years ended March 31,	Millions of yen			
	1995	1996	1997	1998
Statements of Operations Data:				
Ordinary Revenues:				
Income from insurance premiums	¥2,402,981	¥2,478,962	¥2,387,090	¥2,497,330
Investment income	499,292	519,273	483,856	574,756
Other ordinary income	19,162	13,198	67,244	30,135
Equity in net income of affiliated companies	—	—	—	—
Total Ordinary Revenues	2,921,437	3,011,435	2,938,192	3,102,223
Ordinary Expenses:				
Insurance claims and other payments	1,800,663	1,805,949	2,190,630	2,172,673
Provision for policy and other reserves	624,666	723,489	240,356	358,510
Investment expenses	177,358	150,762	146,412	211,697
Operating expenses	216,437	211,739	206,348	199,637
Other ordinary expenses	47,358	33,575	34,774	39,065
Total Ordinary Expenses	2,866,486	2,925,518	2,818,523	2,981,585
Ordinary Profit	54,950	85,916	119,667	120,636
Net Extraordinary Gains (Losses)	8,077	(4,652)	(15,491)	(17,820)
Provision for Reserve for Policyholder Dividends (Note 1)	—	—	—	—
Income before Income Taxes (Note 2)	63,027	81,263	104,175	102,816
Income Taxes:				
Current	10,796	25,034	27,119	39,347
Deferred	—	—	—	—
Minority Interests	—	—	—	—
Net Income (Note 2)	¥ 52,230	¥ 56,229	¥ 77,055	¥ 63,468

Notes: 1. Provision for reserve for policyholder dividends is recorded on an accrual basis for a joint stock corporation. It is treated as an appropriation of surplus for a mutual company.

2. Prior to the fiscal years ended March 31, 2003 and 2002, for Taiyo Life and Daido Life, respectively, income before income taxes and net income were represented as surplus before income taxes and net surplus, respectively.

Millions of yen

1999	2000	2001	2002	2003	2004	2005
¥2,427,546	¥2,292,167	¥2,169,617	¥2,113,783	¥2,004,768	¥1,878,572	¥1,798,983
625,145	581,072	457,347	492,941	424,485	486,242	336,139
33,767	29,044	29,405	410,131	273,711	270,836	181,643
—	—	—	—	—	—	16
3,086,460	2,902,285	2,656,371	3,016,858	2,702,965	2,635,651	2,316,781
2,278,807	2,000,841	2,001,956	2,372,684	2,095,682	1,973,271	1,825,635
199,472	331,289	157,013	36,263	24,556	78,884	1,055
282,168	274,316	160,592	287,289	234,080	168,274	92,037
203,581	195,248	189,426	202,436	214,855	212,577	205,681
41,815	45,428	44,285	58,768	69,175	68,660	83,534
3,005,847	2,847,125	2,553,276	2,957,444	2,638,350	2,501,667	2,207,943
80,612	55,158	103,094	59,413	64,615	133,984	108,838
(12,662)	(18,797)	(69,428)	(32,761)	(13,633)	(20,095)	(11,920)
—	—	—	2,102	28,372	43,656	44,977
67,948	36,362	33,665	24,549	22,610	70,232	51,940
34,019	14,590	13,413	9,926	4,233	26,391	1,607
(16,279)	(21,465)	(8,800)	(3,987)	8,539	2,537	13,081
—	—	—	—	—	—	120
¥ 50,208	¥ 43,238	¥ 29,051	¥ 18,610	¥ 9,837	¥ 41,303	¥ 37,131

As of March 31,	Millions of yen			
	1995	1996	1997	1998
Balance Sheet Data:				
Total Assets	¥10,690,965	¥11,457,392	¥11,762,702	¥12,172,068
Liabilities:				
Policy reserves	10,468,868	11,186,823	11,280,659	11,612,051
Total Liabilities	10,635,333	11,397,780	11,555,889	11,954,562
Equity (Note):				
Fund	—	—	34,000	27,200
Legal reserve:				
Reserve for redemption of fund	—	—	2,000	8,800
Total legal reserve	105	105	2,105	9,150
Land revaluation	—	—	—	—
Surplus	55,525	59,504	170,706	181,155
Net unrealized gains on securities	—	—	—	—
Total Equity	¥ 55,632	¥ 59,610	¥ 206,813	¥ 217,505
Reserve for redemption of fund	—	—	—	—
Reserve for revaluation	—	—	—	—
Surplus	—	—	—	—
Land revaluation	—	—	—	—
Net unrealized gains on securities	—	—	—	—
Total Equity	—	—	—	—
Stockholders' Equity (Note):				
Common stock	—	—	—	—
Capital surplus	—	—	—	—
Retained earnings	—	—	—	—
Land revaluation	—	—	—	—
Net unrealized gains on securities	—	—	—	—
Translation adjustment	—	—	—	—
Treasury stock	—	—	—	—
Total Stockholders' Equity	—	—	—	—

Note: Because Taiyo Life and Daido Life converted from mutual companies to joint stock corporations, equity in the balance sheet as of April 1, 2003 and 2002, respectively, has been adjusted, and because of a revision to the rules and regulations of the commercial code, total equity is divided into common stock, capital surplus, retained earnings, land revaluation, and net unrealized gains on securities.

As of March 31,	Millions of yen			
	1995	1996	1997	1998
Other Data:				
Policy Amount in Force (Note 1)	¥50,487,094	¥52,168,323	¥53,928,629	¥54,466,048
New Policy Amounts (Notes 1 and 2)	6,274,873	6,720,563	6,870,158	6,708,455
Amount of Surrender and Lapse (Note 1)	3,646,820	3,664,135	3,825,218	4,649,254
Core Profit	102,250	101,499	138,829	135,462

Notes: 1. Individual insurance and individual annuities
2. Includes increase from conversion

Millions of yen						
1999	2000	2001	2002	2003	2004	2005
¥12,451,967	¥12,815,281	¥13,166,778	¥13,415,441	¥13,148,903	¥13,109,752	¥13,043,431
11,802,991	12,130,667	12,258,635	12,561,619	12,370,165	12,219,377	12,092,991
12,179,839	12,471,100	12,649,384	13,063,938	12,831,425	12,570,686	12,459,696
20,400	43,600	33,800	24,000	—	—	—
15,600	22,400	32,200	42,000	—	—	—
16,197	23,245	33,345	43,355	—	—	—
—	—	—	(21,163)	—	—	—
235,529	277,335	259,156	222,935	—	—	—
—	—	191,089	71,971	—	—	—
¥ 272,126	¥ 344,180	¥ 517,392	341,099	—	—	—
—	—	—	—	10,000	—	—
—	—	—	—	13	—	—
—	—	—	—	127,159	—	—
—	—	—	—	(21,470)	—	—
—	—	—	—	1,547	—	—
—	—	—	—	117,249	—	—
—	—	—	10,000	95,000	132,500	100,000
—	—	—	—	10,054	47,554	87,515
—	—	—	323	47,140	146,228	180,592
—	—	—	—	—	(33,460)	(32,037)
—	—	—	80	48,034	246,244	246,458
—	—	—	—	—	—	(6)
—	—	—	—	—	—	(190)
—	—	—	¥ 10,403	¥ 200,229	¥ 539,066	¥ 582,331

Millions of yen						
1999	2000	2001	2002	2003	2004	2005
¥54,412,999	¥54,256,170	¥54,162,283	¥57,782,127	¥57,925,547	¥58,508,475	¥59,573,531
6,630,249	6,467,998	6,333,235	6,932,944	7,316,552	7,568,059	7,544,973
4,792,747	4,844,039	4,728,033	4,702,882	5,215,716	5,199,186	4,875,798
114,540	96,959	128,174	126,556	114,211	141,752	129,809

■ TAIYO LIFE—SELECTED NON-CONSOLIDATED FINANCIAL DATA

Years ended March 31,	Millions of yen			
	1995	1996	1997	1998
Statements of Operations Data:				
Ordinary Revenues:				
Income from insurance premiums	¥1,263,929	¥1,325,953	¥1,280,639	¥1,328,894
Investment income	289,866	270,630	253,804	313,609
Other ordinary income	17,752	11,600	29,355	27,770
Total Ordinary Revenues	1,571,549	1,608,184	1,563,799	1,670,274
Ordinary Expenses:				
Insurance claims and other payments	1,098,934	1,035,843	1,142,857	1,314,074
Provision for policy and other reserves	246,135	378,546	235,679	108,624
Investment expenses	86,112	48,463	49,291	100,052
Operating expenses	100,469	96,114	90,208	86,411
Other ordinary expenses	35,984	22,357	22,954	25,265
Total Ordinary Expenses	1,567,636	1,581,325	1,540,990	1,634,428
Ordinary Profit	3,912	26,859	22,808	35,845
Net Extraordinary Gains (Losses)	10,130	(2,676)	(3,047)	(7,899)
Provision for Reserve for Policyholder Dividends (Note 1)	—	—	—	—
Income before Income Taxes (Note 2)	14,042	24,182	19,761	27,946
Income Taxes:				
Current	2,713	9,652	5,478	12,543
Deferred	—	—	—	—
Net Income (Note 2)	¥ 11,328	¥ 14,530	¥ 14,282	¥ 15,403
Unappropriated Retained Earnings at Beginning of Year (Note 2)				
	¥ —	¥ —	¥ —	¥ —
Transfer from Land Revaluation				
	—	—	—	—
Cumulative Effect of Prior Year's Deferred Income Taxes				
	—	—	—	—
Transfer from Employees' Retirement Benefits				
	77	—	534	144
Transfer from Appropriated Retained Earnings				
	244	99	99	99
Unappropriated Retained Earnings at End of Year (Note 2)	¥ 11,649	¥ 14,629	¥ 14,915	¥ 15,647

Notes: 1. Provision for reserve for policyholder dividends is recorded on an accrual basis for a joint stock corporation. It is treated as an appropriation of surplus for a mutual company. Since Taiyo Life converted from a mutual company to a joint stock corporation on April 1, 2003, it has accrued policyholder dividends for fiscal 2003 through provision for allowance for policyholder dividends in extraordinary losses.

2. Prior to the fiscal year ended March 31, 2003, income before income taxes, net income, unappropriated retained earnings at beginning of year, and unappropriated retained earnings at end of year were represented as surplus before income taxes, net surplus, unappropriated surplus at beginning of year, and unappropriated surplus at end of year, respectively.

3. The above figures are calculated based on the accounting standard in each fiscal year.

As of March 31,	Millions of yen			
	1995	1996	1997	1998
Balance Sheet Data:				
Total Assets	¥6,053,391	¥6,445,574	¥6,703,526	¥6,825,683
Liabilities:				
Policy reserves	5,975,151	6,342,122	6,526,027	6,601,676
Total Liabilities	6,040,742	6,429,765	6,656,767	6,753,848
Equity (Note):				
Fund	—	—	—	—
Legal reserve:				
Reserve for redemption of fund	0	0	1,000	1,000
Total legal reserve	44	44	1,044	1,089
Land revaluation	—	—	—	—
Surplus	12,604	15,763	45,714	70,745
Net unrealized gains on securities	—	—	—	—
Total Equity	¥ 12,649	¥ 15,808	¥ 46,759	¥ 71,834
Reserve for redemption of fund	—	—	—	—
Reserve for revaluation	—	—	—	—
Surplus	—	—	—	—
Land revaluation	—	—	—	—
Net unrealized gains on securities	—	—	—	—
Total Equity	—	—	—	—
Stockholders' Equity (Note):				
Common stock	—	—	—	—
Capital surplus	—	—	—	—
Retained earnings	—	—	—	—
Land revaluation	—	—	—	—
Net unrealized gains on securities	—	—	—	—
Total Stockholders' Equity	—	—	—	—

Note: Because Taiyo Life converted from a mutual company to a joint stock corporation on April 1, 2003, equity in the balance sheet as of April 1, 2003, has been adjusted, and because of a revision to the rules and regulations of the commercial code, total equity is divided into common stock, capital surplus, retained earnings, land revaluation, and net unrealized gains on securities after April 1, 2003.

Millions of yen						
1999	2000	2001	2002	2003	2004	2005
¥1,234,665	¥1,155,263	¥1,097,372	¥1,019,041	¥ 887,942	¥ 794,168	¥ 788,174
348,341	293,984	265,775	244,464	229,367	261,588	177,784
30,594	26,500	24,040	327,495	267,938	202,120	175,898
1,613,602	1,475,748	1,387,188	1,591,001	1,385,248	1,257,877	1,141,857
1,309,827	1,131,495	1,136,968	1,368,304	1,138,322	975,834	931,372
43,602	115,008	22,450	4,696	564	2,606	102
134,188	93,125	94,480	79,734	93,632	117,886	59,992
88,974	85,497	82,198	85,049	86,143	85,533	82,745
27,481	29,993	30,249	35,050	43,529	44,156	41,591
1,604,074	1,455,120	1,366,347	1,572,834	1,362,192	1,226,018	1,115,804
9,527	20,627	20,840	18,167	23,055	31,859	26,053
(2,206)	1,727	(8,296)	(7,985)	(14,449)	(6,986)	(723)
—	—	—	—	—	11,915	13,421
7,320	22,355	12,543	10,181	8,605	12,956	11,908
15,278	7,681	113	661	101	36	(5,473)
(16,279)	(5,872)	8,096	(1,838)	3,678	5,899	10,201
¥ 8,321	¥ 20,546	¥ 4,333	¥ 11,358	¥ 4,825	¥ 7,020	¥ 7,179
¥ —	¥ 60,247	¥ 33,304	¥ 25,366	¥ 25,366	¥ 25,591	¥ 26,414
—	—	—	—	306	1,081	(246)
67,433	—	—	—	—	—	—
216	126	66	—	—	—	—
44	25	20	10	14	—	—
¥ 76,015	¥ 80,944	¥ 37,724	¥ 36,734	¥ 30,512	¥ 33,692	¥ 30,758

Millions of yen						
1999	2000	2001	2002	2003	2004	2005
¥6,969,359	¥7,081,689	¥7,266,394	¥6,834,028	¥6,528,068	¥6,409,552	¥ 6,276,553
6,639,348	6,749,758	6,745,210	6,455,343	6,219,940	6,060,167	5,919,054
6,837,219	6,914,647	6,944,497	6,656,917	6,410,819	6,184,311	6,056,764
—	30,000	27,000	24,000	—	—	—
1,000	1,000	4,000	7,000	—	—	—
1,136	1,184	4,244	7,284	—	—	—
—	—	—	(21,163)	—	—	—
131,003	135,857	139,967	136,533	—	—	—
—	—	150,684	30,457	—	—	—
¥ 132,139	¥ 167,041	¥ 321,896	¥ 177,111	—	—	—
—	—	—	—	10,000	—	—
—	—	—	—	13	—	—
—	—	—	—	127,159	—	—
—	—	—	—	(21,470)	—	—
—	—	—	—	1,547	—	—
—	—	—	—	¥ 117,249	—	—
—	—	—	—	—	37,500	37,500
—	—	—	—	—	37,500	37,500
—	—	—	—	—	69,361	71,412
—	—	—	—	—	(33,460)	(32,037)
—	—	—	—	—	114,340	105,414
—	—	—	—	—	¥ 225,240	¥ 219,789

■ TAIYO LIFE—ADDITIONAL NON-CONSOLIDATED FINANCIAL DATA

Years ended March 31,	Millions of yen			
	1995	1996	1997	1998
Other Data:				
Policy Amount in Force (Note 1)	¥14,085,578	¥14,583,278	¥15,091,162	¥15,126,030
Individual insurance	10,010,754	10,135,341	10,457,442	10,448,121
New Policy Amount (Notes 1 and 2)	1,864,705	1,995,996	2,120,752	1,989,167
Individual insurance	1,443,376	1,402,692	1,720,942	1,650,607
Amount of Surrender and Lapse (Note 1)	836,614	812,051	827,948	1,023,539
Surrender and Lapse Rate (Note 1)	6.03%	5.77%	5.68%	6.78%
Solvency Margin Ratio	—	—	—	873.0%
Core Profit	—	—	—	—
Average Annual Yield on General Account Assets (Note 3)	3.47%	3.56%	3.19%	3.16%
Number of Employees:				
In-house sales representatives	11,230	11,513	10,756	9,848
Customer service staff (Note 4)	3,267	3,125	2,971	2,826
Administrative personnel	3,850	3,579	3,367	3,194
Number of Agents	—	—	—	241
Number of Retail Offices	152	152	142	142

Notes: 1. Individual insurance and individual annuities

2. Includes increase from conversion

3. Investment yields stated above represent the results calculated by dividing the net investment gain/loss included in ordinary revenues/expenses by the average daily balance on a book value basis.

4. The collective designation used for staff who provide customers with premium collection and other services was changed from "Premium collectors" to "Customer service staff" on July 1, 2005.

Millions of yen

1999	2000	2001	2002	2003	2004	2005
¥15,129,141	¥15,185,001	¥15,172,534	¥15,232,917	¥15,268,605	¥16,077,894	¥16,966,276
10,186,798	10,034,029	9,958,805	10,217,320	10,500,204	11,577,980	12,706,501
1,857,010	1,847,641	1,931,771	2,188,155	2,175,488	2,814,284	2,891,002
1,339,823	1,333,233	1,458,164	2,047,965	2,091,069	2,797,241	2,902,417
916,162	998,844	1,201,117	1,209,680	1,318,853	1,362,689	1,424,081
6.06%	6.60%	7.91%	7.97%	8.66%	8.92%	8.86%
869.1%	1,050.3%	806.8%	767.0%	681.5%	863.3%	865.7%
—	—	¥ 13,938	¥ 13,875	¥ 28,734	¥ 37,551	¥ 33,823
3.09%	2.82%	2.52%	2.48%	1.31%	2.15%	1.89%
10,450	10,111	9,276	8,948	8,808	8,703	9,111
2,639	2,389	2,116	1,960	1,744	1,579	1,413
3,172	2,982	2,860	2,825	2,909	2,743	2,681
488	672	685	690	740	798	680
142	142	145	145	145	147	147

■ DAIDO LIFE—SELECTED NON-CONSOLIDATED FINANCIAL DATA

	Millions of yen			
Years ended March 31,	1995	1996	1997	1998
Statements of Operations Data:				
Ordinary Revenues:				
Income from insurance premiums	¥1,139,052	¥1,153,009	¥1,106,451	¥1,168,436
Investment income	209,426	248,643	230,052	261,147
Other ordinary income	1,410	1,598	37,889	2,365
Total Ordinary Revenues	1,349,888	1,403,251	1,374,393	1,431,949
Ordinary Expenses:				
Insurance claims and other payments	701,729	770,106	1,047,773	858,599
Provision for policy and other reserves	378,531	344,943	4,677	249,886
Investment expenses	91,246	102,299	97,121	111,645
Operating expenses	115,968	115,625	116,140	113,226
Other ordinary expenses	11,374	11,218	11,820	13,800
Total Ordinary Expenses	1,298,850	1,344,193	1,277,533	1,347,157
Ordinary Profit	51,038	59,057	96,859	84,791
Net Extraordinary Gains (Losses)	(2,053)	(1,976)	(12,444)	(9,921)
Provision for Reserve for Policyholder Dividends (Note 1)	—	—	—	—
Income before Income Taxes (Note 2)	48,985	57,081	84,414	74,870
Income Taxes:				
Current	8,083	15,382	21,641	26,804
Deferred	—	—	—	—
Net Income (Note 2)	¥ 40,902	¥ 41,699	¥ 62,773	¥ 48,065
Unappropriated Retained Earnings at Beginning of Year (Note 2)	¥ —	¥ —	¥ —	¥ —
Cumulative Effect of Prior Year's Deferred Income Taxes	—	—	—	—
Interim Dividend	—	—	—	—
Transfer to Legal Reserve for Future Losses with Respect to Interim Dividend	—	—	—	—
Transfer from Provision for 100th Anniversary Project	260	210	240	265
Unappropriated Retained Earnings at End of Year (Note 2)	¥ 41,162	¥ 41,909	¥ 63,013	¥ 48,330

Notes: 1. Provision for reserve for policyholder dividends is recorded on an accrual basis for a joint stock corporation. It is treated as an appropriation of surplus for a mutual company. Since Daido Life converted from a mutual company to a joint stock corporation on April 1, 2002, it has accrued policyholder dividends for the fiscal year ended March 31, 2002, through provision for allowance for policyholder dividends in extraordinary losses.

2. Prior to the fiscal year ended March 31, 2002, income before income taxes, net income, unappropriated retained earnings at beginning of year, and unappropriated retained earnings at end of year were represented as surplus before income taxes, net surplus, unappropriated surplus at beginning of year, and unappropriated surplus at end of year, respectively.

3. The above figures are calculated based on the accounting standard in each fiscal year.

	Millions of yen			
As of March 31,	1995	1996	1997	1998
Balance Sheet Data:				
Total Assets	¥4,637,574	¥5,011,818	¥5,059,176	¥5,346,385
Liabilities:				
Policy reserves	4,493,717	4,844,701	4,754,632	5,010,375
Total Liabilities	4,594,591	4,968,015	4,899,122	5,200,714
Equity (Note):				
Fund	—	—	34,000	27,200
Legal reserve:				
Reserve for redemption of fund	0	0	1,000	7,800
Total legal reserve	61	61	1,061	8,061
Surplus	42,921	43,741	124,992	110,410
Net unrealized gains on securities	—	—	—	—
Total Equity	¥ 42,983	¥ 43,802	¥ 160,054	¥ 145,671
Stockholders' Equity (Note):				
Common stock	—	—	—	—
Capital surplus	—	—	—	—
Retained earnings	—	—	—	—
Net unrealized gains on securities	—	—	—	—
Total Stockholders' Equity	—	—	—	—

Note: Because Daido Life converted from a mutual company to a joint stock corporation on April 1, 2002, equity in the balance sheet as of April 1, 2002 has been adjusted, and because of a revision to the rules and regulations of the commercial code, total equity is divided into common stock, capital surplus, retained earnings, and net unrealized gains on securities after April 1, 2002.

Millions of yen

1999	2000	2001	2002	2003	2004	2005
¥1,192,881	¥1,136,904	¥1,072,245	¥1,059,445	¥ 989,420	¥ 928,260	¥ 884,804
276,804	287,088	191,572	245,123	189,901	194,634	146,685
3,173	2,544	5,365	3,660	2,854	67,410	27,600
1,472,858	1,426,537	1,269,183	1,308,229	1,182,176	1,190,304	1,059,090
968,980	869,346	864,988	907,444	861,908	910,190	805,080
155,870	216,281	134,563	31,543	13,873	988	2,633
147,980	181,191	66,112	205,507	134,326	49,887	32,919
114,607	109,751	107,228	108,142	109,212	108,698	108,881
14,334	15,435	14,036	15,523	16,828	15,746	13,740
1,401,773	1,392,005	1,186,929	1,268,161	1,136,149	1,085,512	963,256
71,085	34,531	82,254	40,068	46,027	104,792	95,834
(10,456)	(20,524)	(61,131)	(26,973)	907	(13,301)	1,075
—	—	—	—	26,569	30,521	30,550
60,628	14,007	21,122	13,094	20,364	60,969	66,359
18,741	6,909	13,300	9,230	4,060	26,279	22,789
—	(15,593)	(16,896)	(3,801)	4,861	(3,361)	10,260
¥ 41,887	¥ 22,692	¥ 24,718	¥ 7,665	¥ 11,443	¥ 38,052	¥ 33,309
¥ —	¥ —	¥ 31,304	¥ 14,381	¥ 5,520	¥ 5,772	¥ 23,585
—	56,181	—	—	—	—	—
—	—	—	—	—	—	13,711
—	—	—	—	—	—	2,742
1,080	619	526	719	277	74	63
¥ 42,967	¥ 79,492	¥ 56,549	¥ 22,766	¥ 17,241	¥ 43,898	¥ 40,504

Millions of yen

1999	2000	2001	2002	2003	2004	2005
¥5,482,608	¥5,733,592	¥5,900,384	¥5,982,789	¥6,007,183	¥6,017,918	¥ 5,983,742
5,163,643	5,380,909	5,513,425	5,543,459	5,579,788	5,514,531	5,488,102
5,342,620	5,556,453	5,704,887	5,818,800	5,831,301	5,724,865	5,665,790
20,400	13,600	6,800	—	—	—	—
14,600	21,400	28,200	35,000	—	—	—
15,061	22,061	29,101	36,071	—	—	—
104,526	141,478	119,189	86,402	—	—	—
—	—	40,405	41,514	—	—	—
¥ 139,987	¥ 177,139	¥ 195,496	¥ 163,988	—	—	—
—	—	—	—	75,000	75,000	75,000
—	—	—	—	54	54	54
—	—	—	—	53,249	86,744	101,770
—	—	—	—	47,579	131,254	141,126
—	—	—	—	¥ 175,882	¥ 293,053	¥ 317,951

■ DAIDO LIFE—ADDITIONAL NON-CONSOLIDATED FINANCIAL DATA

Years ended March 31,	Millions of yen			
	1995	1996	1997	1998
Other Data:				
Policy Amount in Force (Note 1)	¥36,401,516	¥37,585,045	¥38,837,467	¥39,340,018
Individual term life insurance	31,056,727	31,980,307	33,195,465	33,761,671
New Policy Amount (Notes 1 and 2)	4,410,168	4,724,567	4,749,406	4,719,288
Individual term life insurance	3,732,147	3,874,641	4,104,473	4,073,742
Amount of Surrender and Lapse (Note 1)	2,810,206	2,852,084	2,997,270	3,625,715
Surrender and Lapse Rate (Note 1)	7.9%	7.8%	8.0%	9.3%
Solvency Margin Ratio	—	—	—	1,016.8%
Core Profit	102,250	101,499	138,829	135,462
Average Annual Yield of General Account Assets (Note 3)	2.91%	2.93%	2.74%	2.50%
Number of Employees:				
In-house sales representatives	6,169	6,039	5,744	6,072
Administrative personnel	3,657	3,540	3,388	3,269
Number of Agents	11,123	11,699	12,383	13,123
Number of Retail Offices	113	113	113	110

Notes: 1. Individual insurance and individual annuities

2. Includes increase from conversion

3. Investment yields stated above represent the results calculated by dividing the net investment gain/loss included in ordinary revenues/expenses by the average daily balance on a book value basis.

Millions of yen

1999	2000	2001	2002	2003	2004	2005
¥39,283,858	¥39,071,169	¥38,989,749	¥38,929,108	¥39,342,682	¥39,294,826	¥39,694,223
33,865,069	33,940,816	34,109,675	34,309,043	34,804,637	34,964,126	35,479,688
4,773,239	4,620,357	4,401,464	4,570,422	4,673,514	4,309,774	4,354,238
4,241,684	4,251,357	4,048,626	4,292,917	4,298,528	4,087,377	4,126,043
3,876,585	3,845,195	3,526,916	3,493,202	3,290,656	3,317,779	3,026,570
9.9%	9.8%	9.0%	9.0%	8.45%	8.44%	7.70%
998.0%	1,004.2%	792.7%	772.0%	860.2%	1,034.9%	1,037.2%
114,540	96,959	114,236	109,889	88,729	107,354	102,731
2.51%	1.60%	2.19%	1.03%	1.47%	2.11%	1.89%
6,126	5,456	4,866	5,154	5,194	5,251	4,888
3,277	3,228	3,171	3,121	3,122	3,136	3,132
13,213	13,135	13,203	13,252	12,970	13,079	13,415
113	110	103	102	102	103	102

■ T&D FINANCIAL LIFE—SELECTED NON-CONSOLIDATED FINANCIAL DATA

Years ended March 31,	Millions of yen			
	2002	2003	2004	2005
Statements of Operations Data:				
Ordinary Revenues:				
Income from insurance premiums	¥ 35,297	¥127,405	¥156,144	¥126,003
Investment income	3,354	5,217	30,019	13,165
Other ordinary income	78,976	2,917	1,305	11,033
Total Ordinary Revenues	117,628	135,541	187,469	150,202
Ordinary Expenses:				
Insurance claims and other payments	96,936	95,451	87,246	89,181
Provision for policy and other reserves	24	10,117	75,288	48,449
Investment expenses	2,048	6,121	500	407
Operating expenses	9,245	19,500	18,345	16,348
Other ordinary expenses:				
Amortization of goodwill	6,500	6,500	6,500	6,500
Total other ordinary expenses	8,195	8,816	8,756	8,709
Total Ordinary Expenses	116,449	140,007	190,137	163,096
Ordinary Profit (Loss)	1,178	(4,466)	(2,667)	(12,894)
Net Extraordinary Gains (Losses)	2,197	(90)	192	(652)
Provision for Reserve for Policyholder Dividends	2,102	1,802	1,219	1,005
Income (Loss) before Income Taxes	1,274	(6,360)	(3,693)	(14,552)
Income Taxes:				
Current	35	71	74	(12,583)
Deferred	1,652	—	—	(7,027)
Net Income (Loss)	(413)	(6,431)	(3,768)	5,058
Unappropriated Surplus (Deficit) at Beginning of Year	(263)	323	(6,108)	(9,877)
Unappropriated Surplus (Deficit) at End of Year	¥ 323	¥ (6,108)	¥ (9,877)	¥ (4,818)

Note: Pursuant to the Law for Special Regulations Concerning Corporate Rehabilitation, T&D Financial Life's fiscal 2001 started April 1, 2001, and ended September 30, 2001. As a consequence, subsequent to reorganization, T&D Financial Life's fiscal 2002 started on October 1, 2001, and ended on March 31, 2002.

As of March 31,	Millions of yen			
	2002	2003	2004	2005
Balance Sheet Data:				
Total Assets	¥598,624	¥613,651	¥682,282	¥727,258
Liabilities:				
Policy reserves	562,817	570,436	644,678	684,679
Total Liabilities	588,221	589,304	661,510	702,181
Stockholders' Equity:				
Common stock	10,000	20,000	20,000	20,000
Capital surplus	—	10,000	10,000	10,000
Retained earnings	323	(6,108)	(9,877)	(4,818)
Net unrealized gains on securities	80	455	649	(103)
Total Stockholders' Equity	¥ 10,403	¥ 24,346	¥ 20,772	¥ 25,077

■ T&D FINANCIAL LIFE—ADDITIONAL NON-CONSOLIDATED FINANCIAL DATA

Years ended March 31,	Millions of yen			
	2002	2003	2004	2005
Other Data:				
Policy Amount in Force (Note 1)	¥3,620,102	¥3,314,260	¥3,135,754	¥2,913,030
Individual variable annuities	1,312	64,131	175,105	245,799
New Policy Amount (Note 1)	174,367	467,550	444,001	299,732
Individual variable annuities	1,299	65,175	90,403	60,818
Amount of Surrender and Lapse (Note 1)	722,925	606,207	518,716	425,146
Surrender and Lapse Rate (Note 1)	17.05%	16.75%	15.65%	13.56%
Solvency Margin Ratio	1,053.0%	1,031.9%	984.8%	721.7%
Core Profit	2,792	(3,252)	(3,153)	(6,746)
Average Annual Yield of General Account Assets (Note 2)	0.05%	0.61%	1.34%	1.18%
Number of Employees:				
In-house sales representatives	987	940	954	493
Administrative personnel	502	500	487	456

Notes: 1. Individual insurance and individual annuities

2. Investment yields of general account assets stated above represent the results calculated by dividing the net investment gain/loss included in ordinary revenues/expenses by the average daily balance on a book value basis.

3. Pursuant to the Law for Special Regulations Concerning Corporate Rehabilitation, T&D Financial Life's fiscal 2001 started April 1, 2001, and ended September 30, 2001. As a consequence, subsequent to reorganization, the Company's fiscal 2002 started on October 1, 2001, and ended on March 31, 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

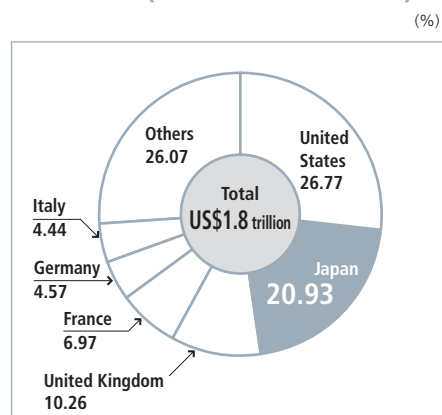
The following discussion is primarily based on the consolidated figures provided in the consolidated financial statements in this annual report. However, some figures not compiled on a consolidated basis are also discussed. Such figures are specified as non-consolidated and are mainly related to our primary business of insurance. Please note that forward-looking statements concerning items in this section are the opinions of management as of the fiscal year ended March 31, 2005 (fiscal 2004).

INTRODUCTION

1. Business Environment

Japan's life insurance market is second only to that of the United States in terms of size, generating US\$386.8 billion, or 20.9% of the global market's premium income, based on survey data for the end of December 2004.

Global Life Insurance Market Breakdown (Premium Income Basis)



Source: Swiss Re Sigma No. 2/2005, *World Insurance in 2005*

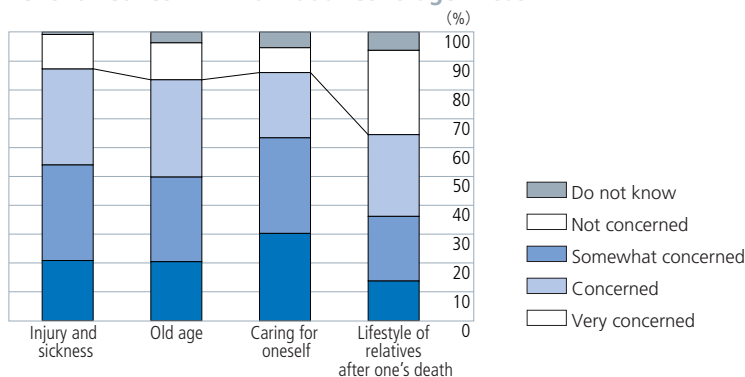
There are 39 private-sector life insurance companies operating in Japan, including four foreign entities that have established branches in Japan after receiving licenses to operate in the life insurance business. As of March 31, 2005, the policy amount in force for these companies reached a combined ¥1,568.66 trillion, including individual life insurance, individual annuities, and group insurance. This breaks down to ¥31.13 million per household and ¥12.36 million per capita. (Source: The Life Insurance Association of Japan's *Summary of Life Insurance Business in Japan*)

The policy amount in force had declined for eight consecutive years by the fiscal 2004 year-end, falling 2.5% from March 31, 2004. The aggregate new policy amount for individual insurance, individual annuities, and group insurance has also fallen for eight straight years, dropping 9.6% year on year, to ¥108.79 trillion.

Insurance premiums rose in fiscal 2003, reversing a downward trend that began in fiscal 1998. In fiscal 2004, total insurance premiums rose 4.1% year on year, to ¥27.02 trillion, marking the second straight year of growth.

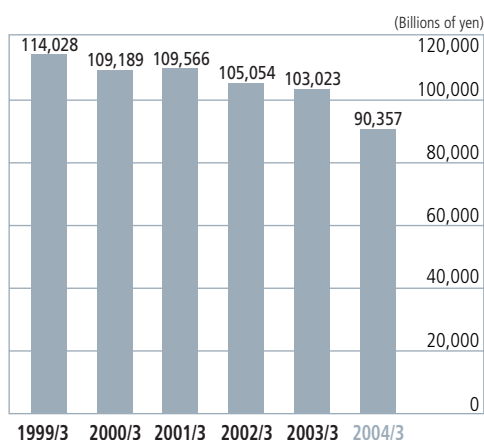
We think this situation reflects changing customer needs and an evolving sales environment. In terms of customer needs, in light of increased medical costs, reduced public pension payment levels, and an aging population, people, especially middle-aged and elderly persons, are becoming increasingly concerned about the risks associated with living longer lives. Consequently, there is rising demand for financial protection covering longer lives, such as medical and nursing care insurance and variable annuities. Meanwhile, demand for large death protection policies for householders, which have been in the mainstream for a long time, is now on a downward trend because of the economic recession and shifting household composition.

Level of Concern in Individual Coverage Areas

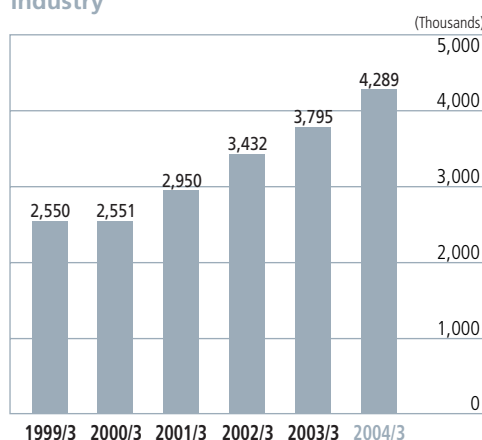


Source: Japan Institute of Life Insurance (JILI), *Survey on Life Protection* (January 2005)

Total New Policy Amount for Japan's Private-Sector Life Insurance Industry (Individual Insurance and Annuities)



Number of New Policies for Medical and Nursing Care Insurance Recorded by Japan's Private-Sector Life Insurance Industry

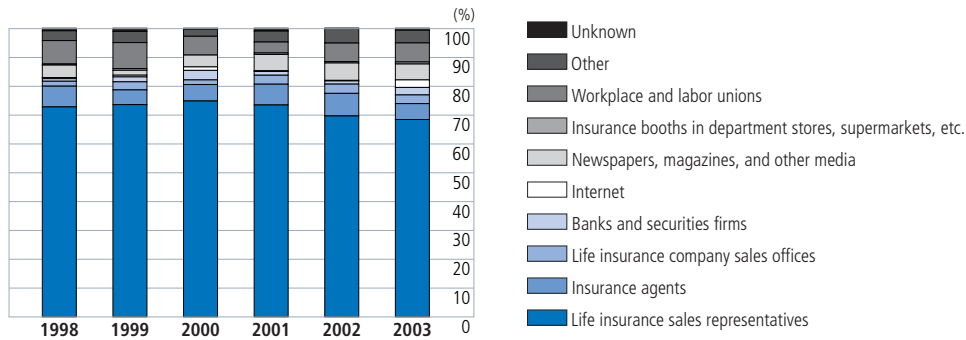


Source: Compiled by T&D Holdings based on the Life Insurance Association of Japan's *Summary of Life Insurance Business in Japan*

As for the sales environment, foreign insurers and Property & Casualty (P&C) insurers, whose main products are medical and nursing care insurance, have greatly expanded their market shares through aggressive advertising strategies and the effective use of sales agents. Specifically, the 13 foreign life insurance groups recorded insurance premiums totaling ¥7,566.8 billion in fiscal 2004, up 38.6% from the previous fiscal year, surpassing the combined 40% market share held by the nine major domestic life insurers. Medical and nursing care insurance is considered to offer a certain level of profitability for insurers and thus to be a promising growth area, and this has touched off a dramatic increase in sales competition, including among major life insurers.

Also, since the ban on over-the-counter (OTC) sales of individual annuities at banks was lifted in October 2002, insurers have aggressively courted banks to market their individual variable annuity products, mainly to elderly customers, by touting them as a new earnings source. As of March 31, 2005, the policy amount in force for individual variable annuities sold by the 20 life insurance companies totaled ¥5,859.0 billion, up 85.2% from the previous fiscal year-end.

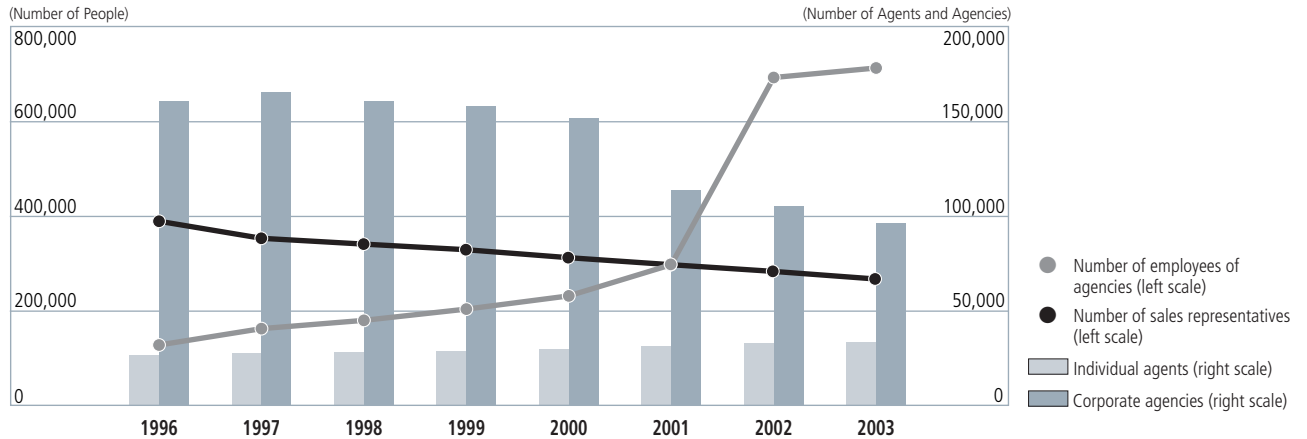
Utilization of Sales Channels (Private Insurers)



Source: JLI, *Nationwide Actualities Survey on Life Insurance* (December 2003)

As a consequence, the number of sales representatives, previously the main sales channel, has been falling every year because of this evolution in consumer needs and the sales environment. The sales environment will continue evolving as the privatization of Postal Life Insurance is scheduled to begin in April 2007 and the full deregulation of OTC sales at banks is currently expected to take effect toward the end of 2007.

Number of Sales Representatives, Agents, and Employees of Agencies

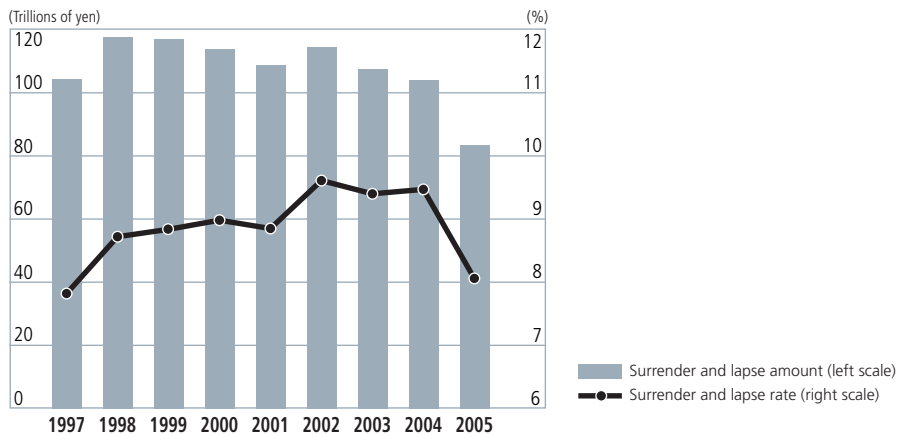


Note: The number of employees of agencies is the combined total number of employees of corporate agencies and individual agents.
Source: The Life Insurance Association of Japan, *2004 Life Insurance Trends*

Japan's economy remains on a track of modest recovery amid continued firmness in the corporate sector as indicated by sharp improvement in corporate earnings. Reflecting this situation, the surrender and lapse rate dropped substantially in fiscal 2004, indicating that consumers are retaining their insurance coverage. Also, insurers have made progress in rejuvenating their earnings power and reinforcing their financial positions, with some companies building up additional internal reserves.

It is generally believed that the Japanese life insurance industry, which has been in a prolonged slump since the failure of Nissan Mutual Life in 1997, has now bottomed out and has entered a stage of transition from defense to offense.

Surrender and Lapse Amount and Rate for the Nine Major Domestic Life Insurers



Source: Compiled by T&D Holdings based on the Life Insurance Association of Japan's *Summary of Life Insurance Business in Japan*

2. Market Positioning

Amid this operating environment, the T&D Life Group is focusing its corporate resources on promising growth fields. Taiyo Life is offering whole life with mid-sized death protection, as well as medical and nursing care insurance for which consumer needs are emerging, to middle-aged and elderly individuals, especially women. Also, Daido Life is expected to see an increased need for corporate coverage in its core small and medium-sized enterprise (SME) market, given that the number of profitable firms and new business establishments is increasing as Japan's economy rebounds. Moreover, T&D Financial Life is specializing in individual variable annuities using the Group's banking channel as its main sales platform. The Group believes that the full deregulation of OTC sales at banks will present new and expanded business opportunities.

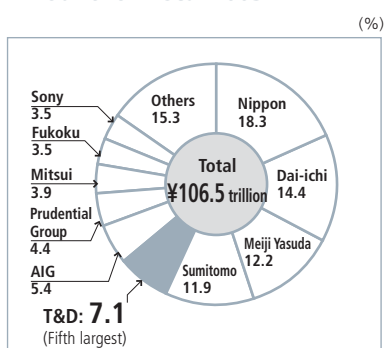
Multiple Business Units

	Sales Representatives	Financial Planners	Sales Agents	Banks/Securities Firms	Direct Sales
Protection	<p>Taiyo Life (Household Market)</p> <p>Daido Life (SME Market)</p> <p>Major Life Insurers</p>	<p>Sony</p> <p>Prudential</p>	<p>Daido Life (SME Market)</p> <p>Tokio Marine Nichido</p>		<p>Alico</p> <p>ORIX</p>
Third Sector	<p>Taiyo Life (Household Market)</p> <p>Major Life Insurers</p>		<p>AFLAC</p>		<p>Alico</p>
Individual Variable Annuities				<p>T&D Financial Life</p> <p>Hartford</p>	

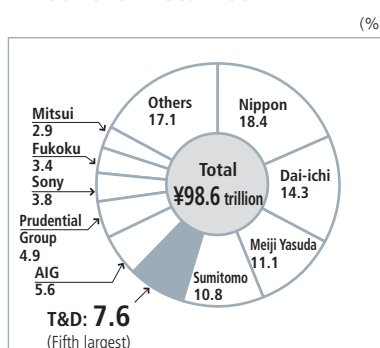
Source: Prepared by T&D Holdings. These categories may differ for or may not be recognized by each individual company.

This strategy has delivered stable sales for the Group. In fiscal 2004, the T&D Life Group's new policy amount and policy amount in force (individual insurance and individual annuities combined) both ranked fifth in terms of Japanese market share, with both percentages higher than in the previous fiscal year. Also, income from insurance premiums and total assets put the Group sixth and fifth, respectively. These figures reflect that the T&D Life Group has established a firm presence in Japan's life insurance industry. In addition, the three life insurers boast financial conditions that are at the top level of the Japanese life insurance industry, with solvency margin ratios well in excess of 200%, the level that triggers prompt corrective action directives from regulatory authorities.

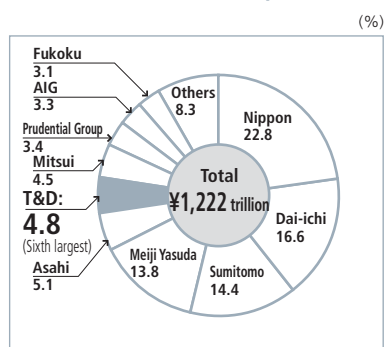
Market Share of New Policy Amount for Fiscal 2003



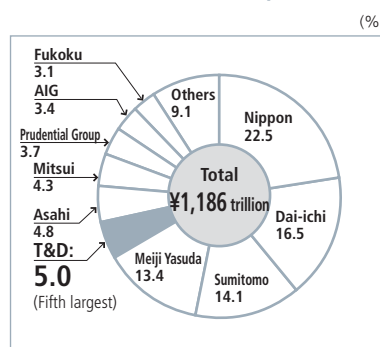
Market Share of New Policy Amount for Fiscal 2004



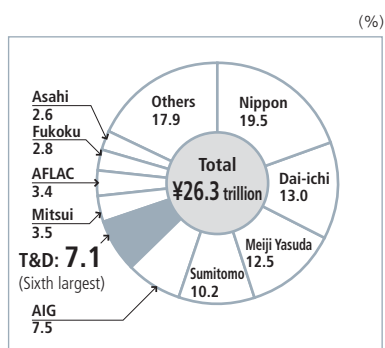
Market Share of Policy Amount in Force as of March 31, 2004



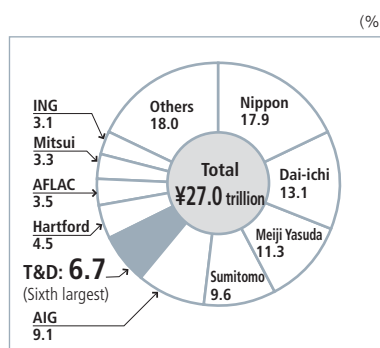
Market Share of Policy Amount in Force as of March 31, 2005



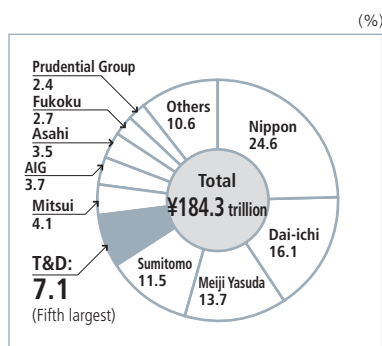
Market Share of Income from Insurance Premiums for Fiscal 2003



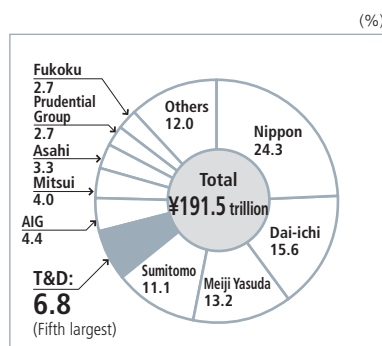
Market Share of Income from Insurance Premiums for Fiscal 2004



**Market Share of Total Assets
as of March 31, 2004**



**Market Share of Total Assets
as of March 31, 2005**



Source: Based on each company's financial information for fiscal 2003 and 2004

3. Regulatory Environment

Overview

All insurance businesses in Japan are regulated principally by the Insurance Business Law, which acts as both a supervisory law for insurers and an insurance company law that specifies the organization and operations of insurance companies. As a supervisory law, the Insurance Business Law stipulates the procedures for licensing and the authorization of basic documents, including the articles of incorporation and the statement of the manner of operations as well as the guidelines for the daily supervision of operations. The regulatory agency for insurance companies is the Financial Services Agency (FSA).

This legislation was amended in June 1995 to better suit Japan's situation, in which deregulation and globalization were changing the face of the financial industry. The revised Insurance Business Law was enforced in April 1996, to "protect policyholders' interests by ensuring the sound management of insurance companies and the fairness of insurance soliciting activities, thereby contributing to the stability of people's lives and the sound development of the national economy." All business corporations engaged in the insurance business in Japan, whether life insurance or property & casualty (P&C) insurance, are subject to this law.

Specific details related to the insurance business are regulated by the Insurance Business Law Enforcement Ordinance, which was issued by the Cabinet, and the Insurance Business Law Enforcement Regulations and Notices, issued by the Cabinet Office, and other such legislation.

Deregulation

Since the revised Insurance Business Law came into effect in 1996, insurance business related laws have continued to evolve and deregulation has proceeded along with the flow of financial liberalization. Moreover, the framework for free competition has been bolstered, with a focus on risk management to ensure financial health, capital adequacy, and management transparency based on the principle of self-responsibility.

The Japanese insurance market is legally divided into three major fields: the First Sector, which involves conventional life insurance; the Second Sector, which involves P&C insurance; and the Third Sector, which involves insurance positioned between the two, including medical insurance, cancer insurance, accident insurance, and nursing care insurance. Previously, only small and medium-sized life insurance companies and foreign insurance companies were permitted to operate in the Third Sector. As part of the liberalization trend, however, in July 2001, the market opened to all other insurance companies. Although deregulation has expanded the areas open to free

competition, other regulations have been tightened to require that insurance companies maintain a sound financial position. Examples include the April 1999 introduction of Prompt Corrective Action measures for insurance companies, which allow the FSA to press a company with a solvency margin ratio below a fixed standard to promptly implement measures to improve its financial soundness, and the adoption of a stricter solvency margin calculation method in March 2001. In addition, to increase management transparency, the reporting of core profit was introduced, monitoring systems were enhanced, and the application of mark-to-market accounting to holding securities was required.

Insurance companies are inspected by the FSA and, depending on the findings of such inspections, may be ordered to improve their operations. The basic rationale of these inspections was disclosed by the authorities in June 2000 in the *Inspection Manual for Insurance Companies*. In March 2002, the Insurance Business Law Enforcement Ordinance revision was implemented regarding the percentage of policyholder dividends. While keeping in mind the principle of actual expense at a mutual company, the minimum policyholder dividend rate set for mutual life insurance companies in their articles of incorporation was lowered from 80% to 20% to ensure adequate internal reserves for meeting challenges in the business environment. As described previously, a variety of deregulations and a framework for free competition have come into effect in Japan's insurance industry to promote liberalization.

The Insurance Business Law was revised in June 2003 to extend the government's contributions to the Life Insurance Policyholders Protection Corporation of Japan (PPC) until March 31, 2006. As a safety net to protect policyholders of insurers that fail, this entity has a fund financed by contributions from member life insurance companies. If the fund of ¥100 billion from the insurance industry is insufficient to cover any obligations arising from insurers that fail through March 31, 2006, then the government can provide up to ¥400 billion in additional funds to the PPC.*

Another revision of the law in July 2003 made it possible for insurers with the probability of experiencing difficulty in continuing their business to lower their assumed investment yields for existing policies. Postal Life Insurance, which has a major influence on Japan's entire insurance industry, became a part of the Japan Post Public Corporation upon its inauguration in April 2003.

Due to the above factors, the Japanese insurance industry faces an increasingly deregulated and competitive operating environment.

*The Insurance Business Law was revised on April 1, 2005, to extend the government's contributions to the PPC for an additional three years based on a review of the level of contribution of life insurance companies to the PPC and in consideration of the types and guaranteed yields of policies eligible for protection at the time of bankruptcy.

Deregulation

Enforced in	Event	Details
April 1996	Overall revision to reform the insurance system	Ban lifted on life insurance companies and P&C insurance companies entering each other's business through subsidiaries. System introduced calling for some products and insurance rates to be filed with the authorities. Insurance broker system introduced. Setup of insurance rate system deregulated and reformed. Ranges of investment measures and business expanded. Demutualization regulations allowing a mutual company to become a joint stock company established. Solvency margin standards introduced.
March 1998	Lift on the ban on establishing financial holding companies	Financial (insurance) holding company system introduced.
Dec. 1998	Revision of laws related to financial system reforms	Payment guarantee system introduced (insurance policyholder protection organization established to replace the insurance policyholder protection fund) Ban lifted on over-the-counter (OTC) sales of investment trusts. Subsidiary regulations improved. Early correction measures (solvency margin standards) introduced. Ban lifted on insurance sales at securities firms.
June 2000	Revision of the Insurance Business Law and laws related to special measures for the rehabilitation process of financial institutions	Demutualization regulations from a mutual company to a joint stock company revised. Financial resources of the insurance policyholder protection organization increased. Bankruptcy law system improved.
Jan. 2001	Deregulation in the Third Sector of insurance	Ban lifted on P&C insurance subsidiaries of life insurance companies and life insurance subsidiaries of P&C insurance companies entering the Third Sector.
April 2001	Start of OTC sales at banks	Sales of some life insurance products begin at bank counters (credit life insurance related to housing loans).
July 2001	Deregulation in the Third Sector of insurance	Ban lifted on the parent companies of life and P&C insurance companies entering the Third Sector.
March 2002	Lowering the policyholders' minimum dividend rate	Policyholders' minimum dividend rate, which is stipulated in the articles of incorporation, lowered from 80% to 20% (Insurance Business Law Enforcement Ordinance revision).
Oct. 2002	Broadening of types of products that can be sold at banks	Types of insurance products that can be sold at banks broadened (individual annuities, asset-formation annuity insurance, pension reserve disability insurance, and asset-formation disability insurance).
June 2003	Extension of government contributions to the Life Insurance Policyholders Protection Corporation of Japan	Government contributions to the Life Insurance Policyholders Protection Corporation of Japan extended until the end of March 2006.
July 2003	Procedures introduced to allow insurers to lower their assumed investment yields	Procedures introduced to allow insurers that are likely to have difficulties sustaining their insurance businesses to lower their assumed investment yields for existing policies.
April 2005	Unification of methods for calculating minimum guaranty risks of variable annuity insurance	Introduction of new rules concerning the provision of reserves for minimum guaranty risks of variable annuity insurance (Cabinet Office Regulation)

Changes in Fiscal 2004 and Our Response

Regarding OTC sales of insurance products by banks and securities companies, following the December 1998 elimination of a prohibition of insurance sales by securities companies, restrictions on banks' OTC sales (bank sales) of certain types of insurance products (housing loan-related credit life insurance, long-term fire insurance, overseas travel insurance, etc.) were eliminated in April 2001. In October 2002, restrictions were eliminated on bank sales of several additional insurance products, including individual annuity insurance (variable and fixed) and asset accumulation-type insurance.

However, in response to the eagerness by banks and other financial institutions to sell more types of insurance, several government consultative organizations began studying the deregulation issue. Based on their findings, the Second Committee of the Financial System Council, a consultative organization of the FSA, issued the report entitled *Reassessment of Regulations on Insurance Sales by Banks and Other Financial Institutions* in March 2004.

The report recommended that the types of products eligible for sales through financial institutions be expanded starting in April 2005 and regulations on such sales be totally lifted in April 2007.

However, OTC sales of insurance products at banks and other financial institutions are restricted by the Insurance Business Law, in case policyholders need to be protected. It is the insurance industry's belief that expanding the products eligible for sale by banks and other financial institutions to protection-type products poses a risk in that, given their advantageous positions in terms of direct customer contact, these entities would then have access to certain personal data, including medical information. Moreover, the wholesale opening of the insurance market to banks and other financial institutions is likely to quickly create a divide between insurance underwriting and sales. It is the industry's belief that the materialization of these risks could weaken the nation's insurance system as a whole. Consequently, the industry opposes rapid market deregulation of the life insurance market. Based on this, the FSA's policy is that the wholesale lifting of the ban on sales of insurance products by financial institutions be postponed through December 2007.

Although T&D Financial Life already sells individual variable annuities, the T&D Life Group is considering its approach with respect to regulatory authorities in the event banks and other financial institutions are allowed to handle all types of insurance products.

Regulations on Investment of Life Insurance Funds

Regulations on the investment of life insurance funds are applied to insurers because of the need to ensure that they have the ability to pay insurance claims and to protect policyholders' benefits. Accordingly, regulations in the Insurance Business Law set limits on investment targets, whereby investment weightings relative to the overall general account assets must be kept within 30% for both domestic stocks and foreign denominated assets and within 20% for real estate.

The general account controls financial assets other than those supervised in the separate account and the reserve account noted below. Insurance premiums received from policyholders are the basis of the financial assets controlled in the general account assets, and an insurance company provides policyholders a guarantee that it will pay an assumed investment yield of return that is set for each policy. (For details regarding investments in the general accounts of Taiyo Life, Daido Life, and T&D Financial Life in fiscal 2004, see page 95.)

The purpose of the separate account is to return the investment gains directly to policyholders. This account is managed separately from other financial assets—the general account assets—owned by an insurance company. The separate account includes items related to individual variable insurance, individual variable annuities, and a portion of group annuities with variable returns based on actual investment results.

The separate account assets have no investment weighting limits. However, given that the investment assets need to be readily convertible to cash so that policyholder payouts can be made as needed, funds are generally invested in listed securities and other marketable assets whose market values can be established daily.

4. Operating Results

Overview

T&D Holdings was established on April 1, 2004, as a holding company through the joint transfer of the stock of Taiyo Life, Daido Life, and T&D Financial Life.

With our “Try & Discover” motto for creating value, we aim to be a group that contributes to all people and societies. The Group’s four management visions are as follows:

- (1) Aim to provide the best products and services to increase customer satisfaction
- (2) Aim to increase the value of the Group by expanding and creating value in areas where the Group can take full advantage of its strengths
- (3) Broadly fulfill our social responsibilities with high ethical standards and strict compliance practices
- (4) Aim to be an energetic group whose employees are encouraged to be creative and to take action

Based on this motto and management vision, the T&D Life Group is ensuring sustainable business expansion and earnings growth, along with promoting the philosophies of “growing and expanding the insurance business” by further leveraging the unique strengths inherent in the business models of each of the three life insurance companies and “increasing operational efficiency and the strategic concentration of investment” through the consolidation of the Group’s management resources.

T&D Holdings’ business objective is the management of the Group and its consolidated subsidiaries and all duties incidental to that role.

In pursuit of this objective, T&D Holdings formulates the Group’s management strategy based on business management agreements concluded among the three life insurance companies. T&D Holdings also ensures that corporate resources are allocated appropriately, approves the three life insurance companies’ budgets, and monitors their operations. It also sets basic policies for Group investment management, risk management, compliance, and internal auditing. In addition, T&D Holdings provides guidance and assistance pertaining to the Group’s business on the whole and promotes the construction of the Group management system, all with the aim of increasing the corporate value of the Group.

Specific activities carried out during the year included the secondary offering of T&D Holdings’ shares in September 2004. With regard to the dissolution of the parent company share possession by Taiyo Life and Daido Life, and the improvement of the liquidity of shares in the stock market, T&D Holdings sold 20,625,000 shares of its stock (including over-allotment) that had been held by UFJ Bank, UFJ Trust Bank, Taiyo Life, and Daido Life. In addition, T&D Holdings adopted a consolidated taxation system in April 2004 as part of the construction of a framework for Group management. With regard to building a more advanced, sophisticated, and flexible management framework, T&D Holdings investigated and made concerted preparations for the integration of overlapping functions among the three life insurance companies and the parent company.

Next, within the context of the activities of the three life insurance companies, efforts were made to bolster sales of nursing care insurance through the launch of “Taiyo Life’s *Hoken Kumiyoku* Nursing Care Enhancement Plan,” introduced by Taiyo Life in April 2004. In conjunction, in September 2004, Taiyo Life also launched a new version of the medical insurance product “*Kenko*.” Daido Life introduced a decreasing non-participating term life insurance product in May 2004 and an increasing non-participating term life insurance (low cash value type at the early stage) product in July 2004, in order to meet the increasingly diverse needs of customers in the SME market.

T&D Financial Life launched an individual variable annuity product with guaranteed minimum living benefits. This product was designed simply and meets new FSA funding rules for policy reserve.

Regarding operational administration, T&D Customer Services Co., Ltd., was established in April 2004 through the merger of the administrative services subsidiaries of Taiyo Life and Daido Life with the objective of constructing a speedy and high-quality administrative framework and reducing administrative costs related to the insurance business.

In investment activities, T&D Holdings has determined a Group Investment Management Policy and established a Group Investment Committee based on this policy to encourage the three life insurance companies to make consistent asset investments as a group—to ensure the soundness of each company's management—and has made efforts to increase profits from investments.

Results of Operations (For Fiscal 2004, the Year Ended March 31, 2005, Compared with the Previous Fiscal Year)

Analysis of Consolidated Revenues and Expenses

For fiscal 2004, consolidated ordinary revenues were ¥2,316.7 billion. After the deduction of ¥2,207.9 billion in ordinary expenses, ordinary profit totaled ¥108.8 billion. Adjusting ordinary profit for extraordinary gains of ¥4.2 billion, extraordinary losses of ¥16.1 billion, the provision for reserve for policyholder dividends of ¥44.9 billion, current income taxes of ¥1.6 billion, and deferred income taxes of ¥13.0 billion, net income totaled ¥37.1 billion.

The following is an analysis of the major factors having an impact on the consolidated statements of operations. T&D Holdings was established in fiscal 2004, precluding a comparison of results with those of the previous fiscal year.

1) Ordinary Revenues

Ordinary revenues were ¥2,316.7 billion, consisting of income from insurance premiums of ¥1,798.9 billion, investment income of ¥336.1 billion, other ordinary income of ¥181.6 billion, and equity in net income of affiliated companies of ¥0.0 billion.

a) Income from Insurance Premiums

Years ended March 31,	Millions of yen									
	Consolidated	Taiyo Life			Daido Life			T&D Financial Life		
	2005	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
Insurance Premiums and Other Revenue:										
Individual insurance	¥1,207,272	¥561,921	¥545,130	¥(16,790)	¥608,593	¥628,955	¥20,362	¥36,490	¥33,185	¥(3,304)
Individual annuities	216,034	118,373	101,537	(16,836)	32,498	35,259	2,760	103,035	79,237	(23,797)
Group insurance	88,127	37,056	35,800	(1,256)	48,869	46,581	(2,287)	6,307	5,744	(562)
Group annuities	280,026	75,586	104,530	28,943	234,605	170,296	(64,308)	7,064	5,199	(1,864)
Total Insurance Premium Revenue	¥1,798,983	¥794,168	¥788,174	¥(5,993)	¥928,260	¥884,804	¥(43,455)	¥156,144	¥126,003	¥(30,141)

Income from insurance premiums totaled ¥1,798.9 billion, consisting of ¥1,423.3 billion in premiums for individual insurance and individual annuities, ¥88.1 billion for group insurance, and ¥280.0 billion for group annuities, and others.

At Taiyo Life, income from insurance premiums totaled ¥788.1 billion, down ¥5.9 billion, or 0.8%, from the previous fiscal year, due to a decline in the number of policies. Insurance premiums for individual insurance and individual annuities totaled ¥646.6 billion, down ¥33.6 billion, or 4.9%, from the previous fiscal year, reflecting the maturity of savings-oriented products sold in the past and a shifting of the sales focus from savings-oriented products to protection-oriented products through consulting-based sales that address the customer needs. Premiums from core protection-oriented products showed solid growth in the previous fiscal year, and the level attained in the previous year was maintained during the year under review.

At Daido Life, income from insurance premiums decreased ¥43.4 billion, or 4.7%, to ¥884.8 billion, mainly because of a decline in premiums from group annuities. Premiums from mainstay individual term life insurance rose ¥23.8 billion, or 5.0%, to ¥501.3 billion. Consequently, premiums from individual insurance and individual annuities combined rose ¥23.1 billion, or 3.6%, to ¥664.2 billion.

At T&D Financial Life, income from insurance premiums declined ¥30.1 billion, or 19.3%, to ¥126.0 billion, because of a decline in premiums from mainstay individual variable annuities.

b) Investment Income

Years ended March 31,	Millions of yen									
	Consolidated		Taiyo Life		Daido Life			T&D Financial Life		
	2005	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
Investment Income:										
Interest, dividends and income										
from real estate for rent	¥254,274	¥144,233	¥131,012	¥(13,220)	¥129,178	¥119,382	¥ (9,795)	¥ 6,077	¥ 5,338	¥ (739)
Gains on sale of securities	56,116	88,399	45,284	(43,114)	32,418	10,189	(22,228)	984	486	(498)
Gains from derivatives, net	—	15,637	—	(15,637)	—	—	—	—	—	—
Gains on separate accounts, net	13,395	4,658	235	(4,422)	23,484	6,237	(17,246)	22,605	6,922	(15,683)
Total Investment Income	¥336,139	¥261,588	¥177,784	¥(83,804)	¥194,634	¥146,685	¥(47,949)	¥30,019	¥13,165	¥(16,854)

Investment income totaled ¥336.1 billion, including ¥254.2 billion in interest, dividends and income from real estate for rent and ¥56.1 billion in gains on sale of securities.

At Taiyo Life, investment income totaled ¥177.7 billion, down ¥83.8 billion, or 32.0%, from the previous fiscal year. The main factors were a ¥13.2 billion decline in interest, dividends and income from real estate for rent due to lower reinvestment yields amid the prolonged low interest rate situation, a ¥43.1 billion decline in gains on the sale of securities, and the absence of gains from derivatives, net, compared with ¥15.6 billion in gains in the previous fiscal year.

At Daido Life, investment income totaled ¥146.6 billion, down ¥47.9 billion, or 24.6%, from the previous fiscal year. The main factors were a ¥9.7 billion decline in interest, dividends and income from real estate for rent due to lower reinvestment yields amid the prolonged low interest rate situation, a ¥22.2 billion decline in gains on sale of securities, and a ¥17.2 billion decline in gains on separate accounts, net, associated with a decline in stock prices.

At T&D Financial Life, investment income totaled ¥13.1 billion, down ¥16.8 billion, or 56.1%, from the previous fiscal year. The main factor was a ¥15.6 billion decline in gains on separate accounts, net, associated with a decline in stock prices.

2) Ordinary Expenses

Ordinary expenses totaled ¥2,207.9 billion and were composed of ¥1,825.6 billion in insurance claims and other payments, ¥1.0 billion in provision for policy and other reserves, ¥92.0 billion in investment expenses, ¥205.6 billion in operating expenses, and ¥83.5 billion in other ordinary expenses.

a) Insurance Claims and Other Payments

Years ended March 31,	Millions of yen									
	Consolidated	Taiyo Life			Daido Life			T&D Financial Life		
	2005	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
Insurance Claims and Other Payments:										
Insurance claims	¥ 812,219	¥508,633	¥500,665	¥ (7,968)	¥315,064	¥288,656	¥ (26,407)	¥30,277	¥22,897	¥(7,379)
Annuity payments	136,486	96,562	105,123	8,561	26,541	26,158	(383)	5,237	5,204	(33)
Insurance benefits	321,420	117,364	115,448	(1,915)	218,324	186,623	(31,701)	15,055	19,349	4,293
Surrender payments	395,426	180,388	150,011	(30,376)	205,516	215,048	9,531	29,001	30,366	1,364
Other payments, etc.	160,081	72,885	60,124	(12,761)	144,742	88,593	(56,149)	7,674	11,363	3,689
Total Insurance Claims and Other Payments	¥1,825,635	¥975,834	¥931,372	¥(44,461)	¥910,190	¥805,080	¥(105,109)	¥87,246	¥89,181	¥ 1,934

Insurance claims and other payments totaled ¥1,825.6 billion, comprising ¥812.2 billion in insurance claims, ¥136.4 billion in annuity payments, ¥321.4 billion in insurance benefits, ¥395.4 billion in surrender payments, and ¥160.0 billion in other payments, etc.

At Taiyo Life, insurance claims and other payments totaled ¥931.3 billion, down ¥44.4 billion, or 4.6%, from the previous fiscal year. The main factor was that surrender payments fell ¥30.3 billion, or 16.8%, to ¥150.0 billion, because of a decline in the surrender and lapse rate for individual insurance and individual annuities.

At Daido Life, insurance claims and other payments totaled ¥805.0 billion, down ¥105.1 billion, or 11.5%, from the previous fiscal year. The main factor was a decline in insurance benefits and other payments for group annuities related to a decline in the share of the company's operations accounted for by the group annuities business.

b) Investment Expenses

Years ended March 31,	Millions of yen									
	Consolidated	Taiyo Life			Daido Life			T&D Financial Life		
	2005	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
Investment Expenses:										
Losses on sale of securities	¥33,222	¥ 62,806	¥24,669	¥(38,137)	¥10,068	¥ 8,348	¥ (1,720)	¥181	¥202	¥ 21
Devaluation losses on securities	3,761	279	2,297	2,018	331	1,863	1,532	17	24	7
Losses from derivatives, net	33,300	—	24,790	24,790	21,565	8,509	(13,055)	—	—	—
Foreign exchange losses, net	4,907	43,923	—	(43,923)	5,289	5,002	(286)	1	1	(0)
Total Investment Expenses	¥92,037	¥117,886	¥59,992	¥(57,893)	¥49,887	¥32,919	¥(16,968)	¥500	¥407	¥(92)

Investment expenses totaled ¥92.0 billion, including ¥33.2 billion in losses on sale of securities and ¥33.3 billion in losses from derivatives, net.

At Taiyo Life, investment expenses totaled ¥59.9 billion, down ¥57.8 billion, or 49.1% from the previous fiscal year. The main factor was a ¥38.1 billion decline in losses on sale of securities. Foreign exchange losses, net, declined sharply because of a change in the disclosure method at the time of the application of hedge accounting.

Previously, net gains (losses) on hedged foreign exchange exposure were recorded under foreign exchange gains (losses), net. However, starting in fiscal 2004, hedge-related gains and losses were recorded under gains (losses) from derivatives, net.

At Daido Life, investment expenses totaled ¥32.9 billion, down ¥16.9 billion, or 34.0%, from the previous fiscal year. The main factor was that losses from derivatives, net, declined ¥13.0 billion, or 60.5%, to ¥8.5 billion, because of improvement in net gains and losses related to stock index futures.

At T&D Financial Life, investment expenses totaled ¥0.4 billion, down ¥0.0 billion, or 18.4% from the previous fiscal year.

3) Ordinary Profit

Ordinary profit totaled ¥108.8 billion.

Taiyo Life recorded ordinary profit of ¥26.0 billion, down ¥5.8 billion, or 18.2%, from the previous fiscal year. Daido Life recorded ordinary profit of ¥95.8 billion, down ¥8.9 billion, or 8.5%.

Ordinary profit declined at both companies mainly because of reduced investment income, including lower interest, dividends and income from real estate for rent and a decrease in gains on sale of securities.

T&D Financial Life recorded an ordinary loss of ¥12.8 billion, a decrease of ¥10.2 billion, or 383.4%, from the previous fiscal year. The factor for this loss was early compliance with the “Cabinet Office Regulation Concerning Provision of Reserve for Minimum Guaranty Risks for Variable Annuity Insurance, Etc.” issued by the FSA on October 22, 2004, which led the Company to set aside additional reserves of ¥8.6 billion for variable annuities outstanding as of March 31, 2005.

4) Net Investment Income

Net investment income is shown in the following table.

Net Investment Income

Year ended March 31,	Millions of yen									
	Consolidated	Taiyo Life			Daido Life			T&D Financial Life		
	2005	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
Net Items:										
Gains (losses) from monetary trusts	¥ 3,846	¥ 1,428	¥ 466	¥ (962)	¥ 7,040	¥ 3,199	¥ (3,840)	¥ (6)	¥ 36	¥ 43
Gains (losses) on investments in trading securities	4,885	—	—	—	(2,059)	4,885	6,945	—	—	—
Gains (losses) on sale of securities	22,894	25,592	20,615	(4,977)	22,350	1,841	(20,508)	803	284	(519)
Gains (losses) on redemption of securities	165	—	—	—	—	153	153	22	11	(10)
Gains (losses) from derivatives	(33,300)	15,637	(24,790)	(40,427)	(21,565)	(8,509)	13,055	—	—	—
Foreign exchange gains (losses)	(4,907)	(43,923)	98	44,022	(5,289)	(5,002)	286	(1)	(1)	0
Other investment income/expense	(5,854)	2,598	(2,961)	(5,559)	(3,399)	(3,694)	(295)	81	261	179
Gains (losses) on separate accounts	13,395	4,658	235	(4,422)	23,484	6,237	(17,246)	22,605	6,922	(15,683)
Total Net Investment Income (Loss) of Net Items	1,125	5,991	(6,335)	(12,327)	20,560	(889)	(21,449)	23,505	7,514	(15,990)
Investment Income:										
Interest, dividends and income from real estate for rent	254,274	144,233	131,012	(13,220)	129,178	119,382	(9,795)	6,077	5,338	(739)
Total Investment Income	254,274	144,233	131,012	(13,220)	129,178	119,382	(9,795)	6,077	5,338	(739)
Investment Expenses:										
Interest expense	1,646	2,032	1,601	(430)	26	32	6	0	0	0
Devaluation losses on securities	3,761	279	2,297	2,018	331	1,863	1,532	17	24	7
Provision for reserve for possible loan losses	—	731	—	(731)	—	—	—	—	54	54
Write-off of loans	76	—	7	7	1,590	10	(1,580)	—	—	—
Depreciation of real estate for rent	5,813	3,479	2,978	(500)	3,044	2,819	(224)	44	15	(29)
Total Investment Expense	11,298	6,522	6,885	362	4,992	4,727	(265)	63	95	32
Net Investment Income	¥244,102	¥143,702	¥117,792	¥(25,910)	¥144,746	¥113,765	¥(30,980)	¥29,519	¥12,757	¥(16,762)

5) Extraordinary Gains/Losses

Extraordinary gains totaled ¥4.2 billion and extraordinary losses were ¥16.1 billion.

a) Extraordinary Gains

Extraordinary gains totaled ¥4.2 billion, including a ¥3.0 billion reversal of reserve for possible loan losses. Gains on sales of T&D Holdings shares owned by Taiyo Life and Daido Life are posted under capital surplus as gains on sale of treasury stock shown on T&D Holdings' consolidated balance sheet.

b) Extraordinary Losses

Extraordinary losses totaled ¥16.1 billion, including ¥11.9 billion in losses on sale, disposal and devaluation of property and equipment and a ¥4.0 billion provision for reserve for price fluctuations.

At Taiyo Life, incurred extraordinary losses totaled ¥7.7 billion, up ¥0.5 billion, or 7.6%, from the previous fiscal year. The main components were a ¥5.5 billion (up ¥4.1 billion, or 300.2%, from the previous fiscal year) in losses

on sale, disposal and devaluation of property and equipment that included the sale of underperforming properties in order to improve financial soundness and a ¥2.2 billion (down ¥3.2 billion, or 59.5%) provision for reserve for price fluctuations.

Daido Life incurred total extraordinary losses of ¥7.6 billion, down ¥9.8 billion, or 56.4%, from the previous fiscal year. The main factor was that in the previous fiscal year the company incurred ¥10.0 billion in losses on sale, disposal and devaluation of property and equipment relating to the depreciation of low-yield properties as a result of more stringent asset self-assessment standards and that no such loss was incurred in fiscal 2004.

6) Net Income

Net income totaled ¥37.1 billion.

Taiyo Life posted net income of ¥7.1 billion, up ¥0.1 billion, or 2.3%, from the previous fiscal year. Although ordinary profit decreased ¥5.8 billion, this was more than offset by a ¥6.2 billion increase in net extraordinary gains/losses.

Daido Life recorded net income of ¥33.3 billion, down ¥4.7 billion, or 12.5%. This was because total taxes (comprising current and deferred income taxes) increased ¥10.1 billion, even though income before income taxes rose just ¥5.3 billion due to an increase in total extraordinary gains. Deferred income taxes rose sharply to ¥10.2 billion, from a negative figure of ¥3.3 billion in the previous fiscal year. This was mainly due to the fact that a portion of deferred tax assets registered as of March 31, 2004 (¥8.2 billion), were written off due mainly to a more rigorous standard for calculating the possibility of recovering a future deductible temporary difference regarding devaluation losses on securities and real estate for which taxable disposition was implemented.

T&D Financial Life posted net income of ¥5.0 billion, an improvement of ¥8.8 billion, from a ¥3.7 billion net loss in the previous fiscal year. Although ordinary losses widened ¥10.2 billion from fiscal 2003, to ¥12.8 billion in fiscal 2004, the adoption of a consolidated taxation system enabled the temporary recording during the fiscal year under review of tax effects (associated with losses for tax purposes and temporary differences that are deductible in the future) that could not be recorded under the non-consolidated taxation system

Meanwhile, there was a ¥5.5 billion difference between the total net income of the three life insurance companies and consolidated net income. This was mainly due to the fact that, although Taiyo Life and Daido Life recorded extraordinary gains on sale of T&D Holdings' shares totaling ¥7.4 billion (after tax), in T&D Holdings' consolidated financial statements these gains were directly posted under capital surplus on the balance sheet.

Analysis of Sales Results

Sales Results (Non-Consolidated)

Years ended March 31,	Millions of yen											
	Three Companies			Taiyo Life			Daido Life			T&D Financial Life		
	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
New Policy Amount	¥ 7,568,059	¥ 7,544,973	¥ (23,086)	¥ 2,814,284	¥ 2,891,002	¥ 76,718	¥ 4,309,774	¥ 4,354,238	¥ 44,463	¥ 444,001	¥ 299,732	¥(144,268)
Portion attributable to each company's principal products	—	—	—	—	—	—	4,087,377	4,126,043	38,666	90,403	60,818	(29,585)
Decrease in Policy Amount	6,985,133	6,479,917	(505,215)	2,004,994	2,002,620	(2,374)	4,357,630	3,954,841	(402,789)	622,507	522,455	(100,052)
Portion attributable to each company's principal products	—	—	—	—	—	—	3,927,888	3,610,482	(317,405)	(20,570)	(9,875)	10,695
Surrender and Lapse Amount	5,199,186	4,875,798	(323,387)	1,362,689	1,424,081	61,391	3,317,779	3,026,570	(291,209)	518,716	425,146	(93,570)
Portion attributable to each company's principal products	—	—	—	—	—	—	3,055,769	2,831,884	(223,884)	7,138	7,571	433
Policy Amount in Force	58,508,475	59,573,531	1,065,056	16,077,894	16,966,276	888,382	39,294,826	39,694,223	399,396	3,135,754	2,913,030	(222,723)
Portion attributable to each company's principal products	—	—	—	—	—	—	34,964,126	35,479,688	515,561	175,105	245,799	70,693

Notes: 1. The above figures are the totals of individual insurance and individual annuities.

2. The new policy amount includes net increase from conversion.

3. Daido Life's principal products are individual term life insurance while T&D Financial Life's principal products are individual variable annuities.

1) Sales Results

Aggregate sales results for the three life insurance companies for fiscal 2004 are discussed below. The total new policy amount for individual insurance and individual annuities (including net increase from conversion) was ¥7,544.9 billion, down 0.3% from the previous fiscal year. On the other hand, the surrender and lapse amount totaled ¥4,875.7 billion, down 6.2%.

Consequently, the policy amount in force as of March 31, 2005, totaled ¥59,573.5 billion, up 1.8% year on year.

a) Taiyo Life

The new policy amount for individual insurance rose 3.8% from the previous fiscal year, to ¥2,902.4 billion. The decrease in the policy amount includes matured endowments amounting to ¥515.4 billion, down 10.1%, and surrender and lapse amounting to ¥1,322.8 billion, up 10.1%. As a consequence, the policy amount in force as of March 31, 2005, totaled ¥12,706.5 billion, up 9.7% from the previous fiscal year-end.

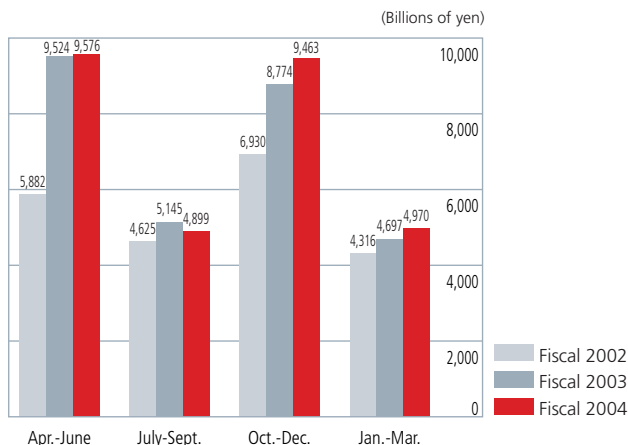
In mainstay protection-oriented products, sales of "Taiyo Life's *Hoken Kumiyoku*" have remained brisk since its launch in April 1, 2003, helping to drive year-on-year increases in the new policy amount and the policy amount in force at the end of the term.

The new policy amount for individual annuities totaled negative ¥11.4 billion. The surrender and lapse amount totaled ¥101.2 billion, down 37.1%. Consequently, the policy amount in force as of March 31, 2005, amounted to ¥4,259.7 billion, down 5.3% from the previous fiscal year-end.

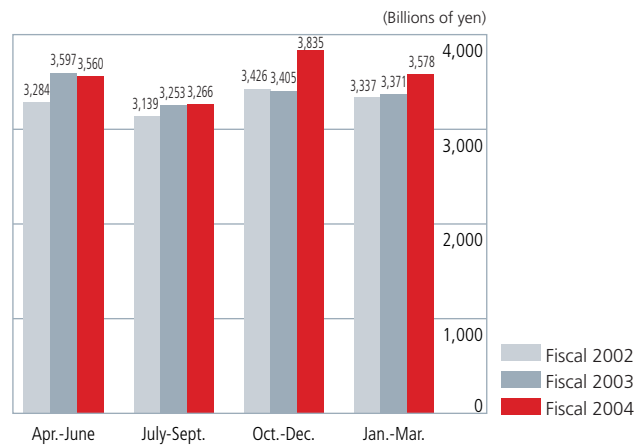
As a result of the above factors, the policy amount in force for individual insurance and individual annuities combined totaled ¥16,966.2 billion, up ¥888.3 billion from the previous fiscal year-end.

The quarterly trends in the new policy amount and the surrender and lapse amount are shown below.

Quarterly Trends in New Policy Amount of Individual Insurance and Individual Annuities



Quarterly Trends in Surrender and Lapse Amount of Individual Insurance and Individual Annuities



*New policy amount includes net increase from conversion.

The policy amount in force for group insurance totaled ¥10,600.3 billion, down 2.9% from the previous fiscal year-end. The policy amount in force for group annuities totaled ¥718.7 billion, down 3.5% from the previous fiscal year-end.

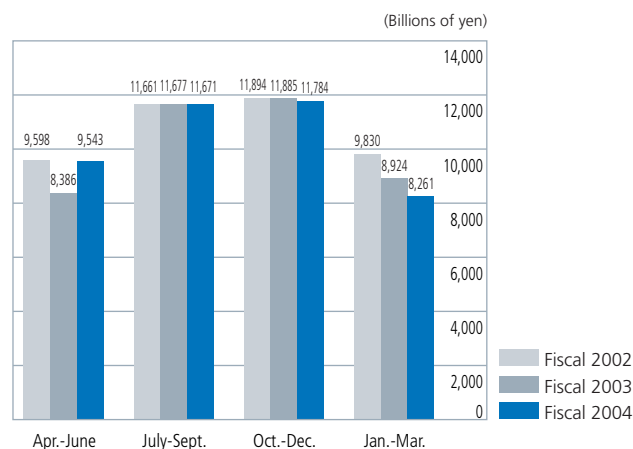
b) Daido Life

At Daido Life, the new policy amount for individual life insurance totaled ¥4,260.5 billion, up 0.7% from the previous fiscal year. The surrender and lapse amount declined 8.6%, to ¥2,981.5 billion. Consequently, the policy amount in force as of March 31, 2005, totaled ¥38,487.5 billion, up 1.0% from the previous fiscal year-end.

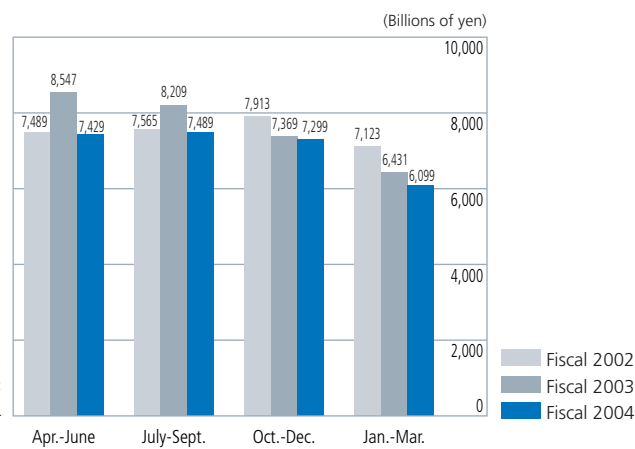
Within the new policy amount, the new policy amount for individual term life insurance, Daido Life's core product, rose 0.9%, to ¥4,126.0 billion, and the policy amount in force as of March 31, 2005, rose ¥515.5 billion, or 1.5%, to ¥35,479.6 billion, marking the 34th consecutive year of net increase.

The quarterly trends in the new policy amount and the surrender and lapse amount for individual term life insurance are shown below.

Quarterly Trends in New Policy Amount of Individual Term Life Insurance



Quarterly Trends in Surrender and Lapse Amount of Individual Term Life Insurance



The new policy amount for individual annuities rose 16.1%, to ¥93.6 billion, while the surrender and lapse amount decreased 20.8%, to ¥44.9 billion. Consequently, the policy amount in force as of March 31, 2005, totaled ¥1,206.6 billion, up 3.1% year on year.

As a result of the above factors, the combined policy amount in force for individual insurance and individual annuities as of March 31, 2005, totaled ¥39,694.2 billion, up ¥399.3 billion, or 1.0% from the previous fiscal year-end.

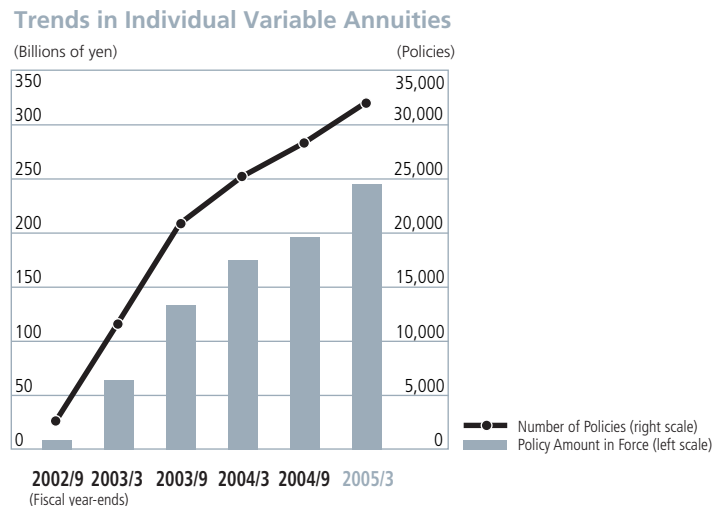
The policy amount in force for group insurance fell 1.2% from the previous fiscal year-end, to ¥12,074.9 billion. The policy amount in force for group annuities declined 6.9%, to ¥2,138.3 billion from the previous fiscal year-end.

c) T&D Financial Life

The new policy amount for individual insurance declined 32.4% from the previous fiscal year, to ¥238.9 billion, while the amount of surrender and lapse dropped 17.6%, to ¥410.1 billion. Consequently, the policy amount in force as of March 31, 2005, stood at ¥2,524.1 billion, down 10.1% year on year.

The new policy amount for individual annuities declined 32.7%, to ¥60.8 billion, while the surrender and lapse amount fell 29.3%, to ¥14.9 billion. As a result, the policy amount in force for individual annuities as of March 31, 2005, was ¥388.8 billion, up 18.5% from a year earlier.

Within individual annuities, the new policy amount for individual variable annuities, the mainstay product of the Company, fell 32.7% from the previous fiscal year, to ¥60.8 billion, while the surrender and lapse amount rose 6.1%, to ¥7.5 billion. Consequently, the policy amount in force for individual variable annuities as of March 31, 2005, totaled ¥245.7 billion, up 40.4% from the previous fiscal year-end.



As a result of the aforementioned factors, the policy amount in force for individual insurance and individual annuities totaled ¥2,913.0 billion, down ¥222.7 billion, or 7.1%, from the amount of the previous fiscal year-end of ¥3,135.7 billion.

The policy amount in force for group insurance was ¥1,831.3 billion, down 8.4% from the previous fiscal year-end. The policy amount in force for group annuities was ¥49.4 billion, down 23.5% over the same period.

2) Core Profit and Negative Spread

Core Profit and Reconciliation to Ordinary Profit (Non-Consolidated)

Millions of yen												
Years ended March 31,	Three Companies			Taiyo Life			Daido Life			T&D Financial Life		
	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
Core Profit	¥141,752	¥129,809	¥(11,943)	¥37,551	¥33,823	¥(3,728)	¥107,354	¥102,731	¥(4,623)	¥(3,153)	¥(6,746)	¥(3,592)
Capital Gains (Losses):												
Gains (losses) from monetary trusts	6,391	2,383	(4,008)	(643)	(780)	(137)	7,040	3,199	(3,841)	(6)	(36)	(30)
Gains (losses) on investments in trading securities, net	(2,059)	4,885	6,944	—	—	—	(2,059)	4,885	6,944	—	—	—
Gains (losses) on sale of securities	48,746	22,740	(26,006)	25,593	20,615	(4,978)	22,350	1,841	(20,509)	803	284	(519)
Devaluation losses on securities	(627)	(4,184)	(3,557)	(279)	(2,297)	(2,018)	(331)	(1,863)	(1,532)	(17)	(24)	(7)
Gains (losses) from derivatives	(5,928)	(33,299)	(27,371)	15,637	(24,790)	(40,427)	(21,565)	(8,509)	13,056	—	—	—
Foreign exchange gains (losses)	(49,213)	(4,905)	44,308	(43,923)	98	44,021	(5,289)	(5,002)	287	(1)	(1)	0
Total Capital Gains (Losses)	¥(2,695)	¥(12,309)	¥(9,614)	¥(3,616)	¥(7,154)	¥(3,538)	¥144	¥(5,449)	¥(5,593)	¥777	¥294	¥(483)
Other One-Time Gains (Losses):												
Provision for contingency reserve	(2,872)	(3,177)	(305)	(1,466)	(609)	857	(1,115)	(1,436)	(321)	(291)	(1,132)	(841)
Provision for specific reserve for possible loan losses	(609)	(61)	548	(609)	—	609	—	—	—	—	(61)	(61)
Write-off of loans	(1,590)	(17)	1,573	—	(7)	(7)	(1,590)	(10)	1,580	—	—	—
Others	—	(5,248)	(5,248)	—	—	—	—	—	—	—	(5,248)	(5,248)
Total Other One-Time Gains (Losses)	(5,073)	(8,505)	(3,432)	(2,076)	(616)	1,460	(2,706)	(1,447)	1,259	(291)	(6,442)	(6,151)
Ordinary Profit	¥133,984	¥108,993	¥(24,991)	¥31,859	¥26,053	¥(5,806)	¥104,792	¥95,834	¥(8,958)	¥(2,667)	¥(12,894)	¥(10,227)

Millions of yen												
Years ended March 31,	Three Companies			Taiyo Life			Daido Life			T&D Financial Life		
	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)	2004	2005	Increase (decrease)
Negative Spread	¥47,184	¥62,573	¥15,389	¥30,217	¥39,170	¥8,952	¥12,973	¥19,479	¥6,506	¥3,993	¥3,924	¥(69)

The aggregate core profit for the three insurance companies fell ¥11.9 billion, or 8.4%, to ¥129.8 billion, in fiscal 2004. The aggregate negative spread total rose ¥15.3 billion, or 32.7%, to ¥62.5 billion.

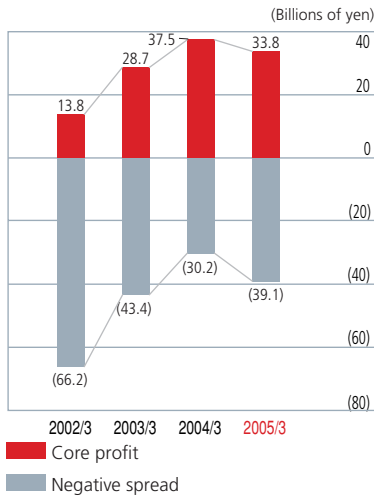
a) Taiyo Life

Core profit fell ¥9.9%, to ¥33.8 billion, as the negative spread increased 29.6%, to ¥39.1 billion.

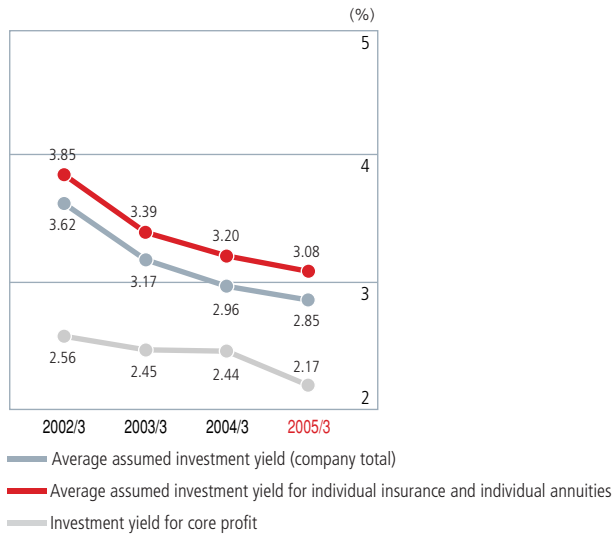
The negative spread is calculated as follows:

(Investment yield for core profit: 2.17% - Average assumed investment yield: 2.85%) x Policy reserve in general accounts: ¥5,753.4 billion = ¥(39.1) billion

Trends in Amount of Core Profit and Negative Spread

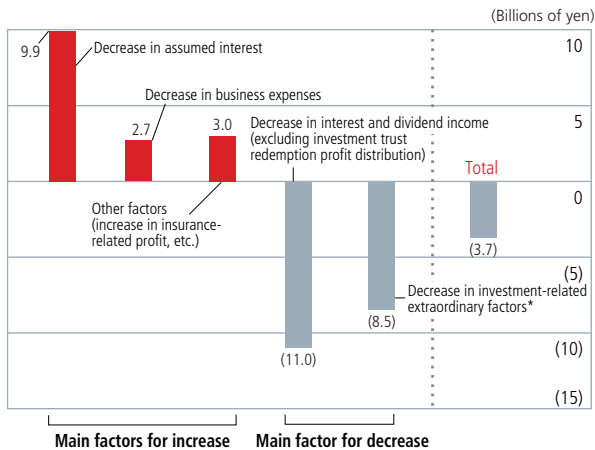


Trends in Average Assumed Investment Yield



The main reason that core profit decreased and the negative spread increased was that, despite the decline in assumed interest reflecting the maturing of short-term products with high assumed investment yields, interest, dividends and income from real estate for rent also fell. Another factor was the decrease in investment-related extraordinary factors in fiscal 2003.

Factors for Increase/Decrease in Core Profit for Fiscal 2004 (vs Fiscal 2003)



* Gains on sales of mortgage loans, investment trust redemption profit distribution, and gains on sales of subordinated loans

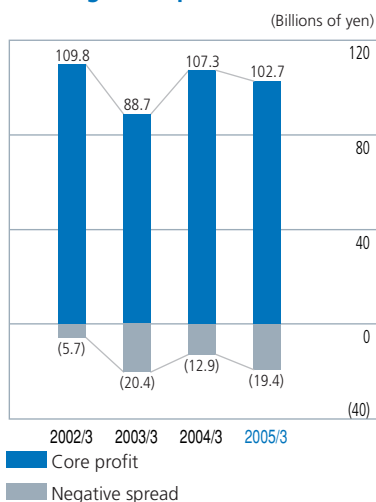
b) Daido Life

Core profit fell 4.3%, to ¥102.7 billion, as the negative spread rose 50.2%, to ¥19.4 billion.

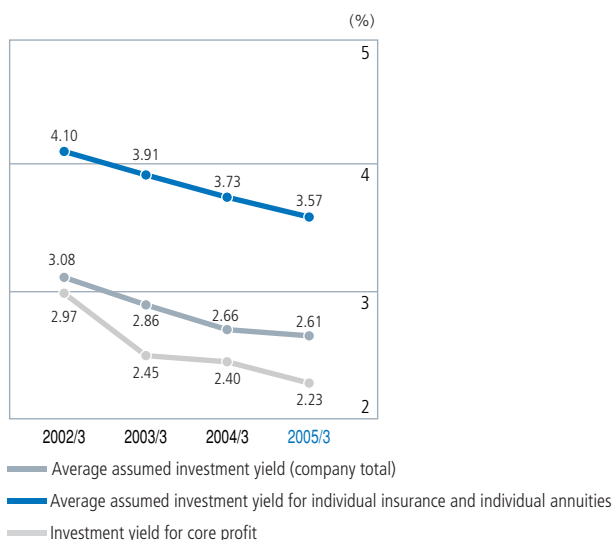
The negative spread is calculated as follows:

(Investment yield for core profit: 2.23% - Average assumed investment yield: 2.61%) x Policy reserve in general accounts: ¥5,034.2 billion = ¥(19.4) billion

Trends in Amount of Core Profit and Negative Spread

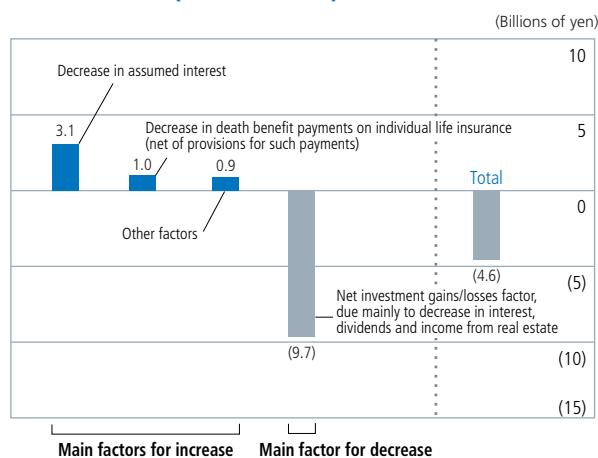


Trends in Average Assumed Investment Yield



The main reason that core profit decreased and the negative spread increased was that, despite the positive impact of lower death benefit payments on individual life insurance and a decline in assumed interest, net investment income was a negative factor due to such factors as a drop in interest and dividend income.

Factors for Increase/Decrease in Core Profit for Fiscal 2004 (vs Fiscal 2003)



c) T&D Financial Life

Core profit was a negative ¥6.7 billion, 113.9% lower than in the previous fiscal year, reflecting ¥6.5 billion in amortization of goodwill (flat year on year) and a 1.7% decrease in the negative spread, to ¥3.9 billion. The major factor was an ¥8.6 billion provision of policy reserve for minimum guaranty risks for variable annuities, and within this amount was ¥3.4 billion in core expenses related to the new policy amount for the year.

5. Liquidity and Capital Resources

Management Oversight of Liquidity

T&D Holdings and the three life insurance companies set categories based on degrees of cash flow tightness and maintain a certain level of liquidity in accordance with the management methods for each given category. In

conjunction, the Company carries out appropriate risk management by continually reinforcing related systems to ensure that assets can be smoothly liquidated to procure funds.

Also, life insurance operations require a level of capital adequacy that ensures financial soundness and poses no risk to the fulfillment of insurance policies. With an awareness of this, T&D Holdings and the three life insurance companies have accumulated sufficient reserves against various risks and have diversified their capital procurement methods.

Assets, Liabilities, and Shareholders' Equity

Total assets at the end of the fiscal year totaled ¥13,043.4 billion. The major components were securities, consisting mainly of domestic bonds, of ¥8,828.6 billion (comprising 67.7% of total assets); loans, of ¥2,735.4 billion (21.0%); cash and deposits, of ¥345.5 billion (2.7%); and property and equipment, of ¥333.1 billion (2.6%).

Total liabilities amounted to ¥12,459.6 billion. The major components were policy reserves totaling ¥12,092.9 billion.

Total shareholders' equity amounted to ¥582.3 billion. Within this category, net unrealized gains on securities totaled ¥246.4 billion.

1) Policy Reserve (for the three life insurance companies)

A policy reserve is set aside for the payment of future insurance claims. As such, it is provisioned from insurance premiums and investment income based on actuarial methods stipulated in the Insurance Business Law.

Policy Reserve Calculating Methods for Individual Insurance and Individual Annuities

As of March 31, 2005	Taiyo Life	Daido Life	T&D Financial Life	
Policies subject to the standard policy reserve	Standard policy reserve method	Standard policy reserve method	Variable annuities Other insurance	Net level premium reserve method 5-year Zillmer method*
Policies not subject to the standard policy reserve	Net level premium reserve method	Net level premium reserve method	Variable annuities Other insurance	Net level premium reserve method Full-year Zillmer method

*Note: The full-year Zillmer method is applied to policies whose effective dates are before September 30, 2001.

Policy Reserve

As of March 31,	Millions of yen						
	Consolidated 2005	Taiyo Life		Daido Life		T&D Financial Life	
	2005	2004	2005	2004	2005	2004	2005
Policy reserve (excluding contingency reserve):							
Individual insurance	¥ 5,397,219	¥2,603,834	¥2,491,800	¥2,535,028	¥2,642,663	¥273,715	¥261,601
Individual annuities	3,341,850	2,546,926	2,547,586	409,081	434,148	285,296	360,115
Group insurance	21,777	10,743	10,957	10,475	10,483	393	336
Group annuities	2,906,090	744,683	718,743	2,295,913	2,137,914	64,620	49,432
Others	10,436	3,943	3,864	5,668	5,608	1,113	963
Subtotal	11,677,375	5,910,131	5,772,952	5,256,168	5,230,818	625,140	672,449
Contingency reserve:							
Contingency reserve I	89,950	43,262	43,871	43,875	44,480	465	1,598
Contingency reserve II	45,966	12,552	12,552	32,582	33,413	—	—
Subtotal	135,917	55,815	56,424	76,457	77,893	465	1,598
Total	¥11,813,292	¥5,965,947	¥5,829,377	¥5,332,626	¥5,308,712	¥625,606	¥674,047

Note: Consolidated policy reserve is accounted for as follows.

- Policies subject to the standard policy reserve method are accounted for using the method specified by the FSA (1996, Ministry of Finance Directive No. 48).
- Policies not subject to the standard policy reserve method are accounted for using the net level premium reserve method.

Solvency Margin Ratio

Solvency Margin Ratio

As of March 31,	Millions of yen					
	Taiyo Life		Daido Life		T&D Financial Life	
	2004	2005	2004	2005	2004	2005
Equity (less certain items) (Note 1)	¥108,607	¥112,111	¥155,666	¥166,531	¥20,122	¥25,181
Reserve for price fluctuations	7,591	9,801	30,820	32,584	194	284
Contingency reserve	55,815	56,424	76,457	77,893	465	1,598
Reserve for possible loan losses	2,312	1,752	1,055	317	22	15
Net unrealized gains on available-for-sale securities (before tax) (x 90%, if gains; x 100%, if losses)	161,042	148,471	184,894	198,801	915	(148)
Net unrealized gains (losses) on real estate (x 85%, if gains; x 100%, if losses) (Note 2)	(9,040)	(11,887)	(12,242)	(10,601)	—	—
Excess of amount of policy surrender payment (Note 3)	102,199	86,653	112,095	117,440	785	871
Unallocated portion of reserve for policyholder dividends (Note 4)	21,798	21,880	7,545	7,474	—	—
Future profits (Note 5)	5,957	5,856	15,260	15,155	609	502
Deferred tax assets (Note 6)	36,057	36,196	43,947	47,550	—	—
Subordinated debt	55,000	55,000	—	—	—	—
Deductible items (Note 7)	(15,000)	—	(15,000)	—	—	—
Total Solvency Margin	¥532,343	¥522,259	¥600,502	¥653,148	¥23,115	¥28,305
Insurance risk	¥ 33,694	¥ 36,098	¥ 34,578	¥ 34,556	¥ 3,580	¥ 6,960
Assumed investment yield risk	26,302	25,249	21,673	21,184	441	421
Investment risk	89,221	86,770	86,115	96,756	2,292	2,496
Business risk	2,984	2,962	2,847	3,049	189	296
Total Risk (Note 8)	¥123,321	¥120,655	¥116,047	¥125,949	¥ 4,694	¥ 7,843
Solvency Margin Ratio (Note 9)	863.3%	865.7%	1,034.9%	1,037.2%	984.8%	721.7%

Notes: 1. Equity represents stockholders' equity on the balance sheets, less net unrealized gains on securities and estimated appropriations paid in cash.

2. For Taiyo Life, net unrealized gains (losses) on real estate are basically calculated based on the posted price. For Daido Life, net unrealized gains (losses) on real estate are basically calculated by the method of appraised price, whereas for less important real estate they are calculated by the method of posted price.

3. The amount of policy reserve, less contingency reserve, and the amount of surrender payments that would be required if all policies were to be surrendered

4. The unallocated portion of reserve for policyholder dividends represents the excess amount over the allotted portion of reserve for the policyholders in the provision for reserve for policyholder dividends.

5. The amount that would become available to the Company in the event of a realization of a high-risk event by reducing the amount of policyholder dividends related to participating policies.

6. The amount that would become available to the Company in the event of a realization of a high-risk event by reversal of voluntary reserves and certain other sources.

7. The amount of deductible items as of March 31, 2004, is the capital contribution to T&D Financial Life.

8. Total risk = $\sqrt{(\text{insurance risk})^2 + (\text{assumed investment yield risk} + \text{investment risk})^2 + (\text{business risk})^2}$

9. Solvency margin ratio = $\frac{(\text{total solvency margin})}{(\text{total risk}) \times 1/2} \times 100$

a) Taiyo Life

Taiyo Life's solvency margin ratio as of March 31, 2005, was 865.7%, up 2.4 percentage points from 863.3% at the end of the previous fiscal year.

b) Daido Life

Daido Life's solvency margin ratio as of March 31, 2005, was 1,037.2%, up 2.3 percentage points from the end of the previous fiscal year.

c) T&D Financial Life

T&D Financial Life's solvency margin ratio as of March 31, 2005, was 721.7%, down 263.1 percentage points from 984.8% at the end of the previous fiscal year. The main reason for the decline was the setting aside of ¥3.7 billion of minimum guaranty risks for individual variable annuities, including insurance risk from March 31, 2005.

Adjusted Net Assets

a) Taiyo Life

Adjusted net assets (the amount after the deduction of uncapitalized liabilities from assets marked to market) totaled ¥464.2 billion, up ¥12.2 billion from ¥451.9.4 billion at the previous fiscal year-end.

b) Daido Life

Adjusted net assets totaled ¥669.6 billion, up ¥37.0 billion from ¥632.5 billion at the previous fiscal year-end.

c) T&D Financial Life

Adjusted net assets totaled ¥41.1 billion, up ¥6.5 billion from ¥34.6 billion at the previous fiscal year-end.

Analysis of Consolidated Cash Flows

Consolidated Condensed Statement of Cash Flows

Years ended March 31,	Millions of yen	
	2004	2005
Cash flows from operating activities	¥—	¥ (33,775)
Cash flows from investing activities	—	200,155
Cash flows from financing activities	—	27,189
Effect of exchange rate changes on cash and cash equivalents	—	(3,777)
Net increase in cash and cash equivalents	—	189,791
Cash and cash equivalents at beginning of year	—	680,270
Cash and cash equivalents at end of year	¥—	¥870,062

Below is an overview of consolidated cash flows for the fiscal year ended March 31, 2005.

Net cash used in operating activities totaled ¥33.7 billion, as insurance claims exceeded income from insurance premiums. Net cash provided by investing activities totaled ¥200.1 billion, reflecting mainly a decline in loans. Net cash provided by financing activities totaled ¥27.1 billion, comprising mainly the sale of treasury stock.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥870.0 billion, up ¥189.7 billion from the beginning of the fiscal year.

Ratings

The three life insurance companies request ratings from ratings agencies to objectively determine the Company's ability to pay under insurance policies and contracts by the insurance company. Below are the ratings for the individual life insurance companies.

(As of June 30, 2005)

	Taiyo Life	Daido Life	T&D Financial Life
Rating and Investment Information, Inc. Insurance Claims Paying Ability Ratings	A+ A high degree of capacity for payment of insurance claims and excellence in a few key factors of evaluation	A+ A high degree of capacity for payment of insurance claims and excellence in a few key factors of evaluation	A+ A high degree of capacity for payment of insurance claims and excellence in a few key factors of evaluation
Fitch Ratings, Ltd. Insurer Financial Strength Ratings	—	AA- Insurers are viewed as possessing very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.	—
Japan Credit Rating Agency, Ltd. Insurance Claims Paying Ability Ratings	A+ A high level of capacity to honor the financial commitment on the obligation	AA- A very high level of capacity to honor the financial commitment on the obligation	A A high level of capacity to honor the financial commitment on the obligation
Standard & Poor's Insurer Financial Strength Ratings	A Strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings	A Strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings	—

* Ratings herein are statements by an independent credit rating organization and do not guarantee actual payment under insurance policies or contracts in the future. Please note that these statements are based on certain assumptions as of the date when each document was posted; therefore, the specified ability to pay under the company's insurance policies may not be attained for a variety of reasons, and actual results may differ materially.

* The above ratings agencies are designated under Cabinet Office regulations.

* Plus (+) or minus (-) signs following ratings show relative standing within the major rating categories.

6. Investment in General Account Assets

Investment Framework

T&D Holdings has determined the Group Investment Management Policy to encourage the three life insurance companies to make consistent asset investment as a group—thus ensuring the soundness of each company's management—and has made efforts to increase profits from investment. Specifically, the Group Investment Committee reviews such factors as the basic portfolios of the three life insurance companies and economic/market forecasts and, based on these, manages investment in accordance with the liability characteristics of the each company.

Investment Environment

In fiscal 2004, the Japanese economy showed signs of a slight downturn in the second half. However, for the full year, production and corporate profits continued to rebound, driven by exports to Asia and the United States.

Against the backdrop of brisk business activity in Japan, not only did capital spending increase, the employment and wage environments improved, supporting higher consumer spending. Although the pace of decline slowed, the GDP deflator remained negative, indicating that the economy has yet to shake off deflation.

Under these conditions, the Japanese stock market traded in a narrow range.

Stock prices were supported by continued improvement in corporate earnings amid a modest pickup in the economy. Still, higher commodity prices, especially crude oil prices, and monetary tightening in the United States sparked concern of an economic slowdown in Japan, capping equity prices. Consequently, the Nikkei average finished virtually unchanged for the year.

(Nikkei average: March 31, 2004: ¥11,715.39; March 31, 2005: ¥11,668.95)

(TOPIX: March 31, 2004: 1,179.23; March 31, 2005: 1,182.18)

Domestic long-term interest rates declined after rising in the first half of the fiscal year, ending lower on March 31, 2005, than on March 31, 2004.

In the first half, long-term interest rates rose to the 1.9% level, reflecting improvement in the domestic economy and speculation that the Bank of Japan would soon end its easy-money policy. However, subsequently, the pace of economic growth slowed, causing interest rates to trend downward.

(Yield on 10-Year JGBs: March 31, 2004: 1.45%; March 31, 2005: 1.33%)

Regarding currency exchange rates, the yen depreciated during the fiscal year.

The yen-U.S. dollar rate reached the vicinity of ¥115 to the dollar at one point in the first half in light of a strong U.S. economy. However, in the second half, market participants focused on the massive trade deficit in the United States, leading the yen to rise and the dollar to fall. Exchange rates at the end of the fiscal year reflected slight yen depreciation against the dollar compared with a rate of around ¥107 to the dollar on March 31, 2004.

The yen weakened against the euro. In the first half this was due to falling Japanese stock prices while in the second half the major factor was dollar weakness, reflected in a particularly sharp rise in the value of the euro against the dollar.

(Yen/dollar exchange rate: March 31, 2004: ¥105.64; March 31, 2005: ¥107.39)

(Yen/euro exchange rate: March 31, 2004: ¥128.79; March 31, 2005: ¥138.86)

Investment Performance Overview

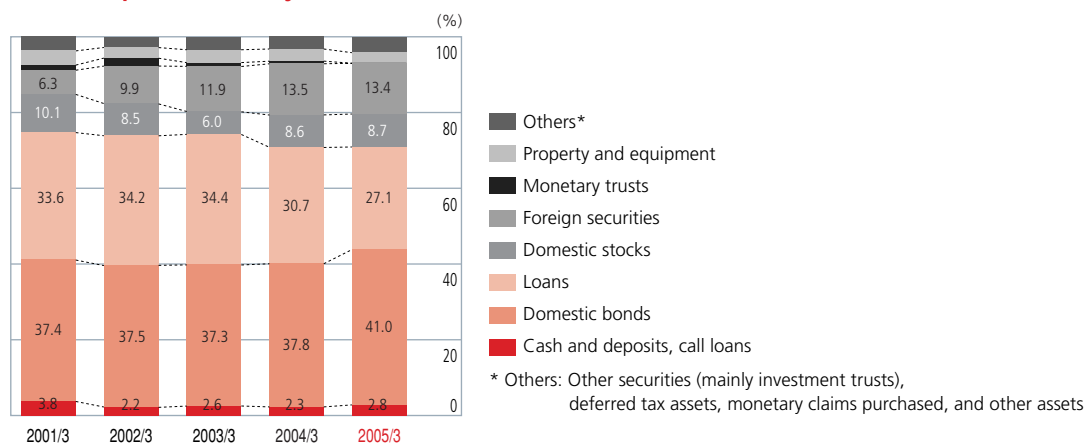
As of March 31, 2005, general account assets for the three life insurance companies combined totaled ¥12,591.3 billion, up ¥166.2 billion from ¥12,757.5 billion as of March 31, 2005 (hereinafter, figures in parentheses are as of March 31, 2004).

1) Asset Composition

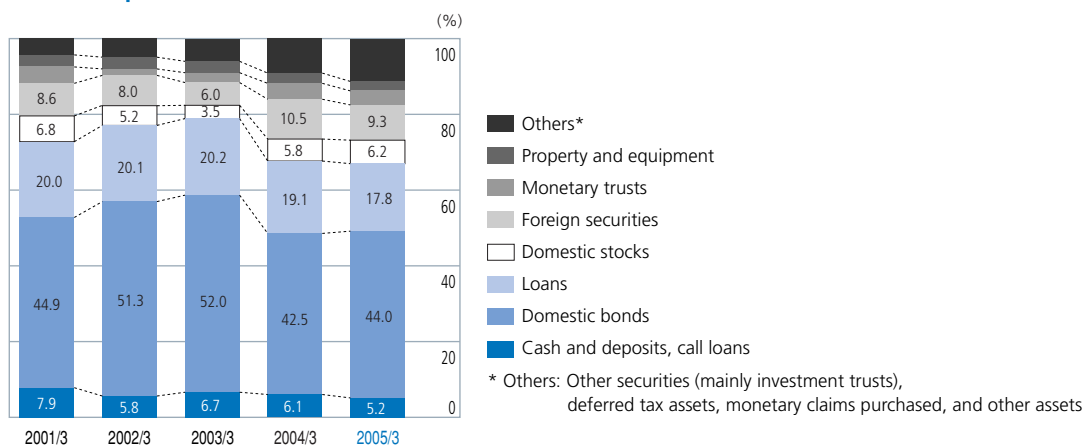
General Account Assets Composition

	Millions of yen, %											
	Taiyo Life				Daido Life				T&D Financial Life			
	2004		2005		2004		2005		2004		2005	
As of March 31,	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Cash and deposits, call loans	¥ 148,589	2.3	¥ 174,036	2.8	¥ 354,641	6.1	¥ 305,575	5.2	¥ 35,850	7.1	¥ 33,285	6.9
Monetary claims purchased	55,092	0.9	83,342	1.3	72,998	1.2	88,996	1.5	173	0.0	—	—
Monetary trusts	30,880	0.5	50	0.0	248,920	4.2	214,777	3.7	5,152	1.0	7,036	1.5
Securities:												
Domestic bonds	2,415,965	37.8	2,570,793	41.0	2,490,882	42.5	2,567,074	44.0	282,964	56.2	267,993	55.7
Domestic stocks	549,923	8.6	547,561	8.7	339,138	5.8	359,451	6.2	2,939	0.6	384	0.1
Foreign securities:	862,802	13.5	840,419	13.4	614,763	10.5	543,861	9.3	56,585	11.2	51,332	10.7
Foreign bonds	728,265	11.4	681,037	10.9	436,977	7.5	307,830	5.3	32,012	6.4	30,920	6.4
Foreign stocks and other securities	134,536	2.1	159,382	2.5	177,786	3.0	236,031	4.0	24,572	4.9	20,412	4.2
Other securities	83,384	1.3	116,275	1.9	376,739	6.4	519,648	8.9	68,041	13.5	68,040	14.1
Total Securities	3,912,075	61.2	4,075,050	65.0	3,821,523	65.2	3,990,036	68.3	410,530	81.5	387,751	80.5
Loans:												
Policy loans	120,081	1.9	113,965	1.8	79,886	1.4	80,871	1.4	19,181	3.8	9,486	2.0
Commercial loans	1,844,479	28.8	1,585,201	25.3	1,042,249	17.8	959,602	16.4	7,106	1.4	5,266	1.1
Total Loans	1,964,561	30.7	1,699,167	27.1	1,122,136	19.1	1,040,474	17.8	26,288	5.2	14,753	3.1
Property and equipment	186,434	2.9	176,076	2.8	156,115	2.7	146,103	2.5	2,121	0.4	162	0.0
Deferred tax assets	8,368	0.1	3,349	0.1	16,790	0.3	950	0.0	—	—	7,071	1.5
Deferred tax assets associated with asset revaluation	1,831	0.0	2,868	0.0	—	—	—	—	—	—	—	—
Other assets	89,589	1.4	59,817	1.0	70,919	1.2	53,883	0.9	24,919	4.9	31,536	6.6
Reserve for possible loan losses	(3,995)	(0.1)	(2,828)	(0.0)	(3,721)	(0.1)	(1,833)	(0.0)	(1,243)	(0.2)	(145)	(0.0)
Total Assets	¥6,393,428	100.0	¥6,270,929	100.0	¥5,860,325	100.0	¥5,838,964	100.0	¥503,794	100.0	¥481,452	100.0
Foreign currency denominated assets	¥ 866,976	13.6	¥ 796,806	12.7	¥ 431,280	7.4	¥ 312,347	5.3	¥ 1,764	0.4	¥ 624	0.1

Trends in General Account Asset Composition of Taiyo Life



Trends in General Account Asset Composition of Daido Life



a) Taiyo Life

a. Domestic Bonds and Loans

As a result of the company's asset allocation policy, which emphasized government and corporate bonds, domestic bonds accounted for 41.0% of general account assets, and the average duration of these bonds increased somewhat. Regarding loans, due to a rise in repayments against a backdrop of slack corporate demand for funds, the share of general account assets accounted for by loans was 27.1%.

As a consequence, domestic bonds and loans accounted for 68.1% of general account assets, down slightly from the 68.5% level at the end of the previous year.

b. Domestic Stocks

Net exposure to domestic stocks slightly rose from 8.0% at the end of the previous fiscal year to 8.2%.

c. Foreign Securities

Foreign securities accounted for 13.4% of general account assets. However, adjusted for currency hedging, net foreign currency exposure was only 3.1%, almost the same as the 3.0% recorded at the end of the previous fiscal year.

b) Daido Life

Daido Life increased investments in domestic stock investment trusts while decreasing those in currency-hedged foreign bonds. Daido Life also invested aggressively in alternative investments, which are focused on private equities and hedge funds.

a. Domestic Bonds

Daido Life continued to limit new investments in response to the growing risk of a rise in interest rates for group annuities. Meanwhile, the company purchased short-term government securities and discounted short-term government bonds in the fourth quarter. As a consequence, domestic bonds accounted for 44.0% of general account assets, up 1.5 percentage points from the end of the previous fiscal year.

b. Domestic Stocks

Net exposure to domestic stocks rose from 8.8% at the end of the previous fiscal year to 11.3%, mainly reflecting purchases of investment trusts and stock index futures.

c. Foreign Securities

Foreign securities accounted for 9.3% of general account assets. However, adjusted for currency hedging, net foreign currency exposure was only 2.4%, down from 3.0% at the end of the previous fiscal year.

c) T&D Financial Life

T&D Financial Life's general account asset composition as of March 31, 2005, was as follows: domestic bonds 55.7% (56.2%), domestic stocks 0.1% (0.6%), foreign securities 10.7% (11.2%), and loans 3.1% (5.2%). The company reduced its amount of investment in currency-hedged foreign bonds to 11.0% (13.3%) while continuing to invest mainly in yen-denominated fixed income assets.

2) Investment Income and Expenses

For the three life insurance companies combined, interest, dividends and income from real estate for rent totaled ¥255.7 billion (¥279.4 billion), while gains on sales of securities amounted to ¥55.9 billion (¥121.8 billion), losses on sales of securities amounted to ¥33.2 billion (¥73.0 billion), and losses from derivatives, net, amounted to ¥33.2 billion (¥5.9 billion).

3) Unrealized Gains/Losses on Securities and Real Estate

For the three life insurance companies combined, unrealized gains on securities with fair value amounted to ¥454.8 billion, up ¥28.7 billion from the end of the previous fiscal year. This mainly reflected higher unrealized gains on domestic bonds due to a decline in interest rates.

Unrealized losses on real estate totaled ¥22.4 billion, up ¥1.2 billion from the end of the previous fiscal year.

All of the Group's companies have been implementing the impairment accounting rules for fixed assets since the first quarter of this fiscal year. The Group established the criteria that properties with a greater than 30% decline rate be treated as targets for disposal as soon as possible. The T&D Life Group has continued to dispose of under-performing properties whenever necessary, which has had no material impact on its financial results.

Net Unrealized Gains/Losses on Securities and Real Estate (General Account Assets)

Millions of yen

As of March 31,	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
	2004	2005	Increase (decrease)	2004	2005	2004	2005	2004	2005
Total securities:	¥426,093	¥454,844	¥28,751	¥168,921	¥187,053	¥255,495	¥264,654	¥1,676	¥3,136
Domestic bonds	99,412	125,651	26,238	13,577	36,853	84,905	85,067	929	3,730
Domestic stocks	237,742	250,149	12,407	106,996	122,365	130,646	127,719	99	64
Foreign securities	49,072	35,464	(13,608)	41,813	22,999	8,114	13,157	(855)	(693)
Other securities	32,180	37,896	5,715	6,670	4,195	24,079	33,666	1,430	34
Monetary claims purchased	(63)	639	703	(136)	639	—	—	72	—
Certificates of deposit	(0)	(0)	0	(0)	(0)	—	—	—	—
Monetary trusts	7,748	5,042	(2,705)	—	—	7,748	5,042	—	—
Net unrealized gains/ losses on real estate	(21,283)	(22,489)	(1,206)	(9,040)	(11,887)	(12,242)	(10,601)	—	—

Note: Regarding net unrealized gains on securities, the amount applicable to the portion of securities with fair value is shown. Of securities in the (monetary trust) item, figures include net unrealized gains/losses on securities, including other than trading securities.

7. T&D Life Group's Risk Management

The T&D Life Group has made the accurate understanding and managing of risk one of the key components of its management activities. Details of the Group's risk management system are given in the Risk Management section on page 21.

T&D Life Group's Risk Classification and Definition

The T&D Life Group categorizes and defines management risks and the appropriate responses as follows:

Insurance Underwriting Risk

This is the risk of losses from unfavorable gaps between the actual occurrence of insured events and assumptions made at the time of pricing due to changes in the status of the economy, disasters, etc. Based on an awareness of the major impact that life insurance underwriting has on business over the long term, the Group determines, analyzes, and assesses the insurance underwriting risk and carries out appropriate controls.

Investment Risk

The T&D Life Group breaks down and manages investment risk based on three categories: 1) market risk, 2) credit risk, and 3) real estate investment risk.

The T&D Life Group controls investment risk by setting permissible risk limits based on the capital adequacy of the three respective life insurance companies, thereby controlling risk exposure within a specified target commensurate with the financial condition of individual companies. Also, T&D Holdings monitors the concentration of credit in specific industries/groups and oversees the management/recovery of problem loans.

1) Market Risk

This is the risk of suffering losses from a decline in the price or the complete eradication of the value of assets (including off-balance-sheet assets) due to a deterioration of the financial conditions of obligors, interest rates, securities prices, and foreign exchange rates as well as various other risk factors.

2) Credit Risk

This is the risk of suffering losses from a decline in the price or the complete eradication of the value of assets (including off-balance-sheet assets) due to a deterioration of the financial conditions of obligors.

3) Real Estate Investment Risk

This is the risk of suffering losses from a decline in real-estate-related revenue due to changes in lease fees or other factors, or from a decline in the value of real estate itself due to changes in market conditions.

Liquidity Risk

Liquidity risk is divided into two categories: 1) cash flow risk and 2) market liquidity risk. The T&D Life Group has established classifications according to the degree of cash flow tightening, and it has formulated methods for managing each classification to secure a certain level of liquidity. Simultaneously, it carries out proper risk control to reinforce its system for smoothly liquefying assets to procure funds.

1) Cash Flow Risk

This is the risk of suffering losses from having to sell assets at significantly disadvantaged prices to secure funds and/or from deterioration in cash flow due to the outflow of funds due to a major disaster.

2) Market Liquidity Risk

This is the risk of suffering losses from the unavailability of trading prices in the market or having to trade at a significantly disadvantaged price owing to market disruptions or other factors.

Operational Risk

This is the risk of suffering losses from officers or employees neglecting to perform accurate operations and/or causing accidents, performing illegal acts, or leaking information. Recognizing all operational risks, the T&D Life Group strives to reduce or prevent the occurrence of these risks by strengthening the operational risk management systems at each Group company.

System Risk

This is the risk of suffering losses from computer system downtime, malfunction, misoperation, or other system flaws. Cognizant of system risk in all of its operations, the T&D Life Group strives to eliminate/reduce system risk and minimize losses at the time of risk occurrence by strengthening its system risk management system.

Legal Risk

This is the risk of suffering losses from neglecting to comply with all laws and regulations. The T&D Life Group strives to prevent the occurrence of legal risk by promoting compliance. Also, if there is a risk of losses, including compensatory damages, due to legal action or other such incident, the Group seeks to minimize losses by seeking early resolution through consultation with legal counsel.

Rumor Risk

This is the risk of suffering losses from the occurrence of a situation that adversely impacts the earnings of Group companies or causes a decline in share price, resulting from the spread of negative information about the credit-worthiness/negative evaluation of the Group or the life insurance industry by policyholders, investors, the mass media, the Internet, or the public at large. The T&D Life Group works to contain rumors and information related to rumor risk and strives to reduce/prevent the occurrence of rumor risk through an accurate response/reporting system.

Hazard Risk

This is the risk of suffering losses from the lack of contingency plans or emergency measures for large-scale disasters. The T&D Life Group strives to reduce/prevent the occurrence of hazard risk by assuming the possibility of disasters, including major earthquakes and damage due to wind and floods, and establishing preventative measures and strengthening emergency response systems.

Affiliate Risk

This is the risk of suffering losses from the deterioration of a life insurance subsidiary's affiliate or other adverse factors. The T&D Life Group works to assess the income/expenditure situation as well as the potential for the occurrence of various risks at the affiliates of life insurance companies and carries out proper risk control.

Significant Factors Related to Investing in T&D Holdings

The Group considers the following factors to be significant in relation to investing in T&D Holdings.

Risks as a Holding Company

1) Risk Related to the Group's Business Strategy

As the T&D Life Group's core business is life insurance, it is heavily reliant on the earnings of its three life insurance companies. For that reason, if the roles or positions of any of the three companies change and/or the business circumstances of any of the three companies change, the T&D Life Group's earnings and financial condition could be adversely affected.

2) Risk Related to Dividend Income

As a holding company, T&D Holdings derives the majority of its income from dividends paid by its three wholly owned life insurance companies. Under certain circumstances, the amount of dividends that can be paid by the three life insurance companies may be limited by the Insurance Business Law and/or the Commercial Code of Japan. Also, if any of the three life insurance companies fail to record sufficient profits, they may not be in a position to pay dividends to T&D Holdings.

3) Risk Related to Expanding Scope of Operations

The T&D Life Group is considering expanding the scope of its operations outside of the life insurance business by leveraging the advantages afforded by its holding-company structure within legal and regulatory boundaries. The T&D Life Group has little or no experience in such operational expansion. If expansion does not go well or if the operations concerned are unprofitable or suffer from low profitability, the T&D Life Group's earnings and financial condition could be adversely affected.

4) Risk Related to Regulatory Changes

As an insurance holding company, T&D Holdings is subject to oversight and regulation under the Insurance Business Law. T&D Holdings is also exposed to other regulatory risks (including those pertaining to laws, regulations, government policies, business practices, and fiscal policy). For this reason, if any of the associated regulations change in the future, the T&D Life Group's earnings and financial condition could be adversely affected.

The Situation in the Life Insurance Market

1) Competitive Relationships

As of July 31, 2005, there were 39 life insurance companies in Japan, including 35 that have received a Life Insurance Business License and 4 foreign-owned companies that have received a Foreign Life Insurance Business License and established branches in Japan.

Furthermore, Postal Life Insurance, which is part of the Japan Post Public Corporation, the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives, and the Japanese Consumers' Cooperative Union offer life insurance products with functions analogous to those provided by the aforementioned life insurers. Accordingly, the Company stands in a competitive relationship with these entities in the life insurance business.

2) Trends in the Life Insurance Industry

The Japanese life insurance industry continues to face a harsh business environment due to the falling policy amount in force resulting from weak sales of new policies and due to negative spreads caused by prolonged low interest rates. Under these conditions, there have been industry realignments and strategic alliances in various forms, and it is possible that the domestic market will undergo further realignment.

Furthermore, the life insurance industry is expected to see further escalation in competition on product prices and services as a result of deregulation, including the wholesale lifting of OTC sales at banks.

Business Policies of the Three Life Insurance Companies

The T&D Life Group consists of three life insurance companies: Taiyo Life, which focuses on the household market; Daido Life, which is strong in the SME market; and T&D Financial Life, which concentrates on sales of individual variable annuities through banks and securities companies. As such, each of the companies has their own business policies, sales markets, products, and risks. The major business risks of the three life insurance companies are discussed below.

1) Risks Pertaining to Taiyo Life's Marketing Guidelines

a) Sales Market

The life insurance market is broadly divided into the household market and the corporate market. Taiyo Life, providing mainly individual life insurance, focuses its marketing activities on the retail household market through door-to-door sales.

Other life insurers market their products mainly in the corporate market through in-house sales representatives. Therefore, they do not compete directly with Taiyo Life's in-house sales representatives, who concentrate on the retail household market. If, in the future, competitors enter the household market and thereby increase competition, the results of operations of T&D Holdings and Taiyo Life could be adversely affected. Also, legal revisions resulting in tighter restrictions on home visits could cause inefficiencies in this sales channel. In such cases, the results of operations of T&D Holdings and Taiyo Life could be adversely affected.

b) Sales System

Taiyo Life sells insurance products mainly through sales representatives. In fiscal 2004, this channel accounted for approximately 98% of the new policy amount (individual insurance and individual annuities combined).

In recent years, the operating environment for life insurers has been deteriorating, driving the number of people interested in working as life insurance sales representatives to generally low levels. As a result, the number of sales representatives in the industry as a whole has been on a downward trend. At Taiyo Life, the number of sales representatives has increased from 8,703 at the end of March 2004 to 9,111 at the end of March 2005. However, a sharp decline in this number could erode Taiyo Life's sales capabilities and adversely affect the earnings of T&D Holdings and Taiyo Life.

Also, if Taiyo Life is late in responding to structural changes in life insurance sales channels, including sales through banks and securities companies and over the Internet, its competitive advantage in the sales channel comprising sales representatives could be eroded. In such cases, the results of operations of T&D Holdings and Taiyo Life could be adversely affected.

2) Risks Pertaining to Daido Life's Marketing Guidelines

a) Sales Market

Daido Life focuses its marketing activities on the SME market. In fiscal 2004, policies sold in the corporate market* accounted for 84.9% of Daido Life's new policy amount (individual insurance and individual annuities), while the household market accounted for 15.1%. Because SMEs are highly vulnerable to economic trends, should earnings worsen or the number of bankruptcies increase in this key customer segment, T&D Holdings and Daido Life could experience increases in surrenders and/or declines in the new policy amount, which would likely have an adverse effect on earnings.

Also, under the current income tax laws, corporations or other business proprietors are allowed to deduct as a business expense all or a portion of the cost of insurance premiums of individual term life insurance. If there is any change in Japanese tax laws or regulations that adversely affects the treatment of insurance premiums, T&D Holdings and Daido Life could experience an increase in surrenders and/or a decline in the new policy amount, which would likely have an adverse effect on its earnings.

* Refers to individual insurance (including individual annuities) employing discounted group premiums and the new policy amount of group insurance

b) Product Sales

Daido Life markets its products in the corporate market through tie-ups with SME-related organizations. The products are designed specifically for each organization and are introduced to the members of such organizations as part of their beneficial welfare programs.

Since 1971, Daido Life has underwritten the comprehensive insurance "*Ohgata Hoshō Plan*" sales system implemented by the National Federation of Corporate Taxpayers Associations (NFCTA: known as *Hojinkai*) and the Tax Payment Association (TPA: known as *Nouzei-Kyokai*). Also, in 1976, Daido Life started underwriting the Corporate Protection Plan of the TKC National Federation*. Through these organizations, Daido Life sells insurance products through member companies or clients of TKC members. This system underpins Daido Life sales policies and accounts for a very high percentage of the new policy amount of individual term life insurance. As such, the entry of a competitor through tie-ups with the aforementioned organizations and/or their halting the recommendation of Daido Life's products could have an adverse impact on T&D Holdings' and Daido Life's earnings.

* An organization of working accountants, including certified tax accountants and certified public accountants, who utilize a proprietary computerized accounting system.

c) Sales Channels

Daido Life sells life insurance products through two main channels—in-house sales representatives and sales agents—with the latter centered on tax accountants and P&C insurance agencies. In addition to these two major channels, Daido Life has a staff of corporate sales representatives located in its Osaka and Tokyo headquarters who market products to major corporations and public entities.

a. In-House Sales Representative Channel

Daido Life's in-house sales representatives market products mainly to companies that are members of NFCTA and TPA. As of March 31, 2005, Daido Life had 4,888 in-house sales representatives. Daido Life strives to hire high-quality personnel while developing sales representatives who possess highly specialized knowledge and sales techniques. However, if productivity per sales representative declines sharply, T&D Holdings' and Daido Life's earnings could be adversely affected.

b. Sales Agent Channel

As of March 31, 2005, Daido Life had 13,415 agents. Daido Life continually works to improve the competitiveness of its products and enhance its support capabilities, including upgrading the skills of staff who support agents. However, recognizing that agencies handle the products of multiple life insurance companies, if agencies forge relationships with even more insurers, thus diminishing T&D Holdings' and Daido Life's competitive advantages, earnings could be adversely affected.

d) Products

Daido Life's main product is individual term life insurance. As of March 31, 2005, individual term life insurance accounted for 89.4% of Daido Life's policy amount in force (individual insurance and individual annuities). As of March 31, 2004, Daido Life held Japan's top market share in terms of policy amount in force for individual term life insurance at 23.1% (based on the Life Insurance Association of Japan's *Summary of the Life Insurance Business in Japan in Fiscal 2002*, compiled from the data of 40 life insurance companies as of March 31, 2004).

Daido Life has taken steps to further strengthen the competitiveness of its term life insurance products in terms of affordability and marketability. However, if competition with industry rivals escalates and/or demand for term life insurance declines, T&D Holdings' and Daido Life's earnings could be adversely affected.

3) Risks Pertaining to T&D Financial Life's Marketing Guidelines

a) Business Domains

T&D Financial Life's business domains are broadly separated into two areas. The first is sales of individual variable annuities through banks and securities companies (hereinafter called the variable annuity business). The second is sales of individual life insurance through a channel comprising sales representatives inherited from the former Tokyo Mutual Life Insurance Company (hereinafter called the existing business).

Regarding over-the-counter (OTC) sales of insurance products through banks and securities companies (hereinafter called bank OTC sales), currently restrictions have been removed from only a limited portion of products, including individual annuities. The T&D Life Group, in anticipation of the wholesale deregulation of the OTC sale of insurance products by banks scheduled to take effect from December 2007, has positioned T&D Financial Life as a

strategic company specializing in the bank OTC sales channel business, and T&D Financial Life is working to expand its variable annuity business. However, if such factors as a delay in the deregulation of bank OTC sales were to change T&D Financial Life's positioning in the T&D Life Group, this could have an adverse impact on T&D Holdings' and T&D Financial Life's earnings.

In the existing business, the new policy amount is trending downward because of cutbacks in the employment of sales representatives, and management recognizes that the further enhancement of efficiency is necessary. However, if the new policy amount were to fall greatly, this could have an adverse effect on T&D Holdings' and T&D Financial Life's earnings.

b) Sales System

As of July 31, 2005, T&D Financial Life had agency agreements in the variable annuity business with 25 financial institutions and companies, including 19 banks, 4 credit associations, and 2 securities companies. By providing variable annuity products that generate high levels of customer satisfaction as well as high-value-added agency support services delivered by wholesalers (agency support staff) and support desk operators, T&D Financial Life is seeking to increase the number of financial institution agencies in its network. However, if the company fails to steadily increase the number of financial institution agencies, growth in the new policy amount could weaken, and the results of operations of T&D Holdings and T&D Financial Life could be adversely affected.

c) Products

From April 2005, the "Cabinet Office Regulation Concerning the Provision of Reserve for Minimum Guaranty Risks for Variable Annuity Insurance, Etc." (hereinafter called the new policy reserve regulation) was implemented. In March 2005, T&D Financial Life started selling a new variable annuity with guaranteed minimum living benefits that complies with the new policy reserve regulation. T&D Financial Life is positioning this new product as a vehicle to expand the individual variable annuity market and expects the product to spark the strong growth in its financial institution agency network.

However, the individual variable annuity business is subject to increasingly intense competition from foreign life insurance companies and other companies. If this competition becomes still more intense in the future, or if demand for individual variable annuity products declines, the results of operations of T&D Holdings and T&D Financial Life could be adversely affected.

Investment Risk

1) Overview of Group Investment Risk

The T&D Life Group breaks down and manages investment risk based on three categories: market risk, credit risk, and real estate investment risk.

2) Investment Risk Management

The three life insurance companies have established a basic risk management policy to manage their exposure to various risks, including investment risk. In conjunction, each company has strengthened its risk management system by establishing a risk management department to conduct integrated risk management. Each department assesses the status of risk management from a companywide perspective and provides periodic reports to the Board of Directors. It also provides information to the Board of Directors when warranted by the emergence of a serious risk. If the apparent risk causes losses, the Group's earnings could be adversely affected.

3) Investment Risk of General Accounts and Separate Accounts

Life insurance companies have two different accounts: general and separate. General accounts are used to make policyholder payments based on an assumed investment yield. As such, an insurance company bears the risk of the actual investment yield falling below the assumed investment yield. In separate accounts, on the other hand, as the investment results directly belong to policyholders, the investment risk is borne by policyholders.

4) Overview of Group Market Risk

a) Stock Related (Stock Price Fluctuation Risk)

Regarding stocks classified as available-for-sale securities in general accounts with fair values, if lower stock prices cause a decrease in unrealized gains or generate unrealized losses, the Group's earnings could be adversely affected.

b) Domestic Bond Related (Interest Rate Risk)

Regarding domestic bonds classified as held-to-maturity securities in general accounts, if higher interest rates and lower bond prices reduce unrealized gains or create unrealized losses, the Group's earnings could be adversely affected.

c) Foreign Currency Related (Currency Risk)

If the market values of foreign currency denominated marketable securities held in the general account decline due to currency fluctuations (strengthening of the yen or weakening of foreign currencies) or the quoted prices of marketable securities fall, unrealized gains could be reduced or unrealized losses could be produced. In such cases, the earnings of T&D Holdings and T&D Financial Life could be adversely affected. Please see page 100, for information on unrealized gains/losses on securities held in the general accounts of Taiyo Life, Daido Life, and T&D Financial Life.

5) Overview of Group Credit Risk

Taiyo Life's and Daido Life's loan breakdowns, as of March 31, 2005, are shown in the following table. Nonperforming loans are discussed in detail in the nonperforming loans section from page 109. In the event deterioration in the credit capabilities of obligors causes additional nonperforming loans and associated losses, the Group's earnings could be adversely affected.

Loan Breakdown

As of March 31, 2005	Millions of yen		
	Taiyo Life	Daido Life	T&D Financial Life
Policy loans:	¥ 113,965	¥ 80,871	¥ 9,486
Policyholder loans	111,438	79,335	7,923
Premium transfer loans	2,527	1,536	1,563
Commercial loans:	1,585,201	959,602	5,266
Loans to nonresidents	[107,566]	[11,394]	—
Corporate loans:	1,169,491	730,302	5,164
Loans to domestic corporations	[1,063,897]	[722,433]	[5,164]
Loans to the Japanese government, government-related organizations, and international organizations	10,746	13,333	63
Loans to Japanese local governments and public entities	11,848	2,406	5
Mortgage loans	243,590	18,183	—
Consumer loans	129,350	148,809	—
Others	20,174	46,567	33
Total	¥1,699,167	¥1,040,474	¥14,753

6) Overview of Group Real Estate Investment Risk

The carrying values and fair values of Taiyo Life's and Daido Life's real estate holdings as of March 31, 2005, are shown in the following table. If the application of accounting standards for the impairment of fixed assets results in impairment losses, and if a reduction in the value of real estate holdings and associated factors were to cause losses, the Group's earnings could be adversely affected.

Fair Value Information on Real Estate

As of March 31, 2005	Millions of yen									
	Taiyo Life					Daido Life				
	Carrying value	Fair value	Unrealized gains/losses	Unrealized gains	Unrealized losses	Carrying value	Fair value	Unrealized gains/losses	Unrealized gains	Unrealized losses
Land	¥103,597	¥91,751	¥(11,846)	¥3,425	¥(15,271)	¥82,737	¥72,458	¥(10,278)	¥22,505	¥32,784
Lease	156	114	(41)	10	(52)	913	589	(323)	291	614
Total	¥103,753	¥91,866	¥(11,887)	¥3,436	¥(15,324)	¥83,650	¥73,048	¥(10,601)	¥22,797	¥33,399

Note: Fair value is basically calculated based on the appraisal value. Less important property is calculated based on the posted price.

7) Loans and Other Exposure to Banks

Taiyo Life's, Daido Life's, and T&D Financial Life's loans and other exposure to banks in general account assets for the purpose of enhancing capital as of March 31, 2005, are shown in the following table. If the value of stocks held in association with these loans decreases, the Group's earnings could be adversely affected. Also, because preferred stocks, preferred securities, and subordinated loans and debentures rank lower than general loans in terms of repayment order, these loans are more highly vulnerable to lenders' credit conditions. As such, if an obligor's credit condition deteriorates, the Group's earnings could be adversely affected.

Loans and Other Exposure to Banks (General Account Assets)

As of March 31, 2005	Millions of yen		
	Taiyo Life	Daido Life	T&D Financial Life
Banking stocks held	¥ 52,926	¥ 97,917	¥ 4
Preferred stocks issued by foreign subsidiaries	90,000	60,000	—
Preferred securities issued by foreign subsidiaries	—	14,588	—
Subordinated loans and debentures	237,696	206,610	16,994

Notes: 1. Banking stocks held are recorded on the balance sheet at their fair values.

2. Subordinated loans and debentures include subordinated loans, debentures, and preferred securities (excluding investments in the overseas subsidiaries of the Group and banks).

Nonperforming Loans

1) Risk-Monitored Loans

Under the Insurance Business Law, risk-monitored loans are categorized as loans to bankrupt companies, past due loans, loans overdue for three months or more, and restructured loans. Taiyo Life's, Daido Life's, and T&D Financial Life's risk-monitored loans are shown in the following table.

Risk-Monitored Loans

As of March 31, 2005		Millions of yen		
		Taiyo Life	Daido Life	T&D Financial Life
Loans to bankrupt companies		¥ 174	¥ 83	¥ —
Past due loans		1,446	2,267	386
Loans overdue for three months or more		5,316	—	—
Restructured loans		832	384	—
Total	[a]	¥7,770	¥2,734	¥386
% of total loans		0.46%	0.26%	2.62%
Specific reserve for possible loan losses	[b]	1,076	1,515	—
General reserve for possible loan losses	[c]	1,752	317	—
Amount covered by collateral and guarantees	[d]	5,846	943	—
Subtotal	[a]–[b]–[c]–[d]	(904)	(42)	—
Coverage ratio A	([b]+[c])/[a]	36.4%	67.0%	—
Coverage ratio B	([b]+[c]+[d])/[a]	111.6%	101.5%	—

Notes: 1. Certain past due loans and loans to bankrupt companies were written off and charged to the reserve for possible loan losses. Daido Life's write-offs relating to bankrupt companies amounted to ¥453 million. Past due loans also decreased due to write-offs in the amounts of ¥17 million and ¥125 million for Taiyo Life and Daido Life, respectively.

- Loans to bankrupt companies are loans to obligors that are subject to bankruptcy, corporate reorganization, or rehabilitation or other similar proceedings on which a company has stopped accruing interest after determining that collection or repayment of principal or interest is impossible due to a significant delay in payment of principal or interest or for some other reason.
- Past due loans are loans (other than the loans described in Note 2 above and the loans for which due dates for interest payments have been rescheduled for purposes of restructuring or supporting the obligor) on which a company has stopped accruing interest based on self-assessment.
- Loans overdue for three months or more are loans, other than the loans described in Note 2 or 3 above, on which principal and/or interest are in arrears for three months or more.
- Restructured loans are loans, other than the loans described in Note 2, 3, or 4 above, for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims, and/or other terms in favor of the obligor for purposes of restructuring or supporting the obligor.

2) Disclosed Claims

Under the Insurance Business Law, loans, securities loaned, accrued interest, and suspense payments are categorized under the following obligor categories: claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, claims for special attention, and claims against normal obligors based on their financial conditions and business performance. Loans to obligors categorized as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and claims for special attention are considered to be nonperforming. Taiyo Life's, Daido Life's, and T&D Financial Life's loans by obligor category are shown in the following table.

Loans by Obligor Category

As of March 31, 2005		Millions of yen		
		Taiyo Life	Daido Life	T&D Financial Life
Claims against bankrupt and quasi-bankrupt obligors	[a]	¥ 539	¥ 114	¥ 454
Claims with collection risk	[b]	1,081	2,236	—
Claims for special attention	[c]	6,148	384	—
Subtotal	[a] + [b] + [c] = [d]	7,770	2,735	454
% of total	[d] / [f]	0.46%	0.26%	3.04%
Claims against normal obligors	[e]	1,697,371	1,043,095	14,511
Total	[d] + [e] = [f]	¥1,705,141	¥1,045,831	¥14,965

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are claims against obligors that are considered bankrupt because they are subject to bankruptcy, corporate reorganization, or rehabilitation or other similar proceedings or have filed an application for such proceedings.
2. Claims with collection risk are claims against obligors that are not considered bankrupt but have financial conditions and business performance that have deteriorated to the point that there is a high possibility that they will not be able to make principal and/or interest payments.
3. Claims for special attention are claims against obligors with loans overdue for three months or more and/or restructured loans. Loans overdue for three months or more are loans, other than the claims described in Note 1 or 2 above, on which principal and/or interest are in arrears for three months or more. Restructured loans are loans, other than the claims described in Note 1 or 2 above, for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims, and/or other terms in favor of the obligor for purposes of restructuring or supporting the obligor.
4. Claims against normal obligors are claims, other than the claims described in Note 1 or 2 above, against obligors that have no major problem regarding their financial conditions and business performance

3) Classifications of Self-Assessment of Assets

The first step in the self-assessment process is to place loans in one of five categories, from normal to bankrupt, based on an obligor's financial condition (see table below). Next, individual loans are ranked in one of four categories in accordance with the risk of recovery and the danger of impairment (see table below). Based on these results, each company makes preparations for write-offs and reserve provisions.

a. Obligor Classifications

Normal Obligors	Normal obligors are obligors with no significant problems with respect to results of operations and financial condition.
Watch Obligors	Watch obligors are obligors that require close monitoring.
Intensive Control Obligors	Intensive control obligors are obligors with a high risk of failure.
Substantially Bankrupt Obligors	Substantially bankrupt obligors are obligors that have financially failed but are not yet subject to bankruptcy, corporate reorganization or rehabilitation, or other similar proceedings.
Bankrupt Obligors	Bankrupt obligors are obligors that are subject to bankruptcy, corporate reorganization or rehabilitation, or other similar proceedings.

b. Loan Classifications

Normal	Loans categorized as normal are loans with no outstanding issues with respect to collection or the value of the loan.
Category II	Category II is a category of assets with a higher-than-ordinary risk due to unsatisfactory security coverage or questionable creditworthiness of the obligor.
Category III	Category III is a category of assets for which there is a significant concern regarding collection or value, thereby carrying a high possibility of incurring losses, but for which a reasonable estimation of the amount of such losses is difficult.
Category IV	Category IV is a category of assets that cannot be collected or have been determined to be of no value.

4) Self-Assessment of Loans and Disclosed Nonperforming Loans

The Insurance Business Law requires that so-called nonperforming loans be disclosed according to the categories under Risk-Monitored Loans and Obligor Classifications. Companies also conduct asset self-assessments for the purpose of appropriately carrying out write-offs and making reserve provisions, with individual loans ranked in four categories in accordance with recovery risk and the danger of value impairment. The relationship between asset self-assessments and nonperforming loan disclosure is shown in the tables on the following page.

Self-Assessment of Loans and Disclosed Nonperforming Loans (Taiyo Life)

As of March 31, 2005

(Millions of yen)

Obligor Classifications (Note 1)	Loan Classification by Self-Assessment				Amount Covered by Collateral and Guarantees	Reserve for Possible Loan Losses	Coverage Ratio (Note 2)	Disclosed Claims under the Insurance Business Law	Risk-Monitored Loans	
	Normal	Category II	Category III	Category IV						
Bankrupt Obligors	174	23 [11]	151	— [11]	162	11	100.0%	Claims against Bankrupt and Quasi-Bankrupt Obligors [loans] 539 539	Loans to Bankrupt Companies 174	
Substantially Bankrupt Obligors	365	29 [23]	335	— [5]	359	5			Past Due Loans 1,446	
Intensive Control Obligors	1,081	1,059 [0]	1,244	22 [1,081]	0	1,059	98.0%	Claims with Collection Risk 1,081 [loans] 1,081	Loans Overdue for Three Months or More Restructured Loans 832	
Watch Obligors	Special Attention Obligors	6,208	1,625	4,583	[] indicates amounts before write-offs and reserve provisions		5,383	136		88.9%
	Other Watch Obligors	38,711	13,784	24,987	Subtotal		5,905	1,213	90.9%	Other Watch Obligors 1,697,371
Normal Obligors, Others	1,658,539	1,658,539								
Self-Assessment of Assets (After Reserves and Write-Offs)									Total Exposures (A) 1,705,141	Total Exposures (A) 1,699,167
Total Exposures	1,705,141	1,675,061	30,058	22				Claims Other Than Claims against Normal Obligors (B) 7,770	Total Risk-Monitored Loans (B) 7,770	
Ratio	98.2%	1.8%	0.0%	—				Ratio (B/A) 0.5%	Ratio (B/A) 0.5%	

Notes: 1. Items subject to self-assessments and categorization by obligor category include loans as well as accrued interest related to loans.
2. The coverage ratio indicates the ratio of total amount of collateral and guarantees and reserve for possible loan losses out of the total amount of loans.

Self-Assessment of Loans and Disclosed Nonperforming Loans (Daido Life)

As of March 31, 2005

(Millions of yen)

Obligor Classifications (Note 1)	Loan Classification by Self-Assessment				Amount Covered by Collateral and Guarantees	Reserve for Possible Loan Losses	Coverage Ratio (Note 2)	Disclosed Claims under the Insurance Business Law	Risk-Monitored Loans	
	Normal	Category II	Category III	Category IV						
Bankrupt Obligors	83	21 [21]	61	— [0]	83	0	100.0%	Claims against Bankrupt and Quasi-Bankrupt Obligors [loans] 114 113	Loans to Bankrupt Companies 83	
Substantially Bankrupt Obligors	31	12 [—]	19	— [12]	19	12			Past Due Loans 2,267	
Intensive Control Obligors	2,236	1,505 [169]	468	262 [1,598]	637	1,336	88.2%	Claims with Collection Risk 2,236 [loans] 2,236	Loans Overdue for Three Months or More Restructured Loans 384	
Watch Obligors	Special Attention Obligors	384	—	384	[] indicates amounts before write-offs and reserve provisions		204	35		62.3%
	Other Watch Obligors	16,463	5,293	11,170	Subtotal		944	1,383	85.1%	Other Watch Obligors 1,043,095
Normal Obligors, Others	1,046,631	1,026,631								
Self-Assessment of Assets (After Reserves and Write-Offs)									Total Exposures (A) 1,045,831	Total Exposures (A) 1,040,474
Total Exposures	1,045,831	1,033,464	12,103	262				Claims Other Than Claims against Normal Obligors (B) 2,735	Total Risk-Monitored Loans (B) 2,734	
Ratio	98.8%	1.2%	0.0%	—				Ratio (B/A) 0.3%	Ratio (B/A) 0.3%	

Notes: 1. Items subject to self-assessments and categorization by obligor category include loans as well as accrued interest related to loans.
2. The coverage ratio indicates the ratio of total amount of collateral and guarantees and reserve for possible loan losses out of the total amount of loans.

5) Policy on Disposal of Nonperforming Loans

The three life insurance companies conduct self-assessments of assets, as mentioned, and, based on accurate evaluations of asset quality, strictly and appropriately make reserve provisions and carry out write-offs. Furthermore, in June 2000, the FSA released its *Inspection Manual for Insurance Companies*. Each company has established a self-assessment system, strengthened its standards for write-offs and reserves, and carried out write-offs and reserves in accordance with this manual. In the event that future economic trends result in additional nonperforming loans, the Group's earnings could be adversely affected.

Rating Changes

The T&D Life Group constituent companies are rated by various rating agencies on their ability to pay insurance claims. We note the possibility that the Group's earnings could be damaged by fewer new policies and an increase in surrender and lapse amount if ratings reflecting its ability to pay insurance claims were lowered due to deterioration in its financial strength, earnings capabilities, and assets, or if it were disclosed that an agency was considering lowering the Group's financial strength rating. For details of the ratings of Taiyo Life, Daido Life, and T&D Financial Life as of June 30, 2005, see page 95.

Contributions to the Life Insurance Policyholders Protection Corporation of Japan

The Life Insurance Policyholders Protection Corporation of Japan (PPC) was established in December 1998 based on the Insurance Business Law to increase policyholder protection in the event that a life insurer files for bankruptcy. All life insurers conducting business in Japan are members.

The financial assistance provided by the PPC to a failed insurer is furnished by contributions from these members. We note that through March 31, 2006, the government may provide the PPC with additional funds of up to ¥400 billion in the event of a bankruptcy and if the funds needed to cover policyholders are in excess of the ¥100 billion contributed by members.

Members make annual contributions in accordance with standards specified in the PPC's Articles of Incorporation for determining the cost of covering bankruptcies to date. These contributions are booked as operating expenses each fiscal year. In fiscal 2004, contributions totaled ¥1,765 million at Taiyo Life and ¥2,257 million at Daido Life. As of March 31, 2005, our projections for PPC contributions were ¥10,533 million for Taiyo Life and ¥13,554 million for Daido Life. These contributions are expected to be recorded as expenses over the near term. However, we note that if the three life insurance companies' shares of insurance premiums and policyholder reserves relative to the overall life insurance sector change, their contributions to the PPC would vary in line with this change. In addition, as noted above, the three life insurance companies' contributions could also rise if a life insurer filed for bankruptcy and required support from the PPC.

Points to Consider Regarding Embedded Value

Embedded value (EV) and related information, which are presented in this report from page 115, are not subject to verification by an auditing firm. No standards have been drafted in Japan with respect to the development of EV, and professional practice standards worldwide with respect to the development of EV are still evolving. Because EV depends on many assumptions, such as investment yields, surrender and lapse rates, mortality rates, and operating expense ratios, the calculated figures for EV may vary significantly according to changes in assumptions. For this reason, using EV as the basis for analyzing the three life insurance companies' past business results, future business results, and financial conditions might be difficult. The sum of the EVs for the three life insurance companies, which standardized the basis for disclosing EV in fiscal 2003, may differ significantly from the market value for T&D Holdings.

EMBEDDED VALUE

Embedded value (EV) is the sum of adjusted book value, calculated from the balance sheet, and existing business value, calculated from existing policies in force. In Europe and Canada, along with other information, EV is used to evaluate the corporate value of a stock life insurance company. Under current statutory accounting practices applicable to life insurance companies in Japan, there is a time lag between the sale of policies and recognition of profits. The use of EV allows the contribution of future profit from new business to be recognized at the time of sale. Therefore, it serves as a valuable supplement to statutory financial information.

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

1. The T&D Life Group's EV

A breakdown of the T&D Life Group's EV as of March 31, 2005, is given below. The T&D Life Group has standardized its methodology and approach to set major assumptions for the calculation of EV.

The T&D Life Group's EV

As of March 31,	Billions of yen		Amount of increase
	2004	2005	
EV	¥1,117.8	¥1,198.3	¥80.5
Adjusted book value (Note 1)	640.3	650.7	10.3
Existing business value (Note 2)	477.4	547.6	70.2
EV of new business (Note 3)	53.0	61.2	8.1

- Notes: 1. Adjusted book value = Total equity (excluding net unrealized gains on securities)
+ Quasi-equity liabilities (reserve for price fluctuations, contingency reserve, and unallotted portion of reserve for policyholder dividends)
+ General reserve for possible loan losses (after tax)
+ Net unrealized gains (losses) on securities (after tax, excluding yen-denominated bonds, including derivative transactions)
+ Net unrealized gains (losses) on real estate (after tax)
- Deferred tax assets for quasi-equity liabilities
2. Existing business value = Present value of future after-tax profit on existing business in force
- Present value of cost of capital
Cost of capital is the spread between the investment yield and the discount rate applied to the amounts of capital and surplus that will be required to maintain the assumed solvency margin ratio.
3. The EV of new business, which is included in total EV, represents the value of new business (including new business from conversion) for the years ended March 31, 2004 and 2005.

The Group's total EV for the three life insurance companies as of March 31, 2005, increased ¥80.5 billion, or 7.2% from the previous year-end's amount of ¥1,117.8 billion, to ¥1,198.3 billion, reflecting solid new policy sales at Taiyo Life and Daido Life. The EV of each company is as follows. Taiyo Life enhanced the EV of new business. The existing business value grew only slightly, due to the decreased surrender and lapse rate of individual annuities bearing high assumed interest rates and to the decreased investment yield on new assets.

Daido Life raised the EV of new business thanks to increased high cash-value, long-term life insurance products with good continuation, and improved mortality rates. Daido Life also increased existing business value, mainly due to changes in such assumptions as improved mortality rates and in the allocation method of some operating expenses.

The EV of new business for T&D Financial Life saw continued negative growth for the second consecutive fiscal year. In the sales representative channel, due to the low policy amount in force, business efficiency has been decreasing. Moreover, the financial institutions channel saw sluggish growth in the policy amount in force, due to

the delayed marketing of new individual variable annuity products and an increased burden of fixed costs and expenses, partly due to anticipatory investments in more wholesalers.

■ The EVs of the three companies were as follows:

(1) Taiyo Life

As of March 31,	Billions of yen		
	2004	2005	Amount of increase (decrease)
EV	¥340.7	¥337.6	¥(3.0)
Adjusted book value	276.7	271.0	(5.6)
Existing business value	63.9	66.6	2.6
EV of new business	32.2	33.2	1.0

(2) Daido Life

As of March 31,	Billions of yen		
	2004	2005	Amount of increase (decrease)
EV	¥734.2	¥825.5	¥91.2
Adjusted book value	334.8	357.7	22.9
Existing business value	399.4	467.7	68.3
EV of new business	23.0	29.8	6.8

(3) T&D Financial Life

As of March 31,	Billions of yen		
	2004	2005	Amount of increase (decrease)
EV	¥42.9	¥35.1	¥(7.7)
Adjusted book value (Note)	28.8	21.8	(6.9)
Existing business value	14.1	13.2	(0.8)
EV of new business	(2.2)	(1.8)	0.3

Note: T&D Financial Life's adjusted book values as of March 31, 2004, and March 31, 2005, are calculated respectively as follows:

As of March 31, 2005, the adjusted book value = (a) - (b) + (c), where (a) is the adjusted book value calculated in accordance with the formula specified in page 115, "The T&D Life Group's EV," (b) is goodwill, and (c) is the value of tax benefit of amortization of goodwill.

As of March 31, 2004, the adjusted book value = (a) - (b) + (c) + (d), where (a) is the adjusted book value calculated in accordance with the formula specified in page 115, "The T&D Life Group's EV," (b) is goodwill, (c) is the value of tax benefit of amortization of goodwill, and (d) is deferred tax assets. Although the deferred tax assets, which amounted to ¥15.6 billion, were not recorded on the balance sheet of T&D Financial Life as of March 31, 2004, they are included in adjusted book value according to the calculation above. T&D Financial Life expects the deferred tax assets to be refunded for this amount in the future periods with the adoption of a consolidated tax payment system after the establishment of T&D Holdings.

2. Major Assumptions

The following are major assumptions employed in the calculation of a standardized EV for the three companies. Although investment yields on new investments are standardized, the distribution of assets related to new investment is different for each company. Consequently, the weighted average yield on new investments differs among the three companies.

Item	Setting of assumptions	
	2004	2005
Discount rate	6% Set by adding the company's assumed risk premium (4.5%) to the year-end risk-free rate (the yield on 10-year Japanese government bonds is: 1.44%).	6% Set by adding the company's assumed risk premium (4.5%) to the year-end risk-free rate (the yield on 10-year Japanese government bonds is: 1.34%).
Investment yield on new investments	Set each company's planned asset allocation and assumed investment yield by asset category on new investments (see details in tables (1)-(3), on pages 117-118). Taiyo Life: 2.14% Daido Life: 2.12% T&D Financial Life: 1.71%	Set each company's planned asset allocation and assumed investment yield by asset category on new investments (see details in tables (1)-(3), on pages 117-118). Taiyo Life: 2.09% Daido Life: 2.18% T&D Financial Life: 1.58%
Required solvency margin ratio	600% For the purpose of calculating the cost of capital, the solvency margin ratio required to be maintained was assumed.	600% For the purpose of calculating the cost of capital, the solvency margin ratio required to be maintained was assumed.
Mortality and morbidity	Set based on each company's experience over the three most recent fiscal years (fiscal 2001 – fiscal 2003). (Note 1)	Set based on each company's experience over the three most recent fiscal years (fiscal 2002 – fiscal 2004). (Note 1)
Surrender and lapse	Set based on each company's experience over the three most recent fiscal years (fiscal 2001 – fiscal 2003). (Note 2)	Set based on each company's experience over the three most recent fiscal years (fiscal 2002 – fiscal 2004). (Note 2)
Operating expenses	Set based on each company's experience of the most recent fiscal year (fiscal 2003).	Set based on each company's experience of the most recent fiscal year (fiscal 2004).
Effective tax rate	Set based on the most recent effective tax rate (based on the rate for fiscal 2003).	Set based on the most recent effective tax rate (based on the rate for fiscal 2004).

Notes: 1. "fiscal 2003" as used above means the period April 1, 2003 – March 31, 2004.

"fiscal 2004" as used above means the period April 1, 2004 – March 31, 2005.

2. To eliminate the influence of T&D Financial Life's special circumstances (the surrender and lapse rate temporarily increased when its business resumed after the bankruptcy of Tokyo Life), the surrender and lapse rate of T&D Financial Life is set based on the experience of the most recent fiscal year (fiscal 2004).

■ The major assumptions employed in the calculation of EVs of the three companies are as follows:

(1) Taiyo Life

As of March 31,	2004		2005	
Discount rate	6%		6%	
Investment yield on new investments	2.14%		2.09%	
Asset categories:	Assumed investment yield	Asset allocation on new investment	Assumed investment yield	Asset allocation on new investment
Cash and deposits, call loans	0.04%	2.6%	0.04%	2.3%
Domestic bonds, commercial loans	1.31%	67.5%	1.24%	68.5%
Domestic stocks	6.44%	7.8%	6.34%	10.7%
Foreign bonds	2.02%	14.2%	2.07%	12.2%
Other assets	5.94%	7.9%	4.96%	6.3%
Required solvency margin ratio	600%		600%	
Mortality and morbidity	Set based on the experience over the three most recent fiscal years		Set based on the experience over the three most recent fiscal years	
Surrender and lapse	Set based on the experience over the three most recent fiscal years		Set based on the experience over the three most recent fiscal years	
Operating expenses	Set based on the experience of the most recent fiscal year		Set based on the experience of the most recent fiscal year	
Effective tax rate	Set based on the most recent effective tax rate (36.1%)		Set based on the most recent effective tax rate (36.1%)	

(2) Daido Life

As of March 31,	2004		2005	
Discount rate	6%		6%	
Investment yield on new investments	2.12%		2.18%	
Asset categories:	Assumed investment yield	Asset allocation on new investment	Assumed investment yield	Asset allocation on new investment
Cash and deposits, call loans	0.04%	13.2%	0.04%	12.3%
Domestic bonds, commercial loans	1.23%	64.2%	0.91%	59.1%
Domestic stocks	6.44%	8.7%	6.34%	12.4%
Foreign bonds	2.75%	4.0%	2.66%	3.8%
Other assets	6.63%	9.8%	6.04%	12.3%
Required solvency margin ratio	600%		600%	
Mortality and morbidity	Set based on the experience over the three most recent fiscal years		Set based on the experience over the three most recent fiscal years	
Surrender and lapse	Set based on the experience over the three most recent fiscal years		Set based on the experience over the three most recent fiscal years	
Operating expenses	Set based on the experience of the most recent fiscal year		Set based on the experience of the most recent fiscal year	
Effective tax rate	Set based on the most recent effective tax rate (36.11%)		Set based on the most recent effective tax rate (36.11%)	

(3) T&D Financial Life

As of March 31,	2004		2005	
Discount rate	6%		6%	
Investment yield on new investments	1.71%		1.58%	
Asset categories:	Assumed investment yield	Asset allocation on new investment	Assumed investment yield	Asset allocation on new investment
Cash and deposits, call loans	0.04%	3.0%	0.04%	3.5%
Domestic bonds	1.28%	69.0%	1.15%	76.5%
Domestic stocks	6.44%	2.8%	6.34%	2.0%
Foreign bonds	2.32%	22.0%	1.80%	11.5%
Other assets	4.13%	3.2%	5.54%	6.5%
Required solvency margin ratio	600%		600%	
Mortality and morbidity	Set based on the experience over the three most recent fiscal years		Set based on the experience over the three most recent fiscal years	
Surrender and lapse	Set based on the experience of the most recent fiscal year		Set based on the experience of the most recent fiscal year	
Operating expenses	Set based on the experience of the most recent fiscal year		Set based on the experience of the most recent fiscal year	
Effective tax rate	Set based on the most recent effective tax rate (36.15%)		Set based on the most recent effective tax rate (30.0%)	

- Notes: 1. Asset allocation on new investment is based on each company's plan.
2. For the assumed investment yield used in each asset category, domestic bonds, commercial loans, and foreign bonds are calculated based on each company's investment plan (composition of maturity date, ratings, etc., are considered in domestic bonds and commercial loans, and the currency position and hedge ratio are considered in foreign bonds). Other categories are calculated based on the figures standardized by the T&D Life Group.
3. Other assets include real estate, foreign stocks, policy loans, private equities and hedge funds, etc.
4. Surrender and lapse rates are surrender and lapse rates in individual insurance and individual annuities.

(Reference) Basis of Assumed Investment Yield Assumptions

	Standardized basis of assumptions as of March 31, 2004	Standardized basis of assumptions as of March 31, 2005
Cash and deposits, call loans	Based on year-end interest rates (1-month LIBOR)	Based on year-end interest rates (1-month LIBOR)
Domestic bonds, commercial loans	Based on year-end interest rates + spread based on maturity date and ratings	Based on year-end interest rates + Spread based on maturity date and ratings
Domestic stocks	Risk-free rate yield on 10-year JGBs: 1.44% + Risk premium of 5.0% = 6.44%	Risk-free rate yield on 10-year JGBs: 1.34% + Risk premium of 5.0% = 6.34%
Foreign bonds	Based on the year-end yield on the Citigroup BIG index (excluding hedge costs)	Based on year-end yield on Citigroup BIG index (excluding hedge costs)
Other assets	<ul style="list-style-type: none"> Private equity: Yield on domestic stocks of 6.44% + Assumed risk premium of 3.0% = 9.44% Hedge funds: U.S. dollar short-term interest rate of 1.0% + Assumed risk premium of 4.0% = 5.0% Foreign stocks: 6.44%, same as domestic stocks Real estate: 6.44%, same as domestic stocks Policyholder loans: Average year-end yield 	<ul style="list-style-type: none"> Private equity: Yield on domestic stocks of 6.34% + Assumed risk premium of 3.0% = 9.34% Hedge funds: U.S. dollar short-term interest rate of 2.75% + Assumed risk premium of 4.0% = 6.75% Foreign stocks: 6.34%, same as domestic stocks Real estate: Yield on 10-year JGBs of 1.34% + Assumed risk premium of 3.0% = 4.34% Policyholder loans: Average year-end yield

3. Effects of Changes in Assumptions (Sensitivities)

The effects of changes in assumptions on the T&D Life Group's EV were as follows: As shown in the table, sensitivity to investment yields is significant.

Sensitivities (Sum of the Three Companies' EVs)

		Billions of yen	
		Amount of increase (decrease)	EV amount
Discount rate	Up from 6% to 7%	¥ (41.5)	¥1,156.7
	Down from 6% to 5%	46.9	1,245.3
Solvency margin ratio	Up from 600% to 700%	(42.3)	1,156.0
	Down from 600% to 500%	40.7	1,239.1
Investment yield on total assets	+0.25%	115.4	1,313.7
	-0.25%	(115.7)	1,082.6
Investment yield on new assets	+0.25%	62.3	1,260.7
	-0.25%	(62.4)	1,135.9
Surrender and lapse rate in individual insurance and individual annuities	Assumption x 110%	(25.7)	1,172.5
	Assumption x 90%	28.7	1,227.1
Operating expense ratio (Operating expenses related to policy maintenance)	Assumption x 110%	(31.9)	1,166.3
	Assumption x 90%	31.9	1,230.3

Note: If any of the assumptions were to change, the ¥1,198.3 billion base would be increased/decreased.

■ The effects of changes in assumptions on the EVs of the three companies were as follows. Regarding Daido Life, the sensitivity of EV to changes in investment yield decreased since the previous fiscal year ended March 2004, because, in past years, Daido Life set the rate of policyholder dividends for group annuities at the base scenario rate. To standardize the dividend criteria for group annuities within the Group, Daido Life linked the investment yield (instead of the base scenario rate) with the rate of policyholder dividends for group annuities from the fiscal year ended March 31, 2005. As a result, EV became less sensitive to changes in investment yield for group annuities.

(1) Taiyo Life

		(Billions of Yen)	
		Amount of increase (decrease)	EV amount
Discount rate	Up from 6% to 7%	¥(11.7)	¥325.9
	Down from 6% to 5%	13.4	351.1
Solvency margin ratio	Up from 600% to 700%	(26.1)	311.5
	Down from 600% to 500%	25.7	363.3
Investment yield on total assets	+0.25%	61.6	399.3
	-0.25%	(61.6)	276.0
Investment yield on new assets	+0.25%	25.3	363.0
	-0.25%	(25.3)	312.2
Surrender and lapse rate in individual insurance and individual annuities	Assumption x 110%	(3.0)	334.6
	Assumption x 90%	3.3	341.0
Operating expense rate related to maintaining existing policies in force	Assumption x 110%	(14.8)	322.7
	Assumption x 90%	14.8	352.5

Note: If any of the assumptions were to change, the ¥337.6 billion base would be increased/decreased.

(2) Daido Life

		(Billions of Yen)	
		Amount of increase (decrease)	EV amount
Discount rate	Up from 6% to 7%	¥(29.0)	¥796.5
	Down from 6% to 5%	32.7	858.2
Solvency margin ratio	Up from 600% to 700%	(14.9)	810.5
	Down from 600% to 500%	13.8	839.3
Investment yield on total assets	+0.25%	49.7	875.2
	-0.25%	(49.7)	775.7
Investment yield on new assets	+0.25%	34.8	860.3
	-0.25%	(34.8)	790.7
Surrender and lapse rate in individual insurance and individual annuities	Assumption x 110%	(22.7)	802.7
	Assumption x 90%	25.4	850.9
Operating expense rate related to maintaining existing policies in force	Assumption x 110%	(15.2)	810.2
	Assumption x 90%	15.2	840.8

Note: If any of the assumptions were to change, the ¥825.5 billion base would be increased/decreased.

(3) T&D Financial Life

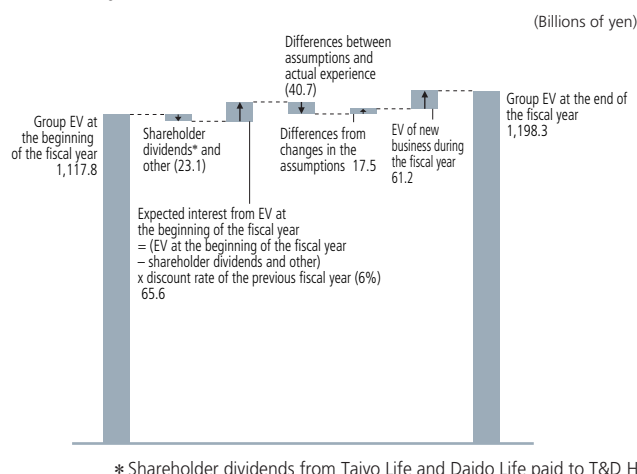
		(Billions of Yen)	
		Amount of increase (decrease)	EV amount
Discount rate	Up from 6% to 7%	¥(0.7)	¥34.3
	Down from 6% to 5%	0.7	35.8
Solvency margin ratio	Up from 600% to 700%	(1.2)	33.8
	Down from 600% to 500%	1.2	36.4
Investment yield on total assets	+0.25%	3.9	39.1
	-0.25%	(4.3)	30.7
Investment yield on new assets	+0.25%	2.1	37.2
	-0.25%	(2.2)	32.9
Surrender and lapse rate in individual insurance and individual annuities	Assumption x 110%	(0.0)	35.1
	Assumption x 90%	0.0	35.2
Operating expense rate related to maintaining existing policies in force	Assumption x 110%	(1.8)	33.3
	Assumption x 90%	1.7	36.9
Reduction by hedging minimum guaranty risk of variable annuity (Note 2) When risk reduction by hedging is permitted		1.7	36.9

Notes: 1. If any of the assumptions were to change, the ¥35.1 billion base would be increased/ decreased.

2. The solvency margin used in calculating the EV for T&D Financial Life is calculated assuming the company is fully exposed to the minimum guarantee risk for variable annuities. However, Notification No. 50 (1996) by the Ministry of Finance permits under certain conditions to reflect the effectiveness of a company's hedging program in determining the solvency margin. T&D Financial Life has implemented a hedging program since February 2005. This sensitivity shows the effect on the EV if the company reflected its hedging program in the determination of the solvency margin.

4. Analysis of Change in EV from March 31, 2004, to March 31, 2005

The factors that acted to increase or decrease Group EV for the fiscal year under review as compared with the previous fiscal year were as follows:



■ Specific factors

First, shareholder dividends and other of ¥23.1 billion is deducted from the EV at the end of the previous fiscal year.

Second, expected interest of ¥65.6 billion is calculated by applying the discount rate of the previous fiscal year (6%) to the EV at the beginning of the fiscal year.

Along with a decrease of ¥40.7 billion, which represents the differences between assumptions and actual fiscal 2004 experience due mainly to the underperformance of the investments of Taiyo Life and Daido Life compared with assumptions, there is an additional ¥17.5 billion increase from differences from changes in the assumptions due mainly to the improvement of the mortality rate for Daido Life.

Finally, the EV of new business during the fiscal year of ¥61.2 billion represents an increase. As a result, Group EV reached ¥1,198.3 billion.

As for the differences between assumptions and fiscal 2004 actual experience for each company, the main factor for Taiyo Life was the adverse impact on surrenders and lapses of a decline in the surrender and lapse rate for individual annuities. Daido Life was positively impacted by improvement in the mortality rate and a change in the allocation of some operating expenses.

■ An analysis of the changes in the EVs of Taiyo Life, Daido Life, and T&D Financial Life from March 31, 2004, to March 31, 2005, is as follows.

Item	(Billions of Yen)			
	Amount			
	Taiyo Life	Daido Life	T&D Financial Life	Total
(1) EV as of March 31, 2004	¥340.7	¥734.2	¥42.9	¥1,117.8
(2) Shareholder dividends and other	(4.8)	(18.2)	—	(23.1)
(3) Expected interest from EV as of March 31, 2004 (Notes 1 and 2)	20.1	42.9	2.5	65.6
(4) Differences between assumptions and actual experience for the year ended March 31, 2005 (Note 2)	(27.1)	(11.1)	(2.4)	(40.7)
(5) Differences from changes in the assumptions	(24.3)	47.9	(5.9)	17.5
(6) EV of new business for the year ended March 31, 2005	33.2	29.8	(1.8)	61.2
(7) EV as of March 31, 2005	¥337.6	¥825.5	¥35.1	¥1,198.3

Note 1: The amount of expected interest is calculated as follows: The EV at the beginning of the fiscal year ((1) + (2) in the above table) x The discount rate applied to the EV calculation at the end of the previous fiscal year (6%).

2: Items (3) and (4) in the above table include the amount of change in unrealized gains and losses on assets (after-tax). (Taiyo Life: ¥(9.2) billion, Daido Life: ¥6.3 billion, T&D Financial Life: ¥(1.1) billion).

5. Breakdown of Adjusted Book Value

■ A breakdown of the adjusted book value of Taiyo Life, Daido Life, and T&D Financial Life as of March 31, 2005 and 2004, is as follows:

(1) Taiyo Life

As of March 31,	Billions of yen			Notes
	2004	2005	Change	
Total equity	¥144.3	¥146.4	¥ 2.0	Change = Net income of ¥7.1 billion + Shareholder dividends and other of ¥(5.1) billion
Total equity in balance sheet	225.2	219.7	(5.4)	
Net unrealized gains (losses) on securities	(80.8)	(73.3)	7.5	
Quasi-equity liabilities (after tax)	54.4	56.3	1.8	
Reserve for price fluctuations	7.5	9.8	2.2	Amounts reported in balance sheet
Contingency reserve	55.8	56.4	0.6	Amounts stated in disclosure documents
Unallotted portion of reserve for policyholder dividends	21.7	21.8	0.0	Amounts stated in disclosure documents
Deferred tax assets for quasi-equity liabilities	(30.7)	(31.8)	(1.0)	Quasi-equity liability x Effective tax rate (36.1%)
General reserve for possible loan losses (after tax)	1.4	1.1	(0.3)	
Net unrealized gains (losses) on securities and real estate (after tax)	76.4	67.2	(9.2)	
Net unrealized gains (losses) on securities (after tax) (Note)	104.7	97.1	(7.6)	
Net unrealized gains (losses) on real estate (after tax)	(28.3)	(29.9)	(1.5)	
Adjusted book value	276.7	271.0	(5.6)	

Note: Net unrealized gains (losses) on securities (after tax) excludes yen denominated bonds but includes derivative transactions.

(2) Daido Life

As of March 31,	Billions of yen			Notes
	2004	2005	Change	
Total equity	¥161.7	¥176.8	¥15.0	Change = Net income of ¥33.3 billion + Shareholder dividends and other of ¥(18.2) billion
Total equity in balance sheet	293.0	317.9	24.8	
Net unrealized gains (losses) on securities	(131.2)	(141.1)	(9.8)	
Quasi-equity liabilities (after tax)	73.3	75.3	1.9	
Reserve for price fluctuations	30.8	32.5	1.7	Amounts reported in balance sheet
Contingency reserve	76.4	77.8	1.4	Amounts stated in disclosure documents
Unallotted portion of reserve for policyholder dividends	7.5	7.4	(0.0)	Amounts stated in disclosure documents
Deferred tax assets for quasi-equity liabilities	(41.4)	(42.5)	(1.1)	Quasi-equity liabilities x Effective tax rate (36.11%)
General reserve for possible loan losses (after tax)	0.6	0.2	(0.4)	
Net unrealized gains (losses) on securities and real estate (after tax)	99.0	105.3	6.3	
Net unrealized gains (losses) on securities (after tax) (Note)	106.8	112.1	5.3	
Net unrealized gains (losses) on real estate (after tax)	(7.8)	(6.7)	1.0	
Adjusted book value	334.8	357.7	22.9	

Note: Net unrealized gains (losses) on securities (after tax) excludes yen-denominated bonds but includes derivative transactions.

(3) T&D Financial Life

As of March 31,	Billions of yen			Notes
	2004	2005	Change	
Total equity	¥20.1	¥25.1	¥ 5.0	Change = Net income of ¥5.0 billion
Total equity in balance sheet	20.7	25.0	4.3	
Net unrealized gains (losses) on securities	(0.6)	0.1	0.7	
Quasi-equity liabilities (after tax)	0.4	1.3	0.8	
Reserve for price fluctuations	0.1	0.2	0.0	Amounts reported in balance sheet
Contingency reserve	0.4	1.5	1.1	Amounts stated in disclosure documents
Unallotted portion of reserve for policyholder dividends	—	—	—	Amounts stated in disclosure documents
Deferred tax assets for quasi-equity liabilities	(0.2)	(0.5)	(0.3)	March 31, 2005: Quasi-equity liabilities x Effective tax rate (30.0%) March 31, 2004: Quasi-equity liabilities x Effective tax rate (36.15%)
General reserve for possible loan losses (after tax)	0.0	0.0	(0.0)	
Net unrealized gains (losses) on securities and real estate (after tax)	1.0	(0.0)	(1.0)	
Net unrealized gains (losses) on securities (after tax) (Note 1)	1.0	(0.0)	(1.0)	
Net unrealized gains (losses) on real estate (after tax)	—	—	—	
Goodwill	(13.0)	(6.5)	6.5	
Deferred tax assets (Note 2)	15.6	—	(15.6)	
Deferred tax assets for amortization of goodwill	4.7	1.9	(2.7)	
Adjusted book value	28.8	21.8	(6.9)	

Notes: 1. Net unrealized gains/losses on securities (after tax) exclude yen-denominated bonds but include derivative transactions.

2. Although the deferred tax assets, which amounted to ¥15.6 billion, were not recorded on the balance sheet of T&D Financial Life as of March 31, 2004, they are included in adjusted book value according to the calculation above. T&D Financial Life expects the deferred tax assets to be refunded for this amount in the future periods with the adoption of a consolidated tax payment system after the establishment of T&D Holdings.

6. Opinion of Actuarial Firm

To assure fairness, Taiyo Life, Daido Life, and T&D Financial Life requested Milliman Inc., an outside specialist (actuarial firm) equipped with expert knowledge relating to actuarial calculations, including EVs, to review the calculation methodology, the assumptions, the consistency of methodology among the three companies of the T&D Life Group, and the validity of results of EV calculation. The three companies have obtained opinions regarding EV calculations by Milliman Inc.

(To see the opinions, please refer to our website: URL <http://www.td-holdings.co.jp/e/>)

T&D HOLDINGS, INC.

■ CONSOLIDATED BALANCE SHEET

As of March 31, 2005	Millions of yen		%	Thousands of U.S. dollars
Assets:				
Cash and deposits	¥ 345,565	2.7		\$ 3,217,857
Call loans	225,631	1.7		2,101,042
Monetary claims purchased	172,339	1.3		1,604,799
Monetary trusts (Note 20)	221,864	1.7		2,065,966
Securities (Notes 11 and 19)	8,828,614	67.7		82,210,770
Loans (Note 4)	2,735,442	21.0		25,472,041
Property and equipment	333,102	2.6		3,101,806
Due from agencies	1,536	0.0		14,311
Due from reinsurers	6,081	0.0		56,626
Other assets	162,640	1.2		1,514,483
Deferred tax assets (Note 17)	13,071	0.1		121,722
Deferred tax assets on land revaluation	2,868	0.0		26,711
Reserve for possible loan losses	(5,327)	(0.0)		(49,607)
Total assets	¥13,043,431	100.0		\$121,458,532
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 75,033			\$ 698,698
Policy reserve	11,813,292			110,003,655
Reserve for policyholder dividends (Note 7)	204,665			1,905,813
Total policy reserves	12,092,991	92.7		112,608,167
Due to agencies	993	0.0		9,251
Due to reinsurers	758	0.0		7,061
Commercial paper	20,000	0.2		186,237
Subordinated bonds (Note 8)	20,000	0.2		186,237
Other liabilities (Note 9)	168,323	1.3		1,567,400
Reserve for employees' retirement benefits (Note 22)	110,917	0.8		1,032,844
Reserve for directors' and corporate auditors' retirement benefits	3,042	0.0		28,328
Reserve for price fluctuations	42,669	0.3		397,333
Deferred tax liabilities (Note 17)	1	0.0		15
Total liabilities	12,459,696	95.5		116,022,877
Minority interests	1,403	0.0		13,068
Stockholders' equity:				
Common stock:				
Authorized—966,000,000 shares				
Issued —241,500,000 shares	100,000	0.8		931,185
Capital surplus	87,515	0.7		814,928
Retained earnings (Note 12)	180,592	1.4		1,681,651
Land revaluation	(32,037)	(0.3)		(298,332)
Net unrealized gains on securities	246,458	1.9		2,294,984
Translation adjustment	(6)	(0.0)		(59)
Treasury stock	(190)	(0.0)		(1,771)
Total stockholders' equity	582,331	4.5		5,422,586
Total liabilities, minority interests and stockholders' equity	¥13,043,431	100.0		\$121,458,532

See notes to consolidated financial statements.

■ CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2005	Millions of yen		Thousands of
		%	U.S. dollars
Ordinary revenues:			
Income from insurance premiums (Note 3)	¥1,798,983		\$16,751,867
Investment income (Note 18)	336,139		3,130,078
Other ordinary income	181,643		1,691,434
Equity in net income of affiliated companies	16		153
Total ordinary revenues	2,316,781	100.0	21,573,533
Ordinary expenses:			
Insurance claims and other payments:			
Insurance claims	812,219		7,563,273
Annuity payments	136,486		1,270,940
Insurance benefits	321,420		2,993,022
Surrender payments	395,426		3,682,157
Other payments	160,081		1,490,653
Total insurance claims and other payments	1,825,635		17,000,047
Provision for policy and other reserve:			
Interest portion of reserve for policyholder dividends	1,055		9,828
Investment expenses (Note 18)	92,037		857,035
Operating expenses	205,681		1,915,276
Other ordinary expenses	83,534		777,857
Total ordinary expenses	2,207,943	95.3	20,560,045
Ordinary profit	108,838	4.7	1,013,488
Extraordinary gains (Note 10)	4,207	0.2	39,181
Extraordinary losses (Note 10)	16,128	0.7	150,181
Provision for reserve for policyholder dividends	44,977	2.0	418,824
Income before income taxes	51,940	2.2	483,664
Income taxes (Note 17):			
Current	1,607	0.1	14,965
Deferred	13,081	0.5	121,810
Minority interests	120	0.0	1,122
Net income	¥ 37,131	1.6	\$ 345,766

See notes to consolidated financial statements.

■ CONSOLIDATED STATEMENT OF SURPLUS

Year ended March 31, 2005	Millions of yen	Thousands of U.S. dollars
Capital surplus:		
Balance at beginning of year	¥ 80,054	\$ 745,451
Additions:		
Gains on sale of treasury stock	7,461	69,477
Balance at end of year	¥ 87,515	\$ 814,928
Retained earnings:		
Balance at beginning of year	¥150,637	\$1,402,716
Additions:		
Net income	37,131	345,766
Deductions:		
Dividends	6,750	62,855
Bonuses to directors	158	1,471
Bonuses to corporate auditors	22	209
Decrease in retained earnings due to reversal of land revaluation	246	2,295
Total deductions	7,177	66,831
Balance at end of year	¥180,592	\$1,681,651

See notes to consolidated financial statements.

■ CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2005	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities:		
Income before income taxes	¥ 51,940	\$ 483,664
Depreciation of real estate for rent	5,813	54,137
Amortization of goodwill due to consolidation	(23)	(219)
Other depreciation and amortization	21,544	200,617
Decrease in reserve for outstanding claims	(5,869)	(54,653)
Decrease in policy reserve	(110,886)	(1,032,561)
Increase in interest portion of reserve for policyholder dividends	1,055	9,828
Increase in provision for reserve for policyholder dividends	44,977	418,824
Decrease in reserve for possible loan losses	(4,234)	(39,429)
Increase in reserve for employees' retirement benefits	2,188	20,379
Increase in reserve for directors' and corporate auditors' retirement benefits	362	3,376
Decrease in reserve for losses on sale of loans	(64)	(603)
Increase in reserve for price fluctuations	4,063	37,835
Interest, dividends and income from real estate for rent	(254,274)	(2,367,770)
Gains on investment securities	(37,579)	(349,931)
Interest expense	1,646	15,333
Exchange losses	5,089	47,396
Losses on sale or disposal of property and equipment	11,088	103,253
Equity in net income of affiliated companies	(16)	(153)
Decrease in amount due from agencies	365	3,407
Increase in due from reinsurers	(892)	(8,313)
Decrease in other assets (excluding investment activities-related and financing activities-related)	7,900	73,568
Increase in due to agencies	541	5,041
Decrease in due to reinsurers	(143)	(1,331)
Decrease in other liabilities (excluding investment activities-related and financing activities-related)	(6,382)	(59,435)
Other, net	41,212	383,760
Subtotal	(220,576)	(2,053,979)
Interest, dividends and income from real estate for rent received	273,597	2,547,697
Interest paid	(1,654)	(15,407)
Policyholder dividends	(55,668)	(518,381)
Other, net	12,886	119,999
Income taxes paid	(42,359)	(394,442)
Net cash used in operating activities	¥ (33,775)	\$ (314,514)

(continued)

Year ended March 31, 2005

Millions of yen

Thousands of
U.S. dollars

Cash flows from investing activities:

	¥	\$
Net decrease in short-term investments	340	3,166
Investments in monetary claims purchased	(90,789)	(845,419)
Proceeds from sale and redemption of monetary claims purchased	37,919	353,105
Investments in monetary trusts	(106,400)	(990,781)
Proceeds from monetary trusts	158,679	1,477,600
Purchase of securities	(2,753,140)	(25,636,839)
Sale and redemption of securities	2,640,509	24,588,041
Investments in loans	(728,843)	(6,786,882)
Collection of loans	1,075,964	10,019,223
Other, net	(31,630)	(294,537)
Subtotal	202,610	1,886,676
Total of net cash provided by operating activities and investment transactions as above	168,834	1,572,161
Purchase of property and equipment	(9,458)	(88,074)
Proceeds from sale of property and equipment	7,003	65,216
Net cash provided by investing activities	200,155	1,863,817

Cash flows from financing activities:

Income from commercial paper	20,000	186,237
Proceeds from debt	8,500	79,150
Repayments of debt	(6,297)	(58,644)
Redemption of commercial paper	(30,000)	(279,355)
Purchase of treasury stock	(190)	(1,771)
Sale of treasury stock	41,677	388,092
Dividends paid	(6,469)	(60,238)
Dividends paid to minority interests	(30)	(284)
Net cash provided by financing activities	27,189	253,185

Effect of exchange rate changes on cash and cash equivalents	(3,777)	(35,173)
Net increase in cash and cash equivalents	189,791	1,767,314
Cash and cash equivalents at beginning of year	680,270	6,334,582
Cash and cash equivalents at end of year (Note 14)	¥ 870,062	\$ 8,101,897

See notes to consolidated financial statements.

Note **1** Summary of Significant Accounting Policies

(a) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the "Company") was established, as a life insurance holding company, through which Taiyo Life Insurance Company ("Taiyo Life"), Daido Life Insurance Company ("Daido Life") and T&D Financial Life Insurance Company ("T&D Financial Life") (the "Three Life Companies"), have become wholly-owned subsidiaries, through share transfers. The business combination was accounted for as a pooling of interests.

The Company, including its domestic consolidated subsidiaries, maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the Insurance Business Law of Japan (the "Insurance Business Law") and in conformity with generally accepted accounting principles and practices in Japan.

The accompanying consolidated financial statements are compiled from those prepared by the Company as required by the Securities and Exchange Law of Japan. In preparing the consolidated financial statements, certain items presented in the original consolidated financial statements have been reclassified and summarized for readers outside Japan. These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. In addition, the accompanying footnotes include information which is not required under accounting principles and practices generally accepted in Japan, but is presented herein as additional information to the consolidated financial statements.

Amounts of less than one million yen and one thousand U.S. dollars have been eliminated. As a result, yen and U.S. dollar totals shown herein do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All material inter-company balances and transactions are eliminated. The number of consolidated subsidiaries for the year ended March 31, 2005 was 16. The following subsidiaries were included in the consolidated financial statements until their liquidation date:

- * Taiyo Building Management Co., Ltd. liquidated as of August 10, 2004,
- * Sinopia T&D Asset Management Co., Ltd. liquidated as of January 28, 2005,
- * Daiko Building Service Co., Ltd. liquidated as of March 9, 2005, and
- * Daido Kosan Co., Ltd. liquidated as of March 25, 2005.

Investments in affiliates are accounted for under the equity method. The number of affiliated companies for the year ended March 31, 2005 was two.

There are no affiliated companies which are accounted for under the cost method.

Further information for consolidated subsidiaries and affiliated companies is shown in "Subsidiaries and affiliates."

The financial statements of a subsidiary located outside Japan are prepared for the year ended December 31, 2005. Appropriate adjustments have been made for material transactions between December 31 and March 31, the date of the consolidated financial statements.

(c) Foreign currency translation

(i) Foreign currency accounts

Foreign currency assets and liabilities are translated into Japanese yen at the foreign exchange rate prevailing as at March 31, 2005 except for certain hedging instruments and related hedged items, which are translated at the contracted rates of such hedging instruments.

All income and expenses denominated in foreign currencies are translated at the exchange rates prevailing when such transactions are made. Exchange gains and losses are credited or charged to income.

(ii) Foreign currency financial statements of consolidated subsidiaries

Assets, liabilities, income and expenses of the Company's affiliates located outside Japan are translated into Japanese yen at the exchange rates in effect at the balance sheet date in accordance with generally accepted accounting principles and practices in Japan. Gains and losses resulting from translation of foreign currency financial statements are excluded from the statements of operations and are accumulated in minority interests or "Translation Adjustment" in equity.

(d) Investments in securities other than those of subsidiaries and affiliates

Investments in securities other than those of subsidiaries and affiliates are classified as trading, held-to-maturity, available-for-sale securities or policy-reserve-matching bonds. Available-for-sale securities with readily obtainable fair values ("marketable available-for-sale securities") and trading securities are stated at fair value. Unrealized gains and losses on trading securities are reported in the statement of operations. Unrealized gains and losses on marketable available-for-sale securities are reported in a separate component of equity, net of income taxes, unless the decline of the fair value of any particular available-for-sale securities is considered to be a permanent impairment, in which case such declines are recorded as devaluation (impairment) losses and charged to income. Held-to-maturity and available-for-sale securities without readily obtainable fair values are stated at amortized cost. For the purpose of computing realized gains and losses, cost is determined on the moving average method.

Taiyo Life has set up "policy-reserve-matching bonds." The purpose of the policy-reserve-matching bonds is to reflect Taiyo Life's ALM (Asset Liability Management) activity in the financial statements. Taiyo Life holds these bonds to hedge the interest rate risk arising from contracted insurance policies. Policy-reserve-matching bonds are not stated at fair market value but are stated at amortized cost, matching with the accounting treatment of the policy reserve of insurance policies. For the purpose of computing realized gains and losses, cost is determined by the moving average method.

Taiyo Life's management and investment policies for policy-reserve-matching bonds include risk management guidelines for monitoring such bonds. Based on the guidelines, Taiyo Life categorizes insurance policies into (1) "personal insurance policies with maturity of less than 25 years"; (2) policies for "defined contribution corporate pension insurance" and "group pure endowment insurance" policies with respect to group annuity insurance.

Taiyo Life identifies the corresponding policy-reserve-matching bonds for each category of insurance policies, which may be adjusted based upon the changing characteristics of Taiyo Life's underlying policies. Taiyo Life also periodically examines the duration matching effectiveness, by comparison of the bond's duration with that of underlying policies.

(e) Reserve for possible loan losses

The reserve for possible loan losses is established with the Three Life Companies' Self-Assessment Guidelines. With respect to loans to borrowers subject to bankruptcy and similar proceedings, the Three Life Companies provide specific reserves in the amount of the loan balance less amounts collectible from collateral, guarantees and by other means. For loans to borrowers not yet bankrupt but highly likely to fall into bankruptcy, management determines and provides for the necessary specific reserve amount based on an overall assessment of the borrowers' ability to pay after subtracting the amount collectible from collateral, guarantees and by other means. With respect to other loans, the Three Life Companies provide for a general reserve by applying the historical loan loss ratio determined over a fixed period. Each loan is subject to asset assessment by the business-related division in accordance with the Three Life Companies' Self-Assessment Guidelines, and the results of the assessment are reviewed by the internal auditing division, which is independent from the business-related division, before the reserve amount is finally determined.

Other consolidated subsidiaries also provide for their reserve for possible loan losses using the same procedures as the Three Life Companies. The provision of the reserve is based on the results of self-assessment procedures and also provides for an amount, if considered necessary by management, by applying the historical loan-loss ratio determined over a fixed period.

(f) Reserve for price fluctuations

Pursuant to requirements under the Insurance Business Law, the Three Life Companies maintain a reserve for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations. This reserve may only be used to reduce deficits arising from price fluctuations on those assets.

(g) Policy reserve

Pursuant to requirements under the Insurance Business Law, the Three Life Companies maintain a policy reserve for the fulfillment of future obligations under life insurance contracts. The reserve of the accompanying consolidated financial statements is established pursuant to the net level premium method. This method assumes a constant or level amount of net insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. The net insurance premium is the portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, investment yield and policy cancellation rates, and excluding the portion covering administrative expenses. The net level premium reserve is calculated using interest and mortality rates set by the Financial Services Agency. For policies issued after April 2001, the net level premium reserve is calculated using an annual 1.5% interest rate and the mortality rate specified in the Life Insurance Companies Standard Mortality Table 1996. Such calculation is not necessarily in accordance with the gross premium basis.

For the calculation of the reserve for the insurance contracts whose condition were changed under Article 69-4-4 of the Enforcement Regulation of the Insurance Business Law, T&D Financial Life applies Zillmer Method of which period is the premium paying year of the contracts.

In addition to the above, in order to provide for any extraordinary risks which might arise in the future, the Three Life Companies are required to maintain a contingency reserve at an amount determined based on requirements under the Insurance Business Law.

In advance of the enforcement of "Cabinet Office Regulation Concerning Provision of Reserve for Minimum Guaranty Risks for Variable Annuity Insurance, etc." issued by the Financial Services Agency, T&D Financial Life set aside additional reserves of ¥8,673 million (U.S.\$80,769 thousand) for variable annuities as of March 31, 2005.

(h) Reserve for employees' retirement benefits

The Company and its consolidated subsidiaries maintain non-contributory defined benefit plans covering substantially all employees. Under the plans, qualified employees are entitled to lump-sum or annuity payments based on their current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal.

The Company and its consolidated subsidiaries set up a reserve for employees' retirement benefits under the defined benefit plans based on the actuarial calculation value of the retirement benefit obligations and the pension assets. The attribution of retirement benefits to periods of employees' service is made based on the benefit/years-of-service approach.

Taiyo Life has partially revised its reserve policies for employees' retirement benefits during this fiscal year. Past service liabilities due to this policy change were amortized during this fiscal year.

Unrecognized net actuarial gains or losses and gains on plan amendments are charged or credited to income when incurred.

(i) Reserve for directors' and corporate auditors' retirement benefits

The Company and certain domestic consolidated subsidiaries have maintained retirement benefit plans covering all directors and corporate auditors. Under the plans, all directors and corporate auditors are entitled to lump-sum or annuity payments based on their current rate of pay and length of service at retirement.

The Company and these certain domestic consolidated subsidiaries set up a reserve for directors' and corporate auditors' retirement benefits under the defined benefit plans based on the actuarial calculation value of the retirement benefit obligations. The attribution of retirement benefits to periods of consignees' service is made based on the benefit/years-of-service approach.

(j) Income taxes

Year ended March 31, 2005, the Company's application to file its tax returns under the consolidated corporate-tax system was approved by the Japanese tax authorities, and the consolidated corporate-tax system has become effective for the year ended March 31, 2005. The new consolidated corporate-tax system allows companies to pay taxes based on the combined profits or losses of a parent company and its wholly owned domestic subsidiaries. Due to the adoption of the consolidated corporate-tax system, a portion of valuation allowance for deferred tax assets was reduced in respect of certain consolidated subsidiaries' tax loss carryforwards for which there had been uncertainty regarding realization.

The provision for income taxes is based on income recognized for financial statement purposes, which includes deferred income taxes representing the effects of temporary differences between income recognized for financial reporting purposes and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between assets and liabilities for financial reporting purposes and tax purposes using the statutory tax rate.

(k) Property and equipment

Property and equipment, including real estate for rent, are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method for buildings acquired on and after April 1, 1998 and by the declining-balance method for other property and equipment, based on estimated useful lives ranging from 3 to 50 years for buildings and structures and 2 to 20 years for equipment.

(l) Software

Development costs for internally used software, which are included in other assets, are capitalized and amortized under the straight-line method over their estimated useful lives of 5 years.

(m) Organization costs

Organization costs are charged to other ordinary expenses as incurred.

(n) Goodwill

The excess of cost over underlying net assets at acquisition, which is included in other assets, is amortized under the straight-line method over 5 years.

(o) Leases

Under Japanese accounting standards for leases, finance leases that have been deemed to transfer ownership of the leased property to the lessee ("ownership-transfer finance lease") are capitalized by the lessee, while other finance leases ("non-ownership-transfer finance lease") are permitted to be accounted for as operating lease transactions.

The Company and its consolidated subsidiaries treat all non-ownership-transfer finance leases as operating leases. Accordingly, leased assets with respect to non-ownership-transfer finance leases where the Company is the lessee are not recognized in the accompanying balance sheet and lease payments are charged to expense when incurred. Non-ownership-transfer finance leases where the Company is lessor are not treated as finance transactions and related leased assets are included in other assets in the accompanying balance sheet. Depreciation of leased assets is computed by the straight-line method over the respective lease period. Lease income is recognized when incurred.

(p) Land revaluation

Taiyo Life revalued its land for operating purposes as of March 31, 2002, as permitted by the Land Revaluation Law (the "Law"), which became effective in 1998. In accordance with provisions under the Law and related ordinances, the revaluation is a one-time event and subsequent valuation gains/losses after the initial revaluation are not reflected to the financial statements but are disclosed if additional valuation losses are subsequently recognized after the initial revaluation. Net revaluation gains or losses are not charged to income but are reported as a separate component of equity, net of income taxes. In case the Company sells a part of such revalued land, related revaluation gains or losses are transferred to retained earnings. Book values of land for operating use before and after revaluation as of March 31, 2002 were ¥143,340 million and ¥110,220 million, respectively. The additional valuation losses as of March 31, 2005 amounted to ¥11,846 million (U.S.\$110,308 thousand).

(q) Derivative financial instruments

Changes in the fair values of the derivatives designated and qualifying as hedges are either charged to income, reported as other assets/liabilities in the balance sheet, or not recognized based on whether such hedges are considered a fair value, cash flow or special hedge. Derivative financial instruments designated in special hedge relationships are not revalued but the contractual rates of the derivative financial instruments are reflected in income or expense measurement of the hedged items. Changes in fair value of derivatives designated as fair value hedges of assets and liabilities are recognized in income as an offset to the fair value adjustments of the related hedged items. The fair value of instruments hedging anticipated transactions and referred to as cash flow hedges are recognized in the balance sheet and are reclassified into income when the related hedged item impacts income.

The effectiveness of the hedging is measured by reference to the market fluctuations or the cash flow fluctuations as they affect the particular hedged item and hedging instrument.

Taiyo Life uses deferral hedge and fair value hedge. The special treatment for interest rate swaps is applied only where the interest rate swaps satisfy the requirements for hedge accounting. The hedge instruments and hedge items applied the hedge accounting as of March 31, 2005 are follows:

- a. Hedge instrument: Interest rate swaps
Hedge item: Loans
- b. Hedge instrument: Foreign exchange contracts
Hedge item: Foreign currency denominated bonds
- c. Hedge instrument: Individual stock options
Hedge item: Domestic equities
- d. Hedge instrument: Margin transactions
Hedge item: Domestic equities

Daido Life uses fair value hedge and deferral hedge. The assignment accounting for Foreign exchange contracts with certificates of deposit in foreign currency as the hedge item is applied only where the hedge instrument satisfy the requirements. The hedge instruments and hedge items for Daido Life are follows:

- a. Hedge instrument: Foreign exchange contracts

- Hedge item: Foreign currency denominated available for sale securities and certificates of deposit
 b. Hedge instrument: Interest rate swaps
 Hedge item: Available for sale bonds

(r) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its domestic subsidiaries are not included in income and expenses. The net of consumption taxes received and paid are separately recorded on the balance sheet. Where consumption taxes paid are not fully credited against consumption taxes received, the non-credited portion is charged as an expense in the period in which the consumption taxes are paid. However, certain non-credited portions of consumption taxes paid such as the purchase of property and equipment are not charged to expense but are deferred as prepaid expenses and amortized against income over a five-year period on a straight-line basis.

(s) Cash and cash equivalents

Cash equivalents consist of highly liquid investments without significant market risk, such as demand deposits and short-term investments with an original maturity of three months or less.

Note 2 U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥107.39 = U.S.\$1, which is the approximate rate prevailing at March 31, 2005. The translations should not be construed as representations that such yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rates.

Note 3 Income from Insurance Premiums

Income from insurance premiums includes ceded reinsurance recoveries amounting to ¥3,946 million (U.S.\$36,744 thousand) for the year ended March 31, 2005.

Note 4 Loans

Delinquent loans of the Company and its consolidated subsidiaries as of March 31, 2005 are summarized below:

	Millions of yen	Thousands of U.S. dollars
As of March 31, 2005		
Loans to bankrupt companies	¥ 257	\$ 2,397
Past due loans	4,351	40,520
Loans overdue for three months or more	5,316	49,504
Restructured loans	1,216	11,328
Total	¥11,141	\$103,752

“Loans to bankrupt companies” are loans to borrowers that are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings on which the Company and its consolidated subsidiaries have stopped accruing interest after determining that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.

“Past due loans” are loans, other than those categorized as “Loans to bankrupt companies” and loans for which due dates for interest payments have been rescheduled for purposes of restructuring or supporting of the borrower, on which the Company and its consolidated subsidiaries have stopped accruing interest based on self-assessment.

“Loans overdue for three months or more” are loans other than those categorized as “Loans to bankrupt companies” or “Past due loans” for which principal and/or interest are overdue for three months or more.

“Restructured loans” are loans other than those categorized as “Loans to bankrupt companies,” “Past due loans” or “Loans overdue for three months or more” for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims and/or other terms in favor of the borrower for purposes of restructuring or supporting of the borrower.

With respect to loans to bankrupt companies and past due loans that are covered by collateral and guarantees, the

Company and its consolidated subsidiaries write off the portion of such loans that is not collectable from collateral and guarantees, and charges such amounts to the reserve for possible loan losses. Write-offs relating to bankrupt companies for the year ended March 31, 2005 amounted to ¥137 million (U.S.\$1,277 thousand). Past due loans decreased due to write-offs by ¥685 million (U.S.\$6,385 thousand) for the year ended March 31, 2005.

The Company and its consolidated subsidiaries' outstanding loan commitments with borrowers as of March 31, 2005 are summarized as follows:

As of March 31, 2005	Millions of yen	Thousands of U.S. dollars
Total loan commitments	¥540	\$5,028
Less amount drawn down	75	698
Unused loan commitments	text-align: right;"> ¥465	text-align: right;"> \$4,330

Based on the loan commitment agreements, the extension of credit is subject to the Company and its consolidated subsidiaries' review procedures. The review procedures consist ensuring the use of funds and assessing the creditworthiness of the borrower. Since not all of the outstanding commitments will be drawn down, the outstanding commitment amounts do not necessarily represent future cash requirements.

Note 5 Accumulated Depreciation of Property and Equipment

Accumulated depreciation of property and equipment as of March 31, 2005 was ¥192,004 million (U.S.\$1,787,915 thousand).

Note 6 Separate Accounts

The balance sheets include ¥405,346 million (U.S.\$3,774,528 thousand) of assets and liabilities in equal amounts related to separate accounts, as of March 31, 2005.

Separate account assets and liabilities reported in the accompanying consolidated balance sheet represent funds that are administered and invested by the Three Life Companies to meet specific investment objectives of the policyholders. All gains and losses relating to separate account assets and liabilities are offset by a corresponding provision for or reversal of policy reserve and do not affect the Three Life Companies' net income. Separate accounts are established in conformity with the Insurance Business Law. The assets of each account are separately managed to identify investment results of each such account, although they are not legally segregated in terms of their treatment in case of bankruptcy of the insurance company.

Securities invested under the separate accounts are deemed as trading securities, and are stated at fair value. Cost is determined by the moving average method.

Note 7 Reserve for Policyholder Dividends

An analysis of the reserve for policyholder dividends included in policy reserves for the year ended March 31, 2005 is as follows:

For the year ended March 31, 2005	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥214,295	\$1,995,492
Policyholder dividends	(55,668)	(518,381)
Increase in interest	1,055	9,828
Increase due to other reasons	5	49
Provision for reserve for policyholder dividends	44,977	418,824
Balance at end of year	text-align: right;"> ¥204,665	text-align: right;"> \$1,905,813

Note 8 Subordinated Bonds

Taiyo Life issued domestic unsecured subordinated notes with an early redeemable option (the "Notes"). Taiyo Life, by way of the issuance of the Notes, intends to enhance its solvency margin ratio as well as to develop its relationship with domestic market investors, with a focus on investors in Japan.

The bankruptcy, commencement of corporate reorganization proceedings and commencement of civil rehabilitation proceedings are subordination events for the Notes. When a subordination event occurs, the principal amount and interest of the Notes will not be paid until the conditions for suspension are completed.

A description of the Notes is shown below:

						Millions of yen
As of March 31, 2005	Subscription date	Ending balance	Offered rate	Guarantee	Maturity	
Series 1	November 14, 2003	¥20,000	1.75%	Unsecured	November 19, 2013	

The offered rate is 1.75% until November 19, 2008 and 2.4% plus the offered rate per annum for six-month Japanese yen deposits thereafter and redeemable at the option of Taiyo Life on November 19, 2008 and on each interest payment date thereafter.

Note 9 Other Liabilities

Other liabilities included ¥35,000 million (U.S.\$325,914 thousand) of subordinated borrowings as of March 31, 2005.

Note 10 Extraordinary Gains and Losses

Extraordinary gains for the year ended March 31, 2005 are as follows:

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2005		
Gains on sale of property and equipment	¥ 963	\$ 8,974
Reversal of reserve for possible loan losses	3,020	28,125
Recoveries from bad debts previously written off	158	1,478
Reversal of reserve for losses on sale of loans	64	603
Total extraordinary losses	¥4,207	\$39,181

Extraordinary losses for the year ended March 31, 2005 are as follows:

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2005		
Losses on sale, disposal and devaluation of property and equipment	¥11,982	\$111,580
Provision for reserve for price fluctuations	4,063	37,835
Other	82	765
Total extraordinary gains	¥16,128	\$150,181

Note 11 Commitments

The amounts of the Three Life Companies' future contributions to the Policyholder Protection Fund, which was taken over by the Policyholder Protection Corporation under the Enactment Law for Financial System Reform in the year ended March 31, 2000, were estimated at ¥3,879 million (U.S.\$36,127 thousand) as of March 31, 2005. The contributions are charged to expense as an operating expense when paid, as the amount of future contributions is not yet fixed.

The amounts of future contributions to the Policyholder Protection Corporation, which are estimated in accordance with Article 259 of the Insurance Business Law, were ¥21,551 million (U.S.\$200,686 thousand) as of March 31, 2005. The contributions are also charged to income as an operating expense when paid, as the amount of future contributions is not yet fixed.

¥142,413 million (U.S.\$1,326,136 thousand) of the Three Life Companies' investments in securities was mainly pledged as collateral for the overdraft limit of exclusive account of real-time gross settlement of government bonds with the Bank of Japan, the benefit of the Policyholder Protection Corporation in order to secure such future contributions and as a substitution of collateral for margin trading and margin for futures contracts as of March 31, 2005.

A portion of bonds amounting to ¥10,131 million (U.S.\$94,345 thousand) was loaned under lending contracts as of March 31, 2005.

Note 12 Organizational Change Surplus

The organizational change surplus, which is the portion of net assets attributable to contributions by past policyholders as of the date of the demutualization of Taiyo Life and Daido Life and whose distribution is restricted by Article 92 of the Insurance Business Law, amounted to ¥63,158 million (U.S.\$588,121 thousand) and ¥10,836 million (U.S.\$100,906 thousand) as of March 31, 2005, respectively.

Note 13 Investments in Affiliates

Securities included ¥163 million (U.S.\$1,522 thousand) of investments in affiliates as of March 31, 2005.

Note 14 Consolidated Statements of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the statement of cash flows to cash and cash deposits as stated in the balance sheet as of March 31, 2005:

	Millions of yen	Thousands of U.S. dollars
As of March 31, 2005		
Cash and deposits	¥ 345,565	\$ 3,217,857
Less: deposits with an original maturity of more than three months	(110)	(1,024)
Call loans	225,631	2,101,042
Monetary claims purchased	172,339	1,604,799
Less: monetary claims purchased more than three months	(83,342)	(776,073)
Securities purchased	8,828,614	82,210,770
Less: securities with more than three months redemption periods	(8,618,635)	(80,255,476)
Cash and cash equivalents	¥ 870,062	\$ 8,101,897

Note 15 Segment Information

Segment information is not required to be disclosed, as ordinary revenues and total assets related to the Company and its consolidated subsidiaries' insurance business in Japan exceed 90% of the total amounts of both ordinary revenues and total assets.

Note 16 Lease Transactions

Information regarding non-ownership-transfer finance leases were as follows:

(1) As lessee

Pro forma information of non-ownership-transfer finance leases contracted as a lessee, such as acquisition cost and related accumulated depreciation of leased assets, obligation under finance leases, depreciation expense and interest expense of finance leases, which is required under Japanese accounting standards for leases for the year ended March 31, 2005 is summarized as follows:

As of March 31, 2005	Millions of yen	Thousands of U.S. dollars
Equipment:		
Acquisition cost	¥ 2,716	\$ 25,292
Accumulated depreciation	(1,682)	(15,669)
Net carrying value	¥ 1,033	\$ 9,622

Obligations under finance leases as of March 31, 2005 were as follows:

As of March 31, 2005	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 557	\$ 5,191
Due after one year	534	4,973
Total	¥1,091	\$10,165

Total payments for non-ownership-transfer finance leases for the year ended March 31, 2005 were ¥623 million (U.S.\$5,805 thousand).

Depreciation and imputed interest cost, which are not reflected in the accompanying statement of operations, for the year ended March 31, 2005 were as follows:

For the year ended March 31, 2005	Millions of yen	Thousands of U.S. dollars
Depreciation	¥556	\$5,179
Imputed interest cost	61	570

Depreciation is computed by the straight-line method over the respective lease period. The residual value at the end of the lease period is not considered for the calculation of depreciation. Imputed interest cost is computed by the interest method.

Future minimum lease payments on operating lease as of March 31, 2005 were as follows:

For the year ended March 31, 2005	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 6	\$ 62
Due after one year	6	59
Total	¥13	\$122

(2) As lessor

Information of non-ownership-transfer finance leases contracted as a lessor, required under Japanese accounting standards, for the year ended March 31, 2005 is summarized as follows.

Leased assets included in the accompanying balance sheet accounted for under operating lease accounting are summarized as follows:

As of March 31, 2005	Millions of yen	Thousands of U.S. dollars
Other:		
Acquisition cost	¥43,049	\$400,873
Accumulated depreciation	(22,422)	(208,795)
Net carrying value	¥20,627	\$192,077

The amounts equivalent to the minimum lease payments to be received as of March 31, 2005 was as follows:

	Millions of yen	Thousands of U.S. dollars
As of March 31, 2005		
Due within one year	¥ 7,317	\$ 68,140
Due after one year	18,426	171,581
Total	¥25,743	\$239,721

Gross lease income, recovery to the principal amount and net lease income if the Company applied finance lease accounting to non-ownership-transfer finance leases for the year ended March 31, 2005 would have been as follows:

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2005		
Gross lease income	¥7,861	\$73,203
Recovery to principal amount	6,750	62,858
Net lease income	1,160	10,802

Imputed interest cost is computed by the interest method.

Note 17 Income Taxes

The Company and its domestic subsidiaries are subject to corporate (national) and inhabitants (local) taxes based on income that, in aggregate, resulted in a normal statutory tax rate of approximately 36.1 percent. The effective tax rate for the year ended March 31, 2005 differs from the normal statutory rate for the following reasons:

For the year ended March 31, 2005	
Statutory tax rate	36.1%
Valuation allowance	(10.1)
Permanent difference items including entertainment expense, etc.	1.7
Other	0.6
Effective tax rate	28.3%

Significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2005 are summarized below:

	Millions of yen	Thousands of U.S. dollars
As of March 31, 2005		
Deferred tax assets:		
Policy reserves	¥ 77,129	\$ 718,220
Reserve for employees' retirement benefits	39,583	368,596
Reserve for price fluctuations	15,407	143,468
Devaluation losses on securities	11,288	105,115
Tax loss carryforward	9,520	88,654
Unrealized gains on available-for-sale securities	8,076	75,211
Deferred gain on sale of real estate	3,853	35,883
Reserve for bonus payment	3,096	28,831
Allowance for bad debt	2,059	19,178
Other	7,556	70,364
Subtotal	177,572	1,653,525
Valuation allowance	(14,882)	(138,582)
Total deferred tax assets	162,689	1,514,943
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	(147,365)	(1,372,243)
Accrued dividend income	(1,325)	(12,339)

Deferred gain on revaluation for consolidation	(924)	(8,609)
Other	(4)	(44)
Total deferred tax liabilities	(149,619)	(1,393,236)
Net deferred tax assets	¥ 13,070	\$ 121,706
Amounts recognized in consolidated balance sheet:		
Assets	¥ 13,071	\$ 121,722
Liabilities	1	15
	¥ 13,070	\$ 121,707

Note 18 Investment Income and Expenses

The following information summarizes the components of investment income/gains and expenses/losses:

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2005		
Investment income:		
Interest, dividends and income from real estate for rent	¥254,274	\$2,367,770
Gains from monetary trusts	3,846	35,822
Gains on investments in trading securities	4,885	45,495
Gains on sale of securities	56,116	522,545
Gains on redemptions of securities	165	1,539
Other investment income	3,454	32,167
Gains on separate accounts	13,395	124,737
Total	¥336,139	\$3,130,078
Investment expenses:		
Interest expense	¥ 1,646	\$ 15,333
Losses on sale of securities	33,222	309,359
Devaluation losses on securities	3,761	35,026
Amortization of securities	0	1
Losses from derivatives	33,300	310,084
Foreign exchange losses	4,907	45,695
Write-off of loans	76	714
Depreciation of real estate for rent	5,813	54,137
Other investment expenses	9,308	86,683
Total	¥ 92,037	\$ 857,035

Note 19 Investments in Securities

Securities classified as trading securities by the Company and its consolidated subsidiaries as of March 31, 2005 are summarized as follows:

Millions of yen		Thousands of U.S. dollars	
Carrying amount	Valuation difference charged to earnings	Carrying amount	Valuation difference charged to earnings
¥476,373	¥8,746	\$4,435,919	\$81,445

Investments in held-to-maturity securities with readily obtainable fair value as of March 31, 2005 are summarized as follows:

As of March 31, 2005	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥ 336,457	¥ 348,760	¥12,302
Municipal bonds	590,443	612,409	21,966
Corporate bonds	658,746	680,917	22,170
Total domestic bonds	1,585,647	1,642,087	56,439
Foreign bonds	86,658	88,893	2,235
Other securities	48,903	49,478	575
Total	1,721,208	1,780,458	59,249
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	42,435	40,984	(1,450)
Municipal bonds	7,630	6,878	(752)
Corporate bonds	128,971	125,393	(3,577)
Total domestic bonds	179,037	173,256	(5,780)
Foreign bonds	16,400	15,878	(521)
Other securities	20,998	20,997	(0)
Total	216,436	210,132	(6,303)
Grand total	¥1,937,645	¥1,990,591	¥52,946

As of March 31, 2005	Thousands of U.S. dollars		
	Carrying amount	Fair value	Gross unrealized gains
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	\$ 3,133,044	\$ 3,247,602	\$114,558
Municipal bonds	5,498,120	5,702,666	204,545
Corporate bonds	6,134,154	6,340,605	206,450
Total domestic bonds	14,765,320	15,290,874	525,554
Foreign bonds	806,947	827,760	20,812
Other securities	455,378	460,736	5,357
Total	16,027,646	16,579,371	551,725
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	395,152	381,644	(13,507)
Municipal bonds	71,056	64,054	(7,002)
Corporate bonds	1,200,959	1,167,644	(33,315)
Total domestic bonds	1,667,168	1,613,343	(53,825)
Foreign bonds	152,714	147,854	(4,859)
Other securities	195,537	195,529	(8)
Total	2,015,420	1,956,727	(58,693)
Grand total	\$18,043,067	\$18,536,099	\$493,032

Note: Available-for-sale securities include certificates of deposits amounting to ¥5,000 million (U.S.\$46,559 thousand) that are shown as cash and deposit, commercial paper amounting to ¥30,997 million (U.S.\$288,648 thousand) and beneficiary trust certificates amounting to ¥33,903 million (U.S.\$315,708 thousand) that are shown as monetary claims purchased on the balance sheet as of March 31, 2005.

Bonds for policy-reserve-matching with readily obtainable fair value as of March 31, 2005 are summarized as follows:

As of March 31, 2005	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥ 440,056	¥ 447,017	¥ 6,960
Municipal bonds	230,065	234,214	4,148
Corporate bonds	752,952	767,533	14,581
Total	1,423,074	1,448,765	25,691
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	90,413	87,193	(3,220)
Municipal bonds	8,316	8,113	(203)
Corporate bonds	81,856	79,051	(2,805)
Total	180,586	174,358	(6,228)
Grand total	¥1,603,661	¥1,623,123	¥19,462

As of March 31, 2005	Thousands of U.S. dollars		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	\$ 4,097,745	\$ 4,162,561	\$ 64,816
Municipal bonds	2,142,336	2,180,968	38,632
Corporate bonds	7,011,379	7,147,163	135,783
Total	13,251,461	13,490,693	239,231
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	841,920	811,933	(29,986)
Municipal bonds	77,440	75,548	(1,892)
Corporate bonds	762,236	736,115	(26,121)
Total	1,681,597	1,623,597	(57,999)
Grand total	\$14,933,059	\$15,114,291	\$181,231

Available-for-sale securities with readily obtainable fair value as of March 31, 2005 are summarized as follows:

As of March 31, 2005	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 201,758	¥ 213,722	¥ 11,964
Municipal bonds	642,272	664,920	22,647
Corporate bonds	755,081	779,551	24,469
Total domestic bonds	1,599,112	1,658,193	59,080
Domestic stocks	474,769	732,738	257,969
Foreign securities:			
Foreign bonds	670,327	708,758	38,431
Foreign stocks	27,519	29,647	2,127
Foreign other securities	60,460	62,144	1,683
Total foreign securities	758,307	800,550	42,243
Other securities	568,877	608,764	39,887
Total	3,401,067	3,800,248	399,181
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	305,314	305,100	(213)
Municipal bonds	18,672	18,377	(295)
Corporate bonds	59,473	56,443	(3,029)
Total domestic bonds	383,460	379,921	(3,539)
Domestic stocks	143,399	135,630	(7,769)
Foreign securities:			
Foreign bonds	213,546	207,971	(5,574)
Foreign stocks	18,959	18,033	(925)
Foreign other securities	38,123	36,131	(1,991)
Total foreign securities	270,629	262,136	(8,492)
Other securities	216,057	214,141	(1,915)
Total	1,013,546	991,829	(21,716)
Grand total	¥4,414,613	¥4,792,078	¥377,464

As of March 31, 2005	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	\$ 1,878,744	\$ 1,990,153	\$ 111,409
Municipal bonds	5,980,751	6,191,639	210,887
Corporate bonds	7,031,210	7,259,067	227,856
Total domestic bonds	14,890,706	15,440,860	550,153
Domestic stocks	4,420,983	6,823,154	2,402,171
Foreign securities:			
Foreign bonds	6,241,988	6,599,857	357,868
Foreign stocks	256,259	276,075	19,815
Foreign other securities	563,000	578,680	15,680
Total foreign securities	7,061,249	7,454,613	393,364
Other securities	5,297,302	5,668,730	371,427
Total	\$31,670,242	\$35,387,358	\$3,717,116

As of March 31, 2005	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	\$ 2,843,043	\$ 2,841,050	\$ (1,992)
Municipal bonds	173,876	171,124	(2,752)
Corporate bonds	553,808	525,597	(28,210)
Total domestic bonds	3,570,728	3,537,772	(32,955)
Domestic stocks	1,335,316	1,262,967	(72,348)
Foreign securities:			
Foreign bonds	1,988,509	1,936,600	(51,909)
Foreign stocks	176,548	167,927	(8,620)
Foreign other securities	355,001	336,452	(18,548)
Total foreign securities	2,520,059	2,440,980	(79,079)
Other securities	2,011,891	1,994,053	(17,838)
Total	9,437,995	9,235,773	(202,221)
Grand total	\$41,108,237	\$44,623,132	\$3,514,894

Notes 1: Available-for-sale securities include certificates of deposits amounting to ¥25,000 million (U.S.\$232,796 thousand) that are shown as cash and deposits, commercial paper amounting to ¥88,996 million (U.S.\$828,726 thousand) and beneficiary trust certificates amounting to ¥18,440 million (U.S.\$171,716 thousand) that are shown as monetary claims purchased on the balance sheet as of March 31, 2005.

2: Impairment losses with respect to the other securities as of March 31, 2005, ¥2,139 million (U.S.\$19,920 thousand) was charged to income. Impairment loss was recognized when the fair market value of securities as of March 31, 2005 decreased from the acquisition cost by 30% or more.

Gross gains of ¥60,882 million (U.S.\$566,927 thousand), and gross losses of ¥30,536 million (U.S.\$284,348 thousand) were recorded on the sale of securities classified as available-for-sale for the year ended March 31, 2005, respectively. Total proceeds on such sales amounted to ¥1,469,068 million (U.S.\$13,679,754 thousand) for the year ended March 31, 2005.

Gross gains of ¥936 million (U.S.\$8,721 thousand), and gross losses of ¥2,685 (U.S.\$25,010 thousand) were recorded through the sale of securities classified as policy-reserve-matching bonds for the year ended March 31, 2005, respectively. Total proceeds on such sales amounted to ¥365,147 (U.S.\$3,400,204 thousand) for the year ended March 31, 2005.

Securities without readily obtainable fair value held by the Company as of March 31, 2005 are summarized as follows:

As of March 31, 2005	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Available-for-sale securities:		
Unlisted stocks (excluding over-the-counter stocks)	¥ 29,264	\$ 272,509
Foreign securities/unlisted stocks (excluding over-the-counter stocks)	150,000	1,396,778
Foreign securities/other securities	27,269	253,931
Other securities	14,498	135,005
Total	¥221,032	\$2,058,225

The Company reclassified certain bonds originally classified as held-to-maturity securities, with a net book value of ¥154,697 million (U.S.\$1,440,521 thousand), into available-for-sale securities. To secure asset redemptions and to be ready for cash outflows due to significant market interest rate increases regarding single premium endowment insurance and single premium valuable insurance, the held-to-maturity securities related to these two products were reclassified. As a result of the reclassification, the balance of available-for-sale securities increased by ¥6,395 million (U.S.\$59,551 thousand) and net unrealized gains on available-for-sale securities increased by ¥4,085 million (U.S.\$38,047 thousand).

The carrying value of bonds classified as available-for-sale and held-to-maturity securities at March 31, 2005, by contractual maturity date, is as follows:

As of March 31, 2005	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥409,496	¥ 401,334	¥ 396,003	¥221,351
Municipal bonds	159,228	728,908	606,976	24,639
Corporate bonds	164,044	969,968	920,398	404,110
Foreign bonds	66,424	521,603	307,306	124,454
Foreign stocks	—	—	3,278	—
Other foreign securities	176	21,716	24,694	41,259
Other securities	160,159	12,430	6,445	54,104
Total	¥959,530	¥2,655,961	¥2,265,103	¥869,920

As of March 31, 2005	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	\$3,813,175	\$ 3,737,167	\$ 3,687,528	\$2,061,195
Municipal bonds	1,482,711	6,787,489	5,652,078	229,438
Corporate bonds	1,527,558	9,032,205	8,570,614	3,763,017
Foreign bonds	618,533	4,857,094	2,861,594	1,158,898
Foreign stocks	—	—	30,528	—
Other foreign securities	1,646	202,221	229,947	384,206
Other securities	1,491,385	115,749	60,021	503,815
Total	\$8,935,011	\$24,731,927	\$21,092,313	\$8,100,573

Note 20 Investments in Monetary Trusts

Monetary trusts classified as trading purpose trusts by the Company and its consolidated subsidiaries as of March 31, 2005 are summarized as follows:

Millions of yen		Thousands of U.S. dollars	
Carrying amount	Valuation difference charged to earnings	Carrying amount	Valuation difference charged to earnings
¥7,036	¥(6,870)	\$65,526	\$(63,977)

There are no monetary trusts for held-to-maturity or policy-reserve-matching purposes as of March 31, 2005.

Monetary trusts other than investment, held-to-maturity and policy-reserve-matching purpose as of March 31, 2005 are summarized as follows:

As of March 31, 2005	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Monetary trusts	¥78,034	¥83,077	¥5,042

As of March 31, 2005	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Monetary trusts	\$726,646	\$773,602	\$46,956

Notes 1: In addition to the monetary trusts above, investments in short term monetary trusts amounting to ¥80,000 million (U.S.\$744,948 thousand) and joint monetary trusts amounting to ¥51,750 million (U.S.\$481,888 thousand) are stated at acquisition cost on the balance sheet as of March 31, 2005.

2: Impairment losses with respect to monetary trusts other than investment, held-to-maturity, and policy-reserve-matching as of March 31, 2005 of ¥615 million (U.S.\$5,728 thousand) were charged to income. Impairment loss was recognized when the fair market value of securities as of March 31, 2005 decreased from the acquisition cost by 30% or more.

Note 21 Derivative Financial Instruments

The Three Life Companies use swaps, forwards, futures and option contracts to hedge exposure to changes in interest rates, foreign exchange rates and stock and bond prices for assets in the balance sheet or for future investments, and to manage the differences in the duration of its assets and liabilities. In addition, the Three Life Companies trade credit derivatives within certain internal guidelines such as total notional amount and credit rating of entities to be referred under the credit derivatives.

The Three Life Companies have established internal rules regarding derivative financial instruments and hedging, which include policies and procedures for risk assessment, the requirements for hedge accounting, hedge items, and the effectiveness of the hedging, approval, reporting and monitoring. Based on such rules, the use of new types of derivative financial instruments must be approved by the board of directors. Such rules enable the Three Life Companies to maintain an adequate control environment for derivative financial instruments. All dealing functions, such as the front, back and middle offices, are completely separated into different departments. The middle office, the Total Risk Monitoring Department, periodically monitors, measures and analyzes risks related to derivative financial instruments, and periodically reports total risk, position and gains and losses to the board of directors.

Because the Three Life Companies use derivative financial instruments mainly to hedge or to manage market risk exposures resulting from assets on the balance sheet, the risk of derivative financial instruments is limited through offsetting the risk arising from those assets. Instruments are traded either over an exchange or with counterparties of high credit quality and the risk of non-performance by the counterparties is therefore considered to be remote.

Taiyo Life focuses on the stable investment management of assets and leverages risks linking hedge purposes with holding cash product assets. Daido Life focuses on efficient investment management of assets and complementing trades of cash product assets. Daido Life uses derivative financial instruments where trades are limited for the above policy.

In order to minimize the risks of minimum death guaranty and guaranteed minimum living benefit for individual variable annuities, T&D Financial Life, uses derivative trades in Monetary Trusts for hedge purposes against increasing risks due to falling prices related to the subjected cash product assets in separate accounts.

The following tables show a summary of the notional amounts and current market or fair values of derivative financial instruments held as of March 31, 2005. Notional amounts do not represent exposure to credit loss.

As of March 31, 2005	Millions of yen			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Interest rate swap (fixed interest receipt)	¥117,288	¥ 97,635	¥ 3,795	¥ 3,795
Interest rate swap (fixed interest pay)	142,382	2,600	(1,575)	(1,575)
Foreign exchange contracts sold	—	805,459	825,882	(20,423)
Foreign exchange contracts bought	—	140	140	0
Bond futures contracts sold	—	34,385	34,852	(467)
Stock index futures bought	—	29,977	30,126	148
Stock index options bought (put)	—	79,993	—	—
Option premium	—	(3,168)	1,561	(1,607)
Total valuation losses, net				¥(20,129)

As of March 31, 2005	Thousands of U.S. dollars			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Interest rate swap (fixed interest receipt)	\$1,092,172	\$ 909,162	\$ 35,346	\$ 35,346
Interest rate swap (fixed interest pay)	1,325,840	24,210	(14,673)	(14,673)
Foreign exchange contracts sold	—	7,500,318	7,690,500	(190,181)
Foreign exchange contracts bought	—	1,308	1,309	0
Bond futures contracts sold	—	320,188	324,541	(4,353)
Stock index futures bought	—	279,146	280,532	1,385
Stock index options bought (put)	—	744,883	—	—
Option premium		(29,505)	14,537	(14,968)
Total valuation losses, net				\$(187,444)

Note: Foreign currency monetary assets or liabilities that are fixed at the yen amount at settlement time by employing foreign exchange forward contracts and are stated in yen in the accompanying balance sheet are excluded above.

T&D Financial Life uses Monetary Trusts to execute derivatives trades. The following tables show a summary of the notional amounts and current market or fair values of derivative financial instruments held as of March 31, 2005.

As of March 31, 2005	Millions of yen			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Currency options bought (put)	¥22,328	¥2,322		
Option premium	(2,585)	(21)	¥(2,578)	¥ (28)
Currency options bought (put) in USD	12,528	1,261		
Option premium	(1,564)	(14)	(1,669)	91
Currency options bought (put) in EUR	9,800	1,061		
Option premium	(1,021)	(8)	(909)	(120)
Stock index options bought (put)	31,128	3,176		
Option premium	(2,443)	(16)	(2,538)	78
Total valuation gains, net				¥ 49

As of March 31, 2005	Thousands of U.S. dollars			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Currency options bought (put)	\$207,924	\$21,616		
Option premium	(24,080)	(204)	\$(24,014)	\$ (270)
Currency options bought (put) in USD	116,666	11,737		
Option premium	(14,564)	(129)	(15,543)	848
Currency options bought (put) in EUR	91,257	9,879		
Option premium	(9,516)	(74)	(8,471)	(1,118)
Stock index options bought (put)	289,864	29,575		
Option premium	(22,752)	(149)	(23,634)	733
Total valuation gains, net				\$ 463

Note: Foreign currency monetary assets or liabilities that are fixed at the yen amount at settlement time by employing foreign exchange forward contracts and are stated in yen in the accompanying balance sheet are excluded above.

Note 22 Reserve for Employees' Retirement Benefits

The components of net periodic pension cost are summarized below:

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2005		
Service cost	¥5,617	\$52,305
Interest cost	2,508	23,362
Expected return on assets	(167)	(1,564)
Amortization of unrecognized net actuarial loss	688	6,415
Amortization of unrecognized net obligation at translation	1,106	10,301
Net periodic pension cost	9,753	90,820
Other	144	1,348
Total pension cost	¥9,898	\$92,168

Assumptions used in accounting for the plans were as follows:

For the year ended March 31, 2005		
Discount rate		2.0% – 2.3%
Expected long-term rate of return on assets		1.0% – 1.25%

The plans' funded status as of March 31, 2005 is summarized below:

	Millions of yen	Thousands of U.S. dollars
As of March 31, 2005		
Projected benefit obligation	¥127,079	\$1,183,344
Plan assets	(16,162)	(150,500)
Reserve for employees' retirement benefits	¥110,917	\$1,032,844

Note 23 Per Share Information

Net income per share calculated based on the weighted average number of shares of common stock outstanding during the year ended March 31, 2005 was ¥155.41 (U.S.\$1.44). Net assets per share calculated based on the number of shares of common stock outstanding as of March 31, 2005 were ¥2,410.76 (U.S.\$22.44).

Summary of the net income per share computations is as follows:

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2005		
Net income	¥37,131	\$345,766
Bonuses to directors and corporate auditors	(225)	(2,096)
Net income available to common stockholders	¥36,906	\$343,670
		Shares
Weighted average number of common shares outstanding	237,486,517	—

Note 24 Subsequent Events

There were no applicable subsequent events.

■ REPORT OF INDEPENDENT AUDITORS

The Board of Directors
T&D Holdings, Inc.

We have audited the accompanying consolidated balance sheet of T&D Holdings, Inc. and consolidated subsidiaries as of March 31, 2005, and the related consolidated statement of operations, surplus, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of T&D Holdings, Inc. and consolidated subsidiaries at March 31, 2005, and the consolidated result of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young Shin Nihon

Ernst & Young ShinNihon
June 29, 2005

T&D HOLDINGS, INC

■ UNAUDITED NON-CONSOLIDATED BALANCE SHEET

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2005	%	2005
Assets:			
Current assets:			
Cash and deposits	¥ 10,549		\$ 98,236
Prepaid expenses	21		199
Deferred tax assets	68		636
Accounts receivable	7,340		68,356
Income tax refundable receivable	17,932		166,982
Other current assets	0		0
Total current assets	35,912	6.2	334,410
Fixed assets:			
Tangible fixed assets:			
Buildings	123		1,148
Machinery and equipment	0		1
Total tangible fixed assets	123		1,149
Intangible fixed assets:			
Trademark	3		33
Software	3		27
Total intangible fixed assets	6		61
Investments and other assets:			
Investments in subsidiaries	539,066		5,019,705
Deferred tax assets	55		519
Deposit for rent	167		1,557
Total investments and other assets	539,289		5,021,781
Total fixed assets	539,419	93.8	5,022,992
Total assets	¥575,331	100.0	\$5,357,403
Liabilities:			
Current liabilities:			
Accounts payable	¥ 20,380		\$ 189,782
Accrued expenses	93		871
Income tax payable	78		727
Consumption tax payable	56		522
Deposits received	4		45
Total current liabilities	20,613	3.6	191,948
Fixed liabilities:			
Reserve for directors' and corporate auditors' retirement benefits	99	0.0	922
Total liabilities	20,712	3.6	192,870
Stockholders' equity:			
Common stock:			
Authorized—966,000,000 shares			
Issued —241,500,000 shares	100,000	17.4	931,185
Capital surplus	432,316	75.1	4,025,664
Retained earnings:			
Unappropriated retained earnings	22,493	3.9	209,453
Treasury stock— 38,540 shares	(190)	(0.0)	(1,771)
Total stockholders' equity	554,619	96.4	5,164,532
Total liabilities, minority interests and stockholders' equity	¥575,331	100.0	\$5,357,403

■ UNAUDITED NON-CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2005	%	2005
Operating income:			
Dividends on investments in subsidiaries	¥23,050		\$214,642
Fees and commissions received from subsidiaries	2,966		27,621
Total operating income	26,016	100.0	242,264
Operating expenses:			
General and administrative expenses	2,872	11.0	26,747
Operating profit	23,144	89.0	215,517
Non-operating income:			
Interest income	0		0
Fees and commissions received	17		166
Other income	0		4
Total non-operating income	18	0.1	172
Non-operating expenses:			
Interest expense	10		95
Amortization for organization costs	700		6,518
Stock offering expense	114		1,069
Total non-operating expenses	825	3.2	7,683
Ordinary profit	22,337	85.9	208,005
Income before income taxes	22,337	85.9	208,005
Income taxes:			
Current	(31)	(0.1)	(293)
Deferred	(124)	(0.5)	(1,155)
Net income	22,493	86.5	209,453
Unappropriated retained earnings at end of year	¥22,493		\$209,453

■ UNAUDITED NON-CONSOLIDATED STATEMENT OF SURPLUS

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2005		2005
Unappropriated retained earnings at end of year	¥22,493		\$209,453
Appropriation retained earnings:			
Dividends to shareholders (cash dividends per share: ¥45)	10,865		101,180
Bonus to directors	28		268
Bonus to corporate auditors	9		85
Total appropriations of retained earnings	10,903		101,534
Unappropriated retained earnings carried forward	¥11,589		\$107,919

TAIYO LIFE INSURANCE COMPANY

■ UNAUDITED NON-CONSOLIDATED BALANCE SHEETS

As of March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Assets:						
Cash and deposits:						
Cash	¥ 1,272		¥ 1,178		¥ (93)	\$ 10,978
Deposits	45,733		22,366		(23,367)	208,270
Total cash and deposits	47,006	0.7	23,545	0.4	(23,460)	219,248
Call loans	102,197	1.6	150,631	2.4	48,434	1,402,653
Monetary claims purchased	55,092	0.9	83,342	1.3	28,250	776,073
Monetary trusts	30,880	0.5	50	0.0	(30,830)	465
Securities:						
Government bonds	745,081		739,846		(5,235)	6,889,344
Municipal bonds	383,375		493,338		109,963	4,593,898
Corporate bonds	1,292,482		1,339,415		46,932	12,472,439
Domestic stocks	555,841		549,406		(6,435)	5,115,989
Foreign securities	867,332		842,221		(25,110)	7,842,647
Other securities	83,384		116,275		32,891	1,082,745
Total securities	3,927,498	61.3	4,080,504	65.0	153,006	37,997,065
Loans:						
Policy loans	120,081		133,965		(6,116)	1,061,233
Commercial loans	1,844,479		1,585,201		(259,278)	14,761,165
Total loans	1,964,561	30.7	1,699,167	27.1	(265,394)	15,822,398
Property and equipment:						
Land	105,845		103,597		(2,248)	964,683
Buildings	79,149		72,478		(6,670)	674,908
Equipment	411		487		76	4,540
Construction in progress	1,439		0		(1,438)	7
Total property and equipment	186,845	2.9	176,564	2.8	(10,281)	1,644,140
Due from reinsurers	86	0.0	7	0.0	(79)	66
Other assets:						
Accounts receivable	7,221		11,127		3,905	103,616
Prepaid expenses	746		711		(35)	6,623
Accrued income	32,411		29,175		(3,236)	271,679
Deposit for rent	283		296		12	2,759
Derivatives	30,861		3,793		(27,067)	35,320
Deferred valuation losses on hedge	496		294		(201)	2,746
Suspense payable	3,230		520		(2,709)	4,847
Other assets	13,927		13,433		(493)	125,091
Total other assets	89,179	1.4	59,352	0.9	(29,826)	552,686
Deferred tax assets	8,368	0.1	3,349	0.1	(5,019)	31,185
Deferred tax assets on land revaluation	1,831	0.0	2,868	0.0	1,036	26,711
Reserve for possible loan losses	(3,995)	(0.1)	(2,828)	(0.0)	1,166	(26,341)
Total assets	¥6,409,552	100.0	¥6,276,553	100.0	¥(132,998)	\$58,446,354

As of March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Liabilities:						
Policy reserves:						
Reserve for outstanding claims	¥ 20,824		¥ 20,682		¥ (141)	\$ 192,597
Policy reserve	5,965,947		5,829,377		(136,569)	54,282,310
Reserve for policyholder dividends	73,396		68,993		(4,402)	642,461
Total policy reserves	6,060,167	94.5	5,919,054	94.3	(141,113)	55,117,369
Due to reinsurers	32	0.0	42	0.0	10	399
Subordinated bonds	20,000	0.3	20,000	0.3	—	186,237
Other liabilities:						
Subordinated payable	35,000		35,000		—	325,914
Income tax payable	—		108		108	1,005
Accounts payable	3,450		2,395		(1,055)	22,305
Accrued expenses	9,264		9,972		707	92,857
Unearned income	638		600		(37)	5,594
Deposits received	471		507		35	4,722
Guarantee deposits	6,531		6,403		(128)	59,628
Derivatives	3,232		14,782		11,550	137,654
Deferred valuation gains on hedge	3,393		1,784		(1,609)	16,613
Suspense receipt	2,051		1,480		(570)	13,785
Other liabilities	3		3		—	27
Total other liabilities	64,036	1.0	73,036	1.2	9,000	680,109
Reserve for employees' retirement benefits	31,501	0.5	33,763	0.5	2,261	314,398
Reserve for directors' and corporate auditors' retirement benefits	980	0.0	1,066	0.0	85	9,930
Reserve for price fluctuations	7,591	0.1	9,801	0.2	2,209	91,266
Total liabilities	6,184,311	96.5	6,056,764	96.5	(127,546)	56,399,710
Stockholder's equity:						
Common stock:						
Authorized—6,000,000 shares						
Issued —1,500,000 shares	37,500	0.6	37,500	0.6	—	349,194
Capital surplus	37,500	0.6	37,500	0.6	—	349,194
Retained earnings:						
Appropriated retained earnings:						
Provision for advanced depreciation on real estate	668		654		(14)	6,091
General reserve	35,000		40,000		5,000	372,474
Unappropriated retained earnings	33,692		30,758		(2,934)	286,416
Total retained earnings	69,361	1.1	71,412	1.1	2,051	664,982
Land revaluation	(33,460)	(0.5)	(32,037)	(0.5)	1,422	(298,332)
Net unrealized gains on securities	114,340	1.8	105,414	1.7	(8,925)	981,604
Total stockholder's equity	225,240	3.5	219,789	3.5	(5,451)	2,046,643
Total liabilities and stockholder's equity	¥6,409,552	100.0	¥6,276,553	100.0	¥(132,998)	\$58,446,354

■ UNAUDITED NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31,	Millions of yen				Increase (decrease)	Thousands of
	2004	%	2005	%		U.S. dollars
						2005
Ordinary revenues:						
Income from insurance premiums:						
Insurance premiums	¥ 794,016		¥ 788,108		¥ (5,908)	\$ 7,338,748
Ceded reinsurance recoveries	151		66		(84)	621
Total income from insurance premiums	794,168		788,174		(5,993)	7,339,369
Investment income:						
Interest, dividends and income from real estate for rent:						
Interest income from deposits	2		4		1	44
Interest income and dividends from securities	81,309		81,262		(46)	756,701
Interest income from loans	55,095		41,620		(13,474)	387,566
Interest from real estate for rent	7,445		7,496		51	69,805
Other income from interest and dividends	381		628		247	5,855
Total interest, dividends and income from real estate for rent	144,233		131,012		(13,220)	1,219,973
Gains from monetary trusts, net	1,428		466		(962)	4,341
Gains on sale of securities	88,399		45,284		(43,114)	421,684
Gains from derivatives, net	15,637		—		(15,637)	—
Foreign exchange gains, net	—		98		98	918
Other investments income	7,231		686		(6,545)	6,392
Gains on separate accounts, net	4,658		235		(4,422)	2,194
Total investment income	261,588		177,784		(83,804)	1,655,504
Other ordinary income:						
Income related to withheld insurance claims and other payments for future annuity payments	447		489		41	4,556
Income due to withheld insurance payments	31,522		37,108		5,585	345,551
Reversal of reserve for outstanding claims	—		141		141	1,318
Reversal of policy reserve	168,299		136,569		(31,730)	1,271,718
Other ordinary profit	1,849		1,588		(261)	14,792
Total other ordinary income	202,120		175,898		(26,222)	1,637,938
Total ordinary revenues	¥1,257,877	100.0	¥1,141,857	100.0	¥(116,019)	\$10,632,812
Ordinary expenses:						
Insurance claims and other payments:						
Insurance claims	¥ 508,633		¥ 500,665		¥ (7,968)	\$ 4,662,121
Annuity payments	96,562		105,123		8,561	978,894
Insurance benefits	117,364		115,448		(1,915)	1,075,037
Surrender payments	180,388		150,011		(30,376)	1,396,885
Other payments	72,708		59,864		(12,843)	557,448
Reinsurance premiums	177		259		82	2,419
Total insurance claims and other payments	975,834		931,372		(44,461)	8,672,808
Provision for policy and other reserves:						
Provision for reserve for outstanding claims	2,424		—		(2,424)	—
Interest portion of reserve for policyholder dividends	182		102		(80)	949
Total provision for policy and other reserves	¥ 2,606		¥ 102		¥ (2,504)	\$ 949

(continued)

Years ended March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Investment expenses:						
Interest expenses	¥ 2,032		¥ 1,601		¥ (430)	\$ 14,915
Losses on sale of securities	62,806		24,669		(38,137)	229,718
Devaluation losses on securities	279		2,297		2,018	21,394
Losses from derivatives, net	—		24,790		24,790	230,842
Foreign exchange losses, net	43,923		—		(43,923)	—
Provision for reserve for possible loan losses	731		—		(731)	—
Write-off of loans	—		7		7	66
Depreciation of real estate for rent	3,479		2,978		(500)	27,736
Other investment expenses	4,633		3,647		(985)	33,968
Total investment expenses	117,886		59,992		(57,893)	558,642
Operating expenses	85,533		82,745		(2,788)	770,514
Other ordinary expenses:						
Payments related to withheld insurance claims	29,589		27,076		(2,513)	252,131
Taxes	5,590		5,445		(144)	50,711
Depreciation	4,955		5,322		367	49,564
Provision for reserve for employees' retirement benefits	2,401		2,261		(140)	21,057
Other ordinary losses	1,619		1,484		(134)	13,825
Total other ordinary expenses	44,156		41,591		(2,565)	387,291
Total ordinary expenses	1,226,018	97.5	1,115,804	97.7	(110,213)	10,390,206
Ordinary profit	¥ 31,859	8.8	¥ 26,053	2.3	¥ (5,805)	\$ 242,605
Extraordinary gains:						
Gains on sale of property and equipment	¥ —		¥ 0		¥ 0	\$ 3
Reversal of reserve for possible loan losses	—		1,166		1,166	10,860
Recoveries of bad debts previously written-off	148		30		(118)	283
Gains on sale of parent company's stocks	—		5,838		5,838	54,368
Gains on liquidation of subsidiary	68		—		(68)	—
Other	10		—		(10)	—
Total extraordinary gains	227	0.0	7,035	0.6	6,808	65,516
Extraordinary losses:						
Losses on sale, disposal and devaluation of property and equipment	1,386		5,550		4,163	51,682
Provision for reserve for price fluctuations	5,459		2,209		(3,250)	20,572
Cumulative effect prior years provision for reserve for directors' and corporate auditors' retirement benefits due to accounting change	367		—		(367)	—
Total extraordinary losses	7,214	0.6	7,759	0.7	545	72,255
Provision for reserve for policyholder dividends	11,915	0.9	13,421	1.2	1,505	124,976
Income before income taxes	12,956	1.0	11,908	1.0	(1,048)	110,889
Income taxes:						
Current	36	0.0	(5,473)	(0.5)	(5,509)	(50,963)
Deferred	5,899	0.5	10,201	0.9	4,302	94,996
Net income	7,020	0.6	7,179	0.6	159	66,856
Unappropriated retained earnings at beginning of year	25,591		26,414		822	245,963
Interim dividend	—		2,589		2,589	24,108
Transfer from land revaluation	1,081		(246)		(1,327)	(2,295)
Unappropriated retained earnings at end of year	¥ 33,692		¥ 30,758		¥ (2,934)	\$ 286,416

DAIDO LIFE INSURANCE COMPANY

■ UNAUDITED NON-CONSOLIDATED BALANCE SHEETS

As of March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Assets:						
Cash and deposits:						
Cash	¥ 107		¥ 138		¥ 30	\$ 1,286
Deposits	282,043		232,750		(49,293)	2,167,336
Total cash and deposits	282,151	4.7	232,888	3.9	(49,262)	2,168,623
Call loans	75,000	1.3	75,000	1.3	—	698,389
Monetary claims purchased	72,998	1.2	88,996	1.5	15,998	828,726
Monetary trusts	248,920	4.1	214,777	3.6	(34,142)	1,999,973
Securities:						
Government bonds	306,571		488,611		182,040	4,549,876
Municipal bonds	1,083,212		1,028,048		(55,163)	9,573,038
Corporate bonds	1,158,706		1,105,210		(53,496)	10,291,557
Domestic stocks	396,079		411,367		15,288	3,830,598
Foreign securities	652,352		578,819		(73,533)	5,389,878
Other securities	376,739		519,648		142,909	4,838,891
Total securities	3,973,661	66.0	4,131,705	69.0	158,043	38,473,840
Loans:						
Policy loans	79,886		80,871		985	753,067
Commercial loans	1,042,249		959,602		(82,647)	8,935,675
Total loans	1,122,136	18.7	1,040,474	17.4	(81,662)	9,688,743
Property and equipment:						
Land	88,029		82,737		(5,292)	770,436
Buildings	67,724		62,710		(5,013)	583,950
Equipment	1,196		1,180		(15)	10,993
Construction in progress	361		655		294	6,105
Total property and equipment	157,311	2.6	147,283	2.5	(10,027)	1,371,485
Due from agencies	1,902	0.0	1,536	0.0	(365)	14,310
Due from reinsurers	1,209	0.0	1,309	0.0	99	12,192
Other assets:						
Accounts receivable	13,732		11,875		(1,857)	110,578
Prepaid expenses	4,941		1,832		(3,109)	17,063
Accrued income	23,479		20,157		(3,322)	187,701
Deposit for rent	4,136		3,784		(351)	35,242
Margin for futures contracts	793		411		(381)	3,834
Derivatives	14,201		150		(14,050)	1,402
Deferred valuation losses on hedge	—		1,420		1,420	13,225
Suspense payable	1,563		928		(635)	8,646
Other assets	6,709		10,091		3,382	93,974
Total other assets	69,556	1.2	50,652	0.8	(18,904)	471,668
Deferred tax assets	16,790	0.3	950	0.0	(15,839)	8,852
Reserve for possible loan losses	(3,721)	(0.1)	(1,833)	(0.0)	1,887	(17,070)
Total assets	¥6,017,918	100.0	¥5,983,742	100.0	¥(34,175)	\$55,719,734

As of March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Liabilities:						
Policy reserves:						
Reserve for outstanding claims	¥ 45,933		¥ 47,621		¥ 1,688	\$ 443,447
Policy reserve	5,332,626		5,308,712		(23,913)	49,433,957
Reserve for policyholder dividends	135,972		131,768		(4,204)	1,227,007
Total policy reserves	5,514,531	91.6	5,488,102	91.7	(26,428)	51,104,411
Due to reinsurers	599	0.0	651	0.0	51	6,063
Short-term subordinated bonds	—	—	20,000	0.3	20,000	186,237
Other liabilities:						
Cash collateral receiving under security lending contracts	23,914		10,124		(13,789)	94,279
Income taxes payable	22,960		1,604		(21,356)	14,940
Accounts payable	8,558		10,786		2,227	100,440
Accrued expenses	8,838		8,908		69	82,955
Unearned income	4,450		3,955		(495)	36,831
Deposits received	1,630		3,953		2,323	36,817
Guarantee deposits	5,428		5,537		109	51,567
Derivatives	1,560		8,389		6,829	78,120
Deferred valuation gains on hedge	1,052		—		(1,052)	—
Suspense receipt	3,495		3,576		80	33,300
Other liabilities	30,000		—		(30,000)	—
Total other liabilities	111,890	1.9	56,836	1.0	(55,053)	529,252
Reserve for employees' retirement benefits	65,426	1.1	65,936	1.1	510	613,994
Reserve for directors' and corporate auditors' retirement benefits	1,531	0.0	1,679	0.0	147	15,635
Reserve for losses on sale of loans	64	0.0	—	—	(64)	—
Reserve for price fluctuations	30,820	0.5	32,584	0.6	1,763	303,421
Total liabilities	5,724,865	95.1	5,665,790	94.7	(59,074)	52,759,017
Stockholder's equity:						
Common stock:						
Authorized—6,000,000 shares						
Issued —1,500,000 shares	75,000	1.2	75,000	1.2	—	698,389
Capital surplus	54	0.0	54	0.0	—	502
Retained earnings:						
Legal reserve for future losses	1,941		5,598		3,657	52,131
Provision for retirement benefit	1,173		—		(1,173)	—
Provision for advanced depreciation on real estate	1,559		1,559		—	14,521
Provision for 100th anniversary project	171		107		(63)	1,005
General reserve	38,000		54,000		16,000	502,840
Unappropriated retained earnings	43,898		40,504		(3,394)	377,174
Total retained earnings	86,744	1.5	101,770	1.7	15,026	947,673
Net unrealized gains on securities	131,254	2.2	141,126	2.4	9,872	1,314,152
Total stockholder's equity	293,053	4.9	317,951	5.3	24,898	2,960,717
Total liabilities and stockholder's equity	¥6,017,918	100.0	¥5,983,742	100.0	¥(34,175)	\$55,719,734

■ UNAUDITED NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31,	Millions of yen				Increase (decrease)	Thousands of
	2004	%	2005	%		U.S. dollars
						2005
Ordinary revenues:						
Income from insurance premiums:						
Insurance premiums	¥ 927,015		¥ 883,507		¥ (43,507)	\$8,227,094
Ceded reinsurance recoveries	1,244		1,296		52	12,075
Total income from insurance premiums	928,260		884,804		(43,455)	8,239,170
Investment income:						
Interest, dividends and income from real estate for rent:						
Interest income from deposits	3,294		3,791		497	35,307
Interest income and dividends from securities	94,750		86,982		(7,767)	809,966
Interest income from loans	24,480		22,043		(2,436)	205,267
Interest from real estate for rent	6,466		6,324		(141)	58,895
Other income from interest and dividends	186		240		53	2,235
Total interest, dividends and income from real estate for rent	129,178		119,382		(9,795)	1,111,672
Gains from monetary trusts, net	7,040		3,199		(3,840)	29,791
Gains on investment in trading securities, net	—		4,885		4,885	45,495
Gains on sale of securities	32,418		10,189		(22,228)	94,884
Gains on redemption of securities	—		153		153	1,428
Other investment income	2,513		2,636		123	24,553
Gains on separate accounts, net	23,484		6,237		(17,246)	58,086
Total investment income	194,634		146,685		(47,949)	1,365,912
Other ordinary income:						
Income related to withheld insurance claims and other payments for future annuity payments	166		563		396	5,243
Income due to withheld insurance payments	2,712		2,410		(302)	22,443
Reversal of reserve for outstanding claims	1,800		—		(1,800)	—
Reversal of policy reserve	62,092		23,913		(38,178)	222,677
Other ordinary profit	638		714		76	6,651
Total other ordinary income	67,410		27,600		(39,809)	257,015
Total ordinary revenues	¥1,190,304	100.0	¥1,059,090	100.0	¥(131,214)	\$9,862,097
Ordinary expenses:						
Insurance claims and other payments:						
Insurance claims	¥ 315,064		¥ 288,656		¥ (26,407)	\$2,687,931
Annuity payments	26,541		26,158		(383)	243,584
Insurance benefits	218,324		186,623		(31,701)	1,737,809
Surrender payments	205,516		215,048		9,531	2,002,502
Other payments	143,386		87,237		(56,149)	812,338
Reinsurance premiums	1,356		1,356		(0)	12,628
Total insurance claims and other payments	910,190		805,080		(105,109)	7,496,794
Provision for policy and other reserves:						
Provision for reserve for outstanding claims	—		1,688		1,688	15,722
Interest portion of reserve for policyholder dividends	988		945		(43)	8,804
Total provision for policy and other reserves	¥ 988		¥ 2,633		¥ 1,644	\$ 24,526

(continued)

Years ended March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Investment expenses:						
Interest expenses	¥ 26		¥ 32		¥ 6	\$ 306
Losses on investment in trading securities, net	2,059		—		(2,059)	—
Losses on sale of securities	10,068		8,348		(1,720)	77,736
Devaluation losses on securities	331		1,863		1,532	17,353
Losses from derivatives, net	21,565		8,509		(13,055)	79,242
Foreign exchange losses, net	5,289		5,002		(286)	46,586
Write-off of loans	1,590		10		(1,580)	101
Depreciation of real estate for rent	3,044		2,819		(224)	26,257
Other investment expenses	5,912		6,331		418	58,956
Total investment expenses	49,887		32,919		(16,968)	306,540
Operating expenses	108,698		108,881		183	1,013,886
Other ordinary expenses:						
Payments related to withheld insurance claims	1,618		2,169		550	20,198
Taxes	6,709		6,696		(12)	62,357
Depreciation	4,228		4,057		(170)	37,783
Provision for reserve for employees' retirement benefits	2,792		510		(2,282)	4,753
Other ordinary losses	397		307		(90)	2,860
Total other ordinary expenses	15,746		13,740		(2,005)	127,953
Total ordinary expenses	1,085,512	91.2	963,256	91.0	(122,255)	8,969,702
Ordinary profit	104,792	8.8	95,834	9.0	(8,958)	892,395
Extraordinary gains:						
Gains on sale of property and equipment	1,151		952		(198)	8,871
Reversal of reserve for possible loan losses	2,495		1,771		(723)	16,493
Recoveries of bad debts previously written-off	340		88		(251)	827
Gains on sale of parent company's stocks	—		5,838		5,838	54,368
Reversal of reserve for losses on sale of loans	—		64		64	603
Reversal of reserve for employees' retirement benefits	225		—		(225)	—
Total extraordinary gains	4,211	0.4	8,716	0.8	4,504	81,164
Extraordinary losses:						
Losses on sale, disposal and devaluation of property and equipment	14,578		5,813		(8,765)	54,132
Cumulative effect prior years provision for reserve for directors' and corporate auditors' retirement benefits due to accounting change	1,281		—		(1,281)	—
Provision for reserve for losses on sale of loans	0		—		(0)	—
Provision for reserve for price fluctuations	1,578		1,763		185	16,424
Provision for 100th anniversary project	74		63		(10)	590
Total extraordinary losses	17,513	1.5	7,640	0.7	(9,872)	71,146
Provision for reserve for policyholder dividends	30,521	2.6	30,550	2.8	29	284,482
Income before income taxes	60,969	5.1	66,359	6.3	5,389	617,930
Income taxes:						
Current	26,279	2.2	22,789	2.2	(3,489)	212,213
Deferred	(3,361)	(0.3)	10,260	1.0	13,622	95,541
Net income	38,052	3.2	33,309	3.1	(4,742)	310,174
Unappropriated retained earnings at beginning of year	5,772		23,585		17,813	219,625
Interim dividend	—		13,711		13,711	127,679
Transfer to legal reserve for future losses with respect to interim dividend	—		2,742		2,742	25,535
Transfer from provision for 100th anniversary project	74		63		(10)	590
Unappropriated retained earnings at end of year	¥ 43,898		¥ 40,504		¥ (3,394)	\$ 377,174

T&D FINANCIAL LIFE INSURANCE COMPANY

■ UNAUDITED NON-CONSOLIDATED BALANCE SHEETS

As of March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Assets:						
Cash and deposits:						
Cash	¥ 20		¥ 11		¥ (9)	\$ 105
Deposits	43,033		42,385		(647)	394,687
Total cash and deposits	43,053	6.3	42,396	5.8	(656)	394,793
Monetary claims purchased	173	0.0	—	—	(173)	—
Monetary trusts	5,152	0.8	7,036	1.0	1,884	65,526
Securities:						
Government bonds	260,443		245,206		(15,236)	2,283,328
Corporate bonds	23,359		23,453		93	218,395
Domestic stocks	4,827		1,891		(2,936)	17,608
Foreign securities	58,628		53,396		(5,232)	497,218
Other securities	234,537		300,455		65,917	2,797,795
Total securities	581,796	85.3	624,402	85.9	42,606	5,814,345
Loans:						
Policy loans	19,181		9,486		(9,694)	88,341
Commercial loans	7,106		5,266		(1,840)	49,041
Total loans	26,288	3.8	14,753	2.0	(11,535)	137,382
Property and equipment:						
Land	1,235		—		(1,235)	—
Buildings	886		162		(723)	1,510
Equipment	50		33		(17)	310
Total property and equipment	2,172	0.3	195	0.0	(1,976)	1,821
Due from agencies	0	0.0	0	0.0	0	0
Due from reinsurers	3,892	0.6	4,764	0.6	872	44,366
Other assets:						
Accounts receivable	3,452		15,867		12,414	147,752
Prepaid expenses	101		157		56	1,464
Accrued income	1,327		965		(362)	8,991
Deposit for rent	1,048		861		(187)	8,018
Suspense payable	30		74		44	697
Goodwill	13,000		6,500		(6,500)	60,527
Other assets	2,035		2,356		321	21,945
Total other assets	20,995	3.1	26,782	3.7	5,787	249,397
Deferred tax assets	—		7,071	1.0	7,071	65,850
Reserve for possible loan losses	(1,243)	(0.2)	(145)	(0.0)	1,097	(1,354)
Total assets	¥682,282	100.0	¥727,258	100.0	¥ 44,976	\$6,772,129

As of March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Liabilities:						
Policy reserves:						
Reserve for outstanding claims	¥ 14,144		¥ 6,728		¥ (7,416)	\$ 62,654
Policy reserve	625,606		674,047		48,441	6,276,634
Reserve for policyholder dividends	4,927		3,903		(1,024)	36,344
Total policy reserves	644,678	94.5	684,679	94.2	40,001	6,375,633
Due to agencies	452	0.1	993	0.1	541	9,251
Due to reinsurers	269	0.0	64	0.0	(204)	599
Other liabilities:						
Income tax payable	72		65		(7)	611
Accounts payable	2,007		3,436		1,428	31,997
Accrued expenses	1,259		978		(281)	9,111
Unearned income	5		0		(4)	0
Deposits received	254		233		(21)	2,172
Guarantee deposits	0		—		(0)	—
Suspense receipt	593		683		89	6,360
Total other liabilities	4,193	0.6	5,397	0.8	1,203	50,257
Reserve for employees' retirement benefits	11,250	1.7	10,639	1.5	(611)	99,072
Reserve for directors' and corporate auditors' retirement benefits	105	0.0	123	0.0	18	1,148
Reserve for price fluctuations	194	0.0	284	0.0	90	2,644
Deferred tax liabilities	367	0.1	—	—	(367)	—
Total liabilities	661,510	97.0	702,181	96.6	40,670	6,538,607
Stockholder's equity:						
Common stock:						
Authorized—800,000 shares						
Issued —600,000 shares	20,000	2.9	20,000	2.7	—	186,237
Capital surplus	10,000	1.5	10,000	1.4	—	93,118
Deficit:						
Unappropriated deficit	(9,877)	(1.5)	(4,818)	(0.7)	5,058	(44,868)
Net unrealized gains on securities	649	0.1	(103)	(0.0)	(753)	(964)
Total stockholder's equity	20,772	3.0	25,077	3.4	4,305	233,522
Total liabilities and stockholder's equity	¥682,282	100.0	¥727,258	100.0	¥44,976	\$6,772,129

■ UNAUDITED NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31,	Millions of yen					Thousands of
	2004	%	2005	%	Increase (decrease)	U.S. dollars
						2005
Ordinary revenues:						
Income from insurance premiums:						
Insurance premiums	¥152,976		¥123,421		¥(29,554)	\$1,149,279
Ceded reinsurance recoveries	3,168		2,582		(586)	24,048
Total income from insurance premiums	156,144		126,003		(30,141)	1,173,327
Investment income:						
Interest, dividends and income from real estate for rent:						
Interest income from deposits	2		0		(2)	3
Interest income and dividends from securities	5,239		4,907		(332)	45,698
Interest income from loans	833		429		(404)	3,998
Interest from real estate for rent	1		0		(0)	8
Other income from interest and dividends	0		0		(0)	0
Total interest, dividends and income from real estate for rent	6,077		5,338		(739)	49,709
Gains from monetary trusts, net	—		36		36	343
Gains on sale of securities	984		486		(498)	4,530
Gains on redemption of securities	25		11		(13)	110
Other investment income	325		369		43	3,440
Gains on separate accounts, net	22,605		6,922		(15,683)	64,456
Total investment income	30,019		13,165		(16,854)	122,592
Other ordinary income:						
Income related to withheld insurance claims and other payments for future annuity payments	0		2,719		2,719	25,327
Income due to withheld insurance payments	461		270		(191)	2,515
Reversal of reserve for outstanding claims	231		7,416		7,184	69,057
Reversal of reserve for employees' retirement benefits	569		611		41	5,690
Other ordinary profit	42		16		(26)	149
Total other ordinary income	1,305		11,033		9,727	102,740
Total ordinary revenues	¥187,469	100.0	¥150,202	100.0	¥(37,267)	\$1,398,661
Ordinary expenses:						
Insurance claims and other payments:						
Insurance claims	¥ 30,277		¥ 22,897		¥ (7,379)	\$ 213,220
Annuity payments	5,237		5,204		(33)	48,461
Insurance benefits	15,055		19,349		4,293	180,175
Surrender payments	29,001		30,366		1,364	282,769
Other payments	6,162		9,341		3,179	86,990
Reinsurance premiums	1,511		2,021		509	18,827
Total insurance claims and other payments	87,246		89,181		1,934	830,445
Provision for policy and other reserves:						
Provision for policy reserve	75,278		48,441		(26,837)	451,082
Interest portion of reserve for policyholder dividends	9		7		(1)	73
Total provision for policy and other reserves	¥ 75,288		¥ 48,449		¥(26,838)	\$ 451,155

(continued)

Years ended March 31,	Millions of yen					Thousands of U.S. dollars
	2004	%	2005	%	Increase (decrease)	2005
Investment expenses:						
Interest expenses	¥ 0		¥ 0		¥ 0	\$ 0
Losses from monetary trusts, net	6		—		(6)	—
Losses on sale of securities	181		202		21	1,885
Devaluation losses on securities	17		24		7	231
Losses on redemption of securities	3		0		(3)	1
Foreign exchange losses, net	1		1		(0)	16
Provision for reserve for possible loan losses	—		54		54	504
Depreciation of real estate for rent	44		15		(29)	143
Other investment expenses	243		108		(135)	1,009
Total investment expenses	500		407		(92)	3,798
Operating expenses	18,345		16,348		(1,997)	152,231
Other ordinary expenses:						
Payments related to withheld insurance claims	679		565		(113)	5,270
Taxes	1,129		973		(156)	9,066
Depreciation	373		529		156	4,933
Provision for reserve for directors' and corporate auditors' retirement benefits	72		18		(54)	167
Amortization of goodwill	6,500		6,500		—	60,527
Other ordinary losses	1		121		120	1,133
Total other ordinary expenses	8,756		8,709		(47)	81,099
Total ordinary expenses	190,137	101.4	163,096	108.6	(27,040)	1,518,731
Ordinary losses	¥ 2,667	(1.4)	¥ 12,894	(8.6)	¥ 10,227	\$ 120,070
Extraordinary gains:						
Gains on sale of property and equipment	¥ 271		¥ 3		¥ (267)	\$ 35
Reversal of reserve for possible loan losses	370		—		(370)	—
Total extraordinary gains	641	0.3	3	0.0	(638)	35
Extraordinary losses:						
Losses on sale, disposal and devaluation of property and equipment	356		565		209	5,268
Provision for reserve for price fluctuations	93		90		(3)	838
Total extraordinary losses	449	0.2	655	0.4	206	6,106
Provision for reserve for policyholder dividends	1,219	0.7	1,005	0.7	(213)	9,364
Loss before income taxes	3,693	(2.0)	14,552	(9.7)	10,858	135,506
Income taxes:						
Current	74	0.0	(12,583)	(8.4)	(12,658)	(117,178)
Deferred	—	—	(7,027)	(4.7)	(7,027)	(65,436)
Net income (loss)	(3,768)	(2.0)	5,058	3.4	8,826	47,108
Unappropriated deficit at beginning of year	6,108		9,877		3,768	91,976
Unappropriated deficit at end of year	¥ 9,877		¥ 4,818		¥ 5,058	\$ 44,868