FINANCIAL SECTION

CONTENTS

SELECTED CONSOLIDATED FINANCIAL DATA

T&D HOLDINGS

The following selected financial data are calculated based on consolidated T&D Holdings data from the fiscal year ended March 31, 2005, and Furthermore, "Policy results" and "Other data" are the simple sum of the non-consolidated figures of the three life insurance companies.

Simple sum figures from the fiscal year ended March 31, 2002, have been calculated based on the sum of all three companies' non-consolidated 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,	1997	1998	1999
Statements of Operations Data			
Ordinary revenues:			
Income from insurance premiums	¥ 2,387,090	¥ 2,497,330	¥ 2,427,546
Investment income	483,856	574,756	625,145
Other ordinary income	67,244	30,135	33,767
Equity in net income of affiliated companies	—	—	—
Total ordinary revenues	2,938,192	3,102,223	3,086,460
Ordinary expenses:			
Insurance claims and other payments	2,190,630	2,172,673	2,278,807
Provision for policy and other reserves	240,356	358,510	199,472
Investment expenses	146,412	211,697	282,168
Operating expenses	206,348	199,637	203,581
Other ordinary expenses	34,774	39,065	41,815
Total ordinary expenses	2,818,523	2,981,585	3,005,847
Ordinary profit	119,667	120,636	80,612
Net extraordinary gains (losses)	(15,491)	(17,820)	(12,662)
Provision for reserve for policyholder dividends(Note 1)	—	—	—
Income before income taxes(Note 2)	104,175	102,816	67,948
Income taxes:			
Current	27,119	39,347	34,019
Deferred	—	—	(16,279)
Minority interests	—	—	—
Net income(Note 2)	¥ 77,055	¥ 63,468	¥ 50,208

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

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

	1997	1998	1999
Balance Sheet Data			
Assets:			
Total assets	¥11,762,702	¥12,172,068	¥12,451,967
Liabilities:			
Policy reserves	11,280,659	11,612,051	11,802,991
Total liabilities	11,555,889	11,954,562	12,179,839
Net assets(Note)**:**			
Total stockholders' equity	—	—	—
Total valuation and translation adjustment	—	—	—
Total net assets	¥ 206,813	¥ 217,505	¥ 272,126

Note: The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1, 2006. Total net assets until

	1997	1998	1999
Policy Results(Note)			
Policy amount in force	¥53,928,629	¥54,466,048	¥54,412,999
New policy amount	6,870,158	6,708,455	6,630,249
Surrender and lapse amount	3,825,218	4,649,254	4,792,747

Note: The total of individual insurance and individual annuities. The new policy amount includes net increase from conversions.

	1997	1998	1999
Other Data			
Core profit	¥ —	¥ —	¥ —
Embedded value(Note)	—	—	—

Note: EV is shown in terms of hundreds of millions of yen with amounts less than this unit omitted. Figures for the years ended March 31, 2002 and 2003 are the total

FINANCIAL SECTION

based on a simple sum of the non-consolidated financial data for Taiyo Life, Daido Life, and T&D Financial Life through the fiscal year ended March 31, 2004.

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

(Millions of yen)

2000	2001	2002	2003	2004	2005	2006	**2007**
¥ 2,292,167	¥ 2,169,617	¥ 2,113,783	¥ 2,004,768	¥ 1,878,572	¥ 1,798,983	¥ 1,902,318	**¥ 1,811,596**
581,072	457,347	492,941	424,485	486,242	336,139	465,671	**407,449**
29,044	29,405	410,131	273,711	270,836	181,643	76,282	**66,954**
—	—	—	—	—	16	22	**33**
2,902,285	2,656,371	3,016,858	2,702,965	2,635,651	2,316,781	2,444,295	**2,286,034**
2,000,841	2,001,956	2,372,684	2,095,682	1,973,271	1,825,635	1,746,057	**1,630,683**
331,289	157,013	36,263	24,556	78,884	1,055	173,171	**94,235**
274,316	160,592	287,289	234,080	168,274	92,037	103,132	**115,212**
195,248	189,426	202,436	214,855	212,577	205,681	209,728	**208,963**
45,428	44,285	58,768	69,175	68,660	83,534	75,358	**78,767**
2,847,125	2,553,276	2,957,444	2,638,350	2,501,667	2,207,943	2,307,448	**2,127,862**
55,158	103,094	59,413	64,615	133,984	108,838	136,846	**158,172**
(18,797)	(69,428)	(32,761)	(13,633)	(20,095)	(11,920)	(37,433)	**(33,027)**
—	—	2,102	28,372	43,656	44,977	44,476	**56,481**
36,362	33,665	24,549	22,610	70,232	51,940	54,936	**68,663**
14,590	13,413	9,926	4,233	26,391	1,607	30,696	**50,665**
(21,465)	(8,800)	(3,987)	8,539	2,537	13,081	(11,428)	**(20,909)**
—	—	—	—	—	120	123	**134**
¥ 43,238	¥ 29,051	¥ 18,610	¥ 9,837	¥ 41,303	¥ 37,131	¥ 35,545	**¥ 38,772**

surplus for a mutual company.
were represented as surplus before income taxes and net surplus, respectively.

¥12,815,281	¥13,166,778	¥13,415,441	¥13,148,903	¥13,109,752	¥13,043,431	¥13,986,233	**¥14,090,977**
12,130,667	12,258,635	12,561,619	12,370,165	12,219,377	12,092,991	12,250,835	**12,344,781**
12,471,100	12,649,384	13,063,938	12,831,425	12,570,686	12,459,696	12,904,619	**13,000,748**
—	—	—	—	—	—	—	**455,883**
—	—	—	—	—	—	—	**632,435**
¥ 344,180	¥ 517,392	¥ 351,502	¥ 317,478	¥ 539,066	¥ 582,331	¥ 1,080,098	**¥ 1,090,229**

March 31, 2006 represents total stockholders' equity.

¥54,256,170	¥54,162,283	¥57,782,127	¥57,925,547	¥58,508,475	¥59,573,531	¥60,265,007	**¥59,899,966**
6,467,998	6,333,235	6,932,944	7,316,552	7,568,059	7,544,973	7,293,876	**6,634,789**
4,844,039	4,728,033	4,702,882	5,215,716	5,199,186	4,875,798	5,102,759	**5,362,520**

¥ —	¥ 128,174	¥ 126,556	¥ 114,211	¥ 141,752	¥ 129,809	¥ 127,267	**¥ 173,318**
—	—	628,700	614,400	1,117,800	1,198,300	1,992,800	**2,133,300**

of Taiyo Life and Daido Life.

FINANCIAL SECTION

TAIYO LIFE

Years ended March 31,	1996	1997	1998	1999
Statements of Operations Data				
Ordinary revenues:				
Income from insurance premiums	¥1,325,953	¥1,280,639	¥1,328,894	¥1,234,665
Investment income	270,630	253,804	313,609	348,341
Other ordinary income	11,600	29,355	27,770	30,594
Total ordinary revenues	1,608,184	1,563,799	1,670,274	1,613,602
Ordinary expenses:				
Insurance claims and other payments	1,035,843	1,142,857	1,314,074	1,309,827
Provision for policy and other reserves	378,546	235,679	108,624	43,602
Investment expenses	48,463	49,291	100,052	134,188
Operating expenses	96,114	90,208	86,411	88,974
Other ordinary expenses	22,357	22,954	25,265	27,481
Total ordinary expenses	1,581,325	1,540,990	1,634,428	1,604,074
Ordinary profit	26,859	22,808	35,845	9,527
Net extraordinary gains (losses)	(2,676)	(3,047)	(7,899)	(2,206)
Provision for reserve for policyholder dividends(Note 1)	—	—	—	—
Income before income taxes(Note 2)	24,182	19,761	27,946	7,320
Income taxes:				
Current	9,652	5,478	12,543	15,278
Deferred	—	—	—	(16,279)
Net Income(Note 2)	¥ 14,530	¥ 14,282	¥ 15,403	¥ 8,321

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 through provision for allowance for policyholder dividends in extraordinary losses.
2. Prior to the fiscal year ended March 31, 2003, income before income taxes and net income were represented as surplus before income taxes and net surplus,
3. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

As of March 31,	1996	1997	1998	1999
Balance Sheet Data				
Assets:				
Total assets	¥6,445,574	¥6,703,526	¥6,825,683	¥6,969,359
Liabilities:				
Policy reserves	6,342,122	6,526,027	6,601,676	6,639,348
Total liabilities	6,429,765	6,656,767	6,753,848	6,837,219
Net assets(Note)**:**				
Total stockholders' equity	—	—	—	—
Total valuation and translation adjustment	—	—	—	—
Total net assets	¥ 15,808	¥ 46,759	¥ 71,834	¥ 132,139

Note: The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1, 2006. Total net assets until March 31,

FINANCIAL SECTION

(Millions of yen)

2000	2001	2002	2003	2004	2005	2006	**2007**
¥1,155,263	¥1,097,372	¥1,019,041	¥ 887,942	¥ 794,168	¥ 788,174	¥ 823,011	**¥ 705,582**
293,984	265,775	244,464	229,367	261,588	177,784	198,089	**211,893**
26,500	24,040	327,495	267,938	202,120	175,898	55,318	**94,541**
1,475,748	1,387,188	1,591,001	1,385,248	1,257,877	1,141,857	1,076,418	**1,012,017**
1,131,495	1,136,968	1,368,304	1,138,322	975,834	931,372	857,053	**772,881**
115,008	22,450	4,696	564	2,606	102	88	**1,731**
93,125	94,480	79,734	93,632	117,886	59,992	54,893	**70,357**
85,497	82,198	85,049	86,143	85,533	82,745	82,533	**78,811**
29,993	30,249	35,050	43,529	44,156	41,591	34,895	**36,572**
1,455,120	1,366,347	1,572,834	1,362,192	1,226,018	1,115,804	1,029,464	**960,354**
20,627	20,840	18,167	23,055	31,859	26,053	46,954	**51,662**
1,727	(8,296)	(7,985)	(14,449)	(6,986)	(723)	(19,484)	**(14,639)**
—	—	—	—	11,915	13,421	15,932	**15,040**
22,355	12,543	10,181	8,605	12,956	11,908	11,537	**21,983**
7,681	113	661	101	36	(5,473)	8,934	**17,824**
(5,872)	8,096	(1,838)	3,678	5,899	10,201	(3,716)	**(9,258)**
¥ 20,546	¥ 4,333	¥ 11,358	¥ 4,825	¥ 7,020	¥ 7,179	¥ 6,319	**¥ 13,416**

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

respectively.

(Millions of yen)

2000	2001	2002	2003	2004	2005	2006	**2007**
¥7,081,689	¥7,266,394	¥6,834,028	¥6,528,068	¥6,409,552	¥6,276,553	¥6,591,994	**¥6,552,504**
6,749,758	6,745,210	6,455,343	6,219,940	6,060,167	5,919,054	5,899,100	**5,836,539**
6,914,647	6,944,497	6,656,917	6,410,819	6,184,311	6,056,764	6,173,421	**6,121,912**
—	—	—	—	—	—	—	**160,884**
—	—	—	—	—	—	—	**269,707**
¥ 167,041	¥ 321,896	¥ 177,111	¥ 117,249	¥ 225,240	¥ 219,789	¥ 418,573	**¥ 430,592**

2006 represents total stockholders' equity.

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Years ended March 31,	1996	1997	1998	1999
Policy Results:				
Policy amount in force(Note)	¥14,583,278	¥15,091,162	¥15,126,030	¥15,129,141
Individual insurance	10,135,341	10,457,442	10,448,121	10,186,798
New policy amount(Note)	1,995,996	2,120,752	1,989,167	1,857,010
Individual insurance	1,402,692	1,720,942	1,650,607	1,339,823
Surrender and lapse amount(Note)	812,051	827,948	1,023,539	916,162
Surrender and lapse rate(Note)	5.77%	5.68%	6.78%	6.06%

Note: The total of individual insurance and individual annuities. The new policy amount includes net increase from conversions.

Other Data:				
Core profit	—	—	—	—
Embedded value	—	—	—	—
Average annual yield on general account assets(Note 1)	3.56%	3.19%	3.16%	3.09%
Solvency margin ratio	—	—	873.0%	869.1%
Number of employees:				
In-house sales representatives	11,513	10,756	9,848	10,450
Customer service staff(Note 2)	3,125	2,971	2,826	2,639
Administrative personnel	3,579	3,367	3,194	3,172
Number of agents	—	—	241	488
Number of retail offices	152	142	142	142

Notes: 1. Investment yields stated above represent the results calculated by dividing the net investment gain/loss included in ordinary revenues/expenses by the
2. The collective designation used for staff who provide customers with premium collection and other services was changed from "Premium collectors" to

FINANCIAL SECTION

(Millions of yen)

2000	2001	2002	2003	2004	2005	2006	**2007**
¥15,185,001	¥15,172,534	¥15,232,917	¥15,268,605	¥16,077,894	¥16,966,276	¥17,591,527	**¥17,644,524**
10,034,029	9,958,805	10,217,320	10,500,204	11,577,980	12,706,501	13,572,030	**13,820,331**
1,847,641	1,931,771	2,188,155	2,175,488	2,814,284	2,891,002	2,838,316	**2,127,375**
1,333,233	1,458,164	2,047,965	2,091,069	2,797,241	2,902,417	2,861,519	**2,107,057**
998,844	1,201,117	1,209,680	1,318,853	1,362,689	1,424,081	1,644,026	**1,503,878**
6.60%	7.91%	7.97%	8.66%	8.92%	8.86%	9.69%	**8.55%**
—	¥ 13,938	¥ 13,875	¥ 28,734	¥ 37,551	¥ 33,823	¥ 38,199	**¥ 53,984**
—	—	225,800	182,400	340,700	337,600	717,800	**785,500**
2.82%	2.52%	2.48%	1.31%	2.15%	1.89%	2.33%	**2.31%**
1,050.3%	806.8%	767.0%	681.5%	863.3%	865.7%	1,045.2%	**1,100.4%**
10,111	9,276	8,948	8,808	8,703	9,111	8,963	**8,116**
2,389	2,116	1,960	1,744	1,579	1,413	1,189	**1,038**
2,982	2,860	2,825	2,909	2,743	2,681	2,704	**2,735**
672	685	690	740	798	680	505	**453**
142	145	145	145	147	147	147	**147**

average daily balance on a book value basis.
"Customer service staff" on July 1, 2005.

FINANCIAL SECTION

DAIDO LIFE

Years ended March 31,	1996	1997	1998	1999
Statements of Operations Data				
Ordinary revenues:				
Income from insurance premiums	¥1,153,009	¥1,106,451	¥1,168,436	¥1,192,881
Investment income	248,643	230,052	261,147	276,804
Other ordinary income	1,598	37,889	2,365	3,173
Total ordinary revenues	1,403,251	1,374,393	1,431,949	1,472,858
Ordinary expenses:				
Insurance claims and other payments	770,106	1,047,773	858,599	968,980
Provision for policy and other reserves	344,943	4,677	249,886	155,870
Investment expenses	102,299	97,121	111,645	147,980
Operating expenses	115,625	116,140	113,226	114,607
Other ordinary expenses	11,218	11,820	13,800	14,334
Total ordinary expenses	1,344,193	1,277,533	1,347,157	1,401,773
Ordinary profit	59,057	96,859	84,791	71,085
Net extraordinary gains (losses)	(1,976)	(12,444)	(9,921)	(10,456)
Provision for reserve for policyholder dividends(Note 1)	—	—	—	—
Income before income taxes(Note 2)	57,081	84,414	74,870	60,628
Income taxes:				
Current	15,382	21,641	26,804	18,741
Deferred	—	—	—	—
Net Income(Note 2)	¥ 41,699	¥ 62,773	¥ 48,065	¥ 41,887

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 through provision for allowance for policyholder dividends in extraordinary losses.
2. Prior to the fiscal year ended March 31, 2002, income before income taxes and net income were represented as surplus before income taxes and net surplus,
3. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

As of March 31,	1996	1997	1998	1999
Balance Sheet Data				
Assets:				
Total assets	¥5,011,818	¥5,059,176	¥5,346,385	¥5,482,608
Liabilities:				
Policy reserves	4,844,701	4,754,632	5,010,375	5,163,643
Total liabilities	4,968,015	4,899,122	5,200,714	5,342,620
Net assets(Note)**:**				
Total stockholders' equity	—	—	—	—
Total valuation and translation adjustment	—	—	—	—
Total net assets	¥ 43,802	¥ 160,054	¥ 145,671	¥ 139,987

Note: The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1, 2006. Total net assets until March 31,

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(Millions of yen)

2000	2001	2002	2003	2004	2005	2006	**2007**
¥1,136,904	¥1,072,245	¥1,059,445	¥ 989,420	¥ 928,260	¥ 884,804	¥ 871,153	**¥ 865,254**
287,088	191,572	245,123	189,901	194,634	146,685	180,674	**183,345**
2,544	5,365	3,660	2,854	67,410	27,600	10,624	**13,217**
1,426,537	1,269,183	1,308,229	1,182,176	1,190,304	1,059,090	1,062,452	**1,061,817**
869,346	864,988	907,444	861,908	910,190	805,080	791,872	**758,211**
216,281	134,563	31,543	13,873	988	2,633	906	**3,518**
181,191	66,112	205,507	134,326	49,887	32,919	46,696	**44,143**
109,751	107,228	108,142	109,212	108,698	108,881	109,262	**111,815**
15,435	14,036	15,523	16,828	15,746	13,740	14,268	**22,881**
1,392,005	1,186,929	1,268,161	1,136,149	1,085,512	963,256	963,007	**940,570**
34,531	82,254	40,068	46,027	104,792	95,834	99,445	**121,247**
(20,524)	(61,131)	(26,973)	907	(13,301)	1,075	(15,601)	**(12,749)**
—	—	—	26,569	30,521	30,550	27,310	**40,068**
14,007	21,122	13,094	20,364	60,969	66,359	56,532	**68,429**
6,909	13,300	9,230	4,060	26,279	22,789	27,266	**34,907**
(15,593)	(16,896)	(3,801)	4,861	(3,361)	10,260	(9,833)	**(9,635)**
¥ 22,692	¥ 24,718	¥ 7,665	¥ 11,443	¥ 38,052	¥ 33,309	¥ 39,099	**¥ 43,157**

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

respectively.

(Millions of yen)

2000	2001	2002	2003	2004	2005	2006	**2007**
¥5,733,592	¥5,900,384	¥5,982,789	¥6,007,183	¥6,017,918	¥5,983,742	¥6,406,113	**¥6,397,075**
5,380,909	5,513,425	5,543,459	5,579,788	5,514,531	5,488,102	5,476,012	**5,474,512**
5,556,453	5,704,887	5,818,800	5,831,301	5,724,865	5,665,790	5,815,892	**5,792,285**
—	—	—	—	—	—	—	**241,290**
—	—	—	—	—	—	—	**363,499**
¥ 177,139	¥ 195,496	¥ 163,988	¥ 175,882	¥ 293,053	¥ 317,951	¥ 590,221	**¥ 604,789**

2006 represents total stockholders' equity.

Years ended March 31,	1996	1997	1998	1999
Policy Results:				
Policy amount in force(Note)	¥37,585,045	¥38,837,467	¥39,340,018	¥39,283,858
Individual term life insurance	31,980,307	33,195,465	33,761,671	33,865,069
New policy amount(Note)	4,724,567	4,749,406	4,719,288	4,773,239
Individual term life insurance	3,874,641	4,104,473	4,073,742	4,241,684
Surrender and lapse amount(Note)	2,852,084	2,997,270	3,625,715	3,876,585
Surrender and lapse rate(Note)	7.8%	8.0%	9.3%	9.9%

Note: The total of individual insurance and individual annuities. The new policy amount includes net increase from conversions.

Other Data:				
Core profit	¥ 101,499	¥ 138,829	¥ 135,462	¥ 114,540
Embedded value	—	—	—	—
Average annual yield on general account assets(Note)	2.93%	2.74%	2.50%	2.51%
Solvency margin ratio	—	—	1,016.8%	998.0%
Number of employees:				
In-house sales representatives	6,039	5,744	6,072	6,126
Administrative personnel	3,540	3,388	3,269	3,277
Number of agents	11,699	12,383	13,123	13,213
Number of retail offices	113	113	110	113

Note: Investment yields stated above represent the results calculated by dividing the net investment gain/loss included in ordinary revenues/expenses by the average

FINANCIAL SECTION

(Millions of yen)

2000	2001	2002	2003	2004	2005	2006	**2007**
¥39,071,169	¥38,989,749	¥38,929,108	¥39,342,682	¥39,294,826	¥39,694,223	¥40,008,062	**¥39,732,098**
33,940,816	34,109,675	34,309,043	34,804,637	34,964,126	35,479,688	35,933,681	**35,818,119**
4,620,357	4,401,464	4,570,422	4,673,514	4,309,774	4,354,238	4,292,776	**4,327,836**
4,251,357	4,048,626	4,292,917	4,298,528	4,087,377	4,126,043	4,080,769	**4,141,994**
3,845,195	3,526,916	3,493,202	3,290,656	3,317,779	3,026,570	3,040,038	**3,615,874**
9.8%	9.0%	9.0%	8.45%	8.44%	7.70%	7.66%	**9.04%**
¥ 96,959	¥ 114,236	¥ 109,889	¥ 88,729	¥ 107,354	¥ 102,731	¥ 96,105	**¥ 125,791**
—	—	402,900	432,000	734,200	825,500	1,205,600	**1,287,500**
1.60%	2.19%	1.03%	1.47%	2.11%	1.89%	1.87%	**2.31%**
1,004.2%	792.7%	772.0%	860.2%	1034.9%	1,037.2%	1,254.4%	**1,320.6%**
5,456	4,866	5,154	5,194	5,251	4,888	4,909	**4,726**
3,228	3,171	3,121	3,122	3,136	3,132	3,171	**3,212**
13,135	13,203	13,252	12,970	13,079	13,415	13,963	**14,295**
110	103	102	102	103	102	102	**102**

daily balance on a book value basis.

FINANCIAL SECTION

T&D FINANCIAL LIFE

Years ended March 31,	2002	2003	2004	2005	2006	**2007**
	(Millions of yen)					
Statements of Operations Data						
Ordinary revenues:						
Income from insurance premiums	¥ 35,297	¥127,405	¥156,144	¥126,003	¥208,153	**¥240,759**
Investment income	3,354	5,217	30,019	13,165	92,291	**17,173**
Other ordinary income	78,976	2,917	1,305	11,033	11,926	**8,188**
Total ordinary revenues	117,628	135,541	187,469	150,202	312,371	**266,120**
Ordinary expenses:						
Insurance claims and other payments	96,936	95,451	87,246	89,181	97,131	**99,590**
Provision for policy and other reserves	24	10,117	75,288	48,449	192,921	**154,582**
Investment expenses	2,048	6,121	500	407	5,202	**4,766**
Operating expenses	9,245	19,500	18,345	16,348	20,294	**17,921**
Other ordinary expenses:						
Amortization of goodwill	6,500	6,500	6,500	6,500	6,500	**—**
Total other ordinary expenses	8,195	8,816	8,756	8,709	9,068	**2,787**
Total ordinary expenses	116,449	140,007	190,137	163,096	324,617	**279,649**
Ordinary profit (loss)	1,178	(4,466)	(2,667)	(12,894)	(12,246)	**(13,528)**
Net extraordinary gains (losses)	2,197	(90)	192	(652)	(2,698)	**(335)**
Provision for reserve for policyholder dividends	2,102	1,802	1,219	1,005	1,233	**1,373**
Income (loss) before income taxes	1,274	(6,360)	(3,693)	(14,552)	(16,178)	**(15,237)**
Income taxes:						
Current	35	71	74	(12,583)	(6,809)	**(3,608)**
Deferred	1,652	—	—	(7,027)	2,044	**(908)**
Net Income (Loss)	¥ (413)	¥ (6,431)	¥ (3,768)	¥ 5,058	¥ (11,413)	**¥ (10,720)**

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 year ended March 31, 2002 started on October 1, 2001, and ended on March 31, 2002.

As of March 31,	2002	2003	2004	2005	2006	**2007**
	(Millions of yen)					
Balance Sheet Data						
Assets:						
Total assets	¥598,624	¥613,651	¥682,282	¥727,258	¥934,116	**¥1,078,447**
Liabilities:						
Policy reserves	562,817	570,436	644,678	684,679	874,877	**1,029,160**
Total liabilities	588,221	589,304	661,510	702,181	888,872	**1,044,246**
Net assets(Note):						
Total stockholders' equity	—	—	—	—	—	**35,048**
Total valuation and translation adjustment	—	—	—	—	—	**(846)**
Total net assets	¥ 10,403	¥ 24,346	¥ 20,772	¥ 25,077	¥ 45,243	**¥ 34,201**

Note: The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1, 2006. Total net assets until March 31,2006 represents total stockholders' equity.

Years ended March 31,	2002	2003	2004	2005	2006	2007
	(Millions of yen)					
Policy Results:						
Policy amount in force(Note)	¥3,620,102	¥3,314,260	¥3,135,754	¥2,913,030	¥2,665,417	**¥2,523,343**
Individual variable annuities	1,312	64,131	175,105	245,799	459,514	**621,544**
New policy amount(Note)	174,367	467,550	444,001	299,732	162,783	**179,576**
Individual variable annuities	1,299	65,175	90,403	60,818	128,661	**179,513**
Surrender and lapse amount(Note)	722,925	606,207	518,716	425,146	418,694	**242,766**
Surrender and lapse rate(Note)	17.05%	16.75%	15.65%	13.56%	14.37%	**9.11%**

Note: The total of individual insurance and individual annuities.

	2002	2003	2004	2005	2006	2007
Other Data:						
Core profit	¥ 2,792	¥ (3,252)	¥ (3,153)	¥ (6,746)	¥ (7,037)	**¥ (6,457)**
Embedded value	—	—	42,900	35,100	69,300	**60,200**
Average annual yield on general account assets(Note)	0.05%	0.61%	1.34%	1.18%	0.01%	**0.22%**
Solvency margin ratio	1,053.0%	1,031.9%	984.8%	721.7%	1,911.8%	**1,189.7%**
Number of employees:						
In-house sales representatives	987	940	954	493	—	**—**
Administrative personnel	502	500	487	456	297	**320**

Note: 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.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Embedded Value

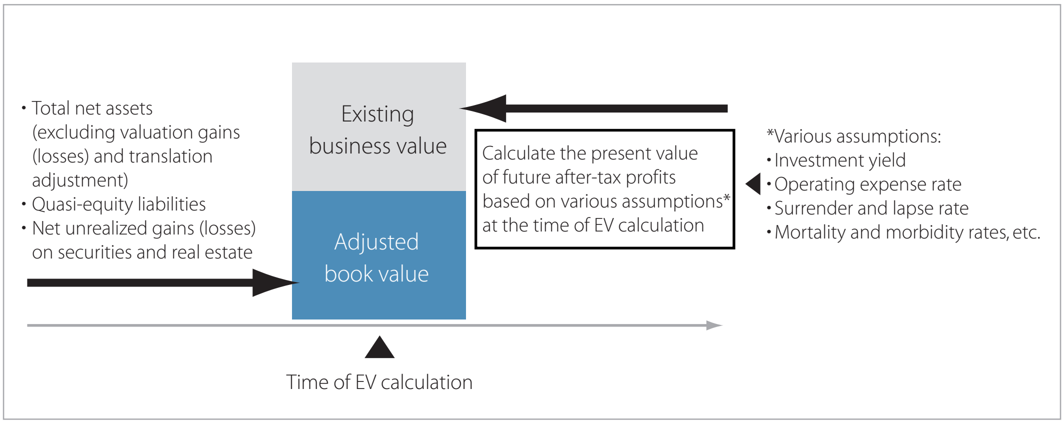
The T&D Life Group utilizes embedded value (EV), an indicator of corporate value used by life insurance companies, as a yardstick for measuring its corporate value to achieve continued growth.

1. Overview

(1) Definition of EV

Embedded value (EV) is considered to be the vested interests of shareholders. It 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, EV is used as one indicator for evaluating the corporate value of stock life insurance companies.

Method of Calculating EV



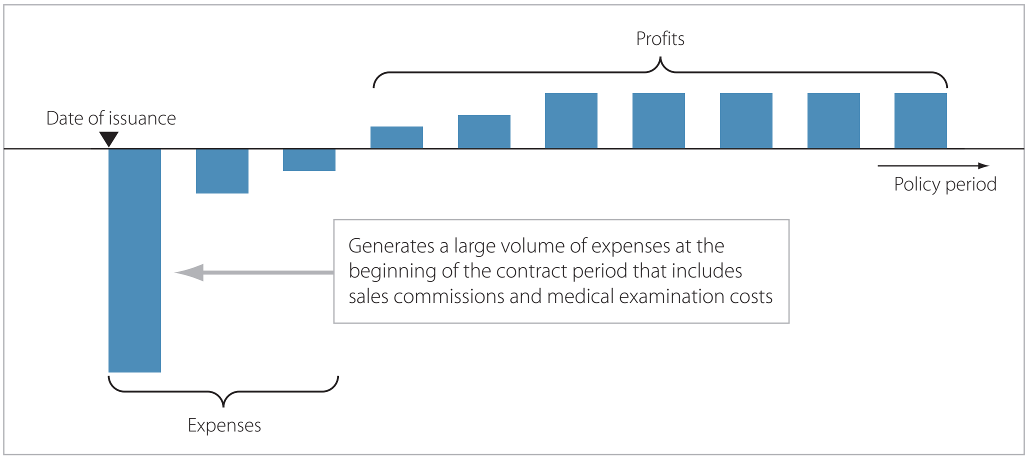
Adjusted book value reflects the final value of the shareholders' holdings in the company after subtracting the equity attributable to insurance policyholders and other debtors from the market value of the company's assets. In concrete terms, it comprises total net assets (excluding valuation gains (losses) and translation adjustment), quasi-equity liabilities, and net unrealized gains (losses) on securities and real estate.

Existing business value is the present value of future after-tax profits calculated based on the expected future cash flows from the premiums of life insurance policies after subtracting the cost of capital, the necessary cost required to maintain the assumed solvency margin ratio.

(2) Significance of EV

Most life insurance policies are long term, and the premiums are generally averaged and charged over the course of the policy period. In contrast, such associated expenses as sales commissions and medical examination costs tend to be concentrated at the beginning of the policy period. However, because current statutory accounting practices applicable to life insurance companies in Japan require the recognition of profits and expenses as they arise over time, there is a time lag between the sale of policies and recognition of profits. For example, even when new policy sales increase and a future increase in profit is projected to result from the rise in new policies, because the bulk of insurance underwriting expenses must be accounted for in the fiscal year when the new policies are sold, the short-term accounting effect of the new policy sales will be to worsen profitability. Similarly, if a company has poor sales of new policies, the short-term accounting effect will be to improve profitability. In these and other ways, the statutory accounting methods may in some cases not accurately reflect actual business results.

Profits and Expenses Associated with Insurance Policies



In contrast, EV represents the contribution of future profit from new business recognized at the time of sale as well as the market value of net assets considered to be the vested interests of shareholders. Therefore, it is believed that EV is useful to supplement Japanese statutory financial information.

The Group also uses EV as a management support tool. Applications include calculating and analyzing EV for individual products, sales channels, and sales offices to determine product and sales strategies and using changes in EV to calculate return on EV (ROEV) as an indicator of capital efficiency.

(3) Points to Consider Regarding EV

Because EV only considers policies in force at the point of evaluation, it does not include the value of new business expected to be acquired after the point of evaluation (referred to as the appraisal value). In addition, calculations of EV are based on risky and uncertain assumptions about the future, and the calculated figures for EV may vary significantly according to changes in assumptions. Although EV is one method of evaluating the corporate value of a stock life insurance company, the actual market value of the life insurance company's stock may differ significantly.

For these reasons, it is necessary to be prudent in applying EV as a valuation tool.

(4) Opinion of Actuarial Firm

T&D Holdings requested Milliman Inc., an outside institution (independent actuarial firm) with expert knowledge in actuarial calculations to review the calculation methodology, the assumptions, the methodological consistency, and the EV calculation result validity for the three companies of the T&D Life Group. T&D Holdings has obtained Milliman's professional opinion. (Please refer to T&D Holdings' website: URL http://www.td-holdings.co.jp/e/)

2. The T&D Life Group's EV

The following chart shows the T&D Life Group's EV (the sum of the three life insurance companies' EV) and its breakdown as of March 31, 2007. The T&D Life Group has standardized its EV calculation methodology and approach to setting major assumptions.

	(Billions of yen)		
As of March 31,	**2007**	2006	Increase (decrease)
EV	**¥2,133.3**	¥1,992.8	¥140.5
Adjusted book value(Note 1)	**1,298.8**	1,232.5	66.3
Existing business value(Note 2)	**834.4**	760.2	74.2
EV of new business(Note 3)	**70.5**	65.1	5.4

Notes: 1. Adjusted book value = Total net assets (excluding total valuation and translation adjustment) + 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 included in the total EV represents the value of new business (including new business from conversion) for each fiscal year.

The Group's total EV for the three life insurance companies as of March 31, 2007, increased ¥140.5 billion, from ¥1,992.8 billion at the previous year-end, to ¥2,133.3 billion. The EV of new business increased ¥5.4 billion to ¥70.5 billion.

A breakdown of the total EV of each of the three companies is as follows.

	(Billions of yen)								
	Taiyo Life			Daido Life			T&D Financial Life		
As of March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	Increase (decrease)	**2007**	2006	Increase (decrease)
EV	**¥785.5**	¥717.8	¥67.6	**¥1,287.5**	¥1,205.6	¥81.9	**¥60.2**	¥69.3	¥(9.0)
Adjusted book value	**554.8**	514.8	39.9	**701.9**	667.1	34.8	**42.0**	50.5	(8.4)
Existing business value	**230.7**	202.9	27.7	**585.6**	538.4	47.1	**18.1**	18.8	(0.6)
EV of new business	**28.3**	31.5	(3.1)	**45.4**	36.0	9.3	**(3.2)**	(2.4)	(0.7)

The EV of new business declined for Taiyo Life due to a decrease in new policy amount and annualized insurance premiums for new policies. However, existing business value rose because of an increase in the investment yield and a decline in the discount rate.

Daido Life raised its existing business value and its EV of new business, as an increase in the investment yield, a decline in the discount rate, and an improvement in the mortality and morbidity rates offset a higher surrender and lapse rate and other negative factors.

T&D Financial Life's EV of new business continued its negative trend. This result can be attributed to a reduction in insurance expenses related to new products launched in the fiscal year ended March 31, 2007.

3. Major Assumptions

The following are the major assumptions employed in the EV calculation for the three life insurance companies. Although a uniform assumed investment yield is used for each asset class, the distribution of assets related to new investment is different for each company due to their individual investment policies. Consequently, the weighted average yield on new investments differs among the three companies.

(1) Major Assumptions Employed in the EV Calculation and Setting Methods

As of March 31,	**2007**	2006
Discount rate	**6.0%** **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: 1.66%)**	6.5% 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: 1.77%)
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 table (2) below)** **Taiyo Life: 2.72% Daido Life: 3.02%** **T&D Financial Life: 1.21%**	Set each company's planned asset allocation and assumed investment yield by asset category on new investments (see details in table (2) below) Taiyo Life: 2.74% Daido Life: 2.81% T&D Financial Life: 1.65%
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 rates	**Set based on each company's experience over the three most recent fiscal years**	Set based on each company's experience over the three most recent fiscal years
Surrender and lapse rates	**Set based on each company's experience over the three most recent fiscal years**	Set based on each company's experience over the three most recent fiscal years(Note)
Operating expenses rates	**Set based on each company's experience over the most recent fiscal year**	Set based on each company's experience over the most recent fiscal year
Effective tax rate	**Set based on the most recent effective tax rate**	Set based on the most recent effective tax rate

Note: 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 for 2006 is set based on the experience of the most recent fiscal year.

Of the above major assumptions employed in the EV calculation for the fiscal year ended March 31, 2007, the discount rate was lowered from 6.5% to 6.0% due to a decline in the yield on 10-year Japanese government bonds, which is used as a benchmark. The rate of return on new investment has been adjusted since the end of the previous fiscal year due to changes in the assumed yield on new investments for each asset class and the distribution of assets related to new investment at each company.

(2) Assumed Investment Yield by Asset Category and Planned Asset Allocation on New Investment of the Three Life Insurance Companies

1) Taiyo Life

As of March 31,	**2007**		2006	
New Investment Yield (weighted average)	**2.72%**		2.74%	
Asset categories:	**Assumed investment yield**	**Asset allocation on new investment**	Assumed investment yield	Asset allocation on new investment
Cash and deposits, call loans	**0.67%**	**2.3%**	0.08%	2.6%
Domestic bonds, commercial loans	**1.70%**	**65.9%**	1.77%	66.2%
Domestic stocks	**6.66%**	**14.3%**	6.77%	14.5%
Foreign bonds	**1.68%**	**9.7%**	2.00%	9.7%
Other assets	**5.94%**	**7.8%**	5.64%	6.9%

FINANCIAL SECTION

2) Daido Life

As of March 31,	2007		2006	
New Investment Yield (weighted average)	**3.02%**		2.81%	
Asset categories:	**Assumed investment yield**	**Asset allocation on new investment**	Assumed investment yield	Asset allocation on new investment
Cash and deposits, call loans	**0.67%**	**14.0%**	0.08%	11.5%
Domestic bonds, commercial loans	**1.75%**	**50.9%**	1.56%	54.9%
Domestic stocks	**6.66%**	**18.4%**	6.77%	16.3%
Foreign bonds	**2.10%**	**4.9%**	3.68%	5.4%
Other assets	**5.97%**	**11.8%**	5.41%	11.9%

3) T&D Financial Life

As of March 31,	2007		2006	
New Investment Yield (weighted average)	**1.21%**		1.65%	
Asset categories:	**Assumed investment yield**	**Asset allocation on new investment**	Assumed investment yield	Asset allocation on new investment
Cash and deposits, call loans	**0.67%**	**5.0%**	0.08%	3.1%
Domestic bonds, commercial loans	**1.19%**	**93.0%**	1.66%	94.9%
Domestic stocks	**—**	**—**	—	—
Foreign bonds	**—**	**—**	—	—
Other assets	**3.60%**	**2.0%**	3.60%	2.0%

Notes: 1. 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 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.
2. Other assets include real estate, foreign stocks, policy loans, private equities and hedge funds, etc.

(3) Basis of New Investment Yield Assumptions

As of March 31,	2007	2006
Cash and deposits, call loans	**Based on year-end interest rates (1-month LIBOR): 0.665%**	Based on year-end interest rates (1-month LIBOR): 0.080%
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 (1.66%)+ Risk premium of 5%**	Risk-free rate yield on 10-year JGBs (1.77%)+ Risk premium of 5%
Foreign bonds	**Based on year-end Citigroup BIG index (by currency, excluding hedge costs)**	Based on year-end Citigroup BIG index (by currency, excluding hedge costs)
Other assets	**• Private equity: Yield on domestic stocks of 6.66% + Risk premium of 3% • Hedge funds: Sum of the U.S. dollar short-term interest rate of 5.25% (FF rate) + Risk premium of 4%. • Foreign stocks: Same as domestic stocks • Real estate: 10-year JGB yield of 1.66% + Risk premium of 3% • Policy loans: Average year-end yield**	• Private equity: Yield on domestic stocks of 6.77% + Risk premium of 3% • Hedge funds: Sum of the U.S. dollar short-term interest rate of 4.75% (FF rate) + Risk premium of 4%. • Foreign stocks: Same as domestic stocks • Real estate: 10-year JGB yield of 1.77% + Risk premium of 3% • Policy loans: Average year-end yield

4. Effects of Changes in Assumptions (Sensitivities)

From the perspective of improving the ease of evaluating corporate value using EV, the T&D Life Group does a sensitivity analysis of EV amounts to changes in assumptions by varying one of the assumptions as its base case (EV as of March 31, 2007).

(1) Sensitivity of Total EV of T&D Life Group (EVs of the Three Life Insurance Companies)

(Billions of yen)

		Increase (decrease)	EV Amount
Discount rate	Up from 6.0% to 7.0%	¥ (83.9)	¥2,049.3
	Down from 6.0% to 5.0%	98.0	2,231.4
Solvency margin ratio	Up from 600% to 700%	(49.0)	2,084.0
	Down from 600% to 500%	48.1	2,181.3
Investment yield on total assets	+0.25%	133.7	2,267.1
	–0.25%	(133.7)	1,999.3
Investment yield on new assets	+0.25%	79.9	2,213.3
	–0.25%	(79.8)	2,053.3
Surrender and lapse rate in individual insurance and individual annuities	Assumption x 110%	(35.5)	2,097.5
	Assumption x 90%	39.5	2,172.9
Operating expense rate related to maintaining existing policies in force	Assumption x 110%	(32.4)	2,100.7
	Assumption x 90%	32.4	2,165.8

(2) Sensitivity of EVs of the Three Life Insurance Companies

(Billions of yen)

		Taiyo Life		Daido Life		T&D Financial Life	
		Increase (decrease)	EV Amount	Increase (decrease)	EV Amount	Increase (decrease)	EV Amount
Discount rate	Up from 6.0% to 7.0%	¥(25.5)	¥760.0	¥(57.9)	¥1,229.6	¥(0.5)	¥59.7
	Down from 6.0% to 5.0%	29.8	815.4	67.8	1,355.4	0.4	60.6
Solvency margin ratio	Up from 600% to 700%	(27.4)	758.0	(20.0)	1,267.4	(1.6)	58.6
	Down from 600% to 500%	27.0	812.5	19.5	1,307.0	1.6	61.8
Investment yield on total assets	+0.25%	60.0	845.6	69.3	1,356.9	4.4	64.6
	–0.25%	(60.0)	725.4	(69.1)	1,218.4	(4.6)	55.5
Investment yield on new assets	+0.25%	19.4	804.9	57.6	1,345.2	2.9	63.2
	–0.25%	(19.4)	766.1	(57.5)	1,230.0	(2.9)	57.2
Surrender and lapse rate in individual insurance and individual annuities	Assumption x 110%	(6.8)	778.6	(28.7)	1,258.7	0.0	60.2
	Assumption x 90%	7.2	792.8	32.2	1,319.8	0.1	60.3
Operating expense rate related to maintaining existing policies in force	Assumption x 110%	(15.1)	770.4	(15.7)	1,271.8	(1.6)	58.5
	Assumption x 90%	15.1	800.6	15.7	1,303.3	1.6	61.9

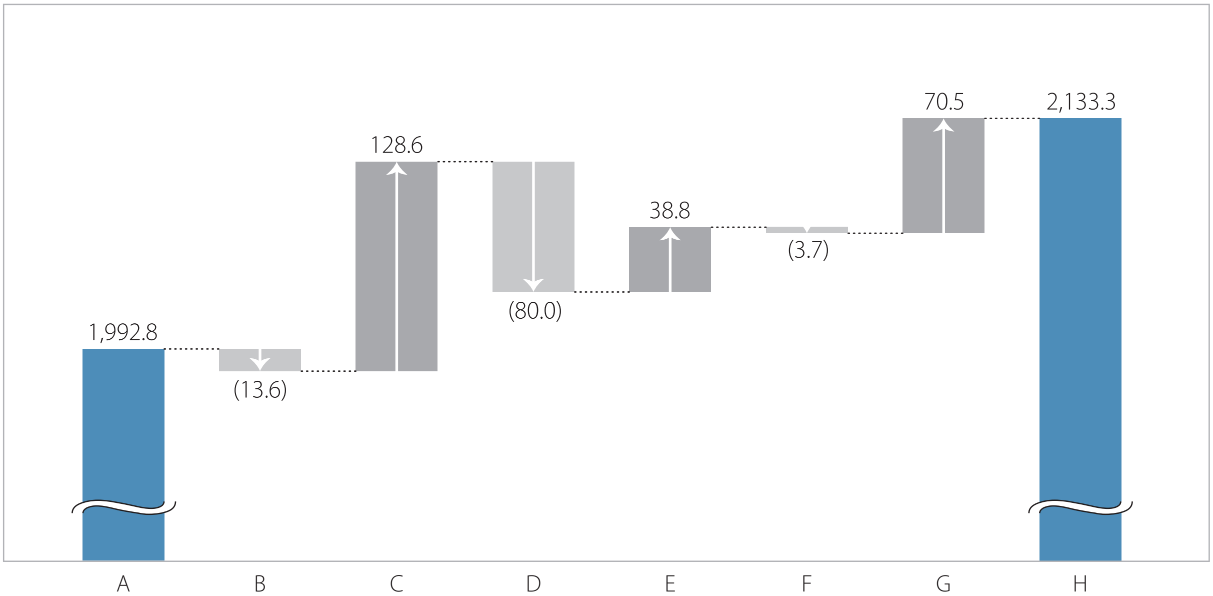
Note: If any of the assumptions were to change, the base of each company, ¥785.5 billion for Taiyo Life, ¥1,287.5 billion for Daido Life, and ¥60.2 billion for T&D Financial Life, would be increased (decreased) as shown above.

5. Analysis of Change in EV from Previous Fiscal Year-End

(1) Factors Affecting Total Group EV (Total for the Three Life Insurance Companies)

The factors that acted to increase or decrease total EV (the total for the three life insurance companies) from the end of the previous fiscal year to produce total EV at March 31, 2007 are as follows.

(Billions of yen)



A: Group EV as of March 31, 2006
B: Shareholder dividends and others
C: Expected interests from EV at the beginning of the fiscal year
D: Differences between previous assumptions and actual experience
E: Differences from changes in assumptions
F: EV of decrease from conversion
G: EV of new business
H: Group EV as of March 31, 2007

Firstly, shareholder dividends and others of ¥13.6 billion paid by the subsidiaries (Taiyo Life and Daido Life) to T&D Holdings were deducted from the EV at the end of the previous fiscal year.

Next, the EV is increased by the expected interest of ¥128.6 billion calculated by applying the discount rate at the end of the previous fiscal year (6.5%) to the EV at the end of the previous fiscal year less the payment of shareholder dividends and others.

Then the EV is decreased by ¥80.0 billion due to differences between assumptions and actual fiscal 2006 experience. This decrease resulted mainly from interest-related factors.

Next, the EV is increased by ¥38.8 billion representing the differences from changes in assumptions from the end of the previous fiscal year. This increase primarily resulted from an increase in the investment yield, a decrease in the discount rate, and a decline in the mortality and morbidity rates.

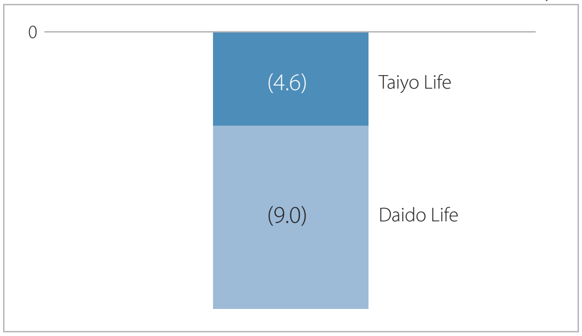
The decrease from conversion in fiscal 2006 resulted in a ¥3.7 billion decrease in EV. This difference was previously included in the difference between assumptions and actual fiscal experience, but is being disclosed separately beginning with the fiscal year under review.

Finally, the Group EV was increased by new business during fiscal 2006 by ¥70.5 billion, resulting in Group EV as of March 31, 2007 totaling ¥2,133.3 billion.

(2) Breakdown of Changes in Factors Affecting EV by the Three Life Insurance Companies

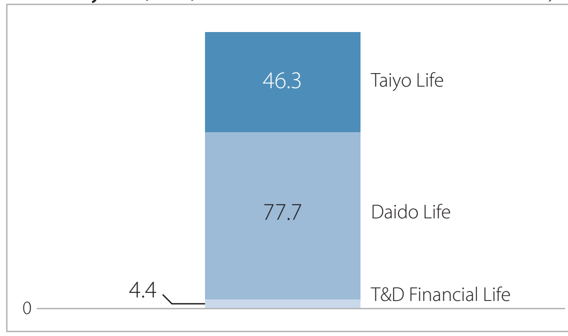
B: Shareholder dividends and others

(Billions of yen)



C: Expected interests from EV at the beginning of the fiscal year (A–B)

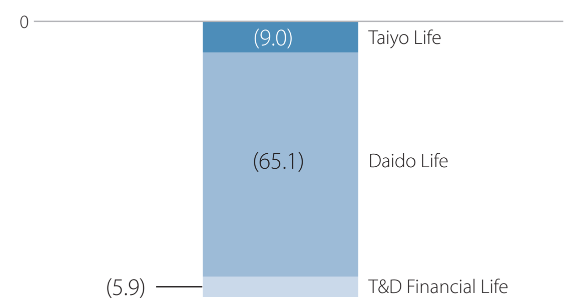
(Billions of yen)



Expected interests from EV at the beginning of the fiscal year = (EV at the end of the previous fiscal year – shareholder dividends and other) x discount rate of the previous fiscal year (6.5%)

D: Differences between previous assumptions and actual experience

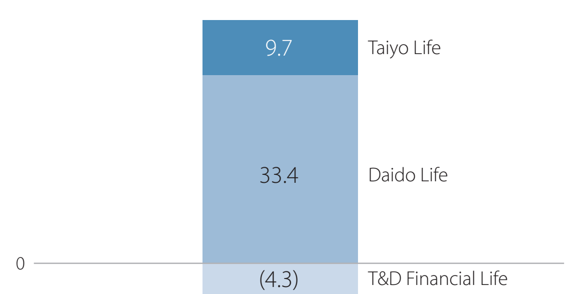
(Billions of yen)



(Breakdown of major factors by company)	
Taiyo Life:	Investment yield (8.0), insurance 0.9
Daido Life:	Investment yield (48.4), insurance (6.2)
T&D Financial Life:	Investment yield (5.1)

E: Differences from changes in assumptions

(Billions of yen)

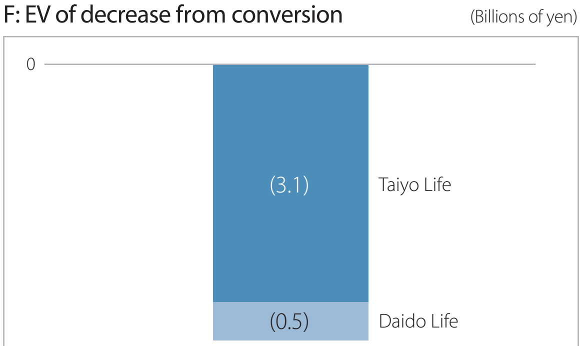


(Breakdown of major factors by company)	
Taiyo Life:	Investment yield 23.4, discount rate 11.7, revision of premium rate[Note 1] (4.8), subordinated debt repayments[Note 2] (17.1)
Daido Life:	Investment yield 36.8, discount rate 26.8, mortality and morbidity rate 24.4, surrender and lapse rate (21.1), revision of premium rate[Note 1] (29.7)
T&D Financial Life:	Investment yield (4.4)

Notes: 1. Effect of applying revised premium rate from April 2007 to future renewal policies.
2. Effect of the planned repayment of subordinated debt in 2008.

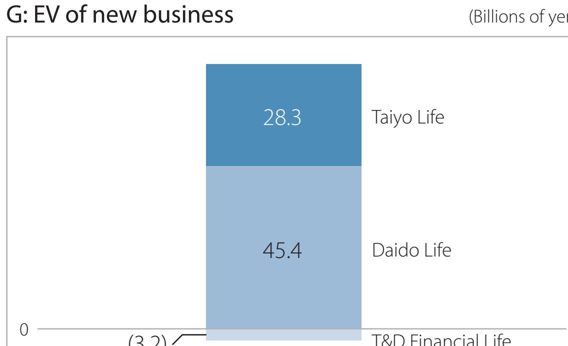
F: EV of decrease from conversion

(Billions of yen)



G: EV of new business

(Billions of yen)



FINANCIAL SECTION

6. Breakdown of Adjusted Book Value

Adjusted book value reflects the final value of the shareholders' holdings in the company after subtracting the equity attributable to insurance policyholders and other debtors from the market value of the company's assets. In concrete terms, it comprises total net assets excluding valuation gains (losses) and translation adjustment, quasi-equity liabilities and net unrealized gains (losses) on securities and real estate.

In addition, insurance companies book the legal reserves they are required to set up for such contingencies as insurance payouts exceeding expectations or portfolio management risk due to stock price fluctuations as liabilities. In total, they are termed "quasi-equity liabilities." The T&D Life Group deems these quasi-equity liabilities as being part of equity capital, and therefore includes them in adjusted book value.

Because the unrealized gains (losses) on yen-denominated bonds are usually considered as future interest income in the calculation of existing business value, these gains (losses) are eliminated from adjusted book value.

A breakdown of adjusted book value of the three life insurance companies is as follows:

(Billions of yen)

As of March 31, 2007	Taiyo Life	Daido Life	T&D Financial Life	Notes
Total net assets (excluding total valuation and translation adjustment):	**¥ 160.8**	**¥ 241.2**	**¥35.0**	
Net assets in the balance sheet	**430.5**	**604.7**	**34.2**	
Total valuation and translation adjustment	**(269.7)**	**(363.4)**	**0.8**	
Quasi-equity liabilities (after-tax):	**95.5**	**99.1**	**6.7**	
Reserve for price fluctuations	**42.5**	**80.3**	**0.3**	
Contingency reserve	**85.5**	**61.5**	**9.3**	
Unallotted portion of reserve for policyholder dividends	**21.3**	**13.2**	**—**	
Deferred tax assets for quasi-equity liabilities	**(53.9)**	**(56.0)**	**(2.9)**	Quasi-equity liabilities x Effective tax(Note 1)
General reserve for possible loan losses (after-tax)	**0.9**	**0.1**	**0.0**	
Net unrealized gains (losses) on securities and real estate (after-tax):	**297.4**	**361.4**	**0.2**	
Net unrealized gains (losses) on securities (after-tax)(Note 2)	**314.6**	**349.6**	**0.2**	(Unrealized gains (losses) on securities – unrealized gains (losses) on yen-denominated bonds + unrealized gains (losses) on shares in subsidiaries) x (1 – tax rate)
Gains (losses) related to the application of hedge accounting (after tax)	**(0.5)**	**0.7**	**—**	
Net unrealized gains (losses) on real estate	**(16.6)**	**10.9**	**—**	In the case of Taiyo Life, includes revaluation gains (losses) on real estate
Adjusted book value	**¥ 554.8**	**¥ 701.9**	**¥42.0**	

Notes: 1. The tax rates for Taiyo Life and Daido Life are effective tax rates, while the tax rate for T&D Financial Life is the statutory tax rate. For the fiscal year under review, the tax rates were Taiyo Life, 36.1%; Daido Life, 36.11%; and T&D Financial Life, 30.0%.

2. Net unrealized gains (losses) on securities (after-tax) for Taiyo Life includes net unrealized gains (losses) (after-tax) of ¥(40) million for liquid deposits and monetary claims purchased classified as held-to-maturity securities.

(Billions of yen)

As of March 31, 2006	Taiyo Life	Daido Life	T&D Financial Life	Notes
Total equity	¥ 151.3	¥ 207.1	¥45.7	revaluation gains (losses) on real estate
Total equity in the balance sheet	418.5	590.2	45.2	
Net unrealized gains (losses) on securities	(267.2)	(383.0)	0.5	
Quasi-equity liabilities (after-tax):	76.4	86.6	3.8	
Reserve for price fluctuations	26.0	47.5	0.3	
Contingency reserve	71.2	79.0	5.1	
Unallotted portion of reserve for policyholder dividends	22.2	8.9	—	
Deferred tax assets for quasi-equity liabilities	(43.1)	(48.9)	(1.6)	Quasi-equity liabilities x Effective tax(Note 1)
General reserve for possible loan losses (after-tax)	0.9	0.1	0.0	
Net unrealized gains (losses) on securities and real estate (after-tax):	286.2	373.2	0.8	
Net unrealized gains (losses) on securities (after-tax)(Note 2)	313.7	374.2	0.8	(Unrealized gains (losses) on securities – unrealized gains (losses) on yen-denominated bonds + unrealized gains (losses) on shares in subsidiaries) x (1 – tax rate)
Gains (losses) related to the application of hedge accounting (after tax)	(1.3)	2.1	—	
Net unrealized gains (losses) on real estate	(26.1)	(3.1)	—	In the case of Taiyo Life, includes revaluation gains (losses) on real estate
Adjusted book value	¥ 514.8	¥ 667.1	¥50.5	

Notes: 1. The tax rates for Taiyo Life and Daido Life are effective tax rates, while the tax rate for T&D Financial Life is the statutory tax rate. For the fiscal year under review, the tax rates were Taiyo Life, 36.1%; Daido Life, 36.11%; and T&D Financial Life, 30.0%.

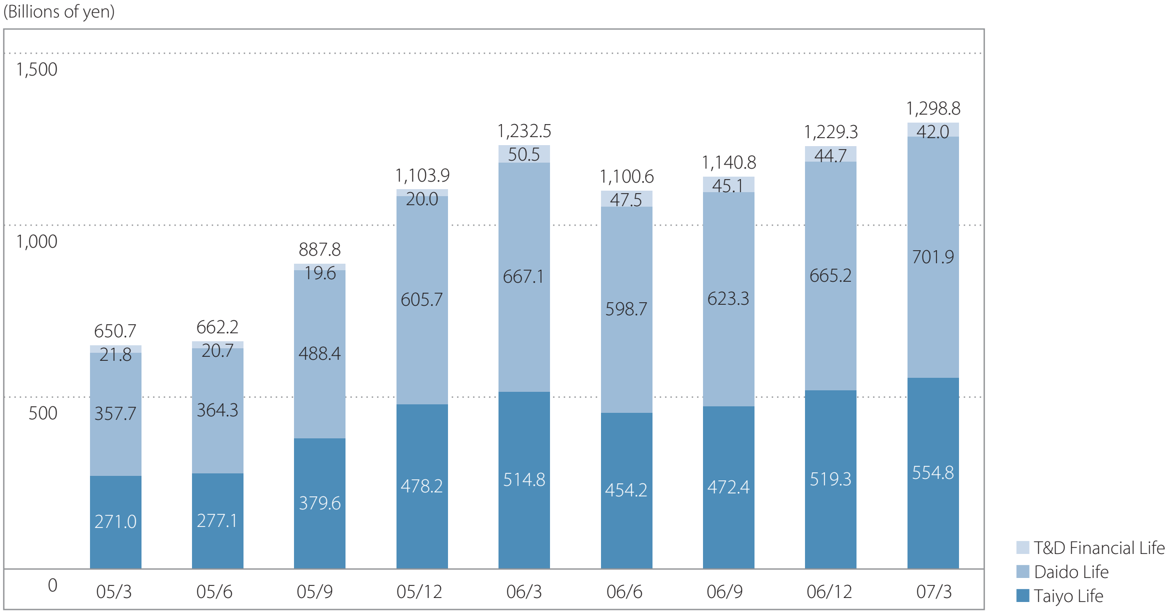
2. Net unrealized gains (losses) on securities (after-tax) for Taiyo Life includes net unrealized gains (losses) (after-tax) of ¥(120) million for liquid deposits and monetary claims purchased classified as held- to-maturity securities.

(Reference) Quarterly Adjusted Book Value

The T&D Life Group calculates and discloses EV once every year at the fiscal year end, and calculates and discloses adjusted book value at the end of every fiscal quarter.

Quarterly Adjusted Book Value (March 31, 2005 ~ March 31, 2007)

(Billions of yen)



FINANCIAL SECTION

Operating Results

1. Results of Operations

For fiscal 2006, T&D Holdings' consolidated ordinary revenues were ¥2,286.0 billion (down 6.5% from fiscal 2005). After the deduction of ¥2,127.8 billion in ordinary expenses (down 7.8%), ordinary profit totaled ¥158.1 billion (up 15.6%). Adjusting ordinary profit for extraordinary gains of ¥2.2 billion (up 21.2%), extraordinary losses of ¥35.3 billion (down 10.2%), the provision for reserve for policyholder dividends of ¥56.4 billion (up 27.0%), current income taxes of ¥50.6 billion (up 65.1%), and deferred income taxes of ¥(20.9) billion (compared with ¥(11.4) billion in fiscal 2005), net income totaled ¥38.7 billion (up 9.1%).

The following is an analysis of the major factors having an impact on the consolidated statements of operations.

(1) Ordinary Revenues

Ordinary revenues were ¥2,286.0 billion (down 6.5%), consisting of income from insurance premiums of ¥1,811.5 billion (down 4.8%), investment income of ¥407.4 billion (down 12.5%), other ordinary income of ¥66.9 billion (down 12.2%), and equity in net income of affiliated companies of ¥0.0 billion (up 48.3%).

1) Income from Insurance Premiums

(Millions of yen)

	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	**2007**	2006	**2007**	2006
Income from Insurance Premiums:									
Individual insurance	**¥1,139,709**	¥1,181,887	¥(42,177)	**¥478,697**	¥519,100	**¥637,232**	¥634,473	**¥ 23,780**	¥ 28,313
Individual annuities	**338,548**	289,567	48,981	**97,820**	90,146	**36,659**	33,377	**204,069**	166,043
Group insurance	**83,193**	86,876	(3,683)	**34,776**	35,525	**44,827**	46,518	**3,589**	4,832
Group annuities	**240,280**	334,508	(94,228)	**92,801**	177,017	**143,806**	153,371	**3,672**	4,119
Total Insurance Premium Income	**¥1,811,596**	¥1,902,318	¥(90,722)	**¥705,582**	¥823,011	**¥865,254**	¥871,153	**¥240,759**	¥208,153

Income from insurance premiums totaled ¥1,811.5 billion (down 4.8%), consisting of ¥1,478.2 billion in premiums for individual insurance and individual annuities (up 0.5%), ¥83.1 billion for group insurance (down 4.2%), and ¥240.2 billion for group annuities (down 28.2%), and others.

At Taiyo Life, income from insurance premiums totaled ¥705.5 billion, a decrease of ¥117.4 billion (14.3%) from fiscal 2005, mainly due to a drop in premiums from group annuities. Insurance premiums for individual insurance and individual annuities totaled ¥576.5 billion, a decrease of ¥32.7 billion (5.4%) from the previous fiscal year, reflecting a shifting of the sales focus from savings-oriented products to protection products through consulting-based sales that address customer needs and the maturing of savings-oriented products sold in the past.

At Daido Life, income from insurance premiums decreased ¥5.8 billion (0.7%), to ¥865.2 billion, mainly because of a decline in premiums from group annuities. Regarding insurance premiums for individual insurance and individual annuities, lump-sum premiums decreased, but premiums from mainstay individual term life insurance rose ¥17.6 billion (3.4%), to ¥544.0 billion. Consequently, premiums from individual insurance and individual annuities rose ¥6.0 billion (0.9%), to ¥673.8 billion.

At T&D Financial Life, income from insurance premiums rose ¥32.6 billion (15.7%), to ¥240.7 billion, because of a rise in premiums from mainstay individual variable annuities.

2) Investment Income

	(Millions of yen)								
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	**2007**	2006	**2007**	2006
Investment Income:									
Interest, dividends and income from real estate for rent	**¥269,689**	¥236,154	¥ 33,534	**¥137,257**	¥126,092	**¥129,458**	¥106,987	**¥ 4,396**	¥ 4,590
Gains from monetary trusts, net	**4,767**	—	4,767	**0**	—	**8,092**	3,664	**—**	—
Gains on investments in trading securities, net ...	**17,824**	22,157	(4,333)	**—**	—	**17,824**	22,157	**—**	—
Gains on sales of securities	**94,247**	87,559	6,687	**74,223**	70,593	**18,756**	16,449	**1,266**	502
Gains on separate accounts, net	**18,156**	116,568	(98,412)	**256**	1,189	**6,526**	28,352	**11,372**	87,026
Total Investment Income ...	**¥407,449**	¥465,671	¥(58,221)	**¥211,893**	¥198,089	**¥183,345**	¥180,674	**¥17,173**	¥92,291

Investment income totaled ¥407.4 billion (down 12.5% from fiscal 2005), including ¥269.6 billion in interest, dividends and income from real estate for rent (up 14.2%), ¥94.2 billion in gains on sales of securities (up 7.6%), and ¥18.1 billion in gains on separate accounts, net (down 84.4%).

At Taiyo Life, investment income totaled ¥211.8 billion, up ¥13.8 billion (7.0%) from the previous fiscal year. This mainly reflected an increase in interest, dividends and income from real estate for rent of ¥11.1 billion due to higher interest on government bonds, an increase in dividends from investment trusts and private-equity investments, and other factors.

At Daido Life, investment income totaled ¥183.3 billion, up ¥2.6 billion (1.5%), from the previous fiscal year. This was mainly attributable to an increase in interest, dividends and income from real estate for rent of ¥22.4 billion due to higher dividends from investment trusts and private-equity investments, despite a drop of ¥21.8 billion in gains on separate accounts, net.

At T&D Financial Life, investment income totaled ¥17.1 billion, down ¥75.1 billion (81.4%) from the previous fiscal year. The main factor was a ¥75.6 billion decrease in gains on separate accounts, net.

(2) Ordinary Expenses

Ordinary expenses totaled ¥2,127.8 billion (down 7.8%) and were composed of ¥1,630.6 billion in insurance claims and other payments (down 6.6%), ¥94.2 billion in provision for policy and other reserves (down 45.6%), ¥115.2 billion in investment expenses (up 11.7%), ¥208.9 billion in operating expenses (down 0.4%), and ¥78.7 billion in other ordinary expenses (up 4.5%).

1) Insurance Claims and Other Payments

	(Millions of yen)								
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	**2007**	2006	**2007**	2006
Insurance Claims and Other Payments:									
Insurance claims	**¥ 672,425**	¥ 790,900	¥(118,474)	**¥383,215**	¥458,262	**¥268,182**	¥308,591	**¥21,027**	¥24,046
Annuity payments	**161,682**	148,093	13,588	**128,527**	115,815	**27,978**	27,259	**5,176**	5,017
Insurance benefits	**296,469**	298,774	(2,305)	**105,102**	106,390	**174,681**	175,698	**16,685**	16,686
Surrender payments	**389,975**	369,103	20,871	**95,662**	127,283	**248,907**	203,007	**45,406**	38,812
Other payments, etc.	**110,131**	139,185	(29,053)	**60,374**	49,300	**38,461**	77,314	**11,295**	12,570
Total Insurance Claims and Other Payments	**¥1,630,683**	¥1,746,057	¥(115,373)	**¥772,881**	¥857,053	**¥758,211**	¥791,872	**¥99,590**	¥97,131

Insurance claims and other payments totaled ¥1,630.6 billion (down 6.6%), comprising ¥672.4 billion in insurance claims (down 15.0%), ¥161.6 billion in annuity payments (up 9.2%), ¥296.4 billion in insurance benefits (down 0.8%), ¥389.9 billion in surrender payments (up 5.7%), and ¥110.1 billion in other payments, etc. (down 20.9%).

At Taiyo Life, insurance claims and other payments totaled ¥772.8 billion, down ¥84.1 billion (9.8%) from the previous fiscal year. The main factor was a drop in insurance claims of ¥75.0 billion related to a decline in maturity benefits for individual insurance and group annuities.

At Daido Life, insurance claims and other payments totaled ¥758.2 billion, down ¥33.6 billion (4.3%) from the previous fiscal year. This was attributable to a drop in insurance claims of ¥40.4 billion related to a decline in death benefit payments on individual life insurance and a decrease of ¥38.8 billion in other payments, etc. as transfers fell due to a drop in the share of group annuities.

At T&D Financial Life, insurance claims and other payments totaled ¥99.5 billion, up ¥2.4 billion (2.5%) from the previous fiscal year.

2) Investment Expenses

	(Millions of yen)								
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	**2007**	2006	**2007**	2006
Investment Expenses:									
Losses from monetary trusts, net	**¥ —**	¥ 1,055	¥ (1,055)	**¥ —**	¥ 0	**¥ —**	¥ —	**¥3,407**	¥4,788
Losses on sales of securities	**52,377**	26,833	25,543	**45,329**	25,458	**5,744**	1,045	**1,302**	291
Losses from derivatives, net	**35,992**	52,295	(16,303)	**15,668**	21,068	**20,324**	31,227	**—**	—
Foreign exchange losses, net	**6,119**	5,147	971	**422**	221	**5,696**	4,924	**0**	0
Other investment expenses	**12,979**	9,846	3,132	**4,044**	3,558	**8,884**	6,227	**50**	61
Total Investment Expenses	**115,212**	103,132	12,079	**70,357**	54,893	**44,143**	46,696	**4,766**	5,202

Investment expenses totaled ¥115.2 billion (up 11.7%), including ¥52.3 billion in losses on sales of securities (up 95.2%) and ¥35.9 billion in losses from derivatives, net (down 31.2%).

At Taiyo Life, investment expenses totaled ¥70.3 billion, up ¥15.4 billion (28.2%) from the previous fiscal year. The main factor was a ¥19.8 billion increase in losses on sales of securities due to the sales of domestic stocks.

At Daido Life, investment expenses totaled ¥44.1 billion, down ¥2.5 billion (5.5%) from the previous fiscal year. The main factor was a ¥10.9 billion drop in losses from derivatives, net, that reflected lower losses on stock futures transactions.

At T&D Financial Life, investment expenses totaled ¥4.7 billion, down ¥0.4 billion (8.4%) from the previous fiscal year.

(3) Ordinary Profit

Ordinary profit totaled ¥158.1 billion (up 15.6%).

Taiyo Life recorded ordinary profit of ¥51.6 billion, up ¥4.7 billion (10.0%) from the previous fiscal year. The main factors were a ¥10.8 billion drop in capital gains including gains on sales of securities, which was outweighed by a ¥15.7 billion rise in core profit including interest, dividends and income from real estate for rent.

Daido Life recorded ordinary profit of ¥121.2 billion, up ¥21.8 billion (21.9%). The main factor was a ¥22.4 billion increase in interest, dividends and income from real estate for rent.

T&D Financial Life recorded an ordinary loss of ¥13.5 billion, compared with a ¥12.2 billion loss in the previous fiscal year.

(Reference) Core Profit and Negative Spread

The aggregate core profit for the three insurance companies increased ¥46.0 billion, to ¥173.3 billion (up 36.2%), in fiscal 2006.

Core Profit and Reconciliation to Ordinary Profit (Loss)

(Millions of yen)

	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	**2007**	2006	**2007**	2006
Core Profit	**¥173,318**	¥127,267	¥ 46,050	**¥ 53,984**	¥ 38,199	**¥125,791**	¥ 96,105	**¥ (6,457)**	¥ (7,037)
Capital Gains (Losses):									
Gains (losses) from monetary trusts, net	**4,685**	(1,124)	5,810	**—**	—	**8,092**	3,664	**(3,407)**	(4,788)
Gains on investments in trading securities, net	**17,824**	22,157	(4,333)	**—**	—	**17,824**	22,157	**—**	—
Gains (losses) on sales of securities	**41,869**	60,748	(18,878)	**28,893**	45,134	**13,012**	15,403	**(35)**	210
Devaluation losses on securities	**(710)**	(873)	162	**(99)**	(269)	**(610)**	(547)	**—**	(55)
Losses from derivatives, net	**(35,992)**	(52,295)	16,303	**(15,668)**	(21,068)	**(20,324)**	(31,227)	**—**	—
Foreign exchange losses, net	**(6,118)**	(5,147)	(971)	**(422)**	(221)	**(5,696)**	(4,924)	**(0)**	(0)
Others	**(15,538)**	—	(15,538)	**—**	—	**(15,538)**	—	**—**	—
Total Capital Gains (Losses)	**6,018**	23,465	(17,446)	**12,703**	23,575	**(3,241)**	4,525	**(3,443)**	(4,635)
Other One-Time Gains (Losses):									
Provision for contingency reserve	**(19,784)**	(19,541)	(243)	**(14,304)**	(14,819)	**(1,302)**	(1,185)	**(4,177)**	(3,536)
Provision for specific reserve for possible loan losses	**(720)**	—	(720)	**(720)**	—	**—**	—	**—**	—
Write-off of loans	**—**	—	—	**—**	—	**—**	—	**—**	—
Others	**548**	2,962	(2,413)	**—**	—	**—**	—	**548**	2,962
Total Other One-Time Gains (Losses)	**(19,956)**	(16,579)	(3,376)	**(15,024)**	(14,819)	**(1,302)**	(1,185)	**(3,628)**	(573)
Ordinary Profit (Loss)	**159,381**	134,153	25,227	**51,662**	46,954	**121,247**	99,445	**(13,528)**	(12,246)

(Millions of yen)

	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	**2007**	2006	**2007**	2006
Negative Spread	**¥20,365**	¥72,221	¥(51,855)	**¥24,638**	¥38,525	**¥ —**	¥29,390	**¥4,117**	¥4,306

Note: Figures for the three companies in the fiscal year ended March 31, 2007 include a positive spread of ¥8,390 million for Daido Life; the positive spread has been excluded from the total negative spread for the three companies.

FINANCIAL SECTION

Reconciliation of Core Profit

Years ended March 31,	Three Companies 2007	Three Companies 2006	Three Companies Increase (decrease)	Taiyo Life 2007	Taiyo Life 2006	Daido Life 2007	Daido Life 2006	T&D Financial Life 2007	T&D Financial Life 2006
	(Millions of yen)								
Core Revenues:									
Income from insurance premiums	**¥1,811,596**	¥1,902,318	¥ (90,722)	**¥705,582**	¥ 823,011	**¥ 865,254**	¥ 871,153	**¥240,759**	¥208,153
Insurance premiums	**1,804,686**	1,896,432	(91,745)	**705,293**	822,946	**864,247**	870,134	**235,146**	203,351
Ceded reinsurance recoveries	**6,909**	5,885	1,023	**289**	64	**1,006**	1,018	**5,612**	4,802
Investment income	**292,247**	357,688	(65,440)	**137,670**	127,495	**138,671**	138,403	**15,906**	91,788
Interest, dividends and income from real estate for rent	**271,112**	237,670	33,441	**137,257**	126,092	**129,458**	106,987	**4,396**	4,590
Gains on redemptions of securities	**1**	467	(466)	**—**	—	**—**	467	**1**	0
Other investment income	**2,977**	2,980	(2)	**155**	213	**2,685**	2,595	**136**	170
Gains on separate accounts, net	**18,156**	116,568	(98,412)	**256**	1,189	**6,526**	28,352	**11,372**	87,026
Other ordinary income	**131,555**	93,875	37,680	**108,846**	70,138	**14,520**	11,810	**8,188**	11,926
Income related to withheld insurance claims and other payments for future annuity payments	**8,768**	7,074	1,694	**705**	363	**311**	297	**7,751**	6,413
Income due to withheld insurance payments	**33,696**	37,116	(3,420)	**30,808**	33,467	**2,552**	3,177	**335**	470
Reversal of reserve for outstanding claims	**—**	6,358	(6,358)	**—**	205	**—**	3,900	**—**	2,252
Reversal of policy reserves (except contingency reserve)	**84,927**	36,440	48,486	**74,323**	33,066	**10,603**	3,374	**—**	—
Reversal of reserve for employees' retirement benefits	**901**	3,988	(3,087)	**809**	1,235	**—**	—	**91**	2,752
Other ordinary profit	**3,262**	2,896	365	**2,199**	1,800	**1,053**	1,060	**9**	35
Other core revenues	**15,585**	—	15,585	**0**	—	**15,584**	—	**—**	—
Total Core Revenues	**2,250,984**	2,353,881	(102,897)	**952,099**	1,020,645	**1,034,031**	1,021,367	**264,853**	311,869
Core Expenses:									
Insurance claims and other payments	**1,630,683**	1,746,057	(115,373)	**772,881**	857,053	**758,211**	791,872	**99,590**	97,131
Insurance claims	**672,425**	790,900	(118,474)	**383,215**	458,262	**268,182**	308,591	**21,027**	24,046
Annuity payments	**161,682**	148,093	13,588	**128,527**	115,815	**27,978**	27,259	**5,176**	5,017
Insurance benefits	**296,469**	298,774	(2,305)	**105,102**	106,390	**174,681**	175,698	**16,685**	16,686
Surrender payments	**389,975**	369,103	20,871	**95,662**	127,283	**248,907**	203,007	**45,406**	38,812
Other payments	**105,352**	134,461	(29,108)	**60,111**	49,004	**37,415**	76,220	**7,825**	9,235
Reinsurance premiums	**4,778**	4,723	54	**262**	295	**1,045**	1,093	**3,470**	3,334
Provision for policy and other reserves (excluding contingency reserve)	**156,203**	193,342	(37,138)	**1,731**	88	**3,518**	906	**150,954**	192,347
Investment expenses	**19,941**	16,890	3,050	**8,117**	7,875	**11,767**	8,950	**56**	64
Interest expense	**1,794**	1,650	143	**1,624**	1,624	**165**	25	**4**	1
Losses on redemption of securities	**1**	1	(0)	**—**	—	**—**	—	**1**	1
Provision for reserve for possible loan losses	**(35)**	—	(35)	**(35)**	—	**—**	—	**—**	—
Depreciation of real estate for rent	**5,201**	5,391	(189)	**2,485**	2,692	**2,716**	2,698	**—**	—
Other investment expenses	**12,979**	9,846	3,132	**4,044**	3,558	**8,884**	6,227	**50**	61
Operating expenses	**208,548**	212,090	(3,542)	**78,811**	82,533	**111,815**	109,262	**17,921**	20,294
Other ordinary expenses	**62,242**	58,232	4,009	**36,572**	34,895	**22,881**	14,268	**2,787**	9,068
Payments related to withheld insurance claims	**27,479**	25,222	2,256	**24,496**	22,764	**2,344**	1,914	**638**	543
Taxes	**13,046**	13,291	(244)	**4,868**	5,234	**6,647**	6,572	**1,530**	1,484
Depreciation	**9,909**	9,950	(40)	**5,199**	5,339	**4,149**	4,075	**560**	535
Provision for reserve for employees' retirement benefits	**7,405**	1,379	6,026	**—**	—	**7,405**	1,379	**—**	—
Other ordinary losses	**4,400**	8,388	(3,988)	**2,007**	1,557	**2,334**	326	**57**	6,505
Other core expenses	**46**	0	46	**—**	0	**46**	—	**—**	—
Total Core Expenses	**2,077,665**	2,226,613	(148,948)	**898,114**	982,446	**908,240**	925,261	**271,311**	318,906

1) Taiyo Life

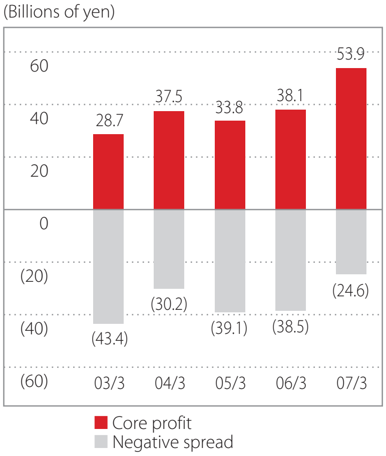
Core profit grew to ¥53.9 billion (up 41.3%), after offsetting the negative spread, which decreased to ¥24.6 billion (down 36.0%).

The negative spread is calculated as follows:

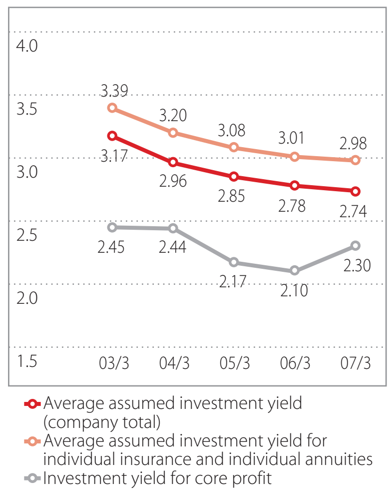
(Investment yield for core profit: 2.30% – Average assumed investment yield: 2.74%) x Policy reserve in general accounts: ¥5,625.0 billion = ¥(24.6) billion

The decrease in the negative spread was due to a drop in the assumed investment yield burden and a rise in investment income for core profit. Core profit rose due to the decrease in the negative spread and a decline in operating expenses.

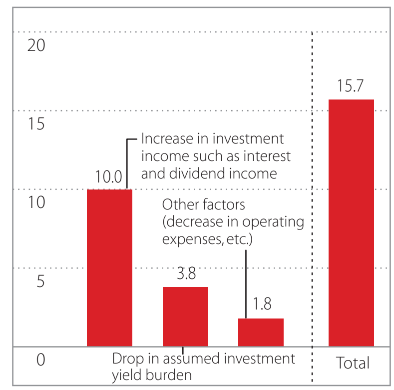
Trends in Amount of Core Profit and Negative Spread
(Billions of yen)



Trends in Average Assumed Investment Yield
(%)



Factors for Increase/Decrease in Core Profit for Fiscal 2006 (vs Fiscal 2005)
(Billions of yen)



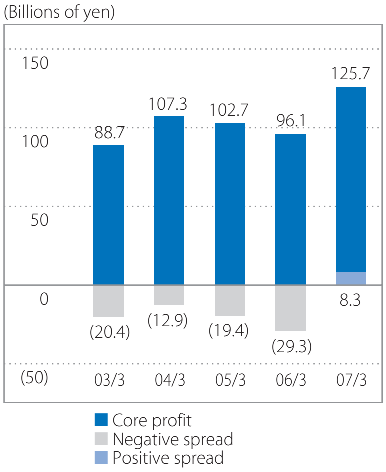
2) Daido Life

Core profit increased to ¥125.7 billion (up 30.9%). The previous year's negative spread of ¥29.3 billion became a positive spread of ¥8.3 billion in the year under review due to investment factors such as increases in interest, dividends and income from real estate for rent and other core revenues. Furthermore, effective from the fiscal year ended March 31, 2007, hedge fund income identified as income gain (loss) is included in core profit. Previously, this income was included in capital gains.

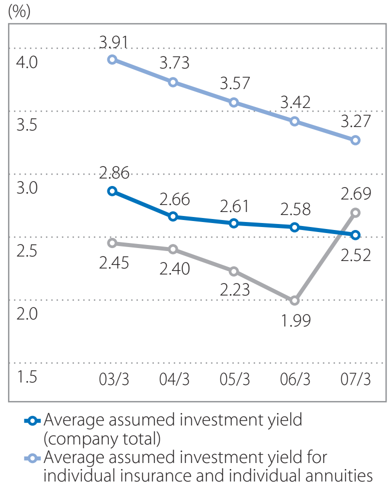
The positive spread is calculated as follows:

(Investment yield for core profit: 2.69% – Average assumed investment yield: 2.52%) x Policy reserve in general accounts: ¥5,201.0 billion = ¥8.3 billion

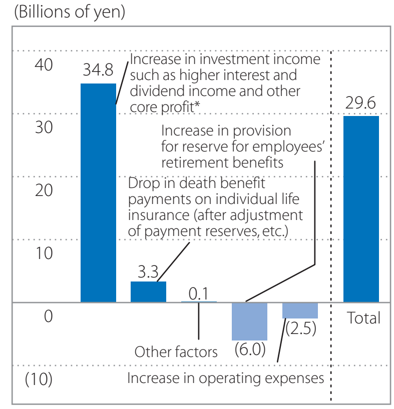
Trends in Amount of Core Profit and Negative Spread
(Billions of yen)



Trends in Average Assumed Investment Yield
(%)



Factors for Increase/Decrease in Core Profit for Fiscal 2006 (vs Fiscal 2005)
(Billions of yen)



*Income from hedge funds identified as income gain (loss)

FINANCIAL SECTION

3) T&D Financial Life

Core profit was a negative ¥6.4 billion, compared with a negative ¥7.0 billion in the previous fiscal year. This reflected minus factors such as increase in provision for policy reserves related to minimum guarantee risks accompanying new policy sales of individual variable annuities, against positive factors such as the completion of amortization of goodwill in the previous fiscal year and improved profitability attributable to reorganization of the Group's in-house sales representative channels. The negative spread was ¥4.1 billion (down 4.4%).

(4) Extraordinary Gains/Losses

Extraordinary gains totaled ¥2.2 billion (up 21.2%), mainly due to an increase of ¥1.3 billion (up 45.8%) in gains on sales of property and equipment.

Extraordinary losses totaled ¥35.3 billion (down 10.2%), mainly reflecting a ¥30.5 billion provision for reserve for price fluctuations (down 2.5%).

(5) Net Income

Net income totaled ¥38.7 billion (up 9.1%).

Taiyo Life posted net income of ¥13.4 billion, up ¥7.0 billion (112.3%) from the previous fiscal year. This reflected an increase in ordinary profit of ¥4.7 billion and a ¥3.5 billion increase in extraordinary gains on sales of shares in affiliates and other items.

Daido Life recorded net income of ¥43.1 billion, up ¥4.0 billion (10.4%). This reflected a number of factors, including an increase in ordinary profit of ¥21.8 billion, extraordinary gains of ¥2.1 billion on sales of shares in affiliates and other items, against an increase in provision for reserve of ¥12.7 billion accompanying an increase in policyholder dividends.

T&D Financial Life posted a net loss of ¥10.7 billion, an improvement of ¥0.6 billion from the net loss of ¥11.4 billion in the previous fiscal year. While the ordinary loss widened from ¥12.2 billion to ¥13.5 billion, extraordinary losses declined by ¥1.7 billion as special factors recorded in the previous fiscal year such as retirement benefits disbursed to employees choosing voluntary early retirement in connection with the restructuring of the Group's in-house sales representative channels were absent in the year under review.

Gains on sales of shares in affiliates and other items recorded by Taiyo Life (¥2.6 billion) and Daido Life (¥2.3 billion) have been canceled out in consolidated accounting and are consequently not shown in the consolidated financial statements.

2. Analysis of Sales Results (Non-consolidated)

Sales results for the three companies (total) are as follows.

(Millions of yen)

	Three Companies			Taiyo Life			Daido Life			T&D Financial Life		
Years ended March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	Increase (decrease)	**2007**	2006	Increase (decrease)	**2007**	2006	Increase (decrease)
New Policy Amount	**¥ 6,634,789**	¥ 7,293,876	¥(659,087)	**¥ 2,127,375**	¥ 2,838,316	¥(710,941)	**¥ 4,327,836**	¥ 4,292,776	¥ 35,059	**¥ 179,576**	¥ 162,783	¥ 16,793
Each company's principal products	**—**	—	—	**—**	—	—	**4,141,994**	4,080,769	61,225	**179,513**	128,661	50,852
Decrease in Policy Amount	**6,999,829**	6,602,400	397,429	**2,074,378**	2,213,065	(138,687)	**4,603,800**	3,978,938	624,862	**321,650**	410,396	(88,746)
Each company's principal products	**—**	—	—	**—**	—	—	**4,257,557**	3,626,776	630,780	**17,483**	(85,054)	102,537
Surrender and Lapse Amount	**5,362,520**	5,102,759	259,761	**1,503,878**	1,644,026	(140,147)	**3,615,874**	3,040,038	575,836	**242,766**	418,694	(175,927)
Each company's principal products	**—**	—	—	**—**	—	—	**3,425,370**	2,843,992	581,377	**32,707**	24,156	8,550
Policy Amount in Force	**59,899,966**	60,265,007	(365,040)	**17,644,524**	17,591,527	52,996	**39,732,098**	40,008,062	(275,963)	**2,523,343**	2,665,417	(142,073)
Each company's principal products	**—**	—	—	**—**	—	—	**35,818,119**	35,933,681	(115,562)	**621,544**	459,514	162,030
Annualized Premiums of New Policies	**143,055**	137,657	5,398	**36,601**	41,737	(5,135)	**83,462**	82,889	573	**22,991**	13,030	9,960
Annualized Premiums of Policies in Force	**1,447,175**	1,454,007	(6,832)	**662,816**	695,143	(32,327)	**692,273**	684,746	7,526	**92,085**	74,117	17,967

Notes: 1. The above figures are the totals of individual insurance and individual annuities.
2. Daido Life's principal products are individual term life insurance while T&D Financial Life's principal products are individual variable annuities.

The total new policy amount for individual insurance and individual annuities (including net increase from conversion) was ¥6,634.7 billion (down 9.0%). Meanwhile, the total surrender and lapse amount for individual insurance and individual annuities was ¥5,362.5 billion (up 5.1%).

Consequently, the policy amount in force as of March 31, 2007, totaled ¥59,899.9 billion (down 0.6%).

Below follows an analysis of the main factors affecting sales at each of the three companies.

(1) Taiyo Life

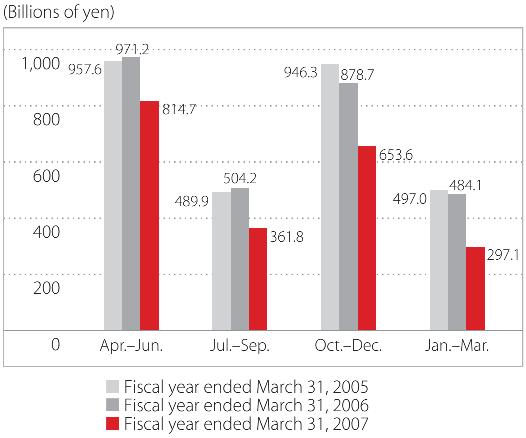
The new policy amount for individual insurance and individual annuities (including net increase from conversion) declined to ¥2,127.3 billion (down 25.0%), mainly due to a focus in sales activities on preventing surrender and lapse. The total surrender and lapse amount for individual insurance and individual annuities was ¥1,503.8 billion (down 8.5%).

As a consequence, the policy amount in force for individual insurance and individual annuities as of March 31, 2007, increased by ¥52.9 billion (up 0.3%) to ¥17,644.5 billion, compared with ¥17,591.5 billion at the previous fiscal year-end.

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

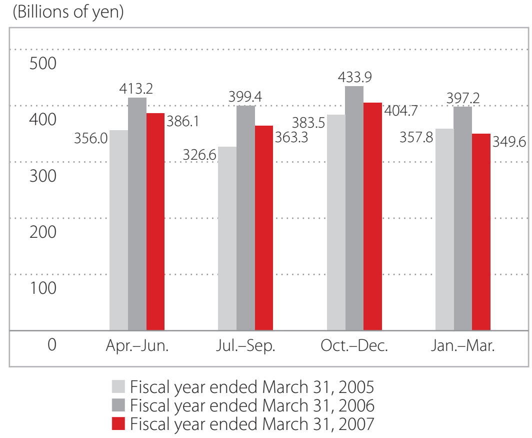
Quarterly Trends in New Policy Amount for Individual Insurance and Individual Annuities

(Billions of yen)



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

(Billions of yen)



The policy amount in force for group insurance was ¥10,110.2 billion (down 3.2%). The policy amount in force for group annuities (policy reserve) was ¥791.7 billion (up 2.1%).

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(2) Daido Life

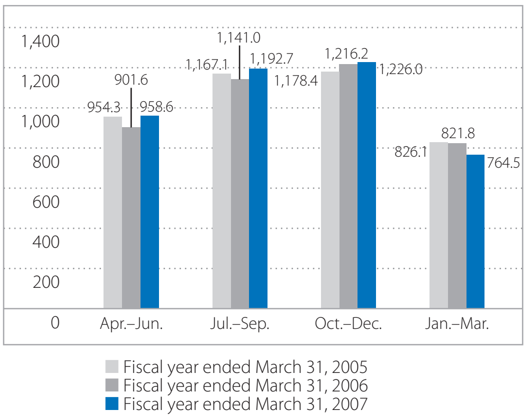
The new policy amount for individual insurance and individual annuities (including net increase from conversion) totaled ¥4,327.8 billion (up 0.8%). The total surrender and lapse amount for individual insurance and individual annuities increased to ¥3,615.8 billion (up 18.9%) due to a rise in surrenders of policies in mainstay individual term life insurance products approaching the peak surrender rate.

As a consequence, the policy amount in force for individual insurance and individual annuities as of March 31, 2007, decreased by ¥275.9 billion (0.7%) to ¥39,732.0 billion, compared with ¥40,008.0 billion at the previous fiscal year end.

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

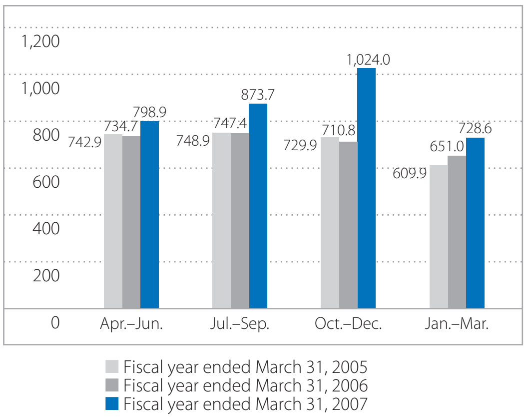
Quarterly Trends in New Policy Amount for Individual Term Life Insurance

(Billions of yen)



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

(Billions of yen)



The policy amount in force for group insurance was ¥11,809.2 billion (down 1.8%). The policy amount in force for group annuities (policy reserve) was ¥1,954.8 billion (down 3.6%).

(3) T&D Financial Life

The new policy amount for individual insurance and individual annuities (policy conversions not handled by T&D Financial Life) increased to ¥179.5 billion (up 10.3%). This mainly reflected strong sales of mainstay individual variable annuities in the second half of the fiscal year.

Meanwhile, the total surrender and lapse amount for individual insurance and individual annuities decreased to ¥242.7 billion (down 42.0%), as the impact of the reorganization of the Group's in-house sales representative channels lessened in the year under review.

As a consequence, the policy amount in force for individual insurance and individual annuities as of March 31, 2007, decreased by ¥142.0 billion (5.3%) to ¥2,523.3 billion, compared with ¥2,665.4 billion at the previous fiscal year end.

The policy amount in force for group insurance was ¥1,022.7 billion (down 32.5%). The policy amount in force for group annuities (policy reserve) was ¥39.5 billion (down 11.0%).

Liquidity and Capital Resources

1. 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.

2. Assets, Liabilities, and Stockholders' Equity

Total assets at the end of the fiscal year totaled ¥14,090.9 billion (up 0.7%). The major components were ¥9,870.2 billion in securities (up 0.4%), consisting mainly of domestic bonds; ¥2,430.5 billion of loans (down 3.5%); monetary claims purchased of ¥450.5 billion (up 60.6%); ¥419.8 billion of cash and deposits (down 6.1%); and call loans of ¥340.8 billion (up 77.0%).

Total liabilities amounted to ¥13,000.7 billion (up 0.7%). The major components were policy reserves totaling ¥12,344.7 billion (up 0.8%).

Total net assets amounted to ¥1,090.2 billion (¥1,080.0 billion as of March 31, 2006). Within this category, net unrealized gains on securities totaled ¥680.4 billion, a 2.5% decrease from the previous fiscal year-end.

3. Policy Reserve

A policy reserve is set aside for the payment of future insurance claims. As such, it is provisioned from insurance premiums and investment income and represents the largest component of liabilities for life insurance companies.

The consolidated policy reserve of the Group and the policy reserves of the three life insurance companies are as follows.

Policy Reserve Breakdown

(Millions of yen)

	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
As of March 31,	**2007**	2006	Increase (decrease)	**2007**	2006	**2007**	2006	**2007**	2006
Policy reserve (excluding contingency reserve):									
Individual insurance	**¥ 5,375,902**	¥ 5,407,291	¥ (31,388)	**¥2,359,352**	¥2,424,366	**¥2,777,553**	¥2,734,610	**¥ 235,174**	¥247,468
Individual annuities	**3,704,521**	3,543,038	161,483	**2,498,927**	2,525,028	**469,025**	449,211	**735,822**	568,797
Group insurance	**22,481**	21,991	490	**11,547**	11,086	**10,697**	10,618	**235**	285
Group annuities	**2,785,773**	2,847,430	(61,657)	**791,738**	775,481	**1,954,479**	2,027,523	**39,555**	44,425
Others	**9,850**	10,252	(401)	**3,996**	3,922	**5,084**	5,480	**769**	849
Subtotal	**11,898,529**	11,830,003	68,526	**5,665,562**	5,739,885	**5,216,840**	5,227,444	**1,011,557**	861,827
Contingency reserve:									
Contingency reserve I	**95,184**	92,467	2,716	**45,538**	44,713	**45,074**	44,764	**4,571**	2,989
Contingency reserve II	**74,912**	60,461	14,451	**40,000**	26,520	**34,912**	33,940	**—**	—
Contingency reserve III	**5,145**	2,529	2,616	**10**	10	**395**	374	**4,740**	2,145
Subtotal	**175,243**	155,458	19,784	**85,549**	71,244	**80,382**	79,079	**9,311**	5,134
Total	**¥12,073,772**	¥11,985,462	¥88,310	**¥5,751,111**	¥5,811,130	**¥5,297,223**	¥5,306,524	**¥1,020,869**	¥866,962

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.

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The methods used to calculate the policy reserves of the three life insurance companies for individual insurance and individual annuities are as follows.

	Taiyo Life	Daido Life	T&D Financial Life
Policies subject to the standard policy reserve	Net level premium reserve method	Net level premium reserve method	Variable annuities: Net level premium reserve method Other insurance: Five-year Zillmer method(Notes 1, 2)
Policies not subject to the standard policy reserve	Net level premium reserve method	Net level premium reserve method	Variable annuities: Net level premium reserve method Other insurance: Full-year Zillmer method(Notes 1, 2)

Notes: 1. The full-year Zillmer method is applied to policies whose effective dates are before September 30, 2001.
2. Systematic steps are being taken to increase reserves for policies to which the Zillmer method is applied in preparation for a move to the net level premium reserve method in the year ending March 31, 2011.

4. Solvency Margin Ratio

The term solvency margin indicates a surplus financial payment capability that covers exposure to unforeseeable risk, such as major earthquakes or stock market crashes. Life insurance companies have policy reserves to ensure the payment of future insurance claims within the scope of regular, foreseeable risks, however, the solvency margin protects against risk that exceeds normal circumstances. The solvency margin ratio is calculated as the total amount of solvency margin (equity, reserve for price fluctuations, contingency reserve, reserve for possible loan losses, and others) divided by one half of the quantified measure of the total amount of unforeseeable risk borne (total amount of risk).

Taiyo Life's solvency margin ratio as of March 31, 2007, was 1,100.4%, up 55.2 percentage points from 1,045.2% at the end of the previous fiscal year.

Daido Life's solvency margin ratio as of March 31, 2007, was 1,320.6%, up 66.2 percentage points from 1,254.4% at the end of the previous fiscal year.

T&D Financial Life's solvency margin ratio as of March 31, 2007, was 1,189.7%, down 722.1 percentage points from 1,911.8% at the end of the previous fiscal year.

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Solvency Margin Ratio

	(Millions of yen)					
	Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31,	**2007**	2006	**2007**	2006	**2007**	2006
Net assets (less certain items)(Note 1)	**¥154,776**	¥ 98,966	**¥ 229,827**	¥ 196,573	**¥35,048**	¥45,768
Reserve for price fluctuations	**42,563**	26,059	**61,585**	47,571	**393**	364
Contingency reserve	**85,549**	71,244	**80,382**	79,079	**9,311**	5,134
Reserve for possible loan losses	**1,447**	1,482	**183**	188	**4**	13
Net unrealized gains (losses) on available-for-sale securities (before tax) (x 90%, if gains; x 100%, if losses)	**447,726**	443,638	**510,954**	539,564	**(1,209)**	(749)
Net unrealized gains (losses) on real estate (x 85%, if gains; x 100%, if losses)	**(26,065)**	(4,644)	**14,582**	(4,973)	**—**	—
Excess of amount of policy surrender payment	**61,285**	72,383	**127,608**	124,207	**27,585**	20,555
Unallocated portion of reserve for policyholder dividends	**21,374**	22,295	**13,240**	8,916	**—**	—
Future profits	**6,757**	6,339	**15,502**	13,655	**389**	616
Deferred tax assets	**45,069**	51,996	**81,181**	63,505	**—**	—
Subordinated debt	**55,000**	55,000	**—**	—	**—**	—
Deductible items	**—**	—	**—**	—	**—**	—
Total Solvency Margin	**895,485**	844,762	**1,135,048**	1,068,289	**71,523**	71,703
Insurance risk	**37,068**	36,831	**33,692**	34,182	**2,165**	2,660
Assumed investment yield risk	**23,727**	24,255	**19,197**	20,493	**387**	402
Investment risk	**130,785**	129,193	**144,508**	141,649	**2,005**	2,512
Business risk	**3,831**	3,805	**3,964**	3,940	**407**	281
Minimum guarantee risk	**16**	19	**804**	684	**9,020**	3,796
Total Risk(Note 2)	**162,744**	161,631	**171,889**	170,317	**12,023**	7,501
Solvency Margin Ratio(Note 3)	**1,100.4%**	1,045.2%	**1,320.6%**	1,254.4%	**1,189.7%**	1,911.8%

Notes: 1. Total net assets is the total amount of the net assets section on the balance sheet at March 31, 2007, less net unrealized gains (losses) and translation differences, and appropriations paid in cash, etc. Total net assets at March 31, 2006 is represented by stockholders' equity on the balance sheet, less net unrealized gains (losses) on securities and appropriations paid in cash, etc.

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

3. Solvency margin ratio = $\dfrac{\text{(total solvency margin)}}{\text{(total risk) x 1/2}}$ x 100

5. Adjusted Net Assets

Adjusted net assets is an amount calculated based on the assets on the balance sheet (securities and real estate are evaluated using a fixed mark-to-market rate), less an amount calculated based on the liabilities (liabilities less the reserve for price fluctuations and contingency reserve). This net assets figure is used for determining whether there are excess liabilities regarding the system of prompt corrective action by the supervisory authorities.

Taiyo Life's adjusted net assets totaled ¥834.6 billion, up ¥77.0 billion from ¥757.5 billion at the previous fiscal year-end.

Daido Life's adjusted net assets totaled ¥1,109.6 billion, up ¥47.3 billion from ¥1,062.3 billion at the previous fiscal year-end.

T&D Financial Life's adjusted net assets totaled ¥63.5 billion, down ¥1.0 billion from ¥64.5 billion at the previous fiscal year-end.

6. Analysis of Consolidated Cash Flows

Below is an overview of consolidated cash flows for the fiscal year ended March 31, 2007.

Condensed Consolidated Statements of Cash Flows

	(Millions of yen)		
Years ended March 31,	**2007**	2006	Increase (decrease)
Cash flows from operating activities	**¥ 144,312**	¥ 138,640	¥ 5,671
Cash flows from investing activities	**246,362**	(196,333)	442,696
Cash flows from financing activities	**(1,648)**	27,346	(28,994)
Effect of exchange rate changes on cash and cash equivalents	**(6,384)**	(5,312)	(1,071)
Net increase (decrease) in cash and cash equivalents	**382,642**	(35,659)	418,301
Cash and cash equivalents at beginning of year	**834,403**	870,062	(35,659)
Cash and Cash Equivalents at End of Year	**1,217,045**	834,403	382,642

Net cash provided by operating activities increased ¥5.6 billion to ¥144.3 billion from the previous fiscal year, as interest, dividends and income from real estate for rent grew.

Net cash provided by investing activities totaled ¥246.3 billion, compared with net cash used of ¥196.3 billion in the previous fiscal year (a net cash inflow increase of ¥442.6 billion), mainly reflecting a decrease in cash used to purchase securities and an increase in cash provided by the sale and redemption of securities.

Net cash used in financing activities totaled ¥1.6 billion, compared with net cash provided of ¥27.3 billion in the previous fiscal year (a net cash outflow increase of ¥28.9 billion), reflecting an increase in dividends paid and the absence of cash provided by the issuance of new common stocks in the previous fiscal year.

As a result, cash and cash equivalents at the end of the fiscal year under review totaled ¥1,217.0 billion, up ¥382.6 billion from the beginning of the fiscal year.

7. Ratings

The three life insurance companies have acquired the following ratings regarding their ability to fulfill their payment obligations under insurance policies and contracts.

In rating the three life insurance companies, the independent, third-party rating agencies have used a variety of information to judge and determine their ability to fulfill payment obligations under insurance policies and contracts, and indicate this capability using alphabetic or similar rating systems.

As of June 30, 2007	Taiyo Life	Daido Life	T&D Financial Life
Standard & Poor's (S&P)	A	A	—
Japan Credit Rating Agency (JCR)	A+	AA–	A
Rating and Investment Information (R&I)	A+	A+	A+
Fitch Ratings	—	AA–	—
Moody's Investors Service	A1	—	—

Note: The ratings shown above are statements by an independent credit rating organization and do not guarantee actual payment under insurance policies or contracts in the future. Moreover these ratings are based on figures and information at a specific point in time, and therefore could change in future.

All of the above ratings have been obtained by the three life insurance companies through formal requests for evaluation to the rating agencies.

For definitions of the ratings shown above, please see the individual Web sites of the rating agencies.

Investment in General Account Assets

1. Investment Framework

T&D Holdings has formulated 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 each company.

2. Investment Environment

In fiscal 2006, the Japanese economy continued its recovery supported by growth in capital investment on the back of solid corporate earnings and a firm underlying base of personal consumption. In recognition of the improvement in the economy, the Bank of Japan (BOJ) abolished its zero interest rate policy in July 2006 and subsequently raised interest rates in February 2007.

Under these conditions, the Japanese stock market at March 31, 2007 was almost at the same level as the previous fiscal year-end.

At the start of the fiscal year, there was a softening of the global stock market and appreciation of the yen against the backdrop of sustained focus on the possibility of higher interest rates in the United States and concern over a slow down in its economy. Reflecting these conditions, the Nikkei average fell to the ¥14,000 level at one point. From the summer onward, however, a halt to rising U.S. interest rates and other factors fed through to a recovery in the Japanese stock market along with the rebound in overseas equity markets. Positive business sentiment continued in the second half of the fiscal year, pushing the Nikkei average up to ¥18,000 in the latter part of February. The index fell back down to the mid-¥16,000 level after the sharp decline in the Chinese stock market at the end of February, which precipitated a general drop in global equity markets, combined with concern over the impact of the weak housing market on the U.S. economy. The Japanese stock market, however, again recovered during the period up to the end of the fiscal year, ending the fiscal year at ¥17,287.

(Nikkei average: March 31, 2006; ¥17,059.66 → March 31, 2007; ¥17,287.65)
(TOPIX: March 31, 2006; 1,728.16 → March 31, 2007; 1,713.61)

Japanese long-term interest rates declined. At the beginning of the fiscal year, long-term interest rates rose to the 2% level in May amid concern about upward pressure on commodity prices due to the economic recovery and rising crude oil prices. In July the BOJ announced the end to its zero interest rate policy. The subsequent decline in U.S. long-term interest rates and the fall off in expectations of a rise in commodity prices resulted in Japanese long-term interest rates decreasing to the 1.6% level in September. Long-term interest rates then moved in a box within the mid-1.5% to mid-1.8% range as speculative investors responded to various government financial measures. Although the BOJ raised interest rates in February, the long-term interest rate market did not react, and ended the fiscal year at 1.66%.

(Yield on 10-year JGBs: March 31, 2006; 1.78% → March 31, 2007; 1.66%)

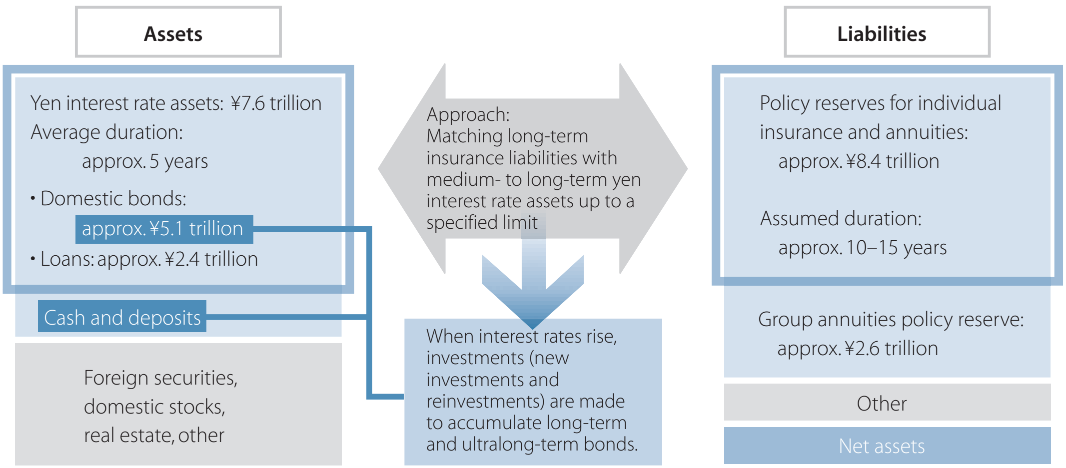
The yen weakened slightly against the U.S. dollar during the year under review. Following a joint statement by the G7 nations after their summit in April 2006 calling for a correction to global trade imbalances, the yen strengthened against the dollar to the ¥109 level by mid-May. However, against the backdrop of significant divergence in interest rates between the U.S. and Japan, the yen weakened again against the dollar, dropping to the ¥120 level in January and February 2007. Subsequently, triggered by a slump in Chinese stocks at the end of February, the yen carry trade began to unwind. This and other factors supported the yen, which reached ¥118.05 against the U.S. dollar on March 31, 2007. Meanwhile, the yen weakened against the euro, reflecting a widening interest rate gap after a succession of rate rises in Europe and the growing strength of the euro-area economy.

(Yen/dollar exchange rate: March 31, 2006: ¥117.47; March 31, 2007: ¥118.05)
(Yen/euro exchange rate: March 31, 2006: ¥142.81; March 31, 2007: ¥157.33)

Interest Rate Increases and ALM

The T&D Group's ALM system is designed to manage mismatches between assets and liabilities, and the relationship between assets and liabilities is shown in the graphic below.

Currently, about 60% to 70% of the Group's assets are yen interest rate assets corresponding to long-term insurance liabilities. Because liability-side durations are longer than asset-side durations, however, and because reinvestment yields can be expected to rise during periods of rising interest rates, interest rate increases are acknowledged to be beneficial for the Group. This situation is also described with respect to EV sensitivity (for more information on EV sensitivity, please see page 81.)



Notes: 1. Because fluctuations in the assumed surrender and lapse rate can have a large impact on the liabilities deflator, assumed neutral durations are recorded.
2. The assumed duration for group annuities changes due to the interest rate environment but is recognized to be shorter than that for individual insurance and annuities.

As of March 31, 2007

3. Investment Performance Overview

As of March 31, 2007, the combined general account assets for the three life insurance companies totaled ¥13,246.7 billion, down ¥70.3 billion from ¥13,317.1 billion as of March 31, 2006 (hereinafter, figures in parentheses are as of March 31, 2006).

(1) Asset Composition

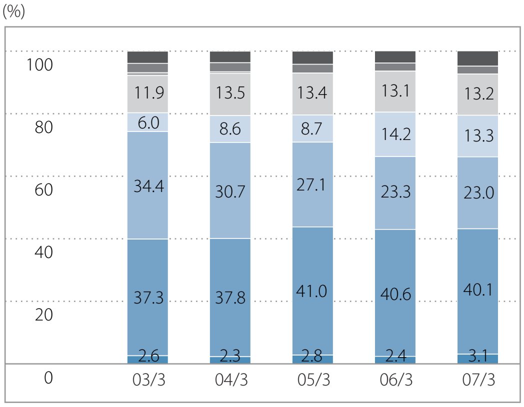
General Account Assets Composition

(Millions of yen, %)

	Three Companies				Taiyo Life		Daido Life		T&D Financial Life	
	2007		2006		**2007**	2006	**2007**	2006	**2007**	2006
As of March 31,	Amount	Share	Amount	Share	Amount	Amount	Amount	Amount	Amount	Amount
Cash and deposits, call loans	**¥ 672,102**	**5.1**	¥ 571,851	4.3	**¥ 201,562**	¥ 158,706	**¥ 438,784**	¥ 382,562	**¥ 31,756**	¥ 30,582
Monetary claims purchased	**450,533**	**3.4**	280,577	2.1	**155,228**	124,358	**295,305**	156,218	**—**	—
Monetary trusts	**113,187**	**0.9**	250,472	1.9	**—**	50	**100,846**	242,674	**12,340**	7,748
Securities:										
Domestic bonds	**5,180,345**	**39.1**	5,219,191	39.2	**2,626,478**	2,671,153	**2,199,963**	2,236,251	**353,902**	311,786
Domestic stocks	**1,364,518**	**10.3**	1,488,373	11.2	**870,930**	933,993	**493,472**	553,898	**115**	481
Foreign securities:	**1,550,337**	**11.7**	1,540,446	11.6	**863,699**	863,303	**663,864**	632,535	**22,773**	44,607
Foreign bonds	**868,442**	**6.6**	918,568	6.9	**581,817**	619,201	**271,044**	271,801	**15,580**	27,566
Foreign stocks and other securities	**681,895**	**5.1**	621,878	4.7	**281,882**	244,102	**392,820**	360,734	**7,192**	17,041
Other securities	**1,020,369**	**7.7**	990,403	7.4	**117,528**	82,047	**898,094**	866,998	**4,747**	41,356
Total Securities	**9,115,571**	**68.8**	9,238,415	69.4	**4,478,636**	4,550,498	**4,255,395**	4,289,684	**381,539**	398,232
Loans:										
Policy loans	**192,706**	**1.5**	198,658	1.5	**105,316**	109,118	**79,685**	81,278	**7,704**	8,261
Commercial loans	**2,252,774**	**17.0**	2,336,762	17.5	**1,396,930**	1,426,715	**853,289**	904,974	**2,555**	5,071
Total Loans	**2,445,481**	**18.5**	2,535,420	19.0	**1,502,246**	1,535,833	**932,974**	986,252	**10,259**	13,333
Property and equipment	**308,757**	**2.3**	310,455	2.3	**163,014**	168,480	**145,456**	141,849	**286**	125
Deferred tax assets	**6,254**	**0.0**	5,207	0.0	**—**	—	**—**	—	**6,254**	5,207
Deferred tax assets associated with asset revaluation	**—**	**—**	—	—	**—**	—	**—**	—	**—**	—
Other assets	**138,383**	**1.0**	128,162	1.0	**47,359**	49,049	**70,150**	57,912	**20,873**	21,200
Reserve for possible loan losses	**(3,479)**	**(0.0)**	(3,461)	(0.0)	**(2,364)**	(1,680)	**(1,043)**	(1,687)	**(71)**	(92)
Total Assets	**13,246,793**	**100.0**	13,317,102	100.0	**6,545,684**	6,585,297	**6,237,870**	6,255,467	**463,238**	476,337
Foreign currency denominated assets	**1,267,027**	**9.6**	1,190,869	8.9	**776,976**	793,354	**489,391**	396,855	**660**	658

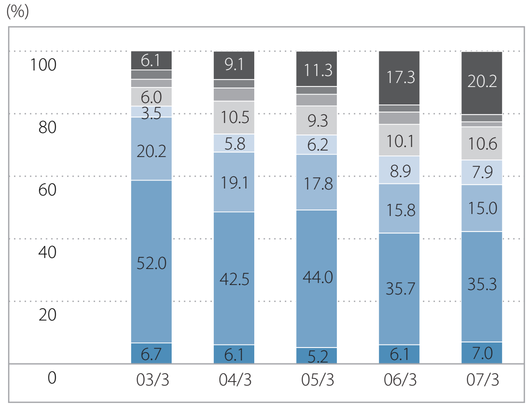
Trends in General Account Assets Composition of Taiyo Life

(%)



Trends in General Account Assets Composition of Daido Life

(%)



■ Cash and deposits, call loans ■ Domestic bonds ■ Loans ■ Domestic stocks ■ Foreign securities ■ Monetary trusts ■ Property and equipment
■ Other assets (other securities (mainly investment trusts), monetary claims purchased, and other assets)

1) Taiyo Life

a) Domestic Bonds

The balance of domestic bonds decreased ¥44.6 billion from the previous fiscal year-end, while the share of general account assets accounted for by domestic bonds fell 0.5 of a percentage point. This reflected changes in the portfolio in preparation for interest rate rises with the goal of generating a stable income flow.

b) Domestic Stocks

The balance of domestic stocks decreased ¥63.0 billion from the previous fiscal year-end and the share of general account assets accounted for by domestic stocks fell 0.9 of a percentage point as the company sold shares based on market forecasts. Net exposure to domestic stocks declined 0.4 of a percentage point, from 14.9% at the end of the previous fiscal year to 14.5%.

c) Foreign Securities

Foreign securities accounted for 13.2% of general account assets at the fiscal year-end. However, adjusted for currency hedging, net foreign currency exposure was only 6.1%. Net foreign currency exposure increased 0.6 of a percentage point, from 5.5% at the previous fiscal year-end, mainly due to a decline in hedge positions, the weaker yen and an increase in unrealized gains on foreign stocks.

2) Daido Life

a) Domestic Bonds

To cope with the risk of an outflow of group annuity category funds that can accompany a rise in interest rates, Daido Life continued limiting the reinvestment of redemptions and increasing beneficiary trust rights (monetary claims purchased) and other asset types instead of domestic bond assets. As a consequence, the balance of domestic bonds decreased ¥36.2 billion from the end of the previous fiscal year, while the share of general account assets accounted for by domestic bonds fell 0.4 of a percentage point.

b) Domestic Stocks

The balance of Daido Life's investment in domestic stocks decreased ¥60.4 billion and the share of general account assets accounted for by domestic stocks decreased 1.0 percentage point, mainly reflecting a decline in market prices. Net exposure to domestic stocks dropped 0.9 of a percentage point, from 19.0% at the end of the previous fiscal year to 18.1%.

c) Foreign Securities

Foreign securities accounted for 10.6% of general account assets at the end of the fiscal year. However, adjusted for currency hedging, net foreign currency exposure was only 3.4%, down 0.8 of a percentage point from 4.2% at the end of the previous fiscal year.

d) Alternative Investment

The balance of alternative investments totaled ¥324.3 billion, an increase of ¥97.2 billion from the previous fiscal year-end. This total included investments of ¥187.2 billion and ¥126.1 billion in hedge funds and private equity, respectively.

3) T&D Financial Life

The main components of T&D Financial Life's general account asset composition as of March 31, 2007, were as follows: domestic bonds 76.4% (65.5%), domestic stocks 0.0% (0.1%), foreign securities 4.9% (9.4%), other securities 1.0% (8.7%) and loans 2.2% (2.8%). The company continues to mainly invest in assets linked to yen interest rates while selling all its investments in foreign bonds with exchange rate hedges based on trends in interest rates. With the end of zero interest rates in Japan, the company also began investing in call loans from July 2006.

(2) Investment Income and Expenses

For the general account assets of the three life insurance companies combined, interest, dividends and income from real estate for rent totaled ¥271.1 billion (¥237.6 billion), while gains on sales of securities amounted to ¥94.2 billion (¥87.5 billion), losses on sales of securities amounted to ¥52.3 billion (¥26.7 billion), and losses from derivatives, net, amounted to ¥35.9 billion (¥52.2 billion).

Net Investment Income (General Account Assets)

(Millions of yen)

Years ended March 31,	Three Companies 2007	Three Companies 2006	Three Companies Increase (decrease)	Taiyo Life 2007	Taiyo Life 2006	Daido Life 2007	Daido Life 2006	T&D Financial Life 2007	T&D Financial Life 2006
Net Items:									
Gains (losses) from monetary trusts	**¥ 4,685**	¥ (1,124)	¥ 5,810	**¥ 0**	¥ (0)	**¥ 8,092**	¥ 3,664	**¥(3,407)**	¥(4,788)
Gains (losses) on investments in trading securities	**17,824**	22,157	(4,333)	**—**	—	**17,824**	22,157	**—**	—
Gains (losses) on sale of securities	**41,869**	60,748	(18,878)	**28,893**	45,134	**13,012**	15,403	**(35)**	210
Gains (losses) on redemption of securities	**(0)**	465	(466)	**—**	—	**—**	467	**(0)**	(1)
Gains (losses) from derivatives	**(35,992)**	(52,295)	16,303	**(15,668)**	(21,068)	**(20,324)**	(31,227)	**—**	—
Foreign exchange gains (losses)	**(6,118)**	(5,147)	(971)	**(422)**	(221)	**(5,696)**	(4,924)	**(0)**	(0)
Other investment income (expense)	**(10,001)**	(6,865)	(3,135)	**(3,888)**	(3,344)	**(6,198)**	(3,631)	**85**	109
Total Investment Income (Loss) from Net Items	**12,266**	17,937	(5,671)	**8,914**	20,500	**6,709**	1,908	**(3,357)**	(4,471)
Investment Income:									
Interest, dividends and income from real estate for rent	**271,112**	237,670	33,441	**137,257**	126,092	**129,458**	106,987	**4,396**	4,590
Total Investment Income	**271,112**	237,670	33,441	**137,257**	126,092	**129,458**	106,987	**4,396**	4,590
Investment Expenses:									
Interest expense	**1,794**	1,650	143	**1,624**	1,624	**165**	25	**4**	1
Devaluation losses on securities	**710**	873	(162)	**99**	269	**610**	547	**—**	55
Provision for reserve for possible loan losses	**684**	—	684	**684**	—	**—**	—	**—**	—
Write-off of loans	**—**	—	—	**—**	—	**—**	—	**—**	—
Depreciation of real estate for rent	**5,201**	5,391	(189)	**2,485**	2,692	**2,716**	2,698	**—**	—
Total Investment Expense	**8,391**	7,915	475	**4,893**	4,586	**3,493**	3,271	**4**	57
Net Investment Income from General Account Assets	**274,987**	247,693	27,294	**141,278**	142,006	**132,675**	105,625	**1,033**	62

(3) Net Unrealized Gains (Losses) on Securities and Real Estate

For the three life insurance companies combined, total net unrealized gains (losses) on securities with fair value amounted to ¥1,045.3 billion, down ¥7.7 billion from the end of the previous fiscal year. Although declining interest rates caused net unrealized gains on domestic bonds to increase and rising overseas share prices and the yen's depreciation caused net unrealized gains on foreign securities to increase, the drop in stock prices resulted in a decline in net unrealized gains on stocks.

Net unrealized gains on real estate totaled ¥28.8 billion, rising ¥38.4 billion from net unrealized losses in the previous fiscal year. The reversal can be attributed to an increase in land prices.

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

(Millions of yen)

As of March 31,	Three Companies 2007	Three Companies 2006	Three Companies Increase (decrease)	Taiyo Life 2007	Taiyo Life 2006	Daido Life 2007	Daido Life 2006	T&D Financial Life 2007	T&D Financial Life 2006
Total Net Unrealized Gains (Losses) on Securities:	**¥1,045,332**	¥1,053,061	¥ (7,729)	**¥499,662**	¥466,622	**¥546,396**	¥587,799	**¥ (727)**	¥(1,360)
Domestic bonds	**25,839**	(12,477)	38,317	**8,236**	(23,288)	**18,650**	13,504	**(1,047)**	(2,693)
Domestic stocks	**674,234**	747,232	(72,998)	**425,699**	448,816	**248,534**	298,149	**—**	265
Foreign securities	**63,727**	33,126	30,600	**53,807**	24,554	**9,835**	8,518	**84**	53
Other securities	**252,479**	250,983	1,495	**12,927**	19,001	**239,316**	230,967	**235**	1,013
Monetary claims purchased	**(721)**	(3,543)	2,822	**(1,007)**	(2,463)	**286**	(1,080)	**—**	—
Certificates of deposit	**(0)**	0	(0)	**(0)**	0	**—**	—	**—**	—
Monetary trusts	**29,772**	37,740	(7,967)	**—**	—	**29,772**	37,740	**—**	—
Net Unrealized Gains (Losses) on Real Estate	**28,805**	(9,618)	38,423	**11,649**	(4,644)	**17,156**	(4,973)	**—**	—

Notes: 1. Regarding net unrealized gains (losses) on securities, the amount applicable to the portion of securities with fair value is shown. Of securities accounted for under monetary trusts, figures include net unrealized gains/losses on securities, including other than trading securities.

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

Significant Factors for Investment

1. Significant Factors Related to Investing in T&D Holdings

Being a holding company for companies primarily focused on life insurance business, T&D Holdings faces the following types of risks stemming from the nature and organizational format of its operations.

Risks as a Holding Company

Type of Risk	Risk Characteristics
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.
Risk Related to Dividend Income	As a holding company, T&D Holdings derives the majority of its income from dividends paid by its three 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 Japanese Company Law. 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.
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.
Risk Related to Regulatory Changes	As a holding company with life insurance companies and a small-amount short-term insurance company, T&D Holdings is subject to oversight and regulation under the Insurance Business Law and other regulations. 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.

2. Trends and Competition in the Life Insurance Market

(1) Trends in the Life Insurance Industry

The Japanese life insurance industry continues to face a harsh business environment due to such challenges as negative spreads caused by prolonged low interest rates and a decline in the policy amount in force resulting from weak sales of new policies. 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 full deregulation of OTC sales at banks scheduled to take effect in December 2007.

(2) Competitive Relationships

As of March 31, 2007, there were 38 private-sector life insurance companies in Japan, including the Group's three life insurance companies, with either a Life Insurance Business License or a Foreign Life Insurance Business License.

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.

(3) Contributions to the Life Insurance Policyholders Protection Corporation of Japan

The Life Insurance Policyholders Protection Corporation (PPC) of Japan 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. Through March 31, 2009, the government may provide the PPC with additional funds if a life insurance company bankruptcy occurs and if the funds needed to cover policyholders are in excess of the funds 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. Past contributions and projections of future contributions are as described in the chart below. 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.

Contributions to the PPC

(Millions of yen)

Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Future contributions (projected)	**Contribution in year ended March 31, 2007**	Future contributions (projected)	**Contribution in year ended March 31, 2007**	Future contributions (projected)	**Contribution in year ended March 31, 2007**	Future contributions (projected)	**Contribution in year ended March 31, 2007**
¥32,352	**¥4,763**	¥13,163	**¥1,951**	¥17,886	**¥2,637**	¥1,302	**¥174**

Note: Projected contribution figures are totals including both "contributions to the Policyholders Protection Fund (taken over by the PPC under the Enactment Law for Financial System Reform)" and "contributions estimated in accordance with Article 259 of the Insurance Business Law."

3. Risks Related to the Business Policies of the Three Life Insurance Companies

The T&D Life Group holds 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 at banks and securities firms. As such, each of the companies has its own business policies, sales markets, products, and risks.

The major business risks of the three life insurance companies are discussed below.

Marketing Policies and Risks (above and below the dividing lines, respectively) of the Three Life Insurance Companies

Item	Taiyo Life	Daido Life	T&D Financial Life
Markets	Household market	SME market	OTC sales at banks
	Intensification of competition due to other companies entering or focusing on the household market	Deterioration of performance and increase of bankruptcy incidence among SMEs	Slow response to full deregulation of OTC sales at banks scheduled to take effect in December 2007
Marketing Methods/ Systems	Individual household visits by sales representatives	• Tie-ups with SME-related organizations • Sales through in-house sales representatives and through sales agents who are primarily tax accountants and P&C insurance agencies.	OTC sales at banks and securities firms
	• Drop in marketing power due to fall in number of sales representatives • Revision of laws in ways that tighten restrictions on home visits • Structural changes in life insurance sales channels due to OTC banks sales and sales over the Internet	• Arrangement of tie-ups with allied SME organizations by other life insurance companies • Allied SME organizations discontinue recommendations of Daido Life's products • Drop in marketing power due to fall in number of sales representatives and agents • Agencies forge relationships with growing number of life insurance companies	• Other companies in the insurance industry arrange for increasingly broad sharing of bank marketing agencies • The superiority of marketing through the OTC bank channel decreases
Products	Protection-oriented products, such as medical, nursing care, death protection, etc.	Individual term life insurance	• Individual variable annuities • Plans to expand product line at time of wholesale lifting of restrictions on OTC sales at banks
	Changing customer needs lead to shrinking of market	• Intensifying competition with other providers of individual annuities and decrease in customer needs • Revision of tax system that eliminates or reduces provision for writing insurance payments off as expenses	Delay in developing and launching products in response to the full deregulation of OTC sales at banks

Note: For detailed information regarding the three insurance companies' marketing policies, see the Business Overview section on pages 26 through 43.

4. Insurance Underwriting Risk

Using such fundamental calculation data as projected mortality rates, interest rates, and business expense rates, insurance companies perform calculations and use the results to determine insurance premiums. Because these fundamental calculation rates are conservatively projected, there are often gaps between the projections and actual figures that generate profit.

However, major disasters and other situations can cause actual mortality rates to exceed expected rates, causing losses in death protection-type insurance businesses. In recent years, most Japanese life insurance companies, including the Group's three life insurance companies, have faced negative spreads—meaning that actual investment yields are below assumed investment yields—with respect to some of their products. (For more information on negative spreads, see page 91.) Moreover, future inflation and other factors may cause actual business expense rates to exceed assumed rates, causing losses.

To ensure capabilities for paying insurance benefits, insurance companies use profits from the management of insurance premiums and other funds to accumulate policy reserves. The three life insurance companies also strive to maintain sound business operations as well as the excess solvency needed to meet their responsibilities for paying benefits to policyholders, even when the underwriting risk and various other risks rise to levels higher than originally assumed. (For more information on the three life insurance companies' policy reserves and solvency margins, see page 95–97.)

5. Investment Risk

Information on the types and characteristics of investment risk faced by the T&D Life Group as well as the Group's response to such risk is shown in Risk Classification and Countermeasures on page 52. For information on market risk, which accounts for most of investment risk, see the Investment in General Account Assets section on page 99.

The following is a breakdown of credit risk and real estate investment risk.

(1) Credit Risk

1) Loan

The three life insurance companies' loan value totals in general account assets and breakdowns are shown in the following table.

Loan Breakdown

(Millions of yen)

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
As of March 31,	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Policy Loans:								
Policyholder loans	**¥ 187,664**	¥ 193,418	**¥ 102,820**	¥ 106,516	**¥ 78,448**	¥ 80,045	**¥ 6,394**	¥ 6,856
Premium transfer loans	**5,042**	5,239	**2,495**	2,601	**1,236**	1,232	**1,309**	1,405
Subtotal	**192,706**	198,658	**105,316**	109,118	**79,685**	81,278	**7,704**	8,261
Commercial Loans:								
Corporate loans:	**1,654,614**	1,730,320	**972,278**	1,019,213	**679,836**	706,107	**2,500**	5,000
Loans to domestic corporations	**1,540,962**	1,615,174	**867,278**	916,213	**671,183**	693,960	**2,500**	5,000
Loans to the Japanese government, government-related organizations, and international organizations	**14,643**	18,945	**5,071**	7,872	**9,533**	11,022	**38**	50
Loans to Japanese local governments and public entities	**23,137**	19,892	**12,944**	10,188	**10,193**	9,701	**0**	2
Mortgage loans	**275,219**	262,067	**260,867**	246,001	**14,352**	16,066	**—**	—
Consumer loans	**232,667**	245,749	**126,794**	123,787	**105,872**	121,962	**—**	—
Others	**52,492**	59,786	**18,973**	19,652	**33,501**	40,115	**16**	18
Subtotal	**2,252,774**	2,336,762	**1,396,930**	1,426,715	**853,289**	904,974	**2,555**	5,071
Loans to nonresidents	**118,756**	120,553	**106,650**	104,923	**12,106**	15,630	**—**	—
Total	**2,445,481**	2,535,420	**1,502,246**	1,535,833	**932,914**	986,252	**10,259**	13,333
Portion comprising subordinated loans	**352,000**	347,000	**210,500**	207,500	**141,500**	139,500	**—**	—

2) Risk Monitored Loans and Disclosed Claims by Obligor Categories

Regarding nonperforming loans, the Insurance Business Law requires the disclosure of information on "risk monitored loans" and "claims by obligor categories." Based on the *Inspection Manual for Insurance Companies* issued by the supervisory authorities, the T&D Life Group has created a self-assessment system and set standards for amortizing and providing reserves for nonperforming loans, and it is rigorously handling such loans.

Risk-Monitored Loan Categories

a. Loans to bankrupt companies	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.
b. Past due loans	Past due loans are loans (other than the loans described above and 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.
c. Loans overdue for three months or more	Loans overdue for three months or more are loans, other than the loans described above, on which principal and/or interest are/is in arrears for three months or more.
d. Restructured loans	Restructured loans are loans, other than the loans described 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.

(Millions of yen)

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
As of March 31,	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Loans to bankrupt companies	**¥ 531**	¥ 287	**¥ 336**	¥ 193	**¥ 195**	¥ 93	**¥—**	¥ —
Past due loans	**2,528**	2,496	**1,225**	439	**1,264**	2,025	**37**	31
Loans overdue for three months or more	**4,165**	4,698	**4,165**	4,698	**—**	—	**—**	—
Restructured loans	**406**	472	**32**	49	**374**	422	**—**	—
Total	**7,632**	7,955	**5,760**	5,381	**1,833**	2,541	**37**	31
% of total loans	**0.31**	0.31	**0.38**	0.35	**0.20**	0.26	**0.37**	0.24

Note: 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 ¥5 million and past due loans amounted to ¥219 million.

Loan Obligor Categories

a. Claims against bankrupt and quasi-bankrupt obligors	These 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.
b. Claims with collection risk	These 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.
c. Claims for special attention	These 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 above, on which principal and/or interest are in arrears for three months or more. Restructured loans are loans, other than the claims described 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.
d. Claims against normal obligors	These are claims, other than the claims described above, against obligors that have no major problem regarding their financial conditions and business performance.

(Millions of yen)

		Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
As of March 31,		**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Claims against bankrupt and quasi-bankrupt obligors		**¥ 869**	¥ 848	**¥ 557**	¥ 632	**¥ 210**	¥ 121	**¥ 101**	¥ 94
Claims with collection risk		**2,253**	1,999	**1,004**	0	**1,249**	1,999	**—**	—
Claims for special attention		**4,572**	5,170	**4,198**	4,748	**374**	422	**—**	—
Subtotal	①	**7,695**	8,019	**5,760**	5,381	**1,834**	2,543	**101**	94
% of total	①/③	**0.31%**	0.31%	**0.38%**	0.35%	**0.20%**	0.25%	**0.97%**	0.70%
Claims against normal obligors	②	**2,448,080**	2,558,226	**1,501,481**	1,535,628	**936,253**	1,009,163	**10,345**	13,434
Total	①+②=③	**2,455,776**	2,566,246	**1,507,242**	1,541,010	**938,088**	1,011,707	**10,446**	13,529

(2) Real Estate Investment Risk

The carrying values and fair values of the three life insurance companies' real estate holdings as of March 31, 2007, 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

(Millions of yen)

	Taiyo Life					Daido Life				
As of March 31, 2007	Carrying Value	Fair Value (Note 1)	Unrealized gains/ losses	Unrealized gains	Unrealized losses	Carrying Value	Fair Value (Note 2)	Unrealized gains/ losses	Unrealized gains	Unrealized losses
Land	**¥98,452**	**¥110,141**	**¥11,688**	**¥21,279**	**¥9,590**	**¥80,464**	**¥97,885**	**¥17,420**	**¥41,690**	**¥24,269**
Lease	**156**	**117**	**(39)**	**12**	**51**	**913**	**648**	**(264)**	**305**	**569**
Total	**98,609**	**110,258**	**11,649**	**21,291**	**9,642**	**81,377**	**98,533**	**17,156**	**41,995**	**24,839**

Notes: 1. The fair value of Taiyo Life's real estate assets is calculated based on the appraisal prices and posted prices.
2. The fair value of Daido Life's real estate assets is, in principle, calculated based on appraisal prices, whereas for less important real estate it is calculated based on posted prices.
3. T&D Financial Life had no real estate assets as of March 31, 2007.

6. Rating Changes

The three life insurance companies are rated by various rating agencies on their ability to pay insurance claims. (For details of the ratings of Taiyo Life, Daido Life, and T&D Financial Life as of June 30, 2007, see page 98.)

We note the possibility that the Group's earnings could be damaged by fewer new policies and an increase in the 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.

7. Risk Related to Other Directly Owned Subsidiaries

(1) Asset Management Business Risk

The Company has entered the asset management business through its directly owned subsidiary T&D Asset Management Co., Ltd. The asset management business includes acting as an intermediary in the investment process and providing advice or investment trust products for which the asset management company is paid a commission fee by the customer based on the assets in custody. If the value of assets should decline due to market risk resulting in an increase in cancellation of asset management contracts or a decrease in the number of new customers, it could have a negative impact on the results and financial condition of the Company.

(2) Risk Related to the Small-amount Short-term Insurance Businesses

After the revision of the Insurance Business Law, a small-amount short-term insurance business system was introduced in April 2006.

Having registered as a small-amount short-term insurance business, the Company converted Japan Family Insurance Planning Co., Ltd., which offers pet insurance, into a subsidiary in January 2007 (The company's name was subsequently changed to Pet & Family Small-amount and Short-term Insurance Company).

The small-amount short-term insurance business is legally restricted in various ways. For example, the maximum insured amount is ¥10 million and the longest coverage period is two years.

This conversion of an unregulated *kyosai* (mutual aid program) without a legal basis into a regulated small-amount short-term insurance business could have an adverse influence on the business results and financial conditions of the above mentioned subsidiary due to further changes in regulations or conditions.

Regulatory Environment

1. Overview

All insurance businesses in Japan are regulated and supervised based on the Insurance Business Law. The current form of this law reflects its comprehensive amendment in June 1995, against the backdrop of the liberalization and globalization of the financial industry. The revised Insurance Business Law was enforced in April 1996, to "protect policyholders' interests by 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 P&C insurance, are subject to this law. In addition to having a supervisory nature, the Insurance Business Law acts as an insurance company law that specifies the organization and operations of insurance companies.

The regulatory authority for insurance companies is the Financial Services Agency (FSA). Based on the Insurance Business Law and other laws and regulations, this regulatory agency issues business licenses, approves fundamental documents (contractual provisions, business method reports, etc.), and supervises day-to-day operations. In addition, specific regulations related to the insurance business are provided by the Insurance Business Law Enforcement Ordinance, which was issued by the Cabinet Office, and the Insurance Business Law Enforcement Regulations and Notices, issued by the Cabinet Office, as well as bulletins and notifications. The principal laws and regulations related to life insurance operations are reviewed in the chart below.

Overview of the Principal Laws and Regulations Related to Life Insurance Operations

Item	Explanation
Fundamental Items	
(1) License system (life insurance business license)	Enables the underwriting of First Sector insurance (conventional life insurance providing for fixed payments related to the survival or death of a person), Third Sector insurance (medical insurance, accident insurance, and nursing care insurance), and insurance related to both First Sector insurance and Third Sector insurance
(2) Prohibition of concurrent operations	Prohibits the acquisition by one party of licenses for both life insurance and P&C insurance operations and the concurrent practice of such operations
(3) Prohibition of other operations	Prohibits operations in fields other than those governed by the Insurance Business Law and certain other laws and regulations related to life insurance operations
Business Operation Items	
(1) Approval of fundamental documents	The regulatory agency supervises life insurance companies by approving such fundamental documents as contractual provisions, business method reports, insurance policy provisions, and methods of calculating insurance premiums and policy reserves. Insurance companies, in principle, must obtain the approval of the regulatory agency regarding new product development and insurance premium changes.
(2) Authority of regulatory agency	In addition to the prior item, the regulatory agency is acknowledged to have such supervisory authority regarding insurance companies as that to require the submission of reports and documents, conduct on-the-spot inspections of offices, order the implementation of operational improvements, and cancel registrations.
(3) Asset management regulations	Specific limits are set for the methods and proportions of investment of money and other assets received as insurance premiums (see below).
(4) Determination of sound financial condition	The regulatory agency may assess the financial soundness of insurance companies based on solvency margin ratios and adjusted net assets and take necessary measures (implementing Prompt Corrective Action measures, ordering the suspension of operations, etc.)

Overview of Asset Management Regulations by Account Category

Account	General Account	Separate Account
Definition	Account for the management of assets other than assets in the separate account	Account for the purpose of returning investment gains directly to policyholders; managed separately from general account assets
Principal assets and proportional restrictions	Investment weightings relative to total book value of general account assets: • domestic stocks: 30% or less • foreign-denominated assets: 30% or less • real estate: 20% or less	No restrictions on proportions of managed assets, however, in accordance with the separate account's special need for the convertibility of managed assets, it is the general practice to invest in listed securities and other assets with daily price quotations.

2. Changes in the Regulatory Environment

Since the revised Insurance Business Law came into effect in 1996, diverse insurance business related-law reforms have been implemented to promote deregulation and free competition in line with the objective of financial liberalization and the principle of self-responsibility.

Although deregulation has expanded the areas open to free competition, other regulations have been tightened to ensure that insurance companies maintain sound and appropriate operations. Examples include the December 1998 revision of the Insurance Business Law based on the Financial System Reform Law. This entailed the introduction of a payment guarantee system and Prompt Corrective Action measures based on solvency margin standards. In March 2001, in view of a series of insurance company bankruptcies that occurred against the backdrop of the negative spreads caused by the protracted period of low interest rates, a stricter solvency margin calculation method was adopted. In addition, to ensure that insurance companies are financially sound and to increase their management transparency, the reporting of core profit was made mandatory, monitoring systems were strengthened, and the application of mark-to-market accounting to held securities was made a requirement.

To help ensure insurance companies maintain adequate reserves, the minimum policyholder dividend rate set for life insurance companies in their articles of incorporation was lowered from 80% to 20% in March 2002. From August 2003, it has become possible for insurers with the probability of experiencing difficulty in continuing their business to lower their assumed investment yields for existing policies to a minimum level of 3%.

In April 2006, to simplify insurance product examinations by the regulatory authority and promote insurance product price flexibility, the projected business expenses ratio and other items were eliminated from the calculation method for book items. In May 2006, new rules were created for the provision of policy reserves in Third Sector Insurance. The rules enable life insurance companies to add their own historical experience in applying the standard mortality table for Third Sector Insurance in setting premiums. To ensure the appropriateness of these insurance premiums, post-facto monitoring by the regulatory authority is being implemented.

3. Changes in Fiscal 2006 and T&D Life Group Response

(1) Creation of the Small-amount Short-term Insurance Business System

The April 2006 enforcement of the revised Insurance Business Law created a new "small-amount short-term insurance business system." This system was established to protect *kyosai* (mutual aid program) members, a field that was unregulated and had no supervisory system by a regulatory authority.

Under this system, existing unregulated *kyosai* that were underwriting insurance as of April 1, 2006, are defined as "specified insurance companies" and were obligated to register with the regulatory authorities by September 30, 2006. A portion of the Insurance Business Law's marketing-related and other regulations are applicable to such specified insurance companies, which, if they wish to continue engaging in business, must either obtain insurance company licenses or register as small-amount short-term insurance companies by March 31, 2008. Even companies that choose the simpler option of registering as small-amount short-term insurance companies will have to deposit guarantee money and accept regulations and regulatory supervision comparable to that of insurance companies with regard to such issues as asset management, policy marketing, and information disclosure.

The Company's response to these changes has been to invest in Japan Family Insurance Planning, and convert it into a subsidiary in January 2007. Subsequently changing its name to Pet & Family Small-amount and Short-term Insurance Company, the subsidiary commenced sales of pet insurance in April 2007.

(2) Revision in Standard Life Table

The standard life table used to calculate the standard policy reserves of insurance companies is officially announced. Until now, the *Life Insurance Companies Standard Life Table 1996* has been used for this purpose. Because of the decline in mortality rate of the Japanese, particularly the elderly, however, the FSA commissioned the organization stipulated by the Insurance Business Law, the Institute of Actuaries of Japan, to prepare a new standard life table. The Institute submitted the new table to the FSA in September 2006. Following examination by the FSA and subsequent revision of sections of the official notification, the new *Life Insurance Companies Standard Life Table 2007* is being used for new contracts commencing on or after April 1, 2007.

In consideration of the lower mortality rates in the *Life Insurance Companies Standard Life Table 2007*, the three life insurance companies of the T&D Life Group have decided in general to reduce insurance premiums related to death protection products. On the other hand, they have also decided to maintain or increase insurance premiums related to living protection products such as fixed annuities or medical insurance.

Changes in the Regulatory Environment

Enforced in	Event	Details
Apr. 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
May 1998	Lifting of the ban on establishing financial holding companies	Financial (insurance) holding company system introduced
Dec. 1998	Revision related to the Financial System Reform Law	Payment guarantee system introduced (Insurance Policyholders Protection Corporation established to replace the insurance policyholders protection fund)
		Ban lifted on OTC sales of investment trusts
		Subsidiary regulations improved
		Prompt Corrective Action measures (solvency margin standards) introduced
		Ban lifted on insurance sales at securities firms
Jun. 2000	Clarification of inspection standards	*Inspection Manual for Insurance Companies* publicly released
Jul. 2000	Revision of the Insurance Business Law and laws related to special measures for the rehabilitation process of financial institutions	Regulations for demutualization from a mutual company to a joint stock company revised
		Financial resources of the Insurance Policyholders Protection Corporation increased
		Bankruptcy law system improved
Mar. 2001	Enhancement of measure to promote financial soundness	Prompt Corrective Action measures (solvency margin standards) made stricter
Apr. 2001	Creation of Consumer Protection Law	Implementation of the Consumer Contract Law and the Financial Product Marketing Law
	Start of OTC sales at banks	Sales of some life insurance products begin at bank counters (credit life insurance related to housing loans)
Jul. 2001	Deregulation in the Third Sector of Insurance	All types of insurance companies permitted to enter the Third Sector (Previously, only foreign insurance companies and certain life insurance companies were permitted to operate in the Third Sector.)
Mar. 2002	Lowering of the minimum policyholder dividend rate	The minimum policyholder 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)
Jan. 2003	Creation of Client Identification Law	Promotion of client administration systems by financial institutions and other companies that help prevent money laundering and other problematic behavior
Jun. 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 (The April 2005 revision of the Insurance Business Law led to a reevaluation of the system and a three-year extension of the government's contributions.)
Aug. 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
Apr. 2005	Unification of methods for calculating minimum guarantee risks of variable annuities	Introduction of new rules concerning the provision of reserves for minimum guarantee risks of variable annuities and recognition of minimum guarantee risks when calculating solvency margins (Cabinet Office Regulation)
Aug. 2005	Systematic organization of regulatory standards	Announcement of "Comprehensive Regulatory Policies with Respect to Insurance Companies" (Elimination of previous business guidelines)
Dec. 2005	Broadening of types of products that can be sold at banks	Types of insurance products that can be sold at banks broadened to include a portion of savings-oriented products (single premium whole life insurance, etc.)

Enforced in	Event	Details
Apr. 2006	Strengthening of marketing regulations regarding unregulated *kyosai* (mutual aid programs)	Introduction of small-amount short-term insurance provider system and other new rules to strengthen marketing regulations concerning unregulated *kyosai* (mutual aid programs)
	Simplifying of insurance product examinations and increasing price elasticity	Elimination of projected business expense ratio items from the calculation method book items for which information must be supplied
May 2006	Responding to future benefit payment risks in the Third Sector of Insurance	Creation of rules for the provision of policy reserves in the Third Sector of Insurance and implementation of post-facto monitoring by the regulatory authority (new rules for the provision of policy reserves effective from the fiscal year ending March 31, 2007)
Oct. 2006	Revision of standard life table	Official notification revised and instructions given to use the Life Insurance *Companies Standard Life Table 2007* for new contracts formed on or after April 1, 2007
Oct. 2007 (Planned)	Privatization of Japan Post Public Corporation	Privatization of Japan Post Public Corporation (Postal life insurance business transferred to KAMPO Life)
Dec. 2007 (Planned)	Full deregulation of OTC sales at banks	Banks and securities firms will be able to sell all categories of insurance products

Reference: Summary of Deregulation Scheduled in Fiscal 2007

1. Privatization of Post Office (Japan Post Public Corporation)

On October 14, 2005, in an extraordinary session of the Japanese Diet, laws related to the Japanese Postal Office were voted on and passed. Since then, the government has been preparing for privatization under the laws. The government has entered a preparation period that extends to September 2007, which is to be followed by a series of implementation stages running up to September 2017.

The postal life insurance system was created as a governmental monopoly to supplement private sector life insurance, which focused on the mass-market policies that required annual payments and medical examinations. Following the end to its monopoly on monthly payments and no-examination, the gap between the policies offered by the postal life insurance system and the private sector life insurance companies has narrowed, resulting in competition between the two sectors. The postal life insurance system accounts for about ¥9 trillion of a total of ¥42 trillion paid in life insurance premiums per annum in Japan. After privatization, the postal life insurance policies will be serviced by KAMPO Life, which will be spun out as a subsidiary of Japan Post, and will be issued a life insurance business license.

Yucho Bank, Ltd., which is being formed from the postal savings and other operations, Post Office, which is taking over the postal services, and KAMPO Life, are planning to sell financial products, such as variable annuities through their directly operated branches.

2. Full Deregulation of OTC Sales at Banks

Since securities firms were first allowed to sell insurance products in December 1998, liberalization of insurance product sales by banks and securities firms has progressed in stages. In April 2001, sales of insurance products by banks (hereinafter referred to as "OTC sales at banks") were deregulated, but only for a select number of products. In October 2002, the scope was broadened to include individual annuities (variable and fixed), asset-formation insurance, and several other types of insurance. Deregulation was further expanded in December 2005 to include insurance for individuals that had a high savings component (single premium whole life, single premium endowment, and savings-type accident insurance).

Deregulation of OTC sales at banks has progressed from the beginning at the request of banks. The FSA has expanded the scope of deregulated insurance products in stages since April 2005, with full deregulation targeted for April 2007. The life insurance industry, however, has voiced some concern that the banks could take advantage of their position to utilize the sales, medical, and health information obtained from the sales of insurance in their loan or other businesses, damaging the soundness of the overall insurance industry during this period of rapid progress in the separation of origination and marketing. Because of these protests against the rapid pace of liberalization, the FSA postponed the date for full deregulation of OTC sales at banks to December 2007.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As of March 31,	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Assets:			
Cash and deposits	**¥ 419,874**	¥ 447,376	**$ 3,556,751**
Call loans	**340,800**	192,534	**2,886,912**
Monetary claims purchased	**450,533**	280,577	**3,816,465**
Monetary trusts (Note 20)	**113,187**	250,472	**958,810**
Securities (Notes 11 and 19)	**9,870,253**	9,830,655	**83,610,791**
Loans (Note 3)	**2,430,540**	2,518,726	**20,589,079**
Property and equipment	**—**	318,610	**—**
Tangible fixed assets	**317,603**	—	**2,690,411**
Intangible fixed assets	**22,921**	—	**194,169**
Due from agencies	**1,466**	1,548	**12,421**
Due from reinsurers	**8,955**	7,196	**75,859**
Other assets	**117,719**	141,437	**997,196**
Deferred tax assets (Note 18)	**770**	830	**6,525**
Reserve for possible loan losses	**(3,648)**	(3,732)	**(30,908)**
Total assets	**¥14,090,977**	¥13,986,233	**$119,364,487**

FINANCIAL SECTION

As of March 31,	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	**¥ 73,651**	¥ 68,674	**$ 623,899**
Policy reserve	**12,073,772**	11,985,462	**102,276,772**
Reserve for policyholder dividends (Note 6)	**197,357**	196,698	**1,671,810**
Total policy reserves	**12,344,781**	12,250,835	**104,572,482**
Due to agencies	**1,313**	849	**11,124**
Due to reinsurers	**529**	549	**4,482**
Short-term debenture	**20,000**	20,000	**169,419**
Subordinated bonds (Note 7)	**20,000**	20,000	**169,419**
Other liabilities (Note 8)	**178,750**	183,379	**1,514,193**
Reserve for bonus to directors and corporate auditors	**172**	—	**1,457**
Reserve for employees' retirement benefits (Note 22)	**114,986**	108,382	**974,045**
Reserve for directors' and corporate auditors' retirement benefits	**3,707**	3,368	**31,410**
Reserve for price fluctuations	**104,542**	73,995	**885,575**
Deferred tax liabilities (Note 18)	**201,178**	231,764	**1,704,180**
Deferred tax liabilities on land revaluation	**10,787**	11,494	**91,377**
Total liabilities	**13,000,748**	12,904,619	**110,129,168**
Minority interests	—	1,514	—
Commitments (Note 9)			
Stockholders' equity:			
Common stock:			
Authorized – 966,000,000 shares			
Issued – 246,330,000 shares	—	118,595	—
Capital surplus	—	106,104	—
Retained earnings	—	205,889	—
Land revaluation	—	(47,724)	—
Net unrealized gains on securities	—	697,511	—
Translation adjustment	—	44	—
Treasury stock	—	(322)	—
Total stockholders' equity	—	1,080,098	—
Total liabilities, minority interests and stockholders' equity	—	13,986,233	—
Net assets:			
Common stock:			
Authorized – 966,000,000 shares			
Issued – 246,330,000 shares	**118,595**	—	**1,004,620**
Capital surplus	**106,106**	—	**898,828**
Retained earnings (Note 10)	**231,678**	—	**1,962,544**
Treasury stock	**(496)**	—	**(4,209)**
Total stockholders' equity	**455,883**	—	**3,861,783**
Net unrealized gains on securities	**680,401**	—	**5,763,671**
Gains on deferred hedge	**488**	—	**4,134**
Land revaluation	**(48,501)**	—	**(410,859)**
Foreign currency translation adjustment	**48**	—	**409**
Total valuation and translation adjustment	**632,435**	—	**5,357,355**
Minority interests	**1,909**	—	**16,178**
Total net assets	**1,090,229**	—	**9,235,318**
Total liabilities and net assets	**¥14,090,977**	¥ —	**$119,364,487**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31,	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Ordinary revenues:			
Income from insurance premiums	**¥1,811,596**	¥1,902,318	**$15,346,006**
Investment income:			
Interest, dividends and income from real estate for rent	**269,689**	236,154	**2,284,540**
Gains from monetary trusts, net	**4,767**	—	**40,388**
Gains on investments in trading securities, net	**17,824**	22,157	**150,990**
Gains on sales of securities	**94,247**	87,559	**798,366**
Gains on redemptions of securities	**1**	467	**9**
Other investment income	**2,763**	2,762	**23,408**
Gains on separate accounts, net	**18,156**	116,568	**153,799**
Total investment income	**407,449**	465,671	**3,451,503**
Other ordinary income:			
Other ordinary income	**66,954**	76,282	**567,172**
Total other ordinary income	**66,954**	76,282	**567,172**
Equity in net income of affiliated companies	**33**	22	**285**
Total ordinary revenues	**2,286,034**	2,444,295	**19,364,967**
Ordinary expenses:			
Insurance claims and other payments:			
Insurance claims	**672,425**	790,900	**5,696,108**
Annuity payments	**161,682**	148,093	**1,369,607**
Insurance benefits	**296,469**	298,774	**2,511,386**
Surrender payments	**389,975**	369,103	**3,303,477**
Other payments	**110,131**	139,185	**932,921**
Total insurance claims and other payments	**1,630,683**	1,746,057	**13,813,501**
Provision for policy and other reserves:			
Provision for reserve for outstanding claims	**4,977**	—	**42,160**
Provision for policy reserve	**88,310**	172,169	**748,080**
Interest portion of reserve for policyholder dividends	**947**	1,001	**8,025**
Total provision for policy and other reserves	**94,235**	173,171	**798,266**
Investment expenses:			
Interest expenses	**1,806**	1,663	**15,305**
Losses from monetary trusts, net	**—**	1,055	**—**
Losses on sales of securities	**52,377**	26,833	**443,686**
Devaluation losses on securities	**720**	873	**6,105**
Losses from redemption of securities	**1**	1	**15**
Losses from derivatives, net	**35,992**	52,295	**304,893**
Foreign exchange losses, net	**6,119**	5,147	**51,834**
Provision for reserve for possible loan losses	**0**	—	**5**
Write-off of loans	**12**	23	**102**
Depreciation of real estate for rent	**5,201**	5,391	**44,063**
Other investment expenses	**12,979**	9,846	**109,946**
Total investment expenses	**115,212**	103,132	**975,959**
Operating expenses	**208,963**	209,728	**1,770,126**
Other ordinary expenses	**78,767**	75,358	**667,237**
Total ordinary expenses	**2,127,862**	2,307,448	**18,025,091**
Ordinary profit	**¥ 158,172**	¥ 136,846	**$ 1,339,875**

(continued)

Years ended March 31,	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Extraordinary gains:			
Gains on disposal of property and equipment	**¥ —**	¥ 908	**$ —**
Gains on disposal of fixed assets	**1,324**	—	**11,218**
Reversal of reserve for possible loan losses	**—**	606	**—**
Recoveries of bad debts previously written-off	**194**	224	**1,643**
Other (Note 12)	**763**	143	**6,467**
Total extraordinary gains	**2,281**	1,883	**19,330**
Extraordinary losses:			
Losses on disposal and devaluation of property and equipment	**—**	1,962	**—**
Losses on disposal and devaluation of fixed assets	**1,111**	—	**9,414**
Impairment loss (Note 13)	**1,899**	3,593	**16,088**
Provision for reserve for price fluctuations	**30,546**	31,325	**258,760**
Headquarters removal costs	**1,257**	—	**10,649**
Other	**494**	2,434	**4,190**
Total extraordinary losses	**35,309**	39,316	**299,103**
Provision for reserve for policyholder dividends	**56,481**	44,476	**478,455**
Income before income taxes	**68,663**	54,936	**581,646**
Income taxes (Note 18)**:**			
Current	**50,665**	30,696	**429,188**
Deferred	**(20,909)**	(11,428)	**(177,128)**
Minority interests	**134**	123	**1,142**
Net income	**¥38,772**	¥ 35,545	**$ 328,443**

	(Yen)		(U.S. dollars)
Net income per share (Note 23)**:**			
Basic	**¥157.45**	¥ 146.19	**$1.33**
Diluted	**—**	—	**—**

See notes to consolidated financial statements.

FINANCIAL SECTION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	(Millions of yen)											
	Stockholders' equity					Valuation and translation adjustments						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains on securities	Gains on deferred hedge	Land revaluation	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance as of March 31, 2005	¥100,000	¥ 87,515	¥180,592	¥(190)	¥367,917	¥246,458	¥ —	¥(32,037)	¥ (6)	¥214,414	¥1,403	¥ 583,734
Changes in the period:												
Issuance of new shares	18,595	18,587			37,183							37,183
Dividends			(10,865)		(10,865)							(10,865)
Bonus to directors and corporate auditors			(227)		(227)							(227)
Net income			35,545		35,545							35,545
Acquisition of treasury stock ...				(139)	(139)							(139)
Disposal of treasury stock		1		6	7							7
Reversal of land revaluation			845		845							845
Net changes of items other than stockholders' equity					—	451,053	—	(15,686)	50	435,417	111	435,528
Total changes in the period	18,595	18,589	25,297	(132)	62,349	451,053	—	(15,686)	50	435,417	111	497,878
Balance as of March 31, 2006	118,595	106,104	205,889	(322)	430,266	697,511	—	(47,724)	44	649,831	1,514	1,081,613
Changes in the period:												
Dividends			**(13,544)**		**(13,544)**							**(13,544)**
Bonus to directors and corporate auditors			**(216)**		**(216)**							**(216)**
Net income			**38,772**		**38,772**							**38,772**
Acquisition of treasury stock ...				**(179)**	**(179)**							**(179)**
Disposal of treasury stock		**2**		**5**	**8**							**8**
Reversal of land revaluation			**777**		**777**							**777**
Net changes of items other than stockholders' equity					**—**	**(17,110)**	**488**	**(777)**	**4**	**(17,395)**	**394**	**(17,000)**
Total changes in the period	**—**	**2**	**25,788**	**(174)**	**25,616**	**(17,110)**	**488**	**(777)**	**4**	**(17,395)**	**394**	**8,616**
Balance as of March 31, 2007	**¥118,595**	**¥106,106**	**¥231,678**	**¥(496)**	**¥455,883**	**¥680,401**	**¥488**	**¥(48,501)**	**¥48**	**¥632,435**	**¥1,909**	**¥1,090,229**

	(Thousands of U.S. dollars)											
	Stockholders' equity					Valuation and translation adjustments						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains on securities	Gains on deferred hedge	Land revaluation	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance as of March 31, 2006	$1,004,620	$898,808	$1,744,090	$(2,734)	$3,644,785	$5,908,614	$ —	$(404,276)	$374	$5,504,711	$12,833	$9,162,331
Changes in the period:												
Dividends			**(114,738)**		**(114,738)**							**(114,738)**
Bonus to directors and corporate auditors			**(1,833)**		**(1,833)**							**(1,833)**
Net income			**328,443**		**328,443**							**328,443**
Acquisition of treasury stock ...				**(1,523)**	**(1,523)**							**(1,523)**
Disposal of treasury stock		**19**		**48**	**68**							**68**
Reversal of land revaluation			**6,582**		**6,582**							**6,582**
Net changes of items other than stockholders' equity					**—**	**(144,942)**	**4,134**	**(6,582)**	**34**	**(147,356)**	**3,345**	**(144,010)**
Total changes in the period	**—**	**19**	**218,453**	**(1,475)**	**216,998**	**(144,942)**	**4,134**	**(6,582)**	**34**	**(147,356)**	**3,345**	**72,987**
Balance as of March 31, 2007	**$1,004,620**	**$898,828**	**$1,962,544**	**$(4,209)**	**$3,861,783**	**$5,763,671**	**$4,134**	**$(410,859)**	**$409**	**$5,357,355**	**$16,178**	**$9,235,318**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31,	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Cash flows from operating activities:			
Income before income taxes	**¥ 68,663**	¥ 54,936	**$ 581,646**
Depreciation of real estate for rent	**5,201**	5,391	**44,063**
Other depreciation and amortization	**14,054**	20,903	**119,057**
Impairment loss	**1,899**	3,593	**16,088**
Amortization of goodwill due to consolidation	**405**	—	**3,435**
Increase (decrease) in reserve for outstanding claims	**4,977**	(6,358)	**42,160**
Increase in policy reserve	**88,310**	172,169	**748,080**
Increase in interest portion of reserve for policyholder dividends	**947**	1,001	**8,025**
Increase in provision for reserve for policyholder dividends	**56,481**	44,476	**478,455**
Decrease in reserve for possible loan losses	**(83)**	(716)	**(705)**
Increase in reserve for bonus to directors and corporate auditors	**172**	—	**1,457**
Increase (decrease) in reserve for employees' retirement benefits	**6,603**	(2,534)	**55,934**
Increase in reserve for directors' and corporate auditors' retirement benefits	**339**	326	**2,875**
Increase in reserve for price fluctuations	**30,546**	31,325	**258,760**
Interest, dividends and income from real estate for rent	**(269,689)**	(236,154)	**(2,284,540)**
Gains on investment securities	**(77,129)**	(199,045)	**(653,359)**
Interest expense	**1,806**	1,663	**15,305**
Exchange losses	**6,185**	5,203	**52,396**
Losses on disposal of property and equipment	**—**	667	**—**
Gains on disposal of tangible assets	**(345)**	—	**(2,922)**
Equity in net income of affiliated companies	**(33)**	(22)	**(285)**
(Increase) decrease in amount due from agencies	**81**	(11)	**693**
(Increase) in amount due from reinsurers	**(1,759)**	(1,115)	**(14,900)**
(Increase) in other assets (excluding investment activities-related and financing activities-related)	**(6,551)**	(10,766)	**(55,500)**
Increase (decrease) in amount due to agencies	**464**	(144)	**3,931**
Decrease in amount due to reinsurers	**(20)**	(208)	**(173)**
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	**1,521**	(4,038)	**12,890**
Other, net	**41,436**	61,046	**351,010**
Subtotal	**(25,512)**	(58,411)	**(216,112)**
Interest, dividends and income from real estate for rent received	**260,170**	239,809	**2,203,901**
Interest paid	**(1,812)**	(1,671)	**(15,350)**
Policyholder dividends	**(56,763)**	(53,462)	**(480,840)**
Other, net	**11,823**	6,901	**100,156**
Income taxes received (paid)	**(43,594)**	5,474	**(369,287)**
Net cash provided by operating activities	**¥ 144,312**	¥138,640	**$ 1,222,466**

(continued)

FINANCIAL SECTION

Years ended March 31,	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Cash flows from investing activities:			
Net decrease in short-term investments	**¥ 0**	¥ 19	**$ 0**
Investments in monetary claims purchased	**(164,492)**	(136,593)	**(1,393,416)**
Proceeds from sale and redemption of monetary claims purchased	**37,041**	77,863	**313,779**
Investments in monetary trusts	**(25,500)**	(142,200)	**(216,010)**
Proceeds from monetary trusts	**159,308**	144,346	**1,349,502**
Purchase of securities	**(2,543,595)**	(2,817,782)	**(21,546,762)**
Sale and redemption of securities	**2,802,515**	2,545,276	**23,740,070**
Investments in loans	**(639,698)**	(695,338)	**(5,418,880)**
Collection of loans	**731,108**	913,847	**6,193,206**
Other, net	**(99,357)**	(83,459)	**(841,656)**
Subtotal	**257,329**	(194,021)	**2,179,833**
Total of net cash provided by (used in) operating activities and investment transactions as above	**401,641**	(55,380)	**3,402,299**
Purchase of property and equipment	**—**	(5,406)	**—**
Purchase of tangible assets	**(14,264)**	—	**(120,831)**
Proceeds from disposal of property and equipment	**—**	3,094	**—**
Proceeds from disposal of tangible assets	**3,484**	—	**29,515**
Purchase of subsidiary's equity with a change of scope of consolidation	**(186)**	—	**(1,579)**
Net cash provided by (used in) investing activities	**246,362**	(196,333)	**2,086,937**
Cash flows from financing activities:			
Proceeds from debt	**18,100**	6,750	**153,324**
Repayments of debt	**(6,316)**	(5,903)	**(53,504)**
Proceeds from issuance of stocks	**—**	37,183	**—**
Purchase of treasury stock	**(179)**	(139)	**(1,523)**
Sale of treasury stock	**8**	7	**68**
Dividends paid	**(13,229)**	(10,520)	**(112,065)**
Dividends paid to minority interests	**(30)**	(32)	**(259)**
Net cash provided by (used in) financing activities	**(1,648)**	27,346	**(13,961)**
Effect of exchange rate changes on cash and cash equivalents	**(6,384)**	(5,312)	**(54,083)**
Net increase (decrease) in cash and cash equivalents	**382,642**	(35,659)	**3,241,359**
Cash and cash equivalents at beginning of year	**834,403**	870,062	**7,068,220**
Cash and cash equivalents at end of year (Note 15)	**¥ 1,217,045**	¥ 834,403	**$ 10,309,579**

See notes to consolidated financial statements.

FINANCIAL SECTION

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") (hereafter, the "Three Life Insurance 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 the financial statements 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 financial statements have been reclassified and summarized for readers outside Japan. These consolidated financial statements have been prepared on the basis of generally accepted accounting principles and practices in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the accompanying footnotes include information that is not required under generally accepted accounting principles and practices 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 intercompany balances and transactions are eliminated. The number of consolidated subsidiaries for the years ended March 31, 2007 and 2006 were 17 and 16, respectively.

Investments in affiliates are accounted for under the equity method. The number of affiliated companies for the years ended March 31, 2007 and 2006 were two, respectively.

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" on page 160.

The financial statements of subsidiaries located outside Japan for the year ended December 31 are consolidated. Appropriate adjustments have been made for material transactions between December 31 and March 31, the date of the Company's consolidated financial statements.

(c) Foreign currency translation

(i) Foreign currency accounts

Foreign currency assets and liabilities are translated into yen at the prevailing foreign exchange rates at respective balance sheet date 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 prevailing exchange rates 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 yen at the exchange rates in effect at the consolidated 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 consolidated statements of operations and are accumulated in "Foreign currency translation adjustment" or "Minority interests" as a separate component of net assets.

(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 consolidated statements of operations. Unrealized gains and losses on marketable available-for-sale securities are reported in a separate component of net assets, 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 recorded on the statements of operations. 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, the 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 Asset Liability Management (ALM) activity in its 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) all policies except for "group insurance policies" and "other insurance policies" with respect to general assets, (2) all policies for "defined contribution corporate pension insurance" and "group pure endowment insurance" policies with respect to group annuity insurance assets, and (3) all policies with respect to single premium whole life insurance assets.

Effective for the year ended March 31, 2007, Taiyo Life changed the category from policies basis to assets basis. General assets previously included policies with maturities of less than 25 years, however, to be consistent with actual condition of the liabilities, all policies are included in the general assets. Taiyo Life newly added a category for single premium whole life insurance assets for the purpose of presenting assets and liabilities more accurately.

There is no impact on the consolidated balance sheets due to the changes mentioned above.

(e) Reserve for possible loan losses

The reserve for possible loan losses is established in accordance with the Three Life Insurance Companies' Self-Assessment Guidelines. With respect to loans to borrowers subject to bankruptcy and similar proceedings, the Three Life Insurance 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 who are 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 Insurance 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 Insurance 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 establish reserves for possible loan losses using the procedures in the same manner as the Three Life Insurance 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 Article 115 of the Insurance Business Law, the Three Life Insurance 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 Article 116 of the Insurance Business Law, the Three Life Insurance Companies maintain a policy reserve for the fulfilment 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.

For the calculation of the reserve for the insurance contracts whose conditions were changed under Article 69-4-4 of the "Enforcement Regulation of the Insurance Business Law," T&D Financial Life applied the net level premium method in place of the Zillmer Method, of which period is the premium paying year of the contracts. The effect of this change was to decrease ordinary profit and income before income taxes by ¥4,074 million ($34,516 thousand) for the year ended March 31, 2007.

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

(h) Reserve for bonus to directors and corporate auditors

To provide for payment of the bonus to directors and corporate auditors, the Company and its consolidated subsidiaries set up a reserve for directors' and corporate auditors' bonus based on the expected amount to be paid in the year ended March 31, 2007.

Effective for the year ended March 31, 2007, the Company adopted Accounting Standards Board of Japan (ASBJ) Statement No. 4 "Accounting Standard for Directors' Bonus" issued by ASBJ. The effect of this change was to decrease ordinary profit and income before income taxes by ¥172 million ($1,457 thousand) for the year ended March 31, 2007.

(i) Reserve for employees' retirement benefits

The Company and its consolidated subsidiaries maintain noncontributory 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 salaries 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.

Net obligation at translation on the employees' retirement benefits plan due to the change of rules for some employees' retirement benefits by Taiyo Life is recorded on statements of operations for the year ended March 31, 2007.

Net actuarial gains and losses on the employees' retirement benefits plan are recorded on statements of operations when incurred.

(j) 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 salaries 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 an actuarial calculation of the 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.

(k) Income taxes

The Company has adopted the consolidated corporate tax system. The 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.

(l) Tangible fixed assets

Tangible fixed assets 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 improvements and from 2 to 20 years for equipment.

(m) Software

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

(n) Leases

Under the 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 ("nonownership-transfer finance lease") are permitted to be accounted for as operating lease transactions.

The Company and its consolidated subsidiaries treat all nonownership-transfer finance leases as operating leases. Accordingly, leased assets with respect to nonownership-transfer finance leases where the Company is the lessee are not recognized in the accompanying consolidated balance sheets and lease payments are charged to expense when incurred. Nonownership-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 consolidated balance sheets. Depreciation of leased assets is computed by the straight-line method over the respective lease period. Lease income is recognized when incurred.

(o) 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 or losses after the initial revaluation are not reflected in the consolidated financial statements but are disclosed if additional valuation losses are subsequently recognized after the initial revaluation. Net revaluation gains or losses are not recorded on statements of operations but are reported as a separate component of net assets, 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.

(p) 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 consolidated balance sheets, 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 consolidated balance sheets 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 for Taiyo Life are follows:

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

Taiyo Life measures hedge effectiveness semi-annually using the method comparing the variability of the cash flow of the hedging instrument to the variability of the cash flow of the hedged item. However, Taiyo Life omits the test of hedge effectiveness of special treatment for interest rate swaps, same currency interest rate swaps, and individual stock options, margin transactions and forward trading with domestic equities as hedged items.

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

Daido Life measured the hedge effectiveness and determined that a part of interest rate swaps to which deferral hedge was used had not fulfilled the requirement of application of the hedge accounting, thus, the hedge accounting for the interest rate swaps was not applied at March 31, 2007.

There is no impact from the above change on the consolidated balance sheet.

(q) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its domestic consolidated subsidiaries are not included in income and expenses. The net of consumption taxes received and paid are separately recorded on the consolidated balance sheets. Where consumption taxes paid are not fully credited against consumption taxes received, the noncredited portion is charged as an expense in the period in which the consumption taxes are paid. However, certain noncredited 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.

(r) Amortization of goodwill

Goodwill is fully amortized when incurred.

(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.

(t) Presentation of net assets in the balance sheet

Effective for the year ended March 31, 2007, the Company adopted ASBJ Statement No. 5 "Accounting Standards for Presentation of Net Assets in the Balance Sheet" and ASBJ Guidance No. 8 "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" issued by ASBJ.

Total equity calculated by the former presentation method was ¥1,087,831 million ($9,215,005 thousand).

Due to the revision of the regulations regarding consolidated financial statements, the "Net assets" of the consolidated balance sheets as of March 31, 2007 were prepared in accordance with the revised regulations.

(u) Changes in method of presentation

Pursuant to the revision of the exhibit forms on the "Enforcement Regulation of the Insurance Business Law (Cabinet Office Order No. 59)", the method of the presentation has been changed as follows:

On the consolidated balance sheets, formerly presented as "property and equipment" is presented as "tangible fixed assets." The balance of "intangible fixed assets," formerly presented as a part of "other assets", was ¥22,733 million as of March 31, 2006.

In the consolidated statements of operations, formerly presented as "gains on disposal of property and equipment" and "losses on disposal and devaluation of property and equipment" are presented as "gains on disposal of fixed assets" and "losses on disposal and devaluation of fixed assets" respectively.

On the consolidated statements of cash flows, formerly presented as "gains/losses on disposal of property and equipment" is presented as "gains/losses on disposal of tangible assets." Also, formerly presented as "purchase of property and equipment" and "proceeds from disposal of property and equipment" are presented as "purchase of tangible assets" and "proceeds from disposal of tangible assets," respectively.

(v) Presentation of changes of capital surplus and earnings

Changes of capital surplus and retained earnings through the years of March 31, 2006 and 2007 are presented on Consolidated statements of changes in net assets. The previous years Consolidated statements of surplus are restated accordingly.

(w) Net assets per share

Net assets per share is computed based on the number of shares of common stock outstanding at the end of each fiscal year.

(x) Net income per share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year.

(y) Appropriation of retained earnings

As in the past, the Company continues an annual dividend payment approved by the Ordinary Shareholders' Meeting. According to the Articles of Incorporation, semiannual interim dividend payment may be made by the resolution of the Board of Directors.

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 ¥118.05=U.S.$1, which is the approximate rate prevailing at March 31, 2007. 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 rate.

Note 3. Loans

Delinquent loans of the Company and its consolidated subsidiaries as of March 31, 2007 and 2006 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	**2007**	2006	**2007**
Loans to bankrupt companies	**¥ 559**	¥ 315	**$ 4,735**
Past due loans	**2,873**	2,564	**24,338**
Loans overdue for three months or more	**4,165**	4,698	**35,289**
Restructured loans	**406**	472	**3,442**
Total	**¥8,004**	¥8,049	**$67,805**

"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 years ended March 31, 2007 and 2006 amounted to ¥6 million ($56 thousand) and ¥6 million, respectively. Past due loans decreased due to write-offs ¥240 million ($2,037 thousand) and ¥1,337 million for the years ended March 31, 2007 and 2006, respectively.

The Company and its consolidated subsidiaries' outstanding loan commitments with borrowers as of March 31, 2007 and 2006 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	**2007**	2006	**2007**
Total loan commitments	**¥2,500**	¥1,800	**$21,177**
Less amount drawn down	**336**	513	**2,846**
Unused loan commitments	**¥2,163**	¥1,286	**$18,330**

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 4. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of March 31, 2007 and 2006 were ¥203,137 million ($1,720,774 thousand) and ¥198,771 million, respectively.

Note 5. Separate Accounts

The consolidated balance sheets include ¥786,065 million ($6,658,750 thousand) and ¥618,093 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2007 and 2006, respectively.

Separate account assets and liabilities reported in the accompanying consolidated balance sheets represent funds that are administered and invested by the Three Life Insurance 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 Insurance 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 stated at fair value. Cost is determined by the moving-average method.

Note 6. Reserve for Policyholder Dividends

An analysis of the reserve for policyholder dividends included in policy reserves for the years ended March 31, 2007 and 2006 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
Years ended March 31	**2007**	2006	**2007**
Balance at beginning of period	**¥196,698**	¥204,665	**$1,666,232**
Policyholder dividends	**(56,763)**	(53,462)	**(480,840)**
Increase in interest	**947**	1,001	**8,025**
Increase due to other reasons	**—**	17	**—**
Decrease due to other reasons	**(7)**	—	**(62)**
Provision for reserve for policyholder dividends	**56,481**	44,476	**478,455**
Balance at end of period	**¥197,357**	¥196,698	**$1,671,810**

Provision for reserve for policyholder dividends includes the transferred amount from unordinary dividends stated in the reorganization program on T&D Financial Life. This amounted to ¥593 million ($5,026 thousand).

Note 7. 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 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, 2007 and 2006	Subscription date	Opening balance	Ending balance	Offered rate	Guarantee	Maturity
Series 1	November 14, 2003	¥20,000	¥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 8. Other Liabilities

Other liabilities included ¥35,000 million ($296,484 thousand) of subordinated borrowings as of March 31, 2007 and 2006, respectively.

Note 9. Commitments

The amounts of the Three Life Insurance 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 ¥794 million ($6,727 thousand) and ¥2,346 million as of March 31, 2007 and 2006, respectively. The contributions are recorded on statements of operation 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 ¥31,557 million ($267,326 thousand) and ¥31,263 million as of March 31, 2007 and 2006, respectively. The contributions are also recorded on statements of operation as an operating expense when paid, as the amount of future contributions is not yet fixed.

A total of ¥145,797 million ($1,235,048 thousand) and ¥145,462 million of the Three Life Insurance 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 to secure such future contributions and as a substitution of collateral for margin trading and margin for futures contracts as of March 31, 2007 and 2006, respectively.

Note 10. 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 91 of the Insurance Business Law, amounted to ¥63,158 million ($535,013 thousand) and ¥10,836 million ($91,794 thousand) as of March 31, 2007, respectively.

Note 11. Investments in Affiliates

Securities included ¥213 million ($1,810 thousand) and ¥186 million of investments in affiliates as of March 31, 2007 and 2006, respectively.

Note 12. Extraordinary Gains—Other

Other extraordinary gains include the transferred amount from reserve assets of unordinary dividends stated in the reorganization program on T&D Financial Life. This amounted to ¥593 million ($5,026 thousand).

Note 13. Impairment Loss

Impairment loss relating to fixed assets as of March 31, 2007 is as follows:

(1) Categorization of assets

The Three Life Insurance Companies categorize real estate owned for insurance marketing purposes as a single asset group. Other assets such as lease property and unused real estate are categorized separately. The other consolidated subsidiaries categorize real estate on a company by company basis.

(2) Background of impairment loss

Because of decreases in fair market value and rental income, impairment loss was recognized as the difference between the existing book value and recoverable amount. This decrease is reported in extraordinary losses as "Impairment loss."

(3) Impairment loss per asset group

		March 31, 2007			
		(Millions of yen)			(Thousands of U.S. dollars)
		Impairment loss			Impairment loss
Asset	The number of impairment loss	Land	Buildings	Total	Total
Lease assets	8	¥1,290	¥609	¥1,899	$16,088

Note: Summarized above is to clarify the category of incurred impairment losses by various asset groups.

(4) Calculation method of recoverable amount

The recoverable amount is based on the use value and the net realizable value. The use value is calculated by discounting future cash flows at 5.8%. In principle, the net realizable value is calculated by subtracting the estimated costs of disposal from appraisal value calculated in accordance with the real estate appraisal standard.

FINANCIAL SECTION

Note 14. Consolidated Statements of Changes in Net Assets

(1) Type and number of shares issued and treasury shares

	Number of shares as of the previous fiscal year-end	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares as of the fiscal year-end
Shares issued:				
Common stock	246,330,000	—	—	246,330,000
Treasury stock:				
Common stock	58,753	21,055	960	78,848

Notes: 1. Treasury stock increased 21,055 shares by purchasing odd-lot shares.
2. Treasury stock decreased 960 shares by accepting requests of adding to holding odd-lot shares.

(2) Information of shareholder dividends

The amount of policyholder dividends is as follows:

		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Date of resolution	Type of shares	Amount of shareholder dividends		Shareholder dividends per share		Record date	Effective date
Ordinary shareholders' meeting held on June 28, 2006	Common stocks	¥13,544	$114,738	¥55	$0.46	March 31, 2006	June 28, 2006

The amount of policyholder dividends that is affected in the year ending March 31, 2008 while its record date is in the year ended March 31, 2007 is as follows:

Date of resolution	Type of shares	Amount of shareholder dividends (Millions of yen)	Amount of shareholder dividends (Thousands of U.S. dollars)	Underlying assets	Shareholder dividends per share (Yen)	Shareholder dividends per share (U.S. dollars)	Record date	Effective date
Ordinary shareholders' meeting held on June 27, 2007	Common stocks	¥16,006	$135,589	Retained earnings	¥65	$0.55	March 31, 2007	June 28, 2007

Note 15. Consolidated Statements of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the consolidated statements of cash flows to cash and cash deposits as stated in the consolidated balance sheets as of March 31, 2007 and 2006:

As of March 31	(Millions of yen) 2007	(Millions of yen) 2006	(Thousands of U.S. dollars) 2007
Cash and deposits	**¥ 419,874**	¥ 447,376	**$ 3,556,751**
Less: deposits with an original maturity of more than three months	**(90)**	(90)	**(762)**
Call loans	**340,800**	192,534	**2,886,912**
Monetary claims purchased	**450,533**	280,577	**3,816,465**
Less: monetary claims purchased other than cash and cash equivalents	**(269,413)**	(141,487)	**(2,282,201)**
Securities purchased	**9,870,253**	9,830,655	**83,610,791**
Less: securities purchased other than cash and cash equivalents	**(9,594,912)**	(9,775,162)	**(81,278,378)**
Cash and cash equivalents	**¥ 1,217,045**	¥ 834,403	**$ 10,309,579**

Note 16. 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 17. Lease Transactions

Information regarding nonownership-transfer finance leases were as follows:

(1) As lessee

Pro forma information of nonownership-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 as of March 31, 2007 and 2006 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	**2007**	2006	**2007**
Tangible fixed assets:			
Acquisition cost	**¥124**	¥108	**$1,053**
Accumulated depreciation	**(43)**	(81)	**(368)**
Net carrying value	**¥ 80**	¥ 26	**$ 684**
Other:			
Acquisition cost	**¥131**	¥ 71	**$1,118**
Accumulated depreciation	**(25)**	(2)	**(216)**
Net carrying value	**¥106**	¥ 69	**$ 901**
Total:			
Acquisition cost	**¥256**	¥180	**$2,171**
Accumulated depreciation	**(69)**	(84)	**(585)**
Net carrying value	**¥187**	¥ 95	**$1,586**

Obligations under finance leases as of March 31, 2007 and 2006 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	**2007**	2006	**2007**
Due within one year	**¥ 50**	¥23	**$ 431**
Due after one year	**138**	72	**1,169**
Total	**¥188**	¥96	**$1,600**

Total payments for nonownership-transfer finance leases for the years ended March 31, 2007 and 2006 were ¥48 million ($408 thousand) and ¥18 million, respectively.

Depreciation and imputed interest cost, which are not reflected in the accompanying consolidated statements of operations, for the years ended March 31, 2007 and 2006 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	**2007**	2006	**2007**
Depreciation	**¥45**	¥17	**$388**
Imputed interest cost	**3**	0	**31**

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 leases as of March 31, 2007 and 2006 were as follows:

As of March 31	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Due within one year	**¥0**	¥5	**$5**
Due after one year	**—**	0	**—**
Total	**¥0**	¥6	**$5**

(2) As lessor

Information of nonownership-transfer finance leases contracted as a lessor, required under Japanese accounting standards, as of March 31, 2007 and 2006 are summarized as follows.

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

As of March 31	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Other:			
Acquisition cost	**¥ 52,920**	¥ 49,171	**$ 448,291**
Accumulated depreciation	**(30,223)**	(26,751)	**(256,024)**
Net carrying value	**¥ 22,697**	¥ 22,420	**$ 192,267**

The amounts equivalent to the minimum lease payments to be received as of March 31, 2007 and 2006 were as follows:

As of March 31	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Due within one year	**¥ 7,618**	¥ 7,712	**$ 64,532**
Due after one year	**21,887**	20,972	**185,409**
Total	**¥29,505**	¥28,685	**$249,941**

Gross lease income, recovery to the principal amount and net lease income if the Company applied finance lease accounting to nonownership-transfer finance leases for the years ended March 31, 2007 and 2006 would have been as follows:

Years ended March 31	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Gross lease income	**¥8,612**	¥8,366	**$72,953**
Recovery of principal amount	**7,585**	7,347	**64,260**
Net lease income	**¥1,447**	¥1,312	**$12,262**

Imputed interest cost is computed by the interest method.

Note 18. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to corporate (national) and inhabitants (local) taxes based on income. The footnote disclosure of reconciliation between the enacted tax rate and the corporate tax rate is as follows. Since for the year ended March 31, 2006 the difference between the enacted tax rate used and the corporate tax rate used is less than 5% of the enacted tax rates, the footnote disclosure is omitted.

Years ended March 31	2007	2006
Statutory tax rate	**36.1%**	—%
Valuation allowance	**4.1**	—
Permanent difference items including entertainment expense, etc.	**1.3**	—
Other, net	**1.8**	—
Effective tax rate	**43.3%**	—%

Significant components of deferred tax assets and liabilities of the Company and consolidated subsidiaries as of March 31, 2007 and 2006 are summarized below:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	2007	2006	2007
Deferred tax assets:			
Policy reserves	**¥ 90,863**	¥ 82,046	**$ 769,699**
Reserve for employees' retirement benefits	**41,556**	39,166	**352,025**
Reserve for price fluctuations	**37,746**	26,717	**319,746**
Devaluation losses on securities	**10,021**	10,146	**84,890**
Unrealized gains on available-for-sale securities	**9,959**	9,432	**84,368**
Deferred loss on disposal of tangible assets	**4,322**	4,142	**36,612**
Tax loss carryforward	**4,257**	3,468	**36,062**
Reserve for bonus payments	**3,321**	3,336	**28,132**
Reserve for possible loan losses	**1,405**	1,774	**11,906**
Other	**8,770**	8,038	**74,293**
Subtotal	**212,222**	188,270	**1,797,738**
Valuation allowance	**(15,956)**	(13,024)	**(135,167)**
Total deferred tax assets	**196,266**	175,245	**1,662,570**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(393,539)**	(403,639)	**(3,333,669)**
Accrued dividend income	**(1,757)**	(1,615)	**(14,884)**
Deferred gain on reduction of book value of real estate	**(908)**	(916)	**(7,695)**
Other	**(469)**	(8)	**(3,976)**
Total deferred tax liabilities	**(396,674)**	(406,179)	**(3,360,225)**
Net deferred tax asset	**¥(200,408)**	¥(230,933)	**$(1,697,655)**
Amounts recognized in consolidated balance sheet:			
Assets	**¥ 770**	¥ 830	**$ 6,525**
Liabilities	**201,178**	231,764	**1,704,180**
	¥(200,408)	¥(230,933)	**$(1,697,655)**

Note 19. Investments in Securities

(1) As of March 31, 2007

Securities classified as trading securities by the Company and its consolidated subsidiaries as of March 31, 2007 are summarized as follows:

(Millions of yen)		(Thousands of U.S. dollars)	
Carrying amount	Valuation difference charged to earnings-losses	Carrying amount	Valuation difference charged to earnings-losses
¥944,537	**¥(113)**	**$8,001,167**	**$(963)**

Investments in held-to-maturity securities with readily obtainable fair value as of March 31, 2007 are summarized as follows:

	(Millions of yen)		
As of March 31, 2007	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	**¥151,675**	**¥152,589**	**¥ 913**
Municipal bonds	**21,755**	**22,243**	**488**
Corporate bonds	**44,422**	**45,458**	**1,036**
Total domestic bonds	**217,853**	**220,291**	**2,438**
Foreign bonds	**—**	**—**	**—**
Other securities	**50,281**	**50,764**	**483**
Total	**268,134**	**271,056**	**2,922**
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	**227,189**	**224,129**	**(3,059)**
Municipal bonds	**3,501**	**3,428**	**(72)**
Corporate bonds	**88,233**	**86,724**	**(1,509)**
Total domestic bonds	**318,924**	**314,283**	**(4,641)**
Foreign bonds	**15,000**	**14,992**	**(7)**
Other securities	**87,639**	**86,494**	**(1,144)**
Total	**421,563**	**415,770**	**(5,793)**
Grand total	**¥689,698**	**¥686,826**	**¥(2,871)**

As of March 31, 2007	Carrying amount	Fair value	Gross unrealized gains (losses)
	(Thousands of U.S. dollars)		
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	**$1,284,840**	**$1,292,580**	**$ 7,739**
Municipal bonds	**184,286**	**188,427**	**4,141**
Corporate bonds	**376,306**	**385,082**	**8,776**
Total domestic bonds	**1,845,433**	**1,866,090**	**20,657**
Foreign bonds	**—**	**—**	**—**
Other securities	**425,932**	**430,028**	**4,096**
Total	**2,271,365**	**2,296,119**	**24,753**
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	**1,924,516**	**1,898,600**	**(25,915)**
Municipal bonds	**29,660**	**29,046**	**(614)**
Corporate bonds	**747,426**	**734,640**	**(12,786)**
Total domestic bonds	**2,701,603**	**2,662,288**	**(39,315)**
Foreign bonds	**127,064**	**127,001**	**(63)**
Other securities	**742,391**	**732,693**	**(9,697)**
Total	**3,571,059**	**3,521,983**	**(49,076)**
Grand total	**$5,842,425**	**$5,818,102**	**$(24,323)**

Note: Other securities include certificates of deposits amounting to ¥5,000 million ($42,354 thousand) that are shown as cash and deposits, commercial paper amounting to ¥28,982 million ($245,509 thousand) and beneficiary trust certificates amounting to ¥103,938 million ($880,458 thousand) that are shown as monetary claims purchased on the consolidated balance sheet as of March 31, 2007.

Policy reserve-matching bonds with readily obtainable fair value as of March 31, 2007 are summarized as follows:

As of March 31, 2007	Carrying amount	Fair value	Gross unrealized gains (losses)
	(Millions of yen)		
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	**¥ 431,298**	**¥ 435,755**	**¥ 4,456**
Municipal bonds	**129,224**	**131,302**	**2,078**
Corporate bonds	**307,269**	**311,125**	**3,856**
Total	**867,791**	**878,183**	**10,391**
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	**145,959**	**145,227**	**(731)**
Municipal bonds	**189,091**	**188,011**	**(1,080)**
Corporate bonds	**452,143**	**449,491**	**(2,651)**
Total	**787,194**	**782,731**	**(4,463)**
Grand total	**¥1,654,986**	**¥1,660,914**	**¥ 5,927**

As of March 31, 2007	Carrying amount	Fair value	Gross unrealized gains (losses)
	(Thousands of U.S. dollars)		
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	$ 3,653,522	$ 3,691,275	$ 37,753
Municipal bonds	1,094,657	1,112,264	17,607
Corporate bonds	2,602,871	2,635,536	32,664
Total	7,351,052	7,439,076	88,024
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	1,236,422	1,230,223	(6,199)
Municipal bonds	1,601,793	1,592,644	(9,148)
Corporate bonds	3,830,100	3,807,636	(22,463)
Total	6,668,316	6,630,504	(37,811)
Grand total	$14,019,368	$14,069,581	$ 50,212

Available-for-sale securities with readily obtainable fair value as of March 31, 2007 are summarized as follows:

As of March 31, 2007	Acquisition cost	Carrying amount	Difference
	(Millions of yen)		
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 345,167	¥ 355,370	¥ 10,203
Municipal bonds	788,870	797,803	8,933
Corporate bonds	878,985	892,063	13,078
Total domestic bonds	2,013,022	2,045,237	32,215
Domestic equities	584,085	1,268,363	684,277
Foreign securities:			
Foreign bonds	638,973	663,813	24,839
Foreign equities	90,378	120,385	30,006
Foreign other securities	85,066	97,284	12,218
Total foreign securities	814,418	881,483	67,064
Other securities	699,906	956,321	256,415
Total	4,111,433	5,151,406	1,039,972
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	242,396	240,730	(1,666)
Municipal bonds	253,935	251,378	(2,557)
Corporate bonds	459,961	454,081	(5,880)
Total domestic bonds	956,294	946,190	(10,104)
Domestic equities	68,150	58,196	(9,954)
Foreign securities:			
Foreign bonds	191,469	189,629	(1,839)
Foreign equities	10,495	9,906	(588)
Foreign other securities	10,127	9,226	(900)
Total foreign securities	212,091	208,762	(3,329)
Other securities	471,933	467,936	(3,996)
Total	1,708,470	1,681,085	(27,384)
Grand total	¥5,819,903	¥6,832,491	¥1,012,588

As of March 31, 2007	(Thousands of U.S. dollars) Acquisition cost	Carrying amount	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	**$ 2,923,908**	**$ 3,010,338**	**$ 86,429**
Municipal bonds	**6,682,509**	**6,758,184**	**75,674**
Corporate bonds	**7,445,870**	**7,556,660**	**110,789**
Total domestic bonds	**17,052,289**	**17,325,183**	**272,894**
Domestic equities	**4,947,784**	**10,744,287**	**5,796,502**
Foreign securities:			
Foreign bonds	**5,412,740**	**5,623,153**	**210,413**
Foreign equities	**765,598**	**1,019,781**	**254,182**
Foreign other securities	**720,593**	**824,099**	**103,506**
Total foreign securities	**6,898,931**	**7,467,033**	**568,102**
Other securities	**5,928,895**	**8,100,989**	**2,172,094**
Total	**34,827,901**	**43,637,494**	**8,809,593**
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	**2,053,336**	**2,039,221**	**(14,115)**
Municipal bonds	**2,151,088**	**2,129,427**	**(21,660)**
Corporate bonds	**3,896,331**	**3,846,516**	**(49,814)**
Total domestic bonds	**8,100,756**	**8,015,165**	**(85,591)**
Domestic equities	**577,305**	**492,981**	**(84,323)**
Foreign securities:			
Foreign bonds	**1,621,931**	**1,606,346**	**(15,585)**
Foreign equities	**88,906**	**83,917**	**(4,989)**
Foreign other securities	**85,788**	**78,158**	**(7,629)**
Total foreign securities	**1,796,627**	**1,768,422**	**(28,204)**
Other securities	**3,997,738**	**3,963,884**	**(33,853)**
Total	**14,472,427**	**14,240,454**	**(231,972)**
Grand total	**$49,300,328**	**$57,877,949**	**$8,577,620**

Notes: 1. Other securities include certificates of deposits amounting to ¥116,500 million ($986,869 thousand) that are shown as cash and deposits, commercial paper amounting to ¥166,128 million ($1,407,273 thousand) and beneficiary trust certificates amounting to ¥149,757 million ($1,268,594 thousand) that are shown as monetary claims purchased on the consolidated balance sheet as of March 31, 2007.

2. Impairment losses with respect to the available-for-sale securities with readily obtainable fair value as of March 31, 2007 totaled ¥339 million ($2,873 thousand) and were charged to income. Impairment loss was recognized when the fair market value of securities as of March 31, 2007 decreased from the acquisition cost by 30% or more.

Gross gains of ¥93,883 million ($795,282 thousand) and gross losses of ¥41,588 million ($352,291 thousand) were recorded on the sales of securities classified as available-for-sale for the year ended March 31, 2007. Total proceeds on such sales amounted to ¥1,437,906 million ($12,180,483 thousand) for the year ended March 31, 2007.

Gross gains of ¥364 million ($3,083 thousand) and gross losses of ¥10,789 million ($91,394 thousand) were recorded on the sales of securities classified as policy reserve-matching bonds for the year ended March 31, 2007. Total proceeds on such sales amounted to ¥586,074 ($4,964,630 thousand) for the year ended March 31, 2007.

There are no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2007.

Securities without readily obtainable fair value held by the Company as of March 31, 2007 are summarized as follows:

As of March 31, 2007	Carrying amount (Millions of yen)	Carrying amount (Thousands of U.S. dollars)
Available-for-sale securities:		
Unlisted stocks	**¥ 32,199**	**$ 272,761**
Foreign securities/unlisted stocks	**0**	**0**
Foreign securities/other securities	**257,849**	**2,184,241**
Other securities	**28,797**	**243,939**
Total	**¥318,846**	**$2,700,941**

The Company reclassified certain bonds originally classified as held-to-maturity securities, with a net book value of ¥1,240,403 million ($10,507,443 thousand), into available-for-sale securities. To secure mobility to the shift of securities corresponding to long-term insurance liabilities, the held-to-maturity securities in general assets were reclassified. As a result of the reclassification, the balance of available-for-sale securities increased ¥8,270 million ($70,061 thousand), the balance of monetary claims purchased decreased ¥676 million ($5,727 thousand) and net unrealized gains on available-for-sale securities increased ¥4,852 million ($41,102 thousand).

The carrying value of bonds classified as available-for-sale and held-to-maturity securities at March 31, 2007, by contractual maturity date, is as follows:

As of March 31, 2007	(Millions of yen) Due in one year or less	Dues after one year through five years	Due after five years through 10 years	Due after 10 years
Government bonds	**¥ 399,135**	**¥ 413,450**	**¥ 306,810**	**¥ 432,745**
Municipal bonds	**164,910**	**683,658**	**461,645**	**82,541**
Corporate bonds	**200,244**	**972,411**	**564,816**	**489,387**
Domestic equities	**—**	**—**	**2,000**	**—**
Foreign bonds	**96,007**	**385,112**	**220,798**	**165,531**
Foreign equities	**—**	**3,719**	**2,098**	**—**
Other foreign securities	**314**	**27,397**	**79,054**	**40,884**
Other securities	**316,843**	**34,052**	**25,167**	**242,972**
Total	**¥1,177,455**	**¥2,519,802**	**¥1,662,391**	**¥1,454,061**

As of March 31, 2007	(Thousands of U.S. dollars) Due in one year or less	Dues after one year through five years	Due after five years through 10 years	Due after 10 years
Government bonds	**$3,381,067**	**$ 3,502,332**	**$ 2,598,984**	**$ 3,665,780**
Municipal bonds	**1,396,952**	**5,791,260**	**3,910,591**	**699,205**
Corporate bonds	**1,696,268**	**8,237,287**	**4,784,554**	**4,145,593**
Domestic equities	**—**	**—**	**16,941**	**—**
Foreign bonds	**813,277**	**3,262,287**	**1,870,379**	**1,402,214**
Foreign equities	**—**	**31,508**	**17,772**	**—**
Other foreign securities	**2,667**	**232,080**	**669,673**	**346,329**
Other securities	**2,683,973**	**288,456**	**213,195**	**2,058,213**
Total	**$9,974,206**	**$21,345,214**	**$14,082,093**	**$12,317,336**

(2) As of March 31, 2006

Securities classified as trading securities by the Company and its consolidated subsidiaries as of March 31, 2006 are summarized as follows:

(Millions of yen)	
Carrying amount	Valuation difference charged to earnings—gains
¥747,069	¥116,015

Investments in held-to-maturity securities with readily obtainable fair value as of March 31, 2006 are summarized as follows:

	(Millions of yen)		
As of March 31, 2006	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥ 181,546	¥ 186,872	¥ 5,326
Municipal bonds	349,033	354,834	5,801
Corporate bonds	352,857	360,319	7,462
Total domestic bonds	883,436	902,026	18,590
Foreign bonds	40,849	41,492	642
Other securities	24,219	24,256	36
Total	948,505	967,775	19,269
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	208,209	204,860	(3,348)
Municipal bonds	227,518	222,056	(5,461)
Corporate bonds	432,979	422,234	(10,744)
Total domestic bonds	868,706	849,150	(19,555)
Foreign bonds	36,897	36,516	(381)
Other securities	127,304	124,244	(3,059)
Total	1,032,908	1,009,911	(22,996)
Grand total	¥1,981,414	¥1,977,687	¥ (3,727)

Note: Other securities include certificates of deposits amounting to ¥5,000 million that are shown as cash and deposits, commercial paper amounting to ¥28,998 million and beneficiary trust certificates amounting to ¥117,525 million that are shown as monetary claims purchased on the consolidated balance sheet as of March 31, 2006.

Policy reserve-matching bonds with readily obtainable fair value as of March 31, 2006 are summarized as follows:

	(Millions of yen)		
As of March 31, 2006	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥ 192,548	¥ 193,288	¥ 740
Municipal bonds	23,731	24,067	335
Corporate bonds	120,889	122,513	1,623
Total	337,169	339,870	2,700
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	350,739	345,996	(4,743)
Municipal bonds	288,386	282,308	(6,077)
Corporate bonds	797,003	782,770	(14,232)
Total	1,436,129	1,411,075	(25,053)
Grand total	¥1,773,298	¥1,750,945	¥(22,353)

Available-for-sale securities with readily obtainable fair value as of March 31, 2006 are summarized as follows:

As of March 31, 2006	(Millions of yen) Acquisition cost	Carrying amount	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 127,742	¥ 134,965	¥ 7,223
Municipal bonds	410,981	417,852	6,871
Corporate bonds	462,602	471,343	8,740
Total domestic bonds	1,001,326	1,024,162	22,835
Domestic equities	681,219	1,429,572	748,352
Foreign securities:			
Foreign bonds	476,628	499,196	22,568
Foreign equities	73,980	88,546	14,566
Foreign other securities	54,469	60,277	5,808
Total foreign securities	605,077	648,021	42,943
Other securities	562,214	815,428	253,214
Total	2,849,838	3,917,184	1,067,346
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	148,291	145,950	(2,340)
Municipal bonds	199,179	194,911	(4,267)
Corporate bonds	337,066	331,641	(5,425)
Total domestic bonds	684,537	672,503	(12,033)
Domestic equities	19,156	18,175	(980)
Foreign securities:			
Foreign bonds	349,103	341,624	(7,479)
Foreign equities	16,006	15,123	(883)
Foreign other securities	64,275	62,560	(1,715)
Total foreign securities	429,386	419,308	(10,077)
Other securities	355,536	352,784	(2,752)
Total	1,488,616	1,462,772	(25,844)
Grand total	¥4,338,454	¥5,379,957	¥1,041,502

Notes: 1. Other securities include certificates of deposits amounting to ¥63,000 million that are shown as cash and deposits, commercial paper amounting to ¥116,091 million and beneficiary trust certificates amounting to ¥17,961 million that are shown as monetary claims purchased on the consolidated balance sheet as of March 31, 2006.

2. Impairment losses with respect to the available-for-sale securities with readily obtainable fair value as of March 31, 2006 totaled ¥314 million and were charged to income. Impairment loss was recognized when the fair market value of securities as of March 31, 2006 decreased from the acquisition cost by 30% or more.

Gross gains of ¥86,692 million and gross losses of ¥19,844 million were recorded on the sales of securities classified as available-for-sale for the year ended March 31, 2006. Total proceeds on such sales amounted to ¥1,366,507 million for the year ended March 31, 2006.

Gross gains of ¥812 million and gross losses of ¥6,988 million were recorded on the sales of securities classified as policy reserve-matching bonds for the year ended March 31, 2006. Total proceeds on such sales amounted to ¥370,366 million for the year ended March 31, 2006.

Net gains of ¥54 million were recorded through the sales of securities classified as held-to-maturity bonds for the year ended March 31, 2006. Total proceeds on such sales amounted to ¥4,947 million, and total acquisition costs for such bonds amounted to ¥4,892 million.

To prevent the decrease of holding asset liquidity and the forecast of future cash flows, this transaction was performed so that the liquidity of group insurance asset would be maintained.

Securities without readily obtainable fair value held by the Company as of March 31, 2006 are summarized as follows:

As of March 31, 2006	(Millions of yen) Carrying amount
Available-for-sale securities:	
Unlisted stocks	¥ 31,138
Foreign securities/unlisted stocks	—
Foreign securities/other securities	246,763
Other securities	19,590
Total	¥297,492

The carrying value of bonds classified as available-for-sale and held-to-maturity securities at March 31, 2006, by contractual maturity date, is as follows:

	(Millions of yen)			
As of March 31, 2006	Due in one year or less	Dues after one year through five years	Due after five years through 10 years	Due after 10 years
Government bonds	¥278,337	¥ 270,059	¥ 281,477	¥ 382,959
Municipal bonds	120,796	758,227	595,588	26,821
Corporate bonds	132,675	1,106,904	780,608	483,113
Foreign bonds	72,379	432,431	276,571	137,207
Foreign equities	—	—	—	—
Other foreign securities	1,308	26,390	49,405	52,229
Other securities	213,333	21,280	18,910	132,024
Total	¥818,832	¥2,615,294	¥2,002,562	¥1,214,354

Note 20. Investment in Monetary Trusts

(1) As of March 31, 2007

Monetary trusts classified as trading purpose trusts by the Company and its consolidated subsidiaries as of March 31, 2007 are summarized as follows:

(Millions of yen)		(Thousands of U.S. dollars)	
Carrying amount	Valuation difference charged to earnings—losses	Carrying amount	Valuation difference charged to earnings—losses
¥12,340	**¥(2,979)**	**$104,538**	**$(25,235)**

There are no monetary trusts for held-to-maturity or policy reserve-matching purposes as of March 31, 2007.

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Monetary trusts other than investment, held-to-maturity and policy reserve-matching purpose as of March 31, 2007 are summarized as follows:

	(Millions of yen)		
As of March 31, 2007	Acquisition cost	Carrying amount	Gross unrealized gains
Monetary trusts	**¥46,773**	**¥76,546**	**¥29,772**

	(Thousands of U.S. dollars)		
As of March 31, 2007	Acquisition cost	Carrying amount	Gross unrealized gains
Monetary trusts	**$396,221**	**$648,427**	**$252,205**

Note: In addition to the monetary trusts above, joint monetary trusts amounting to ¥24,300 million ($205,844 thousand) are stated at the acquisition cost on the consolidated balance sheet as of March 31, 2007.

(2) As of March 31, 2006

Monetary trusts classified as trading purpose trusts by the Company and its consolidated subsidiaries as of March 31, 2006 are summarized as follows:

(Millions of yen)	
Carrying amount	Valuation difference charged to earnings—losses
¥7,748	¥(4,406)

There are no monetary trusts for held-to-maturity or policy reserve-matching purposes as of March 31, 2006.

Monetary trusts other than investment, held-to-maturity and policy reserve-matching purpose as of March 31, 2006 are summarized as follows:

	(Millions of yen)		
As of March 31, 2006	Acquisition cost	Carrying amount	Gross unrealized gains
Monetary trusts	¥160,634	¥198,374	¥37,740

Notes: 1. In addition to the monetary trusts above, joint monetary trusts amounting to ¥44,350 million are stated at the acquisition cost on the consolidated balance sheet as of March 31, 2006.

2. Impairment losses with respect to monetary trusts other than investment, held-to-maturity and policy reserve-matching as of March 31, 2006 amounted to ¥21 million and were charged to income. Impairment loss was recognized when the fair market value of securities as of March 31, 2006 decreased from the acquisition cost by 30% or more.

Note 21. Derivative Financial Instruments

The Three Life Insurance 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 consolidated balance sheets or for future investments, and to manage the differences in the duration of its assets and liabilities. In addition, the 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 Insurance Companies have established internal rules regarding derivative financial instruments including policies and procedures for risk assessment, 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 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 Insurance Companies use derivative financial instruments mainly to hedge or manage market risk exposures resulting from assets on the consolidated balance sheets, 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 nonperformance by the counterparties is therefore considered to be remote.

The Three Life Insurance Companies use derivative financial instruments for the purpose of complementing risk hedges, which are linked with cash product assets. Accordingly, the Three Life Insurance Companies do not make a deal for speculative trades.

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.

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, owing 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, 2007 and 2006. Notional amounts do not represent exposure to credit loss.

	(Millions of yen)			
	Notional amounts			
As of March 31, 2007	Over one year	One year or less	Current market or fair value	Valuation gains (losses)
Interest rate swap (fixed interest receipt)	**¥116,235**	**¥ 29,789**	**¥ (733)**	**¥ (733)**
Interest rate swap (fixed interest pay)	**138,382**	**1,400**	**1,209**	**1,209**
Foreign exchange contracts sold	**—**	**789,672**	**788,415**	**1,256**
Foreign exchange contracts bought	**—**	**995**	**1,005**	**10**
Bond futures contracts sold	**—**	**22,559**	**22,537**	**21**
Stock index futures sold	**—**	**16,563**	**16,753**	**(189)**
Stock index options bought (put)	**—**	**—**	**—**	**—**
Total valuation losses, net				**¥1,576**

As of March 31, 2006	Notional amounts (Millions of yen) Over one year	One year or less	Current market or fair value	Valuation gains (losses)
Interest rate swap (fixed interest receipt)	¥123,240	¥ 15,046	¥ (2,083)	¥(2,083)
Interest rate swap (fixed interest pay)	139,782	2,600	3,309	3,309
Foreign exchange contracts sold	—	684,568	692,495	(7,927)
Foreign exchange contracts bought	—	156	156	(0)
Bond futures contracts sold	—	27,233	26,958	274
Stock index futures sold	—	26,375	28,417	(2,041)
Stock index options bought (put)	—	19,996	340	(986)
Total valuation losses, net				¥(9,454)

As of March 31, 2007	Notional amounts (Thousands of U.S. dollars) Over one year	One year or less	Current market or fair value	Valuation gains (losses)
Interest rate swap (fixed interest receipt)	**$ 984,626**	**$ 252,344**	**$ (6,210)**	**$ (6,210)**
Interest rate swap (fixed interest pay)	**1,172,232**	**11,859**	**10,247**	**10,247**
Foreign exchange contracts sold	**—**	**6,689,302**	**6,678,660**	**10,642**
Foreign exchange contracts bought	**—**	**8,429**	**8,519**	**90**
Bond futures contracts sold	**—**	**191,097**	**190,912**	**185**
Stock index futures sold	**—**	**140,310**	**141,914**	**(1,603)**
Stock index options bought (put)	**—**	**—**	**—**	**—**
Total valuation losses, net				**$13,350**

Notes: 1. The transactions that apply deferral hedge and fair value hedge accounting, including special treatment for interest rate swaps, are included above.
2. 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 consolidated balance sheets 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, 2007 and 2006.

As of March 31, 2007	Notional amounts (Millions of yen) Over one year	One year or less	Current market or fair value	Valuation gains (losses)
Currency options bought (put)	**¥32,286**	**¥3,406**		
Option premium	**4,338**	**134**	**¥2,170**	**¥(2,301)**
Currency options bought (put) in USD	**19,976**	**2,126**		
Option premium	**2,930**	**93**	**1,646**	**(1,377)**
Currency options bought (put) in EUR	**12,309**	**1,279**		
Option premium	**1,407**	**40**	**524**	**(923)**
Stock index options bought (put)	**97,500**	**6,908**		
Option premium	**12,518**	**292**	**7,777**	**(5,034)**
Total valuation losses, net				**¥(7,335)**

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As of March 31, 2006	(Millions of yen) Notional amounts Over one year	One year or less	Current market or fair value	Valuation gains (losses)
Currency options bought (put)	¥26,945	¥2,455		
Option premium	3,393	53	¥1,918	¥(1,528)
Currency options bought (put) in USD	15,536	1,429		
Option premium	2,125	33	1,203	(955)
Currency options bought (put) in EUR	11,408	1,026		
Option premium	1,267	19	714	(572)
Stock index options bought (put)	59,531	4,409		
Option premium	6,908	105	4,185	(2,828)
Total valuation gains, net				¥(4,356)

As of March 31, 2007	(Thousands of U.S. dollars) Notional amounts Over one year	One year or less	Current market or fair value	Valuation gains (losses)
Currency options bought (put)	**$273,495**	**$28,858**		
Option premium	**36,747**	**1,138**	**$18,387**	**$(19,497)**
Currency options bought (put) in USD	**169,223**	**18,016**		
Option premium	**24,823**	**791**	**13,943**	**(11,671)**
Currency options bought (put) in EUR	**104,272**	**10,842**		
Option premium	**11,923**	**346**	**4,443**	**(7,826)**
Stock index options bought (put)	**825,922**	**58,518**		
Option premium	**106,045**	**2,481**	**65,882**	**(42,644)**
Total valuation losses, net				**$(62,142)**

Notes: 1. The transactions that apply deferral hedge and fair value hedge accounting, including special treatment for interest rate swaps, are included above.

2. 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 consolidated balance sheets are excluded above.

Note 22. Reserve for Employees' Retirement Benefits

The components of net periodic pension cost are summarized below:

Years ended March 31	(Millions of yen) 2007	2006	(Thousands of U.S. dollars) 2007
Service cost	**¥ 5,692**	¥5,752	**$ 48,218**
Interest cost	**2,486**	2,567	**21,061**
Expected return on assets	**(384)**	(332)	**(3,260)**
Amortization of unrecognized net actuarial loss	**7,820**	480	**66,243**
Amortization of unrecognized net obligation at translation	**314**	—	**2,660**
Net periodic pension cost	**15,927**	8,467	**134,924**
Other	**124**	149	**1,054**
Total pension cost	**¥16,052**	¥8,617	**$135,979**

Assumptions used in accounting for the plans were as follows:

Years ended March 31	2007	2006
Discount rate	**1.9% – 2.3%**	1.9% – 2.3%
Expected long-term rate of return on assets	**1.25% – 2.49%**	1.25% – 2.6%

The plans' funded status as of March 31, 2007 and 2006 is summarized below:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	2007	2006	2007
Projected benefit obligation	**¥135,898**	¥127,369	**$1,151,192**
Plan assets	**(20,912)**	(18,986)	**(177,147)**
Reserve for employees' retirement benefits	**¥114,986**	¥108,382	**$ 974,045**

Note 23. Per Share Information

Net assets per share computed based on the number of shares of common stock outstanding as of March 31, 2007 and 2006 were ¥4,419.55 ($37.43) and ¥4,384.93, respectively. Net income per share computed based on the weighted-average number of shares of common stock outstanding during the year ended March 31, 2007 and 2006 were ¥157.45 ($1.33) and ¥146.19, respectively.

A summary of the net assets per share computations is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
As of March 31	2007	2006	2007
Net assets	**¥1,090,229**	—	**$9,235,318**
Minority interests	**(1,909)**	—	**(16,178)**
Net assets available to common stockholders	**¥1,088,319**	—	**$9,219,139**
The number of shares of common stock outstanding (Shares)	**246,251,152**	—	

A summary of the net income per share computations is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
Years ended March 31	2007	2006	2007
Net income	**¥38,772**	¥35,545	**$328,443**
Bonuses to directors and corporate auditors	**(—)**	(216)	**(—)**
Net income available to common stockholders	**¥38,772**	¥35,328	**$328,443**
Weighted-average common shares outstanding (Shares)	**246,261,507**	241,664,575	

Note 24. Subsequent Events

There were no applicable subsequent events in 2007 and 2006.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
T&D Holdings, Inc.

We have audited the accompanying consolidated balance sheets of T&D Holdings, Inc. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in net assets, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

In our opinions, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information
As described in Note 1 (g) to the consolidated financial statements, for the insurance contracts of T&D Financial Life Insurance Company whose conditions were changed under Article 69-4-4 of the "Enforcement Regulation of the Insurance Business Law", the policy reserve valuation method was changed.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 ShinNihon

Ernst & Young ShinNihon

June 27, 2007