

Financial Section

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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 based 2004. Furthermore, "Policy results" and "Other data" are the simple sum of the non-consolidated figures of the three life insurance companies. Simple data. Figures for the fiscal year ended March 31, 2001, and earlier have been calculated based on the sum of the non-consolidated financial data for

Years ended March 31,	1998	1999	2000
Statements of Operations Data			
Ordinary revenues:			
Income from insurance premiums	¥ 2,497,330	¥ 2,427,546	¥ 2,292,167
Investment income	574,756	625,145	581,072
Other ordinary income	30,135	33,767	29,044
Equity in net income of affiliated companies	—	—	—
Total ordinary revenues	3,102,223	3,086,460	2,902,285
Ordinary expenses:			
Insurance claims and other payments	2,172,673	2,278,807	2,000,841
Provision for policy and other reserves	358,510	199,472	331,289
Investment expenses	211,697	282,168	274,316
Operating expenses	199,637	203,581	195,248
Other ordinary expenses	39,065	41,815	45,428
Total ordinary expenses	2,981,585	3,005,847	2,847,125
Ordinary profit	120,636	80,612	55,158
Net extraordinary gains (losses)	(17,820)	(12,662)	(18,797)
Provision for reserve for policyholder dividends ^(Note 1)	—	—	—
Income before income taxes ^(Note 2)	102,816	67,948	36,362
Income taxes:			
Current	39,347	34,019	14,590
Deferred	—	(16,279)	(21,465)
Minority interests	—	—	—
Net income ^(Note 2)	¥ 63,468	¥ 50,208	¥ 43,238

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, income before income taxes and net income for Taiyo Life and Daido Life, were

Balance Sheet Data

Assets:

Total assets	¥12,172,068	¥12,451,967	¥12,815,281
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Liabilities:

Policy reserves	11,612,051	11,802,991	12,130,667
Total liabilities	11,954,562	12,179,839	12,471,100

Net assets^(Note):

Total stockholders' equity	—	—	—
Total valuation and translation adjustments	—	—	—
Total net assets	¥ 217,505	¥ 272,126	¥ 344,180

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

Policy Results ^(Note)			
Policy amount in force	¥54,466,048	¥54,412,999	¥54,256,170
New policy amount	6,708,455	6,630,249	6,467,998
Surrender and lapse amount	4,649,254	4,792,747	4,844,039

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

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

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

(Millions of yen)

2001	2002	2003	2004	2005	2006	2007	2008
¥ 2,169,617	¥ 2,113,783	¥ 2,004,768	¥ 1,878,572	¥ 1,798,983	¥ 1,902,318	¥ 1,811,596	¥ 1,613,190
457,347	492,941	424,485	486,242	336,139	465,671	407,449	445,413
29,405	410,131	273,711	270,836	181,643	76,282	66,954	271,427
—	—	—	—	16	22	33	39
2,656,371	3,016,858	2,702,965	2,635,651	2,316,781	2,444,295	2,286,034	2,330,071
2,001,956	2,372,684	2,095,682	1,973,271	1,825,635	1,746,057	1,630,683	1,647,033
157,013	36,263	24,556	78,884	1,055	173,171	94,235	2,529
160,592	287,289	234,080	168,274	92,037	103,132	115,212	241,970
189,426	202,436	214,855	212,577	205,681	209,728	208,963	205,853
44,285	58,768	69,175	68,660	83,534	75,358	78,767	76,971
2,553,276	2,957,444	2,638,350	2,501,667	2,207,943	2,307,448	2,127,862	2,174,358
103,094	59,413	64,615	133,984	108,838	136,846	158,172	155,712
(69,428)	(32,761)	(13,633)	(20,095)	(11,920)	(37,433)	(33,027)	(31,415)
—	2,102	28,372	43,656	44,977	44,476	56,481	45,384
33,665	24,549	22,610	70,232	51,940	54,936	68,663	78,912
13,413	9,926	4,233	26,391	1,607	30,696	50,665	64,753
(8,800)	(3,987)	8,539	2,537	13,081	(11,428)	(20,909)	(22,581)
—	—	—	—	120	123	134	(9)
¥ 29,051	¥ 18,610	¥ 9,837	¥ 41,303	¥ 37,131	¥ 35,545	¥ 38,772	¥ 36,749

surplus for a mutual company.

represented as surplus before income taxes and net surplus, respectively.

¥13,166,778	¥13,415,441	¥13,148,903	¥13,109,752	¥13,043,431	¥13,986,233	¥14,090,977	¥ 13,366,056
12,258,635	12,561,619	12,370,165	12,219,377	12,092,991	12,250,835	12,344,781	12,137,756
12,649,384	13,063,938	12,831,425	12,570,686	12,459,696	12,904,619	13,000,748	12,688,782
—	—	—	—	—	—	455,883	475,998
—	—	—	—	—	—	632,435	199,455
¥ 517,392	¥ 351,502	¥ 317,478	¥ 539,066	¥ 582,331	¥ 1,080,098	¥ 1,090,229	¥ 677,273

represents total stockholders' equity.

¥54,162,283	¥57,782,127	¥57,925,547	¥58,508,475	¥59,573,531	¥60,265,007	¥59,899,966	¥ 59,340,357
6,333,235	6,932,944	7,316,552	7,568,059	7,544,973	7,293,876	6,634,789	6,201,803
4,728,033	4,702,882	5,215,716	5,199,186	4,875,798	5,102,759	5,362,520	5,064,229

¥ 128,174	¥ 126,556	¥ 114,211	¥ 141,752	¥ 129,809	¥ 127,267	¥ 173,318	¥ 159,772
—	628,700	614,400	1,117,800	1,198,300	1,992,800	2,072,100	1,621,600

the total of Taiyo Life and Daido Life. EV from March 31, 2007 is calculated in accordance with European Embedded Value Principles.

Taiyo Life

Years ended March 31,

	1998	1999	2000
Statements of Operations Data			
Ordinary revenues:			
Income from insurance premiums	¥1,328,894	¥1,234,665	¥1,155,263
Investment income	313,609	348,341	293,984
Other ordinary income	27,770	30,594	26,500
Total ordinary revenues	1,670,274	1,613,602	1,475,748
Ordinary expenses:			
Insurance claims and other payments	1,314,074	1,309,827	1,131,495
Provision for policy and other reserves	108,624	43,602	115,008
Investment expenses	100,052	134,188	93,125
Operating expenses	86,411	88,974	85,497
Other ordinary expenses	25,265	27,481	29,993
Total ordinary expenses	1,634,428	1,604,074	1,455,120
Ordinary profit	35,845	9,527	20,627
Net extraordinary gains (losses)	(7,899)	(2,206)	1,727
Provision for reserve for policyholder dividends ^(Note 1)	—	—	—
Income before income taxes ^(Note 2)	27,946	7,320	22,355
Income taxes:			
Current	12,543	15,278	7,681
Deferred	—	(16,279)	(5,872)
Net Income ^(Note 2)	¥ 15,403	¥ 8,321	¥ 20,546

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 dividends for fiscal 2003 through provision for allowance for policyholder dividends in extraordinary losses.

2. Prior to the fiscal year ended March 31, 2003, income before income taxes and net income were represented as surplus before income taxes

3. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

As of March 31,

	1998	1999	2000
Balance Sheet Data			
Assets:			
Total assets	¥6,825,683	¥6,969,359	¥7,081,689
Liabilities:			
Policy reserves	6,601,676	6,639,348	6,749,758
Total liabilities	6,753,848	6,837,219	6,914,647
Net assets ^(Note) :			
Total stockholders' equity	—	—	—
Total valuation and translation adjustment	—	—	—
Total net assets	¥ 71,834	¥ 132,139	¥ 167,041

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

(Millions of yen)

2001	2002	2003	2004	2005	2006	2007	2008
¥1,097,372	¥1,019,041	¥ 887,942	¥ 794,168	¥ 788,174	¥ 823,011	¥ 705,582	¥ 635,739
265,775	244,464	229,367	261,588	177,784	198,089	211,893	229,614
24,040	327,495	267,938	202,120	175,898	55,318	94,541	134,987
1,387,188	1,591,001	1,385,248	1,257,877	1,141,857	1,076,418	1,012,017	1,000,341
1,136,968	1,368,304	1,138,322	975,834	931,372	857,053	772,881	747,133
22,450	4,696	564	2,606	102	88	1,731	105
94,480	79,734	93,632	117,886	59,992	54,893	70,357	76,132
82,198	85,049	86,143	85,533	82,745	82,533	78,811	77,088
30,249	35,050	43,529	44,156	41,591	34,895	36,572	42,843
1,366,347	1,572,834	1,362,192	1,226,018	1,115,804	1,029,464	960,354	943,302
20,840	18,167	23,055	31,859	26,053	46,954	51,662	57,038
(8,296)	(7,985)	(14,449)	(6,986)	(723)	(19,484)	(14,639)	(20,975)
—	—	—	11,915	13,421	15,932	15,040	13,964
12,543	10,181	8,605	12,956	11,908	11,537	21,983	22,099
113	661	101	36	(5,473)	8,934	17,824	23,202
8,096	(1,838)	3,678	5,899	10,201	(3,716)	(9,258)	(13,147)
¥ 4,333	¥ 11,358	¥ 4,825	¥ 7,020	¥ 7,179	¥ 6,319	¥ 13,416	¥ 12,044

surplus for a mutual company. Since Taiyo Life converted from a mutual company to a joint stock corporation on April 1, 2003, it has accrued policyholder and net surplus, respectively.

(Millions of yen)

2001	2002	2003	2004	2005	2006	2007	2008
¥7,266,394	¥6,834,028	¥6,528,068	¥6,409,552	¥6,276,553	¥6,591,994	¥6,552,504	¥ 6,185,591
6,745,210	6,455,343	6,219,940	6,060,167	5,919,054	5,899,100	5,836,539	5,731,104
6,944,497	6,656,917	6,410,819	6,184,311	6,056,764	6,173,421	6,121,912	5,931,259
—	—	—	—	—	—	160,884	166,333
—	—	—	—	—	—	269,707	87,997
¥ 321,896	¥ 177,111	¥ 117,249	¥ 225,240	¥ 219,789	¥ 418,573	¥ 430,592	¥ 254,331

March 31, 2006 represents total stockholders' equity.

Years ended March 31,	1998	1999	2000
Policy Results:			
Policy amount in force ^(Note)	¥15,126,030	¥15,129,141	¥15,185,001
Individual insurance	10,448,121	10,186,798	10,034,029
New policy amount ^(Note)	1,989,167	1,857,010	1,847,641
Individual insurance	1,650,607	1,339,823	1,333,233
Surrender and lapse amount ^(Note)	1,023,539	916,162	998,844
Surrender and lapse rate ^(Note)	6.78%	6.06%	6.60%

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

Other Data:

Core profit	—	—	—
Embedded value ^(Note 1)	—	—	—
Average annual yield on general account assets ^(Note 2)	3.16%	3.09%	2.82%
Solvency margin ratio	873.0%	869.1%	1,050.3%
Number of employees:			
In-house sales representatives	9,848	10,450	10,111
Customer service staff ^(Note 3)	2,826	2,639	2,389
Administrative personnel	3,194	3,172	2,982
Number of agents	241	488	672
Number of retail offices	142	142	142

Notes: 1. EV from March 31, 2007 is calculated in accordance with European Embedded Value Principles.

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

3. The collective designation used for staff who provide customers with premium collection and other services was changed from "Premium collectors"

(Millions of yen)

	2001	2002	2003	2004	2005	2006	2007	2008
	¥15,172,534	¥15,232,917	¥15,268,605	¥16,077,894	¥16,966,276	¥17,591,527	¥17,644,524	¥17,182,229
	9,958,805	10,217,320	10,500,204	11,577,980	12,706,501	13,572,030	13,820,331	13,468,373
	1,931,771	2,188,155	2,175,488	2,814,284	2,891,002	2,838,316	2,127,375	1,474,153
	1,458,164	2,047,965	2,091,069	2,797,241	2,902,417	2,861,519	2,107,057	1,372,106
	1,201,117	1,209,680	1,318,853	1,362,689	1,424,081	1,644,026	1,503,878	1,348,619
	7.91%	7.97%	8.66%	8.92%	8.86%	9.69%	8.55%	7.64%
	¥ 13,938	¥ 13,875	¥ 28,734	¥ 37,551	¥ 33,823	¥ 38,199	¥ 53,984	¥ 53,063
	—	225,800	182,400	340,700	337,600	717,800	738,600	574,900
	2.52%	2.48%	1.31%	2.15%	1.89%	2.33%	2.31%	2.56%
	806.8%	767.0%	681.5%	863.3%	865.7%	1,045.2%	1,100.4%	1,000.6%
	9,276	8,948	8,808	8,703	9,111	8,963	8,116	7,619
	2,116	1,960	1,744	1,579	1,413	1,189	1,038	934
	2,860	2,825	2,909	2,743	2,681	2,704	2,735	2,927
	685	690	740	798	680	505	453	402
	145	145	145	147	147	147	148	148

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

Daido Life

Years ended March 31,	1998	1999	2000
Statements of Operations Data			
Ordinary revenues:			
Income from insurance premiums	¥1,168,436	¥1,192,881	¥1,136,904
Investment income	261,147	276,804	287,088
Other ordinary income	2,365	3,173	2,544
Total ordinary revenues	1,431,949	1,472,858	1,426,537
Ordinary expenses:			
Insurance claims and other payments	858,599	968,980	869,346
Provision for policy and other reserves	249,886	155,870	216,281
Investment expenses	111,645	147,980	181,191
Operating expenses	113,226	114,607	109,751
Other ordinary expenses	13,800	14,334	15,435
Total ordinary expenses	1,347,157	1,401,773	1,392,005
Ordinary profit	84,791	71,085	34,531
Net extraordinary gains (losses)	(9,921)	(10,456)	(20,524)
Provision for reserve for policyholder dividends ^(Note 1)	—	—	—
Income before income taxes ^(Note 2)	74,870	60,628	14,007
Income taxes:			
Current	26,804	18,741	6,909
Deferred	—	—	(15,593)
Net Income ^(Note 2)	¥ 48,065	¥ 41,887	¥ 22,692

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 dividends for fiscal 2003 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

3. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

As of March 31,	1998	1999	2000
Balance Sheet Data			
Assets:			
Total assets	¥5,346,385	¥5,482,608	¥5,733,592
Liabilities:			
Policy reserves	5,010,375	5,163,643	5,380,909
Total liabilities	5,200,714	5,342,620	5,556,453
Net assets ^(Note) :			
Total stockholders' equity	—	—	—
Total valuation and translation adjustment	—	—	—
Total net assets	¥ 145,671	¥ 139,987	¥ 177,139

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

(Millions of yen)

2001	2002	2003	2004	2005	2006	2007	2008
¥1,072,245	¥1,059,445	¥ 989,420	¥ 928,260	¥ 884,804	¥ 871,153	¥ 865,254	¥ 843,336
191,572	245,123	189,901	194,634	146,685	180,674	183,345	205,775
5,365	3,660	2,854	67,410	27,600	10,624	13,217	87,218
1,269,183	1,308,229	1,182,176	1,190,304	1,059,090	1,062,452	1,061,817	1,136,330
864,988	907,444	861,908	910,190	805,080	791,872	758,211	804,318
134,563	31,543	13,873	988	2,633	906	3,518	2,900
66,112	205,507	134,326	49,887	32,919	46,696	44,143	94,648
107,228	108,142	109,212	108,698	108,881	109,262	111,815	114,170
14,036	15,523	16,828	15,746	13,740	14,268	22,881	15,627
1,186,929	1,268,161	1,136,149	1,085,512	963,256	963,007	940,570	1,031,664
82,254	40,068	46,027	104,792	95,834	99,445	121,247	104,665
(61,131)	(26,973)	907	(13,301)	1,075	(15,601)	(12,749)	(10,259)
—	—	26,569	30,521	30,550	27,310	40,068	31,237
21,122	13,094	20,364	60,969	66,359	56,532	68,429	63,169
13,300	9,230	4,060	26,279	22,789	27,266	34,907	40,329
(16,896)	(3,801)	4,861	(3,361)	10,260	(9,833)	(9,635)	(7,617)
¥ 24,718	¥ 7,665	¥ 11,443	¥ 38,052	¥ 33,309	¥ 39,099	¥ 43,157	¥ 30,456

surplus for a mutual company. Since Taiyo Life converted from a mutual company to a joint stock corporation on April 1, 2003, it has accrued policyholder

and net surplus, respectively.

(Millions of yen)

2001	2002	2003	2004	2005	2006	2007	2008
¥5,900,384	¥5,982,789	¥6,007,183	¥6,017,918	¥5,983,742	¥6,406,113	¥6,397,075	¥ 6,047,881
5,513,425	5,543,459	5,579,788	5,514,531	5,488,102	5,476,012	5,474,512	5,392,173
5,704,887	5,818,800	5,831,301	5,724,865	5,665,790	5,815,892	5,792,285	5,673,470
—	—	—	—	—	—	241,290	261,844
—	—	—	—	—	—	363,499	112,566
¥ 195,496	¥ 163,988	¥ 175,882	¥ 293,053	¥ 317,951	¥ 590,221	¥ 604,789	¥ 374,410

March 31, 2006 represents total stockholders' equity.

Years ended March 31,	1998	1999	2000
Policy Results:			
Policy amount in force ^(Note)	¥39,340,018	¥39,283,858	¥39,071,169
Individual term life insurance	33,761,671	33,865,069	33,940,816
New policy amount ^(Note)	4,719,288	4,773,239	4,620,357
Individual term life insurance	4,073,742	4,241,684	4,251,357
Surrender and lapse amount ^(Note)	3,625,715	3,876,585	3,845,195
Surrender and lapse rate ^(Note)	9.3%	9.9%	9.8%

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

Other Data:

Core profit	¥	—	¥	—	¥	—
Embedded value ^(Note 1)		—		—		—
Average annual yield on general account assets ^(Note 2)		2.50%		2.51%		1.60%
Solvency margin ratio		1,016.8%		998.0%		1,004.2%
Number of employees:						
In-house sales representatives		6,072		6,126		5,456
Administrative personnel		3,269		3,277		3,228
Number of agents		13,123		13,213		13,135
Number of retail offices		110		113		110

Notes: 1. EV from March 31, 2007 is calculated in accordance with European Embedded Value Principles.

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

(Millions of yen)

	2001	2002	2003	2004	2005	2006	2007	2008
	¥38,989,749	¥38,929,108	¥39,342,682	¥39,294,826	¥39,694,223	¥40,008,062	¥39,732,098	¥39,897,122
	34,109,675	34,309,043	34,804,637	34,964,126	35,479,688	35,933,681	35,818,119	36,175,397
	4,401,464	4,570,422	4,673,514	4,309,774	4,354,238	4,292,776	4,327,836	4,634,260
	4,048,626	4,292,917	4,298,528	4,087,377	4,126,043	4,080,769	4,141,994	4,489,837
	3,526,916	3,493,202	3,290,656	3,317,779	3,026,570	3,040,038	3,615,874	3,550,027
	9.0%	9.0%	8.45%	8.44%	7.70%	7.66%	9.04%	8.93%
	¥ 114,236	¥ 109,889	¥ 88,729	¥ 107,354	¥ 102,731	¥ 96,105	¥ 125,791	¥ 124,893
	—	402,900	432,000	734,200	825,500	1,205,600	1,263,000	990,700
	2.19%	1.03%	1.47%	2.11%	1.89%	1.87%	2.31%	2.21%
	792.7%	772.0%	860.2%	1,034.9%	1,037.2%	1,254.4%	1,320.6%	1,096.3%
	4,866	5,154	5,194	5,251	4,888	4,909	4,726	4,307
	3,171	3,121	3,122	3,136	3,132	3,171	3,212	3,358
	13,203	13,252	12,970	13,079	13,415	13,963	14,295	14,460
	103	102	102	103	102	102	102	101

by the average daily balance on a book value basis.

T&D Financial Life

(Millions of yen)

Years ended March 31,	2002	2003	2004	2005	2006	2007	2008
Statements of Operations Data							
Ordinary revenues:							
Income from insurance							
premiums	¥ 35,297	¥127,405	¥156,144	¥126,003	¥208,153	¥240,759	¥134,097
Investment income	3,354	5,217	30,019	13,165	92,291	17,173	19,829
Other ordinary income	78,976	2,917	1,305	11,033	11,926	8,188	26,526
Total ordinary revenues	117,628	135,541	187,469	150,202	312,371	266,120	180,453
Ordinary expenses:							
Insurance claims and							
other payments	96,936	95,451	87,246	89,181	97,131	99,590	95,581
Provision for policy and							
other reserves	24	10,117	75,288	48,449	192,921	154,582	101
Investment expenses	2,048	6,121	500	407	5,202	4,766	77,951
Operating expenses	9,245	19,500	18,345	16,348	20,294	17,921	13,605
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	2,880
Total ordinary expenses	116,449	140,007	190,137	163,096	324,617	279,649	190,120
Ordinary profit (loss)	1,178	(4,466)	(2,667)	(12,894)	(12,246)	(13,528)	(9,667)
Net extraordinary							
gains (losses)	2,197	(90)	192	(652)	(2,698)	(335)	(21)
Provision for reserve for							
 policyholder dividends	2,102	1,802	1,219	1,005	1,233	1,373	182
Income (loss) before							
 income taxes	1,274	(6,360)	(3,693)	(14,552)	(16,178)	(15,237)	(9,871)
Income taxes:							
Current	35	71	74	(12,583)	(6,809)	(3,608)	(578)
Deferred	1,652	—	—	(7,027)	2,044	(908)	(2,354)
Net Income (Loss)	¥ (413)	¥ (6,431)	¥ (3,768)	¥ 5,058	¥ (11,413)	¥ (10,720)	¥ (6,937)

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.

(Millions of yen)

As of March 31,	2002	2003	2004	2005	2006	2007	2008
Balance Sheet Data							
Assets:							
Total assets	¥598,624	¥613,651	¥682,282	¥727,258	¥934,116	¥1,078,447	¥1,048,962
Liabilities:							
Policy reserves	562,817	570,436	644,678	684,679	874,877	1,029,160	1,011,530
Total liabilities	588,221	589,304	661,510	702,181	888,872	1,044,246	1,022,040
Net assets^(Note):							
Total stockholders' equity	—	—	—	—	—	35,048	28,110
Total valuation and translation							
adjustment	—	—	—	—	—	(846)	(1,188)
Total net assets	¥ 10,403	¥ 24,346	¥ 20,772	¥ 25,077	¥ 45,243	¥ 34,201	¥ 26,922

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.

(Millions of yen)

Years ended March 31,	2002	2003	2004	2005	2006	2007	2008
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	¥2,261,006
Individual variable annuities . . .	1,312	64,131	175,105	245,799	459,514	621,544	596,807
New policy amount ^(Note)	174,367	467,550	444,001	299,732	162,783	179,576	93,388
Individual variable annuities . . .	1,299	65,175	90,403	60,818	128,661	179,513	93,388
Surrender and lapse amount ^(Note)	722,925	606,207	518,716	425,146	418,694	242,766	165,582
Surrender and lapse rate ^(Note) . . .	17.05%	16.75%	15.65%	13.56%	14.37%	9.11%	6.56%

Note: The total of individual insurance and individual annuities.

Other Data:

Core profit	¥	2,792	¥	(3,252)	¥	(3,153)	¥	(6,746)	¥	(7,037)	¥	(6,457)	¥ (18,183)
Embedded value (EV) ^(Note1)		—		—		42,900		35,100		69,300		70,400	56,000
Average annual yield on general account assets ^(Note2) . . .		0.05%		0.61%		1.34%		1.18%		0.01%		0.22%	4.34%
Solvency margin ratio		1,053.0%		1,031.9%		984.8%		721.7%		1,911.8%		1,189.7%	912.4%
Number of employees:													
In-house sales representatives		987		940		954		493		—		—	—
Administrative personnel		502		500		487		456		297		320	339

Notes: 1. EV from March 31, 2007 is calculated in accordance with European Embedded Value Principles.

2. 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.

Management's Discussion and Analysis

Operating Results

1. Results of Operations

For fiscal 2007, T&D Holdings' consolidated ordinary revenues were ¥2,330.0 billion (up 1.9% from fiscal 2006). After the deduction of ¥2,174.3 billion in ordinary expenses (up 2.2%), ordinary profit was ¥155.7 billion (down 1.6%). Adjusting ordinary profit for extraordinary gains of ¥6.1 billion (up 167.3%), extraordinary losses of ¥37.5 billion (up 6.3%), the provision for reserve for policyholder dividends of ¥45.3 billion (down 19.6%), current income taxes of ¥64.7 billion (up 27.8%), and deferred income taxes of ¥(22.5) billion (compared with ¥(20.9) billion in fiscal 2006), net income totaled ¥36.7 billion (down 5.2%).

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

(1) Ordinary Revenues

Ordinary revenues were ¥2,330.0 billion (up 1.9%), consisting of income from insurance premiums of ¥1,613.1 billion (down 11.0%), investment income of ¥445.4 billion (up 9.3%), total other ordinary income of ¥271.4 billion (up 305.4%), and equity in net income of affiliated companies of ¥0.0 billion (up 18.3%).

1) Income from Insurance Premiums

Years ended March 31,	(Millions of yen)								
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Income from Insurance Premiums:									
Individual insurance	¥1,073,564	¥1,139,709	¥ (66,145)	¥418,822	¥478,697	¥633,937	¥637,232	¥ 20,805	¥ 23,780
Individual annuities	253,980	338,548	(84,567)	113,265	97,820	35,560	36,659	105,154	204,069
Group insurance	77,796	83,193	(5,396)	34,068	34,776	41,966	44,827	1,761	3,589
Group annuities	200,041	240,280	(40,238)	68,110	92,801	128,792	143,806	3,138	3,672
Total Insurance Premium Income	1,613,190	1,811,596	(198,405)	635,739	705,582	843,336	865,254	134,097	240,759

Income from insurance premiums totaled ¥1,613.1 billion (down 11.0%), consisting of ¥1,327.5 billion in premiums for individual insurance and individual annuities (down 10.2%), ¥77.7 billion for group insurance (down 6.5%), and ¥200.0 billion for group annuities (down 16.7%), and others.

At Taiyo Life, income from insurance premiums totaled ¥635.7 billion, a decrease of ¥69.8 billion (9.9%) from fiscal 2006, mainly due to a drop in premiums for individual insurance.

At Daido Life, income from insurance premiums decreased ¥21.9 billion (2.5%), to ¥843.3 billion, mainly because of a decline in premiums from group annuities. Premiums from mainstay individual term life insurance rose ¥5.4 billion (1.0%), to ¥549.5 billion.

At T&D Financial Life, income from insurance premiums decreased ¥106.6 billion (44.3%), to ¥134.0 billion, because of a decline in premiums from mainstay individual variable annuities.

2) Investment Income

Years ended March 31,	(Millions of yen)								
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Investment Income:									
Interest, dividends and income from real estate for rent	¥288,345	¥269,689	¥18,655	¥142,024	¥137,257	¥144,744	¥129,458	¥4,158	¥4,396
Gains from monetary trusts, net	29,343	4,767	24,575	—	0	13,955	8,092	15,324	—
Gains on investments in trading securities, net	—	17,824	(17,824)	—	—	—	17,824	—	—
Gains on sales of securities	102,475	94,247	8,228	87,291	74,223	14,913	18,756	277	1,266
Gains on derivatives	22,312	—	22,312	—	—	29,377	—	—	—
Gains on separate accounts, net	—	18,156	(18,156)	—	256	—	6,526	—	11,372
Total Investment Income	445,413	407,449	37,963	229,614	211,893	205,775	183,345	19,829	17,173

Investment income totaled ¥445.4 billion (up 9.3% from fiscal 2006), including ¥288.3 billion in interest, dividends and income from real estate for rent (up 6.9%), ¥29.3 billion in gains from monetary trusts, net (up 515.4%), and ¥102.4 billion in gains on sales of securities (up 8.7%).

At Taiyo Life, investment income totaled ¥229.6 billion, up ¥17.7 billion (8.4%) from the previous fiscal year. This mainly reflected a ¥13.0 billion increase in gains on sales of securities, net due to the sale of Japanese and overseas shares.

At Daido Life, investment income totaled ¥205.7 billion, up ¥22.4 billion (12.2%), from the previous fiscal year. Gains on investments in trading securities, net declined ¥17.8 billion, while interest, dividends and income from real estate for rent increased ¥15.2 billion due to higher dividends from investment trusts and private-equity investments, and gains on derivatives increased ¥29.3 billion.

At T&D Financial Life, investment income totaled ¥19.8 billion, up ¥2.6 billion (15.5%) from the previous fiscal year, despite an ¥11.3 billion decrease in gains on separate accounts, net due to falling share prices. The overall increase was attributable to a ¥15.3 billion increase in hedge gains (gains from monetary trusts, net) related to minimum guarantee risks of individual variable annuities.

(2) Ordinary Expenses

Ordinary expenses totaled ¥2,174.3 billion (up 2.2%) and were composed of ¥1,647.0 billion in insurance claims and other payments (up 1.0%), ¥2.5 billion in provision for policy and other reserves (down 97.3%), ¥241.9 billion in investment expenses (up 110.0%), ¥205.8 billion in operating expenses (down 1.5%), and ¥76.9 billion in other ordinary expenses (down 2.3%).

1) Insurance Claims and Other Payments

Years ended March 31,	(Millions of yen)								
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Insurance Claims and Other Payments:									
Insurance claims	¥611,405	¥672,425	¥(61,019)	¥318,842	¥383,215	¥272,443	¥268,182	¥20,119	¥21,027
Annuity payments	175,789	161,682	14,107	139,962	128,527	30,106	27,978	5,720	5,176
Insurance benefits	304,388	296,469	7,919	107,257	105,102	178,426	174,681	18,705	16,685
Surrender payments	391,885	389,975	1,909	97,958	95,662	253,823	248,907	40,103	45,406
Other payments, etc.	163,563	110,131	53,432	83,111	60,374	69,519	38,461	10,932	11,295
Total Insurance Claims and Other Payments	1,647,033	1,630,683	16,349	747,133	772,881	804,318	758,211	95,581	99,590

Insurance claims and other payments totaled ¥1,647.0 billion (up 1.0%), comprising ¥611.4 billion in insurance claims (down 9.1%), ¥175.7 billion in annuity payments (up 8.7%), ¥304.3 billion in insurance benefits (up 2.7%), ¥391.8 billion in surrender payments (up 0.5%), and ¥163.5 billion in other payments, etc. (up 48.5%).

At Taiyo Life, insurance claims and other payments totaled ¥747.1 billion, down ¥25.7 billion (3.3%) from the previous fiscal year, despite a ¥22.7 billion increase in other payments, etc. resulting from an increase in transfer payments due to a drop in the share of group annuities. The main reason for the overall decrease was a ¥64.3 billion decline in insurance claims related to a decrease in maturity benefits for individual insurance.

At Daido Life, insurance claims and other payments totaled ¥804.3 billion, up ¥46.1 billion (6.1%) from the previous fiscal year. The main factor was an increase of ¥31.0 billion in other payments, etc., as transfer payments increased due to a drop in the share of group annuities.

At T&D Financial Life, insurance claims and other payments totaled ¥95.5 billion, down ¥4.0 billion (4.0%) from the previous fiscal year.

2) Investment Expenses

Years ended March 31,	(Millions of yen)									
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life		
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007	
Investment Expenses:										
Losses on investing in trading securities, net	¥ 25,192	¥ —	¥ 25,192	¥ —	¥ —	¥ 25,192	¥ —	¥ —	¥ —	¥ —
Losses on sales of securities	62,224	52,377	9,846	51,942	45,329	10,086	5,744	189	1,302	
Devaluation losses on securities	27,178	720	26,457	7,724	99	19,429	610	24	—	
Losses from derivatives, net	—	35,992	(35,992)	7,065	15,668	—	20,324	—	—	
Foreign exchange losses, net	6,193	6,119	74	107	422	6,083	5,696	—	0	
Other investment expenses	18,067	12,979	5,088	4,149	4,044	13,844	8,884	96	50	
Losses on separate accounts, net	94,702	—	94,702	800	—	16,282	—	77,619	—	
Total Investment Expenses	241,970	115,212	126,758	76,132	70,357	94,648	44,143	77,951	4,766	

Investment expenses totaled ¥241.9 billion (up 110.0% year on year), including ¥62.2 billion in losses on sales of securities (up 18.8%), ¥27.1 billion in devaluation losses on securities (up 3,671.0%) and ¥94.7 billion in losses on separate accounts, net (¥18.1 billion in gains on separate accounts, net in the previous fiscal year).

At Taiyo Life, investment expenses totaled ¥76.1 billion, up ¥5.7 billion (8.2%) from the previous fiscal year. The main factor was a ¥7.6 billion increase in devaluation losses on securities due to falling share prices.

At Daido Life, investment expenses totaled ¥94.6 billion, up ¥50.5 billion (114.4%) from the previous fiscal year, despite a ¥20.3 billion decline in losses from derivatives, net. The total investment expenses principally reflected a ¥25.1 billion increase in losses on investments in trading securities, net, and an ¥18.8 billion increase in devaluation losses on securities due to falling share prices.

At T&D Financial Life, investment expenses totaled ¥77.9 billion, up ¥73.1 billion (1,535.5%) from the previous fiscal year, the result mainly of a ¥77.6 billion increase in losses on separate accounts, net due to falling share prices.

(3) Ordinary Profit

Ordinary profit totaled ¥155.7 billion (down 1.6%).

Taiyo Life recorded ordinary profit of ¥57.0 billion, up ¥5.3 billion (10.4%) from the previous fiscal year. The main factor was a ¥6.4 billion increase in gains on sales of securities.

Daido Life recorded ordinary profit of ¥104.6 billion, down ¥16.5 billion (13.7%) from the previous fiscal year, the result mainly of an ¥18.8 billion increase in devaluation losses on securities.

T&D Financial Life recorded an ordinary loss of ¥9.6 billion, a ¥3.8 billion improvement on the ¥13.5 billion ordinary loss recorded in the previous fiscal year.

(Reference) Core Profit and Negative Spread

The aggregate core profit for the three insurance companies decreased ¥13.5 billion, to ¥159.7 billion (down 7.8%), in fiscal 2007.

Core Profit and Reconciliation to Ordinary Profit (Loss)

Years ended March 31,	(Millions of yen)								
	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Core Profit	¥159,772	¥173,318	¥(13,545)	¥53,063	¥53,984	¥124,893	¥125,791	¥(18,183)	¥(6,457)
Capital Gains (Losses):									
Gains (losses) from monetary trusts, net	29,280	4,685	24,595	—	—	13,955	8,092	15,324	(3,407)
Gains (losses) on investments in trading securities, net	(25,192)	17,824	(43,016)	—	—	(25,192)	17,824	—	—
Gains (losses) on sales of securities	40,263	41,869	(1,605)	35,349	28,893	4,827	13,012	87	(35)
Devaluation losses on securities	(27,178)	(710)	(26,467)	(7,724)	(99)	(19,429)	(610)	(24)	—
Gains (losses) from derivatives, net	22,312	(35,992)	58,304	(7,065)	(15,668)	29,377	(20,324)	—	—
Foreign exchange gains (losses), net	(6,191)	(6,118)	(72)	(107)	(422)	(6,083)	(5,696)	0	(0)
Others	(15,302)	(15,538)	236	—	—	(15,302)	(15,538)	—	—
Total Capital Gains (Losses)	17,993	6,018	11,974	20,451	12,703	(17,846)	(3,241)	15,388	(3,443)
Other One-Time Gains (Losses):									
Provision for contingency reserve	(22,968)	(19,784)	(3,183)	(16,432)	(14,304)	(2,259)	(1,302)	(4,275)	(4,177)
Provision for specific reserve for possible loan losses	(5)	(720)	714	(5)	(720)	—	—	—	—
Write-off of loans	(159)	—	(159)	(37)	—	(121)	—	—	—
Others	(2,595)	548	(3,144)	—	—	—	—	(2,595)	548
Total Other One-Time Gains (Losses)	(25,728)	(19,956)	(5,772)	(16,476)	(15,024)	(2,381)	(1,302)	(6,871)	(3,628)
Ordinary Profit (Loss)	152,037	159,381	(7,344)	57,038	51,662	104,665	121,247	(9,667)	(13,528)

Years ended March 31,	(Millions of yen)								
	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Negative (positive) Spread	¥(52)	¥20,365	¥(20,418)	¥17,602	¥24,638	¥(21,758)	¥(8,390)	¥4,103	¥4,117

Note: The positive spread of Daido Life has been deducted from the total negative spread for the three companies; the positive spread for the year ended March 31, 2008 was ¥52 million.

Reconciliation of Core Profit

Years ended March 31,	(Millions of yen)								
	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Core Revenues:									
Income from insurance premiums	¥1,613,174	¥1,811,596	¥(198,421)	¥635,739	¥705,582	¥ 843,336	¥ 865,254	¥134,097	¥240,759
Insurance premiums	1,608,607	1,804,686	(196,079)	635,544	705,293	842,168	864,247	130,894	235,146
Ceded reinsurance recoveries	4,566	6,909	(2,342)	195	289	1,168	1,006	3,203	5,612
Investment income	294,078	292,247	1,831	142,323	137,670	147,528	138,671	4,227	15,906
Interest, dividends and income from real estate for rent	290,928	271,112	19,815	142,024	137,257	144,744	129,458	4,158	4,396
Gains on redemptions of securities	14	1	13	—	—	—	—	14	1
Other investment income	3,135	2,977	157	299	155	2,783	2,685	53	136
Gains on separate accounts	—	18,156	(18,156)	—	256	—	6,526	—	11,372
Other ordinary income	274,296	131,555	142,740	151,420	108,846	89,478	14,520	33,397	8,188
Income related to withheld insurance claims and other payments for future annuity payments	10,196	8,768	1,427	360	705	613	311	9,222	7,751
Income due to withheld insurance payments	35,780	33,696	2,084	32,807	30,808	2,745	2,552	227	335
Reversal of reserve for outstanding claims	578	—	578	578	—	—	—	—	—
Reversal of policy reserves (except contingency reserve)	222,098	84,927	137,170	115,528	74,323	82,975	10,603	23,593	—
Reversal of reserve for employees' retirement benefits	347	901	(553)	—	809	—	—	347	91
Other ordinary profit	5,294	3,262	2,032	2,143	2,199	3,143	1,053	7	9
Other core revenues	15,302	15,585	(282)	—	0	15,302	15,584	—	—
Total Core Revenues	2,196,851	2,250,984	(54,133)	929,482	952,099	1,095,645	1,034,031	171,722	264,853
Core Expenses:									
Insurance claims and other payments	1,647,032	1,630,683	16,349	747,133	772,881	804,318	758,211	95,581	99,590
Insurance claims	611,405	672,425	(61,020)	318,842	383,215	272,443	268,182	20,119	21,027
Annuity payments	175,789	161,682	14,107	139,962	128,527	30,106	27,978	5,720	5,176
Insurance benefits	304,388	296,469	7,919	107,257	105,102	178,426	174,681	18,705	16,685
Surrender payments	391,885	389,975	1,909	97,958	95,662	253,823	248,907	40,103	45,406
Other payments	159,148	105,352	53,795	82,868	60,111	68,577	37,415	7,702	7,825
Reinsurance premiums	4,414	4,778	(363)	243	262	941	1,045	3,229	3,470
Provision for policy and other reserves (excluding contingency reserve)	3,107	156,203	(153,095)	105	1,731	2,900	3,518	101	150,954
Investment expenses	120,722	19,941	100,780	9,248	8,117	33,736	11,767	77,737	56
Interest expense	1,961	1,794	167	1,674	1,624	265	165	21	4
Provision for reserve for possible loan losses	188	(35)	224	188	(35)	—	—	—	—
Depreciation of real estate for rent	5,778	5,201	576	2,434	2,485	3,343	2,716	—	—
Other investment expenses	18,091	12,979	5,111	4,149	4,044	13,844	8,884	96	50
Losses on separate accounts	94,702	—	94,702	800	—	16,282	—	77,619	—
Operating expenses	204,864	208,548	(3,684)	77,088	78,811	114,170	111,815	13,605	17,921
Other ordinary expenses	61,351	62,242	(891)	42,843	36,572	15,627	22,881	2,880	2,787
Payments related to withheld insurance claims	32,084	27,479	4,604	28,605	24,496	2,880	2,344	599	638
Taxes	12,359	13,046	(686)	4,686	4,868	6,733	6,647	940	1,530
Depreciation	10,011	9,909	101	5,089	5,199	4,306	4,149	615	560
Provision for reserve for employees' retirement benefits	2,111	7,405	(5,294)	1,531	—	579	7,405	—	—
Other ordinary losses	4,783	4,400	383	2,930	2,007	1,127	2,334	725	57
Other core expenses	—	46	(46)	—	—	—	46	—	—
Total Core Expenses	¥2,037,078	¥2,077,665	¥ (40,587)	¥876,419	¥898,114	¥ 970,752	¥ 908,240	¥189,906	¥271,311

1) Taiyo Life

Core profit declined to ¥53.0 billion (down 1.7%), after offsetting the negative spread, which decreased to ¥17.6 billion (down 28.6%).

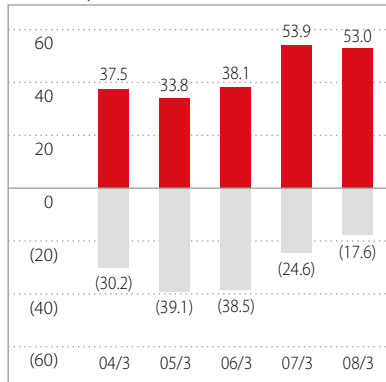
The negative spread is calculated as follows:

(Investment yield for core profit: 2.40% – Average assumed investment yield: 2.72%) x Policy reserve in general accounts: ¥5,531.9 billion = ¥17.6 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.

Trends in Amount of Core Profit and Negative Spread

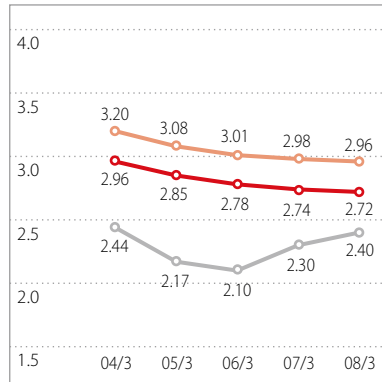
(Billions of yen)



■ Core profit
■ Negative spread

Trends in Average Assumed Investment Yield

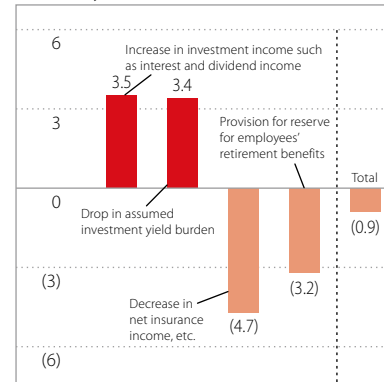
(%)



◆ Average assumed investment yield (company total)
◆ Average assumed investment yield for individual insurance and individual annuities
◆ Investment yield for core profit

Factors for Increase/Decrease in Core Profit for Fiscal 2007 (vs. Fiscal 2006)

(Billions of yen)



2) Daido Life

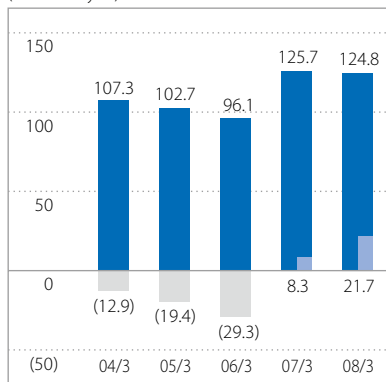
Core profit decreased to ¥124.8 billion (down 0.7%). The positive spread was ¥21.7 billion (up 159.3%) due to investment factors such as increases in interest, dividends and income from real estate for rent and other core revenues. Furthermore, effective from the fiscal year ended March 31, 2007, dividend income from a hedge fund 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: 2.90% – Average assumed investment yield: 2.46%) x Policy reserve in general accounts: ¥4,984.4 billion = ¥21.7 billion

Trends in Amount of Core Profit and Negative Spread

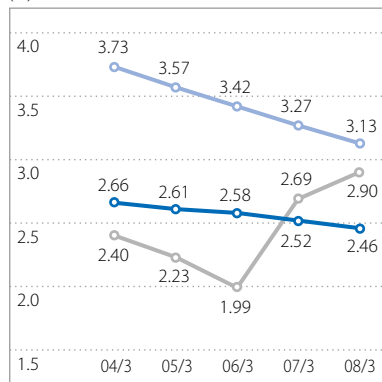
(Billions of yen)



■ Core profit
■ Negative spread
■ Positive spread

Trends in Average Assumed Investment Yield

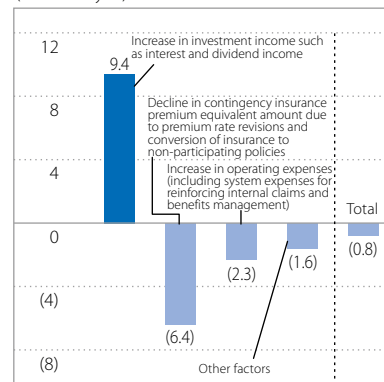
(%)



◆ Average assumed investment yield (company total)
◆ Average assumed investment yield for individual insurance and individual annuities
◆ Investment yield for core profit

Factors for Increase/Decrease in Core Profit for Fiscal 2007 (vs. Fiscal 2006)

(Billions of yen)



3) T&D Financial Life

Core profit was a negative ¥18.1 billion, ¥11.7 billion more than the negative core profit recorded in the previous fiscal year. This was the result mainly of an increase in the provision for policy reserve related to minimum guarantee due to the impact of falling share prices. The negative spread was ¥4.1 billion (down 0.3%).

(4) Extraordinary Gains/Losses

Extraordinary gains totaled ¥6.1 billion (up 167.3%), mainly due to gains on disposal of fixed assets of ¥5.7 billion (up 333.5%).

Extraordinary losses totaled ¥37.5 billion (up 6.3%), mainly reflecting a ¥32.7 billion (up 7.1%) provision for reserve for price fluctuations.

(5) Net Income

Net income totaled ¥36.7 billion (down 5.2%).

Taiyo Life posted net income of ¥12.0 billion, down ¥1.3 billion (10.2%) from the previous fiscal year in spite of a ¥5.3 billion increase in ordinary profit. This mainly reflected a ¥3.0 billion increase in extraordinary losses, including a ¥4.2 billion increase in provision for reserve for price fluctuations, as well as a ¥1.4 billion increase in current income taxes (including deferred income taxes) due to an increase in non-deductible devaluation losses on securities.

Daido Life recorded net income of ¥30.4 billion, down ¥12.7 billion (29.4%). This reflected two main factors: a ¥16.5 billion drop in ordinary profit, and a ¥7.4 billion increase in current income taxes (including deferred income taxes) due to an increase in non-deductible devaluation losses on securities.

T&D Financial Life posted a net loss of ¥6.9 billion, an improvement of ¥3.7 billion from the net loss of ¥10.7 billion in the previous fiscal year. This was mainly due to a ¥3.8 billion improvement in the ordinary loss from ¥13.5 billion to ¥9.6 billion.

2. Analysis of Sales Results (Non-consolidated)

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

Years ended March 31,	(Millions of yen)											
	Three Companies			Taiyo Life			Daido Life			T&D Financial Life		
	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)
New Policy Amount	¥ 6,201,803	¥ 6,634,789	¥(432,985)	¥ 1,474,153	¥ 2,127,375	¥(653,221)	¥ 4,634,260	¥ 4,327,836	¥ 306,423	¥ 93,388	¥ 179,576	¥ (86,188)
Each company's principal products	—	—	—	—	—	—	4,489,837	4,141,994	347,842	93,388	179,513	(86,125)
Decrease in Policy Amount	6,761,412	6,999,829	(238,417)	1,936,449	2,074,378	(137,929)	4,469,236	4,603,800	(134,564)	355,726	321,650	34,076
Each company's principal products	—	—	—	—	—	—	4,132,558	4,257,557	124,998	118,126	17,483	100,642
Surrender and Lapse Amount	5,064,229	5,362,520	(298,290)	1,348,619	1,503,878	(155,258)	3,550,027	3,615,874	(65,847)	165,582	242,766	(77,184)
Each company's principal products ...	—	—	—	—	—	—	3,366,146	3,425,370	(59,224)	27,580	32,707	(5,126)
Policy Amount in Force	59,340,357	59,899,966	(559,608)	17,182,229	17,644,524	(462,295)	39,897,122	39,732,098	165,024	2,261,006	2,523,343	(262,337)
Each company's principal products	—	—	—	—	—	—	36,175,397	35,818,119	357,278	596,807	621,544	(24,737)
Annualized Premiums of New Policies	117,500	143,055	(25,555)	32,768	36,601	(3,833)	71,992	83,462	(11,470)	12,739	22,991	(10,251)
Annualized Premiums of Policies in Force	1,425,913	1,447,175	(21,262)	637,368	662,816	(25,447)	689,186	692,273	(3,087)	99,358	92,085	7,272

Notes: 1. Figures are the totals of individual insurance and individual annuities. New policy amount includes net increase from conversions.

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

The total new policy amount for individual insurance and individual annuities (including net increase from conversion) was ¥6,201.8 billion (down 6.5%). Meanwhile, the total surrender and lapse amount for individual insurance and individual annuities was ¥5,064.2 billion (down 5.6%).

Consequently, the policy amount in force as of March 31, 2008, totaled ¥59,340.3 billion (down 0.9%).

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

(1) Taiyo Life

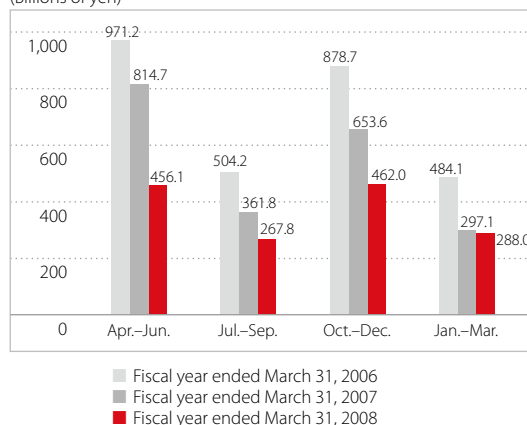
The new policy amount for individual insurance and individual annuities (including net increase from conversion) declined to ¥1,474.1 billion (down 30.7%), mainly due to sluggish sales of mainstay whole life insurance. The total surrender and lapse amount for individual insurance and individual annuities was ¥1,348.6 billion (down 10.3%).

As a consequence, the policy amount in force for individual insurance and individual annuities as of March 31, 2008, decreased by ¥462.2 billion (down 2.6%) to ¥17,182.2 billion, compared with ¥17,644.5 billion as of March 31, 2007.

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

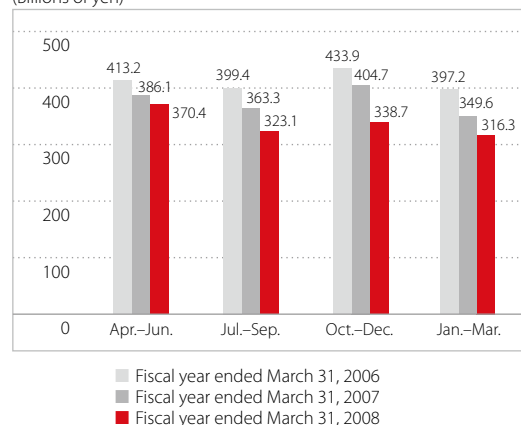
Quarterly Trends in New Policy Amount for Individual Insurance and Individual Annuities

(Billions of yen)



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

(Billions of yen)



(2) Daido Life

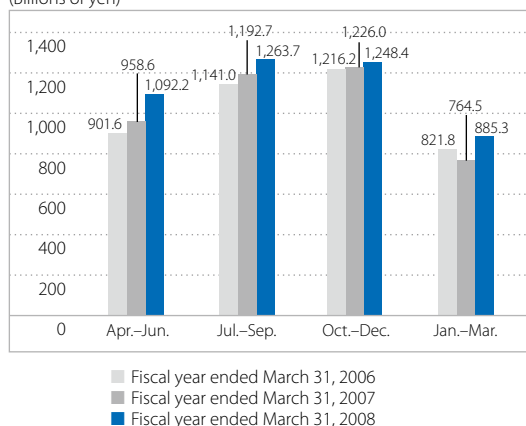
The new policy amount for individual insurance and individual annuities (including net increase from conversion) totaled ¥4,634.2 billion (up 7.1%) due to strong sales of mainstay individual term life insurance. The total surrender and lapse amount for individual insurance and individual annuities decreased to ¥3,550.0 billion (down 1.8%).

As a consequence, the policy amount in force for individual insurance and individual annuities as of March 31, 2008, increased by ¥165.0 billion (0.4%) to ¥39,897.1 billion, compared with ¥39,732.0 billion at the previous fiscal year-end.

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

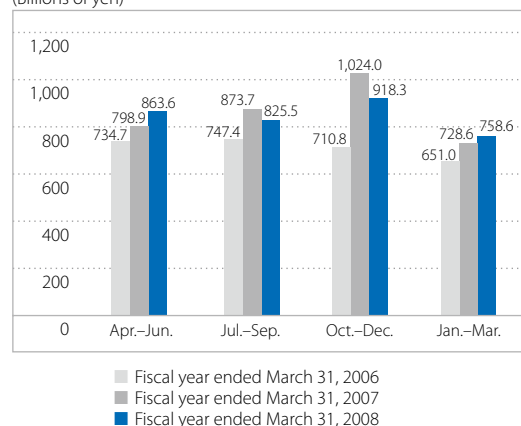
Quarterly Trends in New Policy Amount for Individual Insurance

(Billions of yen)



Quarterly Trends in Surrender and Lapse Amount for Individual Insurance

(Billions of yen)



(3) T&D Financial Life

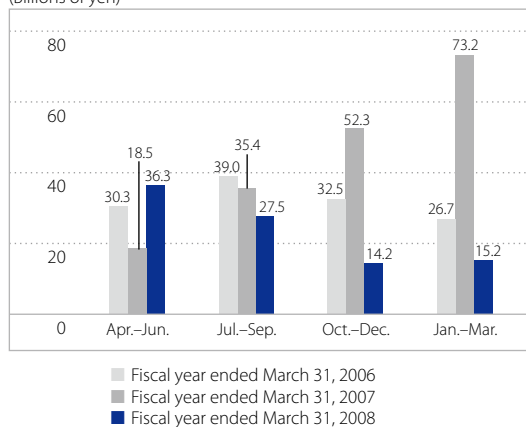
The new policy amount for variable annuities decreased to ¥93.3 billion (down 48.0%) due to lackluster second-half sales of mainstay variable annuities as a result of the impact of the Financial Instruments and Exchange Law coming into force, a drop-off in demand for variable annuities due to a worsening market environment, and delays in launching new products.

As a consequence, the policy amount in force for individual variable annuities as of March 31, 2008 was ¥596.8 billion (down 4.0%). This represented a decrease of ¥24.7 billion from ¥621.5 billion at March 31, 2007.

Quarterly trends in the new policy amount and the surrender and lapse amount for mainstay variable annuities are shown below.

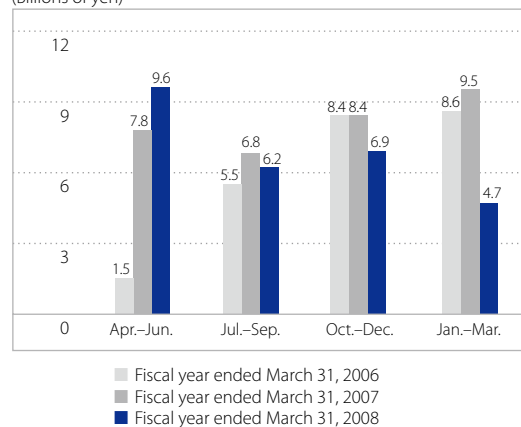
Quarterly Trends in New Policy Amount for Variable Annuities

(Billions of yen)



Quarterly Trends in Surrender and Lapse Amount for Variable Annuities

(Billions of yen)



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 Net Assets

Total assets at the end of the fiscal year totaled ¥13,366.0 billion (down 5.1%). The major components were ¥9,244.5 billion in securities (down 6.3%), consisting mainly of domestic bonds; ¥2,363.4 billion of loans (down 2.8%); monetary claims purchased of ¥430.5 billion (down 4.4%); tangible fixed assets of ¥309.2 billion (down 2.6%), ¥308.4 billion of cash and deposits (down 26.5%); and call loans of ¥279.8 billion (down 17.9%).

Total liabilities amounted to ¥12,688.7 billion (down 2.4%). The major components were policy reserves totaling ¥12,137.7 billion (down 1.7%).

Total net assets amounted to ¥677.2 billion (down 37.9%). Within this category, net unrealized gains on securities totaled ¥246.8 billion, a 63.7% 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

As of March 31,	(Millions of yen)								
	Consolidated			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Policy reserve (excluding contingency reserve):									
Individual insurance	¥ 5,338,066	¥ 5,375,902	¥ (37,836)	¥2,291,362	¥2,359,352	¥2,822,633	¥2,777,553	¥ 221,675	¥ 235,174
Individual annuities	3,699,577	3,704,521	(4,944)	2,482,683	2,498,927	485,076	469,025	731,277	735,822
Group insurance	22,094	22,481	(387)	11,490	11,547	10,401	10,697	201	235
Group annuities	2,608,055	2,785,773	(177,717)	760,408	791,738	1,810,883	1,954,479	36,762	39,555
Others	9,601	9,850	(249)	4,087	3,996	4,870	5,084	643	769
Subtotal	11,677,394	11,898,529	(221,134)	5,550,033	5,665,562	5,133,865	5,216,840	990,560	1,011,557
Contingency reserve:									
Contingency reserve I	82,370	95,184	(12,814)	36,499	45,538	41,318	45,074	4,551	4,571
Contingency reserve II	94,445	74,912	19,532	57,500	40,000	36,944	34,912	—	—
Contingency reserve III	9,092	5,145	3,946	12	10	453	395	8,626	4,740
Contingency reserve IV	12,303	—	12,303	7,969	—	3,925	—	409	—
Subtotal	198,211	175,243	22,968	101,982	85,549	82,642	80,382	13,587	9,311
Total	11,875,606	12,073,772	(198,166)	5,652,015	5,751,111	5,216,507	5,297,223	1,004,147	1,020,869

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.

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	Standard policy reserve method	Variable annuities: Net level premium reserve method Other insurance: Five-year Zillmer method ^(Note)
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 ^(Note)

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

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).

Supervisory authorities take prompt corrective action designed to quickly restore management soundness when a life insurance company's solvency margin ratio falls below 200%.

The solvency margin ratios of the three life insurance companies as of March 31, 2008 were as follows: Taiyo Life's solvency margin ratio was 1,000.6% (down 99.8 percentage points from March 31, 2007); Daido Life's solvency margin ratio was 1,096.3% (down 224.3 percentage points); and T&D Financial Life's solvency margin ratio was 912.4% (down 277.3 percentage points).

Solvency Margin Ratio

Years ended March 31,	(Millions of yen)					
	Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	2008	2007	2008	2007
Common stock, etc. (less certain items) ^(Note 1)	¥158,482	¥154,776	¥252,126	¥ 229,827	¥28,110	¥35,048
Reserve for price fluctuations	63,296	42,563	73,558	61,585	414	393
Contingency reserve	101,982	85,549	82,642	80,382	13,587	9,311
Reserve for possible loan losses	1,636	1,447	175	183	4	4
Net unrealized gains (losses) on available-for-sale securities (before tax) (x 90%, if gains; x 100%, if losses)	191,396	447,726	157,593	510,954	(1,697)	(1,209)
Net unrealized gains (losses) on real estate (x 85%, if gains; x 100%, if losses) ^(Note 2)	(1,498)	(26,065)	29,973	14,582	—	—
Excess amount of policy reserve based on Zillmer method ^(Note 3)	52,370	61,285	130,878	127,608	27,851	27,585
Unallocated portion of reserve for policyholder dividends	21,715	21,374	17,304	13,240	—	—
Future profits	6,982	6,757	15,618	15,502	—	—
Deferred tax assets	47,163	45,069	92,862	81,181	—	—
Subordinated debt	55,000	55,000	—	—	—	—
Deductible items	—	—	—	—	—	—
Others	—	—	—	—	91	389
Total Solvency Margin	698,527	895,485	852,732	1,135,048	68,361	71,523
Insurance risk	27,378	37,068	29,522	33,692	1,162	2,165
Assumed investment yield risk	22,889	23,727	18,080	19,197	368	387
Investment risk	108,708	130,785	129,254	144,508	1,441	2,005
Business risk	3,339	3,831	3,632	3,964	479	407
Minimum guarantee risk ^(Note 4)	16	16	862	804	12,610	9,020
Insurance risk of third-sector insurance ^(Note 5)	7,969	—	3,925	—	403	—
Total Risk^(Note 6)	139,617	162,744	155,557	171,889	14,984	12,023
Solvency Margin Ratio^(Note 7)	1,000.6%	1,100.4%	1,096.3%	1,320.6%	912.4%	1,189.7%

Notes: 1. Net assets (less certain items) is the total amount of the net assets section of the balance sheet at March 31, 2008, less net unrealized gains (losses) and translation differences, and planned appropriations of cash, etc.

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.

3. The item shown as "Excess of amount of policy surrender payment" through the end of March 31, 2007 is shown as "Excess amount of policy reserve based on Zillmer method" from March 31, 2008.

4. Minimum guarantee risk is calculated using the standard method.

5. Due to revisions to the Insurance Business Law Enforcement Regulations and Notices and other laws, the item shown as "Insurance risk relating to third-sector insurance" previously included under "Insurance risk" is shown as "Insurance risk of third-sector insurance" as of March 31, 2008. Insurance risk relating to third-sector insurance is included in "Insurance risk" as of March 31, 2007.

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

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

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. If adjusted net assets is negative or expected to be negative, the Financial Services Agency (FSA) can order a complete or partial suspension of business operations.

Taiyo Life's adjusted net assets totaled ¥659.7 billion, down ¥174.9 billion from ¥834.6 billion at the previous fiscal year-end.

Daido Life's adjusted net assets totaled ¥777.2 billion, down ¥332.4 billion from ¥1,109.6 billion at the previous fiscal year-end.

T&D Financial Life's adjusted net assets totaled ¥63.7 billion, up ¥0.2 billion from ¥63.5 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, 2008.

Years ended March 31,	(Millions of yen)		
	2008	2007	Increase (decrease)
Cash flows from operating activities	¥ (64,130)	¥ 144,312	¥(208,442)
Cash flows from investing activities	(160,287)	246,362	(406,650)
Cash flows from financing activities	(4,609)	(1,648)	(2,961)
Effect of exchange rate changes on cash and cash equivalents	(5,421)	(6,384)	962
Net increase (decrease) in cash and cash equivalents	(234,449)	382,642	(617,091)
Cash and cash equivalents at beginning of year	1,217,045	834,403	382,642
Cash and Cash Equivalents at End of Year	982,596	1,217,045	(234,449)

Operating activities used net cash of ¥64.1 billion, a change of ¥208.4 billion compared with the net cash provided of ¥144.3 billion in the previous fiscal year. This was principally due to a decrease in income from insurance premiums and increase in insurance claims and other payments.

Net cash used in investing activities was ¥160.2 billion, a change of ¥406.6 billion from net cash provided of ¥246.3 billion in the previous fiscal year. This mainly reflected an increase in cash used for the purchase of securities. Net cash used in financing activities was ¥4.6 billion, a ¥2.9 billion year-on-year increase, mainly reflecting an increase in dividends paid.

As a result, cash and cash equivalents at the end of the fiscal year under review totaled ¥982.5 billion, down ¥234.4 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, 2008	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 the 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 websites 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 investments as a group—thus ensuring the soundness of each company's management—and has made efforts to increase profits from investment.

2. Investment Environment

In fiscal 2007, the Japanese economy experienced moderate expansion in the first half. In the second half of the fiscal year, however, the economy appeared to slow, despite the underpinnings of demand from emerging economies. Against the backdrop of a slowing U.S. economy precipitated by the subprime loan crisis involving housing loans to individuals with poor credit, the yen's appreciation and soaring prices for energy and basic materials increasingly clouded the economic outlook.

Under these conditions, the Japanese stock market was sharply lower at March 31, 2008 than at the end of the previous fiscal year.

The Nikkei average started the fiscal year above ¥18,000, buoyed by the feeling that the domestic stock market was lagging behind strong overseas exchanges and that the yen's weakness would prevail on foreign currency markets. The domestic stock market slipped from the summer highs, however, echoing sharp drops in overseas stock markets and a strengthening yen. Thereafter, stock prices retraced losses for a while as calm returned to world financial markets. But world share markets tumbled again as a string of major overseas financial institutions revealed subprime-related losses and fears grew of a U.S. economic recession. The domestic stock market dropped sharply again as a result, with the Nikkei average ending the year at ¥12,525.

(Nikkei average: March 31, 2007; ¥17,287.65 → March 31, 2008; ¥12,525.54)
(TOPIX: March 31, 2007; 1,713.61 → March 31, 2008; 1,212.96)

Japanese long-term interest rates rose during the first half of fiscal 2007, reaching nearly 2%, due to rising overseas interest rates and forecasts of impending rate hikes. Thereafter, Japanese long-term interest rates declined as the U.S. subprime loan issue weighed on the global economy and stock markets fell. As of March 31, 2008, the Japanese long-term interest rate stood at 1.28%.

(Yield on newly issued 10-year JGBs: March 31, 2007: 1.66% → March 31, 2008: 1.28%)

At the outset of the fiscal year, the yen continued to weaken against the U.S. dollar due to improving economic indicators and retraction of projected U.S. interest rate cuts. Thereafter, however, rapid unwinding of yen carry trades due to a flight from risk prompted by the subprime problems and stock market downturns, saw the yen appreciate to below ¥110 against the U.S. dollar. While currency markets settled for a time, another, broader movement away from risk, which was catalyzed by plummeting stock markets from the beginning of 2008, saw the yen appreciate rapidly against the U.S. dollar. The yen at March 31, 2008 had appreciated to ¥100.19.

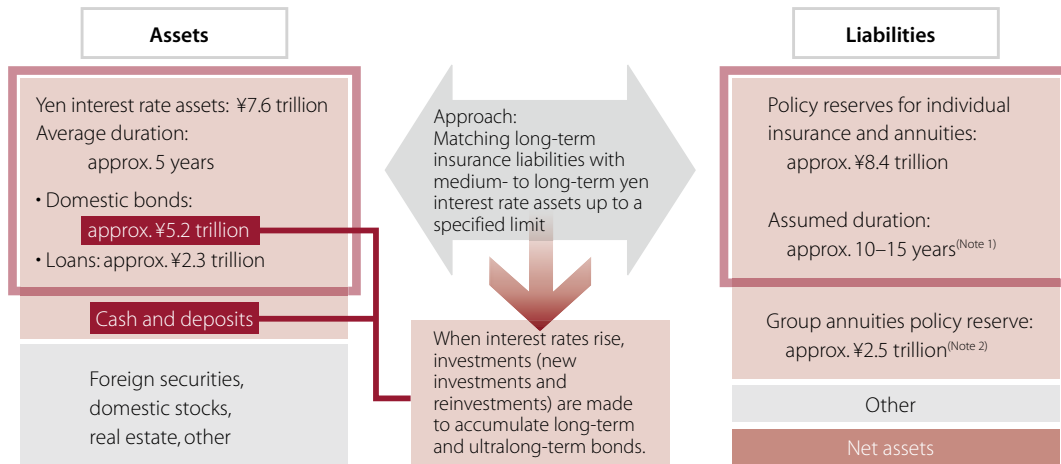
Against the euro, the yen finished the year essentially where it began, with volatility a prevailing theme in the market, caused by the specter of rising interest rates in Europe on one hand and unwinding of yen carry trades on the other.

(Yen/dollar exchange rate: March 31, 2007: ¥118.05; March 31, 2008: ¥100.19)
(Yen/euro exchange rate: March 31, 2007: ¥157.33; March 31, 2008: ¥158.19)

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 EEV sensitivity (more information on EEV sensitivity can be found in the separate 2008 European Embedded Value Report.)



- 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 of group annuities changes due to the interest rate environment but is recognized to be shorter than that of individual insurance and annuities.

As of March 31, 2008

3. Investment Performance Overview

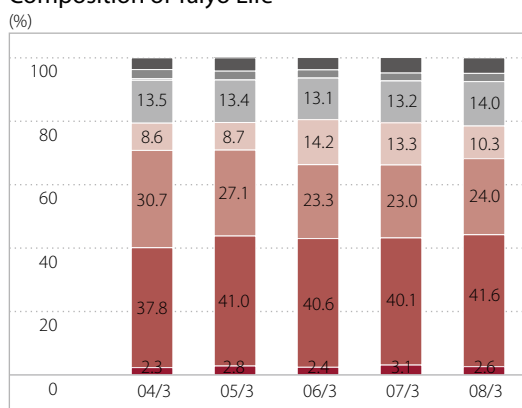
As of March 31, 2008, the combined general account assets for the three life insurance companies totaled ¥12,554.5 billion, down ¥692.2 billion from ¥13,246.7 billion as of March 31, 2007.

(1) Asset Composition

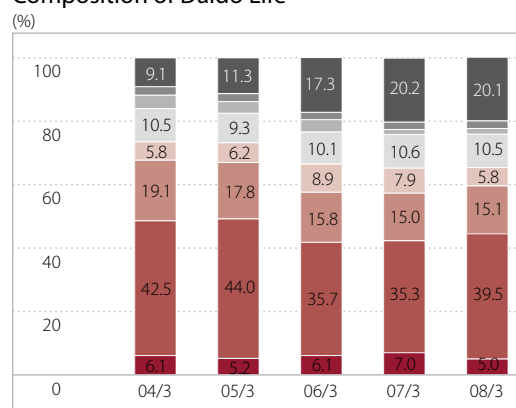
General Account Assets Composition

As of March 31,	(Millions of yen, %)									
	Three Companies				Taiyo Life		Daido Life		T&D Financial Life	
	2008		2007		2008	2007	2008	2007	2008	2007
	Amount	Share	Amount	Share	Amount	Amount	Amount	Amount	Amount	Amount
Cash and deposits, call loans	¥ 487,806	3.9	¥ 672,102	5.1	¥ 159,654	¥ 201,562	¥ 294,085	¥ 438,784	¥ 34,066	¥ 31,756
Monetary claims purchased	430,592	3.4	450,533	3.4	160,503	155,228	270,089	295,305	—	—
Monetary trusts	134,769	1.1	113,187	0.9	—	—	104,603	100,846	30,165	12,340
Securities:										
Domestic bonds	5,271,973	42.0	5,180,345	39.1	2,573,066	2,626,478	2,339,611	2,199,963	359,295	353,902
Domestic stocks	977,573	7.8	1,364,518	10.3	636,779	870,930	340,609	493,472	183	115
Foreign securities	1,486,675	11.8	1,550,337	11.7	865,293	863,699	621,314	663,864	65	22,773
Foreign bonds	765,707	6.1	868,442	6.6	560,614	581,817	205,094	271,044	—	15,580
Foreign stocks, etc.	720,967	5.7	681,895	5.1	304,681	281,882	416,219	392,820	65	7,192
Other securities	804,955	6.4	1,020,369	7.7	71,560	117,528	731,750	898,094	1,644	4,747
Total Securities	8,541,177	68.0	9,115,571	68.8	4,146,702	4,478,636	4,033,285	4,255,395	361,189	381,539
Loans:										
Policy loans	192,207	1.5	192,706	1.5	101,868	105,316	83,103	79,685	7,235	7,704
Commercial loans	2,187,343	17.4	2,252,774	17.0	1,380,012	1,396,930	807,289	853,289	41	2,555
Total Loans	2,379,550	19.0	2,445,481	18.5	1,481,880	1,502,246	890,392	932,974	7,277	10,259
Property and equipment	301,081	2.4	308,757	2.3	161,714	163,014	139,073	145,456	293	286
Deferred tax assets	64,234	0.5	6,254	0.0	11,299	—	44,178	—	8,755	6,254
Other assets	219,010	1.7	138,383	1.0	60,421	47,359	141,519	70,150	17,068	20,873
Reserve for possible loan losses	(3,658)	(0.0)	(3,479)	(0.0)	(2,558)	(2,364)	(1,029)	(1,043)	(69)	(71)
Total Assets	12,554,565	100.0	13,246,793	100.0	6,179,618	6,545,684	5,916,199	6,237,870	458,748	463,238
Foreign currency denominated assets	1,113,063	8.9	1,267,027	9.6	721,906	776,976	391,091	489,391	65	660

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

Income-generating assets (domestic bonds + loans) were maintained at about the same level, and the duration was extended in the first quarter and fourth quarter.

b) Domestic Stocks

The balance of domestic stocks at March 31, 2008 was ¥673.1 billion and net exposure to domestic stocks fell to 10.9%. This was due to the net sale of domestic stocks of approximately ¥50.0 billion, centered on the first half of the fiscal year in accordance with the market outlook, as well as falling market prices.

c) Foreign Securities

Foreign securities at March 31, 2008 accounted for 14.0% of general account assets. Adjusted for currency hedging, net foreign currency exposure was only 5.2%. Net foreign currency exposure decreased 0.9 percentage points, from 6.1% at the previous fiscal year-end, mainly due to the net sale of foreign bonds and foreign stocks, as well as increased currency hedging.

d) Alternative Investment

Hedge funds increased about ¥30.0 billion to ¥54.0 billion, and private equity funds increased approximately ¥6.0 billion to ¥15.3 billion on a commitment basis.

2) Daido Life

a) Domestic Bonds

Daido Life continued its policy of limiting the reinvestment of redemptions of income-generating assets (yen-denominated bonds + loans + beneficiary trust rights, etc.). As a consequence, the balance of income-generating assets and duration were the same level as at the end of the previous fiscal year.

b) Domestic Stocks

During fiscal 2007, Daido Life sold approximately ¥35.0 billion when share prices were rising in the first half and progressively bought ¥100.0 billion of domestic stocks when the share market was falling after July. Although net purchases were approximately ¥65.0 billion, the balance of domestic stocks at March 31, 2008 was ¥860.0 billion and the net exposure to domestic stocks was 14.5% due to share price falls.

c) Foreign Securities

Foreign securities accounted for 10.5% of general account assets at the end of March 2008. However, adjusted for currency hedging, net foreign currency exposure was only 3.4%, the same level as at March 31, 2007.

d) Alternative Investment

The balance of hedge funds was ¥159.7 billion as of March 31, 2008, about the same as at March 31, 2007, despite buying and selling. The private equity balance increased approximately ¥70.0 billion to ¥160.9 billion on a commitment basis due to the widening of investment targets to emerging markets and infrastructure, etc.

3) T&D Financial Life

The main components of T&D Financial Life's general account assets as of March 31, 2008 and 2007, respectively, were as follows: domestic bonds 78.3% and 76.4%, domestic stocks 0.0% and 0.0%, foreign securities 0.0% and 4.9%, other securities 0.4% and 1.0% and loans 1.6% and 2.2%. The company continues to invest mainly in assets linked to yen interest rates.

(2) Investment Income and Expenses

The general account assets of the three life insurance companies combined for the years ended March 31, 2008 and up/down from fiscal 2007, respectively, included interest, dividends and income from real estate for rent of ¥290.9 billion and up ¥19.8 billion, gains on sales of securities of ¥102.4 billion and up ¥8.2 billion, gains from derivatives of ¥22.3 billion and ¥35.9 billion losses from derivatives in the previous fiscal year, losses on sale of securities of ¥62.2 billion and up ¥9.8 billion, and devaluation losses on securities of ¥27.1 billion and up ¥26.4 billion.

Net Investment Income (General Account Assets)

Years ended March 31,	(Millions of yen)								
	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Net Items:									
Gains (losses) from monetary trusts	¥ 29,280	¥ 4,685	¥ 24,594	¥ —	¥ 0	¥ 13,955	¥ 8,092	¥ 15,324	¥ (3,407)
Gains (losses) on investments in trading securities	(25,192)	17,824	(43,016)	—	—	(25,192)	17,824	—	—
Gains (losses) on sale of securities	40,263	41,869	(1,605)	35,349	28,893	4,827	13,012	87	(35)
Gains (losses) on redemption of securities	14	(0)	15	—	—	—	—	14	(0)
Gains (losses) from derivatives	22,312	(35,992)	58,304	(7,065)	(15,668)	29,377	(20,324)	—	—
Foreign exchange gains (losses)	(6,191)	(6,118)	(72)	(107)	(422)	(6,083)	(5,696)	0	(0)
Other investment income (expense)	(14,955)	(10,001)	(4,953)	(3,850)	(3,888)	(11,061)	(6,198)	(43)	85
Total Investment Income (Loss) from Net Items	45,533	12,266	33,266	24,324	8,914	5,824	6,709	15,384	(3,357)
Investment Income:									
Interest, dividends and income from real estate for rent	290,928	271,112	19,815	142,024	137,257	144,744	129,458	4,158	4,396
Total Investment Income	290,928	271,112	19,815	142,024	137,257	144,744	129,458	4,158	4,396
Investment Expenses:									
Interest expense	1,961	1,794	167	1,674	1,624	265	165	21	4
Devaluation losses on securities	27,178	710	26,467	7,724	99	19,429	610	24	—
Provision for reserve for possible loan losses	194	684	(490)	194	684	—	—	—	—
Write-off of loans	159	—	159	37	—	121	—	—	—
Depreciation of real estate for rent	5,778	5,201	576	2,434	2,485	3,343	2,716	—	—
Total Investment Expense	35,271	8,391	26,880	12,065	4,893	23,160	3,493	45	4
Net Investment Income from General Account Assets	301,189	274,987	26,201	154,283	141,278	127,408	132,675	19,497	1,033

(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 ¥432.0 billion, down ¥613.3 billion from the end of the previous fiscal year. This was mainly the result of lower net unrealized gains on domestic stocks due to falling stock prices. Net unrealized gains on real estate totaled ¥71.0 billion, rising ¥42.2 billion from the previous fiscal year.

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

As of March 31,	(Millions of yen)								
	Three Companies			Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	Increase (decrease)	2008	2007	2008	2007	2008	2007
Total Net Unrealized Gains (Losses)									
on Securities:	¥432,013	¥1,045,332	¥(613,318)	¥266,689	¥499,662	¥163,852	¥546,396	¥1,470	¥ (727)
Domestic bonds	95,437	25,839	69,598	63,164	8,236	30,724	18,650	1,549	(1,047)
Domestic stocks	325,323	674,234	(348,910)	210,571	425,699	114,751	248,534	—	—
Foreign securities	(3,109)	63,727	(66,836)	725	53,807	(3,830)	9,835	(4)	84
Other securities	5,303	252,479	(247,175)	(11,023)	12,927	16,400	239,316	(73)	235
Monetary claims purchased	8,730	(721)	9,451	3,251	(1,007)	5,479	286	—	—
Certificates of deposit	0	(0)	0	0	(0)	—	—	—	—
Monetary trusts	327	29,772	(29,445)	—	—	327	29,772	—	—
Net Unrealized Gains (Losses) on Real Estate	71,070	28,805	42,264	35,807	11,649	35,262	17,156	—	—

- 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. Risk Classification and Countermeasures

The Group categorizes and defines management risks and the appropriate responses as follows:

Type of Risk	Risk Characteristics and Countermeasures
Insurance Underwriting Risk	This is the risk of losses from unfavorable gaps between the actual occurrence of insured events and assumptions made at the time of pricing due to changes in the status of the economy, disasters, etc. Based on an awareness of the major impact that life insurance underwriting has on business over the long term, the Group determines, analyzes, and assesses the insurance underwriting risk and carries out appropriate controls.
Investment Risk	The T&D Life Group breaks down and manages investment risk based on three categories: 1) market risk, 2) credit risk, and 3) real estate investment risk. The T&D Life Group controls investment risk by setting permissible risk limits based on the capital adequacy of the three respective life insurance companies, thereby controlling risk exposure within a specified target commensurate with the financial condition of individual companies. Also, T&D Holdings monitors the concentration of credit in specific industries/groups and oversees the management/recovery of problem loans.
Market Risk	This is the risk of suffering losses from changes in the price of assets due to changes in interest rates, securities prices, and foreign exchange rates as well as various other risk factors.
Credit Risk	This is the risk of suffering losses from a decline in the price or the complete eradication of the value of assets due to a deterioration of the financial conditions of obligors.
Real Estate Investment Risk	This is the risk of suffering losses from a decline in real-estate-related revenue due to changes in lease fees or other factors, or from a decline in the value of real estate itself due to changes in market conditions.
Liquidity Risk	Liquidity risk is divided into two categories: 1) cash flow risk and 2) market liquidity risk. The T&D Life Group has established classifications according to the degree of cash flow tightening among the three life insurance companies, and it has formulated methods for managing each classification to secure a certain level of liquidity. Simultaneously, it carries out proper risk control to reinforce its system for smoothly liquefying assets to procure funds.
Cash Flow Risk	This is the risk of suffering losses from having to sell assets at significantly disadvantaged prices to secure funds and/or from deterioration in cash flow due to the outflow of funds due to a major disaster.
Market Liquidity Risk	This is the risk of suffering losses from the unavailability of trading prices in the market or having to trade at a significantly disadvantaged price owing to market disruptions or other factors.
Operational Risk	The T&D Group refers to the following five categories of risks as operational risk.
Administrative Risk	Administrative risk refers to the possibility of suffering losses from officers' or employees' neglecting to perform accurate operations and/or causing accidents, performing illegal acts, or leaking information. Recognizing that all operations entail administrative risks, the T&D Life Group strives to reduce or prevent these risks by strengthening the operational risk management systems at each Group company.
System Risk	System risk encompasses the potential of suffering losses from computer system downtime, malfunction, misoperation, or other system flaws. Cognizant of this risk in all of its operations, the T&D Life Group strives to reduce or prevent system risk and minimize losses at the time of risk occurrence by strengthening its management system.
Legal Risk	Legal risk entails the possibility of suffering losses from neglecting to comply with all laws and regulations. The T&D Life Group strives to prevent the occurrence of legal risk by promoting compliance. Also, if there is a risk of losses, including compensatory damages, due to legal action or other such incident, the Group seeks to minimize losses by seeking early resolution through consultation with legal counsel.
Labor/Personnel Risk	This is the risk of suffering losses due to such labor and personnel problems as those related to hiring, labor management, personnel outflows, and human rights. Recognizing that labor/personnel risk exists, the T&D Life Group seeks to reduce or prevent such risk and deal appropriately with unavoidable problems by establishing effective administration systems.
Hazard Risk	Hazard risk indicates the potential for suffering losses from the lack of contingency plans or emergency measures for large-scale disasters. The T&D Life Group strives to reduce or prevent hazard risk by assuming the possibility of disasters, including major earthquakes and damage due to wind and floods, and establishing preventive measures and strengthening emergency response systems.
Rumor Risk	Rumor risk is the risk of suffering losses from the occurrence of a situation that adversely impacts the earnings of Group companies or causes a decline in share price, resulting from the spread of negative information about the creditworthiness/negative evaluation of the Group or the life insurance industry by policyholders, investors, the mass media, the Internet, or the public at large. The T&D Life Group works to contain rumors and information related to rumor risk and strives to reduce or prevent rumor risk through an accurate response/reporting system.
Affiliate Risk	Affiliate risk represents the risk of suffering losses from the deterioration of a life insurance subsidiary's affiliate or other adverse factors. The T&D Life Group works to assess the income/ expenditure situation as well as the potential for the occurrence of various risks at the affiliates of life insurance companies and carries out proper risk control.

2. 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	Because the T&D Life Group is focused on the life insurance business, 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 the 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	T&D Holdings is subject to oversight and regulation under the Insurance Business Law and other regulations. Furthermore, it conducts its business with exposure to risks of other regulations, including the impact of changes in laws, regulations, government policy, business customs, interpretation and public finances. 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.

3. 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. Moreover, as seen from the full deregulation of OTC sales at banks from December 2007, the life insurance industry is expected to see further liberalization and deregulation. As a result, there is expected to be further escalation in competition on product prices and services in the life insurance industry, which could adversely affect the T&D Life Group's earnings and financial condition.

(2) Competitive Relationships

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 private-sector life insurers. Accordingly, the three life insurance companies stand in a competitive relationship with these entities in the life insurance business.

In fields involving financial functions, the Group has competitive relationships mainly with trust banks in the management of corporate pension assets under contract, and investment advisory companies in the management of other assets. In businesses where there is a competitive relationship with other companies, any decline in the competitiveness of the three life insurance companies could adversely affect the T&D Life Group's earnings and financial condition.

(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, 2008	Future contributions (projected)	Contribution in year ended March 31, 2008	Future contributions (projected)	Contribution in year ended March 31, 2008	Future contributions (projected)	Contribution in year ended March 31, 2008
30,576	3,840	12,175	1,538	17,064	2,146	1,335	154

Note: Projected future contributions are "contributions estimated in accordance with Article 259 of the Insurance Business Law."

4. 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
Marketing Methods/ Systems	Direct home visits by sales representatives	<ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Bank marketing agencies increasingly sell insurance products of other companies • 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	<ul style="list-style-type: none"> • Individual variable annuities • Plans to expand product line at time of the full deregulation of OTC sales at banks
	Changing customer needs lead to shrinking of market	<ul style="list-style-type: none"> • Intensifying competition with other providers of individual term life insurance and decrease in customer needs • Revision of tax system that eliminates or reduces provision for writing off insurance payments 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 30 through 40.

5. Insurance Underwriting Risk

Insurance companies perform calculations using such fundamental calculation data as projected mortality rates, interest rates, and business expense rates, and use the results to determine insurance premiums. However, when considering premiums, insurance companies set appropriate premiums by also taking into account changes in economic conditions and such trends as mortality and morbidity rates. At the same time, appropriate underwriting standards are set according to the characteristics of the insurance product from the perspective of the fairness of customers and preventing moral hazard. Notwithstanding, if insurance underwriting risk materializes after the start of sales due to differences in forecasts when premiums were set, insurance companies take steps to change the sales policy for insurance products as well as underwriting standards and insurance premiums as necessary.

Moreover, when underwriting new products or agreements with special insurance premiums or expanding the scope of underwriting, insurance companies attempt to control insurance underwriting risk by obtaining reinsurance from insurance companies with sufficient insurance ability, such as those above a certain level of credit rating, as necessary.

6. 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 90. For information on market risk, which accounts for most of investment risk, see the Investment in General Account Assets section on page 85.

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

As of March 31,	(Millions of yen)							
	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	2008	2007	2008	2007	2008	2007
Policy Loans:								
Policyholder loans	¥ 187,415	¥ 187,664	¥ 99,523	¥ 102,820	¥ 81,958	¥ 78,448	¥5,934	¥ 6,394
Premium transfer loans	4,791	5,042	2,344	2,495	1,145	1,236	1,301	1,309
Subtotal	192,207	192,706	101,868	105,316	83,103	79,685	7,235	7,704
Commercial Loans:								
Corporate loans:	1,606,037	1,654,614	947,021	972,278	659,015	679,836	—	2,500
Loans to domestic corporations ...	1,513,345	1,540,962	862,284	867,278	651,061	671,183	—	2,500
Loans to the Japanese government, government-related organizations, and international organizations	11,513	14,643	3,546	5,071	7,940	9,533	26	38
Loans to Japanese local governments and public entities	26,396	23,137	16,730	12,944	9,666	10,193	—	0
Mortgage loans	278,606	275,219	265,653	260,867	12,953	14,352	—	—
Consumer loans	217,913	232,667	128,719	126,794	89,194	105,872	—	—
Others	46,875	52,492	18,341	18,973	28,519	33,501	15	16
Subtotal	2,187,343	2,252,774	1,380,012	1,396,930	807,289	853,289	41	2,555
Loans to nonresidents	97,364	118,756	86,137	106,650	11,227	12,106	—	—
Total	2,379,550	2,445,481	1,481,880	1,502,246	890,392	932,974	7,277	10,259
Portion comprising subordinated loans	340,481	352,000	192,500	210,500	147,981	141,500	—	—

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.

As of March 31,	(Millions of yen)							
	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	2008	2007	2008	2007	2008	2007
Loans to bankrupt companies	¥ 472	¥ 531	¥ 282	¥ 336	¥ 190	¥ 195	¥ —	¥ —
Past due loans	2,294	2,528	1,168	1,225	1,087	1,264	38	37
Loans overdue for three months or more	3,854	4,165	3,854	4,165	—	—	—	—
Restructured loans	342	406	30	32	312	374	—	—
Total	6,962	7,632	5,335	5,760	1,589	1,833	38	37
% of total loans	0.29%	0.31%	0.36%	0.38%	0.18%	0.20%	0.53%	0.37%

Note: Certain past due loans and loans to bankrupt companies were written off and charged to the reserve for possible loan losses. Taiyo Life's write-offs relating to bankrupt companies amounted to ¥130 million and past due loans amounted to ¥37 million. Daido Life's write-offs relating to bankrupt companies amounted to ¥125 million and past due loans amounted to ¥199 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 condition and business performance.

As of March 31,	(Millions of yen)							
	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2008	2007	2008	2007	2008	2007	2008	2007
Claims against bankrupt and quasi-bankrupt obligors	¥ 863	¥ 869	¥ 448	¥ 557	¥ 312	¥ 210	¥ 101	¥ 101
Claims with collection risk	1,967	2,253	1,002	1,004	964	1,249	—	—
Claims for special attention	4,196	4,572	3,884	4,198	312	374	—	—
Subtotal ①	7,026	7,695	5,335	5,760	1,589	1,834	101	101
% of total ①/③	0.29%	0.31%	0.36%	0.38%	0.18%	0.20%	1.37%	0.97%
Claims against normal obligors ②	2,382,018	2,448,080	1,481,523	1,501,481	893,143	936,253	7,350	10,345
Total ①+②=③	2,389,044	2,455,776	1,486,858	1,507,242	894,733	938,088	7,452	10,446

(2) Real Estate Investment Risk

The carrying values and fair values of the three life insurance companies' real estate holdings as of March 31, 2008, 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 and financial position could be adversely affected.

Fair Value Information on Real Estate

As of March 31, 2008	(Millions of yen)									
	Taiyo Life					Daido Life				
	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	¥98,424	¥134,258	¥35,833	¥43,045	¥7,211	¥78,045	¥113,613	¥35,568	¥54,083	¥18,515
Lease	156	130	(26)	13	39	913	607	(306)	388	694
Total	98,581	134,388	35,807	43,058	7,251	78,958	114,220	35,262	54,472	19,209

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, 2008.

7. 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, 2008, see page 84.)

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.

8. Risk Related to Other Directly Owned Subsidiaries

(1) Asset Management Business Risk

The Company, through directly owned subsidiary T&D Asset Management Co., Ltd., provides an asset management service to clients mainly via discretionary investment contracts and the establishment of investment trusts. The investment advisory fees and trustee fees that it earns as consideration for these services are based on the balance of customers' assets under management. If the value of assets should decline due to the aforementioned market risk or the balance of assets under management declines due to an increase in cancellations stemming from poor investment performance or other factors, the Company's income could decline and have a negative impact on the earnings 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. The goal of this system is to protect policyholders' interests by including *kyosai* (mutual aid programs without legal basis) in the definition of "insurance business" under the Insurance Business Law, thus making them subject to regulation.

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) and it became a small-amount 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 2 years. However, it is regarded as a business capable of creating innovative insurance products.

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 earnings and financial condition of the abovementioned 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: <ul style="list-style-type: none"> • 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

(1) Overview

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 while taking into account the actual cost principle of mutual companies. 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.

In addition, the revised Insurance Business Law, which came into effect in April 2006, created a new “small-amount short-term insurance business system,” to protect members of *mukyoka kyosai* (unlicensed mutual aid programs), which had no supervisory system by a government body.

Moreover, the *Life Insurance Companies Standard Life Table 1996*, which is used to calculate the standard policy reserves of insurance companies, was partially revised in light of factors such as improvements in the observed mortality rate, centered on the older generation in recent years. Accordingly, the new *Life Insurance Companies Standard Life Table 2007* is being used for new contracts commencing on or after April 1, 2007.

(2) Changes in Fiscal 2007

1) Privatization of 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. Thereafter, Japan Post Public Corporation moved toward privatization, with these efforts culminating in the establishment in October 2007 of Japan Post Holdings Co., Ltd. Existing postal life insurance policies are being serviced by Japan Post Insurance, which was spun out as a subsidiary of Japan Post, and issued a life insurance business license. Moreover, Japan Post Bank, which was formed from the postal savings and other operations; Post Office, which took over the postal services; and Japan Post Insurance are selling OTC insurance products at 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 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 who had a high savings component (single-premium whole life, single-premium endowment, and savings-type accident insurance). In December 2007, regulations governing the sale of life insurance products were completely removed, making it possible for almost all life insurance products to be sold at banks.

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	<i>Inspection Manual for Insurance Companies</i> 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 Start of OTC sales at banks	Implementation of the Consumer Contract Law and the Financial Product Marketing Law 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 by OTC sales at banks	Types of insurance products by OTC sales at banks broadened to include a portion of savings-oriented products (single-premium whole life insurance, etc.)
Apr. 2006	Strengthening of marketing regulations regarding unregulated <i>kyosai</i> (mutual aid programs) Simplifying of insurance product examinations and increasing price elasticity	Introduction of small-amount short-term insurance provider system and other new rules to strengthen marketing regulations concerning unregulated <i>kyosai</i> (mutual aid programs) 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 <i>Life Insurance Companies Standard Life Table 2007</i> for new contracts formed on or after April 1, 2007
Oct. 2007	Privatization of Japan Post Public Corporation	Privatization of Japan Post Public Corporation (Postal life insurance business transferred to Japan Post Insurance)
Dec. 2007	Full deregulation of OTC sales at banks	Banks and securities firms will be able to sell all categories of insurance products

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Assets:			
Cash and deposits	¥ 308,428	¥ 419,874	\$ 3,078,440
Call loans	279,800	340,800	2,792,693
Monetary claims purchased	430,592	450,533	4,297,763
Monetary trusts (Note 19)	134,769	113,187	1,345,138
Securities (Notes 11 and 18)	9,244,528	9,870,253	92,269,975
Loans (Note 3)	2,363,476	2,430,540	23,589,945
Tangible fixed assets	309,279	317,603	3,086,931
Intangible fixed assets	23,755	22,921	237,108
Due from agencies	1,382	1,466	13,800
Due from reinsurers	8,472	8,955	84,568
Other assets	199,089	117,719	1,987,120
Deferred tax assets (Note 17)	66,419	770	662,932
Reserve for possible loan losses	(3,940)	(3,648)	(39,326)
Total assets	¥13,366,056	¥14,090,977	\$133,407,093

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 75,264	¥ 73,651	\$ 751,218
Policy reserve	11,875,618	12,073,772	118,530,972
Reserve for policyholder dividends (Note 6)	186,873	197,357	1,865,195
Total policy reserves	12,137,756	12,344,781	121,147,386
Due to agencies	280	1,313	2,801
Due to reinsurers	491	529	4,900
Short-term debenture	27,971	20,000	279,183
Subordinated bonds (Note 7)	20,000	20,000	199,620
Other liabilities (Note 8)	232,992	178,750	2,325,505
Reserve for bonus to directors and corporate auditors	210	172	2,100
Reserve for employees' retirement benefits (Note 21)	116,849	114,986	1,166,275
Reserve for directors' and corporate auditors' retirement benefits	4,242	3,707	42,342
Reserve for price fluctuations	137,269	104,542	1,370,090
Deferred tax liabilities (Note 17)	10	201,178	105
Deferred tax liabilities on land revaluation	10,708	10,787	106,884
Total liabilities	12,688,782	13,000,748	126,647,198
Net assets:			
Common stock:			
Authorized – 966,000,000 shares			
Issued – 246,330,000 shares	118,595	118,595	1,183,705
Capital surplus	106,106	106,106	1,059,055
Retained earnings (Note 10)	251,934	231,678	2,514,571
Treasury stock	(638)	(496)	(6,372)
Total stockholders' equity	475,998	455,883	4,750,960
Net unrealized gains on securities	246,874	680,401	2,464,059
Deferred gains on hedging instruments	571	488	5,700
Land revaluation	(48,014)	(48,501)	(479,237)
Foreign currency translation adjustments	24	48	245
Total valuation and translation adjustments	199,455	632,435	1,990,767
Minority interests	1,820	1,909	18,166
Total net assets	677,273	1,090,229	6,759,894
Total liabilities and net assets	¥13,366,056	¥14,090,977	\$133,407,093

See notes to consolidated financial statements.

Consolidated Statements of Operations

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Ordinary revenues:			
Income from insurance premiums	¥1,613,190	¥1,811,596	\$16,101,309
Investment income:			
Interest, dividends and income from real estate for rent	288,345	269,689	2,877,988
Gains from monetary trusts, net	29,343	4,767	292,880
Gains on investments in trading securities, net	—	17,824	—
Gains on sales of securities	102,475	94,247	1,022,814
Gains on redemptions of securities	14	1	149
Gains from derivatives, net	22,312	—	222,699
Other investment income	2,921	2,763	29,158
Gains on separate accounts, net	—	18,156	—
Total investment income	445,413	407,449	4,445,690
Other ordinary income:			
Reversal of policy reserve	198,154	—	1,977,790
Other ordinary income	73,272	66,954	731,335
Total other ordinary income	271,427	66,954	2,709,125
Equity in net income of affiliated companies	39	33	397
Total ordinary revenues	2,330,071	2,286,034	23,256,522
Ordinary expenses:			
Insurance claims and other payments:			
Insurance claims	611,405	672,425	6,102,464
Annuity payments	175,789	161,682	1,754,563
Insurance benefits	304,388	296,469	3,038,117
Surrender payments	391,885	389,975	3,911,422
Other payments	163,563	110,131	1,632,533
Total insurance claims and other payments	1,647,033	1,630,683	16,439,101
Provision for policy and other reserves:			
Provision for reserve for outstanding claims	1,613	4,977	16,100
Provision for policy reserve	—	88,310	—
Interest portion of reserve for policyholder dividends	916	947	9,145
Total provision for policy and other reserves	2,529	94,235	25,246
Investment expenses:			
Interest expenses	2,138	1,806	21,348
Losses on investments in trading securities, net	25,192	—	251,444
Losses on sales of securities	62,224	52,377	621,060
Devaluation losses on securities	27,178	720	271,266
Losses from redemption of securities	—	1	—
Losses from derivatives, net	—	35,992	—
Foreign exchange losses, net	6,193	6,119	61,821
Provision for reserve for possible loan losses	304	0	3,043
Write-off of loans	189	12	1,895
Depreciation of real estate for rent	5,778	5,201	57,676
Other investment expenses	18,067	12,979	180,331
Losses on separate accounts, net	94,702	—	945,228
Total investment expenses	241,970	115,212	2,415,116
Operating expenses	205,853	208,963	2,054,627
Other ordinary expenses	76,971	78,767	768,256
Total ordinary expenses	2,174,358	2,127,862	21,702,348
Ordinary profit	¥ 155,712	¥ 158,172	\$ 1,554,174

(continued)

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 5,740	¥ 1,324	\$ 57,299
Recoveries of bad debts previously written-off	113	194	1,135
Other	246	763	2,455
Total extraordinary gains	6,100	2,281	60,890
Extraordinary losses:			
Losses on disposal of fixed assets	4,194	1,111	41,866
Impairment loss (Note 12)	349	1,899	3,485
Provision for reserve for price fluctuations	32,727	30,546	326,651
Headquarters removal costs	—	1,257	—
Other	245	494	2,449
Total extraordinary losses	37,516	35,309	374,451
Provision for reserve for policyholder dividends	45,384	56,481	452,983
Income before income taxes	78,912	68,663	787,629
Income taxes (Note 17):			
Current	64,753	50,665	646,309
Deferred	(22,581)	(20,909)	(225,387)
Minority interests (losses)	(9)	134	(94)
Net income	¥ 36,749	¥ 38,772	\$ 366,802
		(Yen)	(U.S. dollars)
Net income per share (Note 22):			
Basic	¥149.24	¥157.45	\$1.48
Diluted	—	—	—

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Stockholders' equity					Valuation and translation adjustments					Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains on securities	Deferred gains on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total		
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
Changes in the period:												
Dividends			(16,006)		(16,006)							(16,006)
Bonus to directors and corporate auditors					—							—
Net income			36,749		36,749							36,749
Acquisition of treasury stock				(156)	(156)							(156)
Disposal of treasury stock		0		14	14							14
Reversal of land revaluation			(487)		(487)							(487)
Net changes of items other than stockholders' equity					—	(433,527)	83	487	(23)	(432,980)	(89)	(433,070)
Total changes in the period	—	0	20,256	(141)	20,115	(433,527)	83	487	(23)	(432,980)	(89)	(412,955)
Balance as of March 31, 2008	¥118,595	¥106,106	¥251,934	¥(638)	¥475,998	¥246,874	¥571	¥(48,014)	¥24	¥199,455	¥1,820	¥677,273

(Thousands of U.S. dollars)

	Stockholders' equity					Valuation and translation adjustments					Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains on securities	Deferred gains on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total		
Balance as of March 31, 2007	\$1,183,705	\$1,059,054	\$2,312,390	\$(4,959)	\$4,550,190	\$6,791,110	\$4,871	\$(484,099)	\$482	\$6,312,365	\$19,062	\$10,881,618
Changes in the period:												
Dividends			(159,759)		(159,759)							(159,759)
Bonus to directors and corporate auditors					—							—
Net income			366,802		366,802							366,802
Acquisition of treasury stock				(1,558)	(1,558)							(1,558)
Disposal of treasury stock		1		145	147							147
Reversal of land revaluation			(4,861)		(4,861)							(4,861)
Net changes of items other than stockholders' equity					—	(4,327,050)	829	4,861	(237)	(4,321,597)	(896)	(4,322,493)
Total changes in the period	—	1	202,180	(1,412)	200,769	(4,327,050)	829	4,861	(237)	(4,321,597)	(896)	(4,121,723)
Balance as of March 31, 2008	\$1,183,705	\$1,059,055	\$2,514,571	\$(6,372)	\$4,750,960	\$2,464,059	\$5,700	\$(479,237)	\$245	\$1,990,767	\$18,166	\$6,759,894

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes	¥ 78,912	¥ 68,663	\$ 787,629
Depreciation of real estate for rent	5,778	5,201	57,676
Other depreciation and amortization	13,671	14,054	136,454
Impairment loss	349	1,899	3,485
Amortization of goodwill due to consolidation	17	405	171
Increase in reserve for outstanding claims	1,613	4,977	16,100
Increase (decrease) in policy reserve	(198,154)	88,310	(1,977,790)
Increase in interest portion of reserve for policyholder dividends	916	947	9,145
Increase in provision for reserve for policyholder dividends	45,384	56,481	452,983
Increase (decrease) in reserve for possible loan losses	291	(83)	2,908
Increase in reserve for bonus to directors and corporate auditors	38	172	382
Increase in reserve for employees' retirement benefits	1,863	6,603	18,595
Increase in reserve for directors' and corporate auditors' retirement benefits	534	339	5,333
Increase in reserve for price fluctuations	32,727	30,546	326,651
Interest, dividends and income from real estate for rent	(288,345)	(269,689)	(2,877,988)
(Gains) losses on investment securities	106,806	(77,129)	1,066,035
Interest expense	2,138	1,806	21,348
Exchange losses	6,122	6,185	61,112
Gains on disposal of tangible fixed assets	(2,290)	(345)	(22,862)
Equity in net income of affiliated companies	(39)	(33)	(397)
Decrease in amount due from agencies	83	81	835
(Increase) decrease in amount due from reinsurers	482	(1,759)	4,813
Increase in other assets (excluding investment activities-related and financing activities-related)	(14,241)	(6,551)	(142,145)
Increase (decrease) in amount due to agencies	(1,032)	464	(10,306)
Decrease in amount due to reinsurers	(38)	(20)	(380)
Increase in other liabilities (excluding investment activities-related and financing activities-related)	3,614	1,521	36,081
Other, net	(36,269)	41,436	(362,008)
Subtotal	(239,066)	(25,512)	(2,386,133)
Interest, dividends and income from real estate for rent received	286,857	260,170	2,863,136
Interest paid	(2,102)	(1,812)	(20,983)
Policyholder dividends	(56,808)	(56,763)	(567,007)
Other, net	8,031	11,823	80,166
Income taxes paid	(61,042)	(43,594)	(609,267)
Net cash provided by (used in) operating activities	¥ (64,130)	¥ 144,312	\$ (640,089)

(continued)

(Thousands of
U.S. dollars)

Years ended March 31,	(Millions of yen)		2008
	2008	2007	
Cash flows from investing activities:			
(Net increase) net decrease in short-term investments	¥ (1,450)	¥ 0	\$ (14,472)
Investments in monetary claims purchased	(110,473)	(164,492)	(1,102,637)
Proceeds from sale and redemption of monetary claims purchased	60,206	37,041	600,927
Investments in monetary trusts	(63,000)	(25,500)	(628,805)
Proceeds from monetary trusts	35,693	159,308	356,257
Purchase of securities	(3,180,320)	(2,543,595)	(31,742,897)
Sale and redemption of securities	3,010,949	2,802,515	30,052,397
Investments in loans	(665,281)	(639,698)	(6,640,196)
Collection of loans	735,352	731,108	7,339,584
Other, net	21,643	(99,357)	216,025
Subtotal	(156,678)	257,329	(1,563,816)
Total of net cash provided by (used in) operating activities and investment transactions as above			
	(220,809)	401,641	(2,203,906)
Purchase of tangible fixed assets	(11,577)	(14,264)	(115,556)
Proceeds from disposal of tangible fixed assets	7,969	3,484	79,541
Purchase of subsidiary's equity with a change of scope of consolidation	—	(186)	—
Net cash provided by (used in) investing activities	(160,287)	246,362	(1,599,831)
Cash flows from financing activities:			
Income from short-term debenture	7,952	—	79,371
Proceeds from debt	10,450	18,100	104,301
Repayments of debt	(7,099)	(6,316)	(70,861)
Purchase of treasury stock	(156)	(179)	(1,558)
Sale of treasury stock	14	8	147
Dividends paid	(15,738)	(13,229)	(157,086)
Dividends paid to minority interests	(32)	(30)	(323)
Net cash used in financing activities	(4,609)	(1,648)	(46,009)
Effect of exchange rate changes on cash and cash equivalents	(5,421)	(6,384)	(54,117)
Net increase (decrease) in cash and cash equivalents	(234,449)	382,642	(2,340,047)
Cash and cash equivalents at beginning of year	1,217,045	834,403	12,147,378
Cash and cash equivalents at end of year (Note 14)	¥ 982,596	¥ 1,217,045	\$ 9,807,331

See notes to consolidated financial statements.

Note 1 Summary of Significant Accounting Policies

(a) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the “Company”), was established as a life insurance holding company, through which Taiyo Life Insurance Company (“Taiyo Life”), Daido Life Insurance Company (“Daido Life”) and T&D Financial Life Insurance Company (“T&D Financial Life”) (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, 2008 and 2007 were 17, respectively.

Investments in affiliates are accounted for under the equity method. The number of affiliated companies for the years ended March 31, 2008 and 2007 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 144.

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 adjustments” 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.

(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 fulfillment of future obligations under life insurance contracts. The reserve of the accompanying consolidated financial statements is established pursuant to the net level premium method. This method assumes a constant or level amount of net insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. The net insurance premium is the portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, investment yield and policy cancellation rates, and excluding the portion covering administrative expenses. The net level premium reserve is calculated using interest and mortality rates set by the Financial Services Agency. For policies issued after April 2007, 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 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, 2008.

(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, 2008.

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.

Depreciation method used for tangible fixed assets acquired on and after April 1, 2007 has been changed based on an amendment in corporate tax law. As a result of the change, ordinary profit and income before income taxes decreased by ¥68 million (\$680 thousand) for the year ended March 31, 2008.

As for tangible fixed assets acquired on and before March 31, 2007, residual value has been depreciated under the straight-line method over five years from the year after tangible fixed assets are thoroughly depreciated to the limits of depreciable amount. As a result of the change, ordinary profit and income before income taxes decreased by ¥275 million (\$2,752 thousand) for the year ended March 31, 2008.

(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, which became effective in 1998. In accordance with provisions under this 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 value of derivative instruments designated as fair value hedges are charged to income, whereas those designated as deferral hedges are reported in net assets section of the consolidated balance sheets. However, if derivative instruments are considered special treatment, changes in the fair value of derivative instruments are not recognized. Derivative financial instruments designated in special treatment 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 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 deferral 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 hedging instruments and hedged items for Taiyo Life are follows:

- a. Hedging instrument: Interest rate swaps
Hedged item: Loans and bonds
- b. Hedging instrument: Foreign exchange contracts
Hedged item: Foreign currency-denominated assets
- c. Hedging instrument: Individual stock options
Hedged item: Domestic equities
- d. Hedging instrument: Margin transactions
Hedged item: Domestic equities
- e. Hedging instrument: Forward trading
Hedged 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 hedged item is applied only where the hedging instrument satisfies the requirements. The hedging instruments and hedged items for Daido Life are follows:

- a. Hedging instrument: Foreign exchange contracts
Hedged item: Foreign currency-denominated available-for-sale securities and certificates of deposit
- b. Hedging instrument: Interest rate swaps
Hedged item: Available-for-sale bonds

Daido Life measured the hedge effectiveness and determined that 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 no longer applied for the year ended March 31, 2008.

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

(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) 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.

(u) 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.

(v) 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 ¥100.19=U.S.\$1, which is the approximate rate prevailing at March 31, 2008. 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, 2008 and 2007 are summarized as follows:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Loans to bankrupt companies	¥ 472	¥ 559	\$ 4,714
Past due loans	2,333	2,873	23,294
Loans overdue for three months or more	3,854	4,165	38,468
Restructured loans	342	406	3,415
Total	¥7,002	¥8,004	\$69,893

“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, 2008 and 2007 amounted to ¥255 million (\$2,554 thousand) and ¥6 million, respectively. Past due loans decreased due to write-offs ¥275 million (\$2,747 thousand) and ¥240 million for the years ended March 31, 2008 and 2007, respectively.

The Company and its consolidated subsidiaries’ outstanding loan commitments with borrowers as of March 31, 2008 and 2007 are summarized as follows:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Total loan commitments	¥7,000	¥2,500	\$69,867
Less amount drawn down	4,754	336	47,453
Unused loan commitments	¥2,245	¥2,163	\$22,413

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, 2008 and 2007 were ¥204,777 million (\$2,043,892 thousand) and ¥203,137 million, respectively.

Note 5 Separate Accounts

The consolidated balance sheets include ¥730,066 million (\$7,286,820 thousand) and ¥786,065 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2008 and 2007, 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, 2008 and 2007 is as follows:

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Balance at beginning of period	¥197,357	¥196,698	\$1,969,829
Policyholder dividends	(56,808)	(56,763)	(567,007)
Increase in interest	916	947	9,145
Increase due to other reasons	24	—	244
Decrease due to other reasons	—	(7)	—
Provision for reserve for policyholder dividends	45,384	56,481	452,983
Balance at end of period	¥186,873	¥197,357	\$1,865,195

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:

As of March 31, 2008 and 2007	Subscription date	(Millions of yen)		Offered rate	Guarantee	Maturity
		Opening balance	Ending balance			
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 (\$349,336 thousand) and ¥35,000 million of subordinated borrowings as of March 31, 2008 and 2007, respectively.

Note 9 Commitments

The amounts of future contributions to the Policyholder Protection Corporation, which are estimated in accordance with Article 259 of the Insurance Business Law, were ¥30,576 million (\$305,182 thousand) and ¥31,557 million as of March 31, 2008 and 2007, 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.

A total of ¥134,845 million (\$1,345,893 thousand) and ¥145,797 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, 2008 and 2007, 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 (\$630,386 thousand) and ¥10,836 million (\$108,158 thousand) as of March 31, 2008, respectively.

Note 11 Investments in Affiliates

Securities included ¥240 million (\$2,397 thousand) and ¥213 million of investments in affiliates as of March 31, 2008 and 2007, respectively.

Note 12 Impairment Loss

Impairment loss relating to fixed assets as of March 31, 2008 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

Asset	Category	Location, etc.	March 31, 2008			(Thousands of U.S. dollars)
			(Millions of yen)			Impairment loss
			Land	Buildings	Total	Total
Lease assets	Land and buildings	4 assets, including Utsunomiya City, Tochigi Prefecture	¥199	¥149	¥349	\$3,485

(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 6.70%. 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.

Note 13 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	78,848	21,607	2,240	98,215

Notes: 1. Treasury stock increased 21,607 shares by purchasing odd-lot shares.

2. Treasury stock decreased 2,240 shares by accepting requests of adding to holding odd-lot shares.

(2) Information of shareholder dividends

The amount of policyholder dividends is as follows:

Date of resolution	Type of shares	(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)	Record date	Effective date
		Amount of shareholder dividends	Shareholder dividends per share				
Ordinary shareholders' meeting held on June 27, 2007	Common stocks	¥16,006	\$159,759	¥65	\$0.64	March 31, 2007	June 28, 2007

The amount of policyholder dividends that is affected in the year ending March 31, 2009 while its record date is in the year ended March 31, 2008 is as follows:

Date of resolution	Type of shares	(Millions of yen)	(Thousands of U.S. dollars)	Underlying assets	(Yen)	(U.S. dollars)	Record date	Effective date
		Amount of shareholder dividends	Shareholder dividends per share					
Ordinary shareholders' meeting held on June 26, 2008	Common stocks	¥16,005	\$159,747	Retained earnings	¥65	\$0.64	March 31, 2008	June 27, 2008

Note 14 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, 2008 and 2007:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Cash and deposits	¥ 308,428	¥ 419,874	\$ 3,078,440
Less: deposits with an original maturity of more than three months	(1,540)	(90)	(15,370)
Call loans	279,800	340,800	2,792,693
Monetary claims purchased	430,592	450,533	4,297,763
Less: monetary claims purchased other than cash and cash equivalents	(325,474)	(269,413)	(3,248,576)
Securities purchased	9,244,528	9,870,253	92,269,975
Less: securities purchased other than cash and cash equivalents	(8,953,739)	(9,594,912)	(89,367,595)
Cash and cash equivalents	¥ 982,596	¥ 1,217,045	\$ 9,807,331

Note 15 Segment Information

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

Note 16 Lease Transactions

Information regarding nonownership-transfer finance leases is 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, 2008 and 2007 is summarized as follows:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Tangible fixed assets:			
Acquisition cost	¥ 160	¥124	\$ 1,606
Accumulated depreciation	(56)	(43)	(565)
Net carrying value	¥ 104	¥ 80	\$ 1,040
Other:			
Acquisition cost	¥ 131	¥131	\$ 1,317
Accumulated depreciation	(51)	(25)	(518)
Net carrying value	¥ 80	¥106	\$ 798
Total:			
Acquisition cost	¥ 292	¥256	\$ 2,923
Accumulated depreciation	(108)	(69)	(1,084)
Net carrying value	¥ 184	¥187	\$ 1,839

Obligations under finance leases as of March 31, 2008 and 2007 were as follows:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Due within one year	¥ 66	¥ 50	\$ 668
Due after one year	120	138	1,202
Total	¥187	¥188	\$1,870

Total payments for nonownership-transfer finance leases for the years ended March 31, 2008 and 2007 were ¥65 million (\$648 thousand) and ¥48 million, respectively.

Depreciation and interest expense, which are not reflected in the accompanying consolidated statements of operations, for the years ended March 31, 2008 and 2007 were as follows:

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Depreciation	¥61	¥45	\$617
Interest expense	4	3	45

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. Interest expense is computed by the interest method.

Future minimum lease payments on operating leases as of March 31, 2008 and 2007 were as follows:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Due within one year	¥1	¥0	\$11
Due after one year	1	—	19
Total	¥3	¥0	\$30

(2) As lessor

Information of nonownership-transfer finance leases contracted as a lessor, required under Japanese accounting standards, as of March 31, 2008 and 2007 is 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)		(Thousands of U.S. dollars)
	2008	2007	2008
Other:			
Acquisition cost	¥ 55,963	¥ 52,920	\$ 558,578
Accumulated depreciation	(30,607)	(30,223)	(305,498)
Net carrying value	¥ 25,356	¥ 22,697	\$ 253,080

The amounts equivalent to the minimum lease payments to be received as of March 31, 2008 and 2007 were as follows:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Due within one year	¥ 8,497	¥ 7,618	\$ 84,814
Due after one year	24,037	21,887	239,914
Total	¥32,534	¥29,505	\$324,728

Lease income, depreciation and interest income if the Company applied finance lease accounting to nonownership-transfer finance leases for the years ended March 31, 2008 and 2007 would have been as follows:

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Lease income	¥8,677	¥8,612	\$86,607
Depreciation	7,348	7,585	73,349
Interest income	1,487	1,447	14,842

Interest income is computed by the interest method.

Note 17 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:

Years ended March 31,	2008	2007
Statutory tax rate	36.1%	36.1%
Valuation allowance	14.9	4.1
Permanent difference items including entertainment expense, etc.	1.0	1.3
Other, net	1.4	1.8
Effective tax rate	53.4%	43.3%

Significant components of deferred tax assets and liabilities of the Company and consolidated subsidiaries as of March 31, 2008 and 2007 are summarized below:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Deferred tax assets:			
Policy reserves	¥ 102,394	¥ 90,863	\$ 1,022,006
Reserve for price fluctuations	49,561	37,746	494,678
Unrealized losses on available-for-sale securities	42,443	9,959	423,632
Reserve for employees' retirement benefits	42,219	41,556	421,397
Devaluation losses on securities	18,687	10,021	186,517
Deferred loss on disposal of fixed assets	4,536	4,322	45,279
Tax loss carryforward	4,515	4,257	45,070
Reserve for bonus payments	3,352	3,321	33,459
Reserve for possible loan losses	1,427	1,405	14,250
Other	10,051	8,770	100,325
Subtotal	279,191	212,222	2,786,616
Valuation allowance	(27,715)	(15,956)	(276,631)
Total deferred tax assets	251,475	196,266	2,509,984
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(181,633)	(393,539)	(1,812,885)
Accrued dividend income	(2,003)	(1,757)	(19,993)
Deferred gain on reduction of book value of real estate	(900)	(908)	(8,986)
Other	(530)	(469)	(5,292)
Total deferred tax liabilities	(185,066)	(396,674)	(1,847,158)
Net deferred tax assets (liabilities)	¥ 66,408	¥(200,408)	\$ 662,826
Amounts recognized in consolidated balance sheet:			
Assets	¥ 66,441	¥ 770	\$ 663,150
Liabilities	10	201,178	105
	¥ 66,430	¥(200,408)	\$ 663,044

Note 18 Investments in Securities

(1) As of March 31, 2008

Securities classified as trading securities by the Company and its consolidated subsidiaries as of March 31, 2008 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
¥865,517	¥(152,351)	\$8,638,764	\$(1,520,621)

Investments in held-to-maturity securities with readily obtainable fair value as of March 31, 2008 are summarized as follows:

As of March 31, 2008	(Millions of yen)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥259,211	¥263,286	¥ 4,075
Municipal bonds	23,068	23,877	809
Corporate bonds	77,317	78,939	1,621
Total domestic bonds	359,597	366,103	6,505
Foreign bonds	—	—	—
Other securities	116,181	119,246	3,065
Total	475,779	485,350	9,571
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	95,463	93,933	(1,530)
Municipal bonds	1,183	1,136	(47)
Corporate bonds	55,648	55,227	(420)
Total domestic bonds	152,295	150,297	(1,998)
Foreign bonds	—	—	—
Other securities	25,233	25,187	(45)
Total	177,529	175,485	(2,044)
Grand total	¥653,309	¥660,835	¥ 7,526

As of March 31, 2008	(Thousands of U.S. dollars)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	\$2,587,197	\$2,627,873	\$ 40,676
Municipal bonds	230,250	238,327	8,076
Corporate bonds	771,712	787,896	16,183
Total domestic bonds	3,589,160	3,654,096	64,936
Foreign bonds	—	—	—
Other securities	1,159,613	1,190,207	30,593
Total	4,748,773	4,844,304	95,530
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	952,824	937,549	(15,274)
Municipal bonds	11,816	11,342	(474)
Corporate bonds	555,430	551,229	(4,201)
Total domestic bonds	1,520,070	1,500,120	(19,950)
Foreign bonds	—	—	—
Other securities	251,860	251,401	(458)
Total	1,771,931	1,751,522	(20,408)
Grand total	\$6,520,705	\$6,595,826	\$ 75,121

Note: Other securities include certificates of deposits amounting to ¥2,000 million (\$19,962 thousand) that are shown as cash and deposits, commercial paper amounting to ¥25,969 million (\$259,205 thousand) and beneficiary trust certificates amounting to ¥113,445 million (\$1,132,306 thousand) that are shown as monetary claims purchased on the consolidated balance sheet as of March 31, 2008.

Policy reserve-matching bonds with readily obtainable fair value as of March 31, 2008 are summarized as follows:

As of March 31, 2008	(Millions of yen)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥ 775,279	¥ 800,112	¥24,832
Municipal bonds	267,403	275,599	8,195
Corporate bonds	532,070	548,480	16,410
Total	1,574,753	1,624,192	49,438
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	—	—	—
Municipal bonds	2,397	2,340	(56)
Corporate bonds	27,602	27,492	(110)
Total	29,999	29,833	(166)
Grand total	¥1,604,753	¥1,654,025	¥49,272

As of March 31, 2008	(Thousands of U.S. dollars)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	\$ 7,738,094	\$ 7,985,952	\$247,857
Municipal bonds	2,668,961	2,750,765	81,804
Corporate bonds	5,310,616	5,474,406	163,789
Total	15,717,672	16,211,124	493,451
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	—	—	—
Municipal bonds	23,928	23,363	(565)
Corporate bonds	275,502	274,401	(1,101)
Total	299,431	297,764	(1,666)
Grand total	\$16,017,103	\$16,508,889	\$491,785

Available-for-sale securities with readily obtainable fair value as of March 31, 2008 are summarized as follows:

As of March 31, 2008	(Millions of yen)		
	Acquisition cost	Carrying amount	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 541,999	¥ 554,477	¥ 12,477
Municipal bonds	894,965	908,591	13,625
Corporate bonds	1,068,116	1,088,830	20,714
Total domestic bonds	2,505,081	2,551,899	46,817
Domestic equities	406,037	753,118	347,080
Foreign securities:			
Foreign bonds	390,914	407,339	16,425
Foreign equities	34,328	50,580	16,252
Foreign other securities	113,180	117,786	4,605
Total foreign securities	538,423	575,706	37,283
Other securities	511,327	563,134	51,806
Total	3,960,870	4,443,858	482,988
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	323,484	321,819	(1,664)
Municipal bonds	10,986	10,885	(101)
Corporate bonds	277,151	273,847	(3,303)
Total domestic bonds	611,621	606,552	(5,068)
Domestic equities	206,223	184,487	(21,736)
Foreign securities:			
Foreign bonds	368,646	358,368	(10,278)
Foreign equities	41,001	36,049	(4,952)
Foreign other securities	230,926	205,763	(25,162)
Total foreign securities	640,574	600,181	(40,392)
Other securities	597,984	557,192	(40,792)
Total	2,056,404	1,948,414	(107,990)
Grand total	¥6,017,274	¥6,392,273	¥ 374,998

As of March 31, 2008	(Thousands of U.S. dollars)		
	Acquisition cost	Carrying amount	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	\$ 5,409,714	\$ 5,534,257	\$ 124,543
Municipal bonds	8,932,686	9,068,684	135,997
Corporate bonds	10,660,909	10,867,660	206,751
Total domestic bonds	25,003,311	25,470,602	467,291
Domestic equities	4,052,679	7,516,900	3,464,221
Foreign securities:			
Foreign bonds	3,901,727	4,065,670	163,943
Foreign equities	342,632	504,847	162,214
Foreign other securities	1,129,661	1,175,630	45,969
Total foreign securities	5,374,021	5,746,149	372,127
Other securities	5,103,576	5,620,662	517,085
Total	39,533,588	44,354,315	4,820,727
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	3,228,707	3,212,096	(16,610)
Municipal bonds	109,656	108,646	(1,010)
Corporate bonds	2,766,257	2,733,284	(32,973)
Total domestic bonds	6,104,620	6,054,026	(50,593)
Domestic equities	2,058,325	1,841,374	(216,951)
Foreign securities:			
Foreign bonds	3,679,476	3,576,887	(102,588)
Foreign equities	409,233	359,807	(49,426)
Foreign other securities	2,304,884	2,053,737	(251,147)
Total foreign securities	6,393,594	5,990,432	(403,161)
Other securities	5,968,508	5,561,359	(407,148)
Total	20,525,049	19,447,193	(1,077,855)
Grand total	\$60,058,637	\$63,801,509	\$ 3,742,871

Notes: 1. Other securities include certificates of deposits amounting to ¥62,000 million (\$618,824 thousand) that are shown as cash and deposits, commercial paper amounting to ¥100,127 million (\$999,376 thousand) and beneficiary trust certificates amounting to ¥187,600 million (\$1,872,448 thousand) that are shown as monetary claims purchased on the consolidated balance sheet as of March 31, 2008.

2. Impairment losses with respect to the available-for-sale securities with readily obtainable fair value as of March 31, 2008 totaled ¥25,453 million (\$254,048 thousand) and were charged to income. Impairment loss was recognized when the fair market value of securities as of March 31, 2008 decreased from the acquisition cost by 30% or more.

Gross gains of ¥100,439 million (\$1,002,493 thousand) and gross losses of ¥56,587 million (\$564,803 thousand) were recorded on the sales of securities classified as available-for-sale for the year ended March 31, 2008. Total proceeds on such sales amounted to ¥1,471,773 million (\$14,689,828 thousand) for the year ended March 31, 2008.

Gross gains of ¥2,035 million (\$20,321 thousand) and gross losses of ¥5,636 million (\$56,256 thousand) were recorded on the sales of securities classified as policy reserve-matching bonds for the year ended March 31, 2008. Total proceeds on such sales amounted to ¥471,443 (\$4,705,496 thousand) for the year ended March 31, 2008.

There are no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2008.

Securities without readily obtainable fair value held by the Company as of March 31, 2008 are summarized as follows:

As of March 31, 2008	(Millions of yen)	(Thousands of U.S. dollars)
	Carrying amount	
Available-for-sale securities:		
Unlisted stocks	¥ 34,157	\$ 340,929
Foreign securities/unlisted stocks	3,876	38,688
Foreign securities/other securities	147,128	1,468,492
Other securities	34,656	345,906
Total	¥219,818	\$2,194,016

The Company has not reclassified certain securities for the year ended March 31, 2008.

The carrying value of bonds classified as available-for-sale, held-to-maturity securities and policy reserve-matching bonds at March 31, 2008, by contractual maturity date, is as follows:

As of March 31, 2008	(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	¥ 660,697	¥ 373,236	¥ 300,122	¥ 672,640
Municipal bonds	198,476	535,667	387,139	92,246
Corporate bonds	191,496	773,970	499,885	573,169
Domestic equities	—	—	2,000	—
Foreign bonds	72,710	320,324	233,081	133,162
Foreign equities	—	3,009	2,908	—
Other foreign securities	2,536	57,756	125,738	61,206
Other securities	190,345	28,677	27,757	286,414
Total	¥1,316,263	¥2,092,641	¥1,578,633	¥1,818,839

As of March 31, 2008	(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	\$ 6,594,446	\$ 3,725,288	\$ 2,995,528	\$ 6,713,647
Municipal bonds	1,980,999	5,346,513	3,864,056	920,717
Corporate bonds	1,911,333	7,725,026	4,989,373	5,720,821
Domestic equities	—	—	19,962	—
Foreign bonds	725,728	3,197,166	2,326,394	1,329,103
Foreign equities	—	30,034	29,033	—
Other foreign securities	25,320	576,473	1,255,001	610,899
Other securities	1,899,849	286,229	277,044	2,858,710
Total	\$13,137,678	\$20,886,731	\$15,756,394	\$18,153,900

(2) 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)	
Carrying amount	Valuation difference charged to earnings-losses
¥944,537	¥(113)

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

As of March 31, 2007	(Millions of yen)		
	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)

Note: Other securities include certificates of deposits amounting to ¥5,000 million that are shown as cash and deposits, commercial paper amounting to ¥28,982 million and beneficiary trust certificates amounting to ¥103,938 million 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	(Millions of yen)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
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

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

As of March 31, 2007	(Millions of yen)		
	Acquisition cost	Carrying amount	Difference
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

Notes: 1. Other securities include certificates of deposits amounting to ¥116,500 million that are shown as cash and deposits, commercial paper amounting to ¥166,128 million and beneficiary trust certificates amounting to ¥149,757 million 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 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 and gross losses of ¥41,588 million 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 for the year ended March 31, 2007.

Gross gains of ¥364 million and gross losses of ¥10,789 million 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 million 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	(Millions of yen) Carrying amount
Available-for-sale securities:	
Unlisted stocks	¥ 32,199
Foreign securities/unlisted stocks	0
Foreign securities/other securities	257,849
Other securities	28,797
Total	¥318,846

The Company reclassified certain bonds originally classified as held-to-maturity securities, with a net book value of ¥1,240,403 million, 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, the balance of monetary claims purchased decreased ¥676 million and net unrealized gains on available-for-sale securities increased ¥4,852 million.

The carrying value of bonds classified as available-for-sale, held-to-maturity securities and policy reserve-matching bonds 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

Note 19 Investment in Monetary Trusts

(1) As of March 31, 2008

Monetary trusts classified as trading purpose trusts by the Company and its consolidated subsidiaries as of March 31, 2008 are summarized as follows:

(Millions of yen)		(Thousands of U.S. dollars)	
Carrying amount	Valuation difference charged to earnings-gains	Carrying amount	Valuation difference charged to earnings-gains
¥30,165	¥16,162	\$301,085	\$161,317

There are no monetary trusts for held-to-maturity or policy reserve-matching purposes as of March 31, 2008.

Monetary trusts other than investment, held-to-maturity and policy reserve-matching purpose as of March 31, 2008 are summarized as follows:

As of March 31, 2008	(Millions of yen)		Gross unrealized gains
	Acquisition cost	Carrying amount	
Monetary trusts	¥23,976	¥24,303	¥327

As of March 31, 2008	(Thousands of U.S. dollars)		Gross unrealized gains
	Acquisition cost	Carrying amount	
Monetary trusts	\$239,310	\$242,576	\$3,265

Notes: 1. In addition to the monetary trusts above, joint monetary trusts amounting to ¥80,300 million (\$801,477 thousand) are stated at the acquisition cost on the consolidated balance sheet as of March 31, 2008.

2. Impairment losses with respect to monetary trusts other than investment, held-to-maturity and policy reserve-matching as of March 31, 2008 amounted to ¥1,182 million (\$11,799 thousand) and were charged to income. Impairment loss was recognized when the fair market value of securities as of March 31, 2008 decreased from the acquisition cost by 30% or more.

(2) 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)	
Carrying amount	Valuation difference charged to earnings-losses
¥12,340	¥(2,979)

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

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

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

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

Note 20 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, 2008 and 2007. Notional amounts do not represent exposure to credit loss.

	(Millions of yen)			
	Notional amounts		Current market or fair value	Valuation gains (losses)
As of March 31, 2008	Over one year	One year or less		
Interest rate swap (fixed interest receipt)	¥121,783	¥ 23,043	¥ 1,298	¥ 1,298
Interest rate swap (fixed interest pay)	138,382	—	120	120
Foreign exchange contracts sold	—	756,737	732,263	24,474
Foreign exchange contracts bought	—	201	202	0
Bond futures contracts sold	—	—	—	—
Stock index futures contracts sold	—	—	—	—
Stock forward contracts sold	—	22,135	21,020	1,115
Total valuation gains, net				¥27,009

As of March 31, 2007	(Millions of yen)			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Interest rate swap (fixed interest receipt)	¥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 contracts sold	—	16,563	16,753	(189)
Stock forward contracts sold	—	—	—	—
Total valuation gains, net				¥1,576

As of March 31, 2008	(Thousands of U.S. dollars)			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Interest rate swap (fixed interest receipt)	\$1,215,528	\$ 229,997	\$ 12,957	\$ 12,957
Interest rate swap (fixed interest pay)	1,381,195	—	1,202	1,202
Foreign exchange contracts sold	—	7,553,028	7,308,744	244,284
Foreign exchange contracts bought	—	2,013	2,022	9
Bond futures contracts sold	—	—	—	—
Stock index futures contracts sold	—	—	—	—
Stock forward contracts sold	—	220,940	209,809	11,130
Total valuation gains, net				\$269,583

- 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, 2008 and 2007.

As of March 31, 2008	(Millions of yen)			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Currency options bought (put)	¥ 30,495	¥3,726		
Option premium	4,287	221	¥ 3,534	¥ (974)
Currency options bought (put) in USD	18,369	2,316		
Option premium	2,818	153	2,643	(328)
Currency options bought (put) in EUR	12,126	1,409		
Option premium	1,469	67	891	(645)
Stock index options bought (put)	102,932	7,112		
Option premium	15,103	473	25,377	9,800
Total valuation gains, net				¥8,826

As of March 31, 2007	(Millions of yen)			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
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	41	524	(923)
Stock index options bought (put)	97,500	6,908		
Option premium	12,518	292	7,777	(5,034)
Total valuation gains, net				¥(7,335)

As of March 31, 2008	(Thousands of U.S. dollars)			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
Currency options bought (put)	\$ 304,381	\$37,192		
Option premium	42,794	2,206	\$ 35,276	\$ (9,724)
Currency options bought (put) in USD	183,349	23,124		
Option premium	28,128	1,534	26,380	(3,282)
Currency options bought (put) in EUR	121,031	14,067		
Option premium	14,666	671	8,896	(6,441)
Stock index options bought (put)	1,027,370	70,986		
Option premium	150,744	4,725	253,292	97,822
Total valuation gains, net				\$88,097

- 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 21 Reserve for Employees' Retirement Benefits

The components of net periodic pension cost are summarized below:

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Service cost	¥ 6,003	¥ 5,692	\$ 59,919
Interest cost	2,645	2,486	26,403
Expected return on assets	(428)	(384)	(4,274)
Amortization of unrecognized net actuarial loss	2,192	7,820	21,882
Amortization of unrecognized net obligation at translation	60	314	606
Net periodic pension cost	10,473	15,927	104,537
Other	127	124	1,270
Total pension cost	¥10,600	¥16,052	\$105,808

Assumptions used in accounting for the plans were as follows:

Years ended March 31,	2008	2007
Discount rate	1.9% – 2.3%	1.9% – 2.3%
Expected long-term rate of return on assets	1.25% – 2.49%	1.25% – 2.49%

The plans' funded status as of March 31, 2008 and 2007 is summarized below:

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Projected benefit obligation	¥137,680	¥135,898	\$1,374,195
Plan assets	(20,831)	(20,912)	(207,920)
Reserve for employees' retirement benefits	¥116,849	¥114,986	\$1,166,275

Note 22 Per Share Information

Net assets per share computed based on the number of shares of common stock outstanding as of March 31, 2008 and 2007 were ¥2,743.16 (\$27.37) and ¥4,419.55, respectively. Net income per share computed based on the weighted-average number of shares of common stock outstanding during the years ended March 31, 2008 and 2007 were ¥149.24 (\$1.48) and ¥157.45, respectively.

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

As of March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Net assets	¥677,273	¥1,090,229	\$6,759,894
Minority interests	(1,820)	(1,909)	(18,166)
Net assets available to common stockholders	¥675,453	¥1,088,319	\$6,741,728

	Shares	
The number of shares of common stock outstanding	246,231,785	246,251,152

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

Years ended March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	2008
Net income	¥36,749	¥38,772	\$366,802
Bonuses to directors and corporate auditors	(—)	(—)	(—)
Net income available to common stockholders	¥36,749	¥38,772	\$366,802

	Shares	
Weighted-average common shares outstanding	246,239,986	246,261,507

Note 23 Subsequent Events

There were no applicable subsequent events in the years ended March 31, 2008 and 2007.

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, 2008 and 2007, 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, 2008 and 2007, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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

June 26, 2008