



European Embedded Value Report 2009 As of March 31, 2009

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1. EEV as of March 31, 2009

1.1 EEV as of March 31, 2009

The T&D Life Group's EEV as of March 31, 2009 is shown in Table 1.1.1.

Table 1.1.1 EEV as of March 31, 2009

As of March 31	(Billions of yen)		
	2009	2008	Increase (Decrease)
EEV	¥866.5	¥1,621.6	¥(755.1)
Adjusted net worth ^(note 1)	535.3	1,057.1	(521.8)
Value of in-force business	331.1	564.4	(233.3)
Value of new business ^(note 2)	28.5	62.0	(33.4)

(Three Companies)

As of March 31	(Billions of yen)								
	Taiyo Life			Daido Life			T&D Financial Life		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
EEV	¥295.8	¥574.9	¥(279.1)	¥607.4	¥990.7	¥(383.2)	¥ 65.7	¥56.0	¥ 9.7
Adjusted net worth ^(note 1)	270.0	484.7	(214.7)	304.3	532.9	(228.5)	63.5	39.5	23.9
Value of in-force business	25.8	90.2	(64.4)	303.1	457.7	(154.6)	2.2	16.4	(14.2)
Value of new business ^(note 2)	20.5	18.2	2.2	18.9	46.2	(27.2)	(10.9)	(2.4)	(8.4)

Notes: 1. Group adjusted net worth as of March 31, 2009 is calculated by deducting ¥102.5 billion from the aggregate adjusted net worth of the three life insurance companies to account for the difference between the amount of capital raised by T&D Holdings and the amount of capital supplied by the holding company to the three life insurance companies.

2. Not including values anticipated from future new business. For conversions, only net increase is included.

EEV as of March 31, 2009 was ¥866.5 billion, a reduction of ¥755.1 billion from March 31, 2008.

The adjusted net worth was ¥535.3 billion, a reduction of ¥521.8 billion, the result mainly of a decline in unrealized gains on securities due to a falling share market.

Value of in-force business was ¥331.1 billion, a reduction of ¥233.3 billion, principally because of a fall in certainty equivalent present value of future profit due to lower interest rates. Value of new business was ¥28.5 billion, a reduction of ¥33.4 billion due mainly to lower interest rates.

Table 1.1.2 EEV as of March 31, 2009 (Breakdown)

As of March 31	(Billions of yen)		
	2009	2008	Increase (Decrease)
EEV	¥ 866.5	¥1,621.6	¥(755.1)
Adjusted net worth	535.3	1,057.1	(521.8)
Shareholders' equity on the balance sheet ^(Note 1)	410.0	456.2	(46.2)
Unrealized gains/losses on securities (after tax)	(34.3)	289.5	(323.9)
Unrealized gains/losses on loans (after tax)	17.2	49.0	(31.8)
Unrealized gains/losses on real estate (after tax) ^(Note 2)	0.7	21.5	(20.8)
General reserves for possible loan losses (after tax)	1.0	1.1	(0.1)
Internal reserves as quasi-equity liabilities (after tax) ^(Note 3)	140.6	240.1	(99.4)
Unrealized gains/losses on subordinated debts (after tax)	—	(0.5)	0.5
Value of in-force business	331.1	564.4	(233.3)
Certainty equivalent present value of future profit	512.7	768.2	(255.5)
Time value of financial options and guarantees	(124.0)	(129.0)	5.0
Frictional cost of capital	(32.1)	(33.0)	0.9
Allowance for non-financial risk	(25.3)	(41.5)	16.2
Value of new business ^(Note 4)	28.5	62.0	(33.4)
Adjusted net worth	(62.1)	(54.1)	(7.9)
Value of in-force business	90.6	116.2	(25.5)
Certainty equivalent present value of future profit	100.2	126.1	(25.9)
Time value of financial options and guarantees	(4.0)	(3.2)	(0.7)
Frictional cost of capital	(0.8)	(0.1)	(0.6)
Allowance for non-financial risk	(4.7)	(6.4)	1.7
Present value of new business premiums ^(Note 5)	1,091.4	1,137.4	(46.0)
New business margin (Value of new business/present value of new business premiums)	2.6%	5.5%	(2.8)P

As of March 31	(Billions of yen)								
	Taiyo Life			Daido Life			T&D Financial Life		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
EEV	¥295.8	¥574.9	¥(279.1)	¥607.4	¥990.7	¥(383.2)	¥ 65.7	¥ 56.0	¥ 9.7
Adjusted net worth	270.0	484.7	(214.7)	304.3	532.9	(228.5)	63.5	39.5	23.9
Shareholders' equity on the balance sheet ^(Note 1)	192.6	166.3	26.3	271.5	261.8	9.7	48.2	28.1	20.1
Unrealized gains/losses on securities (after tax)	15.6	171.9	(156.3)	(52.0)	116.6	(168.6)	2.0	1.0	1.0
Unrealized gains/losses on loans (after tax)	10.5	27.4	(16.8)	6.0	20.9	(14.8)	0.5	0.5	(0.0)
Unrealized gains/losses on real estate (after tax) ^(Note 2)	(12.4)	(0.9)	(11.5)	13.2	22.5	(9.2)	—	—	—
General reserves for possible loan losses (after tax)	0.9	1.0	(0.1)	0.0	0.1	(0.0)	0.0	0.0	(0.0)
Internal reserves as quasi-equity liabilities (after tax) ^(Note 3)	62.6	119.4	(56.7)	65.4	110.8	(45.4)	12.5	9.8	2.7
Unrealized gains/losses on subordinated debts (after tax)	—	(0.5)	0.5	—	—	—	—	—	—
Value of in-force business	25.8	90.2	(64.4)	303.1	457.7	(154.6)	2.2	16.4	(14.2)
Certainty equivalent present value of future profit	85.4	144.1	(58.6)	417.7	599.2	(181.4)	9.4	24.8	(15.3)
Time value of financial options and guarantees	(37.8)	(24.6)	(13.2)	(80.5)	(97.1)	16.5	(5.6)	(7.3)	1.6
Frictional cost of capital	(13.1)	(16.7)	3.6	(17.7)	(15.3)	(2.4)	(1.2)	(0.9)	(0.2)
Allowance for non-financial risk	(8.6)	(12.4)	3.8	(16.3)	(28.9)	12.6	(0.3)	(0.1)	(0.2)
Value of new business ^(Note 4)	20.5	18.2	2.2	18.9	46.2	(27.2)	(10.9)	(2.4)	(8.4)
Adjusted net worth	(21.5)	(16.6)	(4.9)	(28.5)	(31.3)	2.8	(11.9)	(6.1)	(5.8)
Value of in-force business	42.1	34.9	7.1	47.5	77.6	(30.0)	1.0	3.6	(2.6)
Certainty equivalent present value of future profit	44.8	37.5	7.2	51.0	83.4	(32.4)	4.2	5.1	(0.8)
Time value of financial options and guarantees	(0.4)	(0.6)	0.1	(0.8)	(1.4)	0.5	(2.7)	(1.2)	(1.5)
Frictional cost of capital	(0.1)	(0.1)	0.0	(0.4)	0.1	(0.5)	(0.2)	(0.1)	(0.1)
Allowance for non-financial risk	(2.1)	(1.8)	(0.3)	(2.2)	(4.5)	2.3	(0.2)	(0.0)	(0.1)
Present value of new business premiums ^(Note 5)	306.8	274.0	32.8	566.3	759.6	(193.3)	218.2	103.7	114.5
New business margin (Value of new business/present value of new business premiums)	6.7%	6.7%	0.0P	3.3%	6.1%	(2.7)P	(5.0)%	(2.4)%	(2.6)P

Notes: 1. Excluding unrealized gains/losses. Group shareholders' equity on the balance sheet as of March 31, 2009 is calculated by deducting ¥102.5 billion from the aggregate shareholders' equity on the balance sheets for the three life insurance companies to account for the difference between the amount of capital raised by T&D Holdings and the amount of capital supplied by the holding company to the three life insurance companies.

2. Included unrealized gains/losses on land only as of March 31, 2008. As of March 31, 2009, the figure includes unrealized gains/losses on buildings, as well as land.

3. Price fluctuation reserve, contingency reserve and unallocated amount in policyholders' dividend reserve

4. Value of new business doesn't include values anticipated from future new business. For conversions, only net increase is included.

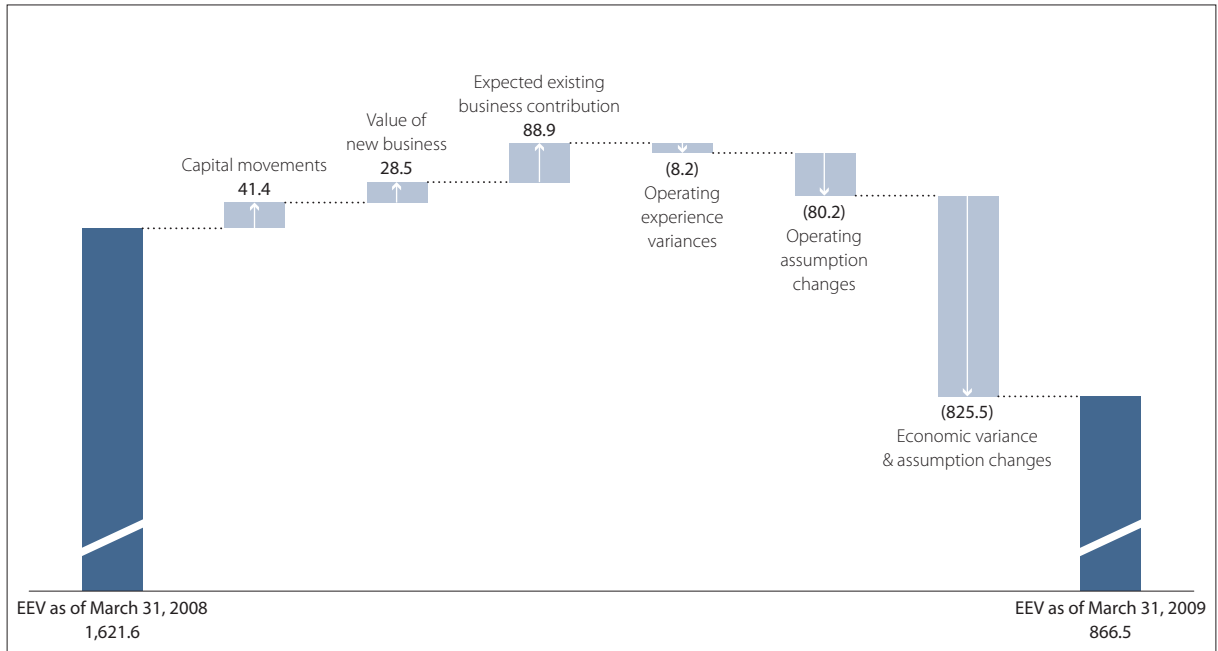
5. Single premiums plus present value of regular premiums expected to be paid from the point of sale to the end of the term of the contract.

1.2 Movement Analysis

Table 1.2.1 shows a breakdown of the changes in EEV from March 31, 2008.

Table 1.2.1 Movement Analysis in EEV from March 31, 2008 (T&D Life Group)

(Billions of yen)



	(Billions of yen)		
	EEV	Adjusted net worth	Value of in-force business
EEV as of March 31, 2008	¥1,621.6	¥1,057.1	¥ 564.4
Capital movements	41.4	41.4	—
Value of new business	28.5	(62.1)	90.6
Expected existing business contribution	88.9	13.8	75.0
Risk-free rate	26.4	6.4	20.0
In excess of risk-free rate	62.5	7.4	55.0
Expected transfer from in-force business to adjusted net worth ^(Note)	—	104.4	(104.4)
Operating experience variances	(8.2)	(5.8)	(2.4)
Operating assumption changes	(80.2)	—	(80.2)
Economic variance & assumption changes	(825.5)	(613.6)	(211.8)
Change in EEV	(755.1)	(521.8)	(233.3)
EEV as of March 31, 2009	866.5	535.3	331.1

Note: This item represents the after-tax surplus expected to emerge during the period from the business that was in force at the beginning of the period. The effect is a shift of value from the value of in force to the adjusted net worth. This does not affect the total EEV.

a. Capital movements

This consisted of the ¥57.4 billion in capital raised by T&D Holdings relating to life insurance operations during the fiscal year ended March 31, 2009, less a deduction of ¥16.0 billion equal to total shareholders' dividends paid by Taiyo Life, Daido Life and T&D Financial Life to T&D Holdings (which also corresponds to the shareholder dividend paid by T&D Holdings).

The net result was an increase in EEV of ¥41.4 billion.

b. New business value

This is the value of new business issued during fiscal 2008. The value is as of March 31, 2009. For details of the approach, please see section 4.3 "Value of New Business" on page 16. New business increased EEV by ¥28.5 billion.

c. Expected existing business contribution

- Risk-free rate: (a) + (b) + (c)

(a) After-tax investment return on adjusted net worth at the 1-year risk-free rate

(b) A year's increase in the certainty equivalent value of in-force business that is calculated from the value at the previous fiscal year-end at the 1-year risk-free rate

(c) The projected released amounts for the fiscal year that were deducted from the previous year's EEV calculation, namely the time value of financial options and guarantees, the frictional cost of capital, and allowance for non-financial risk as of the previous fiscal year-end

The net result was an increase in EEV of ¥26.4 billion.

- In excess of risk-free rate

This portion represents the expected (after-tax) returns over the one-year period on those assets where the risk-free rate does not apply.

Since EEV at the start and end of the period is based on risk-neutral assumptions, these risk premiums are only allowed for the one-year period.

Please refer to Table 1.2.6 "Expected Returns Used for Expected Existing Business Contribution" on page 6 for the expected return for each asset class that take account of the relevant risk premium.

The net result was an increase in EEV of ¥62.5 billion.

d. Operating experience variances

This is the impact on the embedded value of the difference between the actual experience and operating assumption during the period. This reduced EEV by ¥8.2 billion.

e. Operating assumption changes

The impact of operating assumption changes is calculated as of the beginning of the period. These assumptions include the mortality and morbidity rate, the surrender and lapse rate, and the operating expense rate. Changes mainly in the surrender and lapse rate, and the operating expense rate reduced EEV by ¥80.2 billion.

f. Economic variance & assumption changes

This is the impact of the difference between the actual investment returns during the period and the expected investment returns, plus the impact on the value of future profits of changes in the economic assumptions for March 31, 2009. Please refer to section 1.6.1 "Economic Assumptions" on page 10 for details of the economic assumptions.

The net result was a decrease in EEV of ¥825.5 billion, due mainly to falls in stock prices and the decline in the risk-free rate.

Table 1.2.2 Movement Analysis in EEV from March 31, 2008 (Taiyo Life)

(Billions of yen)

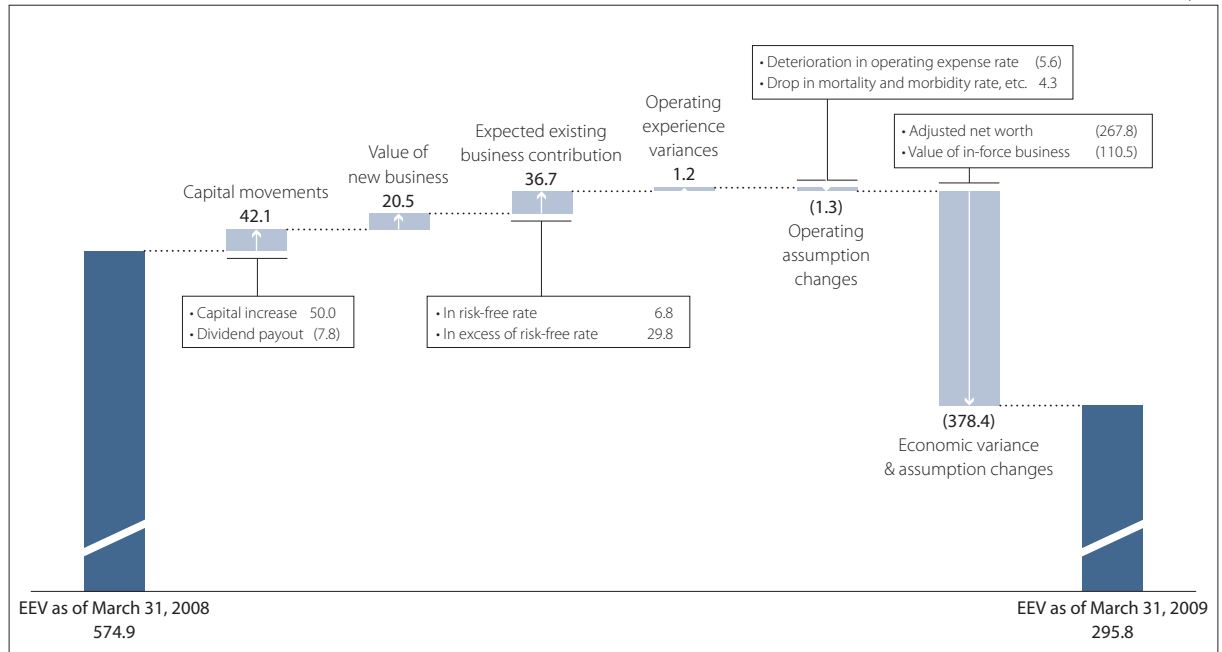


Table 1.2.3 Movement Analysis in EEV from March 31, 2008 (Daido Life)

(Billions of yen)

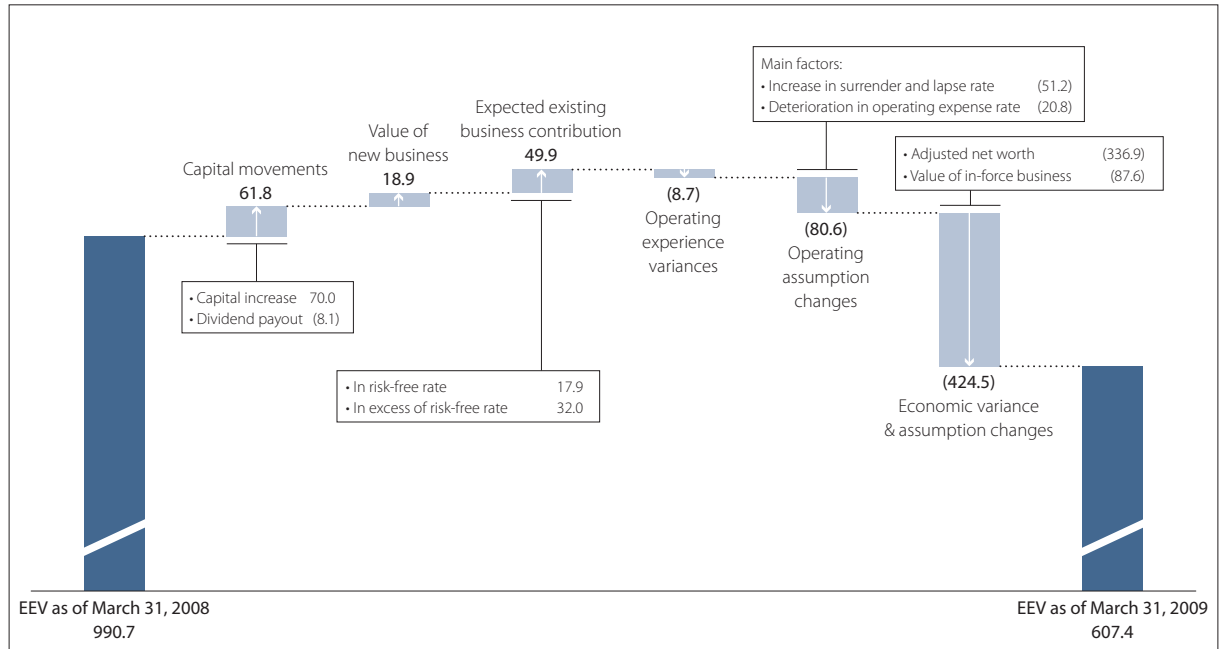


Table 1.2.4 Movement Analysis in EEV from March 31, 2008 (T&D Financial Life)

(Billions of yen)

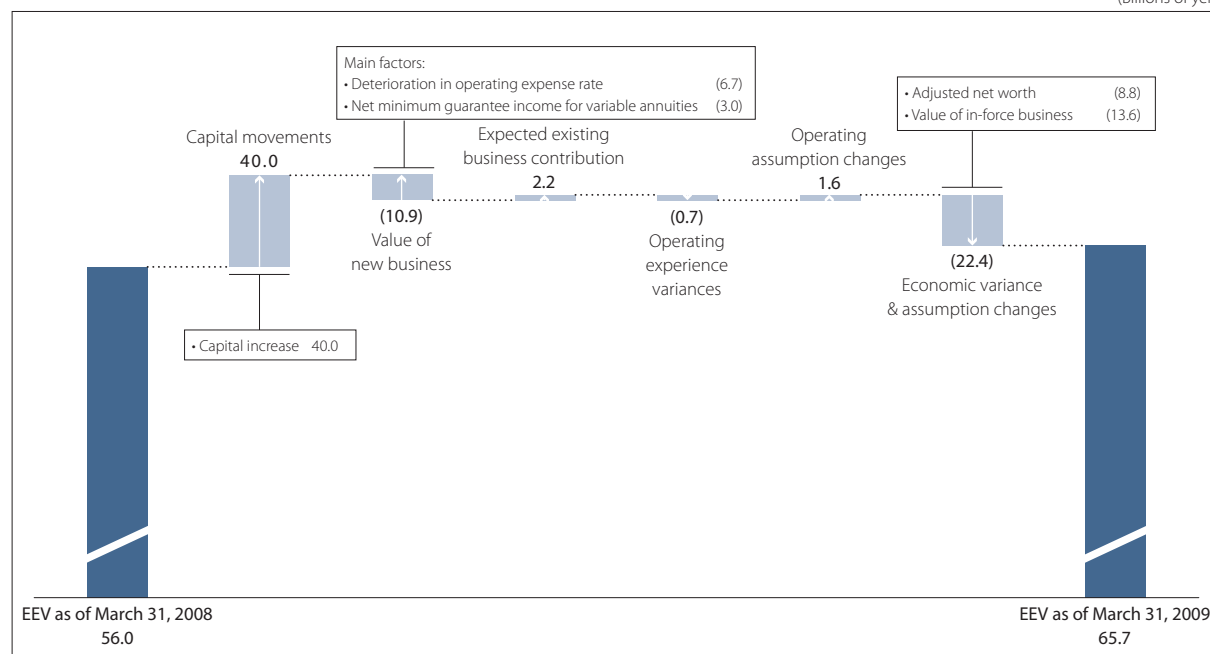


Table 1.2.5 Movement Analysis by Company by Adjusted Net Worth and Value of In-force Business

(Billions of yen)

	Taiyo Life			Daido Life			T&D Financial Life		
	EEV	Adjusted net worth	Value of in-force business	EEV	Adjusted net worth	Value of in-force business	EEV	Adjusted net worth	Value of in-force business
EEV as of March 31, 2008	¥ 574.9	¥ 484.7	¥ 90.2	¥ 990.7	¥ 532.9	¥ 457.7	¥ 56.0	¥ 39.5	¥ 16.4
Capital movements	42.1	42.1	—	61.8	61.8	—	40.0	40.0	—
Value of new business	20.5	(21.5)	42.1	18.9	(28.5)	47.5	(10.9)	(11.9)	1.0
Expected existing business contribution	36.7	5.4	31.2	49.9	7.9	41.9	2.2	0.4	1.8
In risk-free rate	6.8	2.7	4.0	17.9	3.4	14.5	1.6	0.2	1.4
In excess of risk-free rate	29.8	2.7	27.1	32.0	4.5	27.4	0.5	0.1	0.3
Expected transfer from in-force business to adjusted net worth ^(Note)	—	27.8	(27.8)	—	71.8	(71.8)	—	4.7	(4.7)
Operating experience variances	1.2	(0.7)	2.0	(8.7)	(4.6)	(4.1)	(0.7)	(0.3)	(0.3)
Operating assumption changes	(1.3)	—	(1.3)	(80.6)	—	(80.6)	1.6	—	1.6
Economic variance & assumption changes	(378.4)	(267.8)	(110.5)	(424.5)	(336.9)	(87.6)	(22.4)	(8.8)	(13.6)
Change in EEV	(279.1)	(214.7)	(64.4)	(383.2)	(228.5)	(154.6)	9.7	23.9	(14.2)
EEV as of March 31, 2009	295.8	270.0	25.8	607.4	304.3	303.1	65.7	63.5	2.2

Note: This item represents the after-tax surplus expected to emerge during the period from the business that was in force at the beginning of the period. The effect is a shift of value from the value of in-force business to the adjusted net worth. This does not affect the total value.

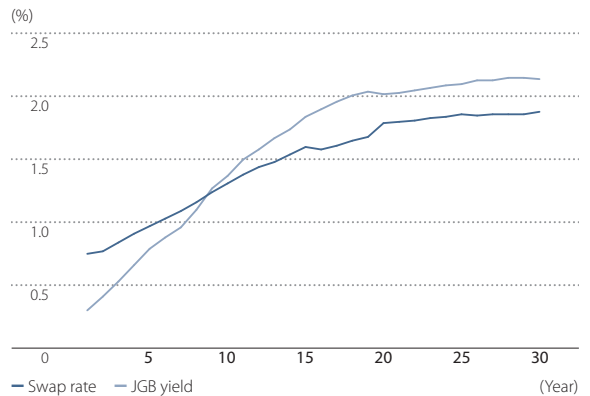
Table 1.2.6 Expected Returns Used for Expected Existing Business Contribution

Cash and deposits, call loans	0.915%: 1-year swap rate
Domestic bonds/Loans	1-year swap rate + credit spread by term and ratings
Domestic and foreign stocks	5.915%: 1-year swap rate + risk premium 5.0%
Foreign bonds	0.915%: 1-year swap rate
Private equity funds	8.915%: expected return on domestic equities + risk premium 3.0%
Hedge funds	4.415%: 1-year swap rate + risk premium 3.5%
Real estate	3.915%: 1-year swap rate + risk premium 3.0%
Loans to policyholders	0.535%: 1-year JGB yield

1.3 Sensitivity to Use of Modified Swap Rates (Reference)

Interest swap rates are used for risk-free rates, which are used to calculate the value of in-force business and the value of new business. Due to the impact of the dynamic change in financial markets, long-term interest rate swap rates fell below Japanese government bond (JGB) yields of the same term. Table 1.3.1 shows sensitivities for the value of in-force business and value of new business if JGB yields had been used for the terms where the swap rate was lower than the JGB yield.

Yield Curve (As of March 31, 2009)



	(%)				
	10 years	15 years	20 years	25 years	30 years
Interest swap rate	1.314	1.595	1.791	1.863	1.879
JGB yield	1.365	1.838	2.018	2.104	2.144

* JGB yields are calculated from the OTC bond transaction statistics issued by the Japan Securities Dealers Association.

Table 1.3.1 Sensitivity Using JGB Yield as Modified Swap Rates

	(Billions of yen)		
	Modified value	Base value	Difference
Value of in-force business	¥478.5	¥331.1	¥147.3
Value of new business	35.8	28.5	7.2
(Breakdown)			
Taiyo Life			
Value of in-force business	93.0	25.8	67.2
Value of new business	22.1	20.5	1.6
Daido Life			
Value of in-force business	377.5	303.1	74.4
Value of new business	24.6	18.9	5.6
T&D Financial Life			
Value of in-force business	7.8	2.2	5.5
Value of new business	(10.9)	(10.9)	0.0

1.4 Sensitivities

The impact of changes in assumptions (sensitivities) on the EEV results is summarized in Table 1.4.1 on page 9. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged from the base. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of two sensitivities with only one assumption change. Under different sensitivity scenarios, the basis for policy reserves (excluding reserves for separate accounts) is unchanged, in line with the Japanese statutory rules. The sensitivity results on the value of new business are calculated by determining the impact on the value of the in-force component and then deducting the actual adjusted net worth impact in the year of sale.

Sensitivity 1: 0.5% increase in risk-free rate (for all future years)

- Fixed interest assets (bonds, loans, etc.) are revalued according to the change in the interest rate. The value of in-force business is re-calculated according to the change of investment yield and risk discount rate. Policyholder behavior also changes corresponding to these changes. EEV Guidance (refer to Table 2.2.1 on page 13) requires disclosure of the sensitivity of a 1% increase in the risk-free rate, but a sensitivity of 0.5% is shown instead considering the low level of interest rates in the Japanese market.

Sensitivity 2: 0.5% decrease in risk-free rate (for all future years)

- Same as sensitivity 1. However, if the risk-free rate becomes negative after the deduction of 0.5%, 0% is applied instead.

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

- Market values of stocks and real estate at the valuation date are reduced by 10%.

Sensitivity 4: 10% decrease in surrender and lapse rate

- Base surrender and lapse rates are multiplied by 0.9.

Sensitivity 5: 10% decrease in operating expense rate

- Base operating expense (excluding one-time operating expense) rates are multiplied by 0.9.

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

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

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

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

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

Sensitivity 9: Change the required capital to 1,000% of solvency margin ratio

Sensitivity 10: 25% increase in equity implied volatility

- Base implied volatilities of Nikkei 225 options are multiplied by 1.25. The volatility assumptions affect the cost of financial options and guarantees.

Sensitivity 11: 25% increase in swaption implied volatility

- Base implied volatilities of swaptions are multiplied by 1.25. The volatility assumptions affect the cost of financial options and guarantees.

Table 1.4.1 Sensitivities

		(Billions of yen)	
		Impact	Change in Value of New Business
Base Scenario (EEV as of March 31, 2009)		¥ 866.5	¥ 28.5
Sensitivity 1:	0.5% increase in risk-free rate	168.5	11.9
	Change in adjusted net worth	(145.9)	—
Sensitivity 2:	0.5% decrease in risk-free rate	314.5	11.9
	Change in value of in-force business	(223.5)	(14.3)
Sensitivity 3:	10% decrease in risk-free rate	152.3	—
	Change in value of in-force business	(375.9)	(14.3)
Sensitivity 4:	10% decrease in equity and real estate value ...	(81.9)	(0.7)
	Change in adjusted net worth	(75.2)	—
Sensitivity 5:	10% decrease in equity and real estate value ...	(6.6)	(0.7)
	Change in value of in-force business	39.3	5.9
Sensitivity 6:	10% decrease in operating expense rate	39.2	2.7
	5% decrease in claim incidence rates for the life business	70.0	5.0
Sensitivity 7:	5% decrease in mortality rate for the annuity business	(3.3)	0.0
	200% solvency margin ratio	31.9	0.8
Sensitivity 8:	1,000% solvency margin ratio	(36.3)	(1.5)
Sensitivity 9:	25% increase in equity implied volatility	(27.1)	(0.3)
Sensitivity 10:	25% increase in swaption implied volatility	(27.2)	(0.4)

		(Billions of yen)					
		Taiyo Life		Daido Life		T&D Financial Life	
		Impact	Change in Value of New Business	Impact	Change in Value of New Business	Impact	Change in Value of New Business
Base Scenario (EEV as of March 31, 2009)		¥ 295.8	¥20.5	¥ 607.4	¥18.9	¥ 65.7	¥(10.9)
Sensitivity 1:	0.5% increase in risk-free rate	40.3	2.6	117.3	8.3	10.8	0.9
	Change in adjusted net worth	(106.1)	—	(32.6)	—	(7.1)	—
Sensitivity 2:	0.5% decrease in risk-free rate	146.5	2.6	150.0	8.3	18.0	0.9
	Change in value of in-force business	(54.7)	(3.1)	(155.1)	(9.9)	(13.7)	(1.1)
Sensitivity 3:	10% decrease in risk-free rate	113.5	—	31.5	—	7.2	—
	Change in value of in-force business	(168.2)	(3.1)	(186.7)	(9.9)	(20.9)	(1.1)
Sensitivity 4:	10% decrease in equity and real estate value ...	(29.4)	—	(50.1)	—	(2.4)	(0.7)
	Change in adjusted net worth	(29.4)	—	(50.1)	—	4.2	—
Sensitivity 5:	10% decrease in equity and real estate value ...	—	—	—	—	(6.6)	(0.7)
	Change in value of in-force business	7.7	2.6	32.1	3.4	(0.6)	(0.0)
Sensitivity 6:	10% decrease in operating expense rate	20.2	1.2	17.5	1.2	1.4	0.2
	5% decrease in claim incidence rates for the life business	16.2	1.7	52.2	3.3	1.6	—
Sensitivity 7:	5% decrease in mortality rate for the annuity business	(0.1)	0.0	(2.7)	(0.0)	(0.4)	0.0
	200% solvency margin ratio	13.1	0.1	17.7	0.4	1.0	0.2
Sensitivity 8:	1,000% solvency margin ratio	(14.6)	(0.4)	(20.1)	(0.8)	(1.4)	(0.2)
Sensitivity 9:	25% increase in equity implied volatility	(2.5)	(0.0)	(25.1)	(0.1)	0.6	(0.2)
Sensitivity 10:	25% increase in swaption implied volatility	(11.9)	(0.1)	(14.3)	(0.1)	(1.0)	(0.1)

Note: Sensitivities 4 to 11 represent the change in value of in-force business only.

The amount is smaller in the case of a rise in the risk-free rate than a decrease. This is because although profit increases due to a rise in investment yields when risk-free rates increase this profit is partly reduced by the payment of policyholder dividends in participating policies.

1.5 Reconciliation Between Consolidated GAAP Accounts and Adjusted Net Worth

A reconciliation between the adjusted net worth of ¥535.3 billion and the Group consolidated net assets of ¥296.3 billion is shown below.

As of March 31	(Billions of yen)		Increase (Decrease)
	2009	2008	
Adjusted net worth	¥535.3	¥1,057.1	¥(521.8)
– Items classified as liabilities in the accounts (after tax) ^(Note 1)	141.7	241.3	(99.5)
– Difference in unrealized capital gains/losses (after tax) ^(Note 2)	117.4	160.1	(42.7)
+ Net assets not allocated to life insurance business	20.1	21.4	(1.3)
Net assets shown on consolidated balance sheet	296.3	677.2	(380.8)

Notes: 1 Price fluctuation reserve, contingency reserve and unallocated amount in policyholders' dividend reserve.

2. This is the difference between the unrealized capital gains/losses included in the adjusted net worth of (¥16.3) billion as of March 31, 2009 (¥359.5 billion as of March 31, 2008) and the unrealized capital gains/losses shown on the consolidated balance sheet of (¥133.8) billion as of March 31, 2009 (¥199.4 billion as of March 31, 2008).

1.6 Main EEV Assumptions

1.6.1 Economic Assumptions

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

Table 1.6.1.1 Swap Rates

	(%)											
	1 year	2 years	3 years	4 years	5 years	10 years	15 years	20 years	25 years	30 years	40 years	50 years
As of March 31, 2009	0.750	0.770	0.840	0.908	0.970	1.314	1.595	1.791	1.863	1.879	1.889	1.917
As of March 31, 2008	0.915	0.898	0.939	0.988	1.043	1.462	1.804	2.041	2.184	2.264	—	—

Note: Swap rates for terms in excess of 30 years were estimated based on yields for terms up to 30 years through last year.

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

The economic scenarios have been calibrated to reproduce the market prices of swaptions and equity options as of March 31, 2009. The table on the next page shows a sample of the implied market volatilities for swaptions and equity options as of March 31, 2009.

Table 1.6.1.2 Implied Market Volatility of Swaptions

Option Term/Swap Term		(%)			
		5 years	10 years	15 years	20 years
5 years	As of March 31, 2009	29.7	25.2	23.0	22.6
	As of March 31, 2008	26.1	20.0	17.4	16.1
10 years	As of March 31, 2009	22.0	20.0	20.2	20.9
	As of March 31, 2008	18.5	15.6	14.5	14.1

Table 1.6.1.3 Implied Market Volatility of Nikkei 225 Options

Strike Price/Term		(%)		
		3 years	4 years	5 years
90%	As of March 31, 2009	35.6	35.1	34.8
	As of March 31, 2008	25.1	24.9	24.8
100%	As of March 31, 2009	34.3	34.1	33.9
	As of March 31, 2008	24.0	24.0	24.0
110%	As of March 31, 2009	33.2	33.2	33.2
	As of March 31, 2008	23.2	23.3	23.5

The expense inflation assumption was taken to be zero.

1.6.2 Other Assumptions

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

Expenses

- Expense assumptions have been set based on the expenses incurred by each of the life insurance companies. Some adjustments were made including the elimination of one-off expenses which are not expected to be regularly repeated in the future. The amount of one-off expenses eliminated is ¥6.9 billion (pre-tax), which mainly relates to systems costs related to policy administration.
- The Group has an asset management company, T&D Asset Management Co., Ltd., which manages assets of the life insurance companies. The look-through basis has not been applied to the profits arising at T&D Asset Management relating to managing the assets of the life insurance companies. Therefore, the EEV results do not include the capitalized value of these profits.

Dynamic Assumptions

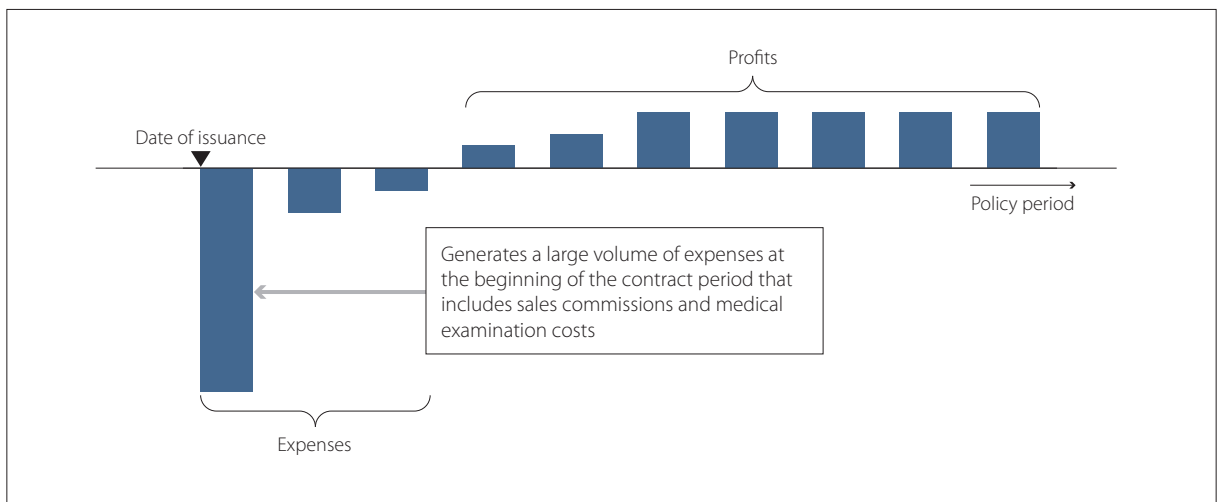
- Interest-sensitive dynamic surrender and lapse assumptions are applied to conventional products. For variable business, dynamic surrender and lapse assumptions are related to the ratio of the actual fund value to the level of minimum guarantees.
- Dynamic policyholders' dividend assumptions have been made based on each life company's policyholders' dividend policy. Daido Life and Taiyo Life set their dividend policies in April 2002 and in April 2003, respectively, when they demutualized. T&D Financial Life, previously Tokyo Mutual which was rehabilitated and acquired by Taiyo Life and Daido Life jointly in October 2001 (now held directly by T&D Holdings), has a policyholders' special dividend rule as part of its rehabilitation schedule.

2. Outline of EEV

2.1 Significance of EV

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

Profits and Expenses Associated with Insurance Policies



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

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

2.2 About EEV

2.2.1 EEV Principles and Guidance

The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group consisting of CFOs from leading European insurance companies. Further EEV Guidance, which covers sensitivities and aspects of disclosure, was published in October 2005.

Note: Please refer to the CFO Forum's website (<http://www.cfoforum.nl/>) for details of the EEV Principles and Guidance.

2.2.2 Two EEV Approaches

Allowing for risk in calculating future shareholder profits is one of the key points of the EEV Principles. There are two possible broad approaches to allowing for risk:

- Top-down approach
- Bottom-up approach

The top-down approach involves setting the discount rate by assuming a uniform risk margin for the entire Group, based on values for beta and the weighted-average cost of capital (for raising capital either through equity or debt), as computed from actual stock market data on stock-price movements.

The bottom-up approach involves applying different discount rates to each category of assets based on specific risk characteristics for products or countries. One of the main variants is known as the market-consistent EV (MCEV) approach.

Under the MCEV approach, the future cash flows associated with assets or liabilities are valued consistently with similar market-traded financial instruments. This approach has been increasingly adopted by leading European insurers. Reflecting such trends, the CFO Forum published The European Insurance CFO Forum Market Consistent Embedded Value Principles^{note} ("MCEV Principles") in June 2008, and is considering making them obligatory from 2011.

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3. EEV of T&D Life Group

3.1 EEV Approach Employed

The T&D Life Group's EEV results have been calculated using the bottom-up MCEV approach.

3.2 Basis of Preparation

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

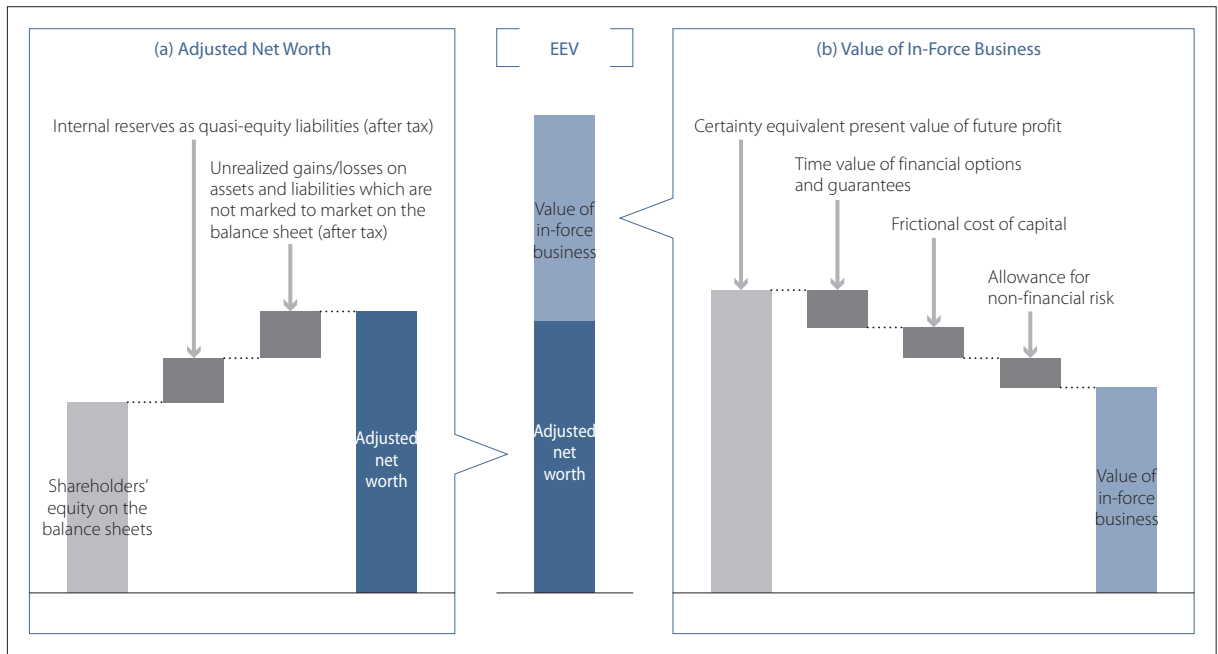
The EEV results presented in this report only relate to the covered business. No figures are included for T&D Holdings or businesses of the Group other than life insurance, such as asset management.

3.3 Covered Business

The covered business represents all of the life insurance business of the Group, through T&D Holdings' three wholly owned life insurance subsidiaries, Taiyo Life, Daido Life and T&D Financial Life.

3.4 EEV Components

EEV = (a) Adjusted Net Worth + (b) Value of In-Force Business



(a) Adjusted net worth represents the market value of assets in excess of policyholder liabilities, represented by statutory reserves, and other liabilities. Adjusted net worth is the sum of the stated amount in the financial statements and appropriate adjustments for unrealized gains and losses and other items.

(b) Value of in-force business represents the present value at the valuation date of projected future profits distributable to shareholders from the in-force business as of March 31, 2009 on a best estimate basis allowing for risk, adjusted for the frictional cost of capital.

3.5 Disclaimer

Because EV considers only policies in force at the point of evaluation, it does not include the value of new business expected to be acquired after the point of evaluation. The calculation of EEV results involves certain assumptions regarding future projections that are subject to risks and uncertainties. It should be noted that actual future results might differ materially from the assumptions used in the EEV calculations. Moreover, although EEV is one indicator of the corporate value of a life insurance company/group, the actual market value may significantly diverge from the EEV, and investors are advised to be cautious.

3.6 Opinion of Actuarial Firm

To assure fairness, the T&D Life Group requested Towers Perrin, an outside specialist (actuarial firm) equipped with expert knowledge relating to actuarial calculations, including EV, to review the calculation methodology, the assumptions, the EEV results, the analysis of movement in EV, and sensitivities to changes in assumptions.

To see this company's opinions, please refer to our website: URL <http://www.td-holdings.co.jp/e/>

4. Components of EEV

4.1 Adjusted Net Worth

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

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

4.2 Value of In-Force Business

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

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

The value of new business is calculated in the same way, but allows for the cash flows arising between the point of sale and March 31, 2009.

4.3 Value of New Business

The value of new business is the value of new policies issued during the 12-month period ended March 31, 2009. It is calculated in a similar manner to the value of in-force business. The value has been calculated as of March 31, 2009, and the same assumptions as those applied for the valuation of in-force business are used. The value of new business includes the impact of all cash flows arising from the point of sale to March 31, 2009.

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

4.4 Certainty Equivalent Present Value of Future Profit

The certainty equivalent value is the value of the future cash flows, calculated on a deterministic basis, and assuming all assets earn the risk-free rate (the one-year forward rate at the time from the second year onward) and all cash flows are discounted at the risk-free rate for that term.

The certainty equivalent approach ensures that future investment risk premiums (i.e. excess investment yield over the risk-free rate, expected from risk assets such as equities and corporate bonds) are not capitalized in the embedded value and value of new business.

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

4.5 Time Value of Financial Options and Guarantees

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

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

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

- Participating Policies

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

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

- Selective Surrenders

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

- Minimum Guarantees on Variable Annuities

When investment performance is good, policyholders will be entitled to the full amount of the account. On the other hand, when investment performance is poor, shareholders need to bear the cost of guarantees attached to variable annuity policies. These features have been allowed for in the valuation.

4.6 Required Capital

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

In Japan, the statutory minimum is a 200% solvency margin ratio. The Group assumed a level of required capital corresponding to a 600% solvency margin ratio, in consideration of remaining competitive in the market and taking other factors into account. A breakdown of the adjusted net worth can be given as the required capital, on which the cost of capital is based, of ¥315.1 billion, and free surplus of ¥220.1 billion.

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

MCEV Principles require that the level of required capital be based on an internal risk assessment and/or the level required for the target credit ratings, as well as statutory minimum requirements. Taking this into consideration, the definition of required capital may be reviewed in the future considering international and Japanese developments in this area, including development of international accounting standards and the trend towards the introduction of economic-value-based solvency margin standards.

4.7 Frictional Cost of Capital

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

As of March 31, 2009, frictional cost includes the cost for managing the assets corresponding to the required capital, in addition to the tax on investment returns on required capital. As of March 31, 2008, investment expenses incurred in respect of the assets backing the required capital are reflected in the unit cost assumptions.

4.8 Non-Financial Risk

EEV Principles define the EV to be the present value of distributable profits attributable to shareholders arising from assets allocated to the covered business, calculated taking into account all the risks of the covered business, including non-financial risks.

According to corporate finance theory, an investor can diversify away the uncertainty around the return on most non-financial risks. So, an allowance for non-financial risk is generally made through the appropriate choice of best-estimate experience assumptions relating to risks such as mortality. Provided the best-estimate assumptions are set to provide the mean expected financial outcome to shareholders, no further allowance for non-market risk is required. This is true for the majority of T&D Holdings' non-financial risks.

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

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

The Group estimated these costs per year based on a simple model, and projected forward to make an explicit allowance.

5. Glossary

Best-Estimate Assumptions:	<ul style="list-style-type: none">• Projection assumptions which represent the most likely outcome of the future and which are set based on past, current and expected future experience.
Deterministic Approach:	<ul style="list-style-type: none">• An approach under which a single future scenario is applied in developing a cash flow projection.
Dynamic Assumptions:	<ul style="list-style-type: none">• Projection assumptions which change according to economic and other parameters following certain formulas. Examples include policyholders' dividend assumptions linked to investment return and lapse rate linked to the difference between risk-free rate and the guaranteed rate.
Free Surplus:	<ul style="list-style-type: none">• Part of capital and surplus allocated to the covered business but not required to be maintained.
Implied Volatility:	<ul style="list-style-type: none">• This refers to the estimated rate of change in the future. Option contracts are future agreements and therefore use the estimated rate of change, which reflects future projections by market observers of factors such as popularity and degree of expectation.• Implied volatility is based on historical rates of change (i.e., the actual rate of past market change) but also factors in projected market trends and demand-supply relationships.
Look-Through Basis:	<ul style="list-style-type: none">• An approach which includes in the EEV results the value of profits and losses arising in service companies within a group from providing services to the life insurance company.
Risk-Neutral Scenarios:	<ul style="list-style-type: none">• Investment return scenarios used to value assets and liabilities applying a Monte Carlo simulation approach on a market-consistent basis. Risk-neutral scenarios are generated applying an arbitrage-free stochastic model based on financial market data.
Stochastic Approach:	<ul style="list-style-type: none">• An approach to project a range of possible future outcomes applying probability distribution models. In the calculation of the cost of options and guarantees, a set of scenarios is generated based on a probability model and each scenario is applied to project future cash flows.
Swap Rates:	<ul style="list-style-type: none">• The rates at which cash flows based on fixed interest rates and those based on floating rates are exchanged in the market. Typically, swap rates represent fixed interests rate which can be exchanged against standard floating rates, such as LIBOR (the London Inter-Bank Offered Rate).

6. FAQ

EEV as of March 31, 2009

Q	A
Why were unrealized gains/losses on loans lower?	The main factor was the impact of wider credit spreads.
Why were unrealized gains/losses on real estate lower?	Unrealized gains on land declined due to lower land prices. In addition, the appraisal price of buildings is included from the fiscal year ended March 31, 2009.
Why was there a substantial decline in the certainty equivalent present value of future profit?	The principal reason was a decline in the risk-free rate. In addition, falls in stock prices led to poorer net minimum guarantee income for variable annuities at T&D Financial Life.
Why did the time value of financial options and guarantees decline?	The main factors were declines in the policy amount in force for participating policies and the exposure to higher-risk assets such as stocks, although this was offset to some extent by the effects of increased volatility.
Why did the allowance for non-financial risk decline?	<p>The T&D Life Group gauges risks where best estimate assumptions do not apply under categories such as rumor risk and hazard risk. The costs related to such risk contingencies are calculated based on simple models.</p> <p>The allowance for non-financial risk was lower at the end of March 2009 than a year earlier due to the decline in policy amount in force, among other factors.</p>
Why did the value of new business increase at Taiyo Life?	This was mainly due to an increase in new policy amount.
Why did the value of new business decline at Daido Life?	This result reflected declines in interest rates and new policy amount, together with deterioration in assumptions such as the operating expense rate and the surrender and lapse rate.
Why was the value of new business at T&D Financial Life more negative?	This was due to deterioration in the net minimum guarantee income for variable annuities as well as a worsening operating expense rate as the result of a drop in the average policy amount.

Movement Analysis

Q	A
What was the breakdown for the risk-free rate portion of the expected existing business contribution?	This consisted of the expected (after-tax) return on adjusted net worth at the 1 year risk-free rate of ¥6.4 billion, a year's increase in the certainty equivalent value of the previous fiscal year-end at the 1-year risk-free rate of ¥5.6 billion plus other factors totaling ¥14.3 billion.
What risk premiums were applied in calculating "In excess of risk free rate" in the expected existing business contribution?	Expected return reflecting the risk premiums for each asset class are listed in Table 1.2.6 on page 6. Weighted-average returns for each company based on the asset composition at the end of March 2008 were as follows: <ul style="list-style-type: none"> • Taiyo Life: 1.80% • Daido Life: 2.14% • T&D Financial Life: 0.60%
What factors contributed to a negative result for operating experience variances?	The main factor was a worsening surrender and lapse rate at Daido Life.
What factors contributed to a negative result for operating assumption changes?	The main factors were an increase in the surrender and lapse rate at Daido Life and poorer operating expense rates at Taiyo Life and Daido Life.
What factors contributed to a negative impact due to economic variance & assumption changes?	Adjusted net worth was depressed primarily by reductions in unrealized gains/losses associated with falls in stock prices. The lower value of in-force business was mainly due to a drop in investment income associated with the decline in the risk-free rate.

EEV Calculation Methodology and Assumptions

Q	A
Is any future improvement estimated in the assumed mortality rate?	No.
How is the time value of financial options and guarantees calculated?	Portfolios classify assets between the three asset classes of cash and deposits and call loans, bonds and stocks. The time value of financial options and guarantees is calculated as the difference between the present value of the financial options and guarantees under the certainty equivalent scenario and the average of the values calculated with a set of 5,000 risk neutral scenarios under the market-consistent approach.

Sensitivity to Modified Swap Rates

Q	A
Why do sensitivities use Japanese government bond yields of the same term?	Because the turmoil in financial markets caused long-term swap rates to fall substantially below JGB yield levels for the same term.
Why is the value of new business for T&D Financial Life unaffected by using modified swap rates?	Most of the new policies for T&D Financial Life are variable annuities with a 5-year investment term, and the swap rates for 1-year to 5-year periods are not modified.

Sensitivities

Q	A
Which assets would be affected by a 10% decrease in stock and real estate values?	Domestic and foreign stocks and domestic and foreign stock investment trusts, private equity funds, and real estate. Hedge positions are reflected in this calculation.
Why is the sensitivity of the value of new business to a 10% decrease in stock and real estate values only shown for T&D Financial Life?	The reason is net minimum guarantee income for variable annuities worsened only at T&D Financial Life. Since both Taiyo Life and Daido Life have little new business for minimum guarantee-type variable annuities, the sensitivities of the value of new business have not been calculated for these two companies.
Why is the effect on adjusted net worth of a 10% decrease in stock and real estate values only positive in the case of T&D Financial Life?	This is due to increases in the market value of the put options at T&D Financial Life.

T&D Holdings, Inc.



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