



May 19, 2004

T&D Holdings, Inc.  
 (Code Number: 8795, First Sections of the TSE and OSE)  
 Taiyo Life Insurance Company  
 Daido Life Insurance Company  
 T&D Financial Life Insurance Company

## Disclosure of Embedded Value as of March 31, 2004

T&D Holdings, Inc. (Naoteru Miyato, President), Taiyo Life Insurance Company (Katsuro Oishi, President), Daido Life Insurance Company (Haruo Kuramochi, President) and T&D Financial Life Insurance Company (Osamu Mizuyama, President) hereby announce the Embedded Value (hereinafter, EV) calculations of the T&D Life Group (Total and by each company) as of March 31, 2004, as described below.

### 1. T&D Life Group's EV Results

The followings are the EV of the T&D Life Group (sum of the three life insurance companies' EV) and its breakdown as of March 31, 2004. T&D Life Group standardized the methodology and the approach to set major assumptions for the calculation of EV as of March 31, 2004.

(100 Millions of Yen)

	As of March 31, 2004
EV	11,178
Adjusted book value (Note 1)	6,403
Existing business value (Note 2)	4,774
EV of new business (Note 3)	530

**(Note 1):** Adjusted book value is calculated as follows:

Adjusted book value = Total equity (excluding net unrealized gains on securities)  
 + Quasi-equity liabilities (reserve for price fluctuations, contingency reserve and unallotted portion of reserve for policyholder dividend)  
 + General reserve for possible loan losses (after-tax)  
 + Net unrealized gains (losses) on securities (after-tax) (excluding yen denominated bonds, including derivative transactions)  
 + Net unrealized gains (losses) on real estate (after-tax)  
 - Deferred tax assets for quasi-equity liabilities.

**(Note 2):**

Existing business value = Present value of future after-tax profit on existing business in force  
 - present value of cost of capital.

“Cost of capital” is the spread between the investment yield and the discount rate applied to the amounts of capital and surplus that will be required to maintain the assumed Solvency Margin Ratio.

**(Note 3):**

“EV of new business” included in total EV represents the value of new business (including new business from conversion) for the year ended March 31, 2004.

#### What is “Embedded Value (EV)”?

EV is the sum of “Adjusted book value” calculated from the balance sheet and “Existing business value” calculated from existing policies in force. In Europe and Canada, it is used as one of useful information for evaluating the corporate value of a stock life insurance company.

Under current statutory accounting practices applicable to life insurance companies in Japan, there is a time lag between the sale of policies and recognition of profits. The use of EV allows the contribution of future profit from new business to be recognized at the time of sale. It therefore serves as a valuable supplement to statutory financial information.

## 2. EV Results of the Thee Companies

The followings are the EV of Taiyo Life, Daido Life and T&D Financial Life.

### (1) Taiyo Life

(100 Millions of Yen)

	As of March 31, 2004	As of March 31, 2003	Amount of Increase/Decrease
EV	3,407	1,824	1,583
Adjusted book value	2,767	1,399	1,368
Existing business value	639	425	214
EV of new business	322	284	38

**Note:** Since T&D Life Group standardized the EV calculation method, part of definition of adjusted book value as of March 31, 2004, has changed. Taiyo Life's adjusted book value as of March 31, 2003 is calculated as follows:

Adjusted book value = Total equity (excluding net unrealized gains on securities and expected disbursements from equity outside the company)  
 + Quasi-equity liabilities (reserve for price fluctuations, contingency reserve and unallotted portion of reserve for policyholder dividend)  
 + General reserve for possible loan losses (after-tax)  
 + Net unrealized gains (losses) on securities (after-tax) (excluding yen denominated bonds, including derivative transactions)  
 + Net unrealized gains (losses) on real estate (after-tax)  
 - Deferred tax assets for quasi-equity Liabilities.

### (2) Daido Life

(100 Millions of Yen)

	As of March 31, 2004	As of March 31, 2003	Amount of Increase/Decrease
EV	7,342	4,320	3,022
Adjusted book value	3,348	1,932	1,415
Existing business value	3,994	2,387	1,606
EV of new business	230	235	(5)

**Note:** Since T&D Life Group standardized the EV calculation method, part of definition of adjusted book value as of March 31, 2004, has changed. Daido Life's adjusted book value as of March 31, 2003 is calculated as follows:

Adjusted book value = Total equity (excluding net unrealized gains on securities)  
 + Quasi-equity liabilities (reserve for price fluctuations, contingency reserve and unallotted portion of reserve for policyholder dividend)  
 + Net unrealized gains (losses) on securities (after-tax) (excluding held-to-maturity bonds and bonds due in one year or more within "available-for sale securities" which are meant to be held to maturity)  
 + Net unrealized gains (losses) on real estate (after-tax)  
 - Deferred tax assets for quasi-equity Liabilities.

### (3) T&D Financial Life

(100 Millions of Yen)

	As of March 31, 2004
EV	429
Adjusted book value	288
Existing business value	141
EV of new business	(22)

**Note 1:** Since this is the first time T&D Financial Life discloses its EV, EV as of March 31, 2003 is not available.

**Note 2:** T&D Financial Life's adjusted book value is calculated as follows:

Adjusted book value calculated in accordance with **Note 1** to paragraph **1. T&D Life Group's**

**EV Results** - goodwill + deferred tax assets + deferred tax assets for amortization of goodwill.

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

### 3. Major Assumptions

The followings are the major assumptions employed in the calculation of EV.

Item	How to Set Assumption
Discount Rate	6% Set by adding the assumed company's risk premium (4.5%) to the year-end risk free rate (the yield on 10-year Japanese government bonds is: 1.44%).
Investment Yield on New Investments	Set each company's planned asset allocation and assumed investment yield by assets categories on new investments (see details in table (1)-(3), on page 4). Taiyo Life: 2.14% Daido Life: 2.12% T&D Financial Life: 1.71%
Required Solvency Margin Ratio	600% Solvency margin ratio required to be maintained in the future assumed for the purpose of calculating the cost of capital.
Mortality	Set based on each company's experience for the most recent 3 fiscal years (based on FY2001 - 2003 actuals).
Surrender and Lapse	Set based on each company's experience for the most recent 3 fiscal years (based on FY2001 - 2003 actuals). <b>(Note 1)</b>
Operating Expenses	Set based on each company's experience for the most recent fiscal year (based on FY2003 actual).
Effective Tax Rate	Set based on the most recent effective tax rate (based on FY2003 actual).

**(Note 1):** To eliminate the influence of T&D Financial Life's special circumstances (the surrender and lapse rate temporarily increased when their business resumed after bankruptcy of Tokyo Life), the surrender and lapse rate of T&D Financial Life is set based on experience for the most recent fiscal year (2003).

**(1) Taiyo Life's Assumed Investment Yield and Planned Asset Allocation on New Investments**

Asset Categories	As of March 31, 2004		As of March 31, 2003	
	Assumed investment yield	Asset allocation on new investment	Assumed investment yield	Asset allocation on new investment
Cash and Deposits, Call Loans	0.04%	2.6%	0.03%	2.0%
Domestic Bonds, Commercial Loans	1.31%	67.5%	1.07%	65.5%
Domestic Stocks	6.44%	7.8%	6.74%	8.5%
Foreign Bonds	2.02%	14.2%	2.36%	12.0%
Other Assets	5.94%	7.9%	4.42%	12.0%
Total	2.14%	100.0%	2.09%	100.0%

**(2) Daido Life's Assumed Investment Yield and Planned Asset Allocation on New Investments**

Asset Categories	As of March 31, 2004		As of March 31, 2003	
	Assumed investment yield	Asset allocation on new investment	Assumed investment yield	Asset allocation on new investment
Cash and Deposits, Call Loans	0.04%	13.2%	0.06%	12.5%(FY2003) --9.0%(FY2023)
Domestic Bonds, Commercial Loans	1.23%	64.2%	1.40%	73.4%
Domestic Stocks	6.44%	8.7%	5.50%	3.5%
Foreign Bonds	2.75%	4.0%	3.06%	5.8%
Other Assets	6.63%	9.8%	5.17%(FY2003) --6.35%(FY2023)	4.8%(FY2003) --8.4%(FY2023)
Total	2.12%	100.0%	1.65%(FY2003) --1.93%(FY2023)	100.0%

**(3) T&D Financial Life's Assumed Investment Yield and Planned Asset Allocation on New Investments**

Asset Categories	As of March 31, 2004	
	Assumed investment yield	Asset allocation on new investment
Cash and Deposits, Call Loans	0.04%	3.0%
Domestic Bonds	1.28%	69.0%
Domestic Stocks	6.44%	2.8%
Foreign Bonds	2.32%	22.0%
Other Assets	4.13%	3.2%
Total	1.71%	100.0%

**Note 1:** For the Assumed Investment Yield used in each asset category, Domestic Bonds, Commercial Loans, and Foreign Bonds are calculated based on each company's investment plan (composition of maturity date, ratings, etc., are considered for Domestic Bonds and Commercial Loans, and currency position and hedge ratio are considered for Foreign Bonds). Other categories are calculated based on the figure standardized by T&D Life Group.

**Note 2:** "Other Assets" include Real Estate, Foreign Stocks, Policy Loans, Private Equities and Hedge Funds, etc.

#### 4. Effects of Changes in Assumptions (Sensitivities)

The followings are the effects on EV of changes in assumptions.

##### (1) Taiyo Life

(100 Millions of Yen)

		Amount of Increase/ Decrease	EV Amount
Discount Rate	Up from 6% to 7%	(94)	3,313
	Down from 6% to 5%	105	3,512
Solvency Margin Ratio	Up from 600% to 700%	(240)	3,167
	Down from 600% to 500%	236	3,643
Investment Yield: +0.25%	Total Assets	614	4,021
	New Investment Assets	286	3,693
Investment Yield: -0.25%	Total Assets	(614)	2,793
	New Investment Assets	(287)	3,120
Surrender and Lapse Rate in Individual Insurance and Annuities	Assumption x 110%	(10)	3,397
	Assumption x 90%	12	3,419

##### (2) Daido Life

(100 Millions of Yen)

		Amount of Increase/ Decrease	EV Amount
Discount Rate	Up from 6% to 7%	(302)	7,040
	Down from 6% to 5%	343	7,686
Solvency Margin Ratio	Up from 600% to 700%	(95)	7,246
	Down from 600% to 500%	95	7,438
Investment Yield: +0.25%	Total Assets	833	8,176
	New Investment Assets	617	7,960
Investment Yield: -0.25%	Total Assets	(833)	6,508
	New Investment Assets	(617)	6,725
Surrender and Lapse Rate in Individual Insurance and Annuities	Assumption x 110%	(196)	7,146
	Assumption x 90%	218	7,560

##### (3) T&D Financial Life

(100 Millions of Yen)

		Amount of Increase/ Decrease	EV Amount
Discount Rate	Up from 6% to 7%	(7)	422
	Down from 6% to 5%	7	436
Solvency Margin Ratio	Up from 600% to 700%	(8)	421
	Down from 600% to 500%	8	437
Investment Yield: +0.25%	Total Assets	36	464
	New Investment Assets	16	444
Investment Yield: -0.25%	Total Assets	(36)	392
	New Investment Assets	(16)	413
Surrender and Lapse Rate in Individual Insurance and Annuities	Assumption x 110%	2	431
	Assumption x 90%	(2)	426

## 5. Analysis of Change in EV from March 31, 2003 to March 31, 2004

The followings are the analysis of change in EV of Taiyo Life and Daido Life from March 31, 2003 to March 31, 2004.

(100 Millions of Yen)

Item	Amount	
	Taiyo Life	Daido Life
(1) EV as of March 31, 2003	1,824	4,320
(2) Shareholder Dividends and Other (Note 1)	-	(45)
(3) Expected Interests from EV as of March 31, 2003 (Note 2) (Note3)	109	213
(4) Differences between Assumptions and Actual Experience for the Year Ended March 31, 2004 (Note3)	1,185	1,136
(5) Differences from Changes in the Assumptions	(34)	1,486
(6) EV of New Business for the Year Ended March 31, 2004	322	230
(7) EV as of March 31, 2004	3,407	7,342

**(Note 1):**

Since shareholder dividends and other figures are excluded in the calculation of Taiyo Life's EV as of March 31, 2003, the figure in (2) above will be zero.

**(Note 2):**

The amount of expected interests is calculated as follows: EV at the beginning of the fiscal year ((1)-(2) in the above table) x the discount rate applied to the EV calculation at the end of the previous fiscal year (Taiyo Life: 6%, Daido Life: 5%).

**(Note 3):**

(3) and (4) items in the above table include the amount of change in unrealized gains and losses on asset (after-tax). (Taiyo Life: 125.2 billion yen, Daido Life: 105.7 billion yen).

## 6. Note in Using EV

The calculation of EV involves certain assumptions regarding future projections that are subject to risks and uncertainties. It should be noted that actual future experience might materially differ from the assumptions used in the EV calculations.

Moreover, although EV is one of indicators of the corporate value of a stock life insurance company, actual market value may significantly diverge from EV. Therefore, investors should be careful in using EV.

## 7. Opinion of Actuarial Firm

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

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

Submitted to:

The Board of Directors

Taiyo Life Insurance Company

May 18, 2004

Stephen H. Conwill, FSA, MAAA

Managing Director & Senior Consultant

Toshiyuki Ikuma, FIAJ

Principal & Senior Consultant

### **Opinion Regarding the Embedded Value Calculations of Taiyo Life**

This opinion is offered in connection with embedded value calculations of Taiyo Life as of March 31, 2004.

Any distribution of this document must be in its entirety.

#### **Qualifications**

Stephen H. Conwill, Managing Director of Milliman Japan (= Japan Branch of Milliman, Inc. (= Milliman)), is a Fellow of the US Society of Actuaries, a Member of the American Academy of Actuaries, and a Member of the Institute of Actuaries of Japan (“IAJ”). Toshiyuki Ikuma, Principal of Milliman Japan, is a Fellow of Institute of Actuaries of Japan. Both are qualified as actuaries and are obligated to follow the Code of Conduct of the IAJ.

#### **Professional Background**

No standards have been drafted in Japan with respect to the development of embedded values, and professional practice standards worldwide with respect to the development of embedded values are still evolving. Nonetheless, a broad consensus regarding methods and choice of assumptions can be said to exist. Although we have not specifically adhered to the guidelines established in any particular jurisdiction, in coming to our opinion, we have reviewed guidelines in Canada and the UK that may be viewed as indicative of evolving standards for embedded values and related work, in particular the Canadian Institute of

Actuaries' *Interim Draft Paper on the Considerations in the Determination of Embedded Value for Public Disclosure in Canada*, and the Association of British Insurers' paper on the Achieved Profits Method of Accounting. In developing our opinion, we have taken into consideration these guidelines and generally accepted actuarial principles.

This letter represents our professional viewpoint, but should not be construed as a formal audit opinion, as that term would be used in the context of regulatory financial reporting.

In opining on embedded values, we are not offering an opinion on the market value of Taiyo Life or T&D Holdings.

For many reasons, market value may deviate materially from a calculated embedded value. Any valuation is a matter of informed judgment, and each investor should develop their own view of market value based on a detailed analysis of financial and qualitative information available about Taiyo, combined with a consideration of alternative investments, overall expectations regarding performance of the financial markets, attitude towards risk and return, and a variety of other factors.

### Background

Milliman professionals worked closely with Taiyo Life in the development of embedded value methods and assumptions, and have assisted in various numerical calculations. When Taiyo Life was primarily responsible for developing methods, assumptions, or results, Taiyo's work was reviewed by us to assure the appropriateness of those methods, assumptions or results. When Milliman professionals were responsible for developing methods, assumptions, or results, our work-product was reviewed by Taiyo in addition to undergoing Milliman's internal peer review process

### Consistency of Methodology Among T&D Holdings Companies

Taiyo Life is a member of T&D Holdings, and is publishing embedded values along with the other members of the Holding Company. Milliman has worked with each of the Holding Company entities to review methods and assumptions, in order to assure an appropriate level of comparability exists among the companies. Because of the companies' different markets and operations, actual experience assumptions will differ among the companies. However, the approach of the three Holding Company entities to the development of key experience assumptions, and overall approach to embedded value methods (e.g. – definition of distributable cash, discount rate) does not differ among the companies in a manner that should

hinder a third-party analyst, competent in the field of discounted cash flows, from developing a comparative view of results.

Reliances

In the course of this work, Milliman professionals depended on data and information provided by Taiyo. The data and information Milliman has relied on can be broadly categorized as follows:

1. Information in the financial statements of Taiyo Life, in particular, the value of balance sheet assets and the size of reported liabilities.
2. Data and information on in-force business at March 31, 2004, and other related data.
3. Policy data and information, including sum insured, gross premiums, reserves, and other values.
4. Data and information on historical and expected future gross premiums, investment income, benefit payments, cash values, operating expenses, other expenditures and dividend scales.
5. Business plans and other data and information provided by the company.
6. Various experience data, for example lapse, mortality, and morbidity, prepared by Taiyo Life professionals.

We performed no formal audit of this data and information, and the validity of our opinion is dependent on the accuracy of the data and information provided.

Embedded Value Results on which we are Opining

The embedded value results, as of March 31, 2004, that are the subject of this opinion, are summarized in the table below (Y 100 millions):

<b>Item</b>	<b>Amount</b>
Adjusted Book Value	2,767
Existing Business Value, after tax and cost of capital	639
Total Embedded Value	3,407
Value One Year Sales	322

This embedded value does not reflect changes that may have occurred in experience or financial market conditions subsequent to the embedded value calculation date (March 31, 2004), and we have not considered

such changes in rendering our opinion.

Analysts making use of these figures should have a thorough understanding of methods and assumptions. Assumptions, including projected yields, mortality, morbidity, lapse, and expense, as well as discount rates used in developing the values, are updated periodically. In order to understand EV trends, analysts should understand these assumptions, and the impact of changing assumptions from year to year.

#### Caveats with Respect to Embedded Values

While an embedded value can provide insight into the financial progress of a life insurance company, and, in conjunction with detailed supplemental analyses, may provide a benchmark as a starting point for the valuation of the company, no particular measure can be used as a sole means of valuation, and actual market value may differ materially from an embedded value.

Embedded values are dependent on a large number of assumptions with respect to future experience, such as investment earnings rates, policy lapse rates, policyholder mortality and morbidity, and corporate expense. Assumptions were chosen in an effort to reflect recent experience and reasonable future expectations. However, due to the nature of long-term actuarial projections, future experience results will deviate, possibly materially, from those underlying the values shown above. Also, calculated embedded values will vary, possibly materially, as key experience assumptions are varied. Further, in the current environment in the Japanese and worldwide financial markets, material uncertainty exists with respect to asset valuations, a key component of embedded value.

It is important to appreciate that embedded values are developed using a single, deterministic set of assumptions. We have not undertaken dynamic risk analysis or applied other techniques currently being developed in the professional community that can enhance insight into risk-adjusted valuation. As such, embedded values should be used with caution, and only when supported by experts familiar with the appropriate use of such measures.

#### Opinion

Subject to the caveats outlined in the preceding sections, we confirm that Taiyo Life's embedded value, as of March 31, 2004, was developed using methods and assumptions consistent with evolving international standards. Furthermore, the choice of assumptions is consistent with recent experience and a range of assumptions that would likely be chosen by professionals proficient in embedded value analysis. In addition, we believe that results are accurate, in the context of the normal variability that would be anticipated by

analysts and other professionals expert in the use of embedded values for the evaluation of life insurance operations.

Submitted to:

The Board of Directors

Daido Life Insurance Company

May 18, 2004

Stephen H. Conwill, FSA, MAAA  
Managing Director & Senior Consultant

Kohji Hirabayashi, FIAJ, ASA  
Actuary

### **Opinion Regarding the Embedded Value Calculations of Daido Life**

This opinion is offered in connection with embedded value calculations of Daido Life as of March 31, 2004. Any distribution of this document must be in its entirety.

#### **Qualifications**

Stephen H. Conwill, Managing Director of Milliman Japan (= Japan Branch of Milliman, Inc. (= Milliman)), is a Fellow of the US Society of Actuaries, a Member of the American Academy of Actuaries, and a Member of the Institute of Actuaries of Japan ("IAJ"), and Kohji Hirabayashi, Actuary with Milliman Japan, is a Fellow of the IAJ and an associate of the US Society of Actuaries. Both are qualified as actuaries and are obligated to follow the Code of Conduct of the IAJ.

#### **Professional Background**

No standards have been drafted in Japan with respect to the development of embedded values, and professional practice standards worldwide with respect to the development of embedded values are still evolving. Nonetheless, a broad consensus regarding methods and choice of assumptions can be said to exist. Although we have not specifically adhered to the guidelines established in any particular jurisdiction, in coming to our opinion, we have reviewed guidelines in Canada and the UK that may be viewed as indicative of evolving standards for embedded values and related work, in particular the Canadian Institute

of Actuaries' *Interim Draft Paper on the Considerations in the Determination of Embedded Value for Public Disclosure in Canada*, and the Association of British Insurers' paper on the Achieved Profits Method of Accounting. In developing our opinion, we have taken into consideration these guidelines and generally accepted actuarial principles.

This letter represents our professional viewpoint, but should not be construed as a formal audit opinion, as that term would be used in the context of regulatory financial reporting.

In opining on embedded values, we are not offering an opinion on the market value of Daido Life or T&D Holdings.

For many reasons, market value may deviate materially from a calculated embedded value. Any valuation is a matter of informed judgment, and each investor should develop their own view of market value based on a detailed analysis of financial and qualitative information available about Daido, combined with a consideration of alternative investments, overall expectations regarding performance of the financial markets, attitude towards risk and return, and a variety of other factors.

### Background

Milliman professionals worked closely with Daido Life in the development of embedded value methods and assumptions, and have assisted in various numerical calculations. When Daido Life was primarily responsible for developing methods, assumptions, or results, Daido's work was reviewed by us to assure the appropriateness of those methods, assumptions or results. When Milliman professionals were responsible for developing methods, assumptions, or results, our work-product was reviewed by Daido in addition to undergoing Milliman's internal peer review process.

### Consistency of Methodology Among T&D Holdings Companies

Daido Life is a member of T&D Holdings, and is publishing embedded values along with the other members of the Holding Company. Milliman has worked with each of the Holding Company entities to review methods and assumptions, in order to assure an appropriate level of comparability exists among the companies. Because of the companies' different markets and operations, actual experience assumptions will differ among the companies. However, the approach of the three Holding Company entities to the development of key experience assumptions, and overall approach to embedded value methods (e.g. – definition of distributable cash, discount rate) does not differ among the companies in a manner that should

hinder a third-party analyst, competent in the field of discounted cash flows, from developing a comparative view of results.

Reliances

In the course of this work, Milliman professionals depended on data and information provided by Daido. The data and information Milliman has relied on can be broadly categorized as follows:

1. Information in the financial statements of Daido Life, in particular, the value of balance sheet assets and the size of reported liabilities.
2. Data and information on in-force business at March 31, 2004, and other related data.
3. Policy data and information, including sum insured, gross premiums, reserves, and other values.
4. Data and information on historical and expected future gross premiums, investment income, benefit payments, cash values, operating expenses, other expenditures and dividend scales.
5. Business plans and other data and information provided by the company.
6. Various experience studies, for example lapse, mortality, and morbidity, prepared by Daido Life professionals.

We performed no formal audit of this data and information, and the validity of our opinion is dependent on the accuracy of the data and information provided.

Embedded Value Results on which we are Opining

The embedded value results, as of March 31, 2004, that are the subject of this opinion, are summarized in the table below (Y 100 millions):

<b>Item</b>	<b>Amount</b>
Adjusted Book Value	3,348
Existing Business Value, after tax and cost of capital	3,994
Total Embedded Value	7,342
Value One Year Sales	230

This embedded value does not reflect changes that may have occurred in experience or financial market conditions subsequent to March 31, 2004, and we have not considered such changes in rendering our

opinion.

Analysts making use of these figures should have a thorough understanding of methods and assumptions. Assumptions, including projected yields, mortality, morbidity, lapse, and expense, as well as discount rates used in developing the values, are updated periodically. In order to understand EV trends, analysts should understand these assumptions, and the impact of changing assumptions from year to year.

#### Caveats with Respect to Embedded Values

While an embedded value can provide insight into the financial progress of a life insurance company, and, in conjunction with detailed supplemental analyses, may provide a benchmark as a starting point for the valuation of the company, no particular measure can be used as a sole means of valuation, and actual market value may differ materially from an embedded value.

Embedded values are dependent on a large number of assumptions with respect to future experience, such as investment earnings rates, policy lapse rates, policyholder mortality and morbidity, and corporate expense. In choosing assumptions, Daido has taken care to reflect recent experience and reasonable future expectations. However, due to the nature of long-term actuarial projections, future experience results will deviate, possibly materially, from those underlying the values shown above. Also, calculated embedded values will vary, possibly materially, as key experience assumptions are varied. Further, in the current environment in the Japanese and worldwide financial markets, material uncertainty exists with respect to asset valuations, a key component of embedded value.

It is important to appreciate that embedded values are developed using a single, deterministic set of assumptions. We have not undertaken dynamic risk analysis or applied other techniques currently being developed in the professional community that can enhance insight into risk-adjusted valuation. As such, embedded values should be used with caution, and only when supported by experts familiar with the appropriate use of such measures.

#### Opinion

Subject to the caveats outlined in the preceding sections, we confirm that Daido Life's embedded value, as of March 31, 2004, was developed using methods and assumptions consistent with evolving international standards. Furthermore, the company's choice of assumptions is consistent with recent experience and a range of assumptions that would likely be chosen by professionals proficient in embedded value analysis.

In addition, we believe that results are accurate, in the context of the normal variability that would be anticipated by analysts and other professionals expert in the use of embedded values for the evaluation of life insurance operations.

Submitted to:  
The Board of Directors  
T&D Financial

May 18, 2004

Stephen H. Conwill, FSA, MAAA  
Managing Director & Senior Consultant

Toshiyuki Ikuma, FIAJ  
Principal & Senior Consultant

**Opinion Regarding the Embedded Value Calculations of T&D Financial**

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**Qualifications**

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**Professional Background**

No standards have been drafted in Japan with respect to the development of embedded values, and professional practice standards worldwide with respect to the development of embedded values are still evolving. Nonetheless, a broad consensus regarding methods and choice of assumptions can be said to exist. Although we have not specifically adhered to the guidelines established in any particular jurisdiction, in coming to our opinion, we have reviewed guidelines in Canada and the UK that may be viewed as indicative of evolving standards for embedded values and related work, in particular the Canadian Institute of

Actuaries' *Interim Draft Paper on the Considerations in the Determination of Embedded Value for Public Disclosure in Canada*, and the Association of British Insurers' paper on the Achieved Profits Method of Accounting. In developing our opinion, we have taken into consideration these guidelines and generally accepted actuarial principles.

This letter represents our professional viewpoint, but should not be construed as a formal audit opinion, as that term would be used in the context of regulatory financial reporting.

In opining on embedded values, we are not offering an opinion on the market value of T&D Financial or T&D Holdings.

For many reasons, market value may deviate materially from a calculated embedded value. Any valuation is a matter of informed judgment, and each investor should develop their own view of market value based on a detailed analysis of financial and qualitative information available about T&D Financial, combined with a consideration of alternative investments, overall expectations regarding performance of the financial markets, attitude towards risk and return, and a variety of other factors.

### Background

The development of embedded values – assumptions, methods, and results -- was a collaborative effort of Milliman and T&D Financial professionals. Work that was developed primarily by the Milliman team, including the specific figures opined on in this document, was reviewed by T&D Financial professionals, in addition to undergoing Milliman's internal peer review process.

### Consistency of Methodology Among T&D Holdings Companies

T&D Financial is a member of T&D Holdings, and is publishing embedded values along with the other members of the Holding Company. Milliman has worked with each of the Holding Company entities to review methods and assumptions, in order to assure an appropriate level of comparability exists among the companies. Because of the companies' different markets and operations, actual experience assumptions will differ among the companies. However, the approach of the three Holding Company entities to the development of key experience assumptions, and overall approach to embedded value methods (e.g. – definition of distributable cash, discount rate) does not differ among the companies in a manner that should hinder a third-party analyst, competent in the field of discounted cash flows, from developing a comparative view of results.

## Reliances

In the course of this work, Milliman professionals depended on data and information provided by T&D Financial. The data and information Milliman has relied on can be broadly categorized as follows:

1. Information in the financial statements of T&D Financial, in particular, the value of balance sheet assets and the size of reported liabilities.
2. Data and information on in-force business at March 31, 2004, and other related data.
3. Policy data and information, including sum insured, gross premiums, reserves, and other values.
4. Data and information on historical and expected future gross premiums, investment income, benefit payments, cash values, operating expenses, other expenditures and dividend scales.
5. Business plans and other data and information provided by the company.
6. Various experience data, for example lapse, mortality, and morbidity, prepared by T&D Financial professionals.

We performed no formal audit of this data and information, and the validity of our opinion is dependent on the accuracy of the data and information provided.

## Embedded Value Results on which we are Opining

The embedded value results, as of March 31, 2004, that are the subject of this opinion, are summarized in the table below (Yen 100 millions):

<b>Item</b>	<b>Amount</b>
Adjusted Book Value	288
Existing Business Value, after tax and cost of capital	141
Total Embedded Value	429
Value One Year Sales	(22)

This embedded value does not reflect changes that may have occurred in experience or financial market conditions subsequent to the embedded value calculation date (March 31, 2004), and we have not considered such changes in rendering our opinion.

Analysts making use of these figures should have a thorough understanding of methods and assumptions. Assumptions, including projected yields, mortality, morbidity, lapse, and expense, as well as discount rates

used in developing the values, are updated periodically. In order to understand EV trends, analysts should understand these assumptions, and the impact of changing assumptions from year to year.

#### Caveats with Respect to Embedded Values

While an embedded value can provide insight into the financial progress of a life insurance company, and, in conjunction with detailed supplemental analyses, may provide a benchmark as a starting point for the valuation of the company, no particular measure can be used as a sole means of valuation, and actual market value may differ materially from an embedded value.

Embedded values are dependent on a large number of assumptions with respect to future experience, such as investment earnings rates, policy lapse rates, policyholder mortality and morbidity, and corporate expense. Assumptions were chosen in an effort to reflect recent experience and reasonable future expectations. However, due to the nature of long-term actuarial projections, future experience results will deviate, possibly materially, from those underlying the values shown above. Also, calculated embedded values will vary, possibly materially, as key experience assumptions are varied. Further, in the current environment in the Japanese and worldwide financial markets, material uncertainty exists with respect to asset valuations, a key component of embedded value.

It is important to appreciate that embedded values are developed using a single, deterministic set of assumptions. We have not undertaken dynamic risk analysis or applied other techniques currently being developed in the professional community that can enhance insight into risk-adjusted valuation. As such, embedded values should be used with caution, and only when supported by experts familiar with the appropriate use of such measures.

#### Opinion

Subject to the caveats outlined in the preceding sections, we confirm that T&D Financial's embedded value, as of March 31, 2004, was developed using methods and assumptions consistent with evolving international standards. Furthermore, the choice of assumptions is consistent with recent experience and a range of assumptions that would likely be chosen by professionals proficient in embedded value analysis. In addition, we believe that results are accurate, in the context of the normal variability that would be anticipated by analysts and other professionals expert in the use of embedded values for the evaluation of life insurance operations.