

T&D Holdings, Inc.

**European Embedded Value Restatement
as of March 31, 2007**

Notes on the Use of the Information

- **The calculation of EV 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 EV is one indicator of the corporate value of a stock life insurance company/group, the actual market value may significantly diverge from the EV, and investors are advised to be cautious.**

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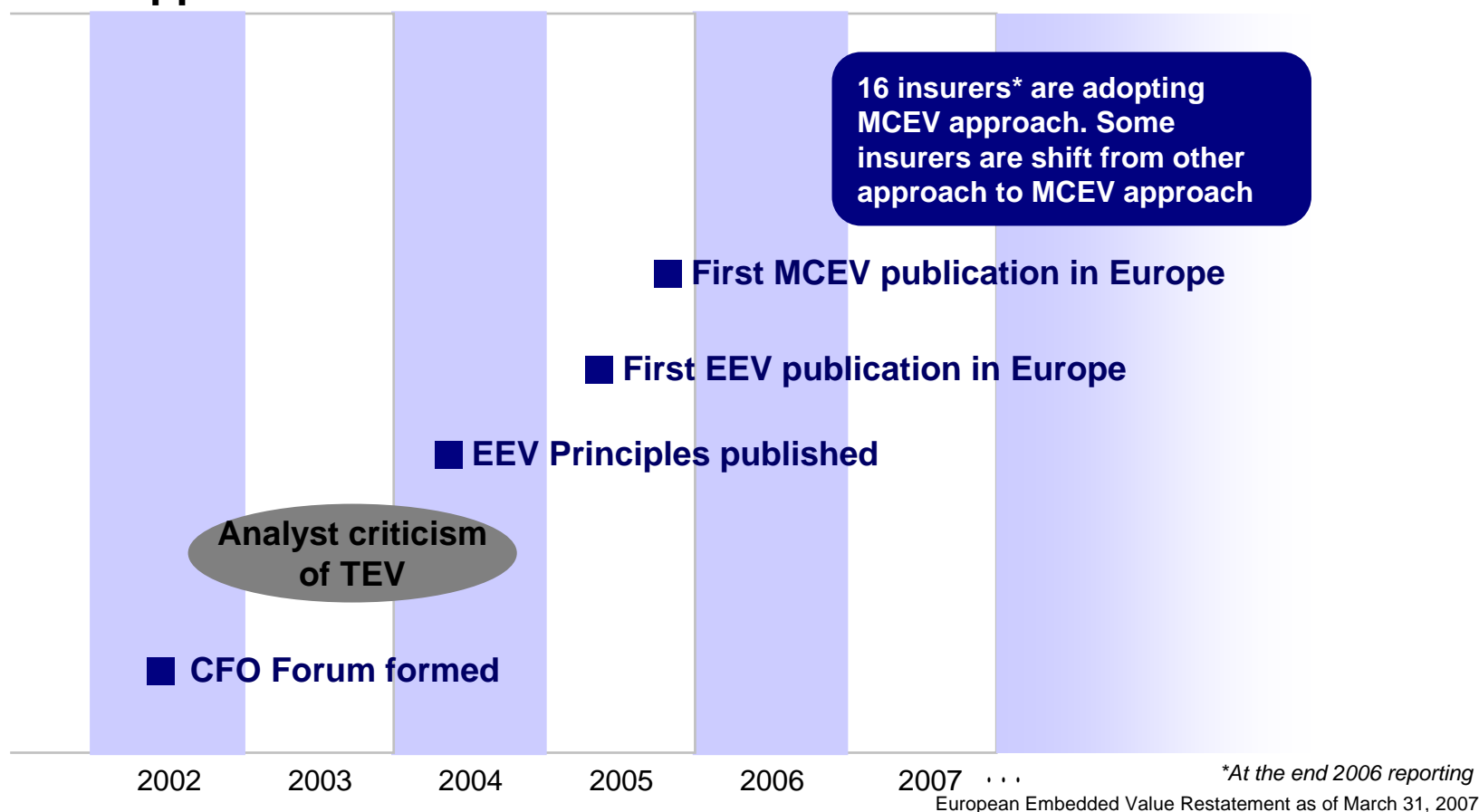
EEV Highlight

- **Address issues raised by traditional embedded value (TEV) by shifting to European embedded value (EEV) which enable to improve transparency and objectivity as a measurement of corporate value**
- **EV on an EEV basis as of March 31, 2007 was 2,072.1 billion yen, a reduction of 61.2 billion yen from the value on a TEV basis**
- **On an EEV basis the value of new business was ¥84.8 billion, an increase of ¥14.3 billion from the value on a TEV basis**

Background of shifting to EEV

EEV Trends in Europe

- 35 European insurers disclosed EV on a EEV basis from the introduction of EEV Principles in May 2004
- The number of insurers adopting MCEV approach or shifting from other approach to MCEV has increased



Results and Impact of Adopting the EEV Principles

EEV Results

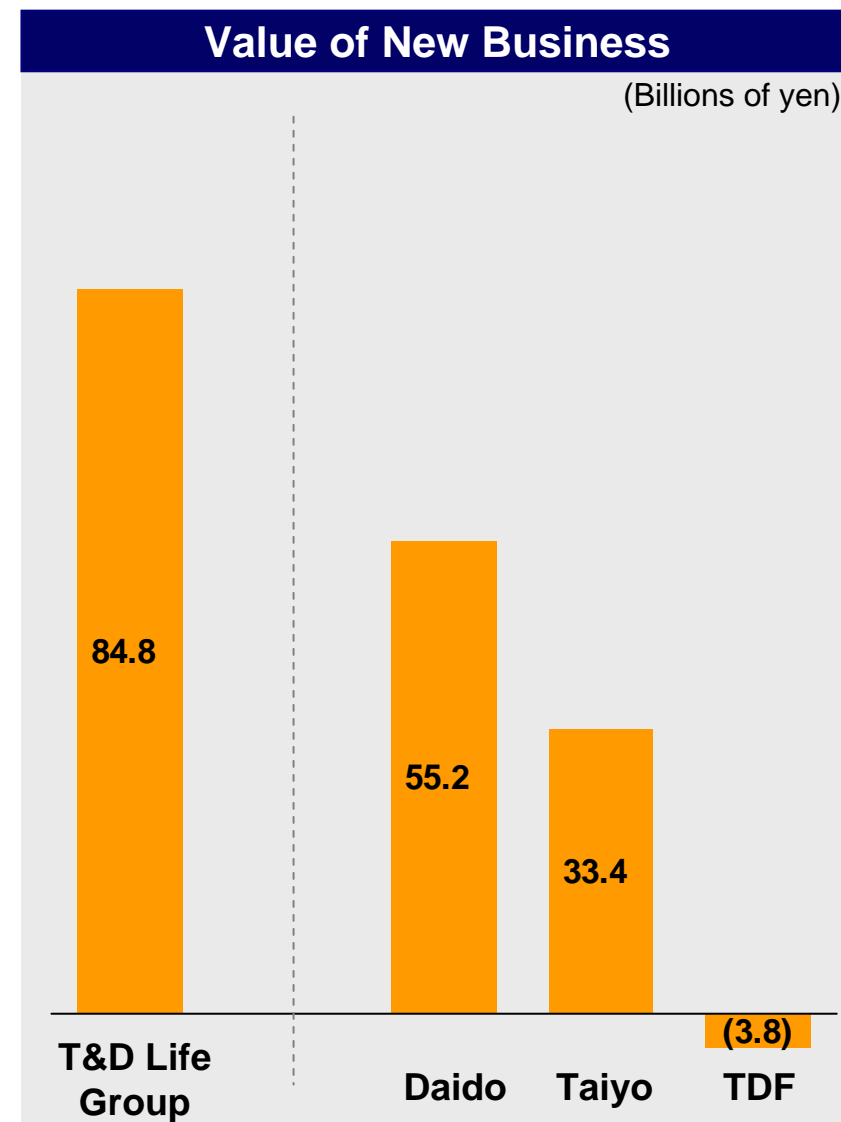
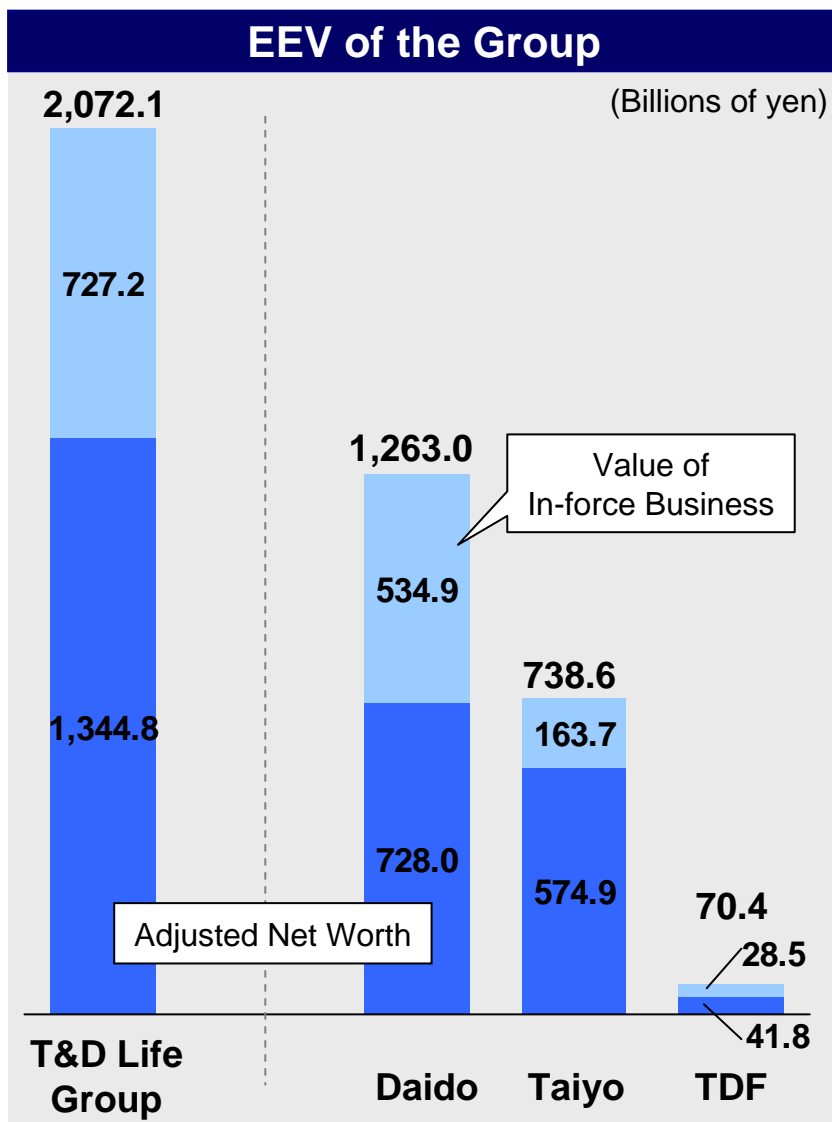
(Billions of yen)

	EEV	TEV	EEV-TEV
T&D Life Group			
EV	2,072.1	2,133.3	(61.2)
Adjusted net worth	1,344.8	1,298.8	46.0
Value of in-force business	727.2	834.4	(107.2)
Value of new business	84.8	70.5	14.3

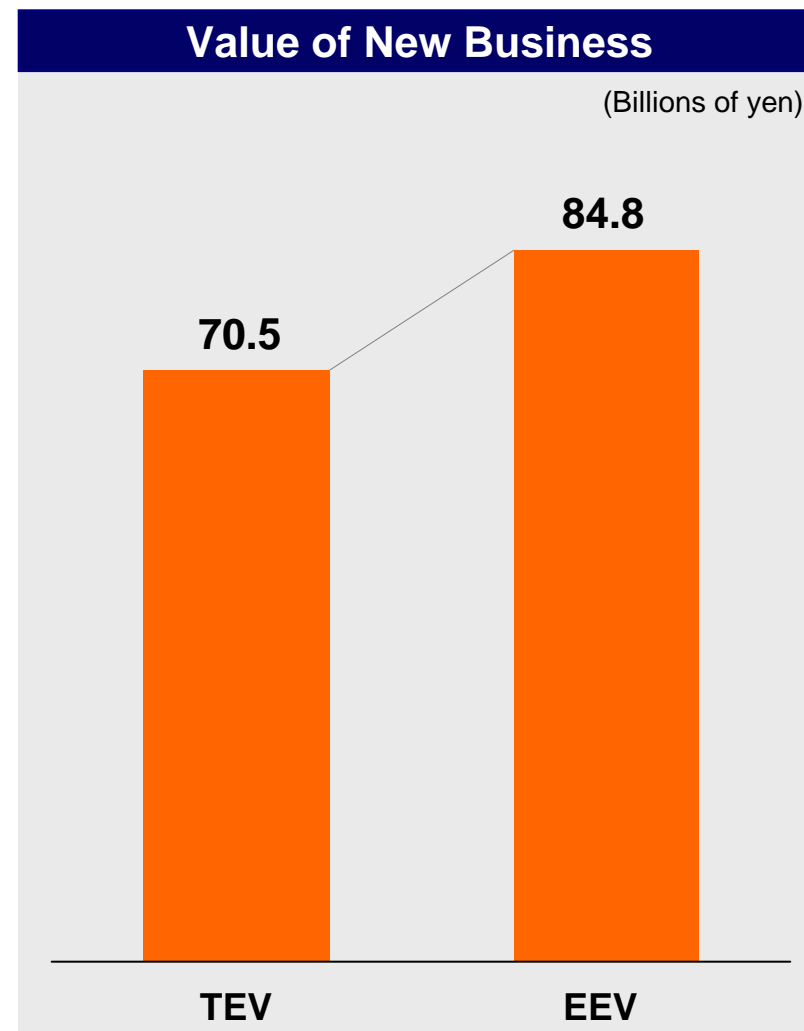
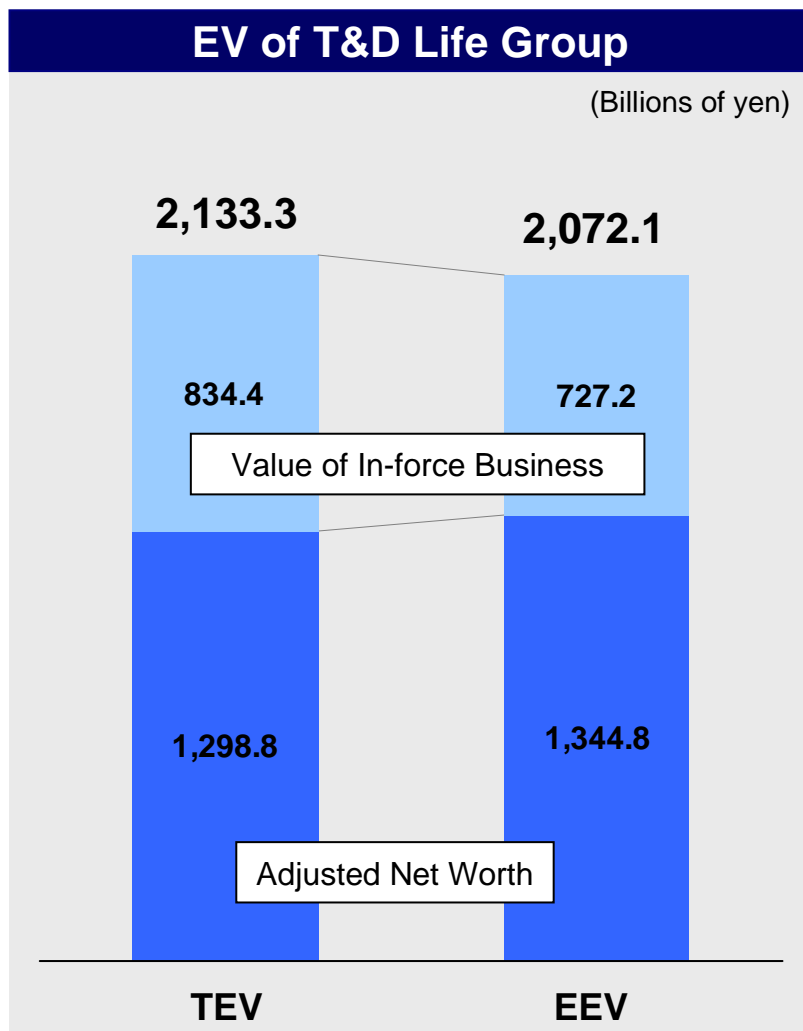
(Breakdown)

Daido Life			
EV	1,263.0	1,287.5	(24.5)
Adjusted net worth	728.0	701.9	26.0
Value of in-force business	534.9	585.6	(50.6)
Value of new business	55.2	45.4	9.8
Taiyo Life			
EV	738.6	785.5	(46.8)
Adjusted net worth	574.9	554.8	20.1
Value of in-force business	163.7	230.7	(66.9)
Value of new business	33.4	28.3	5.0
T&D Financial Life			
EV	70.4	60.2	10.2
Adjusted net worth	41.8	42.0	(0.1)
Value of in-force business	28.5	18.1	10.4
Value of new business	(3.8)	(3.2)	(0.6)

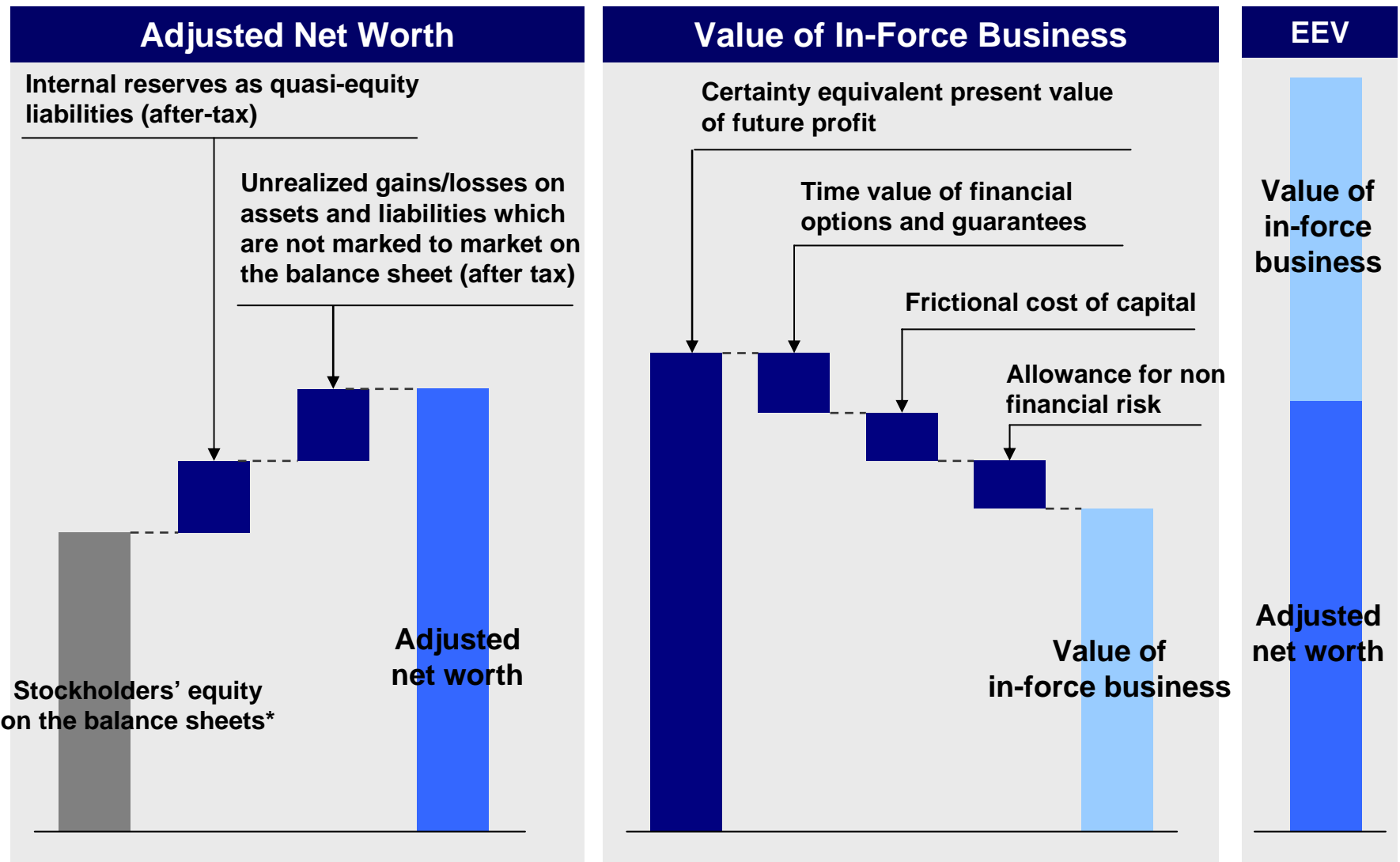
(Reference) EEV Result



(Reference) Impact of Adopting the EEV Principles



EEV Components



Main differences between EEV and TEV

TEV		EEV*1
TEV increases <u>if more high-risk assets are assumed to be held</u>	Investment Return	Investment return assumptions are <u>set consistently with financial markets</u>
<u>Applies a single risk discount rate to the cash flows of the entire company.</u> The risk discount rate may be set taking into account in aggregate the various risks the company is exposed to, but <u>deriving a single rate to be applied is subjective</u>	Discount Rate	Both investment return assumptions and discount rates are <u>set consistently with financial markets, thus improve subjectivity</u>
<u>Typically uses a single deterministic cash flow projection, and thus does not explicitly capture the cost of options and guarantees, for example, of participating policies</u>	Time Value of Financial Options and Guarantees	<u>Require stochastic calculations be performed to value explicitly the cost of such financial options and guarantees*2, and such valuations are made on a market-consistent basis</u>
<u>Subjectivities may be introduced through the risk discount rate and investment yield assumptions</u>	Cost of Capital	Redefined as frictional cost of capital. <u>Objectivity is improved, although there may still remain issues in respect of the definition of the amount of required capital.</u>

*1 Each explanation includes the features of MCEV approach, because T&D Life Group adopts that approach in calculating EEV as of March 31, 2007.

*2 On TEV basis, valued implicitly by setting higher discount rate

European Embedded Value Restatement as of March 31, 2007

Impact of Adopting the EEV Principles: Adjusted Net Worth

- The EEV-based amount was 46.0 billion yen higher than the TEV-based amount, because net unrealized gains on some securities and loans the Group invests in and on subordinated debt the Group has issued were included in the EEV figures but excluded in the TEV figures. (In TEV, they have been reflected in the value of in-force business.)

(Billions of yen)

	EEV	TEV	EEV-TEV
Adjusted net worth	1,344.8	1,298.8	46.0
Stockholders' equity on the B/S *1	437.2	437.2	-
Unrealized gains/losses on securities (after tax)	687.8	664.8	22.9
Unrealized gains/losses on loans (after tax)	24.3	-	24.3
Unrealized gains/losses on lands (after tax)	(5.6)	(5.6)	-
General reserves for possible loan losses (after tax)	1.0	1.0	-
Internal reserves as quasi-equity liabilities (after tax) *2	201.4	201.4	-
Unrealized gains/losses on subordinated debts (after tax)	(1.3)	-	(1.3)

*1 Stockholders' equity on the balance sheet: Total net assets – total valuation and translation adjustment

*2 Reserve for price fluctuation, contingency reserve, unallocated portion of reserve for policyholder dividends

Impact of Adopting the EEV Principles: Value of In-Force Business

- Part of the value of in-force business under the TEV basis has been included in the adjusted net worth under the EEV basis
- The value of future profits was lower on the EEV basis mainly due to policies with high guarantees
- The results indicate that the EEV-based value made a greater allowance for risk than the TEV-based value

;The EEV-based amount was 107.2 billion yen lower than the TEV-based amount

(Billions of yen)

		EEV	TEV	EEV-TEV
Value of in-force business	*1	727.2	834.4	(107.2)
Value of future profit	*2	918.1	1,001.2	(83.0)
Time value of financial options and guarantees	*3	(117.0)	-	(117.0)
Frictional cost of capital		(29.7)	(166.7)	137.0
Allowance for non financial risk	*3	(44.1)	-	(44.1)

Deductions {

*1 On a TEV basis, value of in-force business represented sum of adjusted book value and existing business value.

*2 Certainty equivalent value in the case of EEV

*3 Value of future profit and cost of capital on TEV basis may be considered to include cost of financial options and guarantees and allowance for non financial risk implicitly.

Impact of Adopting the EEV Principles: Value of New Business

- The EEV-based amount was 14.3 billion yen higher than the TEV-based amount. A high proportion of the new business is protection type and the average level of guarantees on the new business was lower than on the in-force business. As a result, under the EEV basis the new business was recognized as having a lower risk profile than under the TEV-basis.

(Billions of yen)

		EEV	TEV	EEV-TEV
Value of new business	*1	84.8	70.5	14.3
Adjusted net worth		(60.9)	(60.6)	(0.2)
Value of in-force business		145.7	131.2	14.5
Value of future profit	*2	160.4	136.6	23.7
Deductions	Time value of financial options and guarantees	(6.6)	-	(6.6)
	Frictional cost of Capital	(0.3)	(5.4)	5.0
	Allowance for non financial risk	(7.6)	-	(7.6)

*1 On a TEV basis, value of in-force business represented sum of adjusted book value and existing business value.

*2 Certainty equivalent present value in the case of EEV

*3 Value of future profit and cost of capital on TEV basis may be considered to include cost of financial options and guarantees and allowance for non financial risk implicitly.

Sensitivities

Sensitivities

(Billions of yen)

			EEV	Value of new business
Base Scenario			2,072.1	84.8
Economical factor	Risk-free rate *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.	+1%	299.4	* 22.9
		-1%	(408.0)	* (31.9)
	Equity and real estate value	-10%	(186.0)	-
Non-economical factor	Surrender rate	x 0.9	64.0	11.6
	Operating expenses rate	x 0.9	39.3	3.6
	Claim incidence rate for the life business	x 0.95	78.9	5.5
	Mortality rate for the annuity business	x 0.95	(2.1)	0.3
Change the required capital to the regulatory minimum			29.6	0.3

* The sensitivity results on the value of new business exclude the impact on the adjusted net worth, because adjusted net worth in value of new business is less than zero

(Reference) Sensitivities Comparison

TEV				EEV		
Each amount if either discount rate or investment yield is changed				Sum of increase/decrease in : adjusted net worth along with fluctuations of gains/losses on securities ; future profit along with fluctuations of investment return and rise/fall in discount rate ; time value of financial options and guarantees		
(Billions of yen)				(Billions of yen)		
Discount Rate	6%	7%	(83.9)	Risk-free rate	+1%	299.4
	6%	5%	98.0			
Assumed Investment Yield	+0.25%	On total assets	133.7		-1%	(408.0)
		On new assets	79.9			
	-0.25%	On total assets	(133.7)			
		On new assets	(79.8)			

Appendix (EEV)

EEV of T&D Life Group

(Billions of yen)

EEV	2,072.1
Adjusted net worth	1,344.8
Value of in-force business	727.2
Value of new business	84.8

(Billions of yen)

Value of new business	84.8
Adjusted net worth	(60.9)
Value of in-force business	145.7
Certainty equivalent present value of future profit	160.4
Time value of financial options and guarantees	(6.6)
Frictional cost of capital	(0.3)
Allowance for non financial risk	(7.6)

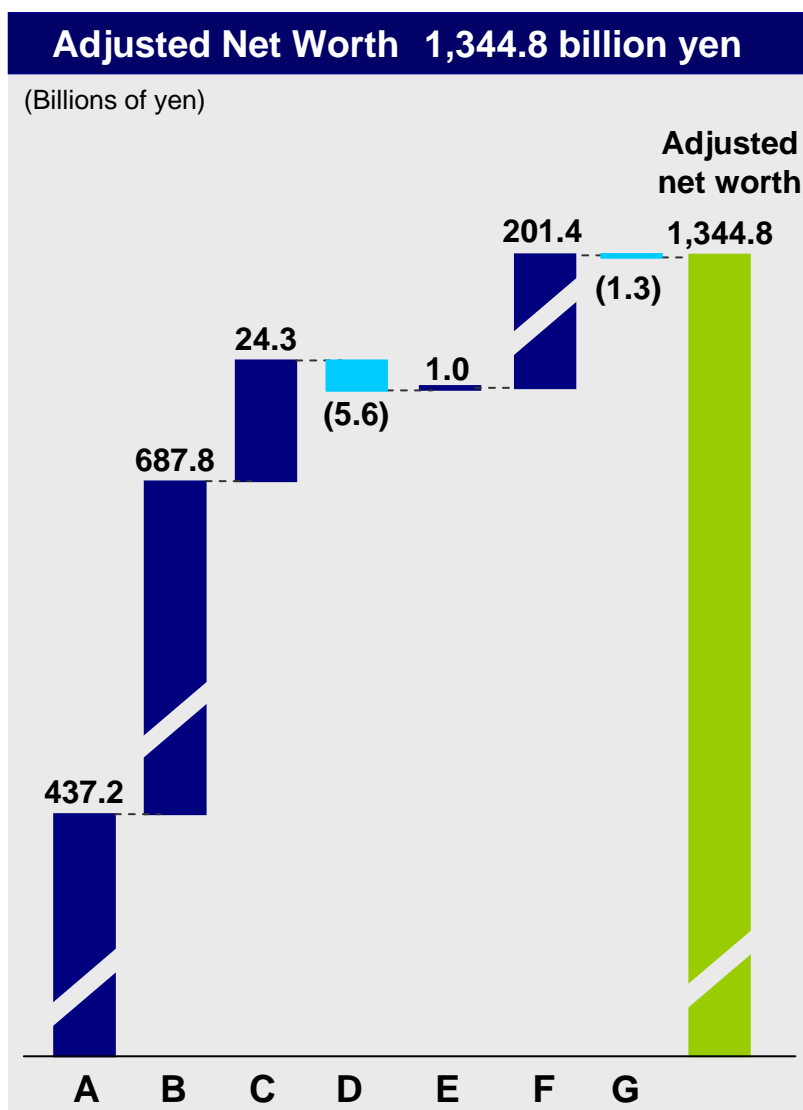
(Billions of yen)

EEV	2,072.1
Adjusted net worth	1,344.8
Stockholders' equity on B/S ^{*1}	437.2
Unrealized gains/losses on securities (after tax)	687.8
Unrealized gains/losses on loans (after tax)	24.3
Unrealized gains/losses on lands (after tax)	(5.6)
General reserves for possible loan losses (after tax)	1.0
Internal reserves as quasi-equity liabilities (after tax) ^{*2}	201.4
Unrealized gains/losses on subordinated debts (after tax)	(1.3)
Value of in-force business	727.2
Certainty equivalent present value of future profit	918.1
Time value of financial options and guarantees	(117.0)
Frictional cost of capital	(29.7)
Allowance for non financial risk	(44.1)

*1 Stockholders' equity on the balance sheet: Total net assets – total valuation and translation adjustment

*2 Reserve for price fluctuation, contingency reserve, unallocated portion of reserve for policyholder dividends

EEV Result: Adjusted Net Worth



(Billions of yen)

		The Group's EEV
Adjusted net worth		1,344.8
A	Stockholders' equity on the balance sheet *1	437.2
B	Unrealized gains/losses of securities (after tax)	687.8
C	Unrealized gains/losses of loans (after tax)	24.3
D	Unrealized gains/losses of lands (after tax)	(5.6)
E	General reserves for possible loan losses (after tax)	1.0
F	Internal reserves as quasi-equity liabilities (after tax)	201.4
G	Unrealized gains/losses of subordinated debts (after tax)	(1.3)

<By company>

(Billions of yen)

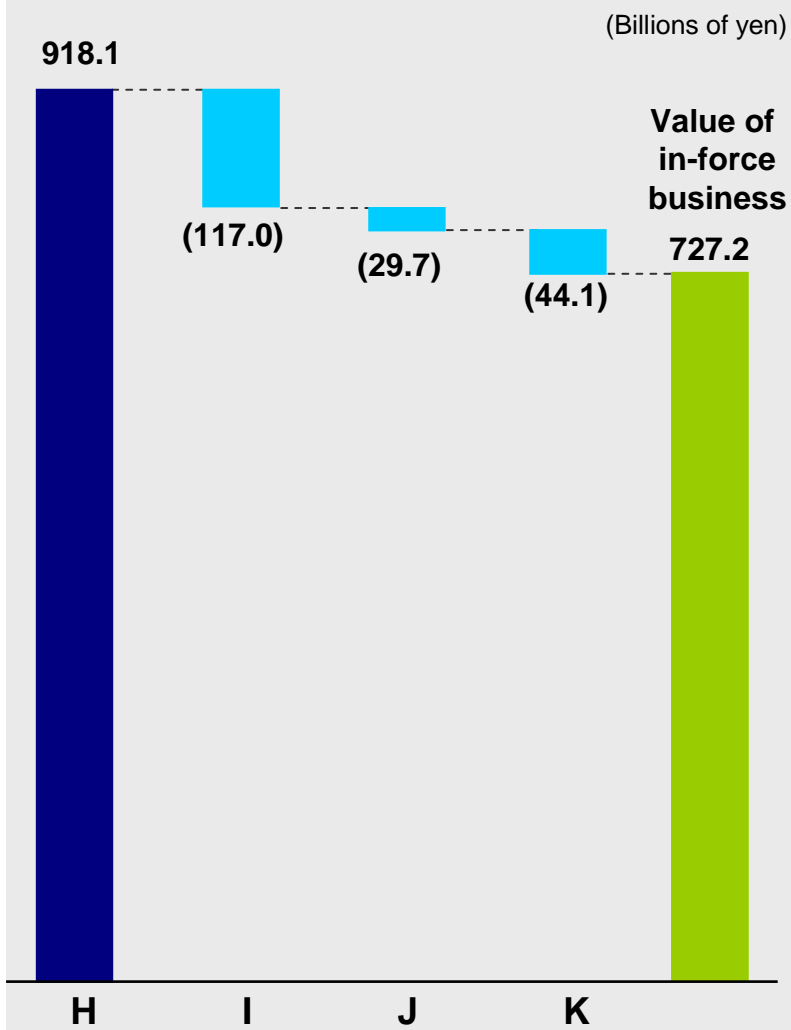
	Daido	Taiyo	TDF
Adjusted net worth	728.0	574.9	41.8
A	*1 241.2	160.8	35.0
B	368.3	320.0	(0.5)
C	8.2	15.6	0.5
D	10.9	(16.6)	-
E	0.1	0.9	0.0
F	*2 99.1	95.5	6.7
G	-	(1.3)	-

*1 Stockholders' equity on the balance sheet: Total net assets – total valuation and translation adjustment

*2 Reserve for price fluctuation, contingency reserve, unallocated portion of reserve for policyholder dividends
European Embedded Value Restatement as of March 31, 2007

Result: Value of In-Force Business

Value of In-Force Business 727.2 billion yen



(Billions of yen)

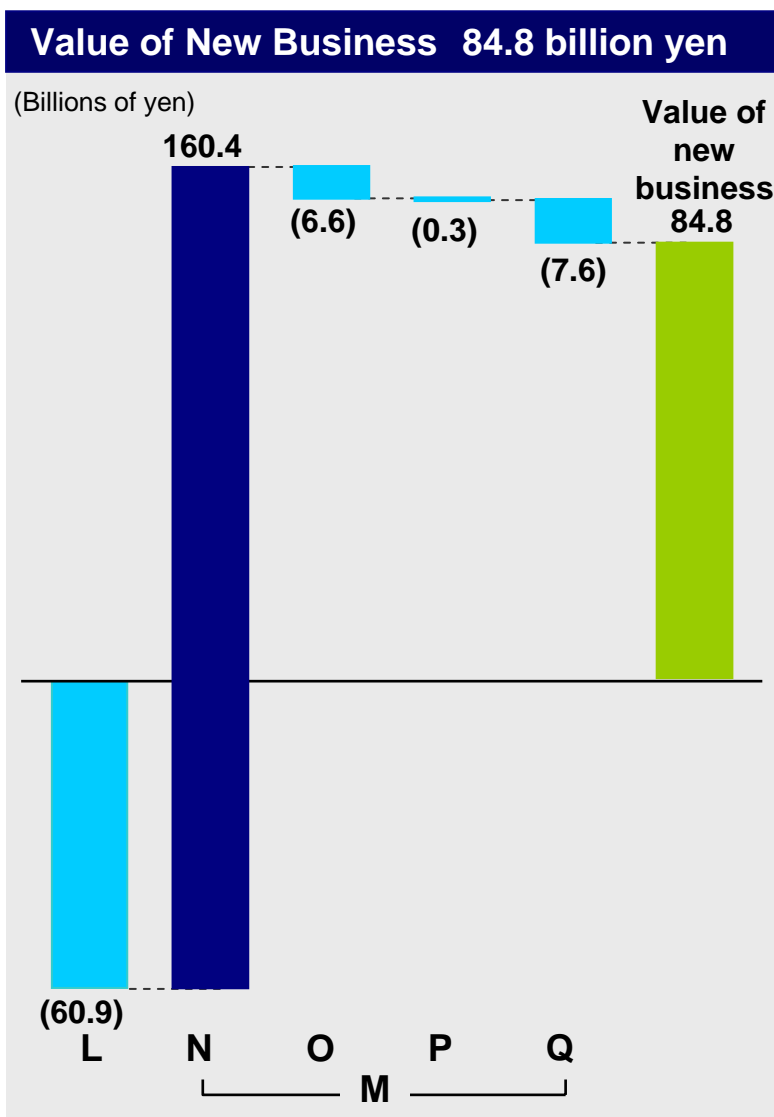
		The Group's EEV
Value of in-force business		727.2
H	Certainty equivalent present value of future profit	918.1
I	Time value of financial options and guarantees	(117.0)
J	Frictional cost of capital	(29.7)
K	Allowance for non financial risk	(44.1)

<By company>

(Billions of yen)

	Daido	Taiyo	TDF
Value of in-force business	534.9	163.7	28.5
H	660.9	218.0	39.1
I	(85.8)	(22.4)	(8.7)
J	(10.4)	(18.0)	(1.2)
K	(29.7)	(13.7)	(0.5)

Result: Value of New Business



(Billions of yen)

	The Group's EEV
Value of new business	84.8
L Adjusted net worth	(60.9)
M Value of in-force business	145.7
N Certainty equivalent present value of future profit	160.4
O Time value of financial options and guarantees	(6.6)
P Frictional cost of capital	(0.3)
Q Allowance for non financial risk	(7.6)
Present value of new business premiums *	1,258.2
Value of new business/ present value of new business premiums	6.7%

* 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

<By company>

(Billions of yen)

	Daido	Taiyo	TDF
Value of new business	55.2	33.4	(3.8)
L	(31.4)	(19.3)	(10.0)
M	86.7	52.8	6.2
N	94.2	56.4	9.7
O	(2.9)	(0.8)	(2.8)
P	0.2	(0.1)	(0.4)
Q	(4.8)	(2.6)	(0.1)

European Embedded Value Restatement as of March 31, 2007

Economic assumptions

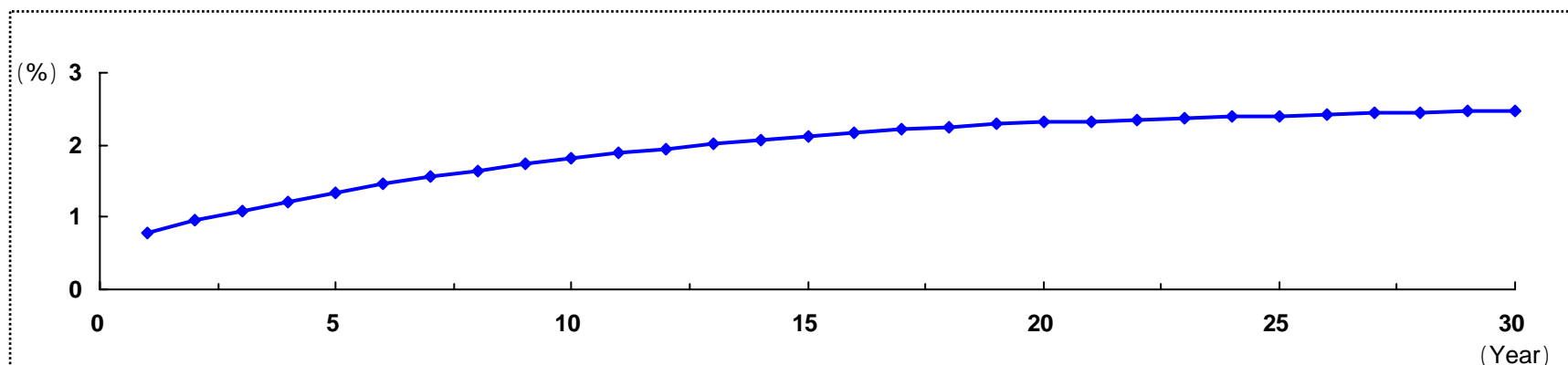
Discount Rates and Investment Yields

- In the certainty equivalent calculation, the discount rates and investment yields are the risk-free rates determined based on swap rates (mid price) at the valuation date

	1 year	2 year	3 year	4 year	5 year	10 year	15 year	20 year	25 year	30 year
Swap Rates as of March 31, 2007 (%)	0.781	0.946	1.087	1.221	1.343	1.810	2.118	2.315	2.406	2.476

*Source: Bloomberg

<Reference> Yield Curve



European Embedded Value Restatement as of March 31, 2007

Other Assumptions

Other Assumptions

- All cash flows (premium, commission, non-commission expense, death benefit, cash surrender value, tax, etc.) :

Projected applying the best estimate assumptions up to the termination of the policies, by product, referring to recent experience, trends and the Group's future views

Assumptions	Referred Experience
Mortality and morbidity rate	The latest 3 years' experience
Surrender and lapse rate	The latest 3 years' experience *Interest-sensitive dynamic lapse assumptions are applied to conventional products. For variable business, dynamic lapse assumptions are related to the ratio of the actual fund value to the level of minimum guarantees
Operating expense rate	The latest year's experience *Some adjustments were made including the elimination of one-off expenses which are not expected to be regularly repeated in the future. The expense inflation assumption was taken to be zero
Tax rate	The latest effective tax rate

Glossary (1)

Item	content
Allowance for Non Financial Risk	An allowance for insurance and operational risks which are not covered by the best estimate assumptions. The EEV Principles require all risks inherent in the covered business to be taken into account, and it is widely seen among European insurers that an explicit allowance for non financial risk is made.
Best Estimate Assumptions	Projection assumptions which represent the most likely outcome of the future and which are set based on past, current and expected future experience.
Certainty Equivalent Present Value	The present value of future projected cash flow over the life time of the policies assuming the investment returns are risk-free and discounted at the risk-free rate.
Cost of Financial Options and Guarantees	Cost of financial options and guarantees consists of intrinsic value and time value.

Glossary (2)

Item	content
Cost of Financial Options and Guarantees	<p>Cost of financial options and guarantees consists of intrinsic value and time value.</p> <p>The intrinsic value quantifies the amount by which the financial options and guarantees are in-the-money. In the calculation of MCEV, this corresponds to the impact on value of the financial options and guarantees in the certainty equivalent scenario.</p> <p>The time value is calculated as the difference between the present value of the financial options and guarantees on the certainty equivalent scenario and the average of the values calculated with a set of risk neutral scenarios under the MCEV approach. The average of the values calculated with a set of risk neutral scenarios represents the total value of the financial options and guarantees, and by deducting the intrinsic value, the time value is derived.</p> <p>The financial options and guarantees to be valued on the EEV basis needs to include all important financial options and guarantees inherent in the life insurance business, in accordance with the EEV Principles.</p>
Deterministic Approach	An approach under which a single future scenario is applied in developing a cash flow projection.

Glossary (3)

Item	content
Dynamic Assumptions	Projection assumptions which change according to economic and other parameters following certain formula. Examples include policyholders dividend assumptions linked to investment return and surrender and lapse rate linked to the difference between risk-free rate and the guaranteed rate.
European Embedded Value (EEV)	<p>-An embedded value calculated and disclosed in accordance with the EEV Principles and Guidance published by the CFO Forum, a group consisting of CFOs from leading European insurance companies. The aim of the EEV Principles and Guidance is to improve the consistency and transparency of the EV methodology and disclosure.</p> <p>-EEV publications started in Europe with 2004 reporting, and now over 30 European insurers, including both CFO Forum members and non-members, publish EEV results.</p>
Free Surplus	Part of capital and surplus allocated to the covered business but not required to be maintained.

Glossary (4)

Item	content
Frictional Cost of Capital	<ul style="list-style-type: none"> -The cost to maintain a certain level of capital in excess of policy reserves required to continue the life insurance business. -EEV Principles require the level of required capital to be at least the statutory minimum, and allows companies to use other levels such as the internally required level provided that this minimum is met. -MCEV assesses the value of life insurance business for shareholders. In addition to the operational costs of the insurer, shareholders may be subject to other costs of ownership of the business. Such costs to shareholders are referred to as frictional costs. -In the Group's calculations, the tax on investment returns on required capital has been allowed for. Investment expenses in respect of the investment of required capital have been reflected in the unit cost assumptions.
Implied Risk Discount Rate (IDR)	<p>IDR is the risk discount rate to be applied to the TEV at which the TEV becomes equal to the MCEV. In the TEV calculations, investment return assumptions include risk margins and future cash flows are discounted at a risk discount rate.</p>
Market Consistent Embedded Value (MCEV)	<p>An evaluation of a company's net assets and value of in-force business on a market-consistent basis. For the valuation of in-force business, market values of cash flows arising from assets and liabilities of the in-force business are assessed. The values are determined by referring to the market value of financial instruments traded in the market which have the best match to the cash flow and risk characteristics of the asset or liability being valued.</p>

Glossary (5)

Item	content
Look Through Basis	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.
Present Value of New Business Premiums	The present value of premiums projected to be paid in the future from the new business issued in a single year, discounted at the risk-free rate.
Risk Neutral Scenarios	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 markets data.
Stochastic Approach	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 are generated based on a probability model and each scenario is applied to project future cash flows.
Swap Rates	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 interest rates which can be exchanged against standard floating rates, such as LIBOR (London Inter-Bank Offered Rate).

Appendix(TEV)

EV Results

(Billions of yen)

	As of March 31, 2007	As of March 31, 2006	Changes
T&D Life Group	Sum of 3 companies	Sum of 3 companies	
Embedded value	2,133.3	1,992.8	140.5
Adjusted book value	1,298.8	1,232.5	66.3
Existing business value	834.4	760.2	74.2
EV of new business	70.5	65.1	5.4

(Breakdown)

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

1. 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.

2. The EV of new business included in the total EV represents the value of new business (including new business from conversion) for the year concerned.

European Embedded Value Restatement as of March 31, 2007

Major Assumptions

The major assumptions employed in the calculation of EV

Item	Setting of Assumption
Discount rate	6.0%: Set by adding the company's assumed risk premium (4.5%) to the year-end risk free rate (the yield on 10-year Japanese government bonds: 1.66 %)
Investment yield on new investments	Set each company's planned asset allocation and assumed investment yield by assets categories on new investments Daido : 3.02%, Taiyo : 2.72%, T&D Financial: 1.21%
Required solvency margin ratio	600% : For the purpose of calculating the cost of capital, the solvency margin ratio required to be maintained was assumed
Mortality and morbidity	Set based on each company's experience over the three most recent fiscal years (fiscal 2004 – fiscal 2006)
Surrender and lapse	Set based on each company's experience over the three most recent fiscal years (fiscal 2004 – fiscal 2006)
Operating expenses	Set based on each company's experience of the most recent fiscal year (fiscal 2006)
Effective tax rate	Set based on the most recent effective tax rate (based on the rate for fiscal 2006)

Effects of Changes in Assumptions (Sensitivities)

(Billions of yen)

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

**If one of the assumptions is changed from these of the base case, the results of calculation would be increase/decrease from 2,133.3 billion yen in the base case as above.*

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This presentation contains forward-looking statements with respect to the financial conditions, results of operations, and business of the company. These assumptions and forward-looking statements involve certain risks and uncertainties resulting from changes in the managerial environment.