

# FINANCIAL SUMMARY

(For the Fiscal Year Ended March 31, 2007)

May 17, 2007

Name of Company: **T&D Holdings, Inc.**  
 Stock Listings: Tokyo, Osaka  
 Security Code No.: 8795  
 Head Office: Tokyo, Japan  
 URL: <http://www.td-holdings.co.jp/e/>  
 Date of Ordinary General Meeting of Shareholders: June 27, 2007  
 Projected Filing Date of Securities Report: June 27, 2007  
 Projected Starting Date of Dividend Distribution: June 28, 2007

## 1. Consolidated Operating Results for the Year Ended March 31, 2007 (April 1, 2006 – March 31, 2007)

### (1) Results of Operations

Note: Amounts of less than one million yen are omitted, and percentages have been rounded to the nearest percent. % changes are presented in comparison with the same term of the previous year.

	Ordinary Revenues	% change	Ordinary Profit	% change	Net Income	% change
FY2006 ended March 31, 2007	¥2,286,034 million	(6.5)	¥158,172 million	15.6	¥38,772 million	9.1
FY2005 ended March 31, 2006	¥2,444,295 million	5.5	¥136,846 million	25.7	¥35,545 million	(4.3)

	Net Income per Share	Net Income per Share (Fully Diluted)	Ratio of Net Income to Equity	Ratio of Ordinary Profit to Total Assets	Ratio of Ordinary Profit to Ordinary Revenues
FY2006 ended March 31, 2007	¥157.45	-	3.6%	1.1%	6.9%
FY2005 ended March 31, 2006	¥146.19	-	4.3%	1.0%	5.6%

Note: Equity in net gain of affiliated companies: ¥33 million for the fiscal year ended March 31, 2007; ¥22 million for the fiscal year ended March 31, 2006

### (2) Financial Conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of March 31, 2007	¥14,090,977 million	¥1,090,229 million	7.7%	¥4,419.55
As of March 31, 2006	¥13,986,233 million	¥1,080,098 million	7.7%	¥4,384.93

Note: Equity: as of March 31, 2007: ¥1,088,319 million; as of March 31, 2006: ¥ - million

### (3) Results of Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Term
FY2006 ended March 31, 2007	¥144,312 million	¥246,362 million	¥(1,648) million	¥1,217,045 million
FY2005 ended March 31, 2006	¥138,640 million	¥(196,333) million	¥27,346 million	¥834,403 million

## 2. Dividends

	Annual Dividends per Share			Dividends paid for the Year	Payout Ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	Interim	Year-End				
Year Ended March 31, 2006	¥55.00	-	¥55.00	¥13,544 million	37.6%	1.6%
Year Ended March 31, 2007	¥65.00	-	¥65.00	¥16,006 million	41.3%	1.5%
Year Ending March 31, 2008 (Forecast)	¥65.00	-	¥65.00		43.3%	

## 3. Consolidated Forecasts for the Year Ending March 31, 2008 (April 1, 2007 - March 31, 2008)

Note: % changes are presented in comparison with the same term of the previous year.

	Ordinary Revenues	Ordinary Profit	Net Income	Net Income per Share
Half-Year ending Sep.30, 2007	¥1,100,000 million (1.0)%	¥70,000 million (16.0)%	¥22,000 million (20.9)%	¥89.34
Year ending March 31, 2008	¥2,180,000 million (4.6)%	¥130,000 million (17.8)%	¥37,000 million (4.6)%	¥150.25

#### 4. Others

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation): None

(2) Changes in Accounting Principle and Procedure and Changes in Presentation Method for Consolidated Financial Summary:

Changes due to the revision of accounting standards: Applicable

Changes due to other factors: Yes

Note: Please refer to T&D Holdings' "Summary of Significant Accounting Policies" section etc. in this material "Financial Summary for the Fiscal Year Ended March 31, 2007."

(3) Number of Outstanding Shares (Common Stock)

Number of outstanding shares including treasury stock at the end of the year: as of March 31, 2007: 246,330,000;  
as of March 31, 2006: 246,330,000

Number of treasury stock at the end of the year: as of March 31, 2007: 78,848;  
as of March 31, 2006: 58,753

Note: Please refer to T&D Holdings' "Per Share Information" section in this material "Financial Summary for the Fiscal Year Ended March 31, 2007" about the number of shares used in the net income per share computations.

#### (Reference) Non-Consolidated Financial Summary

##### 1. Non-Consolidated Operating Results for the Year Ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(1) Results of Operations

Note: Amounts of less than one million yen are omitted, and percentages have been rounded to the nearest percent. % changes are presented in comparison with the same term of the previous year.

	Operating Income	% change	Operating Profit	% change	Ordinary Profit	% change	Net Income	% change
FY2006 ended March 31, 2007	¥16,399 million	20.2	¥13,802 million	23.1	¥13,829 million	25.8	¥13,588 million	24.3
FY2005 ended March 31, 2006	¥13,643 million	(47.6)	¥11,216 million	(51.5)	¥10,994 million	(50.8)	¥10,930 million	(51.4)

	Net Income per Share	Net Income per Share (Fully Diluted)
FY2006 ended March 31, 2007	¥55.18	-
FY2005 ended March 31, 2006	¥45.07	-

(2) Financial Conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of March 31, 2007	¥632,016 million	¥591,530 million	93.6%	¥2,402.14
As of March 31, 2006	¥619,277 million	¥591,698 million	95.5%	¥2,402.47

Note: Equity: as of March 31, 2007: ¥591,530 million; as of March 31, 2006: ¥ - million

##### 2. Non-Consolidated Forecasts for the Year Ending March 31, 2008 (April 1, 2007 - March 31, 2008)

Note: % changes are presented in comparison with the same term of the previous year.

	Operating Income	Operating Profit	Ordinary Profit	Net Income	Net Income per Share
Half-Year ending September 30, 2007	¥17,000 million 13.7%	¥16,000 million 18.3%	¥16,000 million 18.2%	¥16,000 million 18.9%	¥64.97
Year ending March 31, 2008	¥19,000 million 15.9%	¥16,000 million 15.9%	¥16,000 million 15.7%	¥16,000 million 17.7%	¥64.97

The above forecasts for the year ending March 31, 2008 reflect the Company's current analysis of existing information and trends. Actual results may differ from expectations based on risks and uncertainties that may affect the Company's businesses. Please refer to T&D Holdings' "I. Results of Operations 4. Forecasts for the Year Ending March 31, 2007" section in this material "Financial Summary for the Fiscal Year Ended March 31, 2007" about consolidated forecasts and non-consolidated forecasts.

# ***I. Results of Operations***

## ***1. Consolidated Results of Operations***

For the fiscal year ended March 31, 2007, ordinary revenues decreased ¥158.2 billion (6.5 percent) from the level of the previous fiscal year, to ¥2,286.0 billion, which was a total of income from insurance premiums of ¥1,811.5 billion (down 4.8 percent), investment income of ¥407.4 billion (down 12.5 percent), other ordinary income of ¥66.9 billion (down 12.2 percent) and other income.

Ordinary expenses decreased ¥179.5 billion (7.8 percent) from the level of the previous fiscal year, to ¥2,127.8 billion, which was a total of insurance claims and other payments of ¥1,630.6 billion (down 6.6 percent), provision for policy and other reserves of ¥94.2 billion (down 45.6 percent), investment expenses of ¥115.2 billion (up 11.7 percent), operating expenses of ¥208.9 billion (down 0.4 percent), and other ordinary expenses of ¥78.7 billion (up 4.5 percent).

As a result, ordinary profit increased by ¥21.3 billion (15.6 percent), to ¥158.1 billion. Ordinary profit increased mainly due to an increase in income from interest and dividends.

Extraordinary gains increased 21.2 percent, to ¥2.2 billion, and extraordinary losses decreased 10.2 percent, to ¥35.3 billion. Extraordinary losses mainly consisted of impairment loss of ¥1.8 billion (down 47.1 percent), provision for reserve for price fluctuations of ¥30.5 billion (down 2.5 percent) and headquarters removal costs of ¥1.2 billion (-).

After accounting for extraordinary gains and losses, the provision for reserve for policyholder dividends, and income taxes, net income increased ¥3.2 billion, or 9.1 percent from the level of the previous fiscal year, to ¥38.7 billion.

## ***2. Consolidated Financial Position***

### **(1) Balance Sheets**

As of March 31, 2007, total assets amounted to ¥14,090.9 billion (up 0.7 percent from March 31, 2006), mainly consisting of securities centered on public and corporate bonds amounting to ¥9,870.2 billion (up 0.4 percent), loans of ¥2,430.5 billion (down 3.5 percent), monetary claims purchased of ¥450.5 billion (up 60.6 percent), cash and deposits of ¥419.8 billion (down 6.1 percent) and call loans of ¥340.8 billion (up 77.0 percent).

Total liabilities were ¥13,000.7 billion (up 0.7 percent), and policy reserves accounting for a substantial portion of them amounted to ¥12,344.7 billion (up 0.8 percent).

Total net assets were ¥1,090.2 billion (total shareholders' equity as of March 31, 2006 was ¥1,080.0 billion), of which net unrealized gains on securities was ¥680.4 billion (down 2.5 percent).

### **(2) Cash Flows**

Cash flows for the fiscal year ended March 31, 2007, were as follows.

Net cash provided by operating activities was ¥144.3 billion in revenue, up ¥5.6 billion from the level of the previous fiscal year. This was mainly due to an increase in income from interest and dividends.

Net cash provided by investing activities was ¥246.3 billion in revenue, an increase of gain of ¥442.6 billion compared with the expenditure of ¥196.3 billion recorded in the previous fiscal year. This was mainly due to a decrease in purchase of securities and an increase in gains on sales and redemption of securities.

Net cash used in financing activities was the expenditure of ¥1.6 billion, an increase of loss of ¥28.9 billion compared with ¥27.3 billion in revenue recorded in the previous fiscal year. This was mainly due to an increase in dividend payments at this term and the issuance of common stocks in the previous fiscal year.

As a result, cash and cash equivalents as of March 31, 2007 totaled ¥1,217.0 billion, up ¥382.6 billion from the beginning of the fiscal year.

### (3) Equity Ratio and Market Capitalization Ratio

	As of March 31, 2006	As of March 31, 2007
Equity ratio (Equity / Total assets) × 100)	7.7%	7.7%
Market capitalization ratio (Market capitalization/ Total assets) × 100)	16.2%	14.2%

## 3. Operations of Three Life Insurance Companies (Non-consolidated Basis)

### (1) Results of Operations

#### *Taiyo Life Insurance Company:*

For the fiscal year ended March 31, 2007, Taiyo Life's ordinary revenues decreased ¥64.4 billion, or 6.0 percent from the level of the previous fiscal year, to ¥1,012.0 billion, which was a total of income from insurance premiums of ¥705.5 billion (down 14.3 percent), investment income of ¥211.8 billion (up 7.0 percent), and other ordinary income of ¥94.5 billion (up 70.9 percent).

Ordinary expenses decreased ¥69.1 billion, or 6.7 percent from the level of the previous fiscal year, to ¥960.3 billion, which was a total of insurance claims and other payments of ¥772.8 billion (down 9.8 percent), investment expenses of ¥70.3 billion (up 28.2 percent), operating expenses of ¥78.8 billion (down 4.5 percent) and others.

As a result, ordinary profit increased ¥4.7 billion, or 10.0 percent, to ¥51.6 billion. Ordinary profit increased mainly due to an increase in income from interest and dividends.

Extraordinary gains increased 886.0 percent, to ¥3.9 billion, and extraordinary losses decreased 6.4 percent, to ¥18.6 billion. Extraordinary losses mainly consisted of provision for reserve for price fluctuations of ¥16.5 billion (up 1.5 percent).

Net income increased ¥7.0 billion, or 112.3 percent from the level of the previous fiscal year, to ¥13.4 billion.

#### *Daido Life Insurance Company:*

For the fiscal year ended March 31, 2007, Daido Life's ordinary revenues decreased ¥0.6 billion, or 0.1 percent from the level of the previous fiscal year, to ¥1,061.8 billion, which was a total of income from insurance premiums of ¥865.2 billion (down 0.7 percent), investment income of ¥183.3 billion (up 1.5 percent), and other ordinary income of ¥13.2 billion (up 24.4 percent).

Ordinary expenses decreased ¥22.4 billion, or 2.3 percent from the level of the previous fiscal year, to ¥940.5 billion, which was a total of insurance claims and other payments of ¥758.2 billion (down 4.3 percent) and investment expenses of ¥44.1 billion (down 5.5 percent), operating expenses of ¥111.8 billion (up 2.3 percent) and others.

As a result, ordinary profit increased ¥21.8 billion, or 21.9 percent, to ¥121.2 billion. Ordinary profit increased mainly due to an increase in income from interest and dividends.

Extraordinary gains increased 221.9 percent, to ¥3.0 billion, and extraordinary losses decreased 4.3 percent, to ¥15.8 billion. Extraordinary losses mainly consisted of provision for reserve for price fluctuations of ¥14.0 billion (down 6.5 percent).

Net income increased ¥4.0 billion, or 10.4 percent from the level of the previous fiscal year, to ¥43.1 billion. This was due to an increase in the provision for reserve for policyholder dividends, while ordinary profit increased.

#### ***T&D Financial Life Insurance Company:***

For the fiscal year ended March 31, 2007, T&D Financial Life's ordinary revenues decreased ¥46.2 billion, or 14.8 percent from the level of the previous fiscal year, to ¥266.1 billion, which was a total of income from insurance premiums of ¥240.7 billion (up 15.7 percent), investment income of ¥17.1 billion (down 81.4 percent), and other ordinary income of ¥8.1 billion (down 31.3 percent).

Ordinary expenses decreased ¥44.9 billion, or 13.9 percent from the level of the previous fiscal year, to ¥279.6 billion, which was a total of insurance claims and other payments of ¥99.5 billion (up 2.5 percent), provision for policy and other reserves of ¥154.5 billion (down 19.9 percent), investment expenses of ¥4.7 billion (down 8.4 percent), operating expenses of ¥17.9 billion (down 11.7 percent) and others.

As a consequence, ordinary losses increased ¥1.2 billion, or 10.5 percent, to ¥13.5 billion.

Extraordinary gains were ¥0.6 billion (up 52,385.9 percent), and extraordinary losses were ¥0.9 billion (down 65.2 percent). Extraordinary losses mainly consisted of headquarters removal costs of ¥0.8 billion (-).

Net loss decreased ¥0.6 billion, or 6.1 percent from the previous fiscal year, to ¥10.7 billion. This was due to a decrease in extraordinary losses, while ordinary losses increased.

## **(2) Sales Results**

#### ***Taiyo Life Insurance Company:***

The new policy amount of individual insurance and annuities (including net increase from conversions) for the fiscal year ended March 31, 2007, decreased 25.0 percent over the previous fiscal year, to ¥2,127.3 billion. This was mainly due to a proactive action that the in-house sales representatives focus more on improving surrender and lapse rate.

On the other hand, the amount of surrender and lapse of individual insurance and annuities decreased 8.5 percent, to ¥1,503.8 billion.

As a consequence, the total policy amount in force of individual insurance and annuities as of March 31, 2007, increased ¥52.9 billion, or 0.3 percent over the previous fiscal year-end, to ¥17,644.5 billion.

***Daido Life Insurance Company:***

The new policy amount of individual insurance and annuities (including the net increase from conversions) for the fiscal year ended March 31, 2007, increased 0.8 percent over the previous fiscal year, to ¥4,327.8 billion.

On the other hand, the amount of surrender and lapse of individual insurance and annuities increased 18.9 percent, to ¥3,615.8 billion. This was due to an increase of surrender of policies which have the peak of the surrender payment.

As a consequence, the total policy amount in force of individual insurance and annuities as of March 31, 2007, decreased ¥275.9 billion, or 0.7 percent over the previous fiscal year-end, to ¥39,732.0 billion.

***T&D Financial Life Insurance Company:***

The new policy amount of individual insurance and annuities for the fiscal year ended March 31, 2007, increased 10.3 percent over the previous fiscal year, to ¥179.5 billion. This was due to a solid sales of mainstay variable annuities in the second half of this fiscal year.

The amount of surrender and lapse of individual insurance and annuities decreased 42.0 percent, to ¥242.7 billion. This was because the effect of the restructuring of its sales representative channel have receded.

As a consequence, the total policy amount in force of individual insurance and annuities as of March 31, 2007, decreased ¥142.0 billion, or 5.3 percent over the previous fiscal year-end, to ¥2,523.3 billion.

**(3) Other Material Items**

***Taiyo Life Insurance Company:***

Taiyo Life's core profit (a measure of underlying profitability from core insurance operations on a non-consolidated basis) for the fiscal year ended March 31, 2007, recorded ¥53.9 billion, up 41.3 percent from the previous fiscal year, after compensating for a negative spread of ¥24.6 billion (down 36.0 percent).

As of March 31, 2007, Taiyo Life's solvency margin ratio (a measure of insurance companies' financial soundness) was 1,100.4 percent, up 55.2 points from the end of the previous fiscal year of 1045.2 percent. The value of adjusted net assets (adjusted assets at fair value less liabilities, excluding quasi-equity liabilities) amounted to ¥834.6 billion, up ¥77.0 billion from the previous fiscal year-end of ¥757.5 billion.

***Daido Life Insurance Company:***

Daido Life posted ¥125.7 billion in its core profit for the fiscal year ended March 31, 2007, a increase of 30.9 percent from the previous fiscal year. A negative spread in the previous fiscal year turned a positive spread of ¥8.3 billion in the fiscal year ended March 31, 2007.

As of March 31, 2007, Daido Life's solvency margin ratio was 1,320.6 percent, up 66.2 points from the end of the previous fiscal year of 1,254.4 percent. The value of adjusted net assets amounted to ¥1,109.6 billion, up ¥47.3 billion from the previous fiscal year-end of ¥1,062.3 billion.

***T&D Financial Life Insurance Company:***

T&D Financial Life marked a loss of ¥6.4 billion (down 8.2 percent) in its core profit for the fiscal year ended March 31, 2007, after compensating for a negative spread of ¥4.1 billion (down 4.4 percent).

As of March 31, 2007, T&D Financial Life's solvency margin ratio was 1,189.7 percent, down 722.1 points from the end of the previous fiscal year of 1911.8 percent. Furthermore, the value of adjusted net assets amounted to ¥63.5 billion, down ¥1.0 billion from the end of the previous fiscal year of ¥64.5 billion.

**(4) Financial Position**

***Taiyo Life Insurance Company:***

As of March 31, 2007, total assets amounted to ¥6,552.5 billion (down 0.6 percent from March 31, 2006), mainly consisting of securities centered on public and corporate bonds amounting to ¥4,485.2 billion (down 1.6 percent), loans of ¥1,502.2 billion (down 2.2 percent), call loans of ¥1,708 billion (up 51.8 percent) and tangible fixed assets of ¥163.4 billion (down 3.2 percent).

Total liabilities were ¥6,121.9 billion (down 0.8 percent), and policy reserves accounting for a substantial portion of them amounted to ¥5,836.5 billion (down 1.1 percent).

Total net assets were ¥430.5 billion (total shareholders' equity as of March 31, 2006 was ¥418.5 billion), of which net unrealized gains on securities was ¥318.4 billion (up 1.1 percent).

***Daido Life Insurance Company:***

As of March 31, 2007, total assets amounted to ¥6,397.0 billion (down 0.1 percent from March 31, 2006), mainly consisting of securities centered on public and corporate bonds amounting to ¥4,410.1 billion (down 0.6 percent), loans of ¥932.9 billion (down 5.4 percent), monetary claims purchased of ¥295.3 billion (up 89.0 percent), cash and deposits of ¥292.1 billion (down 4.0 percent) and call loans of ¥150.0 billion (up 87.5 percent).

Total liabilities were ¥5,792.2 billion (down 0.4 percent), and policy reserves accounting for a substantial portion of them amounted to ¥5,474.5 billion (down 0.0 percent).

Total net assets were ¥604.7 billion (total shareholders' equity as of March 31, 2006 was ¥590.2 billion), of which net unrealized gains on securities was ¥362.7 billion (down 5.3 percent).

***T&D Financial Life Insurance Company:***

As of March 31, 2007, total assets amounted to ¥1,078.4 billion (up 15.5 percent from March 31, 2006), mainly consisting of securities amounting to ¥977.5 billion (up 15.8 percent), cash and deposits of ¥30.6 billion (down 26.3 percent), call loans of ¥20.0 billion (no held as of March 31, 2006) and monetary trusts of ¥12.3 billion (up 59.3 percent).

Total liabilities were ¥1,044.2 billion (up 17.5 percent), and policy reserves accounting for a substantial portion of them amounted to ¥1,029.1 billion (up 17.6 percent).

Total net assets were ¥34.2 billion (total shareholders' equity as of March 31, 2006 was ¥45.2 billion), of which net unrealized gains on securities was ¥ (0.8) billion (up 61.3 percent).

#### 4. Forecasts for the Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

##### (1) Consolidated

( Billions of yen )

	Ordinary revenues	Ordinary profit	Net income
Interim	1,100	70	22
Change	(1.0%)	(16.0%)	(20.9%)
Year-end	2,180	130	37
Change	(4.6%)	(17.8%)	(4.6%)

*Note: "Change" represents the amount change from the year ended March 31, 2007.*

Ordinary revenues are expected to be ¥2,180 billion, a decrease of approximately ¥100 billion or 4.6 percent from the fiscal year ended March 31, 2007. Ordinary profit is expected to be ¥130 billion, a decrease of approximately ¥28 billion or 17.8 percent. This decrease is due to a decrease in income from interest and dividends and a decrease in capital gains and losses such as gains on sales of securities, not expected the level recorded at the fiscal year ended March 31, 2007.

Net income is expected to be ¥37 billion, a decrease of approximately ¥2 billion or 4.6 percent from the fiscal year ended March 31, 2007. The extent of decrease will be smaller compared with that of ordinary profit. This is due mainly to an expected decrease of provision for reserve for policyholder dividends.

##### *Reference: Forecasts for the Year Ending March 31, 2008, of Three Life Insurance Companies (Non-consolidated Basis)*

(Billions of yen )

	Taiyo Life	Daido Life	T&D Financial Life
Ordinary revenues	900	990	350
Change	(11.1%)	(6.8%)	31.5%
Ordinary profit (loss)	52	93	(20)
Change	0.7%	(23.3%)	47.8%
Core profit (loss)	56	115	(11)
Change	3.7%	(8.6%)	70.4%
Net income (loss)	12	37	(14)
Change	(10.6%)	(14.3%)	30.6%

*Note: "Change" represents the amount change from the year ended March 31, 2007.*

**Taiyo Life Insurance Company:**

It is expected that ordinary profit will be ¥52 billion which is almost equal to the fiscal year ended March 31, 2007 (up 0.7 percent). Core profit is expected to be ¥56 billion (an increase by approximately ¥2 billion, or 3.7 percent).

Net income is expected to be ¥12 billion, a decrease of approximately ¥1 billion or 10.6 percent from the fiscal year ended March 31, 2007. This is because provisions of reserve for price fluctuations, part of extraordinary losses, are expected to increase.

**Daido Life Insurance Company:**

It is expected that ordinary profit will be ¥93 billion (a decrease by approximately ¥28 billion, or 23.3 percent from the fiscal year ended March 31, 2007), because income from interest and dividends as well as capital gains including gains on sales of securities are expected to decrease. Core profit is also expected to decrease to ¥115 billion (a decrease by approximately ¥11 billion, or 8.6 percent).

Due to a decrease of provision for reserve for policyholder dividends, net income is expected to decrease to ¥37 billion (by approximately ¥6 billion, or 14.3 percent).

**T&D Financial Life Insurance Company:**

Ordinary losses are expected to be ¥20 billion, an increase of approximately ¥7 billion or 47.8 percent from the fiscal year ended March 31, 2007. This is because provision for reserve for policy reserves relating to minimum guarantee risks of variable annuities accompanying growth of new policy sales and operating expenses are expected to increase. Core profit is expected to be a loss of ¥11 billion, an increase of approximately ¥5 billion or 70.4 percent from the fiscal year ended March 31, 2007.

Mainly due to an increase of ordinary losses, net income is expected to be a loss of ¥14 billion (an increase by approximately ¥4 billion, or 30.6 percent).

**(2) Non-consolidated Forecasts for T&D Holdings**

The non-consolidated forecast for the year ending March 31, 2008, is as follows:

( Billions of yen )				
	Operating income	Operating profit	Ordinary profit	Net income
Interim	17	16	16	16
Change	13.7%	18.3%	18.2%	18.9%
Year-end	19	16	16	16
Change	15.9%	15.9%	15.7%	17.7%

*Note: "Change" represents the amount change from the year ended March 31, 2007.*

Mainly due to a 2.0 billion of yen increase in receipt of dividends from group companies, operating income is expected to be ¥19 billion (an increase by 15.9 percent from the fiscal year ended March 31, 2007). By the same reason, operating profit, ordinary profit and net income are also expected to increase to ¥16 billion (by 15.9 percent), ¥16 billion (by 15.7 percent), and ¥16 billion (by 17.7 percent), respectively.

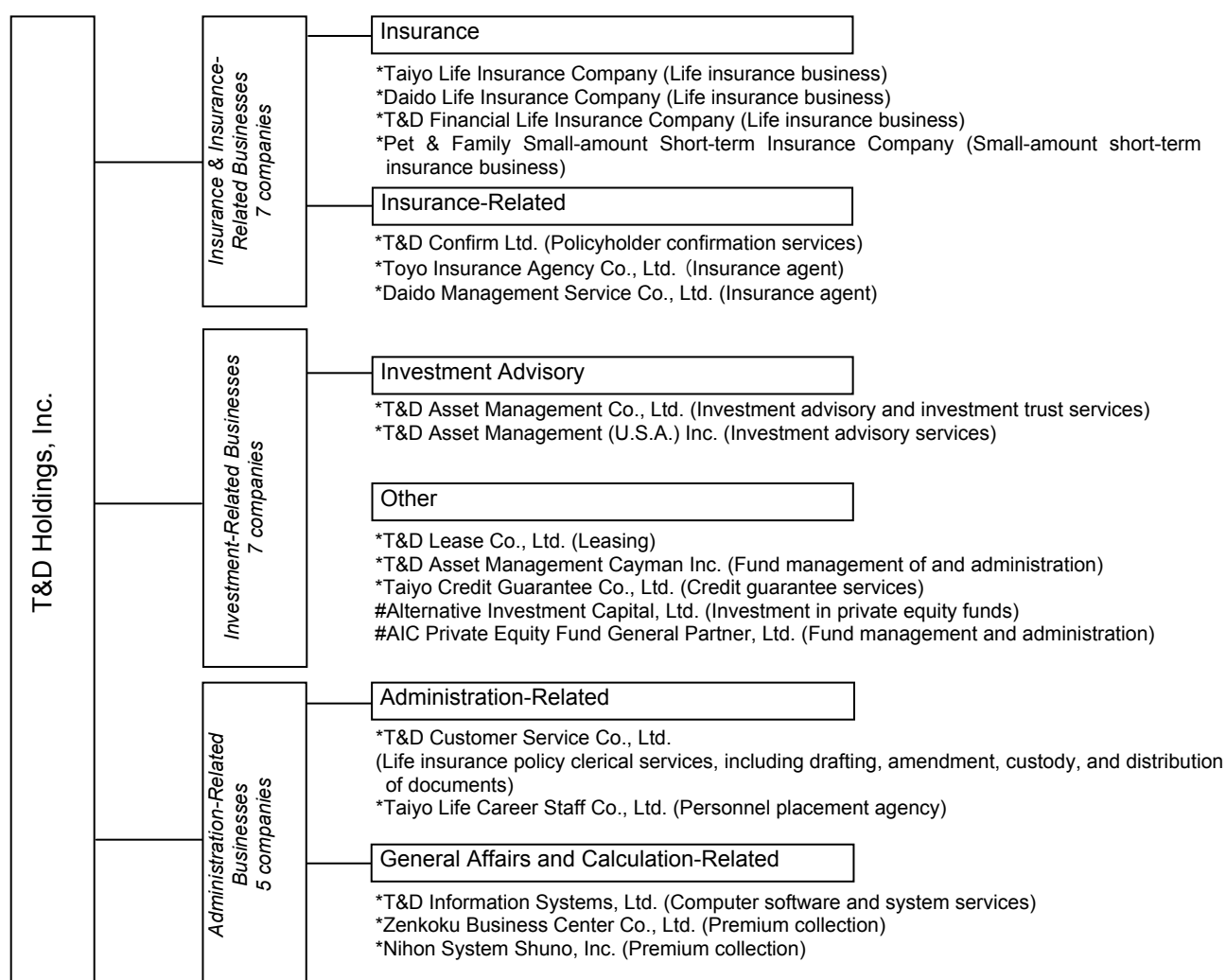
## **5. *Basic Profit Distribution Policy***

T&D Holdings' basic profit distribution policy is to retain necessary internal reserves for the group in order to maintain a sound business base for T&D Holdings and group businesses. T&D Holdings also pursues policies aimed at increasing shareholder value and paying stable dividends.

In consideration of these policies, we plan to pay a dividend of ¥65 per share for the fiscal year ended March 31, 2007. And we plan to pay a dividend of ¥65 per share for the fiscal year ending March 31, 2008. As the past, we continue an annual dividend payment approved by the Shareholders' Meeting based on the fiscal year end. According to the Articles of Incorporation, semiannual interim dividend payment as provided in Article 454-5 of the Japanese Company Law may be made by the resolution of the Board of Directors.

## II. Subsidiaries and Affiliates

T&D Holdings, Inc. (“T&D Holdings” and the “Company”), was established on April 1, 2004, as a holding company through the joint transfer of the stock of Taiyo Life Insurance Company (“Taiyo Life”), Daido Life Insurance Company (“Daido Life”), and T&D Financial Life Insurance Company (“T&D Financial Life”) (collectively, referred to below as the “Three Life Insurance Companies”). T&D Holdings and its subsidiaries (referred to below as the “T&D Life Group” or the “Group”) comprise the holding company, 17 subsidiaries and 2 affiliated companies as of March 31, 2007. Centered on the life insurance business, the Group’s operations are outlined below:



*Note: Companies marked by \* are consolidated subsidiaries, and companies marked by # are affiliated companies accounted for by the equity method.*

### ***III. Management Principles and Goals***

#### ***1. Basic Management Principles***

With our “Try & Discover” motto for creating value, we aim to be a group that contributes to all people and societies the Group’s four management visions are as follows:

- (1) Aim to provide the best products and services to increase customer satisfaction.
- (2) Aim to increase the value of the Group by expanding and creating value in areas where the Group can take full advantage of its strengths.
- (3) Broadly fulfill our social responsibilities with high ethical standards and strict compliance practices.
- (4) Aim to be an energetic group whose employees are encouraged to be creative and to take action.

#### ***2. Management Goals***

The T&D Life Group aims at sustainable growth in its Embedded Value (EV)\*, which is a yardstick to evaluate the corporate value of a life insurance company. Crucial for EV enhancement are “solid growth in new policy amount and the expansion of policy amount in force” as well as “attainment of higher managerial efficiency.” Based on a time-driven management style, the Group will meet the said crucial challenges and strive to enhance its corporate value.

\*Embedded value (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, along with other information, EV is used to evaluate the corporate value of a stock life insurance company.

#### ***3. Medium-Term Management Strategy***

T&D Life Group is pursuing the following five group strategies, along with the philosophies of “growing and expanding the insurance business” by further leveraging the unique strengths inherent in the business models of each of the Three Life Insurance Companies and “increasing operational efficiency and strategic concentration of investment ” through consolidation of the Group’s management resources.

- (1) Growing and expanding the life insurance business  
To grow and expand the Group’s core business, a life insurance business, through the further reinforcement of the individual strengths of Taiyo Life, Daido Life, and T&D Financial Life — each of which has independent product strategies and sales strategies—within the Group.
- (2) Strategically reallocating the Group resources  
To enhance the Group’s corporate value through strategic reallocation of group management resources to the internal administration department and the fields with high growth potentiality and profitability.

(3) Providing high-quality services and increasing operational efficiency

To accomplish the provision of high-quality and appropriate services through the review of all operations on payments of insurance benefits and other benefits from the customer's viewpoint and to achieve greater efficiency through the integration of such common group infrastructure as back-office services and systems.

(4) Strengthening profit management and risk management

To win trust from customers by establishing a stronger financial basis through appropriate profit management and risk management.

(5) Expanding the Group presence

To achieve the medium- and long-term growth of the Group by expanding the insurance businesses and entering into new business areas through alliances and M&A.

#### ***4. Future Tasks***

In the medium run the Japanese economy is expected to continue a steady recovery reflecting an increase of business investment associated with a sustained expansion of corporate gains and a healthy trend in consumer spending because of a moderate increase of employees' income. In the Japanese life insurance market, competition is expected to intensify in offering appealing premium rates and new products and services due to aging population, diversification of customer needs and expansion of deregulation. The incidence of improper non-payment of insurance benefits and other benefits has caused relevant parties including shareholders and policyholders so much trouble and worry. The T&D Life Group is accepting the present situation seriously and will aim to make a sincere effort to prevent such a problem from occurring again. In such an environment, the T&D Life Group will strive to realize its management philosophy and win the trust of customers by offering new products and services which will fulfill customer satisfaction. From a broader and long-term viewpoint, the Group will aim at sustainable business growth in harmony with society, and will address "Business Operations to Fulfill its Corporate Social Responsibility (CSR)" through proactive communication with all of its stakeholders.

## ***IV. Unaudited Consolidated Financial Statements***

T&D Holdings, Inc.

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## Unaudited Consolidated Balance Sheets

As of March 31,	2007		2006		Increase (decrease)	2007
	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Assets:</b>						
Cash and deposits	¥ 419,874	3.0	¥ 447,376	3.2	¥ (27,501)	\$ 3,556,751
Call loans	340,800	2.4	192,534	1.4	148,266	2,886,912
Monetary claims purchased	450,533	3.2	280,577	2.0	169,956	3,816,465
Monetary trusts	113,187	0.8	250,472	1.8	(137,284)	958,810
Securities	9,870,253	70.0	9,830,655	70.3	39,598	83,610,791
Loans	2,430,540	17.2	2,518,726	18.0	(88,185)	20,589,079
Property and equipment	-	-	318,610	2.3	-	-
Tangible fixed assets	317,603	2.3	-	-	-	2,690,411
Intangible fixed assets	22,921	0.2	-	-	-	194,169
Due from agencies	1,466	0.0	1,548	0.0	(81)	12,421
Due from reinsurers	8,955	0.1	7,196	0.0	1,759	75,859
Other assets	117,719	0.8	141,437	1.0	(23,718)	997,196
Deferred tax assets	770	0.0	830	0.0	(60)	6,525
Reserve for possible loan losses	(3,648)	(0.0)	(3,732)	(0.0)	84	(30,908)
<b>Total assets</b>	<b>¥ 14,090,977</b>	<b>100.0</b>	<b>¥ 13,986,233</b>	<b>100.0</b>	<b>¥ 104,744</b>	<b>\$ 119,364,487</b>

## Unaudited Consolidated Balance Sheets (continued)

As of March 31,	2007		2006		Increase (decrease)	2007
	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Liabilities:</b>						
Policy reserves:						
Reserve for outstanding claims	¥ 73,651		¥ 68,674		¥ 4,977	\$ 623,899
Policy reserve	12,073,772		11,985,462		88,310	102,276,772
Reserve for policyholder dividends	197,357		196,698		658	1,671,810
Total policy reserves	12,344,781	87.6	12,250,835	87.6	93,946	104,572,482
Due to agencies	1,313	0.0	849	0.0	464	11,124
Due to reinsurers	529	0.0	549	0.0	(20)	4,482
Short-term debenture	20,000	0.2	20,000	0.1	0	169,419
Subordinated bonds	20,000	0.2	20,000	0.1	0	169,419
Other liabilities	178,750	1.3	183,379	1.3	(4,629)	1,514,193
Reserve for bonus to directors and corporate auditors	172	0.0	-	-	172	1,457
Reserve for employees' retirement benefits	114,986	0.8	108,382	0.8	6,603	974,045
Reserve for directors' and corporate auditors' retirement benefits	3,707	0.0	3,368	0.0	339	31,410
Reserve for price fluctuations	104,542	0.7	73,995	0.6	30,546	885,575
Deferred tax liabilities	201,178	1.4	231,764	1.7	(30,585)	1,704,180
Deferred tax liabilities on land revaluation	10,787	0.1	11,494	0.1	(707)	91,377
<b>Total liabilities</b>	<b>13,000,748</b>	<b>92.3</b>	<b>12,904,619</b>	<b>92.3</b>	<b>96,128</b>	<b>110,129,168</b>
<b>Minority interests</b>	-	-	1,514	0.0	-	-
<b>Stockholders' equity:</b>						
Common stock:						
Authorized - 966,000,000 shares						
Issued - 246,330,000 shares	-	-	118,595	0.8	-	-
Capital surplus	-	-	106,104	0.7	-	-
Retained earnings	-	-	205,889	1.5	-	-
Land revaluation	-	-	(47,724)	(0.3)	-	-
Net unrealized gains on securities	-	-	697,511	5.0	-	-
Translation adjustment	-	-	44	0.0	-	-
Treasury stock	-	-	(322)	(0.0)	-	-
<b>Total stockholders' equity</b>	-	-	<b>1,080,098</b>	<b>7.7</b>	-	-
<b>Total liabilities, minority interests and stockholders' equity</b>	-	-	<b>13,986,233</b>	<b>100.0</b>	-	-
<b>Net assets:</b>						
Common stock:						
Authorized - 966,000,000 shares						
Issued - 246,330,000 shares	118,595	0.8	-	-	-	1,004,620
Capital surplus	106,106	0.8	-	-	-	898,828
Retained earnings	231,678	1.6	-	-	-	1,962,544
Treasury stock	(496)	(0.0)	-	-	-	(4,209)
Total stockholders' equity	455,883	3.2	-	-	-	3,861,783
Net unrealized gains on securities	680,401	4.8	-	-	-	5,763,671
Gains on deferred hedge	488	0.0	-	-	-	4,134
Land revaluation	(48,501)	(0.3)	-	-	-	(410,859)
Foreign currency translation adjustment	48	0.0	-	-	-	409
Total valuation and translation adjustment	632,435	4.5	-	-	-	5,357,355
Minority interests	1,909	0.0	-	-	-	16,178
<b>Total net assets</b>	<b>1,090,229</b>	<b>7.7</b>	-	-	-	<b>9,235,318</b>
<b>Total liabilities and net assets</b>	<b>¥14,090,977</b>	<b>100.0</b>	<b>¥</b>	<b>-</b>	<b>¥</b>	<b>\$ 119,364,487</b>

*See notes to unaudited consolidated financial statements.*

## Unaudited Consolidated Statements of Operations

Years ended March 31,	2007		2006		Increase (decrease)	2007
	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Ordinary revenues:</b>						
Income from insurance premiums	¥ 1,811,596		¥ 1,902,318		¥ (90,722)	\$ 15,346,006
Investment income:						
Interest, dividends and income from real estate for rent	269,689		236,154		33,534	2,284,540
Gains from monetary trusts, net	4,767		-		4,767	40,388
Gains on investments in trading securities, net	17,824		22,157		(4,333)	150,990
Gains on sales of securities	94,247		87,559		6,687	798,366
Gains on redemptions of securities	1		467		(466)	9
Other investment income	2,763		2,762		0	23,408
Gains on separate accounts, net	18,156		116,568		(98,412)	153,799
Total investment income	407,449		465,671		(58,221)	3,451,503
Other ordinary income:						
Other ordinary income	66,954		76,282		(9,327)	567,172
Total other ordinary income	66,954		76,282		(9,327)	567,172
Equity in net income of affiliated companies	33		22		10	285
<b>Total ordinary revenues</b>	2,286,034	100.0	2,444,295	100.0	(158,260)	19,364,967
<b>Ordinary expenses:</b>						
Insurance claims and other payments:						
Insurance claims	672,425		790,900		(118,474)	5,696,108
Annuity payments	161,682		148,093		13,588	1,369,607
Insurance benefits	296,469		298,774		(2,305)	2,511,386
Surrender payments	389,975		369,103		20,871	3,303,477
Other payments	110,131		139,185		(29,053)	932,921
Total insurance claims and other payments	1,630,683		1,746,057		(115,373)	13,813,501
Provision for policy and other reserves:						
Provision for reserve for outstanding claims	4,977		-		4,977	42,160
Provision for policy reserve	88,310		172,169		(83,858)	748,080
Interest portion of reserve for policyholder dividends	947		1,001		(54)	8,025
Total provision for policy and other reserves	94,235		173,171		(78,935)	798,266
Investment expenses:						
Interest expenses	1,806		1,663		143	15,305
Losses from monetary trusts, net	-		1,055		(1,055)	0
Losses on sales of securities	52,377		26,833		25,543	443,686
Devaluation losses on securities	720		873		(152)	6,105
Losses from redemption of securities	1		1		(0)	15
Losses from derivatives, net	35,992		52,295		(16,303)	304,893
Foreign exchange losses, net	6,119		5,147		971	51,834
Provision for reserve for possible loan losses	0		-		0	5
Write-off of loans	12		23		(11)	102
Depreciation of real estate for rent	5,201		5,391		(189)	44,063
Other investment expenses	12,979		9,846		3,132	109,946
Total investment expenses	115,212		103,132		12,079	975,959
Operating expenses	208,963		209,728		(765)	1,770,126
Other ordinary expenses	78,767		75,358		3,408	667,237
<b>Total ordinary expenses</b>	2,127,862	93.1	2,307,448	94.4	(179,586)	18,025,091
<b>Ordinary profit</b>	158,172	6.9	136,846	5.6	21,325	1,339,875

## Unaudited Consolidated Statements of Operations (continued)

Years ended March 31,	2007		2006		Increase (decrease)	2007
	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Extraordinary gains:</b>						
Gains on disposal of property and equipment	¥ –		¥ 908		¥ –	\$ –
Gains on disposal of fixed assets	1,324		–		–	11,218
Reversal of reserve for possible loan losses	–		606		(606)	–
Recoveries of bad debts previously written-off	194		224		(30)	1,643
Other	763		143		619	6,467
<b>Total extraordinary gains</b>	<b>2,281</b>	<b>0.1</b>	<b>1,883</b>	<b>0.0</b>	<b>398</b>	<b>19,330</b>
<b>Extraordinary losses:</b>						
Losses on sale, disposal and devaluation of property and equipment	–		1,962		–	–
Losses on sale, disposal and devaluation of fixed assets	1,111		–		–	9,414
Impairment loss	1,899		3,593		(1,693)	16,088
Provision for reserve for price fluctuations	30,546		31,325		(779)	258,760
Headquarters removal costs	1,257		–		1,257	10,649
Other	494		2,434		(1,939)	4,190
<b>Total extraordinary losses</b>	<b>35,309</b>	<b>1.5</b>	<b>39,316</b>	<b>1.6</b>	<b>(4,006)</b>	<b>299,103</b>
Provision for reserve for policyholder dividends	56,481	2.5	44,476	1.8	12,004	478,455
<b>Income before income taxes</b>	<b>68,663</b>	<b>3.0</b>	<b>54,936</b>	<b>2.2</b>	<b>13,726</b>	<b>581,646</b>
<b>Income taxes:</b>						
Current	50,665	2.2	30,696	1.2	19,969	429,188
Deferred	(20,909)	(0.9)	(11,428)	(0.5)	(9,481)	(177,128)
<b>Minority interests</b>	<b>134</b>	<b>0.0</b>	<b>123</b>	<b>0.0</b>	<b>10</b>	<b>1,142</b>
<b>Net income</b>	<b>¥ 38,772</b>	<b>1.7</b>	<b>¥ 35,545</b>	<b>1.5</b>	<b>¥ 3,227</b>	<b>\$ 328,443</b>

*See notes to unaudited consolidated financial statements.*

## Unaudited Consolidated Statements of Surplus

Year ended March 31,	2006
	<i>(Millions of yen)</i>
<b>Capital surplus:</b>	
Balance at beginning of year	¥ 87,515
Addition:	
Issuance of new shares for capital increase	18,587
Gains on sale of treasury stock	1
Total additions	18,589
<b>Balance at end of year</b>	<b>106,104</b>
<b>Retained earnings:</b>	
Balance at beginning of year	180,592
Additions:	
Net income	35,545
Increase in retained earnings due to reversal of land revaluation	845
Total additions	36,391
Deductions:	
Dividends	10,865
Bonuses to directors	201
Bonuses to corporate auditors	26
Total deductions	11,093
<b>Balance at end of year</b>	<b>¥ 205,889</b>

*See notes to unaudited consolidated financial statements.*

## Unaudited Consolidated Statements of Changes in Net Assets

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
	<i>(Millions of yen)</i>				
Balance as of March 31, 2006	¥118,595	¥106,104	¥205,889	¥(322)	¥430,266
Changes in the period:					
Dividends			(13,544)		(13,544)
Bonus to directors and corporate auditors			(216)		(216)
Net income			38,772		38,772
Acquisition of treasury stock				(179)	(179)
Disposal of treasury stock		2		5	8
Reversal of land revaluation			777		777
Net changes of items other than stockholders' equity					-
<b>Total changes in the period</b>	-	2	25,788	(174)	25,616
<b>Balance as of March 31, 2007</b>	¥118,595	¥106,106	¥231,678	¥(496)	¥455,883

	Valuation and translation adjustments						
	Net unrealized gains on securities	Gains on deferred hedge	Land revaluation	Foreign currency translation adjustments	Total	Minority interests	Total net assets
	<i>(Millions of yen)</i>						
Balance as of March 31, 2006	¥697,511	¥ -	¥(47,724)	¥44	¥649,831	¥1,514	¥1,081,613
Changes in the period:							
Dividends							(13,544)
Bonus to directors and corporate auditors							(216)
Net income							38,772
Acquisition of treasury stock							(179)
Disposal of treasury stock							8
Reversal of land revaluation							777
Net changes of items other than stockholders' equity	(17,110)	488	(777)	4	(17,395)	394	(17,000)
<b>Total changes in the period</b>	(17,110)	488	(777)	4	(17,395)	394	8,616
<b>Balance as of March 31, 2007</b>	¥680,401	¥488	¥(48,501)	¥48	¥632,435	¥1,909	¥1,090,229

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
	<i>(Thousands of U.S. dollars)</i>				
Balance as of March 31, 2006	\$1,004,620	\$898,808	\$1,744,090	\$(2,734)	\$3,644,785
Changes in the period:					
Dividends			(114,738)		(114,738)
Bonus to directors and corporate auditors			(1,833)		(1,833)
Net income			328,443		328,443
Acquisition of treasury stock				(1,523)	(1,523)
Disposal of treasury stock		19		48	68
Reversal of land revaluation			6,582		6,582
Net changes of items other than stockholders' equity					-
<b>Total changes in the period</b>	-	19	218,453	(1,475)	216,998
<b>Balance as of March 31, 2007</b>	\$1,004,620	\$898,828	\$1,962,544	\$(4,209)	\$3,861,783

	Valuation and translation adjustments						
	Net unrealized gains on securities	Gains on deferred hedge	Land revaluation	Foreign currency translation adjustments	Total	Minority interests	Total net assets
	<i>(Thousands of U.S. dollars)</i>						
Balance as of March 31, 2006	\$5,908,614	\$ -	\$(404,276)	\$374	\$5,504,711	\$12,833	\$9,162,331
Changes in the period:							
Dividends							(114,738)
Bonus to directors and corporate auditors							(1,833)
Net income							328,443
Acquisition of treasury stock							(1,523)
Disposal of treasury stock							68
Reversal of land revaluation							6,582
Net changes of items other than stockholders' equity	(144,942)	4,134	(6,582)	34	(147,356)	3,345	(144,010)
<b>Total changes in the period</b>	(144,942)	4,134	(6,582)	34	(147,356)	3,345	72,987
<b>Balance as of March 31, 2007</b>	\$5,763,671	\$4,134	\$(410,859)	\$409	\$5,357,355	\$16,178	\$9,235,318

See notes to unaudited consolidated financial statements.

## Unaudited Consolidated Statements of Cash Flows

Years ended March 31,	2007	2006	Increase (decrease)	2007
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
<b>Cash flows from operating activities:</b>				
Income before income taxes	¥ 68,663	¥ 54,936	¥ 13,726	\$ 581,646
Depreciation of real estate for rent	5,201	5,391	(189)	44,063
Other depreciation and amortization	14,054	20,903	(6,848)	119,057
Impairment loss	1,899	3,593	(1,693)	16,088
Amortization of goodwill due to consolidation	405	–	405	3,435
Increase (decrease) in reserve for outstanding claims	4,977	(6,358)	11,335	42,160
Increase in policy reserve	88,310	172,169	(83,858)	748,080
Increase in interest portion of reserve for policyholder dividends	947	1,001	(54)	8,025
Increase in provision for reserve for policyholder dividends	56,481	44,476	12,004	478,455
Decrease in reserve for possible loan losses	(83)	(716)	633	(705)
Increase in reserve for bonus to directors and corporate auditors	172	–	172	1,457
Increase (decrease) in reserve for employees' retirement benefits	6,603	(2,534)	9,137	55,934
Increase in reserve for directors' and corporate auditors' retirement benefits	339	326	13	2,875
Increase in reserve for price fluctuations	30,546	31,325	(779)	258,760
Interest, dividends and income from real estate for rent	(269,689)	(236,154)	(33,534)	(2,284,540)
Gains on investment securities	(77,129)	(199,045)	121,916	(653,359)
Interest expense	1,806	1,663	143	15,305
Exchange losses	6,185	5,203	981	52,396
Losses on sale or disposal of property and equipment	–	667	–	–
Gains on sale or disposal of tangible assets	(345)	–	–	(2,922)
Equity in net income of affiliated companies	(33)	(22)	(10)	(285)
(Increase) decrease in amount due from agencies	81	(11)	93	693
(Increase) in amount due from reinsurers	(1,759)	(1,115)	(643)	(14,900)
(Increase) in other assets (excluding investment activities-related and financing activities-related)	(6,551)	(10,766)	4,214	(55,500)
Increase (decrease) in amount due to agencies	464	(144)	608	3,931
Decrease in amount due to reinsurers	(20)	(208)	188	(173)
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	1,521	(4,038)	5,560	12,890
Other, net	41,436	61,046	(19,610)	351,010
Subtotal	(25,512)	(58,411)	32,899	(216,112)
Interest, dividends and income from real estate for rent received	260,170	239,809	20,360	2,203,901
Interest paid	(1,812)	(1,671)	(140)	(15,350)
Policyholder dividends	(56,763)	(53,462)	(3,300)	(480,840)
Other, net	11,823	6,901	4,922	100,156
Income taxes received (paid)	(43,594)	5,474	(49,068)	(369,287)
Net cash provided by (used in) operating activities	144,312	138,640	5,671	1,222,466

## Unaudited Consolidated Statements of Cash Flows (continued)

Years ended March 31,	2007	2006	Increase (decrease)	2007
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
<b>Cash flows from investing activities:</b>				
Net decrease in short-term investments	¥ 0	¥ 19	¥ (19)	\$ 0
Investments in monetary claims purchased	(164,492)	(136,593)	(27,898)	(1,393,416)
Proceeds from sale and redemption of monetary claims purchased	37,041	77,863	(40,822)	313,779
Investments in monetary trusts	(25,500)	(142,200)	116,700	(216,010)
Proceeds from monetary trusts	159,308	144,346	14,962	1,349,502
Purchase of securities	(2,543,595)	(2,817,782)	274,187	(21,546,762)
Sale and redemption of securities	2,802,515	2,545,276	257,239	23,740,070
Investments in loans	(639,698)	(695,338)	55,639	(5,418,880)
Collection of loans	731,108	913,847	(182,739)	6,193,206
Other, net	(99,357)	(83,459)	(15,898)	(841,656)
Subtotal	257,329	(194,021)	451,350	2,179,833
Total of net cash provided by (used in) operating activities and investment transactions as above	401,641	(55,380)	457,022	3,402,299
Purchase of property and equipment	-	(5,406)	-	-
Purchase of tangible assets	(14,264)	-	-	(120,831)
Proceeds from sale of property and equipment	-	3,094	-	-
Proceeds from sale of tangible assets	3,484	-	-	29,515
Purchase of subsidiary's equity with a change of scope of consolidation	(186)	-	(186)	(1,579)
Net cash provided by (used in) investing activities	246,362	(196,333)	442,696	2,086,937
<b>Cash flows from financing activities:</b>				
Proceeds from debt	18,100	6,750	11,350	153,324
Repayments of debt	(6,316)	(5,903)	(413)	(53,504)
Proceeds from issuance of stocks	-	37,183	(37,183)	-
Purchase of treasury stock	(179)	(139)	(40)	(1,523)
Sale of treasury stock	8	7	0	68
Dividends paid	(13,229)	(10,520)	(2,708)	(112,065)
Dividends paid to minority interests	(30)	(32)	1	(259)
Net cash provided by financing activities	(1,648)	27,346	(28,994)	(13,961)
Effect of exchange rate changes on cash and cash equivalents	(6,384)	(5,312)	(1,071)	(54,083)
Net increase (decrease) in cash and cash equivalents	382,642	(35,659)	418,301	3,241,359
Cash and cash equivalents at beginning of year	834,403	870,062	(35,659)	7,068,220
Cash and cash equivalents at end of year	¥ 1,217,045	¥ 834,403	¥ 382,642	\$ 10,309,579

*See notes to unaudited consolidated financial statements.*

# T&D Holdings, Inc.

## Notes to Unaudited Consolidated Financial Statements

March 31, 2007

### 1. Summary of Significant Accounting Policies

#### (a) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the “Company”), was established as a life insurance holding company, through which Taiyo Life Insurance Company (“Taiyo Life”), Daido Life Insurance Company (“Daido Life”) and T&D Financial Life Insurance Company (“T&D Financial Life”) (hereafter, the “Three Life Companies”), have become wholly owned subsidiaries through share transfers. The business combination was accounted for as a pooling of interests.

The Company, including its domestic consolidated subsidiaries, maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the Insurance Business Law of Japan (the “Insurance Business Law”) and in conformity with generally accepted accounting principles and practices in Japan.

The accompanying consolidated financial statements are compiled from the financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. In preparing the consolidated financial statements, certain items presented in the original financial statements have been reclassified and summarized for readers outside Japan. These consolidated financial statements have been prepared on the basis of generally accepted accounting principles and practices in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the accompanying footnotes include information that is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information to the consolidated financial statements.

Amounts of less than one million yen and one thousand U.S. dollars have been eliminated. As a result, yen and U.S. dollar totals shown herein do not necessarily agree with the sum of the individual amounts.

#### (b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All material intercompany balances and transactions are eliminated. The number of consolidated subsidiaries for the years ended March 31, 2007 and 2006 were 17 and 16, respectively.

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

There are no affiliated companies which are accounted for under the cost method.

Further information for consolidated subsidiaries and affiliated companies is shown in “II. Subsidiaries and affiliates.”

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

**(c) Foreign currency translation**

**(i) Foreign currency accounts**

Foreign currency assets and liabilities are translated into yen at the prevailing foreign exchange rates at respective balance sheet date except for certain hedging instruments and related hedged items, which are translated at the contracted rates of such hedging instruments.

All income and expenses denominated in foreign currencies are translated at the prevailing exchange rates when such transactions are made. Exchange gains and losses are credited or charged to income.

**(ii) Foreign currency financial statements of consolidated subsidiaries**

Assets, liabilities, income and expenses of the Company's affiliates located outside Japan are translated into yen at the exchange rates in effect at the consolidated balance sheet date in accordance with generally accepted accounting principles and practices in Japan. Gains and losses resulting from translation of foreign currency financial statements are excluded from the consolidated statements of operations and are accumulated in "Foreign currency translation adjustment" or "Minority interests" as a separate component of net assets.

**(d) Investments in securities other than those of subsidiaries and affiliates**

Investments in securities other than those of subsidiaries and affiliates are classified as trading, held-to-maturity, available-for-sale securities or policy reserve-matching bonds. Available-for-sale securities with readily obtainable fair values ("marketable available-for-sale securities") and trading securities are stated at fair value. Unrealized gains and losses on trading securities are reported in the consolidated statements of operations. Unrealized gains and losses on marketable available-for-sale securities are reported in a separate component of stockholders' equity, net of income taxes, unless the decline of the fair value of any particular available-for-sale securities is considered to be a permanent impairment, in which case such declines are recorded as devaluation (impairment) losses and recorded on the statements of operations. Held-to-maturity and available-for-sale securities without readily obtainable fair values are stated at amortized cost. For the purpose of computing realized gains and losses, the cost is determined on the moving-average method. Available-for-sale securities are carried at fair value with unrealized gains or losses, net of applicable income taxes, included directly in net assets.

Taiyo Life has set up policy reserve-matching bonds. The purpose of the policy reserve-matching bonds is to reflect Taiyo Life's Asset Liability Management (ALM) activity in its financial statements. Taiyo Life holds these bonds to hedge the interest rate risk arising from contracted insurance policies. Policy reserve-matching bonds are not stated at fair market value but are stated at amortized cost, matching with the accounting treatment of the policy reserve of insurance policies. For the purpose of computing realized gains and losses, cost is determined by the moving-average method.

Taiyo Life's management and investment policies for policy reserve-matching bonds include risk management guidelines for monitoring such bonds. Based on the guidelines, Taiyo Life categorizes insurance policies into (1) all policies except for "group insurance policies" and "other insurance policies" with respect to general assets, (2) all policies for "defined contribution corporate pension insurance" and "group pure endowment insurance" policies with respect to group annuity insurance assets, and (3) all policies with respect to single premium whole life insurance assets.

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

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

**(e) Reserve for possible loan losses**

The reserve for possible loan losses is established in accordance with the Three Life Companies' Self-Assessment Guidelines. With respect to loans to borrowers subject to bankruptcy and similar proceedings, the Three Life Companies provide specific reserves in the amount of the loan balance less amounts collectible from collateral, guarantees and by other means. For loans to borrowers who are not yet bankrupt but highly likely to fall into bankruptcy, management determines and provides for the necessary specific reserve amount based on an overall assessment of the borrowers' ability to pay after subtracting the amount collectible from collateral, guarantees and by other means. With respect to other loans, the Three Life Companies provide for a general reserve by applying the historical loan-loss ratio determined over a fixed period. Each loan is subject to asset assessment by the business-related division in accordance with the Three Life Companies' Self-Assessment Guidelines, and the results of the assessment are reviewed by the internal auditing division, which is independent from the business-related division, before the reserve amount is finally determined.

Other consolidated subsidiaries also establish reserves for possible loan losses using the procedures in the same manner as the Three Life Companies. The provision of the reserve is based on the results of self-assessment procedures and also provides for an amount, if considered necessary by management, by applying the historical loan-loss ratio determined over a fixed period.

**(f) Reserve for price fluctuations**

Pursuant to requirements under Article 115 of the Insurance Business Law, the Three Life Companies maintain a reserve for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations. This reserve may only be used to reduce deficits arising from price fluctuations on those assets.

**(g) Policy reserve**

Pursuant to requirements under Article 116 of the Insurance Business Law, the Three Life Companies maintain a policy reserve for the fulfilment of future obligations under life insurance contracts. The reserve of the accompanying consolidated financial statements is established pursuant to the net level premium method. This method assumes a constant or level amount of net insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. The net insurance premium is the portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, investment yield and policy cancellation rates, and excluding the portion covering administrative expenses. The net level premium reserve is calculated using interest and mortality rates set by the Financial Services Agency. For policies issued after April 2001, the net level premium reserve is calculated using an annual 1.5% interest rate and the mortality rate specified in the Life Insurance Companies Standard Mortality Table 1996.

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

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

**(h) Reserve for bonus to directors and corporate auditors**

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

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

**(i) Reserve for employees’ retirement benefits**

The Company and its consolidated subsidiaries maintain noncontributory defined benefit plans covering substantially all employees. Under the plans, qualified employees are entitled to lump-sum or annuity payments based on their current rate of salaries and length of service at retirement or termination of employment for reasons other than dismissal.

The Company and its consolidated subsidiaries set up a reserve for employees’ retirement benefits under the defined benefit plans based on the actuarial calculation value of the retirement benefit obligations and the pension assets. The attribution of retirement benefits to periods of employees’ service is made based on the benefit/years of service approach.

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

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

**(j) Reserve for directors' and corporate auditors' retirement benefits**

The Company and certain domestic consolidated subsidiaries have maintained retirement benefit plans covering all directors and corporate auditors. Under the plans, all directors and corporate auditors are entitled to lump-sum or annuity payments based on their current rate of salaries and length of service at retirement.

The Company and these certain domestic consolidated subsidiaries set up a reserve for directors' and corporate auditors' retirement benefits under the defined benefit plans based on an actuarial calculation of the value of the retirement benefit obligations. The attribution of retirement benefits to periods of consignees' service is made based on the benefit/years of service approach.

**(k) Income taxes**

The Company has adopted the consolidated corporate tax system. The consolidated corporate tax system allows companies to pay taxes based on the combined profits or losses of a parent company and its wholly owned domestic subsidiaries. Due to the adoption of the consolidated corporate tax system, a portion of valuation allowance for deferred tax assets was reduced in respect of certain consolidated subsidiaries' tax loss carryforwards for which there had been uncertainty regarding realization.

The provision for income taxes is based on income recognized for financial statement purposes, which includes deferred income taxes representing the effects of temporary differences between income recognized for financial reporting purposes and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between assets and liabilities for financial reporting purposes and tax purposes using the statutory tax rate.

**(l) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method for buildings acquired on and after April 1, 1998 and by the declining-balance method for other property and equipment, based on estimated useful lives ranging from 3 to 50 years for buildings and improvements and from 2 to 20 years for equipment.

**(m) Software**

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

**(n) Leases**

Under the Japanese accounting standards for leases, finance leases that have been deemed to transfer ownership of the leased property to the lessee (“ownership-transfer finance lease”) are capitalized by the lessee, while other finance leases (“nonownership-transfer finance lease”) are permitted to be accounted for as operating lease transactions.

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

**(o) Land revaluation**

Taiyo Life revalued its land for operating purposes as of March 31, 2002, as permitted by the Land Revaluation Law (the “Law”), which became effective in 1998. In accordance with provisions under the Law and related ordinances, the revaluation is a one-time event and subsequent valuation gains or losses after the initial revaluation are not reflected in the consolidated financial statements but are disclosed if additional valuation losses are subsequently recognized after the initial revaluation. Net revaluation gains or losses are not recorded on statements of operations but are reported as a separate component of net assets, net of income taxes. In case the Company sells a part of such revalued land, related revaluation gains or losses are transferred to retained earnings. Book values of land for operating use before and after revaluation as of March 31, 2002 were ¥143,340 million and ¥110,220 million, respectively.

**(p) Derivative financial instruments**

Changes in the fair values of the derivatives designated and qualifying as hedges are either charged to income, reported as other assets/liabilities in the consolidated balance sheets, or not recognized based on whether such hedges are considered a fair value, cash flow or special hedge. Derivative financial instruments designated in special hedge relationships are not revalued but the contractual rates of the derivative financial instruments are reflected in income or expense measurement of the hedged items. Changes in fair value of derivatives designated as fair value hedges of assets and liabilities are recognized in income as an offset to the fair value adjustments of the related hedged items. The fair value of instruments hedging anticipated transactions and referred to as cash flow hedges are recognized in the consolidated balance sheets and are reclassified into income when the related hedged item impacts income.

The effectiveness of the hedging is measured by reference to the market fluctuations or the cash flow fluctuations as they affect the particular hedged item and hedging instrument.

Taiyo Life uses deferral hedge and fair value hedge. The special treatment for interest rate swaps is applied only where the interest rate swaps satisfy the requirements for hedge accounting. The hedge instruments and hedge items for Taiyo Life are follows.

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

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

Daido Life uses fair value hedge and deferral hedge. The assignment accounting for foreign exchange contracts with certificates of deposit in foreign currency as the hedge item is applied only where the hedge instrument satisfy the requirements. The hedge instruments and hedge items for Daido Life are follows.

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

Daido Life measured the hedge effectiveness and determined that a part of interest rate swaps to which deferral hedge was used had not fulfilled the requirement of application of the hedge accounting, thus, the hedge accounting for the interest rate swaps was no longer applied for the year ended March 31, 2007.

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

#### **(q) Accounting for consumption taxes**

Consumption taxes received or paid by the Company and its domestic consolidated subsidiaries are not included in income and expenses. The net of consumption taxes received and paid are separately recorded on the consolidated balance sheets. Where consumption taxes paid are not fully credited against consumption taxes received, the noncredited portion is charged as an expense in the period in which the consumption taxes are paid. However, certain noncredited portions of consumption taxes paid, such as the purchase of property and equipment, are not charged to expense but are deferred as prepaid expenses and amortized against income over a five-year period on a straight-line basis.

**(r) Amortization of goodwill**

Goodwill is fully amortized when incurred.

**(s) Cash and cash equivalents**

Cash equivalents consist of highly liquid investments without significant market risk, such as demand deposits and short-term investments with an original maturity of three months or less.

**(t) Presentation of Net Assets in the Balance Sheet**

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

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

Due to the revision of the regulations regarding consolidated financial statements, the “Net assets” of the consolidated balance sheets for the year ended March 31, 2007 were prepared in accordance with the revised regulations.

**(u) Changes in method of presentation**

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

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

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

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

**(v) Net assets per share**

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

**(w) Net income per share**

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

### (x) Appropriation of retained earnings

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

## 2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥118.05=U.S.\$1, which is the approximate rate prevailing at March 31, 2007. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

## 3. Loans

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

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

“Loans to bankrupt companies” are loans to borrowers that are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings on which the Company and its consolidated subsidiaries have stopped accruing interest after determining that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.

“Past due loans” are loans, other than those categorized as “Loans to bankrupt companies” and loans for which due dates for interest payments have been rescheduled for purposes of restructuring or supporting of the borrower, on which the Company and its consolidated subsidiaries have stopped accruing interest based on self-assessment.

“Loans overdue for three months or more” are loans other than those categorized as “Loans to bankrupt companies” or “Past due loans” for which principal and/or interest are overdue for three months or more.

“Restructured loans” are loans other than those categorized as “Loans to bankrupt companies,” “Past due loans” or “Loans overdue for three months or more” for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims and/or other terms in favor of the borrower for purposes of restructuring or supporting of the borrower.

With respect to “Loans to bankrupt companies” and “Past due loans” that are covered by collateral and guarantees, the Company and its consolidated subsidiaries write-off the portion of such loans that is not collectable from collateral and guarantees, and charges such amounts to the reserve for possible loan losses. Write-offs relating to bankrupt companies for the years ended March 31, 2007 and 2006 amounted to ¥6 million (\$56 thousand) and ¥6 million, respectively. Past due loans decreased due to write-offs ¥240 million (\$2,037 thousand) and ¥1,337 million for the years ended March 31, 2007 and 2006, respectively.

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

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

Based on the loan commitment agreements, the extension of credit is subject to the Company and its consolidated subsidiaries’ review procedures. The review procedures consist ensuring the use of funds and assessing the creditworthiness of the borrower. Since not all of the outstanding commitments will be drawn down, the outstanding commitment amounts do not necessarily represent future cash requirements.

#### 4. Accumulated Depreciation of Tangible Fixed Assets

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

#### 5. Separate Accounts

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

Separate account assets and liabilities reported in the accompanying consolidated balance sheets represent funds that are administered and invested by the Three Life Companies to meet specific investment objectives of the policyholders. All gains and losses relating to separate account assets and liabilities are offset by a corresponding provision for or reversal of policy reserve and do not affect the Three Life Companies’ net income. Separate accounts are established in conformity with the Insurance Business Law. The assets of each account are separately managed to identify investment results of each such account, although they are not legally segregated in terms of their treatment in case of bankruptcy of the insurance company.

Securities invested under the separate accounts are deemed as trading securities and stated at fair value. Cost is determined by the moving-average method.

## 6. Reserve for Policyholder Dividends

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

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

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

## 7. Subordinated Bonds

Taiyo Life issued domestic unsecured subordinated notes with an early redeemable option (the “Notes”). Taiyo Life, by way of the issuance of the Notes, intends to enhance its solvency margin ratio as well as develop its relationship with domestic market investors, with a focus on investors in Japan.

The bankruptcy, commencement of corporate reorganization proceedings and commencement of civil rehabilitation proceedings are subordination events for the Notes. When a subordination event occurs, the principal amount and interest of the Notes will not be paid until the conditions for suspension are completed.

A description of the Notes is shown below:

As of March 31, 2007 and 2006						
Subscription date	Opening balance	Ending balance	Offered rate	Guarantee	Maturity	
<i>(Millions of yen)</i>						
Series 1	November 14, 2003	¥20,000	¥20,000	1.75%	Unsecured	November 19, 2013

The offered rate is 1.75% until November 19, 2008 and 2.4% plus the offered rate per annum for six-month Japanese yen deposits thereafter and redeemable at the option of Taiyo Life on November 19, 2008 and on each interest payment date thereafter.

## **8. Other Liabilities**

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

## **9. Commitments**

The amounts of the Three Life Companies' future contributions to the Policyholder Protection Fund, which was taken over by the Policyholder Protection Corporation under the Enactment Law for Financial System Reform in the year ended March 31, 2000, were estimated at ¥794 million (\$6,727 thousand) and ¥2,346 million as of March 31, 2007 and 2006, respectively. The contributions are recorded on statements of operation as an operating expense when paid, as the amount of future contributions is not yet fixed.

The amounts of future contributions to the Policyholder Protection Corporation, which are estimated in accordance with Article 259 of the Insurance Business Law, were ¥31,557 million (\$267,326 thousand) and ¥31,263 million as of March 31, 2007 and 2006, respectively. The contributions are also recorded on statements of operation as an operating expense when paid, as the amount of future contributions is not yet fixed.

A total of ¥145,797 million (\$1,235,048 thousand) and ¥145,462 million of the Three Life Companies' investments in securities was mainly pledged as collateral for the overdraft limit of exclusive account of real-time gross settlement of government bonds with the Bank of Japan, the benefit of the Policyholder Protection Corporation to secure such future contributions and as a substitution of collateral for margin trading and margin for futures contracts as of March 31, 2007 and 2006, respectively.

## **10. Organizational Change Surplus**

The organizational change surplus, which is the portion of net assets attributable to contributions by past policyholders as of the date of the demutualization of Taiyo Life and Daido Life and whose distribution is restricted by Article 91 of the Insurance Business Law, amounted to ¥63,158 million (\$535,013 thousand) and ¥10,836 million (\$91,794 thousand) as of March 31, 2007, respectively.

## **11. Investments in Affiliates**

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

## **12. Extraordinary Gains – Other**

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

### 13. Impairment Loss

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

#### (1) Categorization of assets

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

#### (2) Background of impairment loss

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

#### (3) Impairment loss per asset group

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

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

#### (4) Calculation method of recoverable amount

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

### 14. Consolidated Statements of Changes in Net Assets

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

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

Note 1: Treasury stock increased 21,055 shares by purchasing odd-lot shares.

Note 2: Treasury stock decreased 960 shares by accepting requests of adding to holding odd-lot shares.

(2) Information of shareholder dividends

The amount of policyholder dividends is as follows:

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

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

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

Note: This agenda will be presented in ordinary shareholders' meeting held on June 27, 2007.

## 15. Consolidated Statements of Cash Flows

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

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

## 16. Segment Information

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

## 17. Lease Transactions

Information regarding nonownership-transfer finance leases were as follows:

### (1) As lessee

Pro forma information of nonownership-transfer finance leases contracted as a lessee, such as acquisition cost and related accumulated depreciation of leased assets, obligation under finance leases, depreciation expense and interest expense of finance leases, which is required under Japanese accounting standards for leases as of March 31, 2007 and 2006 are summarized as follows:

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

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

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

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

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

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

Depreciation is computed by the straight-line method over the respective lease period. The residual value at the end of the lease period is not considered for the calculation of depreciation. Imputed interest cost is computed by the interest method.

Future minimum lease payments on operating leases as of March 31, 2007 and 2006 were as follows:

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

(2) As lessor

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

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

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

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

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

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

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

Imputed interest cost is computed by the interest method.

## 18. Income Taxes

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

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

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

	As of March 31		
	2007 <i>(Millions of yen)</i>	2006	2007 <i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Policy reserves	¥ 90,863	¥ 82,046	\$ 769,699
Reserve for employees' retirement benefits	41,556	39,166	352,025
Reserve for price fluctuations	37,746	26,717	319,746
Devaluation losses on securities	10,021	10,146	84,890
Unrealized gains on available-for-sale securities	9,959	9,432	84,368
Deferred loss on sales of tangible assets	4,322	4,142	36,612
Tax loss carryforward	4,257	3,468	36,062
Reserve for bonus payments	3,321	3,336	28,132
Reserve for possible loan losses	1,405	1,774	11,906
Other	8,770	8,038	74,293
Subtotal	<u>212,222</u>	188,270	<u>1,797,738</u>
Valuation allowance	<u>(15,956)</u>	(13,024)	<u>(135,167)</u>
Total deferred tax assets	<u>196,266</u>	175,245	<u>1,662,570</u>
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(393,539)	(403,639)	(3,333,669)
Accrued dividend income	(1,757)	(1,615)	(14,884)
Deferred gain on sales of real estate	(908)	(916)	(7,695)
Other	(469)	(8)	(3,976)
Total deferred tax liabilities	<u>(396,674)</u>	(406,179)	<u>(3,360,225)</u>
Net deferred tax asset	<u>¥(200,408)</u>	¥(230,933)	<u>\$ 1,697,655</u>
Amounts recognized in consolidated balance sheet:			
Assets	¥ 770	¥ 830	\$ 6,525
Liabilities	201,178	231,764	1,704,180
	<u>¥(200,408)</u>	¥(230,934)	<u>\$ 1,697,655</u>

## 19. Investments in Securities

### (1) As of March 31, 2007

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

Carrying amount	Valuation difference charged to earnings-gains
<i>(Millions of yen)</i>	
<u>¥944,537</u>	<u>¥(113)</u>
Carrying amount	Valuation difference charged to earnings-gains
<i>(Thousands of U.S. dollars)</i>	
<u>\$8,001,167</u>	<u>\$(963)</u>

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

	Carrying amount	Fair value <i>(Millions of yen)</i>	Gross unrealized gains (losses)
<b>Items with fair value exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	¥151,675	¥152,589	¥ 913
Municipal bonds	21,755	22,243	488
Corporate bonds	44,422	45,458	1,036
Total domestic bonds	<u>217,853</u>	<u>220,291</u>	<u>2,438</u>
Foreign bonds	-	-	-
Other securities	50,281	50,764	483
Total	<u>268,134</u>	<u>271,056</u>	<u>2,922</u>
<b>Items with fair value not exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	227,189	224,129	(3,059)
Municipal bonds	3,501	3,428	(72)
Corporate bonds	88,233	86,724	(1,509)
Total domestic bonds	<u>318,924</u>	<u>314,283</u>	<u>(4,641)</u>
Foreign bonds	15,000	14,992	(7)
Other securities	87,639	86,494	(1,144)
Total	<u>421,563</u>	<u>415,770</u>	<u>(5,793)</u>
Grand total	<u>¥689,698</u>	<u>¥686,826</u>	<u>¥(2,871)</u>
	Carrying amount	Fair value <i>(Thousands of U.S. dollars)</i>	Gross unrealized gains (losses)
<b>Items with fair value exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	\$1,284,840	\$1,292,580	\$ 7,739
Municipal bonds	184,286	188,427	4,141
Corporate bonds	376,306	385,082	8,776
Total domestic bonds	<u>1,845,433</u>	<u>1,866,090</u>	<u>20,657</u>
Foreign bonds	-	-	-
Other securities	425,932	430,028	4,096
Total	<u>2,271,365</u>	<u>2,296,119</u>	<u>24,753</u>
<b>Items with fair value not exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	1,924,516	1,898,600	(25,915)
Municipal bonds	29,660	29,046	(614)
Corporate bonds	747,426	734,640	(12,786)
Total domestic bonds	<u>2,701,603</u>	<u>2,662,288</u>	<u>(39,315)</u>
Foreign bonds	127,064	127,001	(63)
Other securities	742,391	732,693	(9,697)
Total	<u>3,571,059</u>	<u>3,521,983</u>	<u>(49,076)</u>
Grand total	<u>\$5,842,425</u>	<u>\$5,818,102</u>	<u>\$(24,323)</u>

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

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

	Carrying amount	Fair value	Gross unrealized gains (losses)
		<i>(Millions of yen)</i>	
<b>Items with fair value exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	¥ 431,298	¥ 435,755	¥ 4,456
Municipal bonds	129,224	131,302	2,078
Corporate bonds	307,269	311,125	3,856
Total	<u>867,791</u>	<u>878,183</u>	<u>10,391</u>
<b>Items with fair value not exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	145,959	145,227	(731)
Municipal bonds	189,091	188,011	(1,080)
Corporate bonds	452,143	449,491	(2,651)
Total	<u>787,194</u>	<u>782,731</u>	<u>(4,463)</u>
Grand total	<u>¥1,654,986</u>	<u>¥1,660,914</u>	<u>¥ 5,927</u>
	Carrying amount	Fair value	Gross unrealized gains (losses)
		<i>(Thousands of U.S. dollars)</i>	
<b>Items with fair value exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	\$ 3,653,522	\$ 3,691,275	\$ 37,753
Municipal bonds	1,094,657	1,112,264	17,607
Corporate bonds	2,602,871	2,635,536	32,664
Total	<u>7,351,052</u>	<u>7,439,076</u>	<u>88,024</u>
<b>Items with fair value not exceeding carrying amount:</b>			
Domestic bonds:			
Government bonds	1,236,422	1,230,223	(6,199)
Municipal bonds	1,601,793	1,592,644	(9,148)
Corporate bonds	3,830,100	3,807,636	(22,463)
Total	<u>6,668,316</u>	<u>6,630,504</u>	<u>(37,811)</u>
Grand total	<u>\$14,019,368</u>	<u>\$14,069,581</u>	<u>\$ 50,212</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) As of March 31, 2006

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

Carrying amount	Valuation difference charged to earnings-gains
<i>(Millions of yen)</i>	
¥747,069	¥116,015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	<u>Carrying amount</u> <i>(Millions of yen)</i>
Available-for-sale securities:	
Unlisted stocks (excluding over-the-counter stocks)	¥ 31,138
Foreign securities/unlisted stocks (excluding over-the-counter stocks)	-
Foreign securities/other securities	246,763
Other securities	19,590
Total	<u>¥297,492</u>

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

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

## 20. Investment in Monetary Trusts

### (1) As of March 31, 2007

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

Carrying amount	Valuation difference charged to earnings-losses
<i>(Millions of yen)</i>	
<b>¥12,340</b>	<b>¥(2,979)</b>

Carrying amount	Valuation difference charged to earnings-losses
<i>(Thousands of U.S. dollars)</i>	
<b>\$104,538</b>	<b>\$(25,235)</b>

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

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

	Acquisition cost	Carrying amount	Gross unrealized gains
	<i>(Millions of yen)</i>		
Monetary trusts	<b>¥46,773</b>	<b>¥76,546</b>	<b>¥29,772</b>

	Acquisition cost	Carrying amount	Gross unrealized gains
	<i>(Thousands of U.S. dollars)</i>		
Monetary trusts	<b>\$396,221</b>	<b>\$648,427</b>	<b>\$252,205</b>

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

### (2) As of March 31, 2006

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

Carrying amount	Valuation difference charged to earnings-losses
<i>(Millions of yen)</i>	
¥7,748	¥(4,406)

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

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

	Acquisition cost	Carrying amount	Gross unrealized gains
	<i>(Millions of yen)</i>		
Monetary trusts	¥160,634	¥198,374	¥37,740

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

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

## 21. Derivative Financial Instruments

The Three Life Companies use swaps, forwards, futures and option contracts to hedge exposure to changes in interest rates, foreign exchange rates and stock and bond prices for assets in the consolidated balance sheets or for future investments, and to manage the differences in the duration of its assets and liabilities. In addition, the companies trade credit derivatives within certain internal guidelines, such as total notional amount and credit rating of entities to be referred under the credit derivatives.

The Three Life Companies have established internal rules regarding derivative financial instruments including policies and procedures for risk assessment, approval, reporting and monitoring. Based on such rules, the use of new types of derivative financial instruments must be approved by the Board of Directors. Such rules enable the companies to maintain an adequate control environment for derivative financial instruments. All dealing functions, such as the front, back and middle offices, are completely separated into different departments. The middle office, the Total Risk Monitoring Department, periodically monitors, measures and analyzes risks related to derivative financial instruments, and periodically reports total risk, position and gains and losses to the Board of Directors.

Because the Three Life Companies use derivative financial instruments mainly to hedge or manage market risk exposures resulting from assets on the consolidated balance sheets, the risk of derivative financial instruments is limited through offsetting the risk arising from those assets. Instruments are traded either over an exchange or with counterparties of high credit quality and the risk of nonperformance by the counterparties is therefore considered to be remote.

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

Taiyo Life focuses on the stable investment management of assets and leverages risks linking hedge purposes with holding cash product assets. Daito Life focuses on efficient investment management of assets and complementing trades of cash product assets. Daido Life uses derivative financial instruments where trades are limited for the above policy.

To minimize the risks of minimum death guaranty and guaranteed minimum living benefit for individual variable annuities, T&D Financial Life uses derivative trades in monetary trusts for hedge purposes against increasing risks, owing to falling prices related to the subjected cash product assets in separate accounts.

The following tables show a summary of the notional amounts and current market or fair values of derivative financial instruments held as of March 31, 2007 and 2006. Notional amounts do not represent exposure to credit loss.

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

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

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

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

Note 2: Foreign currency monetary assets or liabilities that are fixed at the yen amount at settlement time by employing foreign exchange forward contracts and are stated in yen in the accompanying consolidated balance sheets are excluded above.

T&D Financial Life uses monetary trusts to execute derivatives trades. The following tables show a summary of the notional amounts and current market or fair values of derivative financial instruments held as of March 31, 2007 and 2006.

	<b>As of March 31, 2007</b>			
	Notional amounts		Current market or fair value	Valuation gains (losses)
	Over one year	One year or less		
	<i>(Millions of yen)</i>			
Currency options bought (put)	<b>¥ 32,286</b>	<b>¥3,406</b>		
Option premium	<b>(4,338)</b>	<b>(134)</b>	<b>¥(2,170)</b>	<b>¥(2,301)</b>
Currency options bought (put) in USD	<b>19,976</b>	<b>2,126</b>		
Option premium	<b>(2,930)</b>	<b>(93)</b>	<b>(1,646)</b>	<b>(1,377)</b>
Currency options bought (put) in EUR	<b>12,309</b>	<b>1,279</b>		
Option premium	<b>(1,407)</b>	<b>(41)</b>	<b>(524)</b>	<b>(923)</b>
Stock index options bought (put)	<b>97,500</b>	<b>6,908</b>		
Option premium	<b>(12,518)</b>	<b>(292)</b>	<b>(7,777)</b>	<b>(5,034)</b>
Total valuation losses, net				<b>¥(7,335)</b>

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

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

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

Note 2: Foreign currency monetary assets or liabilities that are fixed at the yen amount at settlement time by employing foreign exchange forward contracts and are stated in yen in the accompanying consolidated balance sheets are excluded above.

## 22. Reserve for Employees' Retirement Benefits

The components of net periodic pension cost are summarized below:

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

Assumptions used in accounting for the plans were as follows:

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

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

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

## 23. Per Share Information

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

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

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

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

	As of March 31		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net income	<b>¥38,772</b>	¥35,545	<b>\$328,443</b>
Bonuses to directors and corporate auditors	<b>(–)</b>	(216)	<b>(–)</b>
Net income available to common stockholders	<b>¥38,772</b>	¥35,328	<b>\$328,443</b>
	<i>(Shares)</i>		
Weighted-average common shares outstanding	<b>246,261,507</b>	241,664,575	

## 24. Subsequent Events

There were no applicable subsequent events in 2007 and 2006.

## ***V. Unaudited Non-Consolidated Financial Statements***

T&D Holdings, Inc.

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Unaudited Non-Consolidated Balance Sheets  
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## Unaudited Non-Consolidated Balance Sheets

As of March 31,	2007		2006		Increase (decrease)		2007
	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
<b>Assets:</b>							
Current assets:							
Cash and deposits	¥ 17,477		¥ 19,056		¥ (1,579)		\$ 148,049
Prepaid expenses	18		23		(4)		156
Deferred tax assets	78		99		(21)		666
Accounts receivable	29,381		27,086		2,295		248,893
Other current assets	7		0		7		61
Total current assets	<u>46,963</u>	7.4	<u>46,266</u>	7.5	<u>697</u>		<u>397,827</u>
Fixed assets:							
Tangible fixed assets:							
Buildings	126		67		59		1,075
Machinery and equipment	8		0		8		72
Total tangible fixed assets	<u>135</u>	0.0	<u>68</u>	0.0	<u>67</u>		<u>1,147</u>
Intangible fixed assets:							
Trademark	2		3		(0)		23
Software	9		2		7		81
Total intangible fixed assets	<u>12</u>	0.0	<u>5</u>	0.0	<u>6</u>		<u>105</u>
Investments and other assets:							
Investments in subsidiaries	583,171		571,066		12,105		4,940,037
Deferred tax assets	79		65		14		676
Deposit for rent	1,653		1,805		(152)		14,005
Total investments and other assets	<u>584,904</u>	92.6	<u>572,937</u>	92.5	<u>11,967</u>		<u>4,954,719</u>
Total fixed assets	<u>585,052</u>	92.6	<u>573,011</u>	92.5	<u>12,041</u>		<u>4,955,972</u>
<b>Total assets</b>	<u>¥ 632,016</u>	100.0	<u>¥ 619,277</u>	100.0	<u>¥ 12,738</u>		<u>\$ 5,353,800</u>
<b>Liabilities:</b>							
Current liabilities:							
Accounts payable	¥ 7,326		¥ 9,129		¥ (1,802)		\$ 62,065
Accrued expenses	127		95		32		1,084
Income tax payable	20,475		16,614		3,861		173,451
Consumption tax payable	8		29		(20)		72
Deposits received	5		4		0		42
Reserve for bonus to directors and corporate auditors	43		-		43		365
Total current liabilities	<u>27,987</u>	4.4	<u>25,873</u>	4.2	<u>2,113</u>		<u>237,082</u>
Fixed liabilities:							
Long-term debt	10,700		-		10,700		90,639
Reserve for directors' and corporate auditors' retirement benefits	252		160		92		2,142
Deposits received	1,545		1,545		-		13,088
Total fixed liabilities	<u>12,498</u>	2.0	<u>1,705</u>	0.3	<u>10,792</u>		<u>105,870</u>
<b>Total liabilities</b>	<u>40,485</u>	6.4	<u>27,579</u>	4.5	<u>12,906</u>		<u>342,953</u>
<b>Stockholders' equity:</b>							
Common stock:							
Authorized	- 966,000,000 shares						
Issued	- 246,330,000 shares						
	-	-	118,595	19.2	-		-
Capital surplus:							
Additional paid-in capital	-		450,903		-		-
Gains on sale of treasury stock	-		1		-		-
Total capital surplus	<u>-</u>	-	<u>450,905</u>	72.8	<u>-</u>		<u>-</u>
Retained earnings	-	-	22,520	3.6	-		-
Treasury stock	-	-	(322)	(0.1)	-		-
<b>Total stockholders' equity</b>	<u>-</u>	-	<u>591,698</u>	95.5	<u>-</u>		<u>-</u>
<b>Total liabilities and stockholders' equity</b>	<u>¥ -</u>	-	<u>¥ 619,277</u>	100.0	<u>¥ -</u>	\$	<u>-</u>

## Unaudited Non-Consolidated Balance Sheets (continued)

As of March 31,	2007		2006		Increase (decrease)	2007
	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Net assets:</b>						
Stockholders' equity:						
Common stock:						
Authorized – 966,000,000 shares						
Issued – 246,330,000 shares	¥ 118,595	18.8	–	–	–	\$ 1,004,620
Capital surplus:						
Additional paid-in capital	450,903		–	–	–	3,819,600
Other capital surplus	3		–	–	–	31
Total capital surplus	<u>450,907</u>	<u>71.3</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,819,632</u>
Retained earnings:						
Unappropriated retained earnings	22,524	3.6	–	–	–	190,802
Total retained earnings	<u>22,524</u>	<u>3.6</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>190,802</u>
Treasury stock	<u>(496)</u>	<u>(0.1)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,209)</u>
Total stockholders' equity	<u>591,530</u>	<u>93.6</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,010,846</u>
<b>Total net assets</b>	<u>591,530</u>	<u>93.6</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,010,846</u>
<b>Total liabilities and net assets</b>	<u>¥ 632,016</u>	<u>100.0</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>\$ 5,353,800</u>

## Unaudited Non-Consolidated Statements of Operations

Years ended March 31,	2007		2006		Increase (decrease)	2007
	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(%)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Operating income:</b>						
Dividends on Investments in subsidiaries	¥ 13,546		¥ 10,867		¥ 2,679	\$ 114,752
Fees and commissions received from subsidiaries	2,852		2,776		76	24,167
<b>Total operating income</b>	<b>16,399</b>	<b>100.0</b>	<b>13,643</b>	<b>100.0</b>	<b>2,755</b>	<b>138,919</b>
<b>Operating expenses:</b>						
General and administrative expenses	2,596	15.8	2,427	17.8	(169)	21,994
<b>Operating profit</b>	<b>13,802</b>	<b>84.2</b>	<b>11,216</b>	<b>82.2</b>	<b>(2,586)</b>	<b>116,924</b>
<b>Non-operating income:</b>						
Interest income	34		0		33	292
Interest on tax refund	0		12		(12)	0
Fee income	6		3		3	58
Other income	1		0		1	16
<b>Total non-operating income</b>	<b>43</b>	<b>0.3</b>	<b>17</b>	<b>0.1</b>	<b>25</b>	<b>367</b>
<b>Non-operating expenses:</b>						
Interest expenses	1		-		1	11
Amortization for stock issuance costs	-		239		(239)	-
Fees and commissions paid	15		-		15	127
Other expenses	0		-		0	4
<b>Total non-operating expenses</b>	<b>16</b>	<b>0.1</b>	<b>239</b>	<b>1.7</b>	<b>(223)</b>	<b>142</b>
<b>Ordinary profit</b>	<b>13,829</b>	<b>84.3</b>	<b>10,994</b>	<b>80.6</b>	<b>2,834</b>	<b>117,149</b>
<b>Extraordinary losses:</b>						
Headquarter removal costs	127	0.8	-	-	127	1,076
<b>Income before income taxes</b>	<b>13,702</b>	<b>83.6</b>	<b>10,994</b>	<b>80.6</b>	<b>2,707</b>	<b>116,072</b>
<b>Income taxes:</b>						
Current	107	0.7	105	0.8	2	909
Deferred	6	0.0	(41)	(0.3)	48	57
<b>Net income</b>	<b>13,588</b>	<b>82.9</b>	<b>10,930</b>	<b>80.1</b>	<b>2,657</b>	<b>115,105</b>
<b>Unappropriated retained earnings at beginning of year</b>						
	-		11,589		-	-
<b>Unappropriated retained earnings at end of year</b>						
	¥ -		¥ 22,520		¥ -	\$ -

## Unaudited Non-Consolidated Statements of Surplus

Years ended March 31,	2006
	<i>(Millions of yen)</i>
<b>Unappropriated retained earnings at end of year</b>	¥ 22,520
<b>Appropriation of retained earnings:</b>	
Dividends to shareholders (cash dividends per share: ¥55 in 2006)	13,544
Bonus to directors	28
Bonus to corporate auditors	10
<b>Total appropriation of retained earnings</b>	<b>13,584</b>
<b>Unappropriated retained earnings carried forward</b>	<b>¥ 8,936</b>

## Unaudited Non-Consolidated Statements of Changes in Net Assets

*(Millions of yen)*

	Stockholders' equity								Total net assets
	Capital Surplus			Retained earnings			Treasury stock	Total	
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Unappropriated retained earnings	Total retained earnings			
Balance as of March 31, 2006	118,595	450,903	1	450,905	22,520	22,520	(322)	591,698	591,698
Changes in the period									
Dividends					(13,544)	(13,544)		(13,544)	(13,544)
Bonus to directors and corporate auditors					(39)	(39)		(39)	(39)
Net income					13,588	13,588		13,588	13,588
Acquisition of treasury stock							(179)	(179)	(179)
Disposal of treasury stock			2	2			5	8	8
Total changes in the period	-	-	2	2	3	3	(174)	(167)	(167)
<b>Balance as of March 31, 2007</b>	<b>118,595</b>	<b>450,903</b>	<b>3</b>	<b>450,907</b>	<b>22,524</b>	<b>22,524</b>	<b>(496)</b>	<b>591,530</b>	<b>591,530</b>

*(Thousands of U.S. dollars)*

	Stockholders' equity								Total net assets
	Capital Surplus			Retained earnings			Treasury stock	Total	
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Unappropriated retained earnings	Total retained earnings			
Balance as of March 31, 2006	1,004,620	3,819,600	12	3,819,613	190,768	190,768	(2,734)	5,012,268	5,012,268
Changes in the period									
Dividends					(114,738)	(114,738)		(114,738)	(114,738)
Bonus to directors and corporate auditors					(332)	(332)		(332)	(332)
Net income					115,105	115,105		115,105	115,105
Acquisition of treasury stock							(1,523)	(1,523)	(1,523)
Disposal of treasury stock			19	19			48	68	68
Total changes in the period	-	-	19	19	33	33	(1,475)	(1,421)	(1,421)
<b>Balance as of March 31, 2007</b>	<b>1,004,620</b>	<b>3,819,600</b>	<b>31</b>	<b>3,819,632</b>	<b>190,802</b>	<b>190,802</b>	<b>(4,209)</b>	<b>5,010,846</b>	<b>5,010,846</b>