

News Release

May 23, 2007

Tokio Marine & Nichido Financial Life Insurance Co., Ltd.

Disclosure of embedded value as of March 31, 2007

Tokio Marine & Nichido Financial Life Insurance Co., Ltd. (President and CEO: Masaru Yamashita) hereby discloses its Embedded Value ("EV") as of March 31, 2007, one of the measures of the economic value of the life insurance business operated by the Millea Group in Japan, as shown in the attachment.

<Outline>

EV as of March 31, 2007 was 98.7 billion yen, an increase of 17.8 billion yen from the previous fiscal year, excluding the capital increase during the term of 20 billion yen.

As a result, ROE for the fiscal year ended March 31, 2007 (from April 1, 2006 to March 31, 2007, "FY2006") was 22.3%.

Table 1

(Billions of yen)

	FY2004	FY2005	FY2006
Net asset value	14.1	18.5	31.6
Value of in-force business	11.5	42.4	67.1
EV as at the end of the fiscal year	25.5	61	98.7
Value of new business	-0.5	7.4	14.1

Table 2

(Billions of yen)

	FY2004	FY2005	FY2006
Change in EV (excluding the capital increase during the term)	-0.2	15.4	17.8
Average EV	17.6	43.2	79.8
ROE ^{Note}	-1.2%	35.7%	22.3%

Note: ROE = Change in EV (excluding the capital increase during the term) / Average EV

Embedded Value as of March 31, 2007

1. Embedded Value

Embedded Value ("EV") is regarded as one of the measures used to assess the economic value of a life insurance business and its performance. In Japan, over ten insurers have disclosed their EV as of March 31, 2006. It is calculated as the sum of the "net asset value" and "value of in-force business".

“**Net asset value**” is calculated by adding "Contingency reserve" and "Reserve for price fluctuations" which are regarded as appropriate to be included in "net assets", to "net assets" in the balance sheets.

“**Value of in-force business**” is based on “net incomes” expected to be generated by the in-force business. The present value is calculated by discounting future distributable shareholder profits, less surplus required to be retained in order to maintain a certain level of solvency margin, using a risk discount rate that takes a risk premium into consideration.

2. EV at the end of fiscal year

(1) EV as of March 31, 2007

The EV as of March 31, 2007 was 98.7 billion yen in total: net asset value of 31.6 billion yen and value of in-force business of 67.1 billion yen.

Table 1

(Billions of yen)

	FY2004	FY2005	FY2006
Net asset value	14.1	18.5	31.6
Value of In-force business	11.5	42.4	67.1
EV as at the end of fiscal year	25.5	61	98.7
Value of new business	-0.5	7.4	14.1

(2) Change in EV and ROE

The Millea Group adopts "change in EV" and "ROE", as measures used for assessing its performance in the life insurance business.

Excluding the capital increase during the term, the change in EV from March 31, 2006 to March 31, 2007 was 17.8 billion yen, while ROE was 22.3%.

Table 2

(Billions of yen)

	FY2004	FY2005	FY2006
Change in EV (excluding the capital increase during the term)	-0.2	15.4	17.8
Average EV	17.6	43.2	79.8
ROE*	-1.2%	35.7%	22.3%

*Note: ROE = Change in EV (excluding the capital increase during the term) / Average EV

The Change in EV as of March 31, 2007 (excluding the capital increase during the term) increased by 2.3 billion yen, compared to the one as of March 31, 2006. However, when "Variances between actual performance and assumptions on investment," "Effect of reinsurance pertaining to deferment policies," "Effect of subordinated loans" and "Effect of changes in assumptions" are excluded, the change in EV as of March 31, 2007 was 19 billion yen, an increase of 13.8 billion yen from the previous fiscal year of 5.2 billion yen.

Reference (Billions of yen)

	FY2004	FY2005	FY2006
Change in EV*	0.2	5.2	19

*Note: Excluding the capital increase during the term, variances between experience and assumptions on investment, effect of reinsurance pertaining to deferment policies, effect of subordinated loan and effect of changes in assumptions.

3. Major Assumptions

The major assumptions used in the calculations of value of in-force business at March 31, 2007 were as follows:

Assumption	Basis of Assumptions
Contingency rate	Based on past claim payment performance by insurance type, policy year, etc.
Surrender rate	Based on past surrender performance by insurance type, payment method, and policy year.
Expense	Based on past actual expenses, expressed as unit costs per in force policy.
Investment earnings ratio for separate accounts	Based on earnings ratio of portfolio (stock fund, bond fund, and money fund) by insurance policy type.
Effective tax rate	Based on actual experience (36.2%).
Solvency Margin Ratio	Assumed to maintain a solvency margin ratio of 600%
Risk discount rate	Set by adding a risk premium of 6% to the risk free interest rate (the 20-year JGB yield). FY2005: Risk free interest rate (2.06%) + 6% → 8% FY2006: Risk free interest rate (2.10%) + 6% → 8%

<Investment earnings ratio for separate accounts>

Investment earnings ratio for separate accounts is set by insurance policy type, 4% of stock fund, 1.65% of bond fund and 0.1% of money fund.

<Risk discount rate>

The risk discount rate has been set by adding a risk premium of 6% to the risk free interest rate (the 20-year JGB yield). The risk premium has not been changed between FY2005 and FY2006.

The Millea Group set a risk premium of 6.0% as the required level for its domestic life insurance business.

4. Effects of Changes in Assumptions (Sensitivities)

The table below shows the change in EV at March, 2007 arising from changes to assumptions:

Table 3 (Billions of yen)

Change in Assumptions	Amount of Increase (Decrease)	EV Amount
Set 1.1 times the insurable contingency rate	-0.5	98.2
Set 1.1 times the surrender rate	-0.6	98.1
Set 1.1 times the expense	-0.8	98
If the balance of actual cash value of separate accounts is instantly reduced by 10%	-15.2	83.5
Solvency margin ratio 500%	1.4	100.1
Solvency margin ratio 700%	-1.4	97.4
Reduce risk premium by 2.0% (with 6% discount rate)	6.5	105.3
Reduce risk premium by 1.0% (with 7% discount rate)	3.2	101.9
Raise risk premium by 1.0% (with 9% discount rate)	-2.9	95.8
Raise risk premium by 2.0% (with 10% discount rate)	-5.7	93

<Increase or reduction in risk premium >

Any increase or reduction in discount rate is in tandem with the fluctuations in market interest rates and increases or reductions in the premium rate. However, in this case, the market interest rate is fixed and the effect is calculated based on the fluctuation of risk premium.

5. Factors for the Change in EV

Table 4 (Billions of yen)

	FY2005	FY2006	Year-on-year change
Capital increase during the term	20	20	0
Value of new business	7.4	14.1	6.7
Release of the discounted value of in-force business	0.9	5.1	4.1
Variances between actual performance and assumptions on investment	6.8	3.4	-3.4
Variances between actual performance and assumptions on others	-3.1	-0.2	3
Effect of reinsurance pertaining to deferment policies	-	-6.8	-6.8
Effect of subordinated loans	2.7	-	-2.7
Effect of changes in assumptions	0.8	2.2	1.4
Total	35.4	37.8	2.3
(Excluding capital increase during the term)	15.4	17.8	2.3

The change in EV, excluding capital increase during the term, consists of two major components, changes in the value of new business and others.

(1) Value of new business

The value of new business written for FY2006 was 14.1 billion yen, an increase of 6.7 billion yen from the previous fiscal year. It results from an increase in new business volume for FY2006.

(2) Changes other than Value of new business

Variances between actual performance and assumptions on investment was 3.4 billion yen, which was due to the fact that the actual performance exceeded the assumptions.

Effect of changes in assumptions as for FY2006 was 2.2 billion yen, which was mainly due to the changes in assumptions of contingency rates and surrender rates by reflecting the most recent actual performance to these assumptions.

Effect of reinsurance pertaining to deferment policies for FY2006 was -6.8 billion yen, which was due to the impact by reinsurance for those policies issued before the previous fiscal year.

Release of the discounted value of in-force business for FY2006 was 5.1 billion yen, an increase of 4.1 billion yen from the previous fiscal year, along with an increase in the value of in-force business.

6. Review by Independent Actuarial Firm

To assure the validity and adequacy of the EV, Tokio Marine & Nichido Financial Life engaged Tillinghast, an independent actuarial firm, to review its EV and obtained the opinion as shown below.

TILLINGHAST OPINION ON EMBEDDED VALUE OF TOKIO MARINE & NICHIDO FINANCIAL LIFE ("TMNFL") AS AT 31 MARCH 2007

Tillinghast, the financial services consulting division of Towers Perrin, has reviewed the methodology and assumptions adopted, and the resulting embedded value of TMNFL as at 31 March 2007, as calculated by TMNFL.

Tillinghast concluded that

- the methodology used is consistent with recent industry practice as regards traditional actuarial embedded value calculations (based on discounted values of projected deterministic after-tax profit flows)
- the economic assumptions are internally consistent and have been set with regard to current economic conditions;
- the risk discount rate and assumptions on required capital have been set in line with recent industry practice as regards traditional actuarial embedded value calculations;
- the operating assumptions have been set with appropriate regard to past, current and future expected experience of TMNFL, taking into account the nature of TMNFL's business; and
- in all material respects the results have been prepared in a manner consistent with the methodology and assumptions.

This review was carried out for the benefit of TMNFL. In performing its review, Tillinghast relied extensively on a substantial body of information supplied by TMNFL and did not carry out an independent review of this information.

Financial projections used as a basis for the embedded value were developed based on a number of assumptions as to the current and future operating environment of TMNFL. It should be recognised that actual results can vary from those projected, even though the assumptions are considered by TMNFL to be appropriate.

Allowance for risk has been made through the use of a single discount rate and an explicit assumption for the level and cost of holding solvency capital. While this is in line with recent industry practice as regards traditional actuarial embedded value calculations, this may not correspond to a capital markets valuation of such risk (so called "market consistent valuation").

7. Instruction

As the EV is calculated based on the assumptions including future prospects with risk and uncertainty, actual future results can differ largely from the assumptions used in EV calculation.

Also, since the actual market capital is determined by investors' judgment based on a number of information, EV can significantly differ from it. Therefore, sufficient consideration needs to be made in using EV.

Terminology

- Net asset value

“Net asset value” is calculated by adding "contingency reserve" and "reserve for price fluctuations" which are regarded as appropriate to be included in net assets, to net assets in the balance sheets.

As "Contingency reserve" and "reserve for price fluctuations" are prepared to ensure the soundness of the Company's assets in case of unforeseeable circumstances. Considering that these reserves are not for the payment of specific benefits and the time of payment is undetermined, these are regarded as appropriate to be added to net assets.

- Value of In-force business

Value of in-force business is calculated by subtracting the following capital cost from the expected present value of the current net incomes generated from the in-force business.

To calculate the future net incomes, assumptions such as future contingency rate, surrender rate, expenses and investment earnings ratio for separate accounts need to be set. As these assumptions, however, can differ from the actual future results, the present value is calculated by applying a risk discount rate to the projected future net incomes.

The minimum amounts of capital required to sustain its business (to maintain a certain level of solvency margin ratio) is calculated. This capital is repeatedly used for the investment until it is no longer necessary. For the investment/return of this capital, the present value is calculated by discounting the capital using a risk discount rate, in order to recognize "opportunity cost (capital cost)."

Therefore, the value of in-force business is the present value of future distributable shareholder profits less the amounts be re-invested from the current net incomes.

- Value of new business

Value of new business is the present value of profits to be generated by new business for the fiscal year. It is the sum of profit/loss from the new business expenses (part of the above-mentioned net asset value) and the present value of profit/loss to be generated in the next fiscal year and later(part of the above-mentioned value of in-force business).