

Disclosure of embedded value as of March 31, 2007

Tokio Marine & Nichido Life Insurance Co., Ltd. (President: Tomochika Iwashita) 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>

The EV as of March 31, 2007 was 335.2 billion yen, an increase of 30.4 billion yen from the previous fiscal year, excluding the capital increase during the term of 50 billion yen.

As a result, ROE for the fiscal year ended March 31, 2007 (from April 1, 2006 to March 31, 2007, "FY2006") was 10.3%.

Table 1 (Billions of yen)

	FY2004	FY2005	FY2006
Net asset value	46.6	45.8	97.6
Value of in-force business	150.7	209	237.5
EV as at the end of the fiscal year	197.3	254.8	335.2
Value of new business	10.8	10.7	8.7

Table 2 (Billions of yen)

	FY2004	FY2005	FY2006
Change in EV (excluding the capital increase during the term)	25.7	57.5	30.4
Average EV	184.4	226	295
ROE ^{Note}	13.9%	25.4%	10.3%

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 (after tax)" and "Reserve for price fluctuations (after tax) " 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 (after tax)” 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 335.2 billion yen in total: net asset value of 97.6 billion yen and value of in-force business of 237.5 billion yen.

Table 1

(Billions of yen)

	FY2004	FY2005	FY2006
Net asset value	46.6	45.8	97.6
Value of In-force business	150.7	209	237.5
EV as at the end of fiscal year	197.3	254.8	335.2
Value of new business	10.8	10.7	8.7

(2) Change in EV and ROE

The Millea Group adopts "change in EV" and "ROE", as a measure 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 30.4 billion yen, while ROE for FY2006 was 10.3%.

Table 2

(Billions of yen)

	FY2004	FY2005	FY2006
Change in EV (excluding the capital increase during the term)	25.7	57.5	30.4
Average balance of EV	184.4	226	295
ROE *	13.9%	25.4%	10.3%

*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) decreased by 2.7 billion yen, compared to the one as of March 31, 2006. However, when "Effect of changes in assumptions" and "Effect of changes in interest rate" are excluded, the change in EV as of March 31, 2007 was 29.8 billion yen, an increase of 0.4 billion yen from the previous fiscal year of 29.4 billion yen.

Reference	(Billions of yen)		
	FY2004	FY2005	FY2006
Change in EV*	26.2	29.4	29.8

*Note: Excluding the capital increase during the term, effect of changes in assumptions and effect of changes in interest rate.

3. Major Assumptions

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

Assumption	Basis of Assumption
Mortality and morbidity rates	Based on past experience by mortality and morbidity type, and policy year and attained age. For policy years where no experience data was available, assumptions have been based on industry statistics.
Laps and surrender rates	Based on past experience by line of business, premium mode and policy year.
Expense	Based on past actual expenses, expressed as unit costs per in force policy and percentage of premiums.
Investment yield on new money	Assumed to be invested in Japanese Government bonds (JGB) matched to the duration of liabilities (*). The JGB yield used is the yield as of the valuation date of the EV (at the end of fiscal year) are as follows: FY2005: 10 yrs, 1.77%; 20 yrs, 2.06%; 30 yrs, 2.27% FY2006: 10 yrs, 1.66%; 20 yrs, 2.10%; 30 yrs, 2.35%
Effective tax rate	Based on actual experience (36.12%).
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 rate (the 20-year JGB yield). FY2005: Risk free interest rate (2.06%) + 6% → 8% FY2006: Risk free interest rate (2.10%) + 6% → 8%

* Note: Average investment yield is approximately 2.3%.

<Investment yield on new money>

New money is assumed to be invested in JGBs matched to the duration of liabilities.

<Risk discount rate>

The risk discount rate has been set by adding a risk premium of 6% to the risk free 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 31, 2007 arising from changes to assumptions:

Table 3 (Billions of yen)

Change in Assumptions	Amount of Increase (Decrease)	EV Amount
Mortality & Morbidity rates up 10%	-16.5	318.7
Surrenders up 10%	-2.9	332.2
Expenses up 10%	-4.2	330.9
Investment yield (yield of JGB) up 0.25%*	6.2	341.4
Investment yield (yield of JGB) down 0.25%*	-5.4	329.7
Solvency margin ratio 500%	0.9	336.2
Solvency margin ratio 700%	-1.4	333.7
Risk discount rate down 2.0% (Risk discount rate 6%)	43.2	378.4
Risk discount rate down 1.0% (Risk discount rate 7%)	19.9	355.1
Risk discount rate up 1.0% (Risk discount rate 9%)	-17.2	317.9
Risk discount rate up 2.0% (Risk discount rate 10%)	-32.2	302.9

*Note: Based on the assumption that only investment yield is changed without changes in discount rate.

<Investment yield sensitivity>

The change in assumed investment yield is set based on the assumption that it is affected by increase/decrease in JGB yield (risk free market interest rate). Also, the increase/decrease in unrealized gains/losses arising from the change in interest rate is taken into consideration. For the purpose of the above increase/decrease, the EV has been re-calculated on the basis that discount rate is unchanged.

<Discount rate sensitivity >

The discount rate is dependent on market interest rates and on the risk premium. For the purpose of the above sensitivities, the EV has been re-calculated on the basis that the risk premium changes without any change in market interest rates (investment yield).

5. Analysis of Movement of EV

Table 4 (Billions of yen)

	FY2005	FY2006	Year-on-year change
Capital increase during the term	-	50	50
Value of new business	10.7	8.7	-1.9
Release of the discounted value of in-force business	12	16.7	4.7
Variiances between experience and assumptions	5.8	3.7	-2
Effect of changes in interest yields	-0.6	1.4	1.9
Effect of changes in assumptions	28.7	-0.8	-29.5
Others	0.9	0.6	-0.3
Total	57.5	80.4	22.9
(Excluding capital increase during the term)	57.5	30.4	-27

The change in EV, excluding capital increase during the term, consists of two major components, the value of new business (new businesses made during FY2006) and others.

(1) Value of new business

The value of new business written for FY2006 was 8.7 billion yen, a decrease of 1.9 billion yen from the previous fiscal year.

For FY2006, the factors for decrease in profit, such as a decrease in the new business for individual annuities and increases in acquisition costs surpassed the factors for increase in profit, such as increases in the new business in individual insurance sector and the investment profit accompanying environmental change surrounding the interest rate, thus leading to a decrease in the value of new business.

Table 5 Trend in interest rate (yield of JGB by maturity)

	March 31, 2005	March 31, 2006	March 31, 2007
10 Yrs	1.33%	1.77%	1.66%
20 Yrs	1.96%	2.06%	2.10%
30 Yrs	2.28%	2.27%	2.35%

(2) Others

“Effect of changes in assumptions” for FY2006 was -0.8 billion yen, a decrease of 29.5 billion yen from the previous fiscal year. This was largely affected by the changes in the mortality and morbidity rates.

Regarding other factors, “Release of the discounted value of in-force business” was 16.7 billion yen, a large increase from the previous fiscal year, accompanying the increased in-force business value.

6. Review by Independent Actuarial Firm

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

TILLINGHAST OPINION ON EMBEDDED VALUE OF TOKIO MARINE & NICHIDO LIFE (“TMNL”) 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 TMNL as at 31 March 2007, as calculated by TMNL.

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 TMNL, taking into account the nature of TMNL’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 TMNL. In performing its review, Tillinghast relied extensively on a substantial body of information supplied by TMNL 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 TMNL. It should be recognised that actual results can vary from those projected, even though the assumptions are considered by TMNL 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 (after tax)" and "reserve for price fluctuations (after tax)" 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 even in unforeseeable circumstances, not for the payment of some specified benefits, and when they are used is determined. Considering these points, these reserves are regarded as appropriate to be added to net assets.

Unrealized gains/losses of held-to-maturity debt securities and debt securities earmarked for policy reserves and unallocated dividend reserves, which are not included in net assets on financial accounting, are retained to be used for future assumed interest and dividend in accordance with our ALM policy, and therefore are not added to net asset value. Based on such conditions, gains/losses are recognized along with future assumed interest and dividend in calculating value of in-force business.

Also, for the unrealized gains/losses of available for sales securities and deferred hedge gains/losses related to interest-rate swap which were included into net asset value, the portion to be used for future assumed interest and dividend is deducted and retained. The amount is recognized as profit/loss along with future assumed interest and dividend.

- In-force business value

Value of in-force business is the present value of net incomes expected to be generated by the in-force business, less the following capital costs.

To calculate net incomes to be made in the next fiscal year and later, assumptions such as future mortality & morbidity rate, laps & surrender rates, expenses and investment earnings ratio for special accounts need to be set. As these assumptions, however, can differ from future actual results, the present value is calculated by discounting projected future net incomes using a risk discount rate.

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 by deducting the amounts of capital required to be invested from net incomes.

- New business value

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

The assumptions of calculating profit and loss to be made in the future are basically the same with the ones of calculating value of in-force business. For the asset management yield (level of interest rate), however, the interest rate at the time of the inception of insurance contracts (the end of the month), not at the end of fiscal year, is used for the calculation. The impact by interest-rate fluctuation during the period from inception to the end of that fiscal year is included in the item "effect by interest-rate fluctuation" other than value of new business.