May 15, 2025

T&D Holdings, Inc.
(Security Code: 8795, TSE Prime Market)
Taiyo Life Insurance Company
Daido Life Insurance Company
T&D Financial Life Insurance Company

Disclosure of Market Consistent Embedded Value as of March 31, 2025

T&D Holdings, Inc. (President: Masahiko Moriyama, "TDH"), Taiyo Life Insurance Company (President: Yasuro Tamura, "Taiyo"), Daido Life Insurance Company (President: Mutsurou Kitahara, "Daido") and T&D Financial Life Insurance Company (President: Kanaya Morinaka, "TDF") (collectively, "T&D Insurance Group" or "the Group") is disclosing the Group's market consistent embedded value ("MCEV") in compliance with the European Insurance CFO Forum Market Consistent Embedded Value Principles©[1] ("the MCEV Principles") as of March 31, 2025.

Summary

The Group's MCEV as of March 31, 2025 is as shown in the table below:

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
MCEV	3,983.2	4,038.6	55.3
Adjusted net worth	1,605.9	1,081.7	(524.2)
Value of in-force business	2,377.3	2,956.9	579.5
Value of new business	161.7	166.1	4.3
Group MCEV *(Note1)*	3,884.4	3,945.7	61.3

Note:
1. Please refer to Section 6 for explanation of the Group MCEV.

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1. Outline of MCEV

(1) What is MCEV?

The MCEV Principles and Guidance were first published in June 2008 by the CFO Forum, a group consisting of Chief Financial Officers from leading European insurance companies. They were amended in October 2009 to reflect the inclusion of a liquidity premium and were amended in May 2016 to permit alignment with projection methods and assumptions applied for market consistent solvency regimes such as Solvency II and to allow flexibility of disclosures.

Disclosure of embedded values ("EVs") in compliance with the European Embedded Value Principles ("the EEV Principles") has spread among global insurers, led by large European life insurance companies and groups. The EEV Principles were published in May 2004 and additional guidance on European Embedded Value ("EEV") disclosures was published in October 2005. The EEV Principles were amended in May 2016 for the same reason the MCEV Principles were updated. Increasing numbers of companies have been disclosing EEVs with market consistent methodology to evaluate assets and liabilities consistently with financial instruments traded in markets. However, as the EEV Principles allowed a wide range of methodologies, the CFO Forum published the MCEV Principles in June 2008 in order to improve consistency and standardize disclosure of market consistent EVs.

(2) Statement by directors

The Boards of Directors of T&D Holdings, Inc., Taiyo Life Insurance Company, Daido Life Insurance Company, and T&D Financial Life Insurance Company confirm that the EV presented here has been produced following the methodology set out in the MCEV Principles.

Notable points regarding compliance with the MCEV Principles are as follows:

- The reference rates used in the calculations are defined as the government bond nominal spot rate curves rather than the swap rate curves as stipulated in the MCEV Principles.

(3) MCEV and Group MCEV

The Group's business is split into covered business and non-covered business for the calculation of MCEV. The MCEV of covered business is calculated applying MCEV methodology. Group MCEV is the sum of covered business MCEV and net asset value of non-covered business based on Japanese GAAP.

(4) Covered business

Covered business includes all life insurance business of the Group written through its three life insurance subsidiaries, Taiyo, Daido, TDF and T&D Information System Ltd., and the business of their subsidiaries and affiliates. TDH holds 100% of the shares of these three life insurance subsidiaries.

(5) Use of government bond yields as reference rates

The reference rate is defined in the MCEV Principles as a proxy for a risk-free rate appropriate to the currency, term and liquidity of the liability cash flows and the MCEV Principles require using a swap rate as the reference. The Group has decided to use government bond yields as the reference rates and not swaps for the following reasons:

- Japanese government bond (JGB) yields are used as a benchmark within the Group's asset liability management
  The Group conducts asset liability management based on JGBs as the reference for other asset classes and JGBs form a significant proportion of holdings. The use of JGB as the reference rate therefore reduces valuation mismatches between assets and liabilities.

- Low levels of credit risk
  Japanese government bonds contain low levels of credit risk compared with other Yen fixed interest asset classes for a number of reasons, including that the Japanese government has the right to collect taxes and issue currency.

- High liquidity
  Japanese government bonds have high liquidity.

- Realism
  Large amount of JGBs are issued and it should be possible to earn the rates in practice with very low levels of credit risk and liquidity risk.

The Group also uses government bond yields for non-Japanese currencies.

The impact of changing reference rates to swap rates is shown in Section 2. (2) and Section 2. (3).

2. MCEV results of T&D Insurance Group

The embedded value on an MCEV basis as of March 31, 2025 is ¥4,038.6 billion, an increase of ¥55.3 billion from the value as of March 31, 2024, which is primarily related to the contribution of new business. The adjusted net worth has decreased due to the decrease in the market value of bonds caused by higher interest rates and the value of in-force business has increased due to higher interest rates.

The value of new business is ¥166.1 billion, an increase of ¥4.3 billion from the value as of March 31,2024.

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
MCEV	3,983.2	4,038.6	55.3
Adjusted net worth	1,605.9	1,081.7	(524.2)
Value of in-force business	2,377.3	2,956.9	579.5

	March 31, 2024	March 31, 2025	Increase (Decrease)
Value of new business	161.7	166.1	4.3
New business margin*(Note1)*	7.8%	7.8%	0.0points

Notes:
1. Please refer to Section 2(3) for explanation of the new business margin.

(1) Adjusted Net Worth

Adjusted net worth represents the market value of assets in excess of policyholder liabilities, represented by statutory reserves, and other liabilities.

Adjusted net worth is the sum of the stated amount in the financial statements and appropriate adjustments for unrealized gains and losses and other items. The adjusted net worth has been derived as follows.

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Adjusted net worth	1,605.9	1,081.7	(524.2)
Shareholders equity on the balance sheet *(Note1)*	833.8	851.5	17.7
Unrealized gains/losses on securities (after tax)	347.5	(193.1)	(540.6)
Unrealized gains/losses on loans (after tax)	(7.5)	(32.7)	(25.1)
Unrealized gains/losses on real estate (after tax)	116.5	137.0	20.4
General reserves for possible loan losses (after tax)	1.7	1.7	0.0
Internal reserves as quasi-equity liabilities (after tax) *(Note2)*	313.4	316.2	2.8
Unrealized gains/losses on subordinated debts (after tax)	0.4	0.8	0.4

Notes:
1. Excluding unrealized gains/losses, and including an accumulated amount (¥3.0 billion as of March 31, 2024 and ¥4.0 billion as of March 31, 2025) of share-based payments
2. Price fluctuation reserve, contingency reserve and unallocated amount in policyholders' dividend reserve

The breakdown of the adjusted net worth into the free surplus and the required capital is as follows. Please refer Section 7. (3) for the calculation of the required capital:

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Adjusted net worth	1,605.9	1,081.7	(524.2)
Free surplus	1,432.5	1,010.3	(422.1)
Required capital	173.4	71.3	(102.1)

(2) Value of in-force business

Value of in-force business represents the present value as of the valuation date (March 31, 2025) of future profits distributable to shareholders from the in-force business as of the valuation date and consists of the following components, as defined in Section 7.

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Value of in-force business	2,377.3	2,956.9	579.5
Certainty equivalent present value of future profit	2,729.1	3,380.1	650.9
Time value of financial options and guarantees	(93.1)	(95.2)	(2.0)
Frictional costs of required capital	(7.1)	(6.8)	0.3
Cost of non-hedgeable risks	(251.4)	(321.1)	(69.6)

The certainty equivalent present value of future profit is the present value of future profit calculated deterministically by assuming the investment yield is equal to the reference rate and using the reference rate as the discount rate. This value includes the intrinsic cost of the financial options and guarantees present in the Group's products.

The time value of financial options and guarantees is calculated stochastically using a set of market-consistent risk neutral economic scenarios.

The frictional costs of required capital represent the cost associated with maintaining the level of capital which the Group considers as required in continuing the operation of the life insurance business.

The cost of non-hedgeable risks is an estimate of the impact of non hedgeable risks not allowed for the certainty equivalent present value of future profit or the time value of financial options and guarantees.

Further explanation of the above components is provided in Section 7 of this document.

Impact on EV of using swap rate as the reference rate
The Group uses the Japanese government bond yield as the reference rate. If swap rates were used as the reference rate, the value of in-force business would be ¥2,550.9 billion.

(3) Value of new business

Value of new business is the value as at the valuation date of the new business issued in the fiscal year ended March 31, 2025. The figure for adjusted net worth represents the loss (new business strain) arising between the point of sale and March 31, 2025 on business sold in the period. However, the value of new business of the single premium saving products issued by TDF is calculated as a value at point of sale applying economic assumptions as of the end of each quarter to new business generated in the quarter. Please refer to Section 7. for the detail of the methodology of the value of new business. It does not include values anticipated from future new business. For conversions, only net increases in value by conversions have been included in the value of new business. The table below shows the results.

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Value of new business	161.7	166.1	4.3
Adjusted net worth	(87.4)	(101.0)	(13.5)
Value of in-force business	249.2	267.1	17.8
Certainty equivalent present value of future profit	281.2	304.9	23.6
Time value of financial options and guarantees	(5.2)	(5.4)	(0.1)
Frictional costs of required capital	(0.9)	(0.9)	0.0
Cost of non-hedgeable risks	(25.7)	(31.4)	(5.6)

The table below shows the new business margin, calculated as the ratio of the value of new business to the present value of new business premiums (PVNBP). The PVNBP is based on the premiums before reinsurance and calculated with the same assumptions as used for the calculation of the value of new business.

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Value of new business	161.7	166.1	4.3
Present value of new business premiums	2,067.2	2,121.6	54.3
New business margin	7.8%	7.8%	0.0points

The table below shows the total amount of single premiums, the total annualized amount of level premiums and the average annual premium multiplier.

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
New business single premium	967.4	1,129.0	161.5
Annualized amount of new business level premium *(Note1)*	103.6	98.5	(5.1)
Average annual premium multiplier *(Note2)*	10.6	10.1	(0.5)

Notes:

1. Here annualized amount of level premium is determined by multiplying the amounts of the periodic premiums paid by the number of payments in a year. It should be noted that this definition of annualized premiums is different from that used in our other disclosures including financial results and annual reports.

2. The average annual premium multiplier is defined as (PVNBP – total amount of new business single premiums)/total annualized amount of new business level premiums.

Impact on VNB of using swap rate as the reference rate

The Group uses the Japanese government bond yield as the reference rate. If swap rates were used as the reference rate, the value of new business would be ¥136.2 billion.

3. Movement Analysis

The table below shows an analysis of the increase (decrease) in the embedded value during the 12 month period ended March 31, 2025. All components are shown on a post-tax basis.

(Billions of yen)

	Free surplus	Required capital	Value of in-force business	MCEV
Opening MCEV	1,432.5	173.4	2,377.3	3,983.2
(1) Opening adjustments	(149.2)	49.1	(47.3)	(147.4)
Adjusted opening MCEV	1,283.2	222.6	2,329.9	3,835.8
(2) New business value	(111.3)	10.3	267.1	166.1
(3) Expected existing business contribution (reference rate)	0.5	-	34.6	35.1
(4) Expected existing business contribution (in excess of reference rate)	16.0	-	123.8	139.8
(5) Transfers from VIF and required capital to free surplus	230.9	(61.1)	(169.7)	-
(6) Experience variances	(15.5)	16.4	(9.0)	(8.1)
(7) Assumption changes	(96.5)	96.5	(69.4)	(69.4)
(8) Other operating variance	91.4	(92.5)	3.1	2.0
(9) Operating MCEV earnings	115.4	(30.3)	180.4	265.6
(10) Economic variances	(366.2)	(146.9)	484.6	(28.5)
(11) Other non operating variance	(22.1)	25.9	(38.1)	(34.3)
(12) Total MCEV earnings	(272.8)	(151.3)	626.9	202.7
Closing MCEV	1,010.3	71.3	2,956.9	4,038.6

(1) Opening adjustments

This amount consists of the shareholders dividend paid to its shareholders, the treasury stock purchased from the market by T&D Holdings during fiscal year 2024, the impact of the change of the internal models, the adjustment to make T&D Information System Ltd. to the direct subsidiary of T&D Holdings and the additional capital injection to FGH Parent, L. P., the Group's non-covered business.

(2) New business value

This is the value of new business issued during fiscal year 2024. For details of the approach, refer to Section 2. (3).

(3) Expected existing business contribution (reference rate)

This amount is the sum of the following expected items:

(a) After-tax investment earnings on Adjusted Net Worth at the 1-year reference rate in “Free surplus” column; and

(b) Increase of the certainty equivalent value of in-force business as of March 31, 2024 during fiscal year 2024 calculated at the 1 year reference rate and the amount projected to be released in fiscal year 2024 in respect of time value of financial options and guarantees, frictional costs of required capital and cost of non-hedgeable risks in “Value of in-force business” column.

(4) Expected existing business contribution (in excess of reference rate)

Expected after-tax investment earnings on assets during fiscal year 2024 earned in excess of the reference rates. For detail of the expected investment earnings assumptions, refer to Section 8. (4).

(5) Transfers from VIF and required capital to free surplus

This item represents the after-tax expected return on the required capital and the after-tax surplus expected to emerge during the period from the business that was in force at the beginning of the period. The effect is a movement of value from the value of in-force business and the required capital to the free surplus. This does not affect the total embedded value.

(6) Experience variances

This is the impact on the embedded value of differences between the actual experience and the operating assumptions during the period. The Group’s MCEV has decreased mainly due to the increase of lapse assumptions.

(7) Assumption changes

This is the impact of changes in the operating assumptions which has been calculated as of the beginning of the period. The value of in-force business decreased mainly due to the changes to the lapse assumptions.

(8) Other operating variances

This shows the operating variances which are not included in items (2) through (7), which includes the impact of improvements and corrections of the model used for the calculation of MCEV. The Group’s MCEV has increased due to the reinsurance transaction of Taiyo Life.

(9) Operating MCEV earnings

This shows the aggregate amount of items (2) through (8).

(10) Economic variances

This is the impact of differences between the actual investment returns in the period and the expected investment returns and the impact on the value of future profits from the change to the end of period future economic assumptions, including the change of the extrapolation of the risk-free rates of Japanese yen and inflation rates. The Group’s MCEV has decreased mainly due to the decrease of equity prices. See Sections 8. (1) and 8. (2) for details of economic assumptions and see Section 8. (3) for the details of inflation assumptions.

(11) Other non operating variances

This is the impact of the recent legislated changes to tax rates. See Section 8. (3) for the details of tax rate assumptions.

(12) Total MCEV earnings

This shows the aggregate amount of items (9) through (11).

4. MCEV by Company

(1) Taiyo Life

MCEV and value of new business

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
MCEV	1,171.8	1,133.2	(38.6)
Adjusted net worth	577.5	374.7	(202.8)
Shareholders equity on the balance sheet *(Note1)*	188.8	198.6	9.7
Unrealized gains/losses on securities (after tax)	206.1	(8.0)	(214.1)
Unrealized gains/losses on loans (after tax)	(6.1)	(21.6)	(15.5)
Unrealized gains/losses on real estate (after tax)	38.1	53.5	15.3
General reserves for possible loan losses (after tax)	0.9	0.9	(0.0)
Internal reserves as quasi-equity liabilities (after tax) *(Note2)*	149.4	150.5	1.0
Unrealized gains/losses on subordinated debts (after tax)	0.1	0.8	0.6
Value of in-force business	594.2	758.4	164.1
Certainty equivalent value of future profit	711.1	909.7	198.5
Time value of financial options and guarantees	(29.4)	(43.5)	(14.0)
Frictional costs of required capital	(4.9)	(3.8)	1.0
Cost of non-hedgeable risks	(82.5)	(103.8)	(21.3)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Value of new business	28.3	27.2	(1.0)
Adjusted net worth	(38.9)	(55.6)	(16.7)
Value of in-force business	67.2	82.8	15.6
Certainty equivalent value of future profit	78.6	98.7	20.1
Time value of financial options and guarantees	(1.6)	(3.2)	(1.6)
Frictional costs of required capital	(0.1)	(0.2)	(0.0)
Cost of non-hedgeable risks	(9.5)	(12.3)	(2.8)

Notes:

1. Excluding unrealized gains/losses, and including an accumulated amount of share-based payments

2. Price fluctuation reserve, contingency reserve and unallocated amount in policyholders' dividend reserve

(2) Daido Life

MCEV and value of new business

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
MCEV	2,636.0	2,731.9	95.8
Adjusted net worth	967.2	694.7	(272.4)
Shareholders equity on the balance sheet *(Note1)*	545.4	567.6	22.2
Unrealized gains/losses on securities (after tax)	197.1	(94.6)	(291.8)
Unrealized gains/losses on loans (after tax)	(1.6)	(11.1)	(9.5)
Unrealized gains/losses on real estate (after tax)	68.9	74.1	5.2
General reserves for possible loan losses (after tax)	0.7	0.8	0.0
Internal reserves as quasi-equity liabilities (after tax) *(Note2)*	156.5	157.9	1.4
Unrealized gains/losses on subordinated debts (after tax)	-	-	-
Value of in-force business	1,668.7	2,037.1	368.3
Certainty equivalent value of future profit	1,887.3	2,293.0	405.6
Time value of financial options and guarantees	(57.9)	(46.9)	11.0
Frictional costs of required capital	(1.2)	(1.4)	(0.1)
Cost of non-hedgeable risks	(159.3)	(207.6)	(48.2)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Value of new business	123.6	130.0	6.3
Adjusted net worth	(48.4)	(45.2)	3.1
Value of in-force business	172.0	175.2	3.1
Certainty equivalent value of future profit	186.3	193.4	7.0
Time value of financial options and guarantees	(0.1)	(0.0)	0.0
Frictional costs of required capital	(0.3)	(0.3)	0.0
Cost of non-hedgeable risks	(13.7)	(17.7)	(4.0)

Notes:
1. Excluding unrealized gains/losses, and including an accumulated amount of share-based payments
2. Price fluctuation reserve, contingency reserve and unallocated amount in policyholders' dividend reserve

(3) T&D Financial Life

MCEV and value of new business

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
MCEV	153.4	171.7	18.2
Adjusted net worth	39.2	10.4	(28.7)
Shareholders equity on the balance sheet *(Note1)*	87.2	92.8	5.6
Unrealized gains/losses on securities (after tax)	(55.7)	(90.3)	(34.6)
Unrealized gains/losses on loans (after tax)	0.2	0.1	(0.0)
Unrealized gains/losses on real estate (after tax)	-	-	-
General reserves for possible loan losses (after tax)	0.0	0.0	(0.0)
Internal reserves as quasi-equity liabilities (after tax) *(Note2)*	7.4	7.8	0.3
Unrealized gains/losses on subordinated debts (after tax)	-	-	-
Value of in-force business	114.2	161.3	47.0
Certainty equivalent value of future profit	130.5	177.3	46.7
Time value of financial options and guarantees	(5.7)	(4.7)	0.9
Frictional costs of required capital	(1.0)	(1.5)	(0.5)
Cost of non-hedgeable risks	(9.5)	(9.6)	(0.0)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Value of new business	9.7	8.8	(0.9)
Adjusted net worth	(0.1)	(0.1)	(0.0)
Value of in-force business	9.9	8.9	(0.9)
Certainty equivalent value of future profit	16.3	12.7	(3.5)
Time value of financial options and guarantees	(3.4)	(2.1)	1.3
Frictional costs of required capital	(0.4)	(0.3)	0.0
Cost of non-hedgeable risks	(2.5)	(1.2)	1.2

Notes:
1. Excluding unrealized gains/losses, and including an accumulated amount of share-based payments
2. Price fluctuation reserve, contingency reserve and unallocated amount in policyholders' dividend reserve

(4) Movement analysis

(Billions of yen)

	Taiyo	Daido	TDF	Adjustment	Total
Opening MCEV	1,171.8	2,636.0	153.4	21.9	3,983.2
(1) Opening adjustments	(32.4)	(95.3)	0.3	*(Note1)* (20.0)	(147.4)
Adjusted opening MCEV	1,139.3	2,540.6	153.8	1.9	3,835.8
(2) New business value	27.2	130.0	8.8	-	166.1
(3) Expected existing business contribution (reference rate)	7.3	26.3	1.4	-	35.1
(4) Expected existing business contribution (in excess of reference rate)	61.0	78.8	(0.0)	-	139.8
(5) Transfers from VIF and required capital to free surplus	-	-	-	-	-
(6) Experience variances	(5.9)	2.0	(4.1)	-	(8.1)
(7) Assumption changes	(22.1)	(47.3)	0.0	-	(69.4)
(8) Other operating variance	2.0	-	-	*(Note2)* 0.0	2.0
(9) Operating MCEV earnings	69.5	189.9	6.1	0.0	265.6
(10) Economic variances	(69.3)	28.1	12.7	*(Note3)* (0.2)	(28.5)
(11) Other non operating variance	(6.3)	(26.9)	(1.0)	-	(34.3)
(12) Total MCEV earnings	(6.1)	191.2	17.8	(0.1)	202.7
Closing MCEV	1,133.2	2,731.9	171.7	1.7	4,038.6

Note1:
The difference between the dividends which TDH paid to the policyholders, the dividends which TDH received from Taiyo and Daido during fiscal year 2024, the impact of the change of the internal models, the adjustment to make T&D Information System Ltd. to the direct subsidiary of T&D Holdings and the additional capital injection to FGH Parent, L. P., the Group's non-covered business.
Note 2:
The change of the net assets of T&D Information System Ltd.
Note 3:
The adjustment of the market value of the subordinated debt which TDH issued.

5. Sensitivities

The impact of changes in assumptions (sensitivities) on the MCEV results are summarised below. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged from the base. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of two sensitivities with only one assumption change. Under different sensitivity scenarios, the basis for policy reserves (excluding reserves for separate accounts) is unchanged, in line with the Japanese statutory reserving rules.

(Billions of yen)

	MCEV			Value of new business
		Adjusted net worth	Value of in-force business	
Base Scenario	4,038.6	1,081.7	2,956.9	166.1
Sensitivity 1: 50 basis points increase in interest rate	(22.0)	(396.6)	374.5	0.6
Sensitivity 2: 50 basis points decrease in interest rate (with flooring)	3.5	434.7	(431.1)	(0.7)
Sensitivity 3: 50 basis points decrease in interest rate (without flooring)	3.5	434.7	(431.1)	(0.6)
Sensitivity 4: 10% decrease in equity and real estate value	(183.4)	(183.7)	0.3	0.5
Sensitivity 5: 10% decrease in lapse rate	237.8	-	237.8	23.7
Sensitivity 6: 10% decrease in maintenance expenses	70.2	-	70.2	6.3
Sensitivity 7: 5% decrease in claim incidence rates for the life business	92.4	-	92.4	8.3
Sensitivity 8: 5% decrease in mortality for the annuity business	(3.6)	-	(3.6)	0.0
Sensitivity 9: Change the required capital to the statutory minimum	0.1	-	0.1	0.0
Sensitivity 10: 25% increase in equity implied volatility	(2.3)	*(Note1)* 0.0	(2.3)	-
Sensitivity 11: 25% increase in swaption implied volatility	(28.9)	-	(28.9)	(0.6)

Note:
1. The increase of Adjusted net worth for Sensitivity 10 is due to the increase of the market value of put options held by T&D Financial for the purpose of hedging minimum guarantee risk of Variable Annuities.

Sensitivity 1: 50 basis points increase in interest rate (forward rate)
Fixed interest assets (bonds, loans, etc.) are revalued according to the change in the interest rate. The value of in-force business is re-calculated according to the change of investment yield and risk discount rate. Policyholder behaviour also changes corresponding to these changes. The ultimate forward rate used for the extrapolation beyond the last liquid data point of interest rate is not shifted for the sensitivities 1, 2, and 3.

Sensitivity 2: 50 basis points decrease in interest rates (forward rate; with flooring)
Same as sensitivity 1, with a reduction in yields. However, if the reference rate is negative before the deduction of 50 basis points, the rate is not decreased, and if the reference rate becomes negative after the deduction of 50 basis points, 0% is applied instead.

Sensitivity 3: 50 basis points decrease in interest rates (forward rate; without flooring)
Same as sensitivity 1, with a reduction in yields by 50 basis points. All reference rates are decreased even if they are negative.

Sensitivity 4: 10% decrease in equity and real estate value as at the valuation date
Market values of equities and real estate at the valuation date are reduced by 10%.

Sensitivity 5: 10% decrease in lapse rate
Base lapse rates are multiplied by 0.9.

Sensitivity 6: 10% decrease in maintenance expenses
This is applied only to maintenance expenses, but not to commission-related or acquisition expenses.

Sensitivity 7: 5% decrease in claim incidence rates for the life business
Base claim incidence rates (mortality and morbidity) are multiplied by 95%. The possibility of premium rate cuts and any other managerial actions associated with such changes in the claim level are not reflected.

Sensitivity 8: 5% decrease in mortality for the annuity business
Base mortality rates are multiplied by 95%. The possibility of premium rate increases and any other managerial actions associated with such changes in the claim level are not reflected.

Sensitivity 9: Change the required capital to the statutory minimum (200% of solvency margin ratio)
The required capital is changed to 200% of solvency margin, which is Japanese statutory minimum level, and the frictional costs of required capital are re-calculated.

Sensitivity 10: 25% increase in equity implied volatility
Base implied volatilities of equity options are multiplied by 125%. The volatility assumptions affect cost of financial options and guarantees.

Sensitivity 11: 25% increase in swaption implied volatility
Base implied volatilities of swaptions are multiplied by 125%. The volatility assumptions affect cost of financial options and guarantees.

The table below shows each company's MCEV sensitivity results.

(1) Taiyo Life

(Billions of yen)

	MCEV			Value of new business
		Adjusted net worth	Value of in-force business	
Base Scenario	1,133.2	374.7	758.4	27.2
Sensitivity 1: 50 basis points increase in interest rate	(44.2)	(154.5)	110.2	(3.1)
Sensitivity 2: 50 basis points decrease in interest rate (with flooring)	40.0	167.1	(127.0)	4.3
Sensitivity 3: 50 basis points decrease in interest rate (without flooring)	40.0	167.1	(127.0)	4.3
Sensitivity 4: 10% decrease in equity and real estate value	(70.2)	(70.2)	-	-
Sensitivity 5: 10% decrease in lapse rate	37.5	-	37.5	5.1
Sensitivity 6: 10% decrease in maintenance expenses	22.0	-	22.0	1.9
Sensitivity 7: 5% decrease in claim incidence rates for the life business	20.8	-	20.8	3.0
Sensitivity 8: 5% decrease in mortality for the annuity business	(0.7)	-	(0.7)	0.0
Sensitivity 9: Change the required capital to the statutory minimum	0.1	-	0.1	0.0
Sensitivity 10: 25% increase in equity implied volatility	(1.9)	-	(1.9)	-
Sensitivity 11: 25% increase in swaption implied volatility	(9.3)	-	(9.3)	(0.6)

(2) Daido Life

(Billions of yen)

	MCEV			Value of new business
		Adjusted net worth	Value of in-force business	
Base Scenario	2,731.9	694.7	2,037.1	130.0
Sensitivity 1: 50 basis points increase in interest rate	19.5	(201.6)	221.1	4.2
Sensitivity 2: 50 basis points decrease in interest rate (with flooring)	(33.2)	224.1	(257.3)	(5.5)
Sensitivity 3: 50 basis points decrease in interest rate (without flooring)	(33.2)	224.1	(257.3)	(5.5)
Sensitivity 4: 10% decrease in equity and real estate value	(113.4)	(113.4)	-	-
Sensitivity 5: 10% decrease in lapse rate	197.8	-	197.8	18.4
Sensitivity 6: 10% decrease in maintenance expenses	45.5	-	45.5	3.8
Sensitivity 7: 5% decrease in claim incidence rates for the life business	67.5	-	67.5	5.0
Sensitivity 8: 5% decrease in mortality for the annuity business	(2.1)	-	(2.1)	0.0
Sensitivity 9: Change the required capital to the statutory minimum	(0.0)	-	(0.0)	(0.0)
Sensitivity 10: 25% increase in equity implied volatility	(0.2)	-	(0.2)	-
Sensitivity 11: 25% increase in swaption implied volatility	(19.5)	-	(19.5)	-

(3) T&D Financial Life

(Billions of yen)

	MCEV			Value of new business
		Adjusted net worth	Value of in-force business	
Base Scenario	171.7	10.4	161.3	8.8
Sensitivity 1:50 basis points increase in interest rate	2.6	(40.5)	43.1	(0.4)
Sensitivity 2:50 basis points decrease in interest rate (with flooring)	(3.3)	43.4	(46.7)	0.4
Sensitivity 3: 50 basis points decrease in interest rate (without flooring)	(3.3)	43.4	(46.7)	0.6
Sensitivity 4:10% decrease in equity and real estate value	0.3	*(Note1)* 0.0	0.3	0.5
Sensitivity 5: 10% decrease in lapse rate	2.3	-	2.3	0.1
Sensitivity 6: 10% decrease in maintenance expenses	2.6	-	2.6	0.6
Sensitivity 7: 5% decrease in claim incidence rates for the life business	3.9	-	3.9	0.2
Sensitivity 8: 5% decrease in mortality for the annuity business	(0.7)	-	(0.7)	0.0
Sensitivity 9: Change the required capital to the statutory minimum	0.0	-	0.0	0.0
Sensitivity 10: 25% increase in equity implied volatility	(0.0)	*(Note1)* 0.0	(0.1)	-
Sensitivity 11: 25% increase in swaption implied volatility	(0.0)	-	(0.0)	-

Note:
1. The increase of Adjusted net worth for Sensitivity 4 and Sensitivity 10 is due to the increase of the market value of put options held for the purpose of hedging minimum guarantee risk of Variable Annuities.

6. Group MCEV

Group MCEV is a total shareholder value of all businesses and it consists of the MCEV of covered business and the net asset value of non-covered business on a Japanese GAAP basis. The net asset value of non-covered business includes the net asset values of T&D Asset Management Co., Ltd., Ltd., Pet & Family Insurance Co., Ltd., T&D United Capital Co., All Right Co., Ltd., T&D Innovation Fund and TDH excluding the stocks of its subsidiaries and affiliates.

The Group MCEV as of March 31, 2025 is ¥3.945.7 billion, an increase of ¥61.3 billion from the value as of March 31, 2024.

(Billions of yen)

	March 31, 2024	March 31, 2025	Increase (Decrease)
Net assets shown on consolidated balance sheet *(Note1)*	1,403.9	1,301.1	(102.7)
Addition of internal reserves as quasi-equity liabilities and general reserves for possible loan losses (after tax) *(Note2)*	315.1	318.0	2.8
Addition of difference in unrealized capital gains/losses (after tax) *(Note3)*	(211.9)	(630.3)	(418.3)
Value of in-force business	2,377.3	2,956.9	579.5
Group MCEV	3,884.4	3,945.7	61.3
Covered business MCEV	3,983.2	4,038.6	55.3
Net asset value of non-covered business	(98.8)	(92.8)	5.9

Notes:
1. Minority interests are excluded.
2. Price fluctuation reserve, contingency reserve, unallocated amount in policyholders' dividends reserve and reserve for possible loan losses (net of tax).
3. Unrealized gains/losses which are not included on consolidated balance sheets, i.e. unrealized gains/losses of held-to-maturity bonds, policy reserve-matching bonds, loans, real estates and subordinated debts (net of tax).

The table below shows an analysis of the increase (decrease) in the Group MCEV during the 12 month period ended March 31, 2025.

(Billions of yen)

	Covered business MCEV	Net asset value of non-covered business	Group MCEV
Opening Group MCEV	3,983.2	(98.8)	3,884.4
(1) Opening adjustments	(147.4)	12.8	(134.6)
Adjusted opening Group MCEV	3,835.8	(86.0)	3,749.7
(2) Operating MCEV earnings	265.6	(5.8)	259.7
(3) Non-operating MCEV earnings	(62.9)	(0.8)	(63.7)
(4) Total MCEV earnings	202.7	(6.7)	195.9
(5) Other movements in net assets	-	-	-
(6) Closing adjustments	-	(0.0)	(0.0)
Closing Group MCEV	4,038.6	(92.8)	3,945.7

(1) Opening adjustments

The amount of the Group's covered business consists of the shareholders dividend paid to its shareholders and the treasury shares repurchased by T&D Holdings, the impact of the change of the internal models, the adjustment to make T&D Information System Ltd. to the direct subsidiary of

T&D Holdings and the additional capital injection to FGH Parent, L. P., the Group's non-covered business.
The amount of the Group's non-covered business is the additional capital injection to FGH Parent, L. P.

(2) Operating MCEV earnings

This shows "Operating MCEV earnings" of covered business, and net income of non-covered business and an amount of the stock acquisition rights of stock compensation program stock options allocated to the directors of T&D Holdings.

(3) Non-operating MCEV earnings

This shows "Economic variances" and "Other non operating variance" of covered business and other comprehensive income of non-covered business.

(4) Total MCEV earnings

This shows the sum of items (2) through (3).

(5) Other movements in net assets

The Group has no movements in the fiscal year ended March 31, 2025.

(6) Closing adjustments

This shows the increase/decrease of treasury stock due to demands for purchase or increase by owners of fractional shares.

7. MCEV Methodology

(1) MCEV

MCEV represents the present value of shareholders' interests in the earnings distributable from assets allocated to the covered business after sufficient allowance for the aggregate risks in the covered business, excluding any value that may be generated from future new business. MCEV consists of the adjusted net worth (the sum of free surplus and required capital) and the value of in-force business.

(2) Adjusted net worth

Adjusted net worth is calculated by adjusting the total net assets on the Group's balance sheet for the following:

- In order to mark to market, differences in market value and book value of assets have been reflected on an after-tax basis. The assets to be adjusted include held-to-maturity bonds, policy reserve-matching bonds, loans, land, building, debt and borrowings etc. The equities of subsidiaries and affiliates of life subsidiaries have been adjusted to marked-to-market values. For retirement benefits, figures from the primary statements have been used without adjustment.
- Certain liabilities that are effectively part of net worth (price fluctuation reserve, contingency reserve, unallocated portion in the policyholders' dividend reserve, and general reserve for possible loan losses) have been added on an after-tax basis.
- The stock acquisition rights etc. of share-based payments such as stock compensation program stock options are not included in the shareholder equity on the balance sheet of each life subsidiary but are included in the shareholder equity of TDH. The amount of stock-based payments has been added to the adjusted net worth of each subsidiary, for consistency with the treatment in TDH.

Adjusted net worth is represented by the sum of required capital and free surplus.

(3) Required capital

Required capital is defined in the MCEV Principles as the market value of assets, attributed to the covered business over and above that required to back liabilities for covered business, whose distribution to shareholders is restricted. The level of required capital should meet at least the regulatory minimum capital requirement and should include amounts required to meet internal objectives.

The Group defines required capital as the larger of the amount of capital to meet 200% of solvency margin ratio, which is the regulatory minimum requirement in Japan, and the amount of capital to cover 133% of the risks calculated by an internal model on economic value basis ("the economic capital").

The amount of required capital calculated by the internal model is the sum of the insurance liabilities on economic basis and 133% of the economic capital in excess of the statutory policy liabilities excluding contingency reserves.

The Group's required capital as of March 31, 2025 is ¥71.3 billion and is equal to the regulatory minimum solvency requirement.

The economic capital is calculated using an internal model and calibrated at 99.5 percentile value at risk over one year. The Group's internal model is set based on the characteristics of the Group's business model with reference to the methodology under discussion for EU Solvency II, including the Statistical Quality Standards and other standards, and the possible direction of an economic value-based solvency regime in Japan. In accordance to such recent developments in regulations, the Group has appropriately revised parts of its internal model where methodology has become insufficient.

The calculation methodology of the risks considered in the internal model are:

- Asset management risk
  The Group calculates the changes of value of assets and liabilities caused by the changes of equities, interest rates and foreign exchange rates, changes of values of loans and bonds caused by deterioration of financial conditions and changes in market spreads of credit facilities, and changes of values of real estate caused by the changes of land prices and rates of rent, using stochastic simulations.
- Insurance underwriting risk
  The Group calculates the changes of the value of insurance liabilities caused by the changes in mortality rates, morbidity rates, lapse rates and expenses and catastrophe.
- Operational risk
  The Group calculates the losses caused by mistakes and failures of internal processes and systems, and illegal procedures, litigations and disasters, using stochastic simulations.
  In this fiscal year, the Group revised the scope of external operational loss experiences covered, based on the recent increase in requirements in information security.

(4) Free surplus

The free surplus is the adjusted net worth in excess of the required capital.

(5) Value of in-force business

The value of in-force business is calculated as follows:

	Certainty equivalent present value of future profit
Less	Time value of financial options and guarantees
Less	Frictional costs of required capital
Less	Cost of non-hedgeable risks

The value of new business is calculated in the same way.

(6) Certainty equivalent present value of future profit

The certainty equivalent value is the value of the future cash flows calculated on a deterministic basis, and the present value of the future after-tax profits at the reference rates. It is calculated assuming all assets earn the reference rate.

Generally, in a market-consistent valuation, each cash flow is valued using the discount rate consistent with that applied to such a cash flow in the capital markets. For example, an equity cash flow is valued using an equity risk discount rate, and a bond cash flow is valued using a bond risk discount rate. If a higher return is assumed for equities, the equity cash flow is discounted at this higher rate.

In practice, a short-cut method has been applied known as the "certainty equivalent" approach whereby it is assumed all assets earn the reference rate and all cash flows are discounted using the reference rate. This gives the same result as applying the method in the previous paragraph.

It reflects the intrinsic value of financial options and guarantees (e.g. policyholder dividends), but the time value of financial options and guarantees is not reflected and is calculated separately. The liabilities where the payouts are either independent or move linearly with market movements can be valued with the certainty equivalent approach.

(7) Time value of financial options and guarantees

Insurance contracts include various options and guarantees which may cause asymmetric impact on future profits in accordance with changes of economic assumptions. To calculate the time value of financial options and guarantees, a stochastic method is used with the assumptions calibrated to the prices of options traded in the financial markets. The time value of financial options and guarantees is calculated as the difference between the average of the present values of future profits calculated under a set of market-consistent stochastic economic scenarios and the certainty equivalent present value of future profits.

The economic scenarios are calibrated with reference to the market prices of traded options. This approach is usually used in the market to value derivatives. The Group has not set management actions such as changes in asset allocation in accordance with the changes in economic environments.

The elements described below have been taken into account in calculating the time value of financial options and guarantees.

Participating policies
When investment performance and other experience is good, policyholders' dividends are paid out and shareholders may not receive 100% of the profit. On the other hand, when losses arise, shareholders need to bear the cost of guarantees attached to participating policies.

Policyholders' dividends have been assumed as certain percentages of the profit of the corresponding segment in accordance with each life company's dividend policy, and future dividend payouts therefore vary according to the projected circumstances.

Minimum Guarantees on Variable Annuities
When investment performance is good, policyholders will be entitled to the full amount of the account. On the other hand, when investment performance is poor, shareholders need to bear the cost of guarantees attached to variable annuity policies. These features have been allowed for in the valuation.

Policyholder behaviour
Policyholders have a variety of options against the company. In this valuation, the risk of selective surrenders on fixed sum policies in the event that interest rates rise, surrenders based on the "moneyness" on variable annuity policies and selective surrenders depending on the ratio of surrender values to the sum of paid premiums on the products of which surrender values change as a result of the movement of factors such as interest rates or exchange rates have been allowed for.

(8) Frictional costs of required capital

Insurance companies are required to hold capital in addition to statutory liabilities for the fulfilment of insurance obligation. Frictional costs are the cost of having to retain the level of required capital and is the sum of the present value of the tax on investment earnings on required capital and the cost for managing the assets corresponding to the required capital.

Future required capital levels have been estimated by projecting relevant risk drivers, such as sum insured and reserves, and applying relevant factors derived from the internal model based risk amount at the valuation date.

(9) Cost of non-hedgeable risks

MCEV Principles require an allowance made for the cost of non hedgeable risks not already allowed for in the certainty equivalent present value of future profits or the time value of options and guarantees.
For example, in non-economic assumptions used for the calculation of the certainty equivalent present value of future profits or the time value of options and guarantees, such as mortality, morbidity, lapse and expenses, the Group does not include the impact of extreme events which the Group has never experienced. To include them, the Group makes an allowance for the impact of extreme events in MCEV.

The Group allows for the cost of the non hedgeable risks described below:

- Operational risk
  This includes risk of losses resulting from failed internal processes or system failures.
- Catastrophe risk
  This includes risk of increase of claims due to earthquakes, typhoons or pandemics and risk of destruction of buildings or mass lapse due to earthquakes.
- Reputational risk
  This includes risk of mass lapse due to reputational events.
- Other asymmetric impact of non-economic assumptions
  The Groups allow for risk when variance of non-economic assumptions has negative impact on the value.
- The risk of unrecoverable tax losses
  Taxable losses are carried forward and can be offset against future taxable profits. The Group assumes all losses are recoverable in the calculation of the certainty equivalent present value of future profits and the time value of financial options and guarantees. However, the Group allows for the risk that taxable losses which are carried forward cannot be collected within the deferrable period.
- Non-hedgeable financial risks
  This reflects uncertainty of the values due to the cash flows in the long-term period where no deep and liquid market exists.
- Allowance for the uncertainty
  This is an allowance for additional uncertainty which is not included the elements above.

The Group applies a cost of capital approach to allow for these risks. The cost of non hedgeable risks is calculated as the sum of present value at the reference rates of future non-financial risk amounts multiplied by a capital charge.
Future risk amounts are calculated using relevant drivers for the risk amounts, such as sum insured and reserves, and factors for the risks based on the internal model based risk amount at the valuation date. The risk amount is calibrated to a 99.5 percentile value at risk over one year.
The Group uses a 3.0% cost of capital charge in order to cover the risks listed above.

(10) Value of new business

The value of new business is the value of new policies issued during fiscal year 2024. The value has been calculated as of March 31, 2025, and the same operating and economic assumptions as those applied for the valuation of in-force business are used.
However, the value of new business of the single premium saving products issued by TDF is calculated as a value at point of sale, applying economic assumptions as of the end of each quarter to new business of the quarter.

The value of new business includes the value of new policies issued and the net increase in value arising from conversions and does not include values of future renewals of the in-force policies

8. Main MCEV Assumptions

(1) Reference rates

In the certainty equivalent calculation, the reference rates used as the discount rates and investment yields are based on government bond yields. The table below shows, for selected terms, the reference rates (spot rates) which have been used for the calculation.
The Group uses the ultimate forward rate at 2.9% for Japanese yen (3.8% for U.S. dollar and Australian dollar) and set the last liquid data point at 40th year for Japanese yen (30th year for U.S. dollar and Australian dollar). For the forward rates beyond the last liquid data point, the Group extrapolated the yield curve to the ultimate forward rate over a convergence period of 30 years using the Smith-Wilson method.
The methodology and assumptions for the extrapolation are based on the International Capital Standard (ICS) Version 2.0 adopted by the International Association of Insurance Supervisors (IAIS) and the current discussions in Japan regarding implementation of economic value-based solvency regulations. The Group may revise the level of the ultimate forward rate in the future in consideration of the trends of solvency regulations and EV disclosures in Japan and abroad.

JGB Rates

Term	As of the end of March, 2024	As of the end of March, 2025
1 year	0.054%	0.641%
2 year	0.189%	0.857%
3 year	0.202%	0.893%
4 year	0.277%	1.023%
5 year	0.358%	1.114%
10 year	0.758%	1.521%
15 year	1.167%	1.957%
20 year	1.561%	2.322%
25 year	1.696%	2.413%
30 year	1.929%	2.688%
35 year	2.045%	2.873%
40 year	2.075%	2.970%
45 year	2.114%	3.016%
50 year	2.170%	3.029%

Source: Ministry of Finance Japan, after interpolation/extrapolation

Term	US Treasury		Australian government bonds	
	As of the end of March, 2024	As of the end of March, 2025	As of the end of March, 2024	As of the end of March, 2025
1 year	5.015%	4.018%	3.896%	3.781%
2 year	4.615%	3.890%	3.698%	3.682%
3 year	4.392%	3.875%	3.618%	3.698%
4 year	4.280%	3.915%	3.614%	3.757%
5 year	4.211%	3.963%	3.655%	3.858%
10 year	4.186%	4.256%	4.021%	4.468%
15 year	4.244%	4.515%	4.248%	4.763%
20 year	4.544%	4.756%	4.384%	5.002%
25 year	4.500%	4.746%	4.443%	5.155%
30 year	4.305%	4.639%	4.470%	5.254%
35 year	4.170%	4.541%	4.453%	5.230%
40 year	4.097%	4.460%	4.405%	5.118%
45 year	4.052%	4.393%	4.352%	4.996%
50 year	4.021%	4.337%	4.302%	4.884%

Source: Bloomberg, after interpolation/extrapolation

The swap rates (spot rates) used for the sensitivity calculation in Section 2. (2) and Section 2. (3) are as follows:

Swap Rates

Term	JPY swap	USD swap	AUD swap
	As of the end of March, 2025		
1 year	0.698%	4.013%	4.067%
2 year	0.853%	3.758%	3.904%
3 year	0.950%	3.689%	3.905%
4 year	1.006%	3.680%	3.946%
5 year	1.055%	3.694%	4.016%
10 year	1.337%	3.831%	4.428%
15 year	1.641%	3.962%	4.655%
20 year	1.898%	3.997%	4.717%
25 year	2.032%	3.926%	4.636%
30 year	2.104%	3.810%	4.522%
35 year	2.139%	3.745%	4.428%
40 year	2.158%	3.724%	4.355%
45 year	2.192%	3.720%	4.296%
50 year	2.242%	3.723%	4.248%

Source: Bloomberg, after interpolation/extrapolation

The MCEV Principles require the inclusion of a liquidity premium where appropriate. However, the Group does not apply any liquidity premiums because there are no definitive standards of liquidity premiums. In respect of liquidity premiums, various discussions are ongoing in Europe and Japan. The Group may review how to treat liquidity premiums in the future taking into account these discussions.

(2) Stochastic scenarios

For the stochastic calculations to derive the time value of financial options and guarantees, the asset portfolio of each company is modeled into three asset classes, cash, equities and bonds, with three currencies, Japanese yen, U.S. dollar and Euro, and different volatilities are assumed for each asset class taking account of correlations. The economic scenarios comprise 5,000 market-consistent scenarios generated under a risk neutral approach, utilizing parameters calibrated with reference to the observable market prices of swaptions, equity options and currency options at the valuation date.
U.S. dollar or Australian dollar scenarios have been applied to the policies payments of which are linked to U.S. dollar or Australian dollar interest rates and/or exchange rates.
The scenarios have been generated by Willis Towers Watson.

i. Interest rate model
As an interest rate model, the Group has adopted a single-factor Hull-White model, in which interest rates denominated in Japanese yen, U.S. dollars, Euro and Australian dollars are calculated. The model has been adjusted to be in line with a risk-neutral approach in which Japanese yen is set as a base currency, and correlations between the interest rates have also been taken into account. The interest rate model has been calibrated consistent with the market environment as of each valuation date, and parameters used are estimated from the yield curve and implied volatilities of interest rate swaptions with various maturities.
The table below shows a sample of the implied market volatilities for swaptions used for calibration of scenarios.

Implied Market Volatility of Swaptions

Option Term	As of the end of March, 2024				As of the end of March, 2025			
	JPY	USD	EUR	AUD	JPY	USD	EUR	AUD
1 year	45.4bps	98.4bps	83.4bps	92.9bps	47.3bps	99.5bps	78.5bps	87.4bps
2 years	44.1bps	96.7bps	84.4bps	91.6bps	47.1bps	97.5bps	78.7bps	85.4bps
5 years	41.9bps	90.5bps	81.7bps	81.2bps	45.7bps	92.8bps	76.4bps	80.3bps
10 years	41.2bps	78.5bps	72.2bps	68.3bps	44.6bps	84.5bps	71.9bps	72.8bps
15 years	40.3bps	68.7bps	64.2bps	-	44.3bps	76.8bps	66.8bps	-

Swap term is 10 years *Source: Bloomberg*

The implied volatilities are based on Normal models.

ii. Implied volatilities of equities and currencies

Volatilities of main equity indices and currencies are calibrated based on implied volatilities of relevant options traded in the market.
The table below shows a sample of the implied market volatilities for equity options used for calibration of scenarios.

Implied Market Volatility of Equity Options

Currency	Underlying Asset	Option term	As of the end of March, 2024	As of the end of March, 2025
JPY	Nikkei 225	3 years	19.4%	20.1%
		4 years	19.5%	20.0%
		5 years	19.6%	20.0%
USD	S&P 500	3 years	18.3%	18.9%
		4 years	19.1%	19.6%
		5 years	19.9%	20.2%
EUR	Euro Stoxx50	3 years	16.2%	16.9%
		4 years	16.3%	17.0%
		5 years	16.5%	17.1%

Source: Markit, after interpolation

Implied Market Volatility of Currency Options

Currency	Option term	As of the end of March, 2024	As of the end of March, 2025
USD	5 years	7.9%	8.8%
EUR	5 years	9.3%	10.8%
AUD	5 years	11.0%	11.3%

Source: Bloomberg

iii. Correlations

In addition to implied volatilities described above, the Group has calculated implied volatilities reflecting the asset portfolio of each life company and correlation factors. The asset mix is assumed to be unchanged over the projection periods.
With regard to correlation factors, market-consistent data from exotic options with sufficient liquidity have not been observed in the market. Therefore, the Group has used correlation factors based on recent 10 years historical market data.

The table below shows correlation factors between major variables.

(%)

	Interest rate /JPY	Interest rate /USD	Interest rate /EUR	Interest rate /AUD	Exchange rate /USD	Exchange rate /EUR	Exchange rate /AUD	Stock index /JPY	Stock index /USD	Stock index /EUR
Interest rate /JPY	100	48.3	59.4	51.3	27.1	27.0	19.9	17.4	(15.7)	(7.2)
Interest rate /USD	48.3	100	76.2	78.3	66.0	47.4	41.8	25.8	(12.5)	(1.4)
Interest rate /EUR	59.4	76.2	100	72.4	42.5	52.8	33.0	13.1	(28.4)	(12.8)
Interest rate /AUD	51.3	78.3	72.4	100	50.6	47.1	54.2	14.1	(14.9)	(9.8)
Exchange rate /USD	27.1	66.0	42.5	50.6	100	69.3	52.0	40.8	(8.1)	5.9
Exchange rate /EUR	27.0	47.4	52.8	47.1	69.3	100	68.9	50.0	13.5	19.2
Exchange rate /AUD	19.9	41.8	33.0	54.2	52.0	68.9	100	63.2	48.5	43.6
Stock index /JPY	17.4	25.8	13.1	14.1	40.8	50.0	63.2	100	65.3	69.7
Stock index /USD	(15.7)	(12.5)	(28.4)	(14.9)	(8.1)	13.5	48.5	65.3	100	79.3
Stock index /EUR	(7.2)	(1.4)	(12.8)	(9.8)	5.9	19.2	43.6	69.7	79.3	100

Calculated from the source provided by Ministry of Finance and Bloomberg

(3) Other assumptions

All cash flows (premiums, commissions, non-commission expenses, death benefits, cash surrender values, taxes, etc.) were projected up to policy termination, applying, by product, best estimate assumptions based on past and current experience and the Group's future views. The mortality assumption includes the allowance for future improvements based on the Group's experience study. Tax rates are set based on the effective tax rates used for the most recent financial statements. Tax rate assumptions have been changed due to recent legislated changes.

	Fiscal 2024 and 2025	Fiscal 2026 onward
Taiyo	28.00%	28.90%
Daido	27.90%	28.90%
TDF	27.97%	28.90%

Tax rates used for the MCEV as of March 31, 2024 were:

	Fiscal 2023 onward
Taiyo	28.00%
Daido	27.93%
TDF	27.97%

Expenses

Expense assumptions have been set based on the expenses incurred by each of the life insurance companies. Some adjustments were made including the elimination of one-off expenses which are not expected to be regularly repeated in the future.

Inflation

The inflation assumption for the first 40 years was set at 1.1% with reference to the break-even inflation rate from inflation index-linked government bonds. For the 41st year and later, the inflation assumption was extrapolated to converge to 2.0%, the inflation rate implied in the ultimate forward rate, at 70th year. (For the MCEV as of March 31, 2024, the inflation assumption for the first 40 years was set at 0.4% and, for the 41st year and later, extrapolated to converge to 2.0% at 70th year.)

Policyholder Dividends

Daido and Taiyo set their dividend policies in April 2002 and in April 2003 respectively when they demutualized. TDF, previously Tokyo Mutual which was rehabilitated and acquired by Taiyo and Daido jointly in October 2001 (now held directly by TDH), has a policyholders' special dividend rule as part of its rehabilitation schedule. Policyholder dividend assumptions have been set based on these policies.

Dynamic Assumptions

Interest-sensitive dynamic lapse assumptions are applied to conventional products. For variable business, dynamic lapse assumptions are related to the ratio of the actual fund value to the level of minimum guarantees. For the products of which surrender values change as a result of the movement of factors such as interest rates or foreign exchange rates, dynamic lapse assumptions are related to the ratio of the surrender value to the sum of paid premiums.

Dynamic policyholders' dividend assumptions have been made based on each life insurance company's policyholders' dividend policy described above.

(4) Expected returns used for "Expected existing business contribution"

Each asset's expected return as at March 31, 2024 used for the calculation of "Expected existing business contribution" in Section 3 (Movement Analysis) is as follows:

	Expected return
Cash and deposit, call loan	0.054%: 1-year JGB rate
Domestic bond, loan	1 year JGB rate + credit spread by ratings
Domestic & foreign equities	5.554%: 1-year JGB rate + risk premium [5.5%]
Foreign bond	1.554%: 1-year JGB rate + risk premium [1.5%]
Private equity	8.554%: expected return of domestic equities + risk premium [3.0%]
Hedge fund	4.054%: 1-year JGB rate + risk premium [4.0%]
Real estate	3.054%: 1-year JGB rate + risk premium [3.0%]

9. Notes on the Use of the Information

The calculation of MCEV results involves certain assumptions regarding future projections that are subject to risks and uncertainties. It should be noted that actual future results might differ materially from the assumptions used in the MCEV calculations. Moreover, although MCEV is one indicator of the corporate value of a life insurance company/group, the actual market value may significantly diverge from the MCEV, and investors are advised to be cautious.

10. Third Party Opinion

Willis Towers Watson has reviewed the methodology and assumptions used to determine the embedded value results as of March 31, 2025 for the T&D Insurance Group, together with the disclosure provided in this document, against the requirements of the European Insurance CFO Forum Market Consistent Embedded Value Principles ("MCEV Principles")©[1]. The review covered the embedded value as of March 31, 2025, the value of new business issued in fiscal year 2024, the analysis of movement in the embedded value during fiscal year 2024 and the sensitivities of the embedded value and new business value to changes in assumptions.
Willis Towers Watson has concluded that the methodology and assumptions used by T&D Insurance Group, together with the disclosure provided in this document, comply with the requirements of the MCEV Principles except for the point described below, and in particular that:

- The economic assumptions used are internally consistent and consistent with observable market data;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The level of required capital includes amounts required to meet internal objectives based on T&D Insurance Group's internal risk assessment;
- Allowance has been made for the cost of residual non hedgeable risks; and
- For participating business, the assumed policyholders' dividend rates, and the allocation of profit between policyholders and shareholders, are consistent with the projection assumptions, established company practice and local market practice.

The exception referred to above is that government bond rates have been used as the reference rate with no liquidity premium applied. The MCEV Principles requires that the reference rate should be the swap yield curve, and in addition permits the inclusion, where appropriate, of a liquidity premium. Under MCEV Principles the reference rate is a proxy for a risk free rate. T&D Insurance Group has disclosed the impact on the EV and VNB of using swap rates as the reference rate.
Willis Towers Watson has also reviewed the results of the calculations, without however undertaking detailed checks of all the models, processes and calculations involved. On the basis of this review, Willis Towers Watson is satisfied that the disclosed results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in this disclosure document.
In arriving at these conclusions, Willis Towers Watson has relied on data and information provided by T&D Insurance Group, including estimates for the market value of assets for which no market prices exist. This opinion is made solely to T&D Insurance Group in accordance with the terms of Willis Towers Watson's engagement letter. To the fullest extent permitted by applicable law, Willis Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than T&D Insurance Group for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

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Glossary

Best Estimate Assumptions:
Projection assumptions which are set based on past, current and expected future experience and which should be equal to the mean estimate (probability weighted average) of outcomes of that risk variable.

Calibration:
In this document, to set parameters of the model used for stochastic scenario generation model parameters to be market consistent.

Certainty Equivalent Value:
The present value of future projected cash flow over the life time of the policies assuming the investment returns are equal to the reference rate and discounted at the reference rate.

CFO Forum:
A forum formed and attended by the Chief Financial Officers of major European insurance companies, created in 2002 to influence the development of financial reporting and improvement of transparency of reporting to investors.

Cost of Capital Approach:
The approach to determine the cost of risk by taking the present value of the cost to hold capital required in future periods. The costs are calculated as risk based capital multiplied by cost of capital charge.

Cost of Non Hedgeable Risk:
The risks not allowed for in the certainty equivalent value and time value of financial options and guarantees, consisting of non hedgeable financial risks and non hedgeable non-financial risks.

Deterministic Approach:
An approach under which a single future scenario is applied in developing a cash flow projection.

Dynamic Assumptions:
Projection assumptions which may change according to economic and other parameters following certain formula. Examples include policyholders' dividend assumptions linked to investment return and lapse rate assumptions linked to the difference between market yield and guaranteed rate.

EEV Principles:
The principles of embedded value methodology, published by the CFO Forum in May 2004, to bring consistency and comparability.
Additional guidance on disclosure was published in October 2005 and the EEV Principles were amended in May 2016 to permit alignment with projection methods and assumptions applied for market consistent solvency regimes such as Solvency II and to allow flexibility of disclosures.

EU Solvency II:
A new solvency regime which is applied to insurance companies in EU from January 2016.

Free Surplus:
Part of capital and surplus allocated to the covered business but not required to be maintained.

Frictional Costs of Required Capital:
The cost to maintain a certain level of capital required to continue operation of the life insurance business. In the Group's calculations, the tax on investment returns and investment management cost on required capital has been allowed for.

Insurance Capital Standard:
The regulatory capital requirement which International Association of Insurance Supervisors (IAIS) is developing as a part of ComFrame. ComFrame is a common framework for supervision of internationally active insurance groups (IAIGs).

Implied Volatility:
Volatility implied from an option price.

Market Consistent Risk Neutral Scenarios:
Investment return scenarios used to value assets and liabilities applying a Monte Carlo simulation approach on a market-consistent basis. Risk neutral scenarios are generated applying an arbitrage-free stochastic model based on financial markets data.

MCEV Principles:
The Principles of embedded value methodology published by the CFO Forum in June 2008 in order to improve consistency and standardized disclosure of market consistent EVs.
Major changes from the EEV Principles to the MCEV Principles are as follows:

- The allowance for risk should be calibrated to the market price for risk;
- An explicit allowance should be made for the cost of non hedgeable risks not allowed for in the certainty equivalent of future profits and time value of options and guarantees;
- The required capital should include amounts required to meet the internal objectives which could be based on an internal risk assessment or the capital required to obtain a targeted credit rating; and

The MCEV Principles were amended in October 2009 to reflect the inclusion of a liquidity premium, and were amended in May 2016 to permit alignment with projection methods and assumptions applied for market consistent solvency regimes such as Solvency II and to allow flexibility of disclosures.

Present Value of New Business Premiums:
Sum of the premiums paid in the fiscal year and the present value of premiums projected to be paid in the future from the new business issued in a single year, discounted at the reference rates.

Reference rate:
In MCEV Principles, the reference rate is a proxy for a risk free rate appropriate to the currency, term and liquidity of the liability cash flows. Where the liabilities are liquid the reference rate should, wherever possible, be the swap yield curve appropriate to the currency of the cash flows, and where the liabilities are not liquid the reference rate should be the swap yield curve with the inclusion of a liquidity premium, where appropriate. Here a liability is liquid if the liability cash flows are not reasonably predictable.

Required Capital:
The assets attributed to the covered business over and above that required to back liabilities for covered business, whose distribution to shareholders is restricted. It should be the greater of the minimum regulatory capital and the capital to meet internal objectives.

Risk Premium:
The excess rate of return demanded by investors as consideration for taking on risk through investment.

Statistical Quality Standards:
Criteria an internal risk measurement model should comply with under EU Solvency II.

Stochastic Approach:
An approach to project a range of possible future outcomes applying probability distribution models. In the calculation of the cost of options and guarantees, a set of scenarios are generated based on a probability model and each scenario is applied to project future cash flows.

Time Value of Financial Options and Guarantees:
The financial options and guarantees to be valued on the MCEV basis needs to allow for the potential impact of all financial options and guarantees inherent in the life insurance business, in accordance with the MCEV Principles.

The value of financial options and guarantees consists of intrinsic value and time value.

The intrinsic value quantifies the amount by which the financial options and guarantees are in-the-money. In the market consistent approach, this corresponds to the impact on value of the financial options and guarantees in the certainty equivalent scenario.

The time value is calculated as the difference between the present value of the financial options and guarantees on the certainty equivalent scenario and the average of the values calculated with a set of risk neutral scenarios under the market consistent approach. The average of the values calculated with a set of risk neutral scenarios represents the total value of the financial options and guarantees, and by deducting the intrinsic value, the time value is derived.

Ultimate Forward Rate
The future forward rate which is defined based on the idea that future forward rate should ultimately converge with a fixed level. The ultimate forward rate is set based on macro-economic analysis, etc.

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