

CONSOLIDATED FINANCIAL SUMMARY

(for the six months ended September 30, 2003)

November 20, 2003

Name of Company: **Daido Life Insurance Company**
 Stock Listings: Tokyo, Osaka
 Security Code No.: 8799
 Head Office: Osaka, Japan
 URL: <http://www.daido-life.co.jp>
 Date of Board Meeting for Settlement of Accounts: November 20, 2003
 Application of U.S. Accounting Standards: No

1. Consolidated Operating Results for the Six Months Ended September 30, 2003

(1) Results of Operations

Note: Amounts of less than one million yen are omitted, and percentages have been rounded to the nearest per cent.

	Ordinary Revenues	% change	Ordinary Profit	% change	Net Income	% change
Six months ended Sept. 30, 2003	¥599,369 million	(2.9)	¥62,675 million	225.1	¥25,451 million	729.6
Six months ended Sept. 30, 2002	¥617,238 million	(1.0)	¥19,278 million	116.1	¥3,068 million	-
FY 2002 ended Mar. 31, 2003	¥1,185,256 million	(10.0)	¥41,807 million	(5.1)	¥6,383 million	(33.1)

	Net Income per Share	Net Income per Share (Fully Diluted)
Six months ended Sept. 30, 2003	¥16,967.42	¥ -
Six months ended Sept. 30, 2002	¥2,045.34	¥ -
FY 2002 ended Mar. 31, 2003	¥4,204.50	¥ -

Notes: 1. Equity in net loss of affiliated companies: ¥1,000 million for the six months ended September 30, 2003; ¥1,599 million for the six months ended September 30, 2002; ¥3,085 million for the year ended March 31, 2003

2. Average number of outstanding shares during the term (consolidated): six months ended September 30, 2003: 1,500,000; six months ended September 30, 2002: 1,500,000; the year ended March 31, 2003: 1,500,000

3. Changes in method of accounting: None

4. % change for ordinary revenues, ordinary profit and net income is presented in comparison with the previous fiscal term.

(2) Financial Conditions

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
As of September 30, 2003	¥6,076,253 million	¥232,633 million	3.8%	¥155,088.68
As of September 30, 2002	¥6,006,163 million	¥174,880 million	2.9%	¥116,586.87
As of March 31, 2003	¥6,035,905 million	¥179,060 million	3.0%	¥119,322.62

Note: Number of outstanding shares at the end of the term (consolidated): as of September 30, 2003: 1,500,000; as of September 30, 2002: 1,500,000; as of March 31, 2003: 1,500,000

(3) Results of Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Term
Six months ended Sept. 30, 2003	¥ 571 million	¥(6,311) million	¥(4,511) million	¥452,423 million
Six months ended Sept. 30, 2002	¥ 83,530 million	¥(59,762) million	¥24,437 million	¥444,321 million
FY 2002 ended Mar. 31, 2003	¥124,736 million	¥(80,021) million	¥24,437 million	¥464,008 million

(4) Scope of Consolidation and Application of Equity Method:	
Number of consolidated subsidiaries:	6
Number of non-consolidated subsidiaries accounted for by the equity method:	None
Number of affiliates accounted for by the equity method:	9
(5) Change in Scope of Consolidation and Application of Equity Method:	
Number of companies newly consolidated:	None
Number of company excluded from consolidation:	None
Number of companies newly accounted for by the equity method:	None
Number of companies excluded from the equity method of accounting:	None

2. Forecast for the Year Ending March 31, 2004 (April 1, 2003 - March 31, 2004)

	Ordinary Revenues	Ordinary Profit	Net Income
FY 2003 ending Mar. 31, 2004	¥1,203,000 million	¥97,000 million	¥30,000 million

Note: Projected net income per share for the year ending March 31, 2004 is ¥20,000.00.

The above forecasts for the year ending March 31, 2004 reflect the Company's current analysis of existing information and trends. Actual results may differ from expectations based on risks and uncertainties that may affect the Company's businesses. For further details, please refer to "Financial Review - Forecast for the Fiscal Year Ending March 31, 2004."

(References)

I. Subsidiaries and Affiliates

The Company consists of Daido Life Insurance Company, 6 subsidiaries and 9 affiliates.

Daido Life Insurance Company
<i>Insurance and Insurance-Related Business</i> (3 companies)
Insurance
T&D Financial Life Insurance Company (Life insurance company)
Insurance-Related
* Daido Management Service Co., Ltd. (Insurance agent)
T&D Confirm Ltd. (Policyholder confirmation)
<i>Investment-Related Business</i> (6 companies)
Investment Advisory
T&D Asset Management (U.S.A.) Inc. (Investment advisory services)
T&D Asset Management Co., Ltd. (Investment advisory and investment trust services)
Sinopia T&D Asset Management Co., Ltd. (Investment advisory services)
Other
T&D Taiyo Daido Lease Co., Ltd. (Leasing)
T&D Asset Management Cayman Inc. (Partnership for management and administration)
Alternative Investment Capital Limited. (Investment advisory services of private equity funds)
<i>Administration-Related Business</i> (5 companies)
Administration-Related
* Daido Life Customer Services Co., Ltd. (Back office services)
General Affairs and Calculation-Related
* Zenkoku Business Center Co., Ltd. (Premium collection)
* Nihon System Shuno, Inc. (Premium collection)
* Daiko Building Service Co., Ltd. (Building cleaning)
T&D Information Systems, Ltd. (Computer processing)
<i>Other Businesses</i> (1 companies)
Others
* Daido Kosan Co., Ltd. (Sales of products and maintenance of land and buildings)

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

II. Management Principles and Goals

1. Basic Management Principles

Daido Life has a corporate vision that emphasizes two goals -“to be the first choice of small and medium-sized enterprises (SMEs) as the most reliable life insurance company in all aspects” and “to achieve sustainable growth in corporate value through the development of its core business”. The Company’s core business involves the marketing of individual term life insurance products in the SME market through tie-ups with affinity groups.

Based on its corporate vision, the Company is striving to inspire its customers’ trust and respond to the expectations of its shareholders by implementing the following three management policies:

- a. maintaining and increasing the soundness of management, appropriately managing risk, and taking other measures required to build a solid corporate base that encourages customers to select the Company;
- b. consistently providing products and services that offer the best value for customers, based on a basic corporate posture that encourages the seeking of new challenges and a rapid response to these challenges; and
- c. recognizing that the quality of any organization depends on the quality of the people within it and therefore developing and posting employees with high levels of specialized knowledge and exceptional ethical standards who inspire customers’ trust.

2. Basic Profit Distribution Principles

Because the life insurance industry is engaged in business operations that have a strong influence on the general level of public welfare, the Company believes it to be important that it maintains strong operating bases.

The Company’s basic profit distribution policy has the fundamental goal of distributing a stable level of dividends to shareholders while strengthening capital base with due consideration to ensuring operating stability.

In line with this policy, for the fiscal year ending March 31, 2004, the Company plans to make “share transfer distribution” in place of year-end dividends.

The Company’s basic profit distribution policy after establishment of T&D Holdings, Inc., has yet to be determined.

3. Medium-Term Strategy

The medium-term management plan that the Company began implementing from April 2003, calls for selectively concentrating corporate resources and undertaking strategic differentiation to further strengthen the Company's unique business model of focusing on the SME market.

The medium-term management plan is promoting the following five strategies:

- a. concentrating on its core business to expand its market share (*market-channel strategy*),
- b. addressing customer needs to strengthen the competitiveness of products and services (*products and services strategy*),
- c. developing its asset management business to increase profit (*asset management business strategy*),
- d. strengthening profit management and risk management capabilities to establish an even more solid operating base (*profit management and risk management strategy*), and
- e. strengthening management systems of the T&D Life Group and employing various alliances to upgrade capabilities for providing financial services (*alliance strategy*).

4. Management Goals

In its ongoing efforts to achieve the long-term enhancement of corporate value, the Company places priority on the three goals of policy amount, financial soundness, profitability and capital efficiency.

In consideration of results for the six-month period ended September 30, 2003, the Company has revised its numerical targets for the fiscal year ending March 31, 2004, as follows:

	Revised Target	Previous Target
(1) Policy amount		
total policy amount in force of individual insurance and annuities	¥39,200 billion	¥39,630 billion
(2) Financial soundness		
solvency margin ratio	800% or above	800% or above
(3) Profitability and capital efficiency		
core profit	¥95 billion	¥88 billion
consolidated ROE	10% or above	10% or above
non-consolidated adjusted ROE*	12% or above	12% or above

Notes:

* Non-consolidated adjusted ROE = [adjusted book value at fiscal year-end - adjusted book value at beginning of that fiscal year (after deduction of appropriation of retained earnings paid

out in cash) - (externally) raised capital in that fiscal year] / (average balance of adjusted book value) x 100

In which:

Adjusted book value = total equity (excluding net unrealized gains on securities)

+ quasi-equity liabilities (reserve for price fluctuations, contingency reserve and unallotted portion of reserve for policyholder dividends)

+ net unrealized gains on securities (after-tax, excluding held-to-maturity bonds and bonds due in one year or more within “available-for-sale securities” which are meant to be held to maturity)

+ net unrealized gains (losses) on real estate (after-tax)

- deferred tax assets for quasi-equity liabilities

And:

Average balance of adjusted book value = [adjusted book value at beginning of fiscal year (after deduction of appropriation of retained earnings paid out in cash) + adjusted book value at fiscal year-end] / 2

5. Basic Policy on Corporate Governance and Progress of Initiatives

Basic policy on corporate governance

The Company’s corporate vision encompasses the goals “to be the first choice of SMEs as the most reliable life insurance company in all respects” and “to achieve sustainable growth in its corporate value through the development of its core business.” In the pursuit of these visions, the Company considers the enhancement of fairness and transparency in management and properly recognizing and managing risks that may emerge through dramatic changes in the environment surrounding the insurance industry to be vital management tasks.

The Company also strives to improve its disclosure and investor relations activities. The Company believes that, by obtaining proper evaluation from shareholders, fully respecting their opinions, while reflecting such opinions in management, it could substantially enhance its corporate governance.

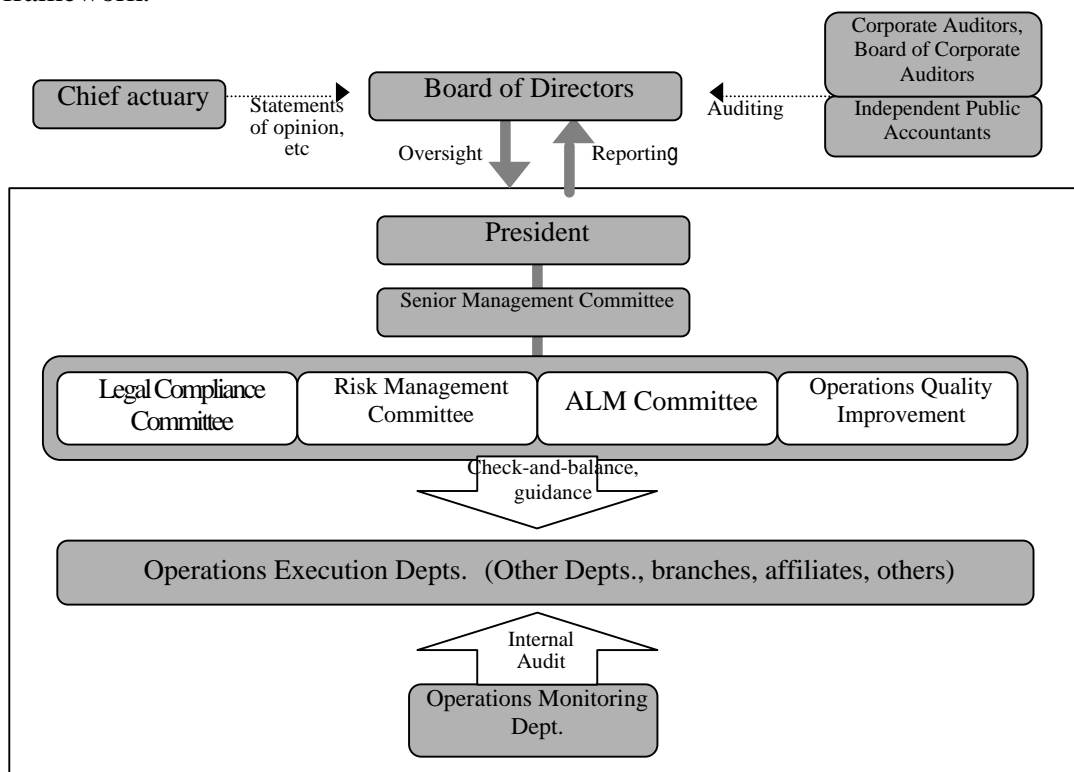
Progress of corporate governance initiatives

(1) Administrative organization for managerial decision making, execution, and monitoring

- The Company employs a system of corporate auditors. It makes proactive use of an external director and external auditors and strives to reflect the opinions of these experts in its management. As of September 30, 2003, the Company had appointed one attorney at law as an external director and one attorney at law and one honorary university professor as external auditors.
- In addition to the Board of Directors, the Company has a Senior Management Committee composed of senior directors to strengthen the deliberation process for basic

issues related to management strategy.

- In accordance with rules set forth by the Insurance Business Law, the Company has appointed a chief actuary, who participates in the determination of insurance pricing and other actuarial matters.
- The Company aims to clarify its stance regarding legal compliance, and in doing so, clearly demonstrate its orientation toward contributing to utility and value for its customers and the betterment of society. To this end, the Company has formulated the official Daido Life Corporate Ethics policy, and thoroughly implements compliance in all of its operations.
- To accurately recognize and manage risks, the Company has formulated the Risk Management Basic Policy. Under the policy, while designating specific administrative divisions for each risk category, the Company has also established the Risk Management Department for overall risk management. Furthermore, in order to cope with cross-divisional risk issues, the Company has established such committees as a Risk Management Committee, an ALM (Asset and Liability Management) Committee, and an Operations Quality Improvement Committee, thus enabling thorough risk management.
- Below is a schematic representation of the Company’s risk management and compliance framework.



(Reference) Management Risks

Under its Risk Management Basic Policy, the Company categorizes and defines management risks according to the table below.

Risk type		Description
Insurance underwriting risk		The risk of suffering losses from unfavorable gaps between actual occurrence of insured events and assumptions made at the time of pricing, due to change in the state of the economy, disasters, etc.
Asset management risk	Market risk	The risk of suffering losses from fluctuations in interest rates, foreign exchange rates and other factors.
	Credit risk	The risk of suffering losses from the deterioration of the financial conditions of obligors.
	Real estate investment risk	The risk of suffering losses from the decline of real estate prices or real estate related revenue.
Liquidity risk	Cash flow risk	The risk of suffering losses from having to sell off assets at a much lower price than usual to secure funds.
	Market liquidity risk	The risk of suffering losses from unavailability of trading options in the market or having to trade at a significantly disadvantaged price owing to market volatility and other factors.
Operational risk		The risk of suffering losses from officers, employees, and sales representatives neglecting to perform accurate operations or causing accidents.
System risk		The risk of suffering losses from computer system downtime, malfunction, and other system flaws.
Legal risk		The risk of suffering losses from neglecting to comply with the law.
Rumor risk		The risk of suffering losses from an increase in surrendered insurance policies or other situations due to the spread of negative rumors through the media and other sources.
Hazard risk		The risk of suffering losses from the lack of contingency plans or emergency measures for large-scale disasters.
Affiliate risk		The risk of suffering losses from the deterioration of an affiliate's profitability or other adverse factors.

(2) Personal relations, financial relations, transactions or other such special interests between the Company and its external director, external auditors

No corresponding items.

(3) Activity taken over the last fiscal year to improve the Company's corporate governance.

To monitor the Company's decision making and each director's business execution, the Board of Directors convenes monthly and at any other time when deemed necessary.

The aforementioned Senior Management Committee meets weekly, the ALM and Operations Quality Improvement committees monthly, and the Risk Management Committee

quarterly.

Moreover, corporate auditors attend meetings of the Board of Directors to monitor each director's business execution, and the standing auditor participates in both the Senior Management Committee and the Risk Management Committee.

6. Future Tasks

The Japanese economy remains in an unpredictable state and Japanese life insurers are expected to face increasingly intense competition. Amid this operating environment, the Company will undertake the following tasks in order to fulfill its corporate visions as stated in item 1, "Basic Management Principles," of this report.

(1) Strengthening Core Business

By concentrating operating resources in the Company's core business, providing products and services that meet customer needs, and further increasing the productivity of in-house sales representative and sales agent channels, the Company will further strengthen its superior position in the SME market.

(2) Strengthening Management Systems to Increase Profitability

To pursue a sustainable growth in corporate value as a joint stock corporation, the Company will proceed with measures to strengthen its profit management and risk management systems and work to establish an even more solid business franchise.

The Company also intends to quickly and appropriately respond to issues such as those related to the strengthening of product and service development and asset management as well as the augmentation of administrative efficiency.

(3) Thorough Continuous Implementation of Compliance Initiatives

Integrity and fairness in corporate activities through strict compliance with laws and regulations is crucial to the gaining of customer trust, and the Company will continue to pursue the thorough implementation of compliance initiatives.

7. Basic Policy on Relations with Interested Parties (Parent Company, Others)

No corresponding items. The Company possesses neither a parent company nor any such company of superordinate equity status.

8. Other important items pertaining to the management of the Company

On October 8, 2003, Daido Life reached an agreement with Taiyo Life Insurance Company and T&D Financial Life Insurance Company on the establishment of T&D Holdings Inc. on April 1, 2004, subject to approvals by their shareholders and appropriate authorities.

Under the holding company, the three companies will emphasize as fully as possible the strengths and special expertise in their unique business models and ensure the enhancement of their life insurance businesses. At the same time, through the effective use of resources of group, the companies will make operations more efficient and facilitate intensive strategic investment and ensure continuous growth of businesses and revenues, thereby enhancing group corporate value.

III. Financial Review

1. Business Results

(1) Overview of Operations during the Interim Term Under Review

a) Results of Operations (Consolidated Basis)

During the six months ended September 30, 2003, conditions in the Japanese economy remained extremely challenging. Although some indications of recovery were witnessed, including growth in capital investment stemming from improved corporate earnings, the unemployment rate remained high and less than favorable figures persisted in other key economic indicators. Meanwhile, ongoing liberation and deregulation have intensifying competition in the life insurance industry. In response to these market conditions, Daido Life Insurance Company further concentrated its business resources in its core business of marketing individual term life insurance products in the SME market through tie-ups with affinity groups and worked to provide products and services that meet its customers' needs.

As a result, during the interim term under review, the Company's ordinary revenues declined 2.9%, or ¥17.8 billion, from the level in the same half of the previous fiscal year, to ¥599.3 billion, reflecting a 6.8% decrease in income from insurance premiums, to ¥480.7 billion, although investment income/gains increased 9.5%, to ¥100.5 billion. The decrease in income from insurance premiums was due mainly to an easing off in single premiums and a decline in insurance premiums from group annuities. The increase in investment income/gains was due mainly to a 70.2%, or ¥9.2 billion, increase in gains on sale of securities from the level in the same half of the previous fiscal year, to ¥22.4 billion, resulting from the sale of domestic bonds in order to prepare for risk of increase in cash outflows in group annuities caused by a rise in interest rates. This stood in contrast to a 7.3%, or ¥4.6 billion, decrease in income from interest and dividends from the level in the same half of the previous fiscal year, to ¥58.5 billion. As investment returns surrounding separate accounts improved due mainly to a rise in stock prices, the Company also recorded a ¥13.2 billion gain on separate accounts, compared with a ¥22.5 billion loss in the same half of the previous fiscal year, which also contributed to the increase in investment income/gains.

Ordinary expenses decreased 10.2%, or ¥61.2 billion, to ¥536.6 billion, owing to such a change as an 83.0% decrease in investment expenses/losses, to ¥12.4 billion, although operating expenses increased 0.1%, to ¥55.9 billion and insurance claims and other payments increased 5.8%, to ¥458.4 billion. The decrease in investment expenses/losses was due to such factors as the aforementioned gain on separate accounts and a substantial 98.3%, or ¥28.4 billion, decline

in devaluation losses on securities from the level in the same half of the previous fiscal year, to ¥0.4 billion, reflecting favorable conditions in the stock market. Moreover, equity in net loss of affiliated companies also decreased 37.5%, to ¥1.0 billion, due to a decrease in losses related to affiliate, T&D Financial Life Insurance Company.

As a consequence, ordinary profit for the interim term under review increased 225.1%, or ¥43.3 billion, to ¥62.6 billion.

Extraordinary gains increased 14.3%, to ¥3.1 billion, and extraordinary losses increased 20.7%, to ¥5.0 billion.

The provision for reserve for policyholder dividends rose 45.1%, to ¥17.7 billion, as a result of improvements in the investment returns.

After accounting for extraordinary gains and losses, provision for reserve for policyholder dividends, and income taxes, interim net income amounted to ¥25.4 billion, an increase of 729.6%.

b) Sales Results

For the interim term under review, the new policy amount of individual insurance and annuities (including the net increase from conversions) slipped 8.1%, to ¥2,109.4 billion. The total new policy amount of individual term life insurance edged down 5.6%, to ¥2,006.4 billion.

At the end of the interim term under review, the total policy amount in force of individual insurance and annuities decreased 0.7% from the previous fiscal year-end, to ¥39,075.8 billion. The total policy amount in force of individual term life insurance edged down 0.4%, to ¥34,662.5 billion.

c) Other Important Performance Items

The Company's core profit (*kiso rieki*, a measure of underlying profitability from core insurance operations on a non-consolidated basis) recorded ¥48.0 billion, increase of 23.9% compared with the same half of the previous fiscal year, after compensating negative spread of ¥10.5 billion (down 35.5% year-on-year). This increase in core profit and decrease in negative spread in comparison with the same half of the previous fiscal year was due mainly to a decline in provision for policy reserves owing to reduction of assumed investment yield for group annuities.

At the end of the interim term under review, the Company's solvency margin ratio (a measure of insurance companies' financial soundness) was 1,069.7%, up 209.5 percentage points from 860.2% at the previous fiscal year-end. Furthermore, the value of adjusted net assets (adjusted assets at fair value less liabilities (excluding quasiequity liabilities)) amounted to

¥541.5 billion, up 5.1%, or ¥26.0 billion, from ¥515.4 billion at the previous fiscal year-end. These increases in solvency margin ratio and adjusted net assets were due primarily to the upturn in stock prices.

(2) Forecast for the Fiscal Year Ending March 31, 2004

In consideration of business results for the first half of the fiscal year ending March 31, 2004, the Company has revised its performance forecast for the fiscal year ending March 31, 2004 as follows.

On a non-consolidated basis, due to such factors as greater than expected gains on the sale of securities, reversal of the provision for policy reserves owing to the decline in income from insurance premiums and increase in insurance claims and other payments, which is recorded in other ordinary income, the Company has raised its ordinary revenues forecast by ¥7.6 billion, or 6.8%, from the initial figure of ¥1,124.0 billion, to ¥1,200.0 billion. We are boosting our forecast for ordinary profit by ¥31.0 billion, or 44.3%, from ¥70.0 billion, to ¥101.0 billion reflecting the prospect of increase in ordinary expenses due mainly to increase in insurance claims and other payments. We forecasts core profit of ¥95.0 billion, up ¥7.0 billion or 8.0%, from the initial forecast of ¥88.0 billion. Regarding net income, we are hiking our forecast ¥11.0 billion, or 47.8%, from ¥23.0 billion, to ¥34.0 billion.

On a consolidated basis, reflecting the revisions to the non-consolidated forecast, the Company forecasts ordinary revenues of ¥1,203.0 billion, up ¥76.0 billion, or 6.7%, from the initial forecast of ¥1,127.0 billion. Our forecast for ordinary profit is now ¥97.0 billion, up ¥31.0 billion, or 47.0%, from our initial forecast of ¥66.0 billion, and our forecast for net income now stands at ¥30.0 billion, a ¥11.0 billion, or 57.9%, increase over our initial forecast of ¥19.0 billion.

The Company's forecast for annual shareholders' dividends corresponding to the fiscal year ending March 31, 2004, remains the same at ¥3,000 per share.

2. Financial Position

(1) Balance Sheet Position

At the balance sheet date, total assets amounted to ¥6,076.2 billion, up 0.7% from the previous fiscal year-end.

Looking at principal asset items, securities principally comprising domestic bonds amounted to ¥4,003.0 billion, up 1.4%. Loans totaled ¥1,165.1 billion, down 1.4%, and cash and deposits and call loans were ¥392.7 billion, down 7.3%.

Total liabilities were ¥5,842.6 billion, down 0.2%, and total policy reserves comprised the bulk of this figure, amounting to ¥5,386.1 billion, down 0.2%.

Total equity was ¥232.6 billion, up 29.9%, or ¥53.5 billion from the previous fiscal year-end. The principal reason for this increase was growth in retained earnings stemming from interim term net income and a rise in net unrealized gains on securities due to a rise in stock prices.

(2) Cash Flows

Consolidated cash flows for the interim term under review were as follows.

Net cash provided by operating activities decreased ¥82.9 billion from the level in the same half of the previous fiscal year, to ¥0.5 billion. This decrease was primarily the result of the decline in income from insurance premiums and an increase in insurance claims and other payments.

Net cash used in investing activities decreased ¥53.4 billion, to ¥6.3 billion. This decrease was due primarily to a decline in funds for the implementation of investing activities resulting from the decrease in net cash provided by operating activities.

Net cash used in financing activities amounted to ¥4.5 billion. This was due to a ¥4.5 billion payment of shareholders' dividends during the interim term. Although this represents a decline of ¥28.9 billion compared with the same half of the previous fiscal year, this is the result of the issuance of new commercial papers in the corresponding half of the previous fiscal year.

As a result, cash and cash equivalents at the end of the interim term totaled ¥452.4 billion, down ¥11.5 billion from the beginning of the fiscal year.

(Reference) Consolidated Cash Flow Indicators

Item	Six months ended Sept. 30, 2001	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2003	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2003
Shareholders' equity ratio *	2.2%	2.9%	3.8%	2.8%	3.0%
Shareholders' equity ratio at fair value **		6.2%	8.1%		5.5%

Notes:

*Shareholders' equity ratio = (total shareholders' equity at year-end / total assets at year-end) ? 100.

As of April 1, 2002, Daido Life converted itself from a mutual company to a joint stock corporation. The sum of ¥5,560 million was paid to policyholders in accordance with Article 12 of the implementation order for the Insurance Business Law due to the Company's

demutualization and deducted from equity for the fiscal year ended March 31, 2002 in calculating these figures.

** Shareholders' equity ratio at fair value = (market capitalization at year-end / total assets at year-end) x 100.

There is no shareholders' equity ratio at fair value until the fiscal year ended March 31, 2002, because the Company was a mutual company until that fiscal year-end.

Profit/Loss Status for the Six Months Ended September 30, 2003 (Consolidated)

(Millions of Yen, %)

	Six Months Ended September 30, 2002	Six Months Ended September 30, 2003	Increase (decrease)	% change	Fiscal Year Ended March 31, 2003
Ordinary Revenues	617,238	599,369	(17,868)	(2.9)	1,185,256
Income from insurance premiums and others	515,888	480,795	(35,093)	(6.8)	989,420
Income from insurance premiums	515,398	480,132	(35,265)	(6.8)	988,327
Investment income/gains	91,794	100,519	8,724	9.5	186,088
Interest, dividends and income from real estate for rent	63,150	58,511	(4,638)	(7.3)	129,419
Gains on sale of securities	13,173	22,416	9,242	70.2	32,596
Gains from derivatives, net	15,135	-	(15,135)	(100.0)	21,111
Gains from separate accounts, net	-	13,298	13,298	-	-
Other ordinary income	9,555	18,055	8,500	89.0	9,747
Reversal of policy reserve	-	8,520	8,520	-	-
Ordinary Expenses	597,959	536,694	(61,265)	(10.2)	1,143,449
Insurance claims and other payments	433,521	458,451	24,929	5.8	861,908
Insurance claims	158,694	181,412	22,718	14.3	295,889
Insurance benefits	127,794	114,214	(13,579)	(10.6)	254,314
Surrender payments	106,682	112,833	6,151	5.8	215,896
Provision for policy and other reserves	23,228	501	(22,726)	(97.8)	13,873
Investment expenses/losses	73,622	12,493	(61,128)	(83.0)	132,153
Losses from monetary trusts, net	6,696	-	(6,696)	(100.0)	11,748
Losses on sale of securities	7,270	1,047	(6,223)	(85.6)	19,755
Devaluation losses on securities	28,952	485	(28,467)	(98.3)	58,713
Losses from derivatives, net	-	3,571	3,571	-	-
Losses from separate accounts, net	22,543	-	(22,543)	(100.0)	28,512
Operating expenses	55,951	55,983	31	0.1	111,381
Other ordinary expenses	10,036	8,263	(1,772)	(17.7)	21,047
Equity in net losses of affiliated companies	1,599	1,000	(599)	(37.5)	3,085
Ordinary Profit	19,278	62,675	43,396	225.1	41,807
Extraordinary Gains	2,737	3,129	392	14.3	6,297
Extraordinary Losses	4,166	5,029	863	20.7	5,764
Extraordinary Gains (Losses)	(1,429)	(1,900)	(470)	32.9	532
Provision for Reserve for Policyholder Dividends	12,240	17,757	5,517	45.1	26,569
Income before Income Taxes	5,608	43,017	37,408	667.0	15,769
Income Taxes					
Current	15,011	16,336	1,324	8.8	4,176
Deferred	(12,470)	1,184	13,655	(109.5)	5,154
Minority Interests	(0)	45	45	(8,663.6)	55
Net Income	3,068	25,451	22,383	729.6	6,383

Principle Business Performance for the Six Months Ended September 30, 2003 (Non-Consolidated)

(Millions of Yen, %)

	Six Months Ended September 30, 2002	Six Months Ended September 30, 2003	Increase (decrease)	% change	Fiscal Year Ended March 31, 2003
New Policy Amount	2,296,478	2,109,438	(187,039)	(8.1)	4,673,514
Individual term life insurance	2,126,036	2,006,403	(119,632)	(5.6)	4,298,528
Core Profit	38,788	48,056	9,268	23.9	88,729
Negative Spread Amount	15,900	10,580	(5,319)	(33.5)	20,479

Note: New policy amount is the sum of individual insurance and individual annuities.

(Millions of Yen, %)

	As of March 31, 2003	As of September 30 2003	Increase (decrease)	% change	As of September 30 2002
Policy Amount in Force	39,342,682	39,075,896	(266,785)	(0.7)	39,086,303
Individual term life insurance	34,804,637	34,662,560	(142,077)	(0.4)	34,526,552
Solvency Margin Ratio	860.2%	1069.7%	209.5%	-	824.9%
Adjusted Net Asset	515,471	541,542	26,071	5.1	492,706

Note: Policy amount in force is the sum of individual insurance and individual annuities.

IV. Consolidated Financial Statements

Unaudited Consolidated Balance Sheets

	As of September 30, 2002 (Millions of yen)		As of September 30, 2003 (Millions of yen)		As of March 31, 2003 (Millions of yen)	
		%		%		%
Assets:						
Cash and Deposits	¥ 279,245	4.6	¥ 322,715	5.3	¥ 288,716	4.8
Call Loans	160,000	2.7	70,000	1.1	135,000	2.2
Monetary Claims Purchased	11,998	0.2	59,998	1.0	40,897	0.7
Monetary Trusts	81,972	1.4	183,025	3.0	150,393	2.5
Securities	3,998,832	66.6	4,003,092	65.9	3,947,224	65.4
Loans	1,165,537	19.4	1,165,163	19.2	1,181,658	19.6
Property and Equipment	177,652	3.0	169,100	2.8	175,974	2.9
Due from Agency	2,395	0.0	5,395	0.1	5,073	0.1
Due from Reinsurers	1,103	0.0	1,093	0.0	1,391	0.0
Other Assets	56,369	0.9	59,757	1.0	55,353	0.9
Deferred Tax Assets	79,167	1.3	41,431	0.7	61,096	1.0
Reserve for Possible Loan Losses	(8,112)	(0.1)	(4,519)	(0.1)	(6,874)	(0.1)
Total Assets	¥ 6,006,163	100.0	¥ 6,076,253	100.0	¥ 6,035,905	100.0
Liabilities:						
Policy Reserves:						
Reserve for outstanding claims	¥ 43,945		¥ 42,422		¥ 47,734	
Policy reserve	5,404,576		5,386,197		5,394,718	
Reserve for policyholder dividends	140,013		138,536		137,336	
Total Policy Reserves	5,588,535	93.1	5,567,157	91.6	5,579,788	92.4
Due to Agency	0	0.0	0	0.0	0	0.0
Due to Reinsurers	666	0.0	574	0.0	767	0.0
Other Liabilities	151,474	2.5	181,859	3.0	181,982	3.0
Reserve for Employees' Retirement Benefits	61,816	1.0	63,001	1.1	64,074	1.1
Reserve for Losses on Sale of Loans	63	0.0	64	0.0	63	0.0
Reserve for Price Fluctuations	28,726	0.5	30,005	0.5	29,242	0.5
Total Liabilities	5,831,283	97.1	5,842,661	96.2	5,855,919	97.0
Minority Interests	-	-	959	0.0	924	0.0
Equity:						
Common Stock	75,000	1.2	75,000	1.2	75,000	1.3
Capital Surplus	54	0.0	54	0.0	54	0.0
Retained Earnings	52,808	0.9	77,001	1.3	56,123	0.9
Net Unrealized Gains on Securities	47,192	0.8	80,577	1.3	47,883	0.8
Translation Adjustments	(174)	(0.0)	-	-	-	-
Total Equity	174,880	2.9	232,633	3.8	179,060	3.0
Total Liabilities, Minority Interests and Equity	¥ 6,006,163	100.0	¥ 6,076,253	100.0	¥ 6,035,905	100.0

See notes to unaudited consolidated condensed interim financial statements.

Unaudited Consolidated Statements of Operations

	For the six months Ended September 30, 2002 (Millions of yen)		For the six months Ended September 30, 2003 (Millions of yen)		For the year Ended March 31, 2003 (Millions of yen)	
		%		%		%
Ordinary Revenues:						
Income from Insurance Premiums	¥ 515,888		¥ 480,795		¥ 989,420	
Investment Income / Gains:						
Interest, dividends and income from real estate for rent	63,150		58,511		129,419	
Gains on investments in monetary trusts, net	-		5,025		-	
Gains on sale of securities	13,173		22,416		32,596	
Gains from derivatives, net	15,135		-		21,111	
Other investment income	334		1,267		2,961	
Gains from separate accounts, net	-		13,298		-	
Total Investment Income/gains	91,794		100,519		186,088	
Other Ordinary Income	9,555		18,055		9,747	
Total Ordinary Revenues	617,238	100.0	599,369	100.0	1,185,256	100.0
Ordinary Expenses:						
Insurance Claims and Other Payments:						
Insurance claims	158,694		181,412		295,889	
Annuity payments	13,188		13,553		27,104	
Insurance benefits	127,794		114,214		254,314	
Surrender payments	106,682		112,833		215,896	
Other payments	27,162		36,436		68,703	
Total Insurance Claims and Other Payments	433,521		458,451		861,908	
Provision for Policy and Other Reserves:						
Provision for policy reserve	22,582		-		12,724	
Interest portion of reserve for policyholder dividends	645		501		1,149	
Total Provision for Policy and Other Reserves	23,228		501		13,873	
Investment Expenses / Losses:						
Interest expense	22		15		37	
Losses from monetary trusts, net	6,696		-		11,748	
Losses on investments in trading securities, net	3,826		1,618		3,018	
Losses on sale of securities	7,270		1,047		19,755	
Devaluation losses on securities	28,952		485		58,713	
Losses from derivatives, net	-		3,571		-	
Foreign exchange losses, net	366		1,259		1,473	
Write-off of loans	58		1,268		69	
Depreciation of real estate for rent	1,518		1,529		3,069	
Other investment expenses	2,367		1,698		5,753	
Losses from separate accounts, net	22,543		-		28,512	
Total Investment Expenses / Losses	73,622		12,493		132,153	
Operating Expenses	55,951		55,983		111,381	

	For the six months Ended September 30, 2002 (Millions of yen)		For the six months Ended September 30, 2003 (Millions of yen)		For the year Ended March 31, 2003 (Millions of yen)	
		%		%		%
Other Ordinary Expenses	10,036		8,263		21,047	
Equity in Net Loss of Affiliated Companies	1,599		1,000		3,085	
Total Ordinary Expenses	597,959	96.9	536,694	89.5	1,143,449	96.5
Ordinary Profit	¥ 19,278	3.1	¥ 62,675	10.5	¥ 41,807	3.5

	For the six months Ended September 30, 2002 (Millions of yen)		For the six months Ended September 30, 2003 (Millions of yen)		For the year Ended March 31, 2003 (Millions of yen)	
	¥	%	¥	%	¥	%
Extraordinary Gains:						
Gains on sale of property, equipment and loans	¥ 361		¥ 787		¥ 911	
Reversal of reserve for possible loan losses	1,932		1,865		3,165	
Recoveries from bad debts previously written-off	403		251		2,181	
Reversal of reserve for employee's retirement benefit	-		225		-	
Other	38		-		38	
Total Extraordinary Gains	2,737	0.5	3,129	0.5	6,297	0.5
Extraordinary Losses:						
Losses on sale, disposal and devaluation of property and equipment	3,314		4,239		4,309	
Provision for reserve for possible loan losses	0		0		0	
Provision for price fluctuation reserve	684		763		1,199	
Payments for 100th anniversary project	167		26		254	
Total Extraordinary Losses	4,166	0.7	5,029	0.8	5,764	0.5
Provision for Reserve for Policyholder Dividends	12,240	2.0	17,757	3.0	26,569	2.2
Income before Income Taxes	5,068	0.9	43,017	7.2	15,759	1.3
Income Taxes:						
Current	15,011	2.4	16,336	2.8	4,176	0.4
Deferred	(12,470)	(2.0)	1,184	0.2	5,154	0.4
Minority Interests	(0)	(0)	45	0.0	55	0.0
Net Income	¥ 3,068	0.5	¥ 25,451	4.2	¥ 6,383	0.5

See notes to unaudited consolidated condensed interim financial statements.

Unaudited Consolidated Statements of Surplus

	For the six months Ended September 30, 2002 (Millions of yen)	For the six months Ended September 30, 2003 (Millions of yen)	For the year Ended March 31, 2003 (Millions of yen)
Capital Surplus:			
Balance at beginning of year	¥ 54	¥ 54	¥ 54
Balance at end of period	¥ 54	¥ 54	¥ 54
Retained Earnings:			
Balance at beginning of year	49,815	56,123	49,815
Addition:			
Net income	3,068	25,451	6,383
Deductions:			
Dividends on common stock	-	4,500	-
Bonus to directors	(65)	(63)	(65)
Bonus to corporate auditors	(10)	(10)	(10)
Total deductions	75	4,573	75
Balance at end of period	¥ 52,808	¥ 77,001	¥ 56,123

See notes to unaudited consolidated condensed interim financial statements.

Unaudited Consolidated Statements of Cash Flows

	For the six months Ended September 30, 2002 (Millions of yen)	For the six months Ended September 30, 2003 (Millions of yen)	For the year Ended March 31, 2003 (Millions of yen)
Cash flows from operating activities:			
Income before income taxes	¥ 5,608	¥ 43,017	¥ 15,769
Depreciation of real estate for rent	1,518	1,529	3,069
Amortization of goodwill due to consolidation	3,317	2,325	5,794
Other depreciation and amortization	(1,192)	-	(1,192)
Decrease in reserve for outstanding claims	(3,860)	(5,311)	(71)
Increase (decrease) in policy reserves	22,582	(8,520)	12,724
Interest portion of reserve for policyholder dividends	645	501	1,149
Increase in reserve for policyholder dividends	12,240	17,757	26,569
Decrease in reserve for possible loan losses	(1,934)	(1,865)	(3,167)
Write-off of loans	58	1,268	69
Increase (decrease) in reserve for employees' retirement benefits	179	(1,073)	2,437
Increase in reserve for losses on sale of loans	0	0	0
Decrease in allowance for policyholder dividends	(30,662)	-	(30,662)
Transfer from allowance for policyholder dividends to reserve for policyholder dividends	30,662	-	30,662
Increase in reserve for price fluctuations	684	763	1,199
Interest, dividends and income from real estate for rent	(63,150)	(58,511)	(129,419)
(Gains) losses on securities investment	49,657	(32,413)	78,413
Interest expense	22	15	37
Exchange losses	349	1,325	1,519
Losses on sale or disposal of property and equipment	2,890	3,240	3,379
Equity in net loss of affiliated companies	1,599	1,000	3,085
(Increase) decrease in due from agency	14	(321)	(2,664)
Decrease in due from reinsurers	376	297	89
(Increase) decrease in other assets	(5,302)	1,803	(4,327)
Decrease in due to agency	(0)	-	(0)
Increase (decrease) in due to reinsurers	(32)	(193)	68
Increase (decrease) in other liabilities	(1,462)	(2,814)	7,690
Other, net	(6,351)	(1,198)	(6,485)
Sub-total	18,458	(37,379)	15,741
Interest, dividends and income from real estate for rent received	68,357	60,328	136,979
Interest paid	(23)	(14)	(39)
Dividends paid to policyholders	(17,328)	(16,960)	(34,868)
Other, net	14,337	(6,490)	12,542
Income taxes received (paid)	(270)	1,087	(5,618)
Net cash provided by operating activities	¥ 83,530	¥ 571	¥ 124,736

	For the six months Ended September 30, 2002 (Millions of yen)	For the six months Ended September 30, 2002 (Millions of yen)	For the years Ended March 31, 2003 (Millions of yen)
Cash flows from investing activities:			
Net (increase) decrease in short-term investments	¥ (28)	¥ 316	¥ 6,540
Proceeds from sale and redemption of monetary claims purchased	700	-	700
Investments in monetary trusts	(30,000)	(60,000)	(130,000)
Proceeds from monetary trusts	20,000	38,016	49,000
Purchase of securities	(824,142)	(767,682)	(1,412,770)
Sale and redemption of securities	848,508	786,041	1,460,254
Investments in loans	(192,675)	(135,068)	(381,749)
Collections on loans	182,448	150,061	355,378
Decrease in cash collateral received under security lending contracts	(63,388)	(13,031)	(24,759)
Other, net	-	(6,126)	-
Sub-total	(58,578)	(7,473)	(77,405)
Total of net cash provided by (used in) operating activities and investment transactions as above	24,952	(6,902)	47,331
Purchase of property and equipment	(2,690)	(1,924)	(5,710)
Proceeds from sale of property and equipment	368	3,086	1,955
Net cash paid related to sale of subsidiaries	937	-	937
Proceeds from business transfer	200	-	200
Net cash used in investing activities	(59,762)	(6,311)	(80,021)
Cash flows from financing activities:			
Proceeds from issuance of commercial paper	30,000	-	30,000
Repayments of debt	(0)	-	(0)
Repayments of fund	-	(4,500)	-
Dividends paid to minority interests	(0)	(11)	(0)
Payments related to Article 12 of implementation order for Insurance Business Law	(5,560)	-	(5,560)
Net cash provided by (used in) financing activities	24,437	(4,511)	24,437
Effect of exchange rate changes on cash and cash equivalents	(362)	(1,332)	(1,621)
Net increase (decrease) in cash and cash equivalents	47,843	(11,584)	67,530
Cash and cash equivalents at beginning of year	396,477	464,008	396,477
Cash and cash equivalents at end of period	¥ 444,321	¥ 452,423	¥ 464,008

See notes to unaudited consolidated condensed interim financial statements.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Daido Life Insurance Company (the “Company”) maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the Insurance Business Law of Japan and in conformity with generally accepted accounting principles and practices in Japan.

Pursuant to a plan of reorganisation and the Insurance Business Law, the Company has converted its organization from a mutual company to a joint stock corporation on April 1, 2002.

The accompanying consolidated financial statements are compiled from the interim financial statements prepared by the Company in line with the “Regulations Concerning the Terminology, Forms and Preparation Methods of the Interim Financial Statements” (Ministry of Finance Ordinance). In preparing the consolidated condensed financial statements, certain items presented in the original consolidated financial statements have been reclassified and summarized for readers outside Japan. These consolidated financial statements have been prepared in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In addition, the accompanying footnotes include information which is not required under accounting principles and practices generally accepted in Japan, but is presented herein as additional information to the consolidated condensed financial statements.

Amounts of less than one million yen have been eliminated. As a result, total in yen shown herein do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions are eliminated. The number of the consolidated subsidiaries for six months ended September 30, 2003 was 6.

Investments in affiliates are accounted for under the equity method. The number of affiliated companies for six months ended September 30, 2003 was 9.

The financial statements of two affiliates located outside Japan are prepared for six months ended June 30, 2003. Appropriate adjustments have been made for material transactions for the period between June 30, and September 30, the date of the consolidated condensed financial statements.

The excess of cost over underlying net equity at acquisition dates of investments in subsidiaries and affiliated companies is amortized within 20 years. If the amount is not significant, the cost over equity is charged to current operation immediately.

(c) Foreign currency translation

(i) Foreign currency accounts

Foreign currency monetary assets and liabilities (including securities and derivatives) are translated into Japanese yen at foreign exchange rates prevailing at the balance sheet date except for certain hedging instruments and related hedged items, which are translated at the contracted rates of such

hedging instruments.

All income and expenses associated with foreign currencies are translated at the exchange rates prevailing when such transactions are made. The gains and losses of the exchange were credited or charged to income.

(ii) Foreign currency financial statements of consolidated subsidiaries

Assets, liabilities, income and expenses of the Company's affiliates located outside Japan are translated into Japanese yen at the exchange rates in effect at the balance sheet date in accordance with generally accepted accounting standards in Japan.

(d) Investments in securities other than subsidiaries and affiliates

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

(e) Reserve for possible loan losses

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

Consolidated subsidiaries provide for their reserve for possible loan losses using the same procedures as the Company for the annual and semi-annual financial statements, which is primarily based on the results of self-assessment procedures and also provides an amount considered necessary by applying the historical loan-loss ratio determined over a fixed period.

(f) Reserve for price fluctuations

Pursuant to requirements under the Insurance Business Law, the Company maintains a reserve for price fluctuations mainly related to shares, bonds and foreign currency assets which are exposed to losses due to fluctuations of market prices. This reserve may only be used to reduce deficits arising from price fluctuations on those assets. For the six months, the Company provides half of estimated annual provision.

(g) Policy reserve

Pursuant to the requirements under the Insurance Business Law, the Company maintains a policy reserve for the fulfillment of future obligations under life insurance contracts. The reserve is set up under the net level premium method. A net level premium, determined at the issue date and fixed to be invariable until the termination of the relevant policy, is required to fund all future policy benefits. The net level premium reserve is calculated using interest and mortality rates set by the Financial Services Agency.

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

(h) Reserve for losses on sale of loans

The Company is required to cover future losses resulting from its real estate secured loans sold to Cooperative Credit Purchasing Co., Ltd. and maintains a reserve based on estimates of such future losses. The establishment of this reserve is prescribed in Article 43 of the Japanese Commercial Code.

(i) Income taxes

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

(j) Reserve for employees' retirement benefits

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

The Company sets up a reserve for employees' retirement benefits under the defined benefit plans based on the actuarial calculation value of the retirement benefit obligations and the pension assets. The attribution of retirement benefits to periods of employees' service is made based on the benefit/years-of-service approach. Unrecognized net gains or losses is charged or credited to income when recognized.

The Company and subsidiary amended its employees' retirement plans by transferring a part of defined benefit plan with defined contribution plan. The amendments of the plans are accounted for in accordance with Financial Accounting Standards Implementation Guidance No.1 "Accounting Statement for Transfers between Retirement Benefit Plans". The effect of this amendment amounted to ¥225 million is included in extraordinary gains.

Directors are not covered by the plans described above. Benefits paid to directors are charged to income as paid, as amounts vary with circumstances and it is not practicable to compute the liability for future payments.

(k) Property and equipment

Property and equipment, including real estate for rent, are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method for buildings acquired on and after April 1998 and by the declining-balance method for other property and equipment. Estimated useful lives range from 6 to 50 years for buildings and structures and 2 to 20 years for equipment. Accumulated depreciation of property and equipment as of September 30, 2003 was ¥86,930 million.

(l) Software

Development costs for internally used software are capitalized and amortized under the straight-line method over their estimated useful lives of five years.

(m) Leases

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

The company and its subsidiaries treat all non-ownership-transfer financial leases as operating leases. Accordingly, leased assets with respect of non-ownership-transfer financial leases where the Company is the lessee are not recognized in the accompanying balance sheet and lease payments are charged to income when incurred.

(n) Derivative financial instruments

The Company uses derivative financial instruments to hedge exposures to changes in interest rates, foreign exchange rates and stock prices for assets in the balance sheet or for future investments, and to manage the differences in the durations of its assets and liabilities.

All derivative financial instruments are stated at fair value, except for certain derivative financial instruments that are specifically identified as hedging instruments. Derivative financial instruments, which are specifically identified as hedging instruments, are not revalued and their contracted rates are applied to the hedged items. Outstanding derivative financial instruments, which are not qualified as hedging instruments under hedge accounting, are revalued at fair value at the balance sheet date. These derivative financial instruments hedge certain financial exposure, although they do not meet the hedging criteria under the accounting standards.

(o) Accounting for consumption taxes

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

(p) Cash and cash equivalents

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

2. Investment in Securities and Monetary Trusts

Investment in securities and monetary trusts held by the Company and its consolidated subsidiaries as of September 30, 2002, 2003 and March 31, 2003 are summarized below:

	As of September 30, 2002	
	<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
	(Millions of yen)	
Held-to-maturity:		
Domestic bonds		
Corporate bonds	¥ 638,182	¥ 28,968
Municipal bonds	703,643	41,759
Government bonds	<u>109,432</u>	<u>16,789</u>
Sub-total	1,451,258	87,518
Foreign bonds	<u>53,213</u>	<u>1,426</u>
Total	¥ <u>1,504,471</u>	¥ <u>88,944</u>

	As of September 30, 2002	
	<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
	(Millions of yen)	
Available-for-sale:		
Domestic bonds		
Corporate bonds	¥ 478,358	¥ 17,870
Municipal bonds	646,209	34,942
Government bonds	295,951	12,737
Domestic stock	239,638	8,987
Foreign bonds	264,743	4,900
Foreign stocks	1,700	(219)
Other foreign securities	31,019	(65)
Other securities	<u>209,744</u>	<u>(1,148)</u>
Sub-total	2,167,366	78,004
Monetary trusts	<u>61,096</u>	<u>(5,085)</u>
Total	¥ <u>2,228,462</u>	¥ <u>72,919</u>

	As of September 30, 2003	
	<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
	(Millions of yen)	
Held-to-maturity:		
Domestic bonds		
Corporate bonds	¥ 760,733	¥ 14,826
Municipal bonds	643,436	23,992
Government bonds	<u>105,131</u>	<u>12,326</u>
Sub-total	1,509,301	51,145
Foreign bonds	<u>73,775</u>	<u>1,385</u>
Total	¥ <u>1,583,076</u>	¥ <u>52,531</u>

		As of September 30, 2003	
		<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
		(Millions of yen)	
Available-for-sale:			
Domestic bonds			
Corporate bonds	¥	378,282	¥ 10,836
Municipal bonds		516,979	19,917
Government bonds		173,246	6,323
Domestic stock		250,315	84,904
Foreign bonds		476,389	(6,306)
Foreign stocks		2,241	(426)
Other foreign securities		31,174	(1,044)
Other securities		<u>372,412</u>	<u>9,771</u>
Sub-total		2,204,040	123,977
Monetary trusts		<u>46,185</u>	<u>1,668</u>
Total	¥	<u>2,250,225</u>	¥ <u>125,645</u>

		As of March 31, 2003	
		<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
		(Millions of yen)	
Held-to-maturity:			
Domestic bonds			
Corporate bonds	¥	709,872	¥ 42,888
Municipal bonds		669,306	42,806
Government bonds		<u>108,877</u>	<u>16,394</u>
Sub-total		1,488,056	102,089
Foreign bonds		<u>50,405</u>	<u>1,935</u>
Total	¥	<u>1,538,461</u>	¥ <u>104,024</u>

		As of March 31, 2003	
		<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
		(Millions of yen)	
Available-for-sale:			
Domestic bonds			
Corporate bonds	¥	509,975	¥ 24,314
Municipal bonds		617,154	37,252
Government bonds		420,182	13,137
Domestic stock		172,363	3,627
Foreign bonds		161,023	4,459
Foreign stocks		1,913	(262)
Other foreign securities		30,076	(1,138)
Other securities		<u>266,498</u>	<u>(3,361)</u>
Sub-total		2,179,188	78,026
Monetary trusts		<u>59,917</u>	<u>(4,130)</u>
Total	¥	<u>2,239,105</u>	¥ <u>73,896</u>

In the six months ended September 30, 2003, the Company and its subsidiaries recognized devaluation losses on marketable available-for-sale securities and monetary trusts amounting to ¥9 million and ¥32 million, respectively. These related to instances where the decline in the fair value of the securities exceeds 30% of the book value of the securities.

In addition to the table above, there are certain available-for-sale securities without readily obtainable fair value which can be summarized as follows:

	As of September 30,		As of March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Unlisted domestic stocks	¥ 10,945	¥ 10,449	¥ 10,672
Unlisted foreign stocks	60,000	60,000	60,000
Other foreign securities	10,453	4,623	12,857
Other securities	3,167	15,134	4,696
Investment in affiliates	<u>17,173</u>	<u>14,588</u>	<u>15,727</u>
Total	¥ <u>101,738</u>	¥ <u>104,794</u>	¥ <u>103,952</u>

A parts bonds amounting to ¥82,941 million was loaned under lending contracts as of September 30, 2003.

3. Loans

Delinquent loans of the Company and its subsidiaries as of September 30, 2003 are summarized below.

	(Millions of yen)
Loans to bankrupt companies	¥ 288
Past due loans	6,004
Loans overdue for three months or more	406
Restructured loans	<u>485</u>
Total	¥ <u>7,185</u>

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

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

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

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

A portion of past due loans and loans to bankrupt companies was written off. Write-offs relating to bankrupt companies for the six months ended as of September 30, 2003 amounted to ¥591 million. Past due loans also decreased due to write-offs in the amounts of ¥5,485 million for the six months ended September 2003.

The Company's outstanding loan commitments with borrowers as of September 30, 2003 are summarized as follows:

	(Millions of yen)
Total loan commitment	¥ 2,000
Less amount draw down	<u>1,955</u>
Residual loan commitment	¥ <u><u>45</u></u>

Based on the agreement, the extension of the credit is subject to the Company's review procedures. The review procedures consist of ensuring the use of funds and assessing credit worthiness of the borrower. Since not all of such outstanding commitment amounts will be drawn up, the outstanding commitment amounts do not necessarily represent future cash requirements.

4. Derivative Financial Instruments

The Company uses derivative financial instruments to hedge exposures to changes in interest rates, foreign exchange rates and stock prices for assets in the balance sheet or for future investments, and to manage the differences in the durations of its assets and liabilities.

The Company has established internal rules regarding derivative financial instruments, which include policies and procedures for risk assessment, approval, reporting and monitoring. Based on such rules, the use of new types of derivative financial instruments must be approved by the board of directors. Such rules enable the Company to establish a control environment for derivative financial instruments. Each dealing function, such as the front, back and middle offices, is completely separated into different departments. The middle office, the Total Risk Monitoring Department, is periodically monitoring, measuring and analysing the risk related to the total assets of the Company, including derivative financial instruments, and periodically reports total risk, position and gains and losses to the ALM (Asset Liability Management) Committee and the Investment Strategy Meeting.

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

The following tables show a summary of the notional amounts and current market or fair value of derivative financial instruments, except for hedging instruments, held as of September 30, 2002 and 2003, and March 31, 2003, respectively. Notional amounts do not represent exposure to credit loss.

	<u>As of September 30, 2002</u>		
	<u>Notional</u>	<u>Current</u>	<u>Valuation</u>
	<u>amounts</u>	<u>market or</u>	<u>gains (losses)</u>
		<u>fair value</u>	
		(Millions of yen)	
Stock index future sold	¥ 98,060	¥ 97,966	¥ 94
Bond futures contracts sold	-	-	-
Interests rate swaps	61,800	(1,388)	(1,388)
Foreign exchange contracts sold	162,244	165,467	(3,222)
Foreign exchange contracts bought	155	156	0
Total valuation gains (losses)			¥ <u><u>(4,516)</u></u>

<u>As of September 30, 2003</u>			
	<u>Notional</u>	<u>Current</u>	<u>Valuation</u>
	<u>amounts</u>	<u>market or</u>	<u>gains (losses)</u>
		<u>fair value</u>	
		(Millions of yen)	
Stock index future sold	¥ 54,633	¥ 53,405	¥ 1,228
Bond futures contracts sold	203,513	205,606	(2,093)
Interests rate swaps	59,200	(831)	(831)
Foreign exchange contracts sold	409,639	408,208	1,430
Foreign exchange contracts bought	311	311	(0)
Total valuation gains (losses)			¥ <u>(266)</u>

<u>As of March 31, 2003</u>			
	<u>Notional</u>	<u>Current</u>	<u>Valuation</u>
	<u>amounts</u>	<u>market or</u>	<u>gains (losses)</u>
		<u>fair value</u>	
		(Millions of yen)	
Stock index future sold	¥ 82,825	¥ 83,679	¥ (853)
Bond futures contracts sold	-	-	-
Interests rate swaps	61,800	(1,354)	(1,354)
Foreign exchange contracts sold	70,271	70,885	(613)
Foreign exchange contracts bought	204	204	(0)
Total valuation gains (losses)			¥ <u>(2,822)</u>

5. Separate Accounts

The balance sheet includes ¥162,690 million of assets and liabilities in equal amounts related to separate accounts, as of September 30, 2003.

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

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

6. Lease Transactions

Information regarding non-ownership-transfer finance leases is as follows:

As Lessee

Pro forma information of non-ownership-transfer finance leases contracted as a lessee such as acquisition cost and related accumulated depreciation of leased assets, obligation under finance

leases, depreciation expense, interest expense of finance leases, which is required under Japanese accounting standards for leases for the six months ended September 30, 2002 and 2003 and for the year ended March 31, 2003 are summarized as follows:

	For the six months ended		For the year
	September 30,		ended March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Equipment and others			
Acquisition cost	¥ 449	¥ 382	¥ 389
Accumulated depreciation	<u>233</u>	<u>190</u>	<u>205</u>
Net carrying value	¥ <u>215</u>	¥ <u>191</u>	¥ <u>184</u>

Obligation under finance leases as of September 30, 2002 and 2003 and as of March 31, 2003 are as follows:

	As of September 30,		As of March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Due within one year	¥ 77	¥ 64	¥ 66
Due after one year	<u>149</u>	<u>136</u>	<u>128</u>
Total	¥ <u>227</u>	¥ <u>201</u>	¥ <u>195</u>

Total payments for non-ownership-transfer finance leases for the six months ended September 30, 2002 and 2003 and for the year ended March 31, 2003 were ¥17 million, ¥44 million and ¥66 million, respectively.

Depreciation and imputed interest cost, which are not reflected the accompanying statements of operations, for the six months ended September 30, 2002 and 2003 and for the year ended March 31, 2003 are as follows:

	For the six months ended		For the year
	September 30,		ended March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Depreciation	¥ 14	¥ 37	¥ 56
Imputed interest cost	2	6	9

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

Future minimum lease payments on operating lease as of September 30, 2002 and 2003 and March 31, 2003 are as follows:

	As of September 30,		As of March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Due within one year	¥ 7	¥ 6	¥ 7
Due after one year	<u>11</u>	<u>5</u>	<u>8</u>
Total	<u>18</u>	<u>11</u>	<u>15</u>

As lessor

Lease fee income, depreciation and imputed interest cost for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 are as follows:

	For the six months ended September 30,		For the years ended March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Lease fee income	¥ 4	¥ -	¥ 4
Depreciation	3	-	3
Imputed interest cost	0	-	0

7. Reserve for Policyholder Dividends

Changes in the reserve for policyholder dividends included in policy reserves for the six months ended September 30, 2003 is as follows:

	(Millions of yen)	
Balance at beginning of year	¥	137,336
Policyholder dividends		(16,960)
Increase in interest		501
Other		98
Provision of reserve for policyholder dividends		<u>17,757</u>
Balance at September 30	¥	<u>138,536</u>

8. Commitments

The amount of the Company's future contributions to the Policyholder Protection Fund, which have been taken over by the Policyholder Protection Corporation in accordance with the Enactment Law of Financial System Reform Legislation in the year ended March 31, 2000, were estimated at ¥3,208 million as of September 30, 2003. The contribution is charged to income as an operating expense when paid, as the amount of future contribution is not yet fixed.

The amount of future contributions to the Policyholder Protection Corporation, which is estimated in accordance with Article 259 of the Insurance Business Law, were ¥15,465 million as of September 30, 2003. The contributions are also charged to income as an operating expense when paid as the amount of future contributions is not yet fixed.

¥30,733 million of the Company's investments in securities were pledged for the benefit of the Policyholder Protection Corporation in order to secure such future contributions and used as substitution of margin for future contracts as of September 30, 2003.

9. Organizational Change Surplus

The Organizational Change Surplus, which is the portion of net assets attributable to contributions by past policyholders as of the date of the demutualization of the Company and whose distribution is restricted by Article 92 of the Insurance Business Law, is amounted to ¥10,836 million.

10. Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the statements of cash flows to cash and deposits as stated in the balance sheets:

	<u>As of September</u> <u>30, 2003</u> (Millions of yen)
Cash and deposits	¥ 322,715
Less deposits with an original maturity more than three months	(290)
Call loan	70,000
Monetary claims purchased	<u>59,998</u>
Cash and cash equivalents	¥ <u>452,423</u>

11. Per Share Information

The Company has not issued new shares of common stock and shares having a potential dilutive effect after its demutualization. In addition, the Company did not hold any treasury stocks during the six month ended September 30, 2002. The net income per share calculated based on the weighted average number of shares of common stock outstanding during the six months ended September 30, 2003 was ¥16,967.42. The net assets per share calculated based on the number of shares of common stock outstanding as of September 30, 2003 was ¥155,088.68.

12. Segment Information

Segment information is not required to be disclosed as ordinary revenues and total assets related to the Company's insurance business in Japan exceeds 90% of the total amounts of ordinary revenues and total assets, respectively.

13. Subsequent Events

The Company, Taiyo Life Insurance Company (Taiyo Life) and T&D Financial Life Insurance Company (T&D Financial) resolved at their board meetings held on October 8, 2003 that they will establish a holding company, "T&D Holdings, Inc" and become wholly owned subsidiaries of the holding company through a stock transfer stipulated in the Article 364 of Commercial Code, subject to approvals by their shareholders and appropriate authorities. The objective of establishing the holding company is to increase corporate value of the group companies through continuous growth of businesses and revenues based on efficient operations and strategic investments, which can be achieved by further enhancement of life insurance businesses and effective use of resources of the group as well as maximizing strength in the unique business models of each of the group companies. Essential information of establishment is as follows

1. Overview of Holding Company

(1) Name of Company

T&D Holdings, Inc.

(2) Business Objectives

Management of the group and its subsidiaries and all duties incidental to that role.

(3) Location of Headquarters

2-7-9 Nihonbashi, Chuo-ku, Tokyo

(4) Chairman and President

Representative Director and Chairman:

Masahiko Yoshiike (currently Representative Director and President of Taiyo Life)
 Representative Director and President:
 Naoteru Miyato (currently Representative Director and President of Daido Life)

(5) Date of Establishment
 April 1, 2004

(6) Initial Capitalization
 100 billion yen

(7) Stock Exchange for Listing
 Tokyo Stock Exchange and Osaka Securities Exchange.
 With the establishment of T&D Holdings, stocks in Daido Life and Taiyo Life will no longer be listed on any stock exchange.

2. Overview of Share Transfer (“Kabushiki Item”)

(1) Share Transfer Ratios

Under the above arrangement, 100 shares of T&D Holdings will be allotted to each share of Daido Life, and 55 shares of T&D Holdings will be allotted to per each share of Taiyo Life, and 15 shares of T&D Holdings will be allotted to each share of T&D Financial. Based on the share transfer, the total number of shares to be issued by T&D Holdings will be 241.5 million.

In addition, the holding company has adopted the “Tangen” or unitary share system, with one unit comprising of 50 shares.

(2) Share Transfer Distribution

T&D Holdings will pay a share transfer distribution, within three months from the time when the share transfer is to be performed to the shareholders or registered pledge holder whose names are stated in the financial shareholders’ registers of the Company and Taiyo Life on the day before the share transfer is to be performed, instead of the annual dividends for each company (dependent on the asset and debt status of the Company and Taiyo Life, changes in the economic situation and other circumstances, upon consultations with the Company, Taiyo Life and T&D Holdings, the amount of share transfer distribution may change, or canceled.

Share of Daido Life: 3,000 yen per share

Share of Taiyo Life: 1,500 yen per share

3. The Establishment of the Joint Holding Company

The company will establish Joint Holding Company, “T&D Holdings, Inc”, in corporation with Taiyo Life and T&D Financial.

Profile of the Taiyo Life and T&D Financial is as follows:

	(As of March 31, 2003)	(As of March 31, 2003)
Trade name	Taiyo Life Insurance Company	T&D Financial Life Insurance Company
Foundation date	May 1893	April 1895
Address of Head Office	2-11-2 Nihonbashi, Chuo-ku, Tokyo	1-5-2 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Masahiro Yoshiike	Osamu Mizuyama
Capital	37.5 billion yen	20.0 billion yen
No. of employees	13,461	1,440