

NON-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
 Interim Dividends: Applicable
 Application of Share Unit System: No

1. Non-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			Net Income	% change	
			% change	Core Profit	% change			
Six months ended Sept. 30, 2003	¥599,360 million	(2.3)	¥65,901 million	250.0	¥48,056 million	23.9	¥28,861million	844.1
Six months ended Sept. 30, 2002	¥613,302 million	(1.1)	¥18,827 million	151.2	¥38,788 million	(6.6)	¥3,056 million	-
FY2002 ended Mar. 31, 2003	¥1,182,176 million	(9.6)	¥46,027 million	14.9	¥88,729 million	(19.3)	¥11,443 million	49.3

	Net Income per Share
Six months ended Sept. 30, 2003	¥19,240.73
Six months ended Sept. 30, 2002	¥2,037.95
FY2002 ended Mar. 31, 2003	¥7,590.68

Notes: 1. Average number of outstanding shares during the term: 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

2. Changes in method of accounting: None

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

4. Core Profit is, a measure of a life insurance company's underlying profitability from core insurance operation on a non-consolidated basis, defined as ordinary profit excluding "capital gains and losses" such as gains and losses on sale of securities and devaluation losses on securities and "other one-time gains and losses" such as provision for (reversal of) contingency reserve and write-off of loans.

(2) Dividends

	Interim dividend per share	Annual dividend per share
As of September 30, 2003	¥ -	¥ -
As of September 30, 2002	¥ -	¥ -
As of March 31, 2003	¥ -	¥ 3,000.00

(3) Financial Conditions

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
As of September 30, 2003	¥6,051,668 million	¥232,867 million	3.8%	¥155,245.12
As of September 30, 2002	¥5,982,225 million	¥166,710 million	2.8%	¥111,140.15
As of March 31, 2003	¥6,007,183 million	¥175,882 million	2.9%	¥117,216.78

Notes: 1. Number of outstanding shares at the end of the term: as of September 30, 2003: 1,500,000; as of September 30, 2002: 1,500,000; as of March 31, 2003: 1,500,000

2. Number of treasury stock at the end of the term: None

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

	Ordinary Revenues	Ordinary Profit		Net Income
			Core Profit	
FY 2003 ending Mar. 31, 2004	¥1,200,000 million	¥101,000 million	¥95,000 million	¥34,000 million

	Annual Dividends per Share	
	Year-End	
FY 2003 ending Mar. 31, 2004	¥3,000.00	¥3,000.00

Note: Projected net income per share for the year ending March 31, 2004 is ¥22,600.00.

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 of 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" of Consolidated Financial Summary.

I. Non-Consolidated Financial Statements

Unaudited Non-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						
Cash	¥ 115		¥ 88		¥ 162	
Deposits	245,275		294,743		257,191	
Total Cash and Deposits	245,390	4.1	294,831	4.9	257,353	4.3
Call Loans	160,000	2.7	70,000	1.2	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						
Government bonds	474,056		321,025		579,006	
Municipal bonds	1,351,635		1,162,162		1,288,250	
Corporate bonds	1,128,973		1,149,344		1,231,436	
Domestic stocks	334,216		330,918		256,791	
Foreign securities	514,938		746,849		397,399	
Other securities	200,342		296,533		196,786	
Total Securities	4,004,162	66.9	4,006,834	66.2	3,949,671	65.8
Loans						
Policy loans	72,647		79,093		78,248	
Commercial loans	1,092,855		1,086,070		1,103,410	
Total Loans	1,165,502	19.5	1,165,163	19.2	1,181,658	19.7
Property and Equipment						
Land	99,229		96,338		97,711	
Buildings	73,096		71,114		71,281	
Equipment	1,169		1,195		1,141	
Construction in progress	3,922		218		5,614	
Total Property and Equipment	177,417	3.0	168,868	2.8	175,748	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						
Accounts receivable	17,177		7,726		12,434	
Prepaid expenses	3,522		5,183		3,228	
Accrued income	22,564		24,254		22,257	
Deposits for rent	4,124		3,876		3,956	
Margin for futures contracts	2,804		-		4,986	
Derivatives	161		3,676		22	
Suspense payments	3,150		8,138		1,338	
Other assets	8,404		6,981		7,889	
Total Other Assets	61,910	1.0	59,837	1.0	56,114	0.9
Deferred Tax Assets	78,442	1.3	41,112	0.7	60,721	1.0
Reserve for Possible Loan Losses	(8,070)	(0.1)	(4,492)	(0.1)	(6,839)	(0.1)
Total Assets	¥ 5,982,225	100.0	¥ 6,051,668	100.0	¥ 6,007,183	100.0

	As of September 30, 2002 (Millions of yen)		As of September 30, 2003 (Millions of yen)		As of March 31, 2003 (Millions of yen)	
		%		%		%
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	93.4	5,567,157	92.0	5,579,788	92.9
Due to Agency	-	-	0	0.0	0	0.0
Due to Reinsurers	666	0.0	574	0.0	767	0.0
Other Liabilities						
Cash collateral received under security lending contracts	58,030		83,627		96,659	
Accrued income taxes	13,718		14,997		-	
Accounts payable	5,280		3,604		3,241	
Accrued expenses	7,985		7,760		8,590	
Unearned income	5,780		4,603		5,166	
Deposits received	398		448		1,535	
Guarantee deposits	6,002		5,657		5,707	
Margin for futures contracts	-		54		-	
Derivatives	4,677		3,942		2,844	
Suspense receipt	4,032		3,546		3,881	
Other liabilities	30,000		30,000		30,000	
Total Other Liabilities	135,906	2.3	158,242	2.6	157,626	2.6
Reserve for Employees' Retirement						
Benefits	61,616	1.0	62,757	1.1	63,812	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	5,815,515	97.2	5,818,801	96.2	5,831,301	97.1
Equity:						
Common Stock	75,000	1.3	75,000	1.2	75,000	1.2
Capital Surplus	54	0.0	54	0.0	54	0.0
Retained Earnings						
Legal reserve	1,029		1,941		1,029	
Appropriated retained earnings	35,065		40,951		34,978	
Unappropriated retained earnings	8,768		34,660		17,241	
Total Retained Earnings	44,862	0.7	77,553	1.3	53,249	0.9
Net Unrealized Gains on Securities	46,793	0.8	80,260	1.3	47,579	0.8
Total Equity	166,710	2.8	232,867	3.8	175,882	2.9
Total Liabilities and Equity	¥ 5,982,225	100.0	¥ 6,051,668	100.0	¥ 6,007,183	100.0

See notes to unaudited non-consolidated condensed interim financial statements

Unaudited Non-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:						
Insurance premiums	¥ 515,398		¥ 480,132		¥ 988,327	
Reinsurance revenues	<u>490</u>		<u>662</u>		<u>1,093</u>	
Total Income from Insurance Premiums	515,888		480,795		989,420	
Investment Income / Gains:						
Interest, dividends and income from real estate for rent						
Interest income from deposits	368		1,459		1,646	
Interest income and dividends from securities	46,265		43,889		98,596	
Interest income from loans	13,009		12,369		25,711	
Income from real estate for rent	3,581		3,394		7,090	
Other income from interest and dividends	<u>53</u>		<u>68</u>		<u>104</u>	
Total interest, dividends and income from real estate for rent	63,278		61,180		133,150	
Gains on investments in monetary trusts, net	-		5,025		-	
Gains on sale of securities	13,254		22,415		32,676	
Gains from derivatives, net	15,135		-		21,111	
Other investment income	334		1,267		2,961	
Gains from separate accounts, net	<u>-</u>		<u>13,298</u>		<u>-</u>	
Total Investment Income / Gains	92,003		103,187		189,901	
Other Ordinary Income:						
Income related to withheld insurance claims and other payments for future annuity payments	79		94		210	
Income due to withheld insurance payments	1,091		1,024		2,025	
Reversal of reserve for outstanding claims	3,860		5,311		71	
Reversal of policy reserves	-		8,520		-	
Other ordinary profit	<u>379</u>		<u>427</u>		<u>546</u>	
Total Other Ordinary Income	5,410		15,378		2,854	
Total Ordinary Revenues	¥ 613,302	100.0	¥ 599,360	100.0	¥ 1,182,176	100.0

	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 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	26,519		35,790		67,349	
Reinsurance premiums	<u>643</u>		<u>645</u>		<u>1,354</u>	
Total Insurance Claims and Other Payments	433,521		458,451		861,908	
Provision for Policy and Other Reserves:						
Provision for policy reserves	22,582		-		12,724	
Interest portion of reserve for policyholder dividends	<u>645</u>		<u>501</u>		<u>1,149</u>	
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		1,068		19,657	
Devaluation losses on securities	28,952		485		58,713	
Losses from derivatives, net	-		3,571		-	
Foreign exchange losses, net	366		1,259		1,462	
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		2,801		8,034	
Losses from separate accounts, net	<u>22,543</u>		<u>-</u>		<u>28,512</u>	
Total Investment Expenses / Losses	73,622		13,617		134,326	
Operating Expenses	56,406		54,217		109,212	
Other Ordinary Expenses:						
Payments related to withheld insurance claims	896		866		2,096	
Taxes	3,521		3,372		6,900	
Depreciation	2,663		2,162		4,950	
Provision for reserve for employees' retirement benefits	181		123		2,377	
Other ordinary expenses	<u>432</u>		<u>145</u>		<u>503</u>	
Total Other Ordinary Expenses	7,696		6,671		16,828	
Total Ordinary Expenses	594,475	96.9	533,458	89.0	1,136,149	96.1
Ordinary Profit	¥ 18,827	3.1	¥ 65,901	11.0	¥ 46,027	3.9

	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	¥	360	¥	787	¥	909	
Reversal of reserve for possible loan losses		1,902		1,858		3,129	
Recoveries from bad debts previously written-off		403		251		2,181	
Reversal of reserve for employee's retirement benefit		-		225		-	
Total Extraordinary Gains		2,666	0.4	3,121	0.5	6,220	0.5
Extraordinary Losses:							
Losses on sale, disposal and devaluation of property and equipment		2,884		4,235		3,857	
Provision for reserve for losses on sale of loans		0		0		0	
Provision for price fluctuation reserve		684		763		1,199	
Payments for 100th anniversary project		167		26		254	
Total Extraordinary Losses		3,736	0.6	5,025	0.8	5,313	0.5
Provision for Reserve for Policyholder							
Dividends		12,240	2.0	17,757	3.0	26,569	2.2
Income before Income Taxes		5,517	0.9	46,240	7.7	20,364	1.7
Income Taxes:							
Current		14,876	2.4	16,241	2.7	4,060	0.3
Deferred		(12,416)	(2.0)	1,137	0.2	4,861	0.4
Net Income		3,056	0.5	28,861	4.8	11,443	1.0
Unappropriated Retained Earnings at							
Beginning of Year		5,520		5,772		5,520	
Transfer from appropriated retained earnings		190		26		277	
Unappropriated Retained Earnings at End of Period	¥	8,768	¥	34,660	¥	17,241	

See notes to unaudited non-consolidated condensed interim financial statements

NOTES TO UNAUDITED NON-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 organisation from a mutual company to a joint stock corporation on April 1, 2002.

The accompanying non-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 financial statements, certain items presented in the original financial statements have been reclassified and summarized for readers outside Japan. These 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 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) Foreign currency translation

Foreign currency monetary assets and liabilities (including foreign currency securities other than subsidiaries and affiliates 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.

(c) Investments in securities

Investments in securities other than subsidiaries and affiliates are classified into 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 their fair value. Unrealized gains and losses on trading securities are reported in the statements 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. Investments in subsidiaries and affiliates are stated at cost. For the purpose of computing realized gains and losses, cost is determined using the moving average method.

Investments in subsidiaries and affiliated companies amounted to ¥975 million are stated at cost and included in investments in securities.

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

(d) 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.

(e) Reserve for employees' retirement benefits

The Company maintains 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 plan 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 amended its employees' retirement plan 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 Standard 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.

(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 will be 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) 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 1, 1998 and by the declining-balance method for other property and equipment, based on 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 ¥ 86,866 million.

(k) Software

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

(l) 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.

(m) Derivative financial instruments

The Company uses derivative financial instruments to hedge exposures to changes in interest rates and foreign exchange rates and stock prices for assets in the balance sheet or for future investments, and to manage the differences in the duration 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 do not qualify as hedging instruments under hedge accounting, are revalued at their fair value at the balance sheet date. These derivative financial instruments hedge certain financial exposures, although they do not meet the

hedging criteria under the accounting standards.

(n) Accounting for consumption taxes

Consumption taxes received or paid by the Company are not included in income and expenses. The net of consumption taxes received and paid is separately recorded on the balance sheets. 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.

2. Loans

Delinquent loans of the Company 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 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 30, 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>45</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.

3. 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 sheet 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.

4. 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 September 30,		For the year ended March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Equipment and others			
Acquisition cost	¥ 370	¥ 344	¥ 337
Accumulated depreciation	<u>172</u>	<u>158</u>	<u>162</u>
Net carrying value	¥ <u>198</u>	¥ <u>186</u>	¥ <u>174</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	¥ 64	¥ 59	¥ 57
Due after one year	<u>143</u>	<u>136</u>	<u>126</u>
Total	¥ <u>208</u>	¥ <u>195</u>	¥ <u>184</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 ¥14 million, ¥39 million and ¥54 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 years ended March 31, 2003 are as follows:

	For the six months ended September 30,		For the year ended March 31,
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		
Depreciation	¥ 11	¥ 33	¥ 45
Imputed interest cost	2	5	8

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>

5. 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>137,336</u>

6. 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.

7. 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, totals ¥10,836 million.

8. Investment Gains/Losses

The detail of gains and losses on sales of securities and devaluation losses on securities for the six months ended September 30, 2003 are as follows:

	<u>Gains on sale</u>	<u>Losses on sales</u> (Millions of yen)	<u>Devaluation losses</u>
Domestic bonds	¥ 16,041	¥ 703	¥ -
Domestic stocks and other	3,708	238	180
Foreign securities	<u>2,665</u>	<u>125</u>	<u>241</u>
Total	¥ <u>22,414</u>	¥ <u>1,066</u>	¥ <u>421</u>

Losses on investments in trading securities mainly consist of income from interest and dividends and valuation losses amounting to ¥11 million and ¥1,768 million, respectively.

Losses from monetary trusts and gains from derivatives include valuation losses amounting to ¥5,676 million and ¥2,550 million, respectively.

9. Extraordinary Gains / Losses

Gains on sales of property, equipment and loans include gains on sales of real estate amounting to ¥785 million.

Losses on sales, disposal and devaluation of property and equipment include valuation losses due to the market value decline of land and buildings that is considered to be unrecoverable in the future amounting to ¥3,997 million.

10. Transactions with Subsidiaries

Receivables from and payables to subsidiaries as of September 30, 2003 were ¥35 million and ¥153 million, respectively.

Income and expenses with subsidiaries for the six months ended September 30, 2003 were ¥69 million and ¥1,836 million, respectively.

11. Per Share Information

The Company has not issued new shares of common stock and shares having a potentially dilutive effect after its demutualization. In addition, the Company did not hold any treasury stocks during the six months ended September 30, 2003. 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 ¥19,240.73. The net assets per share calculated based on the number of shares of common stock outstanding as of September 30, 2003 was ¥155,245.12.

12. 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