

• Non-Consolidated Financial Summary
(For the fiscal year 2002 ended March 31, 2003)

May 22, 2003

Name of Company: Taiyo Life Insurance Company
 Stock Listing: Tokyo
 Security Code No.: 8796
 Head Office: Tokyo, Japan
 URL: <http://www.taiyo-seimei.co.jp/>
 Date of Board Meeting for approval of Accounts: May 22, 2003
 Application of Interim Dividends Policy: Yes
 Date of General Shareholders' Meeting: June 26, 2003
 Application of Unit Share (Tangen-kabu) Policy: No

I. Non-Consolidated Results for the FY2002 Ended March 31, 2003

(1) Results of Operations

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

	Ordinary Revenue	%change	Ordinary Profit	%change	Base Profit		Net Income	
						%change		%change
FY2002 ended March 31, 2003	¥1,385,248	(12.9)	¥23,055	26.9	¥28,734	107.1	¥4,825	859.3
FY2001 ended March 31, 2002	¥1,591,001	14.7	¥18,167	(12.8)	¥13,875	(0.5)	¥503	-

	Net Income per Share	Net Income per Share (Fully Diluted)	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Profit to Total Assets	Ratio of Ordinary Profit to Ordinary Revenue
FY2002 ended March 31, 2003	¥3,192.33	¥ -	3.4%	0.3%	1.7%
FY2001 ended March 31, 2002	¥335.36	¥ -	0.2%	0.3%	1.1%

- Notes: 1. Average number of outstanding shares during the year: None
 2. Changes in method of accounting: Yes
 3. % change for ordinary revenue, ordinary profit and net income is presented in comparison with the previous fiscal year.
 4. Taiyo Life Insurance Company was a mutual company through March 31, 2003. Please refer to P.2 and 3 of this material for computation of net income, net income per share, and ratio of net income to shareholders' equity.
 5. Base profit is a measure of a life insurance company's underlying profitability from core insurance operations and defined as ordinary profit excluding capital gains/losses such as gains/losses from sale of securities, valuation losses of securities, non-recurrent items such as provision (reversal) of contingent reserve and write-off of loans.

(2) Dividends paid during the year

	Per share dividend paid during the year		Total Dividends during the year	Dividends Payment Ratio	Ratio of Dividends to Shareholders' Equity
	Interim	Y/E			
FY2002 ended March 31, 2003	-	-	-	-	-
FY2001 ended March 31, 2002	-	-	-	-	-

As Taiyo Life Insurance Company was a mutual company though March 31, 2003, no dividends are paid for the year then ended.

(3) Financial Conditions

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
FY2002 ended March 31, 2003	¥6,528,068 million	¥116,373 million	1.8%	¥77,557.67
FY2001 ended March 31, 2002	¥6,834,028 million	¥166,256 million	2.4%	¥110,837.49

Notes: 1. Number of outstanding shares at the end of the year: None
2. Number of treasury stocks at the end of the year: None
3. Taiyo Life Insurance Company was a mutual company through March 31, 2003. Please refer to P.3 and 4 of this material for computation of shareholders' equity, shareholders' equity ratio, and shareholders' equity per share.

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

	Ordinary Revenue	Ordinary Profit (Millions of Yen)		Net Income	Dividends per Share During the Year		
		Core Profit	Core Profit		Interim	Y/E	
(¥Millions)	(¥Millions)			(¥Millions)			
Interim	¥591,000	¥14,700	¥13,700	¥4,500	¥ -	¥ -	¥ -
Annual	¥1,172,000	¥26,000	¥29,400	¥6,400	¥ -	¥1,500.00	¥1,500.00

Note: Projected net income per share for the year ending March 31, 2004 is ¥4,266.67.

The above forecasts for the year ending March 31, 2004 reflect the Company's current analysis of the existing information and trends available on the release date of this material. Actual results may differ from expectations based on risks and uncertainties that may affect the Company's business.

As of April 1, 2003, Taiyo Life Insurance Company converted from a mutual company to a joint stock corporation.

In the case of mutual life companies, provision for reserve for policyholder dividends constitutes dispositions of net surplus. However, in the case of life insurance companies that are joint stock corporations, such provision for reserve is treated as an expense in its statement of operation.

Fiscal Year Ended March 31, 2002

Assuming that the Company had treated the provision for reserve for policyholder dividends as an expense in the statement of operation, like as a joint stock corporation, the following figures and ratios would have been calculated as follows:

Net income

Net income as reported in the statement of operation [¥11,358 million] - provision for reserve for policyholder dividends [¥10,855 million] = Net income (adjusted)

Net income per share

Net income (adjusted) / number of outstanding shares at time of demutualization [1,500,000 shares]

Ratio of net income to shareholders' equity

Net income (adjusted) / {(total equity at beginning of fiscal year [¥321,896 million] - provision for reserve for policyholder dividends [¥11,101 million] + total equity at end of fiscal year [¥177,111 million] - provision for reserve for policyholder dividends [¥10,855 million]) / 2} x 100

Shareholders' equity

Total equity at end of fiscal year as reported in the balance sheet [¥177,111 million] - provision for reserve for policyholder dividends [¥10,855 million] = shareholders' equity (adjusted)

Shareholders' equity ratio

Shareholders' equity (adjusted) / (total liabilities at end of fiscal year [¥6,656,917 million] + total equity at end of fiscal year [¥177,111 million]) x 100

Shareholders' equity per share

Shareholders' equity (adjusted) / number of outstanding shares at time of demutualization [1,500,000 shares]

Fiscal Year Ended March 31, 2003

For the fiscal year ended March 31, 2003, the Company sets up the allowance for policyholder dividends to provide for policyholder dividends to be paid after demutualization, and the amount corresponding to the provision for policyholder dividends of a mutual company was charged to the statement of operation.

In conjunction with the demutualization, certain policyholders will receive cash payment in lieu of a share allotment (Note) after April 1, 2003. The amount paid (hereinafter, the amount paid upon demutualization) had been included within the equity of the mutual company but was deducted from equity upon demutualization and would not be included in the shareholders' equity of the joint stock corporation.

If these effects described above had been taken into consideration, the following figures and ratios would have been calculated as follows:

Net income

Net income as reported in the statement of operation [¥4,825 million]

Net income per share

(Net income [¥4,825 million] – bonus to directors and corporate auditors [¥37 million]) / number of outstanding shares at time of demutualization [1,500,000 shares]

Ratio of net income to shareholders' equity

Net income [¥4,825 million] / {(total equity at beginning of fiscal year [¥177,111 million] – provision for reserve for policyholder dividends [¥10,855 million] + total equity at end of fiscal year [¥117,249 million]) / 2} x 100

Shareholders' equity

Total equity at end of fiscal year as reported in the balance sheet [¥117,249 million] – amount paid upon demutualization [¥875 million] = shareholders' equity (adjusted)

Shareholders' equity ratio

Shareholders' equity (adjusted) / (total liabilities at end of fiscal year [¥6,410,819 million] + total equity at end of fiscal year [¥117,249 million]) x 100

Shareholders' equity per share

(Shareholders' equity (adjusted) – bonus to directors and corporate auditors [¥37 million]) / number of outstanding shares at time of demutualization [1,500,000 shares]

Note: If policyholders are prohibited by laws or regulations from receiving any share allotments, the Company should make monetary compensation to such policyholders in accordance with the Article 89, Section 1 of the Insurance Business Law. In accordance with the Article 12 of the Implementation order for the Insurance Business Law, the amount of monetary compensation is equivalent in proportion to the amount of their relative contribution to the company's net assets. Amounts paid to policyholders (totaling to ¥875 million) were calculated by multiplying the number of total shares that would be allotted if they could receive the share allotments (12,054.9739294) by the purchase price for new listing made by underwriters (¥72,652).

The amount was reclassified into other payables as of the date of demutualization and paid after April 1, 2003.

Unaudited Non-Consolidated Financial Statements

Taiyo Life Insurance Company

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Unaudited Non-Consolidated Balance Sheets

As of March 31,

	2002 (Millions of yen)		2003 (Millions of yen)		Increase (decrease)	2003 (Thousands of U.S. dollars)
		%		%		
Assets:						
Cash and Deposits:						
Cash	¥ 3,500		¥ 2,277		¥ (1,222)	\$ 18,951
Deposits	<u>46,441</u>		<u>38,355</u>		<u>(8,086)</u>	<u>319,093</u>
Total Cash and Deposits	49,941	0.7	40,633	0.6	(9,308)	338,045
Call Loans	101,580	1.5	127,580	2.0	26,000	1,061,397
Monetary Claims Purchased	54,995	0.8	41,966	0.6	(13,028)	349,141
Monetary Trusts	95,933	1.4	55,619	0.9	(40,314)	462,726
Securities:						
Government bonds	1,383,781		1,181,155		(202,626)	9,826,582
Municipal bonds	459,914		402,362		(57,551)	3,347,445
Corporate bonds	723,006		853,978		130,972	7,104,648
Domestic stocks	601,773		400,908		(200,865)	3,335,344
Foreign securities	686,132		784,098		97,966	6,523,284
Other securities	<u>29,148</u>		<u>41,624</u>		<u>12,475</u>	<u>346,289</u>
Total Securities	3,883,756	56.8	3,664,128	56.1	(219,628)	30,483,594
Loans:						
Policy loans	140,623		125,561		(15,061)	1,044,608
Commercial loans	<u>2,169,305</u>		<u>2,103,582</u>		<u>(65,723)</u>	<u>17,500,684</u>
Total Loans	2,309,929	33.8	2,229,144	34.1	(80,785)	18,545,293
Property and Equipment:						
Land	110,220		109,360		(859)	909,818
Buildings	70,015		66,222		(3,792)	550,937
Equipment	383		370		(12)	3,079
Construction in progress	<u>11,343</u>		<u>18,105</u>		<u>6,761</u>	<u>150,627</u>
Total Property and Equipment	191,962	2.8	194,058	3.0	2,096	1,614,463
Due from Agency	18	0.0	-	-	(18)	-
Due from Reinsurers	1	0.0	24	0.0	23	207
Other Assets:						
Accounts receivable	6,787		22,816		16,028	189,820
Prepaid expenses	777		708		(69)	5,893
Accrued income	33,671		34,538		867	287,344
Deposit for rent	235		340		104	2,830
Margin for futures contracts	885		-		(885)	-
Derivatives	13,854		9,849		(4,005)	81,945
Suspense payments	5,008		4,995		(13)	41,560
Other assets	<u>12,399</u>		<u>14,200</u>		<u>1,801</u>	<u>118,139</u>
Total Other Assets	73,620	1.1	87,449	1.3	13,828	727,533
Deferred Tax Assets	66,120	1.0	78,600	1.2	12,480	653,917
Deferred Tax Assets on Land Revaluation	11,956	0.2	12,129	0.2	173	100,912
Reserve for Possible Loan Losses	(5,786)	(0.1)	(3,266)	(0.1)	2,519	(27,176)
Total Assets	¥ 6,834,028	100.0	¥ 6,528,068	100.0	¥ (305,960)	\$ 54,310,055

	2002		2003		Increase	2003
	(Millions	%	(Millions	%	(decrease)	(Thousands of
	of yen)		of yen)			U.S. dollars)
Liabilities:						
Policy Reserves:						
Reserve for outstanding claims	¥ 22,458		¥ 18,399		¥ (4,058)	\$ 153,077
Policy reserve	6,358,848		6,134,247		(224,601)	51,033,669
Reserve for policyholder dividends	<u>74,036</u>		<u>67,293</u>		<u>(6,742)</u>	<u>559,846</u>
Total Policy Reserves	6,455,343	94.5	6,219,940	95.3	(235,402)	51,746,594
Due to Reinsurers	24	0.0	25	0.0	1	213
Other Liabilities:						
Subordinated borrowings	85,000		85,000		-	707,154
Accounts payable	2,363		28,348		25,985	235,845
Accrued expenses	8,419		8,661		241	72,055
Unearned income	528		558		29	4,647
Deposits received	562		550		(12)	4,576
Guarantee deposits	5,231		6,757		1,525	56,217
Derivatives	7,032		8,378		1,345	69,700
Deferred valuation gains on hedge	11,472		7,984		(3,488)	66,422
Suspense receipt	547		1,668		1,120	13,880
Other liabilities	<u>3</u>		<u>3</u>		<u>-</u>	<u>24</u>
Total Other Liabilities	121,161	1.8	147,909	2.3	26,747	1,230,526
Reserve for Employees'						
Retirement Benefits	25,018	0.4	29,099	0.4	4,080	242,095
Reserve for Directors' and Corporate						
Auditors' Retirement Benefits	457	0.0	443	0.0	(14)	3,687
Allowance for Policyholder Dividends	-	-	11,267	0.2	11,267	93,743
Reserve for Price Fluctuations	54,911	0.8	2,132	0.0	(52,779)	17,739
Total Liabilities	6,656,917	97.4	6,410,819	98.2	(246,098)	53,334,601
Equity:						
Fund	24,000	0.4	-	-	(24,000)	-
Reserve for Redemption of Fund	7,000	0.1	10,000	0.2	3,000	83,194
Reserve for Revaluation	13	0.0	13	0.0	-	109
Surplus:						
Legal reserve for future losses	271		311		40	2,589
Appropriated retained earnings	99,798		96,335		(3,463)	801,458
Unappropriated retained earnings	<u>36,734</u>		<u>30,512</u>		<u>(6,221)</u>	<u>253,850</u>
Total Surplus	136,804	2.0	127,159	1.9	(9,645)	1,057,898
Land Revaluation	(21,163)	(0.3)	(21,470)	(0.3)	(306)	(178,622)
Net Unrealized Gains on Securities	30,457	0.4	1,547	0.0	(28,910)	12,873
Total Equity	177,111	2.6	117,249	1.8	(59,861)	975,453
Total Liabilities and Equity	¥ 6,834,028	100.0	¥ 6,528,068	100.0	¥ (305,960)	\$ 54,310,055

See notes to unaudited non-consolidated financial statements.

Unaudited Non-Consolidated Statements of Operations

Years ended March 31,

	2002 (Millions of yen)	%	2003 (Millions of yen)	%	Increase (decrease)	2003 (Thousands of U.S. dollars)
Ordinary Revenue:						
Income from Insurance Premiums:						
Insurance premiums	¥ 1,018,994		¥ 887,784		¥ (131,209)	7,385,897
Ceded reinsurance commissions	<u>46</u>		<u>157</u>		<u>110</u>	<u>1,307</u>
Total Income from Insurance Premiums	1,019,041		887,942		(131,099)	7,387,204
Investment Income :						
Interest, dividends and income from real estate for rent:						
Interest income from deposits	14		4		(10)	33
Interest income and dividends from securities	86,292		79,550		(6,742)	661,818
Interest income from loans	69,995		64,396		(5,598)	535,745
Interest from real estate for rent	6,137		5,863		(274)	48,778
Other income from interest and dividends	<u>533</u>		<u>424</u>		<u>(109)</u>	<u>3,534</u>
Total interest, dividends and income from real estate for rent	162,973		150,239		(12,734)	1,249,909
Gains from monetary trusts, net	-		3,554		3,554	29,568
Gains on sale of securities	66,517		70,287		3,769	584,755
Foreign exchange gains, net	11,244		-		(11,244)	-
Other investment income	<u>3,728</u>		<u>5,286</u>		<u>1,557</u>	<u>43,979</u>
Total Investment Income	244,464		229,367		(15,097)	1,908,213
Other Ordinary Income :						
Income related to withheld insurance claims and other payments for future annuity payments	524		568		43	4,725
Income due to withheld insurance payments	39,322		37,272		(2,050)	310,088
Reversal of reserve for outstanding claims	-		4,058		4,058	33,765
Reversal of reserve for policy reserve	287,124		224,601		(62,523)	1,868,562
Other	<u>523</u>		<u>1,438</u>		<u>914</u>	<u>11,966</u>
Total Other Ordinary Income	327,495		267,938		(59,556)	2,229,108
Total Ordinary Revenue	¥ 1,591,001	100.0	¥ 1,385,248	100.0	¥ (205,753)	\$ 11,524,526

	2002		2003		Increase	2003
	(Millions	%	(Millions	%	(decrease)	(Thousands of
	of yen)		of yen)			U.S. dollars)
Ordinary Expenses:						
Insurance Claims and Other						
Payments:						
Insurance claims	¥ 917,359		¥ 718,110		¥ (199,248)	\$ 5,974,299
Annuity payments	74,514		87,121		12,607	724,806
Insurance benefits	121,200		121,707		507	1,012,542
Surrender payments	225,199		174,597		(50,601)	1,452,557
Other payments	29,925		36,673		6,748	305,105
Reinsurance premiums	<u>105</u>		<u>111</u>		<u>5</u>	<u>924</u>
Total Insurance Claims and Other Payments	1,368,304		1,138,322		(229,981)	9,470,236
Provision for Policy and Other						
Reserves:						
Provision for outstanding claims	3,625		-		(3,625)	-
Interest portion of reserve for policyholder dividends	<u>1,070</u>		<u>564</u>		<u>(505)</u>	<u>4,700</u>
Total Provision for Policy and Other Reserves	4,696		564		(4,131)	4,700
Investment Expenses:						
Interest expense	2,166		2,175		8	18,099
Losses from monetary trusts, net	430		-		(430)	-
Losses on sale of securities	37,295		42,100		4,804	350,252
Devaluation losses on securities	1,751		24,930		23,178	207,406
Amortization of securities	260		-		(260)	-
Losses from derivatives, net	26,117		630		(25,487)	5,247
Foreign exchange losses, net	-		8,235		8,235	68,518
Write-off of loans	132		205		73	1,712
Depreciation of real estate for rent	2,545		2,373		(172)	19,745
Other investment expenses	2,848		3,874		1,025	32,233
Losses on separate accounts, net	<u>6,184</u>		<u>9,106</u>		<u>2,921</u>	<u>75,757</u>
Total Investment Expenses	79,734		93,632		13,898	778,973
Operating Expenses	85,049		86,143		1,093	716,668
Other Ordinary Expenses:						
Payments related to withheld insurance claims	23,260		26,942		3,681	224,144
Taxes	5,853		5,917		63	49,227
Depreciation	3,772		4,366		593	36,323
Provision for reserve for employees' retirement benefits	1,537		4,080		2,543	33,950
Other	<u>626</u>		<u>2,223</u>		<u>1,596</u>	<u>18,495</u>
Total Other Ordinary Expenses	35,050		43,529		8,479	362,141
Total Ordinary Expenses	1,572,834	98.9	1,362,192	98.3	(210,641)	11,332,719
Ordinary Profit	¥ 18,167	1.1	¥ 23,055	1.7	¥ 4,888	\$ 191,806

	2002		2003		2003	
	(Millions of yen)	%	(Millions of yen)	%	Increase (decrease)	(Thousands of U.S. dollars)
Extraordinary Gains:						
Gains on sale of property and equipment	¥ 262		¥ 2		¥ (260)	\$ 16
Reversal of reserve for price fluctuations	-		52,779		52,779	439,093
Reversal of reserve for possible loan losses	755		2,436		1,680	20,272
Other	189		77		(112)	641
Total Extraordinary Gains	1,207	0.1	55,294	4.0	54,087	460,024
Extraordinary Losses:						
Losses on sale, disposal and devaluation of property and equipment	1,738		797		(940)	6,637
Provision for reserve for price fluctuations	6,929		-		(6,929)	-
Impairment losses on equity securities included in trust account	-		57,664		57,664	479,740
Provision for allowance for policyholder dividends	-		11,267		11,267	93,743
Social service contribution	10		14		4	116
Other	514		-		(514)	-
Total Extraordinary Losses	9,192	0.6	69,744	5.0	60,551	580,237
Income Before Income Taxes	10,181	0.6	8,605	0.6	(1,576)	71,593
Income Taxes:						
Current	661	0.0	101	0.0	(560)	841
Deferred	(1,838)	(0.1)	3,678	0.3	5,517	30,604
Net Income	11,358	0.7	4,825	0.3	(6,532)	40,147
Unappropriated Surplus at						
Beginning of Year	25,366		25,366		-	211,036
Transfer from land revaluation	-		306		306	2,550
Transfer from appropriated retained earnings	10		14		4	116
Unappropriated Surplus at						
End of Year	¥ 36,734		¥ 30,512		¥ (6,221)	\$ 253,850

See notes to unaudited non-consolidated financial statements.

Unaudited Non-Consolidated Statements of Surplus

Years ended March 31,

	2002 (Millions of yen)	2003 (Millions of yen)	2003 (Thousands of U.S. dollars)
Unappropriated Surplus at Beginning of Year	¥ 36,734	¥ 30,512	\$ 504,266
Transfer from appropriated retained earnings	<u>17</u>	<u>30,115</u>	<u>129</u>
	36,752	60,628	504,395
Appropriation Surplus :			
Transfer to reserve for policyholder dividends	10,855	-	-
Legal reserve for future losses	40	-	-
Bonus to directors	34	25	209
Bonus to corporate auditors	12	12	99
Transfer to appropriated retained earnings	<u>443</u>	<u>35,000</u>	<u>291,181</u>
Total Appropriation of Surplus	11,386	35,037	291,491
Unappropriated Surplus Carried Forward	¥ 25,366	¥ 25,591	\$ 212,904

See notes to unaudited non-consolidated financial statements.

Taiyo Life Insurance Company

Notes to Unaudited Non-Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) *Basis of presentation*

Taiyo 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 (the “Insurance Business Law”) and in conformity with generally accepted accounting principles and practices in Japan.

Pursuant to its plan of demutualization and the Insurance Business Law, the Company has converted from a mutual company to a joint stock corporation since April 1, 2003.

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 and one thousand U.S. dollars have been eliminated. As a result, yen and U.S. dollar totals shown herein do not necessarily agree with the sum of the individual amounts.

(b) *Investments in securities*

Investments in securities other than subsidiaries and affiliates are classified as trading, held-to-maturity, available-for-sale securities and policy-reserve-matching bonds. Trading securities and available-for-sale securities with readily obtainable fair values (“marketable available-for-sale securities”) are stated at fair market value. In respect of the calculation of the fair value, the average price prevailing in March is applied for equity securities and the month-end price of March is applied for securities other than equity securities. 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 as a separate component of equity, net of income taxes, unless the decline in fair value of any particular available-for-sale security is considered to be a permanent impairment, in which case devaluation losses are charged to income. Held-to-maturity securities and available-for-sale securities without readily obtainable fair value are stated at amortized cost.

The Company has set up “policy-reserve-matching bonds”. The purpose of the policy-reserve-matching bonds is to reflect the Company’s ALM (Asset Liability Management) activity in the financial statements. The Company holds certain bonds to hedge the interest rate risk arising from contracted insurance policies. Policy-reserve-matching bonds are not stated at fair market value but are stated at amortized cost, matching with the accounting treatment of the policy reserve of insurance policies.

For the purpose of computing realized gains and losses, cost is determined by the moving average method.

Taiyo Life Insurance Company

Notes to Unaudited Non-Consolidated Financial Statements

The Company's management and investment policies for policy-reserve-matching bonds include risk management guidelines for monitoring such policy-reserve-matching bonds. Based on the guidelines, the Company categorizes insurance policies into (1) 'personal insurance policies with maturity less than 25 years'; and (2) policies for 'defined contribution corporate pension insurance' and 'group pure endowment insurance' policies with respect to group annuity insurance; (3) 'lump-sum endowment insurance' policies; and (4) 'personal pension insurance' policies during the year ended March 31, 2002. During the year ended March 31, 2003, the Company integrated saving-oriented products categories such as 'lump-sum endowment insurance' and 'personal pension insurance' into the category of 'personal insurance policies with maturity less than 25 years'. Such integration was resulted that the Company recognized the difficulty to keep an appropriate level of asset volume for investment activities relating to these product categories. They might be getting smaller since there is less possibilities that the Company restarts selling activities for such saving-oriented products under prolonged low-interest rate environment and the Company's activities in order to shift from saving-oriented products to protection-oriented products will also make them smaller. There were no impacts on financial statements due to such integration.

Investments in subsidiaries and affiliated amounted to ¥2,138 million (U.S.\$17,787 thousand) are stated at cost and included in investments in securities.

(c) Foreign currency translation

Foreign currency monetary assets and liabilities (including securities and derivatives) are translated into Japanese yen at the foreign exchange rate prevailing at the balance sheet date except for available-for-sale securities, which are translated into Japanese yen at the average foreign exchange rate prevailing in March. Stock of the Company's subsidiary is translated into Japanese yen at the exchange rates prevailing when such transactions occur.

All income and expenses in foreign currencies are translated at the exchange rates prevailing when such transactions are made. Exchange gains and losses are charged or credited to income.

(d) Reserve for possible loan losses

A reserve for possible loan losses is established in accordance with the Company's self-assessment guidelines. With respect to loans to borrowers subject to bankruptcy and similar proceedings, the Company provides a specific reserve for the loan balance less amounts collectible from collateral, guarantees and by other means. For loans to borrowers not yet bankrupt but highly likely to fall into bankruptcy, management determines and provides for the necessary specific reserve amount based on an overall assessment of the borrowers' ability to pay after subtracting the amount collectible from collateral, guarantees and by other means. With respect to other loans, the Company provides a general reserve by applying the historical loan loss ratio determined over a fixed period. Each loan is subject to asset assessment by the Risk Management Department in accordance with the Company's self-assessment guidelines, and the results of the assessment are reviewed by the Business Auditing Department, which is independent from the Risk Management Department, before the reserve amount is finally determined.

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(e) Reserve for price fluctuations

Pursuant to requirements under the Insurance Business Law, the Company maintains a reserve for price fluctuations primarily related to shares, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations. This reserve may only be used to reduce deficits arising from price fluctuations on those assets.

(f) Allowance for policyholder dividends

The Company sets up the allowance for policyholder dividends in preparation for policyholder dividends to be paid after the demutualization. The set up of this allowance is prescribed in Article 287-2 of the Japanese Commercial Code.

Policyholder dividends are recorded on an accrual basis for a joint stock corporation. They are treated as an appropriation of surplus for a mutual company. Accordingly, they are recorded based on the approval of the policyholders' representatives meeting held after the balance sheet date. Since the Company converted its organization from a mutual company to a joint stock corporation on April 1, 2003, the Company has accrued policyholder dividends for the year ended March 31, 2003 through this allowance.

Allowance for policyholder dividends will be absorbed into the reserve for policyholder dividends from April 1, 2003.

(g) Policy reserve

Pursuant to 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 established pursuant to the net level premium method. This method assumes a constant, or level, amount of pure insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. The pure insurance premium is the portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, investment yield and policy cancellation rates, and excluding the portion covering administrative expenses. The net level premium reserve is calculated using interest and mortality rates set by the Financial Services Agency. For policies issued after April 2001, the net level premium reserve is calculated using an annual 1.5% interest rate and the mortality rate specified in the Life Insurance Companies Standard Mortality Table 1996. Such calculation is not necessarily in accordance with the gross premium basis.

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 employees' retirement benefits

The Company maintains non-contributory defined benefit plans covering substantially all employees. Under the plans, qualified employees are entitled to lump-sum or annuity payments based on salary, length of service at retirement and reason for the termination of employment.

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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.

Through the year ended March 31, 2002, unrecognized net gains or losses was charged or credited to income in the following fiscal year. However, it was charged or credited to income when recognized in order to improve the financial condition after September 30, 2002. As a result of the accounting change, ordinary profit decreased by ¥3,700 million (U.S.\$30,784 thousand) and income before income taxes decreased by ¥3,700 million (U.S.\$30,784 thousand) for the year ended March 31, 2003.

(i) Reserve for directors' and corporate auditors' retirement benefits

The Company has maintained retirement benefit plans covering all directors and corporate auditors. Under the plans, all directors and corporate auditors are entitled to lump-sum or annuity payments based on their current of pay and length of service at retirement.

The Company sets up a reserve for directors' and corporate auditors' retirement benefits under the defined benefit plans based on the actuarial calculation value of the retirement benefit obligations. The attribution of retirement benefits to periods of consignees' service is made based on the benefit/years-of service approach.

(j) Income taxes

The provision for income taxes is based on income recognized for financial statement purposes, which includes deferred income taxes resulting from temporary differences arising 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 the statutory tax rate.

(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 1, 1998 and by the declining-balance method for other property and equipment, based on the following estimated useful lives:

Buildings and structures	3 to 50 years
Equipment	3 to 20 years

Accumulated depreciation of property and equipment as of March 31, 2003 was ¥92,110 million (U.S.\$766,309 thousand).

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Notes to Unaudited Non-Consolidated Financial Statements

(l) Software

Depreciation of the Company's internal use software, which is included in other assets, is computed by the straight-line method based on estimated useful lives (five years).

(m) Leases

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

The Company treats all non-ownership-transfer finance leases as operating leases. Accordingly, leased assets with respect of non-ownership-transfer finance 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) Land revaluation

The Company revalued its land for operating purposes as of March 31, 2002, as permitted by the Land Revaluation Law ("the Law"), which became effective in 1998. In accordance with provisions under the Law and related ordinances, the revaluation is a one-time event and subsequent valuation gains/losses after the initial revaluation are not reflected to the financial statements but are disclosed if additional valuation losses are subsequently recognized after the initial revaluation. Net revaluation gains or losses is not charged to income but is included as a separate component of equity, net of income taxes. In case that the Company sells a part of such revalued land, related revaluation gains or losses are transferred to unappropriated surplus. Book values of land for operating use before and after revaluation as of March 31, 2002 were ¥143,340 million and ¥110,220 million, respectively. The additional valuation losses as of March 31, 2003 amounted to ¥5,850 million (U.S.\$48,669 thousand).

(o) Derivative financial instruments

The Company uses swaps, forwards, futures and option contracts, to hedge exposure to changes in interest rates, foreign exchange rates, stock and bond prices for assets in the balance sheet or for future investments, and to manage the differences in the duration of its assets and liabilities. In addition, the Company trades credit derivatives within certain internal limitations.

Changes in the fair values of the derivatives designated and qualifying as hedges are either charged to income, reported as other assets/liabilities in the balance sheet, or not recognized based on whether such hedges are considered a fair value, cash flow or special hedge. Special hedge relationships are not revalued but the contractual rates of the special hedge are incorporated with those of the hedged items. Fair value hedges of assets and liabilities are recognized in income as an offset to the fair value adjustments of the related hedged items. The fair value of instruments hedging anticipated transactions and referred to as cash flow hedges are recognized in the balance sheet and are reclassified as income when the related hedged item impacts income.

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The Company applies hedge accounting to specific derivative financial instruments that are identified as hedging instruments. Although insurance companies in Japan are allowed to use macro hedge accounting, the Company does not apply such accounting.

(p) 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 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.

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥120.20 = U.S.\$1, which is the approximate rate prevailing at March 31, 2003. The translations should not be construed as representations that such yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rates.

3. Loans

Delinquent loans of the Company as of March 31, 2003 are summarized below:

	(Millions of yen)	(Thousands of U.S. dollars)
Loans to bankrupt companies	¥ 313	\$ 2,609
Past due loans	1,423	11,840
Loans overdue for three months or more	5,709	47,497
Restructured loans	<u>3,710</u>	<u>30,871</u>
Total	¥ <u>11,157</u>	\$ <u>92,820</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 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” and loans for which due dates for interest payments have been rescheduled for purposes of restructuring or supporting of the borrower, on which the Company has stopped accruing interest based on 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 is in arrears for three months or more.

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“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 to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims and/or other terms in favor of the borrower for purposes of restructuring or supporting of the borrower.

With respect to loans to bankrupt companies and past due loans that are covered by collateral and guarantees, the Company writes off the portion of such loans that are not collectible from collateral and guarantees, and charges such amounts to the reserve for possible loan losses. Write-offs relating to bankrupt companies for the year ended March 31, 2003 amounted to ¥944 million (U.S.\$7,854 thousand). Past due loans decreased due to write-offs by ¥110 million (U.S.\$923 thousand) for the year ended March 31, 2003.

The Company’s outstanding loan commitments with borrowers as of March 31, 2003 are summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Total loan commitment	¥ 11,862	\$ 98,692
Less amount drawn down	<u>-</u>	<u>-</u>
Residual loan commitment	¥ <u>11,862</u>	\$ <u>98,692</u>

Based on the loan agreements, the extension of credit is subject to the Company’s review procedures. The review procedures provide ensuring to the use of funds and assessing the creditworthiness of the borrower. Since not all of the outstanding commitments will be drawn down, the outstanding commitments do not necessarily represent future cash requirements.

4. Separate Accounts

The balance sheets include assets and an equivalent amount of liabilities related to separate accounts, amounting to ¥53,100 million (U.S.\$441,768 thousand), as of March 31, 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 such account, although the assets are not legally segregated in terms of their treatment in case of bankruptcy of the insurance company.

Investment securities held under the separate accounts are deemed to be trading securities based on the accounting standards for financial instruments, and are stated at fair value. Cost is determined based on the moving average method.

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5. Lease Transactions

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

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 years ended March 31, 2002 and 2003 are summarized as follows:

	<u>For the years ended March 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition cost:			
Equipment	¥ 2,268	¥ 2,162	\$ 17,987
Accumulated depreciation:			
Equipment	475	836	6,960
Net carrying value:			
Equipment	¥ <u>1,792</u>	¥ <u>1,325</u>	\$ <u>11,027</u>

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

	<u>For the years ended March 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year	¥ 427	¥ 427	\$ 3,558
Due after one year	<u>1,401</u>	<u>952</u>	<u>7,925</u>
Total	¥ <u>1,829</u>	¥ <u>1,380</u>	\$ <u>11,484</u>

Total payments for non-ownership-transfer finance leases for the years ended March 31, 2002 and 2003 were ¥439 million and ¥509 million (U.S.\$4,241 thousand), respectively.

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

	For the years ended March 31,		
	<u>2002</u>	<u>2003</u>	<u>2003</u>
	(Millions of yen)		(Thousands of U.S. dollars)
Depreciation	¥ 390	¥ 453	\$ 3,772
Imputed interest cost	72	77	648

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.

6. Income Taxes

The Company is subject to corporate (national) and inhabitants (local) taxes based on income that, in aggregate, resulted in a normal statutory tax rate of approximately 36.1 per cent.

The effective tax rates for the year ended March 31, 2003 differ from the normal statutory rate for the following reasons:

Statutory tax rate	36.1%
Minimum taxes required for insurance companies under Japanese tax legislation	9.1
Other	<u>(1.2)</u>
Effective tax rate	<u>43.9%</u>

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Significant components of deferred tax assets and liabilities of the Company as of March 31, 2003 are summarized below:

	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:		
Policy reserves	¥ 47,177	\$ 392,487
Reserve for possible loan losses	895	7,451
Reserve for employees' retirement benefits	9,603	79,898
Reserve for price fluctuations	769	6,404
Impairment losses on securities	62	521
Tax loss carryforward	20,722	172,397
Other	<u>1,867</u>	<u>15,534</u>
Total deferred tax assets	81,098	674,695
Deferred tax liabilities:		
Deferred gain on sale of real estate	(377)	(3,141)
Accrued dividend income	(1,235)	(10,281)
Unrealized gain on available-for-sale securities	(874)	(7,272)
Other	<u>(9)</u>	<u>(82)</u>
Total deferred tax liabilities	<u>(2,497)</u>	<u>(20,778)</u>
Net deferred tax asset	¥ <u>78,600</u>	\$ <u>653,917</u>

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7. Reserve for Policyholder Dividends

An analysis in the reserve for policyholder dividends included in policy reserves for the year ended March 31, 2003 is as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Balance at beginning of year	¥ 74,036	\$ 615,942
Transfer to reserves from surplus in previous year	10,855	90,309
Policyholder dividends	(18,162)	(151,104)
Increase in interest	<u>564</u>	<u>4,700</u>
Balance at end of year	¥ <u>67,293</u>	\$ <u>559,846</u>

8. Surplus

In order to keep the Company's sound financial condition, certain valuation gains credited as income to the value of ¥415 million (U.S.\$3,458 thousand) are restricted for distribution in accordance with the Insurance Business Law. This amount mainly resulted from net valuation gains of trading securities, net unrealized gain on securities and derivative financial instruments.

9. Commitments

The amount of the Company's future contributions to the Policyholder Protection Fund, which has been superseded by the Policyholder Protection Corporation under the Enactment Law for Financial System Reform in the year ended March 31, 2000, were estimated at ¥2,908 million (U.S.\$24,199 thousand) as of March 31, 2003. The contributions are charged to income as an operating expense when paid, as the amount of future contributions is not yet fixed.

The amounts of future contributions to the Policyholder Protection Corporation, which is estimated in accordance with Article 259 of the Insurance Business Law, were and ¥12,440 million (U.S.\$103,498 thousand) as of March 31, 2003. The contributions are also charged to income as an operating expense when paid, as the amount of future contributions is not yet fixed.

A portion of the Company's investments in securities, amounting to ¥19,889 million (U.S.\$165,472 thousand) were pledged for the benefit of the Policyholder Protection Corporation as of March 31, 2003, in order to secure such future contributions.

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10. Investment Gains/Losses

The detail of gains/losses on sale of securities and devaluation losses on securities for the year ended March 31, 2003 are as follows:

	<u>Gains on sale</u>	<u>Losses on sale</u>	<u>Devaluation</u> <u>losses</u>
	(Millions of yen)		
Public and corporate bonds	¥ 39,419	¥ 1,609	¥ -
Domestic stocks	12,188	28,411	23,867
Foreign securities	18,616	12,052	879
Other securities	<u>62</u>	<u>26</u>	<u>182</u>
	¥ <u>70,287</u>	¥ <u>42,100</u>	¥ <u>24,930</u>

	<u>Gains on sale</u>	<u>Losses on sale</u>	<u>Devaluation</u> <u>losses</u>
	(Thousands of U.S. dollars)		
Public and corporate bonds	\$ 327,948	\$ 13,390	\$ -
Domestic stocks and other	101,404	236,371	198,567
Foreign securities	154,879	100,268	7,318
Other securities	<u>523</u>	<u>221</u>	<u>1,520</u>
	\$ <u>584,755</u>	\$ <u>350,252</u>	\$ <u>207,406</u>

Gains from monetary trusts and losses from derivatives include valuation gains amounting to ¥1,633 million (U.S.\$13,587 thousand) and ¥3,404 million (U.S.\$28,322 thousand), respectively.

11. Transaction with Subsidiaries

Receivables from and payables to subsidiaries as of March 31, 2003 were ¥21,881 million (U.S.\$182,043 thousand) and ¥173 million (U.S.\$1,444 thousand), respectively.

Income and expenses with subsidiaries for the year ended March 31, 2003 were ¥317 million (U.S.\$2,640 thousand) and ¥5,276 million (U.S.\$43,893 thousand), respectively.

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12. Subsequent Events

In accordance with the Article 85 of the Insurance Business Law, the Company converted from a mutual company to a joint stock corporation on April 1, 2003.

(1) Subscribed capital

Equity in the balance sheet of the Company as of April 1, 2003 has been adjusted as follows in accordance with the plan of reorganization prescribed in the Article 86 of the Insurance Business Law.

(Millions of yen)

As of March 31, 2003		As of April 1, 2003	
Description	Amount	Description	Amount
(Equity)		(Equity)	
Reserve for redemption of fund	¥ 10,000	Common stock	¥ 37,500
Reserve for revaluation	13	Capital reserve	37,500
Surplus:		Retained earnings:	
Legal reserve for future losses	311	Appropriated retained earnings	683
Appropriated retained earnings	96,335	Unappropriated retained earnings	<u>60,612</u>
Unappropriated retained earnings	<u>30,512</u>	Total Surplus	61,296
Total Surplus	127,159	Land revaluation	(21,470)
Land revaluation	(21,470)	Net unrealized gains on securities	1,547
Net unrealized gains on securities	1,547		
Total Equity	¥ 117,249	Total Equity	¥ 116,373

(Thousands of U.S. dollars)

As of March 31, 2003		As of April 1, 2003	
Description	Amount	Description	Amount
(Equity)		(Equity)	
Reserve for redemption of fund	\$ 83,194	Common stock	\$ 311,980
Reserve for revaluation	109	Capital reserve	311,980
Surplus:		Retained earnings:	
Legal reserve for future losses	2,589	Appropriated retained earnings	5,690
Appropriated retained earnings	801,458	Unappropriated retained earnings	<u>504,266</u>
Unappropriated retained earnings	<u>253,850</u>	Total Surplus	509,956
Total Surplus	1,057,898	Land revaluation	(178,622)
Land revaluation	(178,622)	Net unrealized gains on securities	12,873
Net unrealized gains on securities	12,873		
Total Equity	\$ 975,453	Total Equity	\$ 968,167

Note: For total equity as of April 1, 2003, ¥875 million (U.S.\$7,286 thousand) has been deducted from total equity as of March 31, 2003 in accordance with Article 12 of the implementation order for the Insurance Business Law. (See (2) below)

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(2) Payment based on Article 12 of the implementation order for Insurance Business Law

If eligible policyholders are prohibited by laws or regulations from receiving any share allotments, the Company should make monetary compensation to such policyholders who had reported the fact to the Company in accordance with the Article 89 of the Insurance Business Law. In accordance with the Article 12 of the implementation order for the Insurance Business Law, the amount of monetary compensation is equivalent in proportion to the amount of their relative contribution to the Company's net assets.

Amounts paid to policyholders (totalling to ¥875 million) was calculated by multiplying the number of total shares to be allotted to policyholders if they could receive the share allotments (12,054.9739294 shares) by the purchase price for new listing made by underwriters (¥72,652). The amount has been reclassified into accrued liabilities and paid the day after the reorganization (April 1, 2003).