

CONSOLIDATED FINANCIAL SUMMARY

(for the six months ended September 30, 2003)

November 20, 2003

Name of Company: **Taiyo Life Insurance Company**
Stock Listings: Tokyo
Security Code No.: 8796
Head Office: Tokyo, Japan
URL: <http://www.taiyo-seimei.co.jp>
Application of U.S. Accounting Standards: No

1. Premises

(1) Basis of Presentation:

“Regulations Concerning the Terminology, Forms and Preparation Methods of the Interim Financial Statements” and
“Articles of the Ministerial Ordinance for the Insurance Business Law”

(2) Changes in Method of Accounting: None

(3) Scope of Consolidation and Application of Equity Method:

Number of consolidated subsidiaries:	8
Number of non-consolidated subsidiaries accounted for by the equity method:	0
Number of affiliates accounted for by the equity method:	3

(4) Change in Scope of Consolidation and Application of Equity Method: None

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

Premise: Amounts of less than one million yen have been eliminated, and percentages have been rounded to the nearest percent.

(1) Results of Operations

	Ordinary Revenues	% change	Ordinary Profit	% change	Net Income	% change
Six months ended Sept. 30, 2003	¥631,026 million	(15.2)	¥18,439 million	1.1	¥5,344 million	-
Six months ended Sept. 30, 2002	¥744,075 million	(9.1)	¥18,239 million	59.6	¥14,082 million	-
FY 2002 ended Mar. 31, 2003	¥1,401,834 million	(12.6)	¥21,063 million	16.8	¥1,584 million	101.2

	Net Income per Share	Net Income per Share (Fully Diluted)
Six months ended Sept. 30, 2003	¥3,562.91	¥ -
Six months ended Sept. 30, 2002	¥9,388.47	¥ -
FY 2002 ended Mar. 31, 2003	¥1,015.50	¥ -

Notes: 1. Equity in net income/(loss) of affiliated companies: ¥(1,072) million/¥(1,049) million for the six months ended September 30, 2003/2002 and ¥(2,571) million for the year ended March 31, 2003, respectively.

2. Average number of outstanding shares during the term (consolidated): six months ended September 30, 2003/2002: 1,500,000/none, the year ended March 31, 2003: none

3. % changes for ordinary revenues, ordinary profit and net income are presented in comparison with the same term of the previous fiscal year.

4. Taiyo Life Insurance Company was a mutual company through March 31, 2003. Please refer to P. 3 of this material for computation of net income and net income per share.

(2) Financial Conditions

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
As of Sept. 30, 2003	¥6,631,956 million	¥182,379 million	2.8%	¥121,586.43
As of Sept. 30, 2002	¥6,730,182 million	¥152,950 million	2.3%	¥101,966.87
As of Mar. 31, 2003	¥6,549,636 million	¥115,431 million	1.8%	¥76,913.56

Notes: 1. Number of outstanding shares at the end of the term (consolidated): as of September 30, 2003/2002: 1,500,000/none, as of March 31, 2003: none

2. Taiyo Life Insurance Company was a mutual company through March 31, 2003. Please refer to P.3 for computation of shareholders' equity, shareholders' equity ratio, and shareholders' equity per share.

(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	¥(33,037) million	¥70,191 million	¥(2,001) million	¥207,637 million
Six months ended Sept. 30, 2002	¥(124,511) million	¥149,865 million	¥(1,755) million	¥177,753 million
FY 2002 ended Mar. 31, 2003	¥(207,657) million	¥247,581 million	¥(21,636) million	¥172,469 million

3. Consolidated 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	¥1,189,000 million	¥23,900 million	¥3,700 million

Note: 1. Projected net income per share for the year ending March 31, 2004 is ¥2,466.67.

The above forecasts for the year ending Mar. 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.

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.

First Half Ended September 30, 2002

The Company had not treated the provision for reserve for policyholder dividends as an expense in the statement of operation, like as a mutual life company. In addition, number of outstanding shares at the end of the term as of September 30, 2002 was 1,500,000 for computation of net income per share and shareholders' equity per share.

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 income 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 [¥1,584 million]

Net income per share

(Net income [¥1,584 million] – bonus to directors and corporate auditors [¥61 million]) / number of outstanding shares at time of demutualization [1,500,000 shares]

Shareholders' equity

Total equity at end of fiscal year as reported in the balance sheet [¥116,307 million]– amount paid upon demutualization [¥875 million] = shareholders' equity (adjusted)

Shareholders' equity ratio

Shareholders' equity (adjusted) / (total liabilities at end of fiscal year [¥6,431,564 million] + minority interests at end of fiscal year [¥1,765 million] + total equity at end of fiscal year [¥116,307 million]) x 100

Shareholders' equity per share

(Shareholders' equity (adjusted) – bonus to directors and corporate auditors [¥61 million]) / number of outstanding shares at time of demutualization [1,500,000 shares]

Notes: 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).

. Subsidiaries and Affiliates

The Company and its subsidiaries consist of Taiyo Life Insurance Company, 8 subsidiaries and 6 affiliates.

Taiyo Life Insurance Company	
Insurance and Insurance-Related Business (3 companies)	
Insurance	
#	T&D Financial Life Insurance Company (Life insurance company)
Insurance-Related	
*	T&D Confirm Ltd. (Policyholder confirmation)
*	Toyo Insurance Agency Co. Ltd. (Insurance agent)
Investment-Related Business (7 companies)	
Investment Advisory	
*	Taiyo Life Insurance International (U.K.) Ltd. (Investment advisory services)
#	T&D Asset Management Co., Ltd. (Investment advisory and investment trust services)
	T&D Asset Management (U.S.A.) Inc. (Investment advisory services)
	Sinopia T&D Asset Management Co., Ltd. (Investment advisory services)
Other	
*	Taiyo Credit Guarantee Co., Ltd. (Credit guarantee services)
*	T&D Taiyo Daido Lease Co., Ltd. (Leasing)
	T&D Asset Management Cayman Inc. (Partnership for management and administration)
Other Businesses (4 companies)	
Administration-Related	
*	Taiyo Life Career Staff Co., Ltd. (Personnel placement agency)
General Affairs and Calculation-Related	
*	Taiyo Life Office Support Co., Ltd. (Back office services)
#	T&D Information Systems, Ltd. (Computer processing)
Others	
*	Taiyo Building Management Co., Ltd. (Real estate management and agency services for lease of real estate)

Notes: 1. Companies marked by *, # and represent consolidated subsidiaries, affiliated companies accounted for by the equity method, and affiliated companies accounted for by the cost method, respectively.

2. Taiyo Life Insurance International (U.K.) Ltd. made the resolution of dissolution at the Annual General Meeting held on July 29, 2002, and is scheduled for liquidation through the year ending March 31, 2004.

II. Management Principles and Goals

1. Basic Management Principles

Our vision, which we stated in the medium-term management plan, is as follows:

- We will become our customers' life-time partner by providing the best products and services in the retail household market.
- We will establish a strong business structure that makes continuously enhance our corporate value through the contribution to our income and profit.

Basic policies derived from our vision are as follows:

- Enhance and expand customer base through highly unique strategies (differentiation strategy)
- Establish profitable structure through the enhancement of sales activities and efficiencies.
- Maintain a sound financial position to meet our customers' expectation

2. Dividend Policy

Because the Company is engaged in the life insurance business, which is required to consider its sociality and publicities, we believe that it is important to maintain a sound and strong business structure.

Our basic profit distribution policy has a fundamental goal to pay stable cash shareholder dividends while seeking to maintain a sound capital base for its operation and ensuring operating stability.

Unappropriated retained earnings have been effectively reinvested to strengthen our business foundation.

3. Target in Management Plan

Based on the medium-term management plan for the fiscal year started April 1, 2003, we set out the following targets for the fiscal year ending March 31, 2004.

We believe that our corporate value will be increased through the stepping up of the target in our plan and this will be matched with the long-term profit for all stakeholders including shareholders.

The target in our plan is revised on the basis of better-than-expected sales and financial results.

(Non-consolidated)

(Billions of Yen)

	Revised target amount	Previous target amount
Ordinary profit	28.6	26.5
Net income	6.4	6.4
Core profit	35.4	33.0
Policy amount in force		
Individual insurance/individual annuities	16,351.4	16,351.4
Group insurance	10,969.5	10,764.8
Group annuities	747.1	786.3

4. Medium-term Strategy

Our Medium-term Strategy includes business plans formulated based on our vision and basic management principles, which require to improve profitability, to achieve efficient resource management and to improve the transparency of management.

The outline of medium-term management plan for the fiscal year ending March 31, 2004 and 2005 are as follows:

(1) Marketing plan

1) *Individual insurance*

- Enhance profitability through expanded sales of protection-oriented products
- Develop and expand sales staff organization (enhancement of recruitment and education)
- Expand customer base by attracting new customers and promoting additional sales using data base to existing customers
- Improve customer services by utilization of contract history and other customer information, expansion of call center, and provision of expanded card service

2) *Corporate insurance*

- Maintain customer base by capturing new group customers and promoting additional products to existing customers
- Sales plans focusing on profitability

3) *Non-life insurance*

- Provide comprehensive insurance services through sales of non-life insurance products, and expand fee business

(2) Resource management plan (restructuring and efficiency)

- Integrate operating process and improve its efficiency by using IT
- Achieve efficient resource management through review of organization and business integration within T&D insurance group

(3) Financial and investment plan

- Implement centralized management system both for profit and risk
- Enhance core profit by focusing source of interest income
- Maintain sound financial position

(4) Management plan

- Enhance corporate governance function
- Improve risk management structure
- Enforce compliance activities
- Enhance organization for IR and disclosure
- Enhance personal ability and make efficient and appropriate allocation of human resources

5. Future Tasks

Amid a continuing severe business environment, we intend to address the following issues, among other things, in order to become a selected insurance company that earns high degree of trust from customers and shareholders.

(1) Diversion of products and sales plan (shift to protection-oriented products)

In the past, we focused on sales of savings-type products including short-term endowment insurance. However, in our new focus, we will develop and provide various attractive products, other than saving-type products, that meet the diversifying needs of customers and we will establish a strong income structure. For that purpose, our current business priority is to shift sales to protection-oriented products that focus on sufficient medical and nursing care.

To evaluate the results of this issue in a timely manner, we have introduced new measures for corporate value based on the present value of our insurance products.

(2) Improvement of investment portfolio

In the fiscal year ended in March 31, 2003, we have suffered significant losses on devaluation of equity securities due to deterioration of recent Japanese stock market. However, we had net unrealized gain on total portfolio of the general account assets mainly due to the increase in unrealized gains in domestic and foreign bonds stemming from decline in interest rates.

In the six months ended in September 30, 2003, we have tried to reduced the market risk through the decreased the level of investments in and loans to financial institutions as part of our effort to reduce the risk of the investment portfolio.

We try to do further improvement of our portfolio in order to aim a strong corporate structure insusceptible to the market fluctuation.

(3) Enhancement of internal control structure

In order to ensure the implementation of risk management, we have prepared internal rules based on the “Risk Management Basic Policy”, and we have enhanced the centralized risk management system led by “Risk Control Committee”.

In order to ensure the compliance activities, we have formed “Compliance Committee” to discuss and investigate compliance issues.

In order to review the internal control structure, internal audits are conducted by the audit department, which is independent from other departments. The independence enables the audit department to maintain sufficient check function. We intend to enhance the internal check system to ensure that risk management and compliance structure are established and properly function at both headquarter and branch offices, and that business is conducted in accordance with the management policy and business plan.

6. The Principles of Corporate Governance and its Implementation Status

(1) The principles of corporate governance

In recent years, companies are required to improve their corporate governance. Under such circumstances, the life insurance industry has become highly competitive due to certain factors such as deregulation. It is, therefore, crucial for us to establish the management structure that can respond to dynamic changes in the market conditions.

In order to accomplish our vision such as “We will become our customers” life-time partner by providing the best products and services in the retail household market” and “We will establish a strong business structure that continuously enhances our corporate value through the contribution to our income and profit”, we will focus on enhancement of internal control structure and improvement of information disclosure that enable to ensure effective management monitoring function and establish a governance structure that meets the expectation of our customers and shareholders by enhancing transparency and objectivity of management.

(2) Implementation status of corporate governance policies

1) *Management decision-making, organization of execution and monitoring functions, and other corporate governance structure*

In order to enhance the independence of governance function by the board of directors, the Company has clearly separated management function from decision-making/corporate governance function by establishing the Executive Committee as a decision-making body for business operations in the fiscal year ended March 31, 2002.

In addition, as of April 1, 2003, the organization of the Company was converted from a mutual company to a joint stock corporation, whose management is constantly monitored by its shareholders through the capital market.

A director is monitored by other directors and corporate auditors. The effective supervisory function by the corporate auditors office is supported by four corporate auditors, two of whom are outside auditors, and one staff who is exclusively assigned to the corporate auditors office.

In addition, corporate auditors work closely with the independent auditors. Independent auditors regularly report the result of their audits to corporate auditors.

Under the principle of self-discipline, we have placed a high priority on the enhancement of internal control to ensure the sound and appropriate operation.

In order to establish a centralized structure for compliance and risk management and to ensure its thorough implementation, the Company established several committees such as "Compliance Committee", "Risk Control Committee", "Committee concerning to ethic enhancement of sales activities". Main members of each committee include the president of the Company as the committee chairman and directors who are responsible for its daily operation. These committees strictly monitor corporate activities and operation activities such as legal issues, corporate ethics and comprehensive risk control.

Furthermore, the Company organized sub-committees under each committee in order to discuss compliance and risk management issues from professional and practical point of view. These sub-committees include "Data Protection Committee" and "Anti-accident Committee" under the Compliance Committee and "ALM (Asset Liability Management) Committee" and "Investment Risk Management Committee" under the Risk Control Committee.

In addition to organizational structure mentioned above, various rules and implementation plans, such as code of conduct, ethical code, and compliance program, are prepared to share high ethical standards at all employee level in performing daily operation.

In terms of information disclosure, the Company actively engages in IR activities in addition to statutory disclosures.

2) *Independence of outside directors and outside corporate auditors*

The two outside corporate auditors of the Company have no conflict of interests with the Company. We appointed an attorney as one of the outside corporate auditors defined under Article 18-1 of Law Concerning Special Measures under the Japanese Commercial Code Concerning Audit of a Joint Stock Corporation.

3) *Implementation process from the six months ended September 30, 2002 to improve corporate governance.*

In order to enhance the management monitoring function, we have been considering to invite outside directors and preparing to accept competent applicants from outside by establishing new rules in the articles of incorporation regarding the limited liability contract with outside directors.

Starting in the fiscal year ended March 31, 2003, we disclosed newly adopted management measure, EV (Embedded Value). The disclosure of EV enables us to accomplish sufficient accountability and improved management transparency.

The activities of the board of directors and committees during the six months ended September 30, 2003 were as follows:

The regular meeting of the board of directors was held on a monthly basis, and extraordinary meetings were also held

when deemed necessary.

The meetings of Compliance Committee, Risk Control Committee and Committee concerning to ethic enhancement of sales activities were held quarterly and the meeting of Executive Committee was held bimonthly with additional extraordinary meetings when deemed necessary.

In terms of sub-committees, Anti-accident Committee meets quarterly, ALM Committee and Investment Risk Committee meet monthly, and Data Protection Committee meets when deemed necessary.

III. Financial Review

1. Result of Operations

(1) Overview of the Operations during the Fiscal Year Ended March 31, 2003

1) Business Environment

During the six months ended September 30, 2003, Japanese economy indicated slight recovery in corporate profits and improve business sentiment, were countered by weak private consumption, high unemployment and uncertainty household income. As a consequence, it could not recognize a sure sigh of economic recovery.

2) Overview

Under such circumstances, we launched new products, focusing on death benefit, named “Taiyo Life’s Hoken Kumikyoku” which exhibited a favorable movement (acquire 55 thousands policies during the six month). In addition, we have developed protection-oriented products, such as “Kenko”, “Tokoton-kaigo”, enabling the sales representatives to provide the best product and services for each customer focusing on medical and nursing care. As a consequence, policy amount in force and total assets vastly improved for the Company.

In addition, The Company, Daido Life Insurance Company and T&D Financial Life Insurance Company 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 at April 1, 2004, subject to approval by 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.

In the life insurance industry, companies have continuously been suffered by negative spreads resulting from prolonged low interest rate. Under such circumstances, we have kept allocated its business resources, T&D holdings aims to focus on its core business, mainly to its core business that is “sales activities of protection-oriented products focusing on the death benefit and medical and nursing care through the sales staff channel in the retail household market”.

3) Result of Operations of Principal Business

A) Earnings

For the six months ended September 30, 2003, ordinary revenues totaled ¥631.0 billion (down 15.2% of the amount in the previous period), consisting of income from insurance premiums and other of ¥413.6 billion (down 10.9% of the previous period), investment income of ¥141.6 billion (up 21.3% of the previous period), and other ordinary income of ¥75.6 billion (down 53.5% of the previous period). The decrease in income from insurance premiums resulted from a decrease in new policy amount written and a decrease in the policy amount in force consists of maturity under to shift sales from savings-oriented products to protection-oriented products. The increase in investment income resulted from a increase in gains on sale of securities mainly due to sale of domestic stock for future improvement of investment portfolio. Other ordinary income decreased as a result of a significant decrease in reversal of policy reserves due to a decrease in maturity of saving-oriented products.

Ordinary expense totaled ¥612.5 billion (down 15.6% of the amount in the previous period), consisting of insurance claims and other payments of ¥473.5 billion (down 22.4% of the previous period), investment expenses of ¥66.7 billion (up 56.2% of the previous period), operating expenses of ¥41.4 billion (down 1.9% of the previous period), and equity in net loss of affiliated company of ¥1.0 billion. The decrease in insurance claims and other payments resulted from a decrease in maturity of saving-oriented products. The increase in investment expenses resulted from an increase in losses on sale of securities and foreign exchange losses. Equity in net loss of affiliated companies is attributable mainly to the net loss of T&D Financial Life Insurance Company.

As a result, ordinary profit amounted to ¥18.4 billion (up 1.1% of the previous period).

Extraordinary gains were ¥1.2 billion (down 43.6% of the previous period) and its major component, reversal of reserve for possible loan losses, amounted to ¥1.0 billion.

Extraordinary losses were ¥1.5 billion (down 5.8% of the previous period) and its major component, provision for price fluctuation, amounted to ¥1.1 billion.

Net income, which is calculated based on ordinary profit with adjustments consisting of extraordinary gains and losses, current and deferred income taxes, and minority interest income and losses amounted to 5.3 billion.

B) Insurance policy

■ Individual insurance/individual annuity

For the individual insurance and individual annuities, we recorded a significant increase, new policy amount (including net increase attributed by conversion of policies) written totaled ¥1,467.0 billion (up 39.6% of the previous period). The decrease in policy amount consists of maturity of ¥283.7 billion (down 32.8% of the previous period), and surrender/lapse of ¥685.0 billion (up 6.6% of the previous period). As a consequence, the policy amount in force at the six months ended September 30, 2003 totaled ¥15,698.3 billion (up 3.5% of the previous period), an increase of ¥429.7 billion of the previous fiscal year.

(Billions of Yen)

	Six months ended Sep. 30, 2003	Six months ended Sep. 30, 2002	Increase (decrease)	% change from the previous period	FY 2002 ended Mar. 31, 2003
Individual insurance					
New policies	1,446.7	1,008.0	438.6	43.5%	2,091.0
Maturity	283.7	422.2	(138.5)	(32.8)%	774.7
Surrender/lapse	589.8	526.0	63.7	12.1%	1,098.7
Policy in force	11,098.3	10,307.8	790.5	7.7%	10,500.2
Individual annuities					
New policies	20.2	42.7	(22.4)	(52.5)%	84.4
Surrender/lapse	95.2	116.2	(21.0)	(18.1)%	220.1
Policy in force	4,600.0	4,865.5	(265.5)	(5.5)%	4,768.4
Total					
New policies	1,467.0	1,050.8	416.2	39.6%	2,175.4
Maturity	283.7	422.2	(138.5)	(32.8)%	774.7
Surrender/lapse	685.0	642.3	42.6	6.6%	1,318.8
Policy in force	15,698.3	15,173.4	524.9	3.5%	15,268.6

Notes: 1. Amounts for individual insurance are the total of death benefit and survival benefits.

2. Amounts for individual annuities are equal to the total of the fund to be held for an annuity for which annuity payments have not yet commenced and the amount of the policy reserve for an annuity for which payments have commenced.

3. Amounts for new policies are including net increase attributed by conversion of policies.

■ Group insurance/group annuities

For the group insurance, new policy amount written totaled ¥189.8 billion (up 268.8% of the previous period), and the policy amount in force the six months ended September 30, 2003 totaled ¥11,094.9 billion, (down 0.2% of the previous period).

For the group annuities, the policy amount in force the six months ended September 30, 2003 totaled ¥805.2 billion, (down 0.3% of the previous period).

(Billions of Yen)

	Six months ended Sep. 30, 2003	Six months ended Sep. 30, 2002	Increase (decrease)	% change from the previous period	FY 2002 ended Mar. 31, 2003
Group insurance					
New policies	189.8	51.4	138.3	268.8%	106.7
Policy in force	11,094.9	11,118.5	(23.5)	(0.2)%	10,979.9
Group annuities					
Policy in force	805.2	807.3	(2.0)	(0.3)%	801.5

Notes: 1. The amount of group insurance is the total of principle policies of death benefit and annuity riders.

2. The amount of group annuities policy in force represents the policy reserve.

■ Other significant issues

Core profit, a measure of a life insurance company's underlying profitability from core insurance operations, for the six months ended September 30, 2003 amounted to ¥25.1 billion (up 53.1% of the previous period), after offsetting the negative spread of 11.3 billion (down 48.2% of the previous period).

Also, solvency margin ratio, an indicator used by Financial Service Agency (“FSA”) for control purpose to monitor a life insurance company’s financial soundness, as of the six months ended September 30, 2003 was 833.1%, increased by 151.6 point from the previous fiscal year.

Adjusted net assets, a measure used by FSA for control purpose to monitor a life insurance company’s financial soundness, as of the six months ended September 30, 2003 amounted to ¥377.5 billion, an increased of ¥36.2 billion from the previous fiscal year. Adjusted net assets represent as net amount of assets reflecting the fair value and liabilities except for subordinated liabilities.

(Billions of Yen)

	Six months ended Sep. 30, 2003	Six months ended Sep. 30, 2002	Increase (decrease)	% change from the previous period	FY 2002 ended Mar. 31, 2003
Core profit	25.1	16.3	8.7	53.1%	28.7
Negative spread	11.3	21.9	(10.6)	(48.2)%	43.4
Solvency margin ratio (%)	833.1%	783.1%	50.0%	-	681.5%
Adjusted net assets	377.5	473.2	(95.7)	(20.2)%	341.2

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

The Company extended its sales momentum, and once again produced better-than-expected sales and financial results. As a consequence, we increased our forecast from previous announcement in August 21, 2003.

On a non-consolidated basis, due to such factors as greater than expected gains on the investment income, the Company has raised its ordinary revenues forecast by ¥67.0 billion, or 5.7%, from the initial figure to ¥1,239.0 billion. We are also boosting our forecast for ordinary profit by ¥2.6 billion, or 10.0%, from the initial figure to ¥28.6 billion. Regarding core profit, we are hiking our forecast by ¥2.4 billion, or 7.3%, from the initial figure to ¥35.4 billion.

For ordinary profit and core profit, the increase spread in the second half may reduce compared to results in the first half. It is because income from securitization of mortgage loans, which is one of special factors in the first half, is not expected and income from foreign bonds following appreciation of the yen is projected to decrease.

The Company’s forecast for net income corresponding to the fiscal year ending March 31, 2004, remains the same as ¥3.7 billion, due to above in addition to expected expenses of reserve for price fluctuations, provision for reserve for policyholder dividends and other.

Information of non-consolidated forecast for the year ending March 31, 2004 (April 1, 2003 - March 31, 2004)

(Millions of Yen)

	Ordinary revenues	Ordinary profit	Core profit	Net income	Annual dividends per share
Revised forecast	1,239,000	28,600	35,400	6,400	1,500.00
Previous forecast	1,172,000	26,000	33,000	6,400	1,500.00
Increase (decrease)	67,000	2,600	2,400	-	-
% change from the previous period	5.7%	10.0%	7.3%	-	-

On a consolidated basis, reflecting the revisions to the non-s consolidated forecast, the Company has raised its ordinary revenues forecast by ¥66.0 billion, or 5.6%, from the initial figure to ¥1,255.0 billion. We are also boosting our forecast for ordinary profit by ¥1.5 billion, or 6.3%, from the initial figure to ¥25.4 billion.

The Company's forecast for net income corresponding to the fiscal year ending March 31, 2004, remains the same as ¥3.7 billion.

Information of consolidated forecast for the year ending March 31, 2004 (April 1, 2003 - March 31, 2004)

(Millions of Yen)

	Ordinary revenues	Ordinary profit	Net income
Revised forecast	1,225,000	25,400	3,700
Previous forecast	1,189,000	23,900	3,700
Increase (decrease)	66,000	1,500	-
% change from the previous period	5.6%	6.3%	-

2. Financial Position

(1) Balance sheet

Total assets amounted to ¥6,631.9 billion (down 1.5% of the previous period), an increase of ¥82.3 billion of the previous fiscal year, mainly due to an increase in net unrealized gains on securities.

Assets consist mainly of securities including public and corporate bonds of ¥3,821.3 billion, 57.6% of the total assets, loans of ¥2,099.6 billion, 31.7% of the total assets, fixed assets of ¥190.2 billion, 2.9% of the total assets and cash and deposits and call loan of ¥207.8 billion, 3.1% of the total assets.

Total liabilities amounted to ¥6,448.6 billion (down 1.9% of the previous period), and its major component, policy reserve, amounted to ¥6,081.8 billion (down 2.4% of the previous period).

Total shareholders' equity amounted to ¥182.3 billion (up 19.2% of the previous period) and its increase was mainly in the net unrealized gains on securities.

(2) Cash flows

Cash flows for the six months ended September 30, 2003 were summarized as follows:

Cash flows used in operating activities totaled ¥33.0 billion, reflecting the decrease in cash outflows by ¥52.4 billion (¥128.9 billion of previous period) compared with the previous fiscal year due to a decrease in reversal of policy reserve.

Cash flows provided by investment activities totaled ¥70.1 billion, reflecting the increase in cash inflows due to collection of loans, net by ¥108.2 billion and in cash outflows due to purchase of securities compared with the previous period.

Cash flows used in financing activities totaled ¥2.0 billion, reflecting the increase in cash outflows due to repayments of debt.

As a result, cash and cash equivalents at the six months ended September 30, 2003 amounted to ¥207.6 billion, increased by ¥35.1 billion from the previous fiscal year.

Profit/loss status for the six months ended September 30, 2003/2002 and for the year ended March 31, 2003 (Consolidated)

(Millions of Yen)

	Six months ended Sep. 30, 2003	Six months ended Sep. 30, 2002	Increase (decrease)	% change from the previous period	FY 2002 ended Mar. 31, 2003
Ordinary Revenues:					
Income from insurance premiums and other:					
Income from insurance premiums	413,614	464,333	(50,718)	(10.9) %	887,784
Ceded reinsurance commissions	59	41	18		157
Total Income from insurance premiums and other	413,674	464,374	(50,700)	(10.9)	887,942
Investment income/gains:					
Interests, dividends and income from real estate for rent	73,653	75,376	(1,723)	(2.3)	149,645
Gains on sale of securities	46,256	22,404	23,851	106.5	70,429
Other	21,778	19,056	2,722		8,951
Total Investment income	141,687	116,836	24,850	21.3	229,025
Other ordinary income:					
Reversal of policy reserve	52,404	128,923	(76,518)	(59.4)	224,601
Other	23,261	33,941	(10,680)		60,262
Total Other ordinary income	75,665	162,864	(87,199)	(53.5)	284,866
Total Ordinary Revenues	631,026	744,075	(113,048)	(15.2)	1,401,834
Ordinary Expenses:					
Insurance claims and other payments:					
Insurance claims	256,156	400,866	(144,710)	(36.1)	718,110
Insurance benefits	57,395	61,089	(3,693)	(6.0)	121,707
Surrender payments	79,876	91,056	(11,179)	(12.3)	174,597
Other	80,103	56,869	23,234		123,908
Total Insurance claims and other payments	473,530	609,880	(136,349)	(22.4)	1,138,322
Provision for policy and other reserves	130	379	(248)	(65.5)	564
Investment expenses:					
Losses on sale of securities	37,256	14,170	23,086	162.9	42,100
Devaluation losses on securities	46	7,347	(7,300)	(99.4)	24,930
Foreign exchange losses, net	24,385	9,841	14,543	147.8	8,235
Other	5,019	11,361	(6,342)		18,356
Total Investment expenses	66,706	42,719	23,987	56.2	93,621
Operating expenses	41,427	42,239	(811)	(1.9)	84,795
Other ordinary expenses	29,718	29,568	149	0.5	60,895
Equity in net loss of affiliated companies	1,072	1,049	23	2.2	2,571
Total Ordinary Expenses	612,587	725,836	(113,248)	(15.6)	1,380,770
Ordinary Profit	18,439	18,239	199	1.1	21,063

Extraordinary Gains:					
Reversal of reserve for price fluctuations	-	-	-	-	52,779
Other	1,227	2,177	(949)	(43.6)	2,266
Total extraordinary gains	1,227	2,177	(949)	(43.6)	55,045
Extraordinary Losses:					
Impairment losses on equity securities included in trust account	-	-	-	-	57,664
Provision for allowance for policyholder dividends	-	-	-	-	11,267
Other	1,557	1,653	(96)	(5.8)	1,550
Total extraordinary losses	1,557	1,653	(96)	(5.8)	70,481
Provision for reserve for policyholder dividends	6,621	-	6,621	-	-
Income before Income Taxes	11,488	18,763	(7,275)		5,628
Income Taxes:					
Current	313	3,121	(2,808)	(90.0)	171
Deferred	5,672	1,354	4,317	318.6	3,736
Minority Interests Income	158	204	(45)	(22.2)	136
Net Income	5,344	14,082	(8,738)		1,584

Principle business performance for the six months ended September 30, 2003/2002 and for the year ended March 31, 2003
(Non-Consolidated)

(Millions of Yen)

	Six months ended Sep. 30, 2003	Six months ended Sep. 30, 2002	Increase (decrease)	% change from the previous period	FY 2002 ended Mar. 31, 2003
New Policy Amount	1,467,059	1,050,809	416,250	39.6 %	2,175,488
Policy Amount in Force	15,698,372	15,173,403	524,969	3.5	15,268,605
Core Profit	25,105	16,394	8,711	53.1	28,734
Negative Spread Amount	11,393	21,993	(10,600)	(48.2)	43,450
Solvency Margin Ratio	833.1%	783.1%	50.0%	-	681.5%
Adjusted Net Assets	377,533	473,291	(95,757)	(20.2)	341,261

Note: Amounts for "New Policy Amount" and "Policy Amount in Force" represent the total of individual insurance and insurance annuities insurance.

. Unaudited Consolidated Condensed Interim Financial Statements

Taiyo Life Insurance Company

Table of Contents

Unaudited Consolidated Condensed Balance Sheets
Unaudited Consolidated Condensed Statements of Operations
Unaudited Consolidated Condensed Statements of Surplus
Unaudited Consolidated Condensed Statements of Cash Flows
Notes to Unaudited Consolidated Condensed Interim Financial Statements

Unaudited Consolidated Condensed Balance Sheets

(¥: In Millions of yen)	As of September 30, 2003			As of September 30, 2002			As of March 31, 2003		
	¥	%		¥	%		¥	%	
Assets:									
Cash and Deposits	¥	60,419	0.9	¥	43,942	0.7	¥	45,264	0.7
Call Loans		147,478	2.2		134,341	2.0		127,580	1.9
Monetary Claims Purchased		45,666	0.7		69,953	1.0		41,966	0.6
Monetary Trusts		33,748	0.5		56,181	0.8		55,619	0.8
Securities		3,821,355	57.6		3,792,515	56.4		3,662,688	55.9
Loans		2,099,669	31.7		2,231,312	33.2		2,207,937	33.7
Property and Equipment		190,202	2.9		192,454	2.9		194,088	3.0
Due from Agency		5	0.0		8	0.0		-	-
Due from Reinsurers		49	0.0		2	0.0		24	0.0
Other Assets		203,693	3.1		120,908	1.8		126,725	1.9
Deferred Tax Assets		30,970	0.5		80,196	1.2		79,222	1.2
Deferred Tax Assets on Land									
Revaluation		1,220	0.0		12,000	0.2		12,129	0.2
Reserve for Possible Loan Losses		(2,521)	(0.0)		(3,634)	(0.1)		(3,610)	(0.1)
Total Assets	¥	6,631,956	100.0	¥	6,730,182	100.0	¥	6,549,636	100.0
Liabilities:									
Policy Reserves:									
Reserve for outstanding claims		17,982			18,118			18,399	
Policy reserve		6,081,842			6,229,924			6,134,247	
Reserve for policyholder dividends		76,903			76,404			67,293	
Total Policy Reserves		6,176,728	93.1		6,324,447	94.0		6,219,940	95.0
Due to Reinsurers		35	0.0		22	0.0		25	0.0
Other Liabilities		238,859	3.6		168,532	2.5		168,433	2.6
Reserve for Employees'									
Retirement Benefits		29,205	0.4		25,297	0.4		29,158	0.4
Reserve for Directors' and Corporate									
Auditors' Retirement Benefits		405	0.0		443	0.0		492	0.0
Allowance for Policyholder									
Dividends		-	-		-	-		11,267	0.2
Reserve for Price Fluctuations		3,275	0.0		55,996	0.8		2,132	0.0
Deferred Tax Liabilities		90	0.0		131	0.0		112	0.0
Total Liabilities		6,448,600	97.2		6,574,869	97.7		6,431,564	98.2
Minority Interests		975	0.0		2,362	0.0		1,765	0.0
Equity:									
Fund		-	-		21,000	0.3		-	-
Reserve for Redemption of Fund		-	-		10,000	0.1		10,000	0.2
Reserve for Revaluation		-	-		13	0.0		13	0.0
Surplus		-	-		138,586	2.1		125,973	1.9
Land Revaluation		-	-		(21,241)	(0.3)		(21,470)	(0.3)
Net Unrealized Gains on									
Securities		-	-		4,673	0.1		1,842	0.0
Translation Adjustments		-	-		(81)	(0.0)		(51)	(0.0)
Total Equity		-	-		152,950	2.3		116,307	1.8
Common Stock		37,500	0.6		-	-		-	-
Capital Surplus		37,500	0.6		-	-		-	-
Retained Earnings		67,104	1.0		-	-		-	-
Land Revaluation		(35,039)	(0.5)		-	-		-	-
Net Unrealized Gains on Securities		75,351	1.1		-	-		-	-
Translation Adjustments		(36)	(0.0)		-	-		-	-
Total Equity		182,379	2.8		-	-		-	-
Total Liabilities,									
Minority Interests and Equity	¥	6,631,956	100.0	¥	6,730,182	100.0	¥	6,549,636	100.0

See notes to unaudited consolidated condensed interim financial statements.

Unaudited Consolidated Condensed Statements of Operations

(¥: In Millions of yen)	For the six months ended September 30,				For the year ended March 31,			
	<u>2003</u>		<u>2002</u>		<u>2003</u>			
		%		%		%		%
Ordinary Revenues:								
Income from Insurance Premiums	¥	413,674		¥	464,374		¥	887,942
Investment Income		141,687			116,836			229,025
Other Ordinary Income		75,665			162,864			284,866
Total Ordinary Revenues		631,026	100.0		744,075	100.0		1,401,834 100.0
Ordinary Expenses:								
Insurance Claims and Other Payments		473,530			609,880			1,138,322
Provision for Policy and Other Reserves		130			379			564
Investment Expenses		66,706			42,719			93,621
Operating Expenses		41,427			42,239			84,795
Other Ordinary Expenses		29,718			29,568			60,895
Equity in Net Loss of Affiliated Companies		1,072			1,049			2,571
Total Ordinary Expenses		612,587	97.1		725,836	97.5		1,380,770 98.5
Ordinary Profit		18,439	2.9		18,239	2.5		21,063 1.5
Extraordinary Gains		1,227	0.2		2,177	0.3		55,045 3.9
Extraordinary Losses		1,557	0.2		1,653	0.2		70,481 5.0
Provision for Reserve for Policyholder Dividends		6,621	1.0		-	-		- -
Income Before Income Taxes		11,488	1.8		18,763	2.5		5,628 0.4
Income Taxes:								
Current		313	0.0		3,121	0.4		171 0.0
Deferred		5,672	0.9		1,354	0.2		3,736 0.3
Minority Interests		158	0.0		204	0.0		136 0.0
Net Income	¥	5,344	0.8	¥	14,082	1.9	¥	1,584 0.1

See notes to unaudited consolidated condensed interim financial statements.

Unaudited Consolidated Condensed Statements of Surplus

(¥: In Millions of yen)	For the six months ended September 30,		For the year ended March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	
Balance at Beginning of Year	¥	-	¥ 137,787	¥ 137,787
Additions:				
Net income		-	14,082	1,584
Increase in surplus due to reverse of land revaluation		-	78	306
Increase in surplus due to deconsolidated companies		-	<u>1,157</u>	<u>1,157</u>
Total additions		-	15,318	3,048
Deductions:				
Transfer to reserve for policyholder dividends		-	10,855	10,855
Transfer to redemption reserve fund		-	3,000	3,000
Interest on fund		-	531	874
Bonus to directors and corporate auditors		-	58	58
Decrease in surplus due to deconsolidated companies		-	<u>74</u>	<u>74</u>
Total deductions		-	14,519	14,862
Balance at End of Period	¥	-	¥ 138,586	¥ 125,973
Capital Surplus:				
Balance at beginning of year		37,500	-	-
Balance at End of Period	¥	37,500	¥ -	¥ -
Retained Earnings:				
Balance at beginning of year		60,110	-	-
Additions:				
Net income		5,344	-	-
Increase in surplus due to reverse of land revaluation		<u>1,699</u>	-	-
Total additions		7,044	-	-
Deductions:				
Bonus to directors and corporate auditors		<u>50</u>	-	-
Total deductions		50	-	-
Balance at End of Period	¥	67,104	¥ -	¥ -

See notes to unaudited consolidated condensed interim financial statements.

Unaudited Consolidated Condensed Statements of Cash Flows

(¥: In Millions of yen)	For the six months ended September 30,		For the year ended March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	
Cash flows from operating activities:				
Income before income taxes	¥ 11,488	¥ 18,763	¥ 5,628	
Depreciation of real estate for rent	1,754	1,177	2,373	
Amortization of goodwill due to consolidation	53	9	38	
Other depreciation and amortization	2,419	2,077	4,377	
Decrease in reserve for outstanding claims	(417)	(4,340)	(4,058)	
Decrease in policy reserve	(52,404)	(128,923)	(224,601)	
Increase in reserve for policyholder dividends	6,751	379	564	
Decrease in reserve for possible loan losses	(1,088)	(2,241)	(2,265)	
Increase in reserve for employees' retirement benefits	47	223	4,084	
Increase (decrease) in allowance for policyholder dividends	(11,267)	-	11,267	
Transfer to reserve for policyholder dividends	11,267	-	-	
Increase (Decrease) in reserve for price fluctuations	1,143	1,084	(52,779)	
Interest, dividends and income from real estate for rent	(73,653)	(75,376)	(149,645)	
(Gains) losses on investment securities	(24,365)	(7,369)	60,460	
Interest expense	1,102	986	1,982	
Exchange losses	24,385	9,841	8,235	
Losses on sale or disposal of property and equipment	405	264	850	
Equity in net losses of affiliated companies	1,072	1,049	2,571	
Increase in due from agency	(5)	(8)	-	
Increase in due from reinsurers	(24)	(0)	(23)	
Increase in other assets	(1,902)	(6,557)	(7,104)	
Increase (decrease) in due to reinsurers	10	(2)	1	
Increase in other liabilities	4,878	507	1,634	
Other, net	(149)	122	171	
Sub-total	<u>(98,498)</u>	<u>(188,333)</u>	<u>(336,232)</u>	
Interest, dividends and income from real estate for rent received	75,231	75,263	149,063	
Interest paid	(1,231)	(986)	(1,855)	
Policyholder dividends	(8,409)	(8,866)	(18,162)	
Income taxes received (paid)	(128)	(1,589)	(469)	
Net cash used in operating activities	<u>(33,037)</u>	<u>(124,511)</u>	<u>(207,657)</u>	
Cash flows from investing activities:				
Net decrease in short-term investments	115	380	534	
Investments in monetary claims purchased	(49,995)	(77,994)	(156,976)	
Proceeds from sale and redemption of monetary claims purchased	46,135	63,082	170,166	
Investments in monetary trusts	(4,989)	(1,942)	(2,271)	
Proceeds from monetary trusts	27,637	45,397	46,139	
Purchase of securities	(1,587,970)	(1,490,150)	(3,062,353)	
Sale and redemption of securities	1,547,402	1,543,071	3,176,026	
Investment in loans	(306,894)	(294,653)	(677,181)	
Collection of loans	415,162	353,878	759,781	
Other, net	(17,109)	11,774	1,231	
Sub-total	<u>69,492</u>	<u>152,843</u>	<u>255,096</u>	
Total of net cash provided by operating activities and investment transactions as above	<u>36,455</u>	<u>28,332</u>	<u>47,439</u>	
Purchase of property and equipment	(4,082)	(3,114)	(7,921)	
Proceeds from sale of property and equipment	4,781	106	375	
Net cash received related to purchase of subsidiaries	-	30	30	
Net cash provided by investing activities	<u>¥ 70,191</u>	<u>¥ 149,865</u>	<u>¥ 247,581</u>	

Unaudited Consolidated Condensed Statements of Cash Flows (continued)

(¥: In Millions of yen)	For the six months ended September 30,		For the year ended March 31,
	<u>2003</u>	<u>2002</u>	<u>2003</u>
Cash flows from financing activities:			
Proceeds from debt	¥ 2,150	¥ 4,800	¥ 9,350
Repayments of debt	(3,247)	(2,987)	(6,075)
Repayments of fund	-	(3,000)	(24,000)
Interest paid related to fund	-	(531)	(874)
Payments related to Article 12 of implementation order for the Insurance Businesses Law	(875)	-	-
Dividends paid to minority interests	(28)	(36)	(36)
Net cash used in financing activities	(2,001)	(1,755)	(21,636)
Effect of exchange rate changes on cash and cash equivalents	15	(24)	2
Net increase in cash and cash equivalents	35,168	23,574	18,290
Cash and cash equivalents at beginning of year	172,469	154,178	154,178
Cash and cash equivalents at end of September 30	¥ <u>207,637</u>	¥ <u>177,753</u>	¥ <u>172,469</u>

See notes to unaudited consolidated condensed interim financial statements.

Notes to Unaudited Consolidated Condensed Interim 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.

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 Interim Financial Statements” (Ministry of Financial 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 inter-company balances and transactions are eliminated. The number of consolidated subsidiaries for the six months ended September 30, 2003 was 8.

Investments in affiliates are accounted for under the equity method. The number of affiliated companies for the six months ended September 30, 2003 was 3.

There are other affiliated companies which are accounted for under the cost method. The aggregate impact of such companies to the consolidated financial statements is immaterial.

Further information for consolidated subsidiaries and affiliated companies is shown in “I. Subsidiaries and affiliates”.

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

The excess of cost over underlying 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 operations immediately.

(c) Foreign currency translation

(i) Foreign currency accounts

Foreign currency monetary assets and liabilities (including derivatives and securities) 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 September.

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.

(ii) Foreign currency financial statements of consolidated subsidiaries

Assets, liabilities, income and expenses of a subsidiary located outside Japan are translated into Japanese yen at the exchange rate in effect at the balance sheet date in accordance with generally accepted accounting standards in Japan. Gains and losses resulting from translation of foreign currency financial statements are excluded from the statements of operations and are accumulated in “Translation Adjustments” in equity.

(d) Investments in securities other than those of subsidiaries and affiliates

Investments in securities 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. Unrealized gains and losses on trading securities are reported in the statement of operations. In respect of the calculation of the fair value, the average price prevailing in September is applied for equity securities and the month-end price of September is applied for securities other than equity securities. 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.

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.

The Company identifies the corresponding policy-reserve-matching bonds for each category of insurance policies, which may be adjusted based upon the changing characteristics of the Company's underlying policies. The Company also periodically examines the effectiveness of duration matching, which matches the duration of bonds held by the Company to that of the Company's underlying policies.

(e) 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.

Consolidated subsidiaries also provide for a reserve for possible loan losses using the same procedures as the Company. The provision of the reserve is based on the results of self-assessment procedures and also provides for an amount, if considered necessary by management, 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 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. For the six months, the Company provides one half of estimated annual provision.

(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) *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.

(i) *Reserve for employees' retirement benefits*

The Company and its consolidated subsidiaries maintain 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.

The Company and its consolidated subsidiaries 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.

(j) *Reserve for directors' and corporate auditors' retirement benefits*

The Company and its domestic consolidated subsidiaries have 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 and its consolidated subsidiaries set 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.

(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. Estimated useful lives range from 3 to 50 years for buildings and structures and 3 to 20 years for equipment.

(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

The Company and its subsidiaries are party to lease contracts both as a lessee and as a lessor.

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 and its subsidiaries treat 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. Non-ownership-transfer finance leases where the Company is lessor are not treated as finance transactions and related leased assets are included in other assets of the accompanying balance sheet. Depreciation of leased assets is computed by the straight-line method over the respective lease period. Lease income is recognized 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 gain or losses are transferred to unappropriated surplus. Book values of land for operating use before an after revaluation as of March 31, 2002 were ¥143,340 million and ¥110,220 million, respectively. The additional valuation losses as of September 30, 2003 accounted to ¥6,255 million.

(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 hedge are recognized in the balance sheet and are reclassified as income when the related hedged item impacts income.

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 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.

(q) Cash and cash equivalents

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

2. Income from Insurance Premiums

Income from insurance premiums includes ceded reinsurance commissions amounting to ¥59 million for the six months ended September 2003.

3. Investment Income and Expenses

The following information summarizes the components of investment income and expenses:

	For the six months ended September 30,		For the year ended March 31,
	2003	2002	2003
	(Millions of yen)		
Investment income:			
Interest, dividends and income from real estate for rent	¥ 73,653	¥ 75,376	¥ 149,645
Gains from monetary trusts, net	776	3,702	3,554
Gains on sale of securities	46,256	22,404	70,429
Gains on derivatives, net	11,256	10,176	-
Other investment income	6,364	5,177	5,395
Gains on separate accounts, net	<u>3,409</u>	<u>-</u>	<u>-</u>
Total	¥ <u>141,687</u>	¥ <u>116,836</u>	¥ <u>229,025</u>
Investment expenses:			
Interest expense	¥ 1,102	¥ 986	¥ 1,982
Losses on sale of securities	37,256	14,170	42,100
Devaluation losses on securities	46	7,347	24,930
Losses from derivatives, net	-	-	630
Foreign exchange losses, net	24,385	9,841	8,235
Write-off of loans	15	206	373
Depreciation of real estate for rent	1,754	1,177	2,373
Other investment expenses	2,146	1,593	3,888
Losses on separate accounts, net	<u>-</u>	<u>7,395</u>	<u>9,106</u>
Total	¥ <u>66,706</u>	¥ <u>42,719</u>	¥ <u>93,621</u>

4. Investments in Securities and Monetary Trusts

Investment in available-for-sale securities, held-to-maturities securities, policy-reserve-matching bonds and available-for-sale monetary trusts held by the Company and its consolidated subsidiaries as of September 30, 2003/2002 and as of March 31, 2003 are summarized below:

	As of September 30,			
	<u>2003</u>		<u>2002</u>	
	<u>Carrying Amount</u>	<u>Net Unrealized Gains/(Losses)</u>	<u>Carrying Amount</u>	<u>Net Unrealized Gains/(Losses)</u>
	(Millions of yen)			
Available-for-sale:				
Public and corporate bonds	¥ 1,247,296	¥ 25,031	¥ 1,362,550	¥ 52,693
Domestic stocks	443,746	68,371	483,949	(57,407)
Foreign securities	863,623	19,106	589,488	12,149
Other securities	109,421	5,024	28,717	(861)
Total	¥ <u>2,664,088</u>	¥ <u>117,532</u>	¥ <u>2,464,705</u>	¥ <u>6,573</u>

	As of March 31, 2003	
	<u>Carrying Amount</u>	<u>Net Unrealized Gains/(Losses)</u>
	(Millions of yen)	
Available-for-sale:		
Public and corporate bonds	¥ 1,499,778	¥ 55,650
Domestic stocks	360,148	(63,025)
Foreign securities	679,699	11,975
Other securities	41,938	(2,448)
Total	¥ <u>2,581,565</u>	¥ <u>2,151</u>

During the six months ended September 30, 2002 and the year ended March 31, 2003, impairment losses of ¥7,035 million and ¥82,272 million, respectively were charged to income.

	As of September 30,			
	<u>2003</u>		<u>2002</u>	
	<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>	<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
	(Millions of yen)			
Held-to-maturity:				
Public and corporate bonds	¥ <u>79,094</u>	¥ <u>804</u>	¥ <u>167,977</u>	¥ <u>6,367</u>

	As of March 31, 2003	
	<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
	(Millions of yen)	
Held-to-maturity:		
Public and corporate bonds	¥ <u>7,459</u>	¥ <u>717</u>

As of September 30,			
<u>2003</u>		<u>2002</u>	
<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>	<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
(Millions of yen)			
Policy-reserve-matching:			
Public and corporate bonds	¥ <u>923,187</u>	¥ <u>(11,350)</u>	¥ <u>972,506</u>
			¥ <u>18,654</u>

As of March 31, 2003			
		<u>Amortized Cost</u>	<u>Net Unrealized Gains/(Losses)</u>
(Millions of yen)			
Policy-reserve-matching:			
Public and corporate bonds		¥ <u>909,294</u>	¥ <u>32,832</u>

Available-for-sale securities and monetary trusts without readily obtainable fair value held by the Company and its consolidated subsidiaries as of September 30, 2003/2002 and as of March 31, 2003 are summarized further below:

	As of September 30,		As of March 31,
	<u>2003</u>	<u>2002</u>	<u>2003</u>
(Millions of yen)			
Securities:			
Available-for-sale:			
Domestic stocks	¥ 7,925	¥ 6,956	¥ 8,102
Foreign securities	90,734	90,000	90,000
Other securities	<u>5,363</u>	<u>5,060</u>	<u>52</u>
Total	¥ <u>104,023</u>	¥ <u>102,016</u>	¥ <u>98,154</u>
Monetary trusts:			
Available-for-sale	¥ <u>50</u>	¥ <u>50</u>	¥ <u>50</u>

During the six months ended September 30, 2003/2002 and for the year ended March 31, 2003, impairment losses of ¥46 million/¥312 million and ¥322 million, respectively were charged to income.

5. Loans

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

	(Millions of yen)
Loans to bankrupt companies	¥ 431
Past due loans	1,630
Loans overdue for three months or more	5,999
Restructured loans	<u>3,034</u>
Total	¥ <u>11,096</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.

“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 six months ended September 30, 2003 amounted to ¥904 million. Past due loans decreased due to write-offs by ¥146 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	¥ 1,620
Less amount drawn down	<u>360</u>
Residual loan commitment	¥ <u>1,260</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.

6. 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 such as total notional amount, credit rating of entities to be referred under the credit derivatives.

The Company has established internal rules regarding derivative financial instruments including 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 maintain an adequate control environment for derivative financial instruments. The front, back and middle offices are performed by different departments for each dealing function. The middle office, the Total Risk Monitoring Department, periodically monitors, measures and analyzes risks related to derivative financial instruments, and periodically reports total risk, position and gains and losses to the board of directors.

Instruments are traded either over an exchange or with counterparties of high credit quality and the risk of non-performance by the counterparties is therefore considered to be remote.

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, referred to as cash flow hedges, are recognized in the balance sheet and are reclassified as income when the related hedged item impacts income.

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, 2003/2002 and as of March 31, 2003. Notional amounts do not represent exposure to credit loss.

	As of September 30, 2003		
	<u>Notional amounts</u>	<u>Current market or fair value</u> (Millions of yen)	<u>Valuation Gains (Losses)</u>
Interest rate swaps	¥ 426,555	¥ 8,829	¥ 8,829
Foreign exchange contracts sold	586,796	565,116	21,679
Foreign exchange contracts bought	607	605	(2)
Foreign currency options sold (call)	130,478	349	357
Foreign currency options bought (put)	123,272	1,506	799
Stock index options bought (call)	13,963	1,093	(12)
Stock index options bought (put)	50,000	421	(660)
Bond options bought (call)	67,835	798	(154)
Bond options bought (put)	63,949	589	(473)
Credit derivatives sold	<u>10,000</u>	<u>44</u>	<u>44</u>
Total valuation gains, net			¥ <u><u>30,407</u></u>

As of September 30, 2002			
	<u>Notional amounts</u>	Current market or <u>fair value</u> (Millions of yen)	<u>Valuation Gains (Losses)</u>
Interest rate swaps	¥ 456,770	¥ 16,093	¥ 16,093
Foreign exchange contracts sold	266,832	270,238	(3,405)
Foreign currency options sold (call)	58,183	1,178	(779)
Foreign currency options bought (put)	55,981	43	(355)
Credit derivatives sold	<u>10,000</u>	<u>(151)</u>	<u>(151)</u>
Total valuation gains, net			¥ <u><u>11,401</u></u>

As of March 31, 2003			
	<u>Notional amounts</u>	Current market or <u>fair value</u> (Millions of yen)	<u>Valuation Gains (Losses)</u>
Interest rate swaps	¥ 437,002	¥ 14,289	¥ 14,289
Foreign exchange contracts sold	396,180	401,455	(5,275)
Foreign exchange contracts bought	27,510	27,570	60
Foreign currency options sold (call)	47,730	359	(75)
Foreign currency options bought (put)	44,800	13	(271)
Bond options bought (call)	5,000	8	1
Bond options bought (put)	22,000	27	73
Credit derivatives sold	<u>10,000</u>	<u>(69)</u>	<u>(69)</u>
Total valuation gains, net			¥ <u><u>8,733</u></u>

7. Separate Accounts

The balance sheets include assets and an equivalent amount of liabilities related to separate accounts, amounting to ¥40,885 million, 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 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.

8. Lease Transactions

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

(1) 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, 2003/2002 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>2003</u>	<u>2002</u>	<u>2003</u>
	(Millions of yen)		
Acquisition cost:			
Equipment	¥ 2,627	¥ 2,402	¥ 2,255
Other	<u>26</u>	<u>23</u>	<u>62</u>
Total	<u>2,653</u>	<u>2,425</u>	<u>2,317</u>
Accumulated depreciation:			
Equipment	1,110	693	875
Other	<u>8</u>	<u>3</u>	<u>38</u>
Total	<u>1,119</u>	<u>697</u>	<u>913</u>
Net carrying value:			
Equipment	1,516	1,708	1,380
Other	<u>17</u>	<u>19</u>	<u>23</u>
Total	¥ <u>1,534</u>	¥ <u>1,727</u>	¥ <u>1,404</u>

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

	As of September 30,		As of March 31,
	<u>2003</u>	<u>2002</u>	<u>2003</u>
	(Millions of yen)		
Due within one year	¥ 528	¥ 472	¥ 456
Due after one year	<u>1,070</u>	<u>1,305</u>	<u>1,004</u>
Total	¥ <u>1,598</u>	¥ <u>1,777</u>	¥ <u>1,461</u>

Total payments for non-ownership-transfer finance leases for the six months ended September 30, 2003/2002 and for the year ended March 31, 2003 were ¥305 million/¥266 million and ¥541 million, respectively.

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

	For the six months ended September 30,		For the year ended March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	
	(Millions of yen)			
Depreciation	¥ 271	¥ 238	¥ 482	
Imputed interest cost	40	40	80	

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.

(2) As Lessor

Information of non-ownership-transfer finance leases contracted as a lessor, required under Japanese accounting standards for the six months ended September 30, 2003/2002 and for the year ended March 31, 2003 are summarized as follows.

Leased assets included in the accompanying balance sheets accounted for under the operating lease accounting are summarized as follows:

	For the six months ended September 30,		For the year ended March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	
	(Millions of yen)			
Acquisition cost:				
Equipment	¥ 49,755	¥ 56,607	¥ 53,822	
Other	<u>1,768</u>	<u>2,591</u>	<u>3,063</u>	
Total	<u>51,524</u>	<u>59,199</u>	<u>56,885</u>	
Accumulated depreciation:				
Equipment	23,766	28,418	27,824	
Other	<u>655</u>	<u>792</u>	<u>1,021</u>	
Total	<u>24,421</u>	<u>29,210</u>	<u>28,846</u>	
Carrying value:				
Equipment	25,989	28,189	25,998	
Other	<u>1,113</u>	<u>1,799</u>	<u>2,041</u>	
Total	¥ <u>27,102</u>	¥ <u>29,988</u>	¥ <u>28,039</u>	

The amounts equivalent to the minimum lease payments to be received as of September 30, 2003/2002 and a of March 31, 2003 are as follows:

	As of September 30,		As of March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	
	(Millions of yen)			
Due within one year	¥ 10,552	¥ 11,344	¥ 11,633	
Due after one year	<u>20,964</u>	<u>23,788</u>	<u>22,547</u>	
Total	¥ <u>31,517</u>	¥ <u>35,133</u>	¥ <u>34,181</u>	

Gross lease income, recovery to the principal amount and net lease income if the Company applied the finance lease accounting to non-ownership-transfer finance leases for the six months ended September 30, 2003/2002 and for the year ended March 31, 2003 are as follows:

	For the six months ended September 30,		For the year ended March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	
	(Millions of yen)			
Gross lease income	¥ 5,995	¥ 5,621	¥	11,821
Recovery to principal amount	5,212	4,760		9,993
Net lease income	727	741		1,996

9. Reserve for Policyholder Dividends

An analysis in the reserve for policyholder dividends included in policy reserves for the six months ended September 30, 2003 are as follows:

(Millions of yen)	
Balance at beginning of year	¥ 67,293
Transfer from allowance for policyholder dividends	11,267
Policyholder dividends	(8,409)
Increase in interest	130
Provision for reserve for employees' retirement benefits	<u>6,621</u>
Balance at end of period	¥ <u><u>76,903</u></u>

10. Extraordinary Gains and Losses

Extraordinary gains for the six months ended September 30, 2003/2002 and for the year ended March 31, 2003 are as follows:

	For the six months ended September 30,		For the year ended March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	
	(Millions of yen)			
Gains on sale of property and equipment	¥ -	¥ -	¥	2
Reversal of reserve for price fluctuations	-	-		52,779
Reversal of reserve for possible loan losses	1,010	2,088		2,112
Other	<u>217</u>	<u>88</u>		<u>152</u>
	¥ <u><u>1,227</u></u>	¥ <u><u>2,177</u></u>	¥	<u><u>55,045</u></u>

Extraordinary losses for the six months ended September 30, 2003/2002 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>2003</u>	<u>2002</u>	<u>2003</u>
	(Millions of yen)		
Losses on sale, disposal and devaluation of property and equipment	¥ 405	¥ 264	¥ 852
Provision for price fluctuation	1,143	1,084	-
Impairment losses on equity securities included in trust account	-	-	57,664
Provision for allowance for policyholder dividends	-	-	11,267
Other	8	303	695
	¥ <u>1,557</u>	¥ <u>1,653</u>	¥ <u>70,481</u>

11. Other Liabilities

Other liabilities included ¥85,000 million of subordinated borrowings as of September 30, 2003.

12. 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 ¥2,574 million as of September 30, 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 ¥12,026 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.

A portion of the Company's investments in securities, amounting to ¥19,713 million were pledged for the benefit of the Policyholder Protection Corporation as of September 30, 2003, in order to secure such future contributions.

13. 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 ¥63,158 million.

14. Information for Consolidated Statement of Retained Earnings

As a result of the demutualization performed by the Company as of April 1, 2003, the equity in the balance sheet has been adjusted. These adjustments would affect the stockholder's equity of the consolidated balance sheet as follows:

(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 surplus	37,500
Surplus	125,973	Retained earnings	60,110
Land revaluation	(21,470)	Land revaluation	(21,470)
Net unrealized gains on securities	1,842	Net unrealized gains on securities	1,842
Translation adjustments	(51)	Translation adjustments	(51)
Total Equity	¥ 116,307	Total Equity	¥ 115,431

Note: For total equity as of April 1, 2003, ¥875 million 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 (1) below)

(1) 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).

15. Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the statement of cash flows to cash and deposits as of September 30, 2003:

(Millions of yen)

Cash and deposits	¥ 60,419
Less: deposits with an original maturity of more than three months	(260)
Call loans	<u>147,478</u>
Cash and cash equivalents	¥ <u><u>207,637</u></u>

16. 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 stock during the year ended September 30, 2003. The net income per share calculated based on the weighted average number of shares of common stock outstanding during the year ended September 30, 2003 was ¥3,562.91. The net assets per share calculated based on the number of shares of common stock outstanding as of September 30, 2003 was ¥121,586.43.

17. Segment Information

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

18. Subsequent Events

(1) Establishment of "T&D Holdings, Inc"

The Company, Daido Life Insurance Company (Daido 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:

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 the Company and Daido Life will no longer be listed on any stock exchange.

Overview of Share Transfer (“Kabushiki Iten”)

- 1) Share Transfer Ratios
 Under the above arrangement, 55 shares of T&D Holdings will be allotted to each share of the Company, and 100 shares of T&D holdings will be allotted to each share of Daido Life, and 15 shares of T&D Holdings will be allotted to each share of T&D Financial. Based on the stock 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 Daido 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 Daido Life, changes in the economic situation and other circumstances, upon consultations with the Company, Daido Life and T&D Holdings, the amount of share transfer distribution may change, or cancelled.

Share of Taiyo Life: 1,500 yen per share

Share of Daido Life: 3,000 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 Daido Life and T&D Financial Life.
 Profile of the Daido Life and T&D Financial Life is as follows:

	(As of March 31, 2003)	(As of March 31, 2003)
Trade name	Daido Life Insurance Company	T&D Financial Life Insurance Company
Foundation date	July 1902	April 1895
Address of Head Office	1-2-1 Edobori, Nishi-ku, Osaka	1-5-2 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Naoteru Miyato	Osamu Mizuyama
Capital	75.0 billion yen	20.0 billion yen
No. of employees	8,316	1,440

(2) Public offering of domestic unsecured subordinated notes with early redeemable option

The Company issued of domestic unsecured subordinated notes with early redeemable option (the “Notes”) at November 14, 2003. The Company, by way of the issuance of the Notes, intends to enhance solvency margin ratio as well as to develop its relationship with domestic market investors, with a focus on investors in Japan.

Outline of the Notes:

- 1) Amount of issue: ¥20.0 billions
- 2) Price of issue: 100% per value
- 3) Subscription date: November 14, 2003
- 4) Term of issue:

1.75 % until November 19, 2008, 2.4% above the offered rate per annum for six month Japanese Yen deposits thereafter and redeemable at the option of the Company on November 19, 2008 and on each interest payment date thereafter.

- 5) Term: November 19, 2013
- 6) Guarantee: unsecured
- 7) Application of funds: long-term working capital
- 8) Subordination clause:

The bankruptcy, commencement of corporate reorganization proceedings and commencement of civil rehabilitation proceedings are subordination events for the Notes issue by the Company. When a subordination event occurs, the principal amount and interest of the Notes will not be paid until the conditions for suspension are completed.

. Manufacturing, orders received and sales

Due to the uniqueness of the life insurance business, we do not have any information to disclose regarding manufacturing, orders received and sales.