

NON-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

2. Non-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	Core Profit	% change
Six months ended Sept. 30, 2003	¥623,690 million	(15.3)	¥19,898 million	4.1	¥25,105 million	53.1
Six months ended Sept. 30, 2002	¥736,292 million	(9.5)	¥19,118 million	69.6	¥16,394 million	416.0
FY 2002 ended Mar. 31, 2003	¥1,385,248 million	(12.9)	¥23,055 million	26.9	¥28,734 million	107.1

	Net Income	% change	Net Income per Share
Six months ended Sept. 30, 2003	¥7,203 million	-	¥4,802.16
Six months ended Sept. 30, 2002	¥15,746 million	-	¥10,497.83
FY 2002 ended Mar. 31, 2003	¥4,825 million	859.3	¥3,192.33

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

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

3. 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.

4. Core profit is a measure of a life insurance company's underlying profitability from core insurance operations and defined as ordinary profit excluding capital gains/losses such as gains/losses from sale of securities, valuation losses of securities, non-recurrent items such as provision (reversal) of contingent reserve and write-off of loans.

(2) Dividends per Share

	Annual Dividends per Share		
	Interim	Year-End	
Six months ended Sept. 30, 2003	¥ -	¥ -	¥ -
Six months ended Sept. 30, 2002	¥ -	¥ -	¥ -
FY 2002 ended Mar. 31, 2003	¥ -	¥ -	¥ -

(3) Financial Conditions

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
As of Sept. 30, 2003	¥6,613,248 million	¥185,157 million	2.8%	¥123,438.35
As of Sept. 30, 2002	¥6,706,709 million	¥152,242 million	2.3%	¥101,495.08
As of Mar. 31, 2003	¥6,528,068 million	¥116,373 million	1.8%	¥77,557.67

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

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

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

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

	Ordinary Revenues	Ordinary Profit	Core Profit
FY 2003 ending Mar. 31, 2004	¥1,172,000 million	¥26,000 million	¥33,000 million

	Net Income	Annual Dividends per Share	
		Year-End	
FY 2003 ending Mar. 31, 2004	¥6,400 million	¥1,500.00	¥1,500.00

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

The above forecasts for the year ending 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 [¥4,825 million]

Net income per share

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

Shareholders' equity

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

Shareholders' equity ratio

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

Shareholders' equity per share

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

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

. Unaudited Non-Consolidated Condensed Interim Financial Statements

Taiyo Life Insurance Company

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Unaudited Non-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	¥ 55,825	0.8	¥ 40,542	0.6	¥ 40,633	0.6
Call Loans	147,478	2.2	134,341	2.0	127,580	2.0
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	0.9
Securities	3,825,591	57.8	3,791,807	56.5	3,664,128	56.1
Loans	2,119,267	32.0	2,253,751	33.6	2,229,144	34.1
Property and Equipment	190,169	2.9	192,421	2.9	194,058	3.0
Due from Agency	9	0.0	11	0.0	-	-
Due from Reinsurers	49	0.0	2	0.0	24	0.0
Other Assets	165,893	2.5	79,554	1.2	87,449	1.3
Deferred Tax Assets	30,536	0.5	79,602	1.2	78,600	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	(2,207)	(0.0)	(3,460)	(0.1)	(3,266)	(0.1)
Total Assets	¥ 6,613,248	100.0	¥ 6,706,709	100.0	¥ 6,528,068	100.0
Liabilities:						
Policy Reserves	¥ 6,176,728	93.4	¥ 6,324,447	94.3	¥ 6,219,940	95.3
Due to Reinsurers	35	0.0	22	0.0	25	0.0
Other Liabilities	218,538	3.3	148,359	2.2	147,909	2.3
Reserve for Employees'						
Retirement Benefits	29,145	0.4	25,240	0.4	29,099	0.4
Reserve for Directors' and Corporate						
Auditors' Retirement Benefits	367	0.0	401	0.0	443	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
Total Liabilities	6,428,091	97.2	6,554,466	97.7	6,410,819	98.2
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	-	-	138,195	2.1	127,159	1.9
Land Revaluation	-	-	(21,241)	(0.3)	(21,470)	(0.3)
Net Unrealized Gains on Securities	-	-	4,275	0.1	1,547	0.0
Total Equity	-	-	152,242	2.3	117,249	1.8
Common Stock	37,500	0.6	-	-	-	-
Capital Surplus	37,500	0.6	-	-	-	-
Retained Earnings	70,162	1.1	-	-	-	-
Land Revaluation	(35,039)	(0.5)	-	-	-	-
Net Unrealized Gains on Securities	75,034	1.1	-	-	-	-
Total Equity	185,157	2.8	-	-	-	-
Total Liabilities and Equity	¥ 6,613,248	100.0	¥ 6,706,709	100.0	¥ 6,528,068	100.0

See notes to unaudited non-consolidated condensed interim financial statements.

Unaudited Non-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		142,394			117,133			229,367
Other Ordinary Income		67,622			154,784			267,938
Total Ordinary Revenues		623,690	100.0		736,292	100.0		1,385,248 100.0
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		66,559			42,767			93,632
Operating Expenses		43,403			43,827			86,143
Other Ordinary Expenses		20,167			20,320			43,529
Total Ordinary Expenses		603,791	96.8		717,174	97.4		1,362,192 98.3
Ordinary Profit		19,898	3.2		19,118	2.6		23,055 1.7
Extraordinary Gains		1,118	0.2		2,299	0.3		55,294 4.0
Extraordinary Losses		1,549	0.2		1,354	0.2		69,744 5.0
Provision for Reserve for Policyholder Dividends		6,621	1.1		-	-		- -
Income Before Income Taxes		12,847	2.1		20,063	2.7		8,605 0.6
Income Taxes:								
Current		56	0.0		3,052	0.4		101 0.0
Deferred		5,588	0.9		1,264	0.2		3,678 0.3
Net Income		7,203	1.2		15,746	2.1		4,825 0.3
Unappropriated Surplus at Beginning of Period								
Transfer from land revaluation		1,699			78			306
Transfer from appropriated retained earnings		-			14			14
Unappropriated Surplus at End of Period	¥	34,494		¥	41,205		¥	30,512

See notes to unaudited non-consolidated condensed interim financial statements.

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

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

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

(c) *Investments in securities*

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

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

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

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.

(d) Reserve for possible loan losses

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

(e) Reserve for price fluctuations

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

(f) 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.

(g) Reserve for employees' retirement benefits

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

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

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

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

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

(i) 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.

(j) *Property and equipment*

Property and equipment, including real estate for rent, are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method for buildings acquired on and after April 1, 1998 and by the declining-balance method for other property and equipment, based on the following estimated useful lives range from 3 to 50 years for buildings and structures and 3 to 20 years for equipment.

(k) *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).

(l) *Leases*

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

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

(m) *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.

(n) *Derivative financial instruments*

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

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

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.

(o) *Accounting for consumption taxes*

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

2. Income from Insurance Premiums

Income from insurance premiums includes ceded reinsurance commissions amounting to ¥59 million for the six months ended September 30, 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,
	<u>2003</u>	<u>2002</u>	<u>2003</u>
	(Millions of yen)		
Investment income:			
Interest, dividends and income from real estate for rent	¥ 74,450	¥ 75,846	¥ 150,239
Gains from monetary trusts, net	776	3,702	3,554
Gains on sale of securities	46,238	22,262	70,287
Gains on derivatives, net	11,226	10,176	-
Other investment income	6,293	5,146	5,286
Gains on separate accounts, net	<u>3,409</u>	<u>-</u>	<u>-</u>
Total	¥ <u>142,394</u>	¥ <u>117,133</u>	¥ <u>229,367</u>
Investment expenses:			
Interest expense	¥ 1,089	¥ 1,087	¥ 2,175
Losses on sale of securities	37,142	14,170	42,100
Devaluation losses on securities	44	7,347	24,930
Losses from derivatives, net	-	-	630
Foreign exchange losses, net	24,385	9,841	8,235
Write-off of loans	4	153	205
Depreciation of real estate for rent	1,754	1,177	2,373
Other investment expenses	2,137	1,593	3,874
Losses on separate accounts, net	<u>-</u>	<u>7,395</u>	<u>9,106</u>
Total	¥ <u>66,559</u>	¥ <u>42,767</u>	¥ <u>93,632</u>

4. Loans

Delinquent loans of the Company as of September 30, 2003 are summarized below:

	(Millions of yen)
Loans to bankrupt companies	¥ 330
Past due loans	1,516
Loans overdue for three months or more	5,999
Restructured loans	<u>3,034</u>
Total	¥ <u><u>10,881</u></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 ¥896 million. Past due loans decreased due to write-offs by ¥57 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><u>1,260</u></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.

5. 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.

6. Lease Transactions

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

As Lessee

Pro forma information of non-ownership-transfer finance leases contracted as a lessee such as acquisition cost and related accumulated depreciation of leased assets, obligation under finance leases, depreciation expense, interest expense of finance leases, which is required under Japanese accounting standards for leases for the six months ended September 30, 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)		
Equipment			
Acquisition cost	¥ 2,537	¥ 2,334	¥ 2,162
Accumulated depreciation	<u>1,065</u>	<u>667</u>	<u>836</u>
Net carrying value	¥ <u><u>1,471</u></u>	¥ <u><u>1,666</u></u>	¥ <u><u>1,325</u></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	¥ 503	¥ 453	¥ 427
Due after one year	<u>1,030</u>	<u>1,261</u>	<u>952</u>
Total	¥ <u><u>1,533</u></u>	¥ <u><u>1,715</u></u>	¥ <u><u>1,380</u></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 ¥287 million/¥257 million and ¥509 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	¥ 255	¥ 229	¥	453
Imputed interest cost	39	39		77

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.

7. 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>

8. 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	1,056	2,243		2,436
Other	<u>62</u>	<u>55</u>		<u>77</u>
	¥ <u><u>1,118</u></u>	¥ <u><u>2,299</u></u>	¥	<u><u>55,294</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 September 30,		For the year 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	¥ 255	¥ 797
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	-	14	14
	¥ <u>1,549</u>	¥ <u>1,354</u>	¥ <u>69,744</u>

9. Other Liabilities

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

10. 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.

11. 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.

12. Investment Gains / Losses

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

	<u>Gains on sale</u>	<u>Losses on sale</u>	<u>Devaluation losses</u>
Public and corporate bonds	¥ 18,473	¥ 13,273	¥ -
Domestic stocks and other	11,973	21,771	44
Foreign securities	<u>15,789</u>	<u>2,098</u>	<u>-</u>
	¥ <u>46,238</u>	¥ <u>37,142</u>	¥ <u>44</u>

Losses on investments in trading securities mainly consist of valuation losses on domestic stocks and other amounting to ¥44 million.

Gains from momentary trusts and gains on derivatives include valuation gains amounting to ¥196 million and ¥22,530 million, respectively.

13. Transactions with Subsidiaries

Receivables from and payables to subsidiaries as of September 30, 2003 were ¥292 million and ¥217 million, respectively.

Income and expenses with subsidiaries for six months ended September 30, 2003 were ¥67 million and ¥2,637 million, respectively.

14. 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.
 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.