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REGISTRANT'S NAME Daido Life Insurance Company

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\*\*FORMER NAME \_\_\_\_\_

\*\*NEW ADDRESS 2-1, Edobori 1-chome, Nishi-ku, Osaka  
Japan

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**INFORMATION FROM DAIDO LIFE INSURANCE COMPANY**

AR/S  
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## **MESSAGE**

The greetings of Naoteru Miyato, President and Representative Director of the Company, are included.

## **MANAGEMENT EMPHASIZING FINANCIAL STRENGTH**

### **Sufficient Solvency Margin Ratio**

The Company has a solvency margin ratio of 757.6% as of March 31, 2001.

### **High Profitability**

Core profit and the method of calculating core profit are mentioned. Core profit of the Company for fiscal year 2000 was ¥114.2 billion.

### **Financial Strength Recognized by Rating Agencies**

The Company enjoys a Japan Rating Agency's policy payment solvency rating of AA- and a Standard and Poor's financial strength rating of AA+ as of June 30, 2001.

## FINANCIAL HIGHLIGHTS (1)

### Statement of Operations

| subject                                 | <i>(Millions of yen)</i> |                     |                     |
|---|--------------------------|---------------------|---------------------|
|   | Fiscal Year<br>1998      | Fiscal Year<br>1999 | Fiscal Year<br>2000 |
| <b>Ordinary Revenue and Expenses</b>    |                          |                     |                     |
| Ordinary revenue:                       |                          |                     |                     |
| Income from insurance premiums          | 1,192,881                | 1,136,904           | 1,072,245           |
| Investment income                       | 276,804                  | 287,088             | 191,572             |
| Other ordinary income                   | 3,173                    | 2,544               | 5,365               |
| Total ordinary revenue                  | <u>1,472,858</u>         | <u>1,426,537</u>    | <u>1,269,183</u>    |
| Ordinary Expenses:                      |                          |                     |                     |
| Insurance claims and other payments     | 968,980                  | 869,346             | 864,988             |
| Provision for policy and other reserves | 155,870                  | 216,281             | 134,563             |
| Investment expenses                     | 147,980                  | 181,191             | 66,112              |
| Operating expenses                      | 114,607                  | 109,751             | 107,228             |
| Other ordinary expenses                 | 14,334                   | 15,435              | 14,036              |
| Total ordinary expenses                 | <u>1,401,773</u>         | <u>1,392,005</u>    | <u>1,186,929</u>    |
| Ordinary profit:                        | <u>71,085</u>            | <u>34,531</u>       | <u>82,254</u>       |

| subject  | <i>(Millions of yen)</i> |                     |                     |
|--|--------------------------|---------------------|---------------------|
|  | Fiscal Year<br>1998      | Fiscal Year<br>1999 | Fiscal Year<br>2000 |
| <b>Extraordinary Gains and Losses</b>                              |                          |                     |                     |
| Extraordinary gains:   |                          |                     |                     |
| Gains on sale of property, equipment and loans                     | 459                      | 629                 | 2,773               |
| Valuation gains under Article 112 of the Insurance Business Law    | -                        | -                   | -                   |
| Other extraordinary gains  | -                        | -                   | 814                 |
| Total extraordinary gains  | <u>459</u>               | <u>629</u>          | <u>3,588</u>        |
| Extraordinary losses:  |                          |                     |                     |
| Losses on sale, disposal and devaluation of property and equipment | 5,754                    | 3,145               | 29,259              |
| Provision for price fluctuation reserve                            | 1,070                    | 1,293               | 1,358               |
| Provision for reserve for employees' retirement benefits           | -                        | -                   | 31,537              |

|  |               |               |               |
|--|---------------|---------------|---------------|
| Provision for reserve for employees' retirement benefits | -             | 14,807        | -             |
| Other extraordinary losses                               | 4,091         | 1,907         | 2,565         |
| Total extraordinary losses                               | <u>10,916</u> | <u>21,154</u> | <u>64,720</u> |
| Income before income taxes                               | <u>60,628</u> | <u>14,007</u> | <u>21,122</u> |
| Income taxes   | 18,741        | 6,909         | 13,300        |
| Cumulative effect of prior years' deferred income taxes  | -             | (15,593)      | (16,896)      |
| Net income   | 41,887        | 22,692        | 24,718        |
| Balance at beginning of year                             | -             | 56,181        | 31,304        |
| Adjustment for prior year's tax effect                   | -             | 56,181        | -             |
| Reversal of reserve for retirement profits               | 620           | 294           | 231           |
| Reversal of reserve for social service contributions     | 460           | 325           | 295           |
| Unappropriated surplus                                   | <u>42,967</u> | <u>79,492</u> | <u>56,549</u> |
| Deductions   | 42,967        | 48,187        | 42,167        |
| Transfer to reserve for policyholder dividends           | <u>34,316</u> | <u>39,536</u> | <u>33,249</u> |
| Balanced net surplus                                     | 8,650         | 8,651         | 8,917         |
| Legal reserve for future losses                          | 200           | 240           | 170           |
| Reserve for redemption of fund                           | 6,800         | 6,800         | 6,800         |
| Interest on fund   | 546           | 364           | 181           |
| Bonus to directors and corporate auditors                | 59            | 65            | 50            |
| Voluntary reserves                                       | 1,045         | 1,181         | 1,714         |
| Balance at end of year                                   | -             | 31,304        | 14,381        |

#### Changes in New Policy Amount

New policy amount of individual insurance for fiscal year 2000 was 4,401.4 billion yen or 95.3% compared to fiscal year 1999.

New policy amount of individual term insurance was 4,048.6 billion.

#### Changes in Policy Amount in Force

Policy amount in force of individual insurance as of March 31, 2001 was 38,989.7 billion yen or 99.8% compared to fiscal year 1999.

Policy amount in force of individual term insurance was 34,109.6 billion yen or 100.5% compared to fiscal 1999.

## FINANCIAL HIGHLIGHTS (2)

### Balance Sheet

| subject                          | <i>(Millions of yen)</i>          |       |                                   |       |                                   |       |
|----------------------------------|-----------------------------------|-------|-----------------------------------|-------|-----------------------------------|-------|
|                                  | At the end of<br>fiscal year 1998 |       | At the end of<br>fiscal year 1999 |       | At the end of<br>fiscal year 2000 |       |
|                                  | amount                            | (%)   | amount                            | (%)   | amount                            | (%)   |
| <b>Assets:</b>                   |                                   |       |                                   |       |                                   |       |
| Cash and deposits                | 420,249                           | 7.7   | 159,015                           | 2.8   | 226,895                           | 3.8   |
| Call loans                       | 45,443                            | 0.8   | 108,805                           | 1.9   | 228,500                           | 3.9   |
| Money claims purchased           | 24,833                            | 0.5   | 9,599                             | 0.2   | 27,795                            | 0.5   |
| Monetary trusts                  | 198,255                           | 3.6   | 296,406                           | 5.2   | 247,899                           | 4.2   |
| Securities                       | 3,278,384                         | 59.8  | 3,685,501                         | 64.3  | 3,751,997                         | 63.6  |
| Domestic Bonds                   | 2,417,441                         | 44.1  | 2,570,196                         | 44.8  | 2,612,207                         | 44.3  |
| Japanese national                |                                   |       |                                   |       |                                   |       |
| government bonds                 | 779,995                           | 14.2  | 567,171                           | 9.9   | 441,354                           | 7.5   |
| Domestic municipal bonds         | 790,806                           | 14.4  | 1,077,433                         | 18.8  | 1,198,704                         | 20.3  |
| Domestic corporate bonds         | 846,640                           | 15.4  | 925,591                           | 16.1  | 972,148                           | 16.5  |
| Domestic stocks                  | 392,322                           | 7.2   | 382,773                           | 6.7   | 479,893                           | 8.1   |
| Foreign securities               | 411,925                           | 7.5   | 603,119                           | 10.5  | 551,180                           | 9.3   |
| Other securities                 | 56,695                            | 1.0   | 129,412                           | 2.3   | 108,715                           | 1.9   |
| Loans                            | 1,235,606                         | 22.5  | 1,141,680                         | 19.9  | 1,132,569                         | 19.2  |
| Property and equipment           | 197,126                           | 3.6   | 206,584                           | 3.6   | 175,434                           | 3.0   |
| Other assets                     | 82,708                            | 1.5   | 74,875                            | 1.3   | 61,222                            | 1.0   |
| Net deferred tax assets          | -                                 | -     | 71,775                            | 1.2   | 65,825                            | 1.1   |
| Reserve for possible loan losses | -                                 | -     | (20,651)                          | (0.4) | (17,754)                          | (0.3) |
| Total assets                     | 5,482,608                         | 100.0 | 5,733,592                         | 100.0 | 5,900,384                         | 100.0 |
| <b>Liabilities:</b>              |                                   |       |                                   |       |                                   |       |
| Policy reserves                  | 5,163,643                         | 94.2  | 5,380,909                         | 93.8  | 5,513,425                         | 93.4  |
| Other liabilities                | 121,654                           | 2.2   | 113,769                           | 2.0   | 104,647                           | 1.8   |
| Reserve for possible loan losses | 12,937                            | 0.2   | -                                 | -     | -                                 | -     |
| Provision for reserve for        |                                   |       |                                   |       |                                   |       |
| employees' retirement benefits   | 13,960                            | 0.3   | 29,125                            | 0.5   | -                                 | -     |
| Provision for reserve for        |                                   |       |                                   |       |                                   |       |
| employees' retirement benefits   | -                                 | -     | -                                 | -     | 60,039                            | 1.0   |
| Reserve for losses on sale of    |                                   |       |                                   |       |                                   |       |
| loans                            | 3,945                             | 0.1   | 5,475                             | 0.1   | 62                                | 0.0   |
| Reserve for losses to support    |                                   |       |                                   |       |                                   |       |
| designated debtors               | 2,420                             | 0.0   | 1,820                             | 0.0   | -                                 | -     |
| Reserve for price fluctuations   | 24,059                            | 0.4   | 25,353                            | 0.5   | 26,712                            | 0.5   |
| Total Liabilities                | 5,342,620                         | 97.4  | 5,556,453                         | 96.9  | 5,704,887                         | 96.7  |
| <b>Equity:</b>                   |                                   |       |                                   |       |                                   |       |
| Fund                             | 20,400                            | 0.4   | 13,600                            | 0.2   | 6,800                             | 0.1   |
| Legal reserves                   | 15,061                            | 0.3   | 22,061                            | 0.4   | 29,101                            | 0.5   |
| Surplus                          | 104,526                           | 1.9   | 141,478                           | 2.5   | 119,189                           | 2.0   |
| Net income                       | 41,887                            | 0.8   | 22,692                            | 0.4   | 24,718                            | 0.4   |

|                                    |           |       |           |       |           |       |
|------------------------------------|-----------|-------|-----------|-------|-----------|-------|
| Net unrealized gains on securities | -         | -     | -         | -     | 40,405    | 0.7   |
| Total equity                       | 139,987   | 2.6   | 177,139   | 3.1   | 195,496   | 3.3   |
| Total liabilities and equity       | 5,482,608 | 100.0 | 5,733,592 | 100.0 | 5,900,384 | 100.0 |

## **DIVIDENDS TO POLICYHOLDERS**

### Mechanism of Dividends to Policyholders

A breakdown of dividends and the case in which dividends based on investment yields are paid are provided.

### Dividends in Fiscal Year 2001

Changes in dividends for individual insurance, individual annuities and group annuities from fiscal year 2000 to fiscal year 2001 are provided.

## **SALES ACTIVITIES IN CORPORATE MARKET**

### Status of Sales in Corporate Market

The new policy amount of the Company in corporate market was 85.1 % of total new policy amount of the Company.

### Sales Force for Corporate Market

An outline of the sales force of the Company is provided.

### Sales of Products Most Suitable for Corporate Protection

There is an explanation that individual term insurance is most suitable for corporate protection and that the Company's share of the individual term insurance market as of March 31, 2000 was 30.1%.

### Variations of Individual Term Insurance

Names of riders and programs relating to individual term insurance are provided.

#### Welfare Programs to Protect Corporation

Principal products for corporate management welfare programs, employee welfare programs and welfare programs to support self-help are described.

#### New Product - Sale of Non-participating Term Insurance

The Company's new non-participating term insurance product is briefly explained.

### **MOVING TOWARD DEMUTUALIZATION AND LISTING**

#### 1. Purpose of Demutualization and Listing

The purpose of demutualization and listing is explained.

#### 2. Outline of the New Company

The corporate name and the stated capital amount of the new Company after demutualization and the number of shares to be issued upon demutualization are provided.

#### 3. Effects on Policyholders

The effects of demutualization on policyholders are explained.

#### 4. Allotment of Shares

The method of share allotment and the status of the allotment of shares, as of July 6, 2001, based on the results of calculation of the amount of contribution to the Company's net assets (tentative) are provided.

#### 5. Schedule

The schedule for demutualization and listing and methods for submitting objections to demutualization are provided.

## **STRATEGIC BUSINESS ALLIANCES**

### **Full-Scale Business Alliance with The Taiyo Mutual Life Insurance Co.**

The concept of establishing a joint holding company and the action required to establish such company are briefly explained.

### **Business Alliance by 5 Financial Sectors**

The concept of "Financial One", a business alliance by banking companies, a trust and banking company, a securities corporation, life insurance companies and a non-life insurance company, is briefly explained.

## **RISK MANAGEMENT, COMPLIANCE**

### **Risk Management**

The Company's actions to strengthen its risk management system are explained.

### **Compliance**

An outline of the Company's compliance system and actions taken to establish and promote its compliance program and to review its compliance manual are provided.

## **CUSTOMER SERVICES**

### **Enhancement of Service System**

The Company's actions to enhance its service system are briefly explained.

### Services Beneficial for Business

Insurance premiums accounting information service, public aid information service, “Daido Business Report” service, human resources/labor support service, and information service by facsimile provided by the Company are briefly explained.

### Caring and Healthcare Services

Caring support service and health screening reservation/discount service provided by the Company are briefly explained.

### For the Continuance of Policies

Services provided by the Company by which customers can make certain changes to the terms of their policies are briefly explained.

### Sudden Need of Money

Policy loan system and service to withdraw accumulated dividends are briefly explained.

### Various Procedures

Principal events requiring procedures are mentioned.

## **POSITIVE DISCLOSURE AND SOCIAL ACTIVITIES**

### Disclosure

The Company's disclosure activities are briefly explained.

### Social Activities

Social service contributions of the Company and its related entities are briefly explained.

## **ORGANIZATION AND SYSTEM OF A MUTUAL LIFE INSURANCE COMPANY**

### **Organization of a Mutual Life Insurance Company**

Organization of a mutual life insurance company appears in chart form.

(Summary English Translation)

July 12, 2001

To Concerned Parties:

Daido Life Insurance Company

Announcement of Resolution at the Policyholders' Representatives Meeting  
with respect to Reorganization (Demutualization)

This is to inform you that the reorganization of Daido Life Insurance Company (President: Naoteru Miyato) from a mutual life insurance company to a joint stock corporation effective April 1, 2002, was resolved at the 54th Ordinary Policyholders' Representatives Meeting held today.

Status of allotment of shares, as of July 6, 2001, based on the results of calculation of the amount of contribution to the Company's net assets (tentative) is as follows:

| <u>Policyholder</u>  | <u>Number of<br/>policyholders<br/>(Thousands)</u> | <u>Percentage of total<br/>participating<br/>policyholders</u> | <u>Number of<br/>shares<br/>(Millions)</u> | <u>Percentage of<br/>total number of<br/>shares to be<br/>issued</u> |
|--|--|--|--|--|
| Policyholders to whom<br>one or more shares<br>(and fractional shares)<br>will be allotted ..... | 333  | 36%  | 1.35                                       | 90%  |
| Policyholders to whom<br>only fractional shares<br>will be allotted .....                        | 345  | 37%  | 0.14                                       | 10%  |
| Policyholders to whom no<br>shares will be allotted .....  | 249  | 27%  | -  | -  |
| Policyholders who are<br>prohibited by laws or<br>regulations from<br>holding any shares .....   | 0  | 0%   | -  | -  |
| <b>Total</b>   | <u>929</u>   | <u>100%</u>  | <u>1.50</u>                                | <u>100%</u>  |

(For Reference)

Outline of the Company after demutualization and the schedule for demutualization are mentioned.