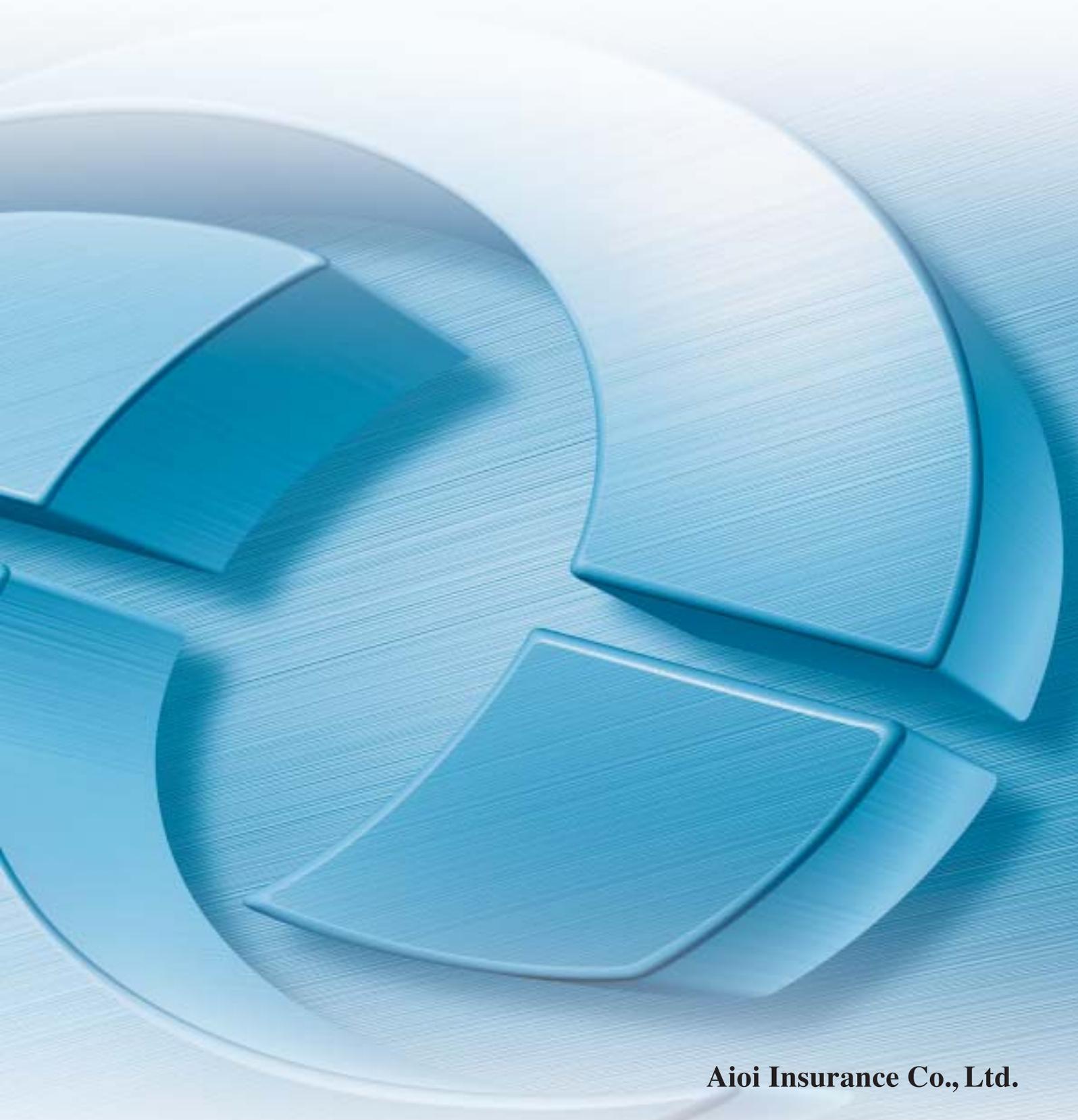




Annual Report **2005**



Aoi Insurance Co., Ltd.

MISSION

Always there for the customer

Aioi Insurance responds accurately and rapidly to market needs by leveraging its close links with customers. And using regional networks firmly rooted in local communities, we are aiming to become a company that creates new value.

Number one on the road

By offering unique insurance products and pioneering services through highly convenient user channels, we are working to win the overwhelming support of drivers and establish Aioi Insurance as the leading brand in the automobile insurance market.

Peace of mind, health and prosperous lifestyles

As society ages and birth rates decline, health, medical care and investment needs are growing. In response, Aioi Insurance is actively developing a range of unique products and services as it seeks to play a role in creating a prosperous society.

Sustained growth founded on high-efficiency and corporate value

Aioi Insurance is working to enhance competitiveness and corporate value based on high operational efficiency that supports powerful earnings capabilities and stable growth. This is an integral part of our efforts to become a company trusted by customers, shareholders, sales agents and society as whole.

Committed to the spirit of dynamism and challenge to become an industry pioneer

Aiming to open new industry frontiers, Aioi Insurance places high priority on employees who can anticipate change, think independently and are proactive.

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CAUTIONARY NOTE: FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this annual report with respect to Aioi Insurance's plans, forecasts, strategies, and beliefs that are not historical facts are based on information available to management at the time of publication. Readers are cautioned to refrain from making investment decisions based solely on these statements, as actual performance may differ materially from forecasts due to events and circumstances that include, but are not limited to, the following: economic conditions in Aioi Insurance's operating environment; fluctuations in exchange rates; and the level of demand for insurance products and services.

PROFILE

Aioi Insurance Company, Limited (“the Company”), was formed in April 2001 from the merger of two long-established non-life insurance companies, The Dai-Tokyo Fire & Marine Insurance Co., Ltd., and The Chiyoda Fire & Marine Insurance Co., Ltd. Our company name, which means “growing together” in Japanese, reflects our desire to grow in tandem with our customers, agents and shareholders. With net premiums written of ¥838 billion (\$7,810 million) on a consolidated basis and total assets of ¥2,797 billion (\$26,053 million), Aioi Insurance is one of Japan’s largest non-life insurance companies. Through our domestic subsidiaries and affiliates we also offer life and personal insurance, operate nursing care facilities and provide various insurance support services.

Aioi Insurance boasts a comprehensive nationwide network of 524 sales offices under 108 sales branch offices, 215 claims service centers and offices, and 44,332 agents. This domestic network helps the Company develop products and services tailored to evolving consumer demands.

Our overseas network provides diversified insurance services and consists of subsidiaries and branches in key cities in Asia, Australia, North America, and Europe and offices of allied local insurers around the world.

We also operate representative offices in 19 major cities worldwide to assist policyholders who travel, live, or work abroad.

FINANCIAL HIGHLIGHTS

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2005	2004	2005
Consolidated Financial Highlights			
Net premiums written	¥ 838,740	¥ 843,552	\$ 7,810,225
Interest and dividend income.....	44,427	40,344	413,700
Net income.....	19,701	29,359	183,457
Total shareholders’ equity	445,147	435,597	4,145,151
Total assets	¥2,797,920	¥2,791,994	\$26,053,831

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥107.39 to U.S.\$1 on March 31, 2005.

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2005	2004	2005
Non-Consolidated Financial Highlights			
Net premiums written	¥ 827,807	¥ 836,596	\$ 7,708,421
Interest and dividend income.....	38,742	35,552	360,767
Net income.....	16,132	27,322	150,226
Total shareholders’ equity	452,040	446,820	4,209,331
Total assets	¥2,569,113	¥2,597,891	\$23,923,213

	%	
	2005	2004
Loss ratio	64.58	60.80
Expense ratio	33.15	33.45

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥107.39 to U.S.\$1 on March 31, 2005.

MESSAGE FROM THE PRESIDENT



We will build a higher revenue base that will propel us toward the second stage of Aioi's establishment, and we will complete the reform of our marketing structures to achieve concrete results.

In the non-life insurance industry, further liberalization and deregulation are likely to intensify competition related to prices and to the development of products and services. At the same time, I expect the operating environment will see accelerated change as companies redouble efforts to enhance customer amenity and protection. One driver of that change is the Program for Further Financial Reform issued by the Financial Services Agent in December 2004. Since its incorporation in April 2001, Aioi Insurance has seized all available business opportunities from the ever-changing business environment. Also, we have strengthened management capabilities and boosted operating efficiency.

We are not affiliated with Japan's traditional *zaibatsu* financial groups. Our marketing base is founded on the retail insurance market and close ties with local communities. To meet the needs of customers and raise their quality of life, we develop products and services that are unrivaled in the Japanese insurance arena. We aim to be as close to customers as possible to ensure that we are their first-choice insurance company.

For example, in automobile insurance we have launched *Top Run*, a risk-segmented product. In addition, the Company works with its close business partner Toyota Motor Corporation to develop original, leading-edge products and services that are integrated with Toyota's advanced technology and financial services. Targeting the expected growth in demand in the health care and medical treatment fields as Japan's society ages, we are also constructing a service

network based on alliances with providers of health care and medical treatment. Moreover, Aioi Insurance's subsidiaries are developing and operating businesses based on day care services for the elderly and mental health care services.

At the same time, we are moving forward with the development and marketing of platform products, which enable users to combine other policies with their existing automobile insurance at an affordable price, thereby greatly enhancing convenience. Through such efforts, we will establish a higher revenue base and secure stable growth. Further, Aioi Insurance will reengineer operational structures to create a company with outstanding productivity and efficiency by constructing new business models that exploit IT. Specifically, plans call for a fundamental reform of back-office operations to eliminate the structural duplication of the Company's and agents' back-office functions. At the same time, we will revamp operational systems to create functionally specialized marketing bases.

Meanwhile, to cater to the diversification of customer needs that is stemming from changes in the social and economic environment, Aioi Insurance is extending its business portfolio through such initiatives as the launch of 401k business in the current fiscal year. In addition, we will bolster our life insurance business, which is expanding steadily. Moreover, focusing on China and other thriving Asian markets, Aioi Insurance intends to actively develop overseas business in conjunction with Toyota's global strategic move to the future.

As a corporate citizen, we feel that the fulfillment of social responsibilities is a matter of course. Therefore, we are strengthening all management systems related to corporate social responsibility. In those efforts, we are enhancing systems that address such issues as compliance, risk management, disclosure, investor relations, environmental protection, and social contribution. Aiming to cultivate a corporate culture that inspires trust, we will redouble efforts to foster close relationships with all of our stakeholders based on communication and teamwork.

In the current fiscal year, the Company's fifth since establishment, Aioi Insurance has embarked on a new medium-term management plan, IOI ACT II. I regard the current fiscal year as a pivotal year in which our concerted efforts to carry out that plan's strategies and achieve tangible results will drive the Company toward the second stage of its development. Further, as chairman of the General Insurance Association of Japan, in the current fiscal year I intend to fully realize my role as leader of the non-life insurance industry by promoting its development while maintaining and enhancing its sound footing.

Against the backdrop of further deregulation in the financial and insurance services industries, I anticipate stepped-up competition in a wide range of areas, including prices, products, services, and sales channels. In response, Aioi Insurance will work to become the insurance company that is closest to customers and local communities and offers every customer maximum satisfaction. We will realize that overriding goal by decisively taking on the challenges of the emerging operating environment based on an unshakable commitment to innovation. Through those endeavors, I am confident that Aioi Insurance will sustain growth and increase its corporate value.

In closing, I would like to take this opportunity to ask all of our stakeholders for their continued support and understanding.



Tadashi Kodama
President and Representative Director

IOI ACT II — COMMITTED TO INNOVATION

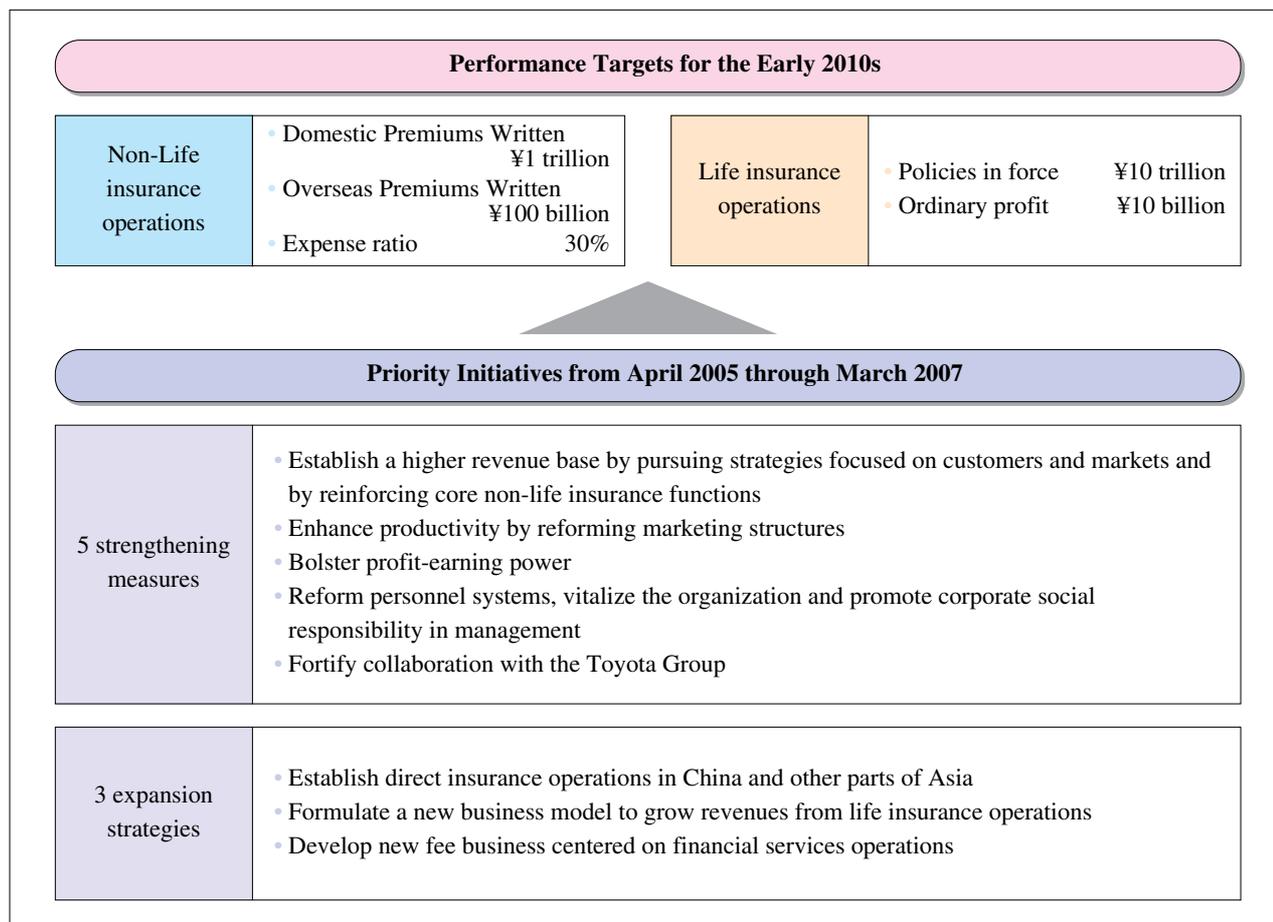
Aioi Insurance has established a new medium-term management plan, IOI ACT II — Committed to Innovation, which covers the two years from April 2005 through March 2007. Our employees will make a concerted, fully committed effort to enhance corporate value and achieve sustainable growth.

Since its incorporation, Aioi Insurance has developed its management base and improved management efficiency. At the same time, we have paved the way for growth through investment in overseas businesses and the implementation of a raft of other measures. Having come within sight of completing the first stage of our evolution by achieving the aims of those measures, we are now embarking upon the second stage of our evolution, in which we will realize concrete benefits.

Aioi Insurance revised its latest medium-term management plan, covering the period from April 2003 to March 2006 and aims to propel the Company forward in the second stage of its development by setting out an ambitious vision of Aioi Insurance's corporate profile in the early 2010s. The revised plan reflects changes in business conditions stemming from such factors as advancing deregulation.

Aiming to identify and tackle priority issues from April 2005 through March 2007, our latest plan highlights five strengthening measures, mostly in mainstay non-life insurance operations, and three expansion strategies targeting new fields of business. Aioi Insurance has named its latest management plan IOI ACT II — Committed to Innovation to express the entire Group's staunch resolve to take on the challenges of the next developmental phase.

Performance Targets for the Early 2010s and Priority Initiatives from April 2005 through March 2007



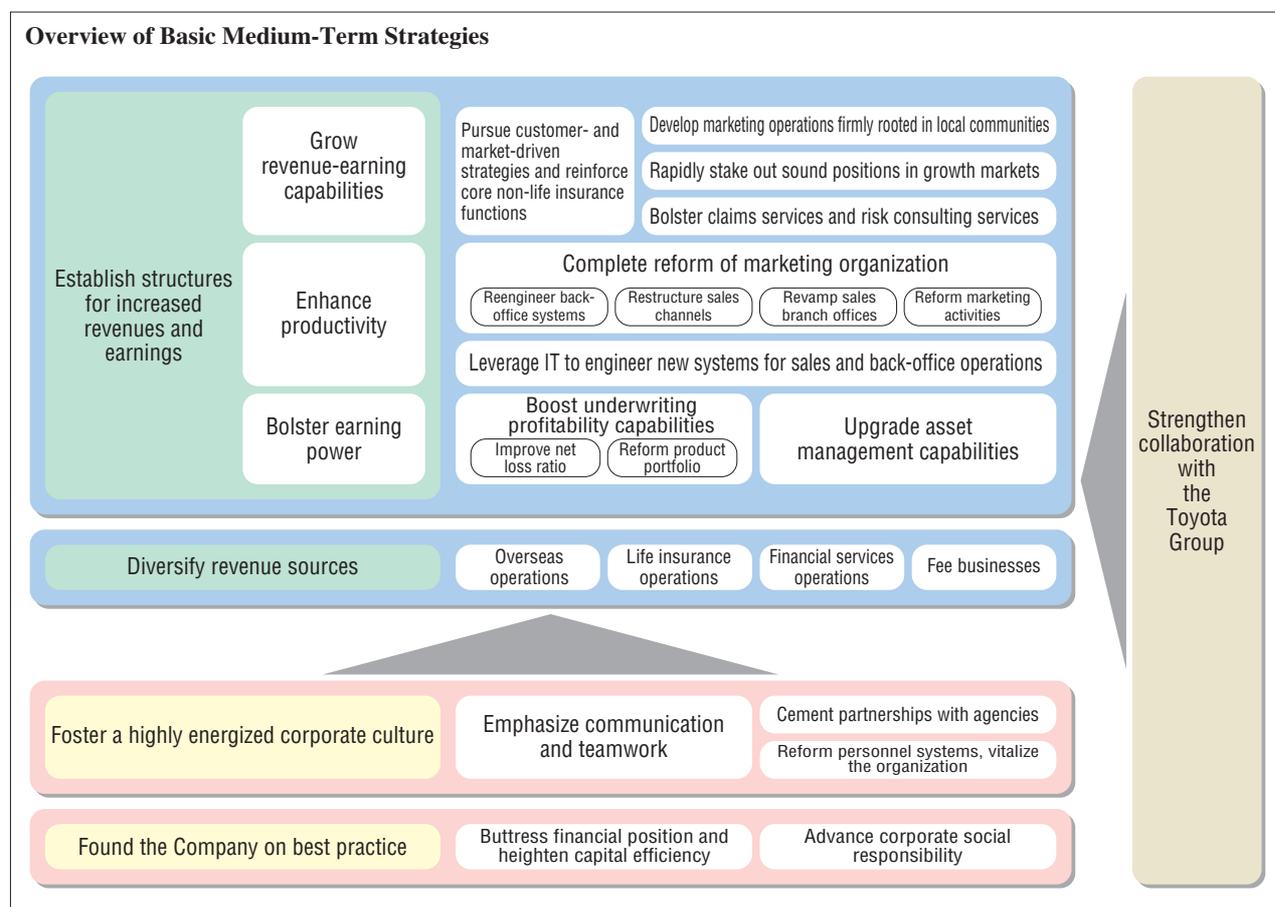
Basic Medium-Term Strategies

1. Establish structures for increased revenues and earnings in domestic non-life insurance operations

- 1) Grow revenue-earning capabilities through customer- and market-driven strategies
Develop marketing operations firmly rooted in local communities through business management that puts customers first and emphasizes the situation on the ground and build a solid higher revenue platform by rapidly staking out sound positions in growth markets and by reinforcing core non-life insurance functions

- 2) Enhance productivity by restructuring in-house organizations
Heighten productivity by reforming the marketing organization and by leveraging IT to engineer efficient systems for sales and back-office operations

- 3) Bolster earning power
Strengthen earning power by improving the net loss ratio through reform of the Company's product portfolio and the measures for improvement of loss and by upgrading asset management capabilities



2. Diversify revenue sources by expanding business scope

Build new sources of domestic income by enhancing the productivity of non-life insurance operations to generate extra investment capacity and by decisively redeploying management resources to such growth areas as overseas operations, life insurance operations, and financial services operations

3. Foster a highly energized corporate culture that continues to innovate

Cultivate a tirelessly innovative, vigorous corporate culture by upgrading personnel training programs and emphasizing communication and teamwork to boost employees' capabilities and morale and to cement partnerships with agents

4. Found the Company on best practice

Consolidate the fundamentals for the development of a highly trusted company by buttressing Aioi Insurance's financial position and heightening capital efficiency to generate extra investment capacity and to grow shareholder value and by advancing corporate social responsibility based on communication with stakeholders in management activities

5. Strengthen collaboration with the Toyota Group

Use management resources mutually by fortifying joint efforts with the Toyota Group in domestic non-life insurance operations and a range of other fields

Medium-Term Targets (Non-Consolidated)

Fiscal 2004, ended March 31, 2005, and fiscal 2006, ending March 31, 2007.

Non-Life Insurance Operations (excluding the effect of the government's abolishment of reinsurance for CALI)

	billions of yen / %	
	Fiscal 2004	Fiscal 2006
Net premiums written	7,609	7,980
Net loss ratio	65.2	59.4
Net operating expenses	36.1	35.4
Combined ratio	101.3	94.8
Ordinary profit	223	290
Net profit	131	180
Overseas premiums written	285	410

Life Insurance Operations

	billions of yen / %	
	Fiscal 2004	Fiscal 2006
New personal policies / pensions	9,702	13,500
Policies in force	48,290	65,000
Of which personal policies / pensions	38,781	52,000
Ordinary profit*	33	50

* Before additional provision for standard policy reserve

INTERNATIONAL OPERATIONS



Masao Adachi
Vice President, Director
and Representative Director

Under our new medium-term management plan, “IOI ACT II,” we are accelerating the expansion of our international operations. In the last fiscal year, in order to improve our direct underwriting capabilities outside Japan, we established a new insurance company in the United Kingdom, Aioi Motor and General Insurance Company of Europe Ltd.. In addition, we participated in the management of an insurance company in Thailand and restarted that company’s operation under the new corporate name of Aioi Bangkok Insurance Co., Ltd., this January.

The core emphasis of the business for abroad is to especially develop underwriting of personal automobile insurance and various commercial lines required by the Japanese corporate customers. Most of the personal automobile insurance we underwrite is obtained in collaboration with Toyota Motor Corporation. We plan to increase the number of our policyholders from 190,000 in 2004 to 300,000 in 2006 through this collaboration. At present, we underwrite them in four European countries, four Asia-Oceania countries, Hawaii of the U.S.. In the future, we intend to expand the geographical scope of our operations aggressively.

In alliance with the local Toyota sales-financing companies and car dealers, we offer this personal automobile insurance, named “Toyota Insurance,” exclusively to Toyota customers. We intend to increase its competitiveness in terms of such factors as quality, value, and progressiveness, and we wish to also offer every customer maximum satisfaction.

With regard to commercial line products for Japanese corporate customers, we regard Asia as our most strategic region, and we will offer effective products and services to customers developing their business in Asian countries through our network, such as Aioi Bangkok Insurance Co., Ltd., and PT. Asuransi Aioi Indonesia, and our local partners, who form a substantial service network.

In China, we are pressing forward with preparations to obtain branch office licenses and conduct direct underwriting. In accordance with the gradual liberalization of the Chinese insurance market, we anticipate the scope of activity of foreign insurance companies will expand into personal lines. We are conducting a study to explore the possibility of underwriting personal automobile insurance in the near future.

To improve convenience for our customers, we are moving forward to strengthen our overseas networks together with our business partners, and we intend to develop our capabilities to provide our customers with effective products, services, and advice suited to their needs. We will continue to make such efforts as we strive to be chosen by customers not only in Japan but abroad as the insurance company that is closest to customers and local communities.



Masahiko Oji
Senior Managing Director

As from 1st April 2005, the Reinsurance Department has become part of the Product Development Unit (until 31st March 2005, part of Overseas Business Unit). The closer relationship of the Reinsurance Department to our primary underwriting organization will bring about increased opportunities of face to face communication, enhancing our ability to design more efficient and sophisticated reinsurance programs suitable for our underwriting portfolio. In addition, having the Reinsurance Department under the Product Development Unit is also a great advantage to both the Product Development Department and the Underwriting Department, enabling them to have an extensive access to the international marketplace from where timely and up-to-date information is available. We strongly believe that this reorganization enables us to adopt a unified approach to our primary insurance and reinsurance activities that greatly enhances our ability to provide a swift response to the many and diverse needs of our customers.

The philosophy behind our outward reinsurance protections is to gain a competitive edge in the domestic and international market, and to stabilize our bottom line results. We believe that a sophisticated reinsurance program is an essential factor in order to secure, and then maintain, profitability by mitigating the impact of various risks, particularly catastrophic exposures such as earthquakes and typhoons, which are recent areas of concerns. We will carefully monitor and analyze our exposure to these risks and endeavor to secure sufficient reinsurance protections with very reputable reinsurance carriers. We are currently securing enough capacity for earthquake to cope with the Great Kanto Earthquake, while we are now enlarging our reinsurance program on the Typhoons with a view to the Isewan Typhoon based on considerations of retained risk, capital and reserves. We are committed to designing and implementing ever more effective reinsurance protections, which will directly contribute to achieving the objectives we have described above.

With regard to the inward reinsurance business, we are now in the midst of rebuilding our inward reinsurance portfolio based on strict underwriting guidelines, which is in line with the current global trend of more stringent risk management practices. In order to achieve this objective, we have streamlined our portfolio by focusing on business with appropriate risk transparency and better profitability. While we intend to maintain this conservative approach, we will nevertheless continue to look for new business opportunities that will further improve our portfolio and, of course, enhance our profitability.

As an entire company, we are addressing ourselves to the successful implementation of an increasingly demanding risk management and compliance culture. On determining our outward and inward reinsurance strategy, we submit our plan to various internal committees and the Executive Meeting for approval, only following which will we action our proposals. This is because the reinsurance operation, both outward and inward, plays a very important role within our organization today.

We will always be committed to new challenges ahead of us and would like to take this opportunity to ask sincerely for your continued valuable support of Aioi Insurance.

CORPORATE GOVERNANCE

Regarding corporate governance as a high-priority management issue, Aioi Insurance is implementing measures to enhance the utility of its internal control system, to increase management efficiency through the effective deployment of management resources, and to heighten transparency through timely, appropriate disclosure.

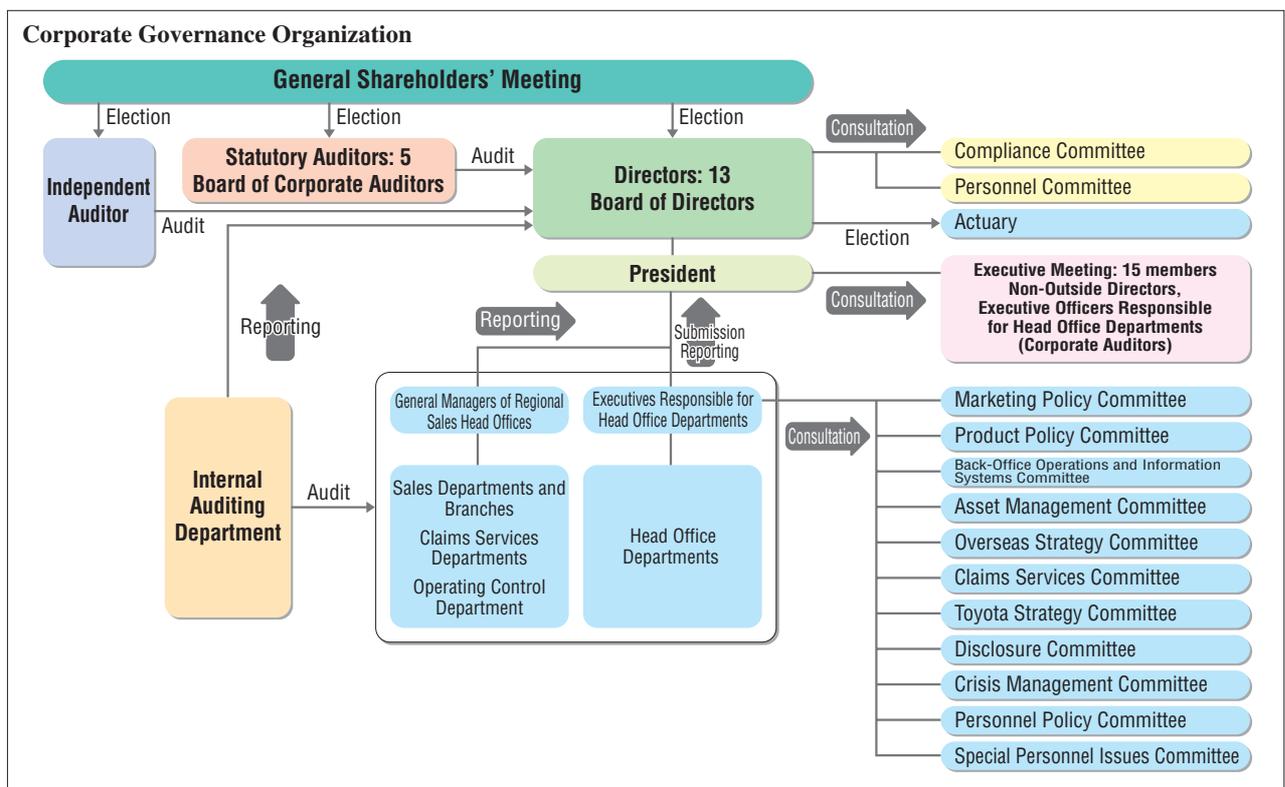
Corporate Governance System

Under the corporate auditors system, the Company's management organization clearly separates decision making and oversight functions from operational implementation. As of July 1, 2005, the management organization comprised 13 directors and 5 statutory auditors as well as 24 executive officers, who are primarily responsible for operational implementation. To clarify the management responsibility for the Company's results in each fiscal year and to enable Aioi Insurance to respond flexibly to changes in business conditions, the Company stipulates a one-year term of office for directors and executive officers.

Convening once a month or as required, the Board of Directors comprises 13 directors, including 1 external director. The Board determines significant Groupwide issues relating to management policies and strategies and oversees operational implementation. In addition, the Company has established the Compliance Committee and the Personnel

Committee as advisory bodies to the Board. The Compliance Committee deliberates measures to improve compliance oversight based on the results of compliance progress checks as well as in-house and third-party investigations. The Compliance Committee then reflects its conclusions in advice to the Board. Tasked with realizing equitable evaluations of and compensation for directors and executive officers, the Personnel Committee deliberates the appointment, reappointment, dismissal, promotion, and compensation of directors and reports its conclusions to the Board.

The Company has established the Executive Meeting as an advisory body to the president that consists of non-outside directors, executive officers responsible for Head Office departments, and statutory auditors. The Executive Meeting deliberates and reports on significant issues relating to operational implementation. Further, Aioi Insurance has 11 committees that provide the Executive Meeting's Head Office executives with advice on important policies in various operational areas. The committees examine issues in their respective areas of responsibility—assessing expected results, risk management, compliance, profit management, and other considerations—and refer agenda items and report their findings to the Executive Meeting. Those committees are dedicated to the following areas: marketing policy, product policy, back-office operations and information



systems, asset management, overseas strategy, claims services, Toyota strategy, disclosure, crisis management, personnel policy, and special personnel issues.

The Board of Corporate Auditors comprises five statutory auditors, three of whom are external corporate auditors. The statutory auditors oversee the operational implementation of directors and executive officers and offer opinions at important meetings, including the Board of Directors, the Executive Meeting, and various committee meetings. Further, Aioi Insurance has established the Auditors' Office with full-time employees that support the auditing operations of statutory auditors.

The Board of Directors appoints an actuary. In addition to actuarial operations, the actuary checks items stipulated by the Insurance Business Law for each fiscal year and reports the results to the Board of Directors in written opinions.

Relationships with External Directors and External Corporate Auditors

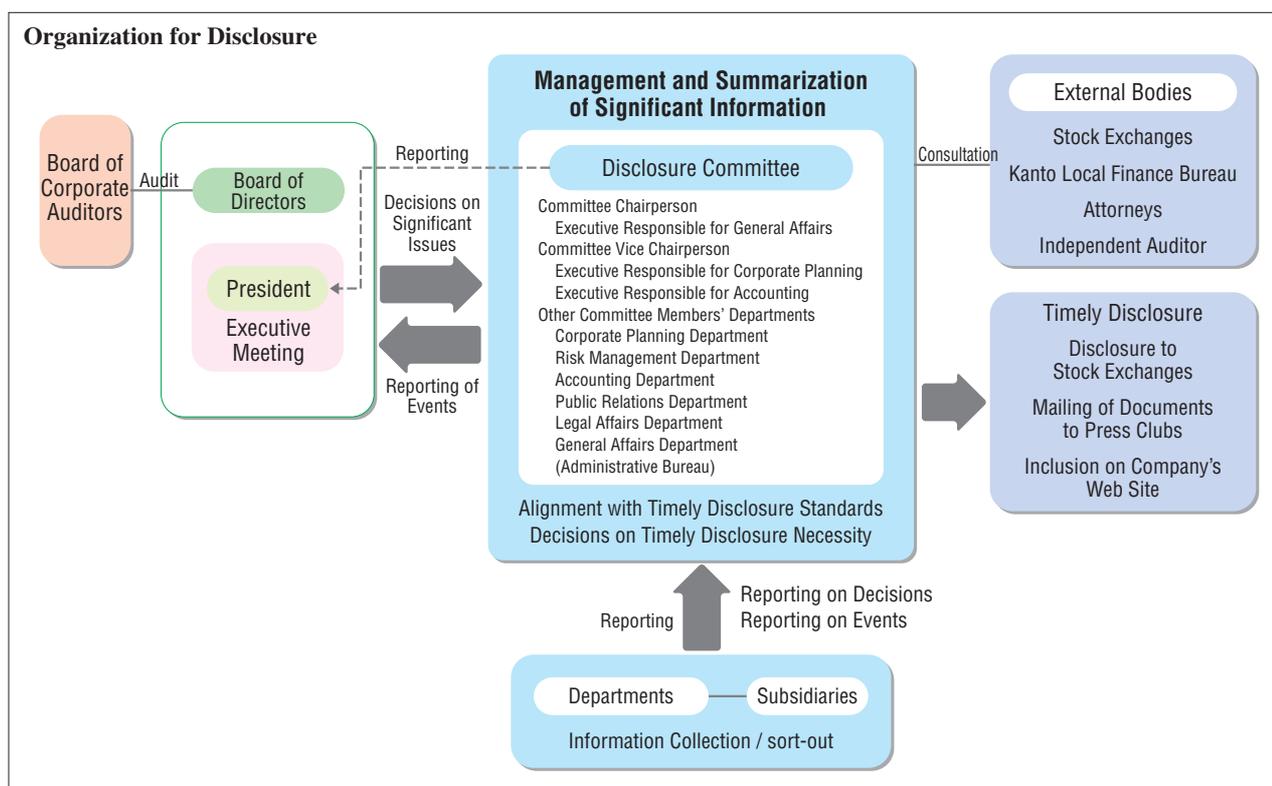
The Company's external director also serves as a director of Toyota Motor Corporation. Among the Company's three external corporate auditors, one serves as an advisor of Toyota Motor Corporation, another serves as an advisor of Nomura Research Institute, Ltd., and the third serves as an honorary advisor of UFJ Bank Limited. Regarding Aioi

Insurance's relationships with those companies, Toyota Motor Corporation is a large shareholder of the Company, holding 34.8% of total voting rights as of March 31, 2005. Further, the Company conducts ongoing insurance transactions with Toyota Motor Corporation. The Company consigns the maintenance and operation of information systems to Nomura Research Institute, Ltd., and conducts financial transactions with UFJ Bank Limited.

Information Disclosure

Aioi Insurance regards the heightening of management transparency through timely, appropriate disclosure of corporate information relating to the Group as an important obligation.

The Board of Directors determines disclosure policy and an in-house code of practice for the disclosure of corporate information. In addition, the Company has strengthened its internal systems for corporate information disclosure through the establishment of the Disclosure Committee, which consists of executives and general managers responsible for departments that handle corporate information. That committee promotes timely, appropriate, and equitable disclosure based on Japan's Securities and Exchange Law and other laws and on the rules for the timely disclosure of corporate information by issuers of listed securities and the other rules stipulated by each stock exchange.



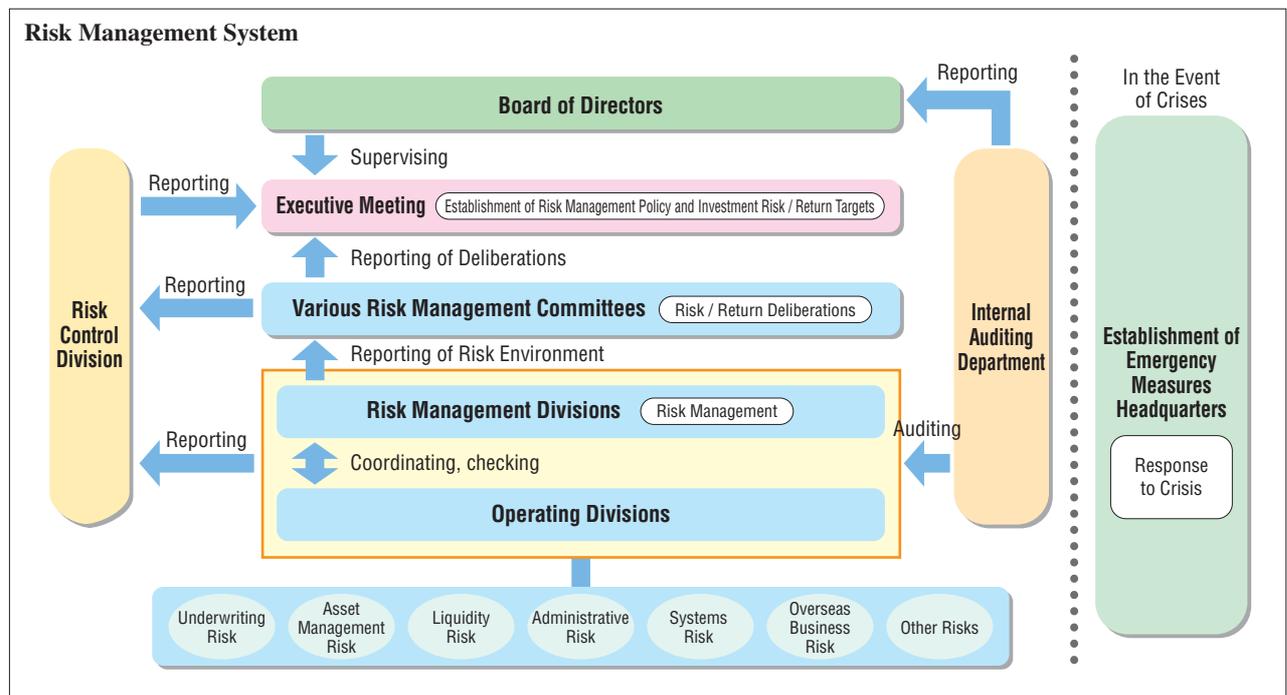
RISK MANAGEMENT SYSTEM

Aioi Insurance analyzes increasingly diverse and complex risks and enhances risk management. Overall business conditions are changing dramatically due to such factors as economic globalization, deregulation, competition with companies in other industries, and changes in modes of communication associated with the Internet and other developments. By extension, non-life insurance companies face increasingly diverse and complex risks. Recognizing that the analysis and management of risk is therefore more important than ever, Aioi Insurance accurately identifies risks, evaluates their potential impact, and manages them appropriately to ensure operational stability and to enhance profitability.

Aioi Insurance clearly identifies risks that should be managed based on the Risk Management Policy established by the Board of Directors. Further, the Company has taken organizational, systematic, and regulatory steps to ensure comprehensive monitoring of risks, including the establishment of the Risk Management Department, which controls overall risks, the setting up of committees tasked with addressing specific risk categories, and the formulation of risk management regulations.

Risk Management Policy

Aioi Insurance aims to ensure stable management and meet profitability targets by taking informed risks based on the clear identification of areas in which risks exist and the appropriate management of those risks in light of their characteristics.



Risk Capital Allocation

Aioi Insurance uses a risk capital allocation method to maintain risk amounts at appropriate levels by measuring a variety of risks based on unified criteria and allocating risk capital reflecting risk amounts to respective operations and

divisions. Through risk capital allocation, the Company secures management stability and uses capital effectively by seeking enhancements of profitability and efficiency commensurate with risk.

Principal Risks and Related Management Systems

1. Underwriting Risk

Underwriting risk indicates losses resulting from claims or economic conditions that differ significantly from forecasts when premiums were determined. The Company calculates appropriate premiums by taking into consideration adequacy, equitability, and other factors. Further, Aioi Insurance regularly identifies and manages risk trends for specific insurance product categories based on category loss ratios and significant concentrations of risk arising from such

natural disasters as earthquakes. If Aioi Insurance identifies an unusual risk value, it analyzes the location and cause of the risk and reflects its findings by improving or eliminating the affected products or by reviewing underwriting standards or marketing policies.

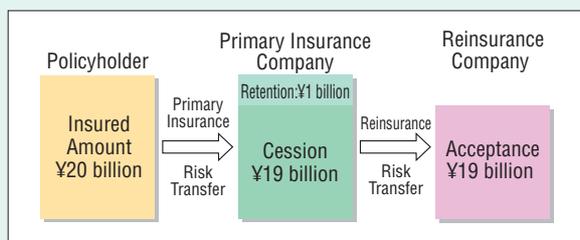
In addition, the Company avoids excessive accumulation of risk through measures that include the creation of risk retention benchmarks for underwriting and the diversification of risks through reinsurance.

Reinsurance

(1) Explanation

In order to fulfill insurance claim payment obligations and ensure operational stability, insurance companies equalize and diversify risk by transferring all or a part of insurance claim payment obligations to other insurance companies. This process is called “reinsurance” and is an important method of stabilizing and strengthening insurance business management.

Risk Equalization and Diversification: A Case Study



(2) Outward Reinsurance Policy

The primary aim of the Company’s outward reinsurance policy is to ensure the long-term stability of net operating results. In particular, once a natural disaster occurs, the Company may face very large insurance claim payment obligations. To offset that risk, the Company is currently securing enough capacity for earthquake to cope with the Great Kanto Earthquake, while on the Typhoons is now enlarging our reinsurance program with a view to the Isewan Typhoon by taking retained risk, capital and reserves into account.

(3) Inward Reinsurance Policy

The Company focuses its marketing of inward reinsurance on high-quality contracts, emphasizing profitability and guided by a policy of strengthening risk management and tightening the stringency of underwriting standards.

2. Asset Management Risk

Asset management is principally exposed to three main risks: market risk, credit risk, and real estate investment risk. Aioi Insurance manages those risks as follows.

(1) Market risk

This refers to the risk of losses resulting from a reduction in the value of managed assets due to such factors as changes in interest rates, stock prices, and currency exchange rates. Aioi Insurance manages market risk through a variety of measures, such as position control, loss limits, and stress tests.

(2) Credit risk

This refers to the risk of losses resulting from the decline in value or elimination of an asset due to deterioration in the financial position of a borrower. The Company manages such risk by establishing and managing credit limits based on

an in-house rating system, by dynamically managing credit through self-assessments, and by clarifying credit screening policies.

(3) Real estate investment risk

This refers to the risk of losses resulting from a decrease in income derived from properties due to changes in rental rates or a decline in real estate prices associated with market fluctuation. Aioi Insurance manages real estate investment risk by establishing alarm points and a minimum rate of return on investment.

In addition to the above risk management measures, the Company undertakes risk limit management, which involves calculating the maximum loss that could be incurred in relation to respective risks and ensuring that amount is within the limit of capital invested.

3. Liquidity Risk

The Company undertakes loss risk management, which entails securing adequate liquidity through appropriate cash flow management that precisely monitors capital outflows and inflows.

4. Administrative Risk

This refers to the risk of loss resulting from procedural negligence or impropriety on the part of the Company's executives, agents, or employees or due to confusion arising from the introduction of new back-office systems without adequate developmental testing.

Aiming to provide consistent, high-quality services at its sales branch offices and service centers nationwide, the Company supplies them with manuals on administrative procedures and the treatment of personal information while conducting ongoing training of the employees and agents.

Further, Head Office divisions check the effectiveness of systems for administrative risk management by monitoring a range of administrative indicators and by conducting internal audits of sales branch offices and service centers.

5. Systems Risk

This primarily refers to the risk of loss resulting from the malfunctioning of computer systems, from their erroneous or improper operation, or from mistakes or delays in their development. To mitigate systems risk, the Company has established a basic policy on information management, or Security Policy, which stipulates that rigorous tests must be conducted before introducing new computer systems and that systems operations must be outsourced to specialists offering outstanding safety and reliability.

Further, because it handles important customer information, the Company regards the prevention of leakages of personal information as a significant facet of risk management. Accordingly, Aioi Insurance implements thoroughgoing safety measures for the treatment of customers' information and network security. In addition, the Company has established a contingency plan to ensure that systems can be recovered quickly in the event of a natural disaster or unforeseen accident.

6. Overseas Business Risk

This refers to a range of risks associated with overseas operations, including underwriting risk and administrative risk. To strengthen the monitoring functions, transparency, and appropriateness of overseas business risk management, Aioi Insurance has established the position of Overseas Business Risk Manager, who belongs to the Compliance Control Department but operates independently from it.

7. Other Risks

In addition to the above risks, the Company is aware of a variety of risks, including legal risk, catastrophe risk, and reputation risk, which are primarily managed by the pertinent controlling divisions.

Further, Aioi Insurance has prepared a system that will enable an organized Companywide response in the event of a crisis associated with a major disaster. In such an event, the Crisis Management Committee will immediately establish an emergency measures headquarters, which will integrate information management, coordinate responses, and delegate decision-making authority to ensure those responses are rapid and effective.

INTERNAL AND THIRD-PARTY AUDITING AND MONITORING FRAMEWORK

Aiming to be a first-rate corporation, Aioi Insurance undertakes exhaustive and effective auditing and monitoring.

Internal Auditing and Monitoring System

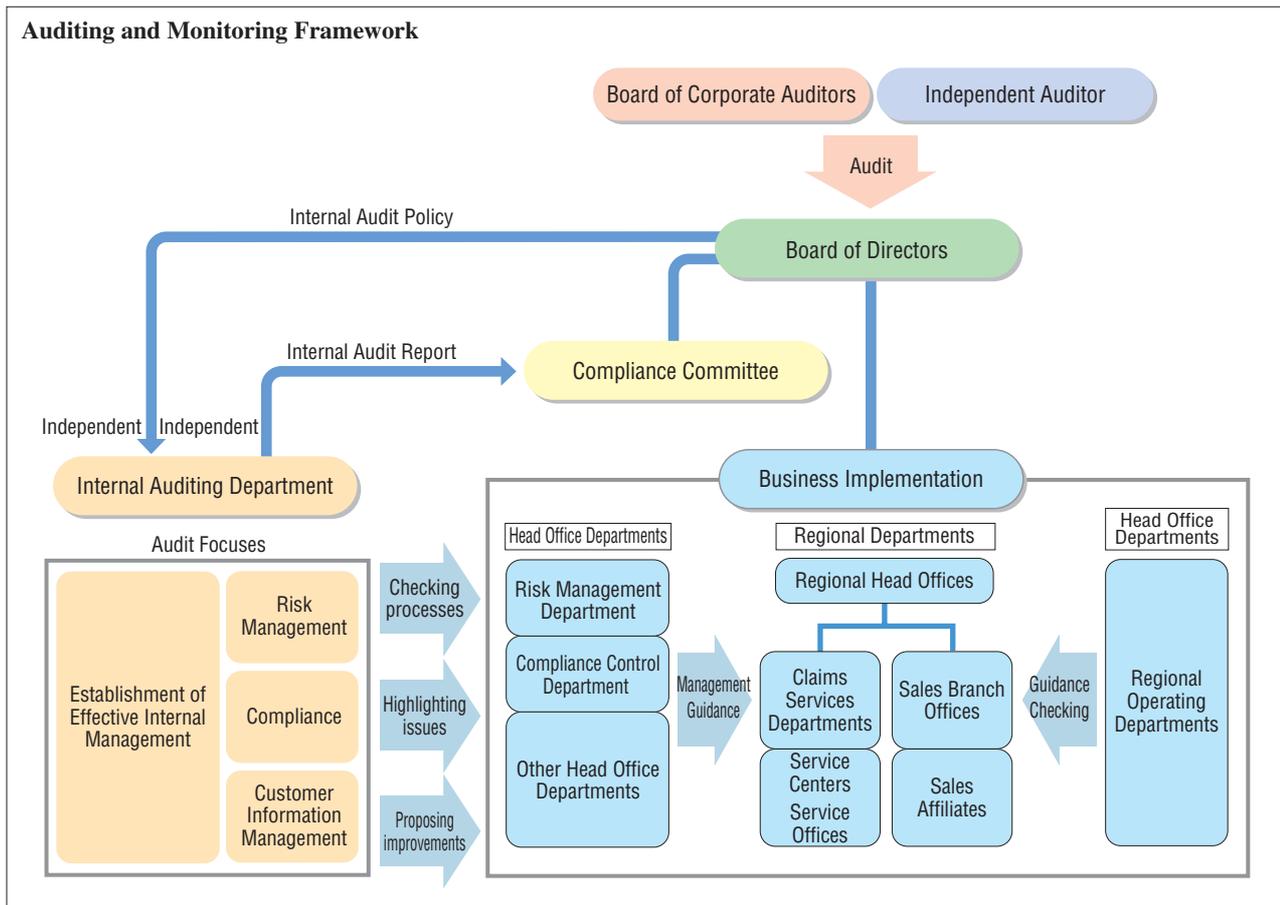
In addition to internal audits carried out by corporate auditors pursuant to the Commercial Code of Japan, the Internal Auditing Department undertakes internal auditing activities as an organization independent from the Company's executive bodies.

The Internal Auditing Department implements in-depth, effective audits by checking and evaluating the appropriateness and effectiveness of each department's internal management with respect to risk management, compliance, and customer management. Not only does the department highlight issues, it makes proposals to respective departments for improvements. Moreover, the department audits the Company's self-assessments of assets to ensure the soundness of assets held. Further, the department regularly reports audit results to the management team.

Third-Party Auditing and Monitoring System

An independent auditor audits Aioi Insurance in adherence with Japan's Law for Special Exceptions to the Commercial Code and Japan's Securities and Exchange Law. As stipulated by Japan's Insurance Business Law, the Company is also audited by the Inspection Bureau of the Financial Services Agent and the Kanto local finance bureau of the Ministry of Finance.

Furthermore, the independent auditor, corporate auditors, and the Internal Auditing Department collaborate to enhance the Company's auditing and monitoring framework.



CODE OF CONDUCT

Aioi Insurance has established the following code of conduct to which all employees adhere rigorously.

1. Earn society's trust through corporate activities that consistently reflect commitment to social responsibility

(1) Adherence to laws, social norms, and in-house rules

- Contribute to the development of sound insurance operations by undertaking equitable, appropriate management of operations based on adherence to laws, social norms, and in-house rules
- Enhance the quality of agents in direct contact with customers through direction and education emphasizing adherence to laws and statutory regulations

(2) Stringent, appropriate management of information

- Undertake stringent management to prevent the leaking to third parties of personal or corporate information obtained in the course of operations or of confidential in-house information

(3) Confrontation with antisocial forces

- Cooperate with the police and related agents and adopt an unflinching stance in response to antisocial forces

(4) Risk management and enhancement of operational efficiency

- Promote sound, transparent operational management through the effective utilization of management resources and the untiring enhancement of operational efficiency as well as through the strengthening of respective divisions' risk management and the bolstering of in-house management systems

(5) Disclosure of corporate information

- Heighten management transparency and undertake fair competition in compliance with market rules through the timely, appropriate disclosure of corporate information

(6) Social contribution

- Use insurance operations to resolve or mitigate social issues through the development of products and services in response to the aging of society, environmental problems, and other issues
- Contribute to local communities and undertake the preservation of the environment as a conscientious corporate citizen

2. Offer customers peace of mind and satisfaction by always putting customers first

(1) Provision of outstanding products and services

- Provide products and services that accurately reflect social change and the increasing diversification and sophistication of customer needs

(2) Provision of accurate, useful information

- Provide accurate, useful information about and related to products and services to maximize customer satisfaction

(3) Sincere responses to customer feedback

- Respond sincerely and politely to all customer feedback, including opinions, requests, and complaints, and faithfully reflect it in operations

3. Establish a free and vigorous corporate culture and ensure all employees strive to enhance their personal qualities, judgment, and abilities

(1) Respect for human rights and individuality

- Respect individuality and do not discriminate against individuals because of gender, age, nationality, race, ethnicity, religion, social status, disability, or other reasons
- Manage the physical and mental health of employees and improve workplace environments

(2) Training and utilization of a wide variety of personnel and realization of a free and vigorous corporate culture

- Reform employment formats and personnel systems to reflect the changes in the times and in employees' attitudes and enhance the abilities of employees
- Invigorate the Company's organization based on communication and teamwork and foster a free and vigorous corporate culture

COMPLIANCE

The Company promotes appropriate operations by working to ensure management compliance and soundness.

Compliance Policy

- Aioi Insurance aims to become an insurance company that customers and society at large trust by having all executives adhere to the code of conduct on the previous page.
- Aioi Insurance will provide customers with peace of mind and satisfaction through management that is strongly focused on the realization of sound, equitable operations based on rigorous compliance.

Compliance Promotion System

Established as an advisory body to the Board of Directors, the Compliance Committee is responsible for compliance planning and monitoring, while the Head Office Compliance Promotion Committee focuses on compliance implementation and management. Also, compliance-related departments promote compliance in a wide range of areas, from the Company's responses to customer feedback through insurance solicitation by agents.

Further, the Company promotes strict compliance in regional operations through the establishment of Compliance Committees at each Regional Head Office and Sales Branch Office and through the appointment of Compliance Officers to each Regional Head Office.

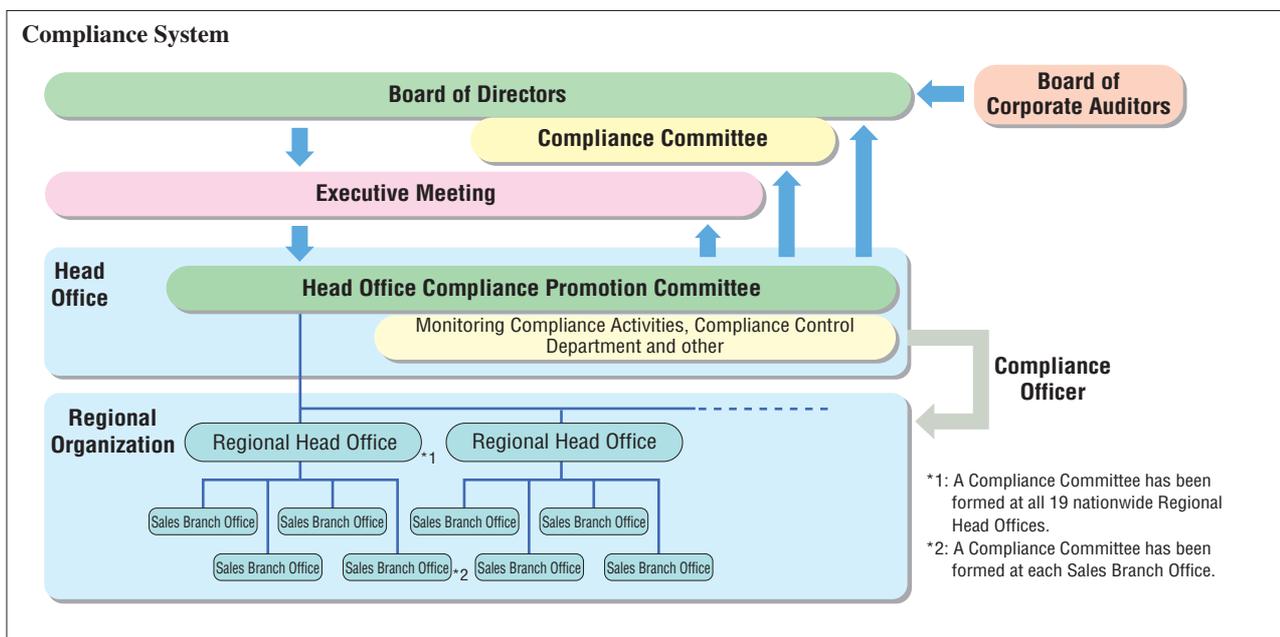
Compliance Program and Training

Guided by the Compliance Program Action Plan established by the Board of Directors, the Company collaborates with Group companies to pursue compliance initiatives.

Aioi Insurance undertakes systematic compliance training for all employees, including training by rank that begins when employees first join the Company and training tailored for specific departments. Moreover, the Company uses compliance manuals and e-learning to heighten the effectiveness of such programs.

In-House Compliance Initiatives

Aioi Insurance actively brings to light and rectifies any in-house compliance issues. In those efforts, the Company seeks to prevent inappropriate operations and scandals through internal inspections and audits. Also, the Company has established a compliance hotline that enables employees to report actions that violate laws or statutory regulations.



MEASURES FOR PROTECTION OF PERSONAL INFORMATION

In response to the full enactment of the Personal Information Protection Law in April 2005, the Company revised its Privacy Policies for the Treatment of Customers' Information. Aioi Insurance also enhanced its regulations concerning the treatment of customers' information and undertook the education and training of its employees and agents. Aioi Insurance and the Aioi Insurance Group are committed to continuing endeavors to protect personal information.

Aioi Insurance's Policies for Treatment of Customers' Information

Aioi Insurance's corporate philosophy is to help enrich peoples' lives by contributing to social stability and economic development as a one-stop services company that mitigates risk and offers peace of mind. The Company's aim is to pursue steady, sound management, to grow corporate value, and to be a superior company that is trusted throughout society.

The personal information that customers provide Aioi Insurance is indispensable because it enables the Company to provide them with products, services, and information. The Company regards the safe management and appropriate usage of customers' information as a significant social responsibility.

In light of the importance of protecting personal information and in order to earn further societal trust for the non-life insurance industry, the Company has established Privacy Policies for the Treatment of Customers' Information, which are based on the appropriate treatment of personal information through adherence to the relevant laws, regulations, and guidelines. These include the Personal Information Protection Law and related laws; guidelines, including those for the protection of personal information in the financial services industry; and the General Insurance Association of Japan's (GIAJ's) guidelines for the protection of personal information by non-life insurance companies. At the same time, the Company will conform to the practical guidelines issued by the Financial Services Agent and the GIAJ. In accordance with the relevant laws, regulations, and guidelines, Aioi Insurance hereby declares that it will do its utmost to protect personal information.

(1) Methods of Obtaining and Collecting Information

Information provided by customers is required by the Company to provide them with products and services that meet their needs, to offer them information, and to conclude

and maintain policies. Accordingly, the Company will obtain information through lawful and equitable means within the limits of operational necessity.

Most of the information collected from customers comprises insurance policy application forms and insurance claim statements. In some cases, the Company will also collect information through sales promotions and questionnaires.

(2) Purpose of Information Usage

The Company will use information provided by customers within the limits of operational necessity for the purposes (usage purposes) itemized below and in (4)-(6).

Furthermore, if usage purposes change, the Company will notify individual customers or make public announcements through its web site or other media.

1. The underwriting examinations of insurance policy applications and the underwriting and redemption of insurance policies
2. The expeditious, appropriate payment of insurance claims in the event of insured accidents
3. The collection of the Company's receivables
4. The conclusion of reinsurance policies and notifications based on reinsurance policies and reinsurance claims
5. The provision of services related to insurance policies
6. The maintenance of insurance contracts
7. The sound operation of insurance systems
8. The provision of information regarding the Company's insurance products and services
The Company offers the following products and services:
Non-life insurance, life insurance, loans, government bonds, and services attached or related to those products and services
9. The provision of a wider range of information, including information regarding events, sales promotions, and seminars
10. The implementation of questionnaires regarding the products and services of the Company or its agents
11. The examination of loans, the conclusion of loan contracts, and the redemption and management of loans
12. The provision of over-the-counter sales of government bonds and other financial products and attached or related services and the maintenance of policies
13. The implementation of market surveys and research and development for insurance and financial products and services

14. The provision of information regarding the products and services of Group companies and allied companies
Group companies and allied companies offer the following products and services:

Life insurance, seminars, and consultation

Please refer to Aioi Insurance's web site for an overview of Group companies and allied companies.

<http://www.ioi-sonpo.co.jp>

15. The provision of responses to inquiries and requests

The Company will obtain the consent of individuals if it intends to use personal information beyond the scope of operational necessity as delimited by usage purposes, with the exception of the instances stated in article 16, paragraph 3 of the Personal Information Protection Law.

(3) Provision of Personal Information to Third Parties

With the exception of the following cases, the Company will not provide personal information to third parties without the consent of individuals.

- Cases based on the laws and statutory regulations
- Cases in which the Company provides information within the scope of operational necessity to its insurance agents and other consignees
- Cases in which the Company shares information with Group companies (please see (4) Sharing of Information with Group Companies)
- Cases in which the Company shares information with non-life insurance companies (please see (5) Non-Life Insurance Industry's Information Sharing Systems)
- Cases in which the Company shares information with the Ministry of Land, Infrastructure and Transportation (MLIT) (please see (6) Provision of Personal Information to Ministry of Land, Infrastructure and Transportation)

(4) Sharing of Information with Group Companies

As the responsible administrator, the Company shares personal information with Group company Aioi Life Insurance Co., Ltd., in order to offer customers its products and services or related information.

The following items of personal information are shared. Addresses, names, telephone numbers, e-mail addresses, gender, dates of birth, and other policy details included in application and other forms

Please see Aioi Life Insurance's web site for further information about the company.

Web site: <http://www.ioi-life.co.jp>

(5) Non-Life Insurance Industry's Information Sharing Systems

1) Prevention of Fraud and Establishment of Appropriate Insurance Payments

Non-life insurance companies share customers' personal information to eliminate fraud related to the conclusion of insurance policies and insurance claims. Also, to ensure appropriate compulsory automobile liability insurance payments, non-life insurance companies share information with the Non-Life Insurance Rating Organization of Japan (NLIRO). For further information regarding responsible administrators, information sharing, and other items, please refer to the web sites of the GIAJ and the NLIRO.

Inquiries:

Non-Life Insurance Liaison Section

General Insurance Association of Japan

Non-Life Insurance Building, 9, Kanda Awajicho 2-chome, Chiyoda-ku, Tokyo 101-8335, Japan

Telephone: 03-3255-1467

(Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays)

Web site: <http://www.sonpo.or.jp/e/index.html>

Personal Information Liaison Desk,

General Planning Department

Non-Life Insurance Rating Organization of Japan

1-9, Kanda-Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan

Telephone: 03-3233-4141

(Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays)

Web site: <http://www.nliro.or.jp/english/index.html>

2) Checking of Information regarding Agents and Other Organizations

The Company shares personal information regarding the employees of non-life insurance agents and other consignees with non-life insurance companies to ensure the appropriate oversight of non-life insurance agents and to facilitate the Company's hiring of employees. Further, in relation to the consignment of operations to non-life insurance agents, the Company shares personal information regarding individuals that have passed such examinations as the GIAJ's non-life insurance agents, examination with non-life insurance companies. For further information regarding responsible administrators, information sharing, and other items, please refer to the GIAJ web site.

(6) Provision of Personal Information to Ministry of Land, Infrastructure and Transportation

To ensure all motorcycles are insured, the Company shares personal information relating to compulsory automobile liability insurance with the MLIT, which is the responsible administrator, enabling it to send reminders urging individuals to renew expired compulsory automobile liability insurance policies. For further information, please refer to the MLIT web site.

The following items of personal policy are shared. Policyholders' names, addresses, identification numbers, insurance periods, motorcycle models, vehicle identification numbers, and license plate numbers or vehicle numbers

Inquiries:

Automobile Accident Countermeasures Section,
Insurance Division,
Road Transport Bureau
Ministry of Land, Infrastructure and Transportation
2-1-3, Kasumigaseki, Chiyoda-ku, Tokyo 100-8918, Japan
Telephone: 03-5253-8111 (extension: 41417)
(Office hours: 9:30-17:45, except Saturdays, Sundays, and national holidays)
Web site: <http://www.jibai.jp>

(7) Treatment of Credit Information

Based on the Insurance Business Law Enforcement Regulations, article 53, paragraph 9, the Company will not use credit information received from institutions (organizations that collect information regarding individuals' ability to repay debts and provide that information to insurance companies) for any purpose other than examining the ability of individuals to repay debts.

(8) Treatment of Sensitive Information

Based on the Insurance Business Law Enforcement Regulations, article 53, paragraph 10, the Company will not obtain, use, or provide to third parties personal information relating to political views, beliefs (religion, ideology), labor union affiliations, race or ethnicity, family origins or registered domicile, medical records, sexual orientation, and criminal records (sensitive information) with the exception of the following cases.

- Cases in which, with the consent of individuals, the Company obtains, uses, or provides sensitive information to a third party to the extent required to operate appropriately as an insurance company

- Cases in which the Company obtains, uses, or provides sensitive information to a third party to the extent required to effect the payment of insurance claims and other administrative actions accompanying inheritance procedures
- Cases in which the Company obtains, uses, or provides sensitive information to a third party regarding employees' membership of or affiliation with political or religious groups or labor unions to the extent required to effect administrative actions related to insurance premium collection
- Cases based on laws and statutory regulations
- Cases in which it is necessary to protect people's lives, physical well-being, or assets
- Cases in which it is particularly necessary to enhance public health or to promote the sound upbringing of children
- Cases in which it is necessary for the Company to cooperate with national or regional government agents or parties acting on their behalf to enable them to effect administrative actions stipulated by laws or statutory regulations

(9) Safe Management of Personal Information

The Company will implement thorough security measures for the safe management of personal information, including the preparation of regulations for the treatment of information and the establishment of implementation systems, to prevent the leakage, loss, or damage of personal information.

Further, if the Company consigns the treatment of personal information to third parties, it will undertake appropriate supervision of the consignees, including the establishment of consignee selection benchmarks and the prior checking of consignees' information management systems.

(10) Ongoing Measures

To ensure that information provided by customers is treated appropriately, the Company will rigorously educate employees. At the same time, the Company will continuously review internal control systems and the security of information systems.

In addition, the Company will undertake regular audits to ensure the implementation of and adherence to those systems while continuously improving the protection of customers' information.

(11) Inquiries regarding Policy Details and Accidents

For inquiries regarding the details of policies, please refer to the agent that processed the policy, the sales branch office indicated in the insurance policy, or the nearest sales branch office. For inquiries regarding accidents, please contact the accident liaison service indicated in the insurance policy. The Company will respond to such inquiries upon confirming that the inquiry is from the policyholder in question.

(12) Notification, Disclosure, Revision, and Deletion of Items of Personal Information Held Based on Personal Information Protection Law

Please make requests for the notification, disclosure, revision, and deletion of items of personal information held by the Company, after referring to the Company's procedures for such items, which are based on the Personal Information Protection Law. Upon confirming that the request is from the policyholder in question, the Company will require the individual to fill out the Company's prescribed forms and will then proceed with processing. In principle, the Company will reply to such requests in writing at a later date. For some disclosure requests, the Company charges a prescribed processing fee for replies.

The Company will correct information regarding individuals if any inaccuracies are identified as a result of required investigations.

For further details regarding procedures for the notification, disclosure, revision, and deletion of items of personal information, please refer to the Company's web site.
<http://www.ioi-sonpo.co.jp>

(13) Inquiries Service

The Company will respond appropriately and expeditiously to inquiries or complaints regarding its treatment of personal information.

For inquiries regarding the Company's treatment of personal information or the personal information that the Company holds, please refer to the following contact details.

Aioi Insurance Co., Ltd.
Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays
Telephone: 03-5424-0101 (Head Office) for a guide to divisions and departments

For inquiries regarding policy details, please contact Aioi Insurance's Customer Service Center.
Telephone: 0120-101-101

Aioi Insurance is a member company of the GIAJ, which is an authorized personal information protection organization. The GIAJ accepts complaints and inquiries regarding the treatment of personal information by member companies.

Inquiries:
Non-Life Insurance Liaison Section
General Insurance Association of Japan
Non-Life Insurance Building, 9, Kanda Awajicho 2-chome,
Chiyoda-ku, Tokyo 101-8335, Japan
Telephone: 03-3255-1470
(Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays)
Web site: <http://www.sonpo.or.jp/e/index.html>

SOLICITATION POLICIES

Aioi Insurance has stipulated the following solicitation policies based on the Law on Sales of Financial Products, and in accordance with those policies Aioi Insurance will conduct appropriate product sales activities.

- Aioi Insurance will realize appropriate sales of insurance and other products that are in adherence with laws and statutory regulations, including the Insurance Business Law, the Law on Sales of Financial Products, and the Consumer Contract Act.

- Aioi Insurance will introduce customers to appropriate insurance products and other products that reflect customers' intentions and circumstances based on comprehensive consideration of customers' familiarity with insurance products and other products, their reasons for entering into policies, and their financial positions.

- Aioi Insurance will explain the market risks associated with investment products appropriately based on consideration of customers' investing experience, the purpose of investments, and customers' financial resources.

- Aioi Insurance will help customers understand products correctly by devising ways of offering explanations that are readily understandable.

- Aioi Insurance will expedite accurate processing of insurance claim payments in the event of insurance-covered accidents.

- Aioi Insurance will respond to inquiries and other feedback from customers politely and considerately, take feedback seriously, and use it to improve product development, sales methods, and other aspects of operations.

SOCIAL CONTRIBUTION

Aiming for Zero Traffic Accidents

Driving safety evaluations: the safety support bus

We offer companies and other organizations aptitude testing and expert instruction for driving safety by dispatching our safety support bus, which features an onboard driving simulator. Aioi Insurance also contributes to the promotion of safe driving through regionally based educational activities, such as participation in local traffic safety campaigns and events.



Implementation of a nationwide campaign for zero traffic accidents

Aiming to support the efforts of companies and other organizations to raise awareness of traffic safety, we will launch a countrywide campaign from October 1, 2005, for the elimination of automotive accidents. In that initiative, we will back organizations striving to achieve zero accidents and, as part of their efforts, willing to take on the challenge of remaining accident free for three months.

Support Menu

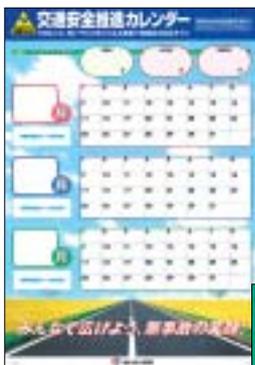
Application procedure: applications accepted by Aioi Insurance sales branch offices across Japan until September 26, 2005

Participation fee: none

Support tools: participating organizations to be provided with the following items.

- Traffic safety calendar
- Zero accidents seal
- Vehicle sticker

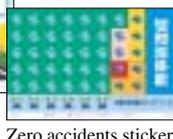
We will award commemorative prizes to organizations that achieve three accident-free months.



Traffic safety calendar



Vehicle sticker



Zero accidents sticker

Donation of yellow flags for pedestrian safety

During twice yearly national traffic safety campaigns, Aioi Insurance donates yellow crosswalk flags for pedestrian safety. Since starting to gift them in 1971, we have distributed more than 4.3 million yellow flags nationwide, making roads safer for numerous pedestrians.



Promoting Culture, Art, and Sports

Camellia Art Exhibitions

Two or three times a year, we contribute to art exhibitions at galleries around the country by offering between 60 and 80 works of art from our collection. As part of our cultural activities, we plan to continue those contributions so that as many people as possible can enjoy the works of art. Further, our collection can be viewed at our web site's online art gallery, the IOI Art Collection.

In fiscal 2004, we contributed some of our most famous artworks to exhibitions held at The Museum of Modern Art, Saitama and the Tanabe City Museum of Art, in Wakayama Prefecture.

IOI Art Collection URL:

<http://www.ioi-sonpo.co.jp/corporate/tsubaki-e>



The Museum of Modern Art, Saitama

Holding of landscape photography contests themed on conserving nature

Since 2004, we have held landscape photography contests based on the theme of protecting nature and landscape that aim to promote awareness of the need to conserve our natural environment and to benefit Japan's photographic culture. For its second such contest, Aioi Insurance collected photographs with a strong emphasis on seasons from would-be professional photographers and amateur photographers. From among 336 photographs submitted by 150 people, we selected a first-prize photograph and five winning photographs and held a presentation ceremony for the winners. We included the winning photographs in the 2006 edition of the Aioi Insurance Group's original landscape calendar, which we normally distribute to about 500,000 people each year.



The winning photograph, "Midsummer"

Cosponsorship of an art exhibition based on the theme of local treasures

The National Federation of UNESCO Associations in Japan hosts art exhibitions that encourage artists to portray cherished parts of their towns. We began cosponsoring those art exhibitions from fiscal 2004, in keeping with our aim of being the insurance company that is closest to customers and with our social contribution activities' emphasis on local communities, children, and considerateness. UNESCO associations from 47 regions in Japan collected artworks from elementary and junior high school students and held local exhibitions and award ceremonies. The resulting 131 prize-winning works were reassessed and narrowed down to 10. We invited the creators of those works to our Head Office and held the first national award presentation ceremony on March 29, 2005. Further, from June 12, 2005, those works were exhibited at the United Nations pavilion in the 2005 World Exposition, Aichi, Japan.

For fiscal 2005, 58 UNESCO associations are collecting artworks nationwide.

About UNESCO Art Exhibitions

From 1998, the National Federation of UNESCO Associations in Japan began using local UNESCO associations to collect artworks themed on "my town's treasure" from elementary and junior high school students and to hold exhibitions. Through those efforts, the federation aims to encourage students to value local cultural and natural assets and to give local residents a renewed sense of the importance of their area's cultural heritage and natural environment by holding regional exhibitions. In fiscal 2004, UNESCO associations collected 13,588 artworks.

National Federation of UNESCO Associations in Japan
Web site:<http://www.unesco.jp>



Presentation ceremony for winners of the nationwide competition

Hosting of Aioi Insurance New Year concerts

We have held New Year concerts since 1987 with a view to benefiting regional culture through music. On January 27, 2005, we cohosted a concert with Toyota Industries Corporation at the concert hall of the Aichi Prefectural Art Theater. The concert was recognized as a 2005 World Exposition partnership event by the Japan Association for the 2005 World Exposition. More than 1,800 people attended the concert, of whom 720 obtained tickets through application.



Support for the 58th Osaka Jitsugyodan Ekiden

As part of our contributions to sports promotion, we cosponsored the 58th Osaka Jitsugyodan Ekiden, held on January 16, 2005. First held in 1948, this race has become a traditional New Year fixture in Osaka. In 2005, 410 companies and 3,300 competitors took part, with four teams from our athletics club participating.



Photograph provided by Sankei Sports

Backing International Exchanges

Holding of Aioi Insurance Seminars

Launched in 1967, Aioi Insurance Seminars seek to offer the Company's insurance skill and know-how to insurance companies in other Asian countries. At the same time, we established the seminars to encourage mutual respect for and understanding of the differences in cultures, customs, economic conditions, insurance market trends, and other areas among Asian countries. Over 37 years, more than 260 trainees have attended the seminars.

In the future, we intend to further enhance our program of seminars to deepen international exchanges and to contribute to social stability and the development of insurance operations in Asian countries.



Cosponsorship of traffic safety events in China

In collaboration with Toyota Motor Corporation, we sponsored a traffic safety exhibition in China and an international ITS forum in Beijing that were hosted by China's public safety agent and traffic safety association in April 2004, and we presented case studies of traffic safety initiatives in Japan. Further, in response to a request from China's insurance association, we held seminars on Japan's automobile insurance system and claims services system with a view to contributing to the sound growth of automobile insurance operations in China.

In light of China's rapid motorization, we are committed to promoting the implementation of traffic safety measures and the healthy advancement of car society in China through central government agents and other organizations.



Support for the Asian Wheelchair Basketball Game tournament

Along with Denso Corporation, Aioi Insurance sponsors the Asian Wheelchair Basketball Game tournament, which is organized by the NPO Wheelchairs and Friendship Center of Asia.

On May 31, 2005, the tournament was expanded to 10 nations and held in the Expo Dome as a 2005 World Exposition event. Our employees took part in the event as volunteers, preparing the venue and helping the competitors.

The Company will continue to further sports-based exchanges among the physically challenged in Asia.



A game in full swing

Contribution to the Toyota Cup International Table Tennis Tournament

Looking to encourage sports and international exchanges in East Asia, we support Toyota's sponsorship of the Toyota Cup International Table Tennis Tournament. With athletes from Japan, China, and South Korea participating, the tournament was staged in Tianjin, China, in fiscal 2003 and Guangzhou, China, in fiscal 2004.

The next tournament will be held on December 25, 2005, in Nagoya, Japan.



Award ceremony

Promoting Voluntary Activities Rooted in Local Communities

Implementation of measures for the 2005 World Exposition

The 2005 World Exposition is being held from March 25 through September 25 in Aichi Prefecture, an area in which Aioi Insurance has many customers and business partners. As a member of the local business community, we have cooperated in the event since Aichi Prefecture began its bid to host the exposition. Our contributions include the holding of 2005 World Exposition partnership events, the donation of vehicles for the disabled, the provision of volunteer training seminars, and the participation of our employees as volunteers.

Drawing on expertise in the welfare of the elderly accumulated from our nursing operations, we are helping the 2005 World Exposition's senior visitors. We cooperated with the Wonderful Aging Club in the implementation of 10 training sessions for 2005 World Exposition volunteers to help senior visitors, which were participated in by more than 400 volunteers.

Also, roughly 100 of our employees are participating in the 2005 World Exposition as volunteers, and we are doing our utmost to back up their efforts. We believe that the greatest benefit of our initiatives for the 2005 World Exposition has been the change in employees' attitudes to community issues and volunteer activities. After the 2005 World Exposition, we intend to draw on the valuable experience that we have gained to continue to benefit local communities through regionally based initiatives.



Volunteers at the 2005 World Exposition, Aichi, Japan



Undertaking of nationwide volunteer work centered on "Aioi month"

Designating October 1 as "Aioi day" and October as "Aioi month" from the Company's symbol "IOI," we create an environment conducive to our employees' participation in volunteer work every October by providing funds for activities, holidays in lieu, and other support. Employees' volunteer activities are directly linked to local communities and include nationwide cleanup projects, charity work, and registration as blood or bone marrow donors.

In fiscal 2004, approximately 2,700 employees, family members, and agent employees took part in such activities. Many of the participants commented that being able to contribute even a little to their local community had left them and their families with a sense of accomplishment or that they had become more conscious of the need to keep their community clean.

In fiscal 2005, we plan to undertake a wide range of voluntary activities, and we hope to assemble 5,000 participants from among employees and agents nationwide. We believe that participation in volunteer work will make each of our employees more thoughtful and socially conscientious. We are also pursuing social contribution initiatives centered on Aioi Clubs. Our regional Aioi Clubs in Kanagawa Prefecture and Saitama Prefecture are working with companies and customers that participate in our services information networks to implement fund-raising and charity activities.



Cleaning up Yoyogi Park in Tokyo

Implementation of blood donation and bone marrow donor registration

In fiscal 2004, more than 1,000 employees nationwide donated blood. Further, we held a registration promotional event at which 56 of our employees registered as bone marrow donors.

In fiscal 2005, the Company will continue contributions aimed at mitigating the shortage of blood for transfusions by encouraging more employees to donate blood.



Employees donate blood at our Head Office's Century Hall

Development of systems and work environments to support volunteers

We support volunteers all year round, not only in “Aioi month.” As well as a holiday system geared toward volunteers, our intranet system has a notice board devoted to volunteer activities, including updates on volunteer projects around Japan and information on volunteer groups and the type of work they do.

Collection of Unizon Funds

Aioi Insurance has established the Unizon Fund to facilitate the Company’s collection of charitable funds and to make it easy for employees to contribute to society. Employees that agree with the aims of the system and wish to participate can arrange to have fixed amounts up to 10 units of ¥101 deducted from their monthly salary and contributed to an accumulating charitable fund, which is mostly used for donations.

We match our employees’ donations by contributing ¥101 each month to the Unizon Fund for every employee that participates in the fund.

During “Aioi month” in fiscal 2004, the Company made donations to the Japanese Red Cross Society, the Japan Committee for UNICEF, the Guide Dog & Service Dogs Association of Japan, the Japan Marrow Donor Program, the Foundation for Orphans from Automobile Accidents, the Akemi Chan Fund, and the Japan Environmental Education Forum. Also, we made donations to areas for which the Disaster Relief Law was activated due to typhoons and floods and gifted wheelchairs to five regions of Japan. Our donations to the Guide Dog & Service Dogs Association of Japan focus on expenses related to Japan’s first system for the rearing and training of puppies as guide dogs. We intend to remain a corporate supporter of the association’s puppy raising efforts. Using the first part of its corporate name, Aioi Insurance has called the puppy that it is currently sponsoring Ai-chan.

Support for areas affected by major natural disasters

In addition to the Unizon Fund, we contributed approximately ¥10 million to the area hit by the Niigata Chuetsu Earthquake on October 23, 2004. Donated through the Japanese Red Cross Society, that amount comprised contributions from the employees of Group companies and an equivalent amount from the Company.

Also, in response to the December 26, 2004, earthquake off Sumatra in Indonesia, we donated roughly ¥15 million to the Japanese Red Cross Society and to victims of the disaster.

Aioi Insurance will continue to help the victims of large-scale natural disasters by providing donations based on timely fund-raising activities.



Training guide dogs



Our guide dog puppy Ai-chan

ENVIRONMENTAL ACTIVITIES

Aioi Insurance is contributing to environmental preservation through the provision of a range of unique insurance products and services.

Environmental Policy

Basic Philosophy

Guided by the principles of its corporate philosophy -empathy, cooperation, and coexistence - Aioi Insurance aims to contribute to the creation of a global environment that is based on harmony between mankind and nature. To that end, we implement environment-friendly operations in a wide range of fields and conduct environmental protection activities continuously in close cooperation with local communities.

Action Plan

1. We will promote environmental preservation through products and services, particularly in the automotive field, and in all of our business activities.
2. We will conserve energy and resources and take measures to prevent pollution in our operations.
3. We will continuously upgrade policies by establishing new targets and regularly evaluating environmental initiatives.
4. We will comply with environmental laws and regulations and the environmental preservation agreements that have been concluded by the Company.
5. We will promote education on the need for environmental protection and social contribution.

Measures to Protect the Environment

Environmental Management Initiatives

- We acquired ISO 14001 certification.

Evaluation Agent: Tohmatu Evaluation and Certification Organization Co., Ltd. (October 18, 2004, registration)

The main building and annex of our Head Office have acquired ISO 14001 certification, and we are continuing multifaceted efforts to reduce the burden that operations place on the environment. We have stipulated detailed rules for the separation of the large amounts of paper waste generated by operations, launched a stringent paper-recycling program, reduced office-automation paper usage, and curbed electric power consumption to conserve energy.

In all aspects of operations, we work to reduce the burden that we place on the environment by using resources and energy more efficiently. For example, we are promoting the use of recycled paper for printed materials, photocopier paper, and other kinds of paper; changing company cars from standard to low-emission vehicles; and separating waste in line with local regulations.



Our Support of Efforts to Raise Awareness of Environmental Issues

- As one of the leading non-life insurance companies, Aioi Insurance is participating in the 2005 World Exposition, Aichi, Japan, which is themed on Nature's Wisdom.

- We are an active member in a variety of environmental protection organizations.

As part of our environmental efforts, we participate in and support the activities of groups that advance environmental preservation and related educational programs.

Affiliated Groups

United Nations Environment Programme Finance Initiative
World Wide Fund for Nature Fund Japan
OISCA-International (promotes industrial, spiritual, and cultural development)
Japan Environmental Education Forum
Nippon Environment Club

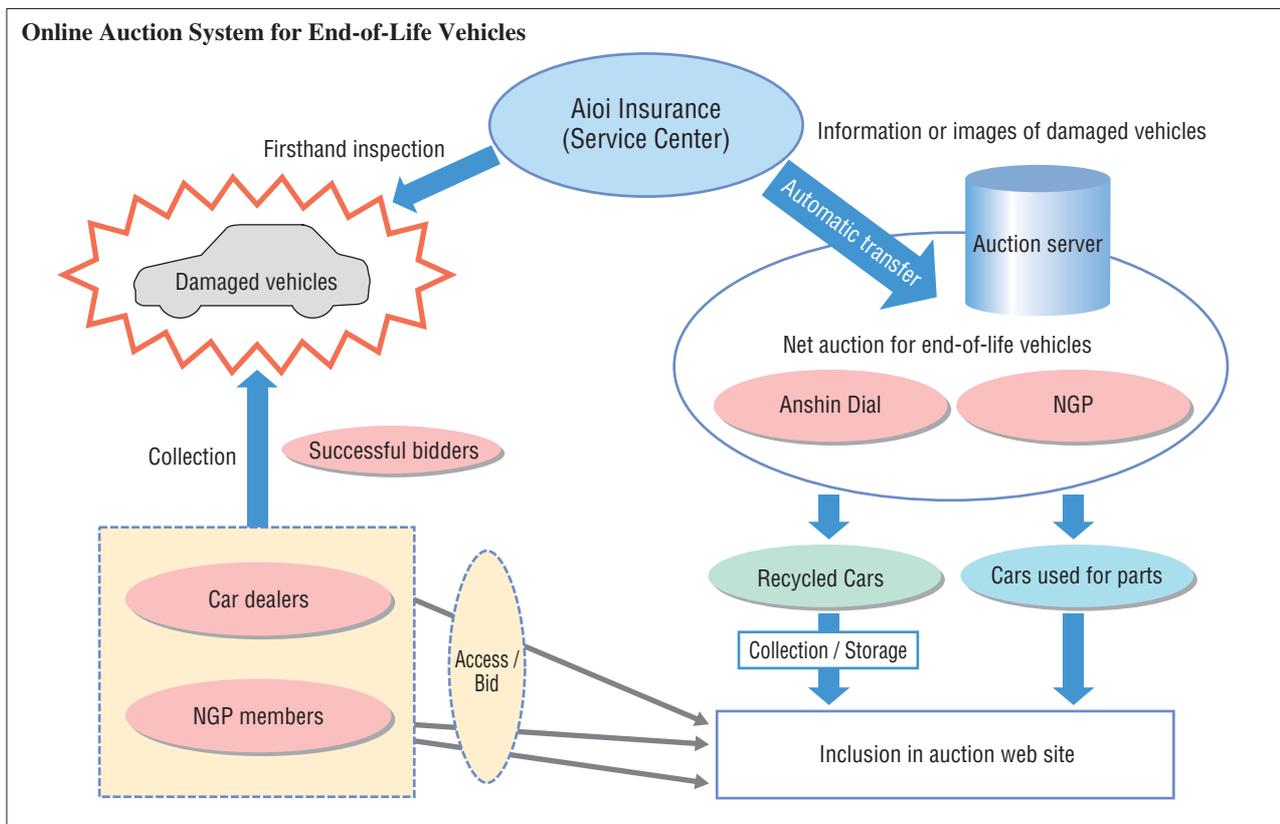
As a member, we sponsor the activities of the Sustainable Management Forum of Japan. We are also a member of the Green Purchasing Network and support its efforts to promote and expand green procurement among companies and organizations.

Creation of an Online Auction System for End-of-Life Automobiles

Contributing to environmental preservation by encouraging the distribution of recycled parts

In response to the enactment of the Automobile Recycling Law in January 2005, we established the non-life insurance industry's first online auction system for end-of-life

automobiles. In collaboration with Japan's largest recycled car parts company, the NGP Group, we are leveraging that system to promote the distribution of recycled parts and the appropriate handling of disposal of end-of-life automobiles.



Assistance for Environmental Management Efforts of Small and Medium-Sized Companies Helping the environmental management efforts of small and medium-sized companies

In conjunction with the Environmental Planning Society, we have developed the Environment Supervisor System, which backs up small and medium-sized companies' efforts to tackle environmental issues, as well as the Simple Corporate Environmental Evaluation tool, which determines the current state of companies' environmental measures.

Investing in environmental venture companies

To support efforts to reduce the burden placed on the environment by automobiles, we have invested in the environmental venture company Juon, which is developing a filter for diesel exhaust fumes that uses oil extracted from wood as a primary material. In the development of such systems, the company uses driftwood as well as lumber

generated by the thinning of forests, which is necessary to enhance forests' ability to absorb CO₂.

Further, we invested in the environmental venture company Zeotek, which operates a mobile conditioning service that uses a special vehicle to transport and recycle machine oil. The service drastically reduces liquid industrial waste associated with machine oil, which is normally incinerated.

The promotion of the preservation of forests and other aspects of the Earth's environment by supporting and fostering environmental venture companies is becoming increasingly important. Accordingly, we will continue to pursue environmental preservation initiatives focused on such goals as the achievement of zero emissions and the efficient utilization of resources by investing in environmental venture companies.

Environmental Products and Services

Offering automobile insurance that encourages the use of recycled parts

Looking ahead to the creation of a recycling society and in response to the Automobile Recycling Law, Aioi Insurance became the first company in the non-life insurance industry to develop and market an insurance policy with a rider that offers incentives for the use of recycled parts. In April 2002 we launched *Heartful Recycle* as an upgraded automobile insurance policy that incorporates a recycled parts rider.



Providing environmental risk management consultation services

Through operational alliances with affiliate Aioi Risk Consulting Co., Ltd., and other specialist companies and organizations, we provide assessments of the environmental risks faced by corporations and propose appropriate countermeasures. Aioi Insurance offers a comprehensive range of support and solutions services, which include the introduction of clients to companies with expertise in the acquisition and maintenance of ISO certification.

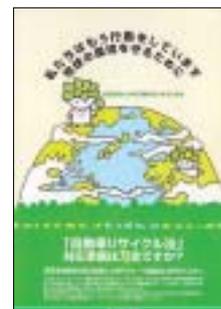


Supporting compliance with the Automobile NOx/PM Law and new restrictions on diesel vehicle emissions

The Automobile NOx/PM Law came into effect in 2002, and regulations restricting emissions from diesel vehicles were enforced from October 2003. As a result, owners of specified diesel vehicles are now required to take measures in response to those new regulations. We are helping the automobile industry and diesel vehicle owners by assisting in the purchase of diesel particulate filters (DPFs) and oxidation catalytic converters at concessionary prices and by offering access to our ITI System for the purchase and sale of trucks. In addition, Aioi Insurance is developing several original tools to provide vehicle owners with information on issues related to the new regulations.

Helping the car industry comply with the Automobile Recycling Law

Aioi Insurance is helping companies in the automobile industry comply with the Automobile Recycling Law through the Aioi Eco Partner program. This program encourages companies to process used vehicles appropriately and use recycled components for repairs.



Developing a system for the stable supply of recycled car parts

Aiming to contribute to the realization of a recycling society through the popularization of the recycled parts rider mentioned above, Aioi Insurance is collaborating with the NGP Group, Japan's largest recycled car parts company, to realize a stable supply of car parts by developing and operating a pioneering system for locating and shipping car parts.

Developing Japan's first car-sharing automobile insurance

On February 20, 2002, Aioi Insurance established Japan's first company dedicated to supporting car-sharing operations, CEV Sharing Co., Ltd., in collaboration with Orix Corporation, Orix Rent-a-Car Co., Ltd., Suzuki Motor Co., Ltd., Anshin Dial Co., Ltd., NEC Software Co., Ltd., and NEC Corporation. Car sharing involves a large number of drivers jointly using a comparatively small pool of cars and has become increasingly popular in European and North American cities as a strategy for alleviating traffic problems and improving the environment. By supporting car-sharing operations, Aioi Insurance intends to contribute to the solution of environmental issues through the easing of traffic congestion and through the popularization of environment-friendly vehicles. We are also developing and marketing original car-sharing automobile insurance products.

NOTABLE PRODUCTS AND SERVICES

Aioi Insurance—Closest to Customers Anytime, Anywhere

Aioi Insurance is building unique services information networks, marketing systems, non-life insurance services, and an agent network that are rooted in local communities. At the same time, we are developing an industry-leading system of call centers.

Services Information Networks Close to the Community

We want to be the insurance company that is closest to customers. That ambition is realized in our Aioi Club network for individuals and the Corporate Aioi Club network for business customers. In conjunction with affiliate Anshin Dial Co., Ltd., we have developed unique services information networks centered on agents and business partners that provide useful information services related to

cars and a range of everyday-life issues.

Looking ahead, we plan to embed services information networks more deeply in local communities by enhancing services unique to specific regions. In those efforts, we will devise new services for local communities through the establishment of tie-ups or by expanding existing operations with local companies, financial institutions, and other organizations.

Overview of Services Information Networks

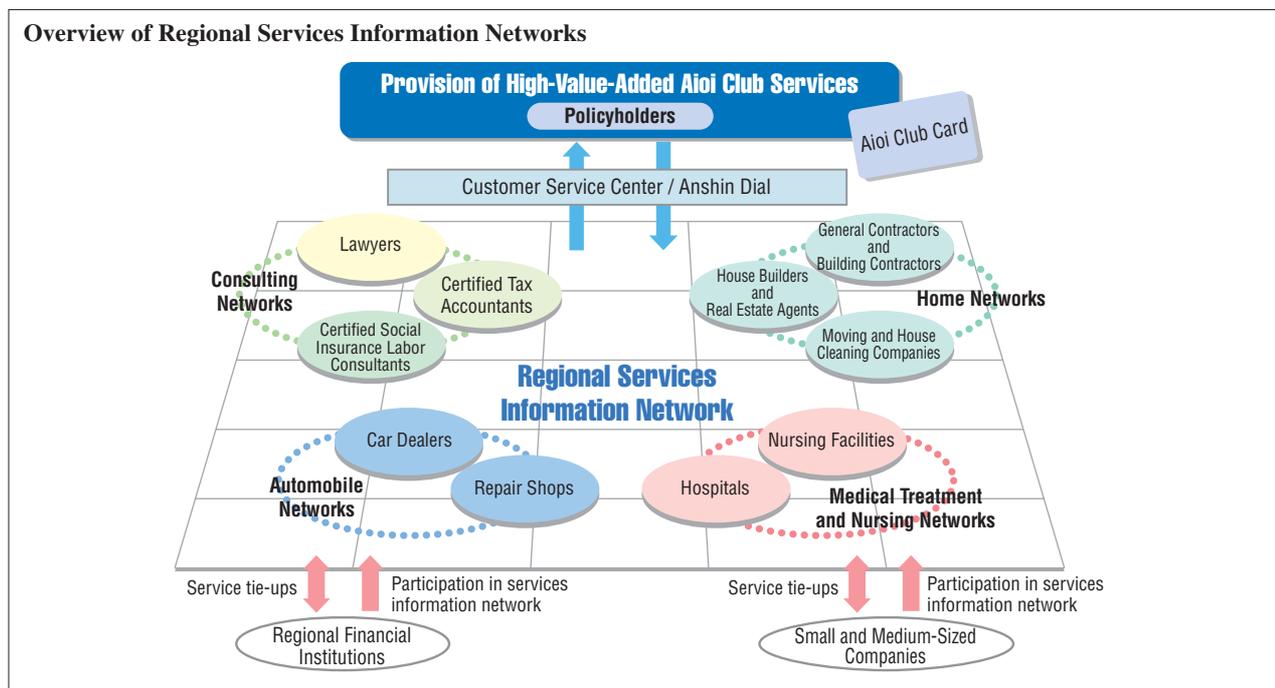
We leverage our services information networks to provide customers with high-quality services and to strategically develop local retail markets based on the strengthening of business relationships with companies participating in services information networks through the introduction of customers.

Ongoing Development of Services Information Networks

(as of March 31, 2005)

Automobile Networks	Car dealer network	9,000 dealers
	Statutory safety inspection network	3,700 repair shops
	Body repair and painting services network	2,400 repair shops
	Tow-truck services network	4,800 companies
Home Networks	House renovation network	260 companies
	Plumbing network	1,800 companies
Medical Treatment and Nursing Networks	Hospital network	9,400 hospitals
	Nursing network	330 companies
Consulting Networks	Certified social insurance labor consultant network	270 consultants
	Lawyer network	300 lawyers
	Certified tax accountant network	120 accountants
Regional Financial Institutions Network (over-the-counter sales)		112 financial institutions

Overview of Regional Services Information Networks



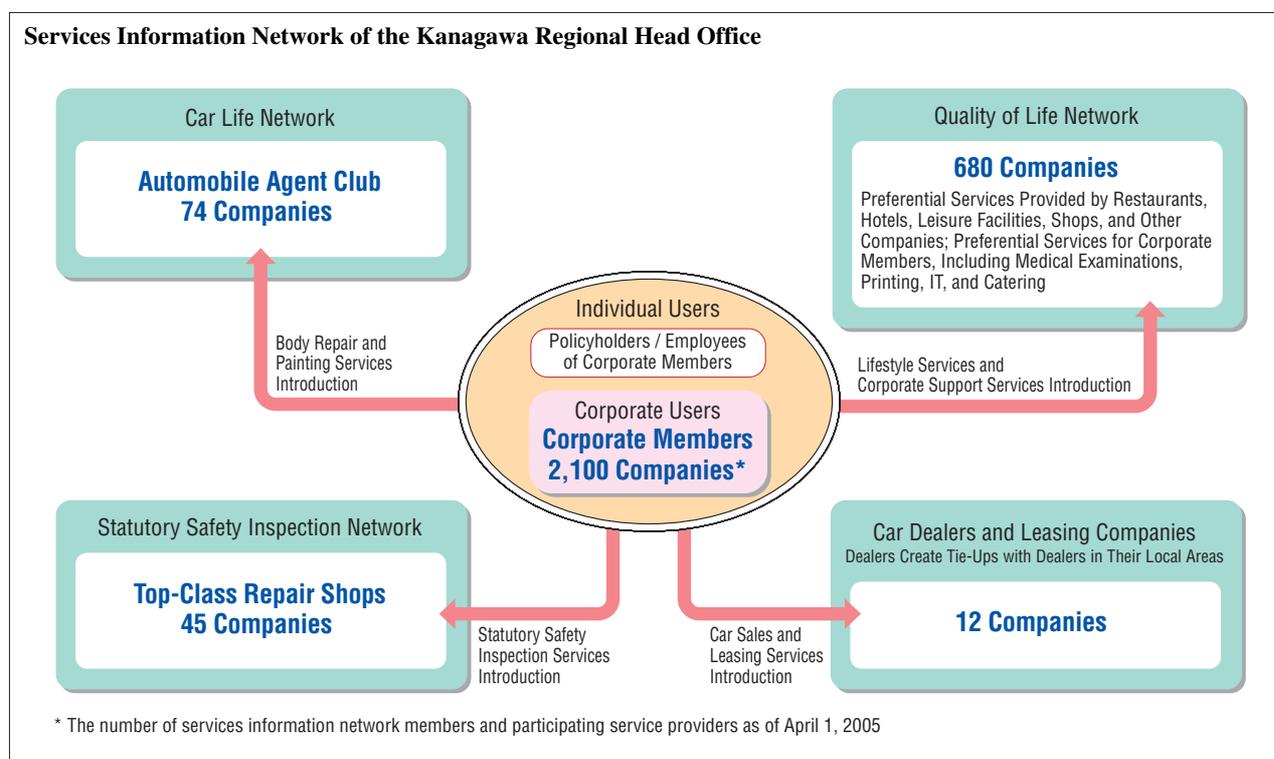
Case Study of a Regional Services Information Network

Locally Embedded Services Information Network —
Measures Taken by the Kanagawa Regional Head Office
— Aiming to create the services closest to customers —

The Kanagawa regional head office has established and is developing an original Aioi Club services information network, which offers services that are closer to customers and tailored to suit local needs more exactly.

(1) Network structure

The services information network developed by the Kanagawa regional head office comprises four services and the member companies that use them.



(2) Professional agents that support the services information network of the Kanagawa regional head office

The services information network created by the Kanagawa regional head office is underpinned by professional agents that work in partnership with sales branch offices and the services information network administrative center to introduce new service providers to the services information network and increase corporate members' usage of the network's services. Because most of those agents are locally based, the Kanagawa regional head office is able to build a services information network that is firmly rooted in the region.

The services information network of the Kanagawa regional head office uses a variety of methods to offer information about the usage and provision of services. The following are the four main media that the services information network uses.

1. Informational magazine for members
2. Mini pocketbook integrated with membership cards that summarizes services
3. Web site accessible by mobile telephones
4. Regular e-mail magazine for members

Aioi Insurance—Number One for Car Users

Our goal is to establish the most powerful brand in automobile insurance by developing original products and leading-edge services that earn the overwhelming endorsement of car users.

Development of Our Unique Personal Comprehensive Automobile Insurance with Outstanding Coverage, Services, and Premiums Staying ahead of the field with automobile insurance *Top Run*

In April 2004, Aioi Insurance began marketing a comprehensive, risk-segmented automobile insurance, *Top Run*, which targets individual customers owning one of eight types of car for private use. We developed *Top Run* based on an in-depth analysis of market demand, collecting more than 5,000 opinions and requests through questionnaires and verbal surveys of customers and agents. We then reflected that feedback in coverage, services, and comprehensibility to develop an industry-leading automobile insurance product.



Bolstering the speedy resolution capabilities of the *Omoiyari Rider*, first in the non-life insurance industry to pay the full amount of damages to individuals injured in accidents irrespective of negligence!

We developed the *Omoiyari Rider* with a view to swiftly resolving traffic accidents, which is one of the services that customers value most in automobile insurance products. All *Top Run* policies include that new rider as standard.

Further, Aioi Insurance enhanced the ability of its automobile insurance products to rapidly resolve traffic accidents through the *Omoiyari Rider* by adding the *Pedestrian Injury Rider* for policies beginning on or after October 1, 2004. The *Pedestrian Injury Rider* is a revolutionary rider that pays the full amount of damages to pedestrians or cyclists injured in traffic accidents without offsetting culpability.

The inclusion of the *Omoiyari Rider* in all policies as standard does away with the deduction from damages paid of an amount corresponding to the victim's degree of negligence by automatically paying the full amount of damages to victims, thereby removing a common source of contention between policyholders and accident victims. In addition, the *Omoiyari Rider* enables the out-of-court settlement of accidents that are clearly within the payment parameters of compulsory automobile liability insurance in which there has been

considerable negligence on the part of the victim — an accident type that insurance companies often have difficulty dealing with. The *Omoiyari Rider* contributes to the swift resolution of accidents by facilitating the out-of-court settlement of automotive accidents involving bodily injury liability.

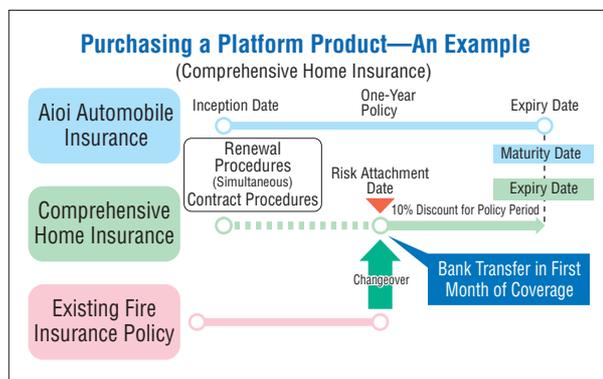
The *Omoiyari Rider* also expedites the resolution of accidents through the inclusion of a *Self-Reliance Support Rider* that pays for products and services needed to rehabilitate accident victims—an expense category not normally covered by automobile insurance. For example, the rider covers the cost of vocational training and health-care devices required for victims to reestablish themselves as self-supporting members of society.

Enhancing and simplifying our industry-leading *Road Assistance Services and Car and Home Services*

To coincide with the April 2004 launch of *Top Run*, we revised our industry-leading *Road Assistance Services and Car and Home Services*. We extended the range of our highly evaluated tow-truck service, included in both services, to 55 kilometers for all policies. At the same time, we introduced a free service for raising vehicles that have become lodged in depressions of up to 1 meter in depth and lowering vehicles that have become caught on roadside curbs and other objects.

Strengthening our lineup of one-stop platform products

Aiming to encourage our automobile insurance policyholders to take out our other policies, we have been steadily launching platform products that offer them discounted premiums and cashless premium payments. Comprising *Comprehensive Home Insurance*, *Comprehensive Business Insurance*, *Comprehensive Contractors Insurance*, *Comprehensive Transporters Insurance*, and the comprehensive health insurance product *Live Lead*, our portfolio of platform products share the three key elements of affordability, simplicity, and convenience and have proved a major hit among customers.



Development of Innovative Insurance Products by Strengthening Collaboration with Automakers

As a non-life insurance company that works closely with car manufacturers, Aioi Insurance is actively exploiting leading-edge technology to develop new-paradigm automobile insurance products that are compatible with state-of-the-art telematics* technology in the ITS** field. Further, we offer drivers robust support through such initiatives as reflecting data gathered from our unique crash test facility in premiums. And, we will draw on the latest advances from the increasingly high-paced field of automotive technology development to create innovative insurance products.

Introducing the industry's first pay-as-you-drive automobile insurance product!

In response to the latest ITS technology, the Company has launched a trailblazing pay-as-you-drive (*PAYD*) automobile insurance product. We gather information on the distances traveled through terminals in the vehicles of policyholders, who only pay premiums for distances driven.

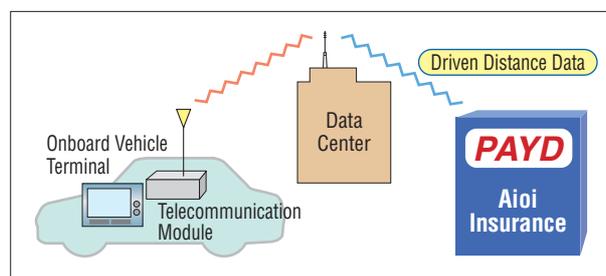
In recent years, carmakers have been developing vehicle-based, two-way communication systems as a next-generation technology in the ITS field and rolling out telematics services available through the resulting onboard terminals. In developing *PAYD*, Aioi Insurance took advantage of telecommunication with onboard terminals enabled through telematics technology to develop a system that automatically transmits the distances traveled by vehicles to the Company.

Customers appreciate the simple logic of the *PAYD* automobile insurance product. The *PAYD* system allows us to determine the distances covered by vehicles without inconveniencing customers. Each month, we charge customers a premium that is calculated based on the distance their vehicle traveled, which is paid in much the same way as a utility bill.

As of July 2005, the G-BOOK onboard vehicle terminal developed by Toyota Motor Corporation had incorporated the *PAYD* system. And, we now market *PAYD* to owners of automobiles built by Toyota and Fuji Heavy Industries Ltd., which include G-BOOK terminals.

* A combination of the words telecommunications and informatics, telematics refers to information services, primarily for vehicles, that enable two-way communication.

** Intelligent Transport Systems. New transportation systems that use leading-edge technology to resolve such issues as traffic accidents and traffic congestion. Japan is currently developing ITS as a national project.



The *PAYD* page of a G-BOOK onboard terminal

Developing automobile insurance based on crash test data: *Dohn! to Omakase*

Our unrivaled *Dohn! to Omakase* automobile insurance policy offers premium discounts of up to 15% based on evaluations of improvements in cars' damage resistance and ease of repair, which we conduct at our crash test facility. We developed that breakthrough product by capitalizing on our advantage as the only non-life insurance company in Japan to own a crash test facility and on our close relationship with automakers.



Cars that have enhanced damage resistance and ease of repair cost less to repair in the event of an accident. Moreover, the overall maintenance cost for such cars is lower. In its insurance operations, Aioi Insurance assesses and supports initiatives to reduce the costs associated with car society as a whole.

Aiming to popularize this insurance product, we will call on a wide range of car manufacturers at home and abroad to incorporate the product. Through such efforts, our goal is to benefit customers and car society in general by curbing repair costs and premiums.

As of July 2005, *Dohn! to Omakase* was available for new automobiles built by Toyota and Fuji Heavy Industries.

Our Crash Test and Automobile Technology Research Facility

Aioi Insurance is the only non-life insurance company in Japan that owns its own crash test facility. Mindful of the increasing deregulation of automobile insurance products and premiums, we built the Aioi Insurance Automobile Research Center to collect data on vehicle damage.

Operating the crash test facility, the Aioi Insurance Automobile Research Center researches vehicle damage resistance and ease of repair by compiling crash test data as well as conducts research and development on methods of repairing cars.

The research center's activities cover a wide range of automotive technologies. In addition to offering technical training and seminars in such areas as the repair of hybrid vehicles, the preparation of repair estimates, and automotive body painting, the center provides consultation on everyday car maintenance issues. In other words, the center plays an important role as the Aioi Insurance Group's core facility for automobile technology research and education.



The Aioi Insurance Automobile Research Center, Susono City, Shizuoka Prefecture



Our crash test facility

Support for Everyday Life That Is Worry-Free, Healthy, and Fulfilling

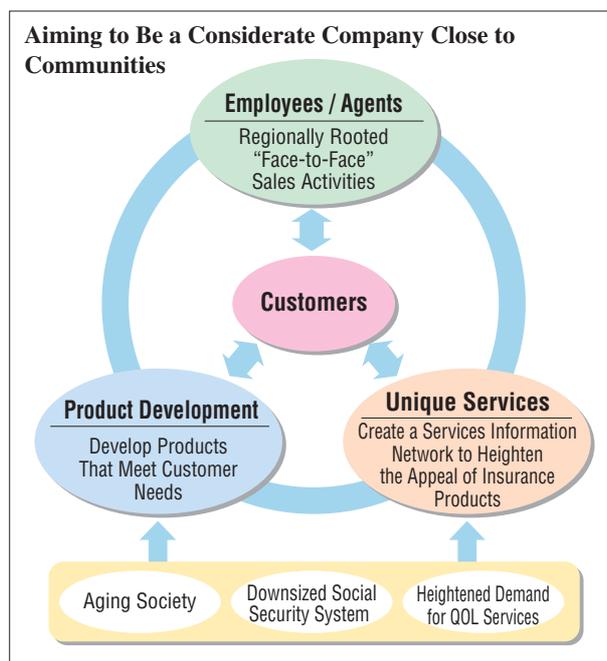
Aiming to enrich society for the growing numbers of senior citizens, we are actively developing products and services that reflect health, medical treatment, and nursing needs.

Demand for medical treatment and nursing services is rapidly mounting as Japan's society ages. A range of problems associated with medical treatment and nursing are likely to become more pronounced. Those issues include the selection of health care and nursing facilities and expenses stemming from hospitalization, medical treatment, and the use of nursing facilities. Viewing the emergence of needs for medical treatment and nursing as a significant lifestyle risk on a par with automobile accidents, Aioi Insurance is enhancing its range of medical information services as quickly as possible.

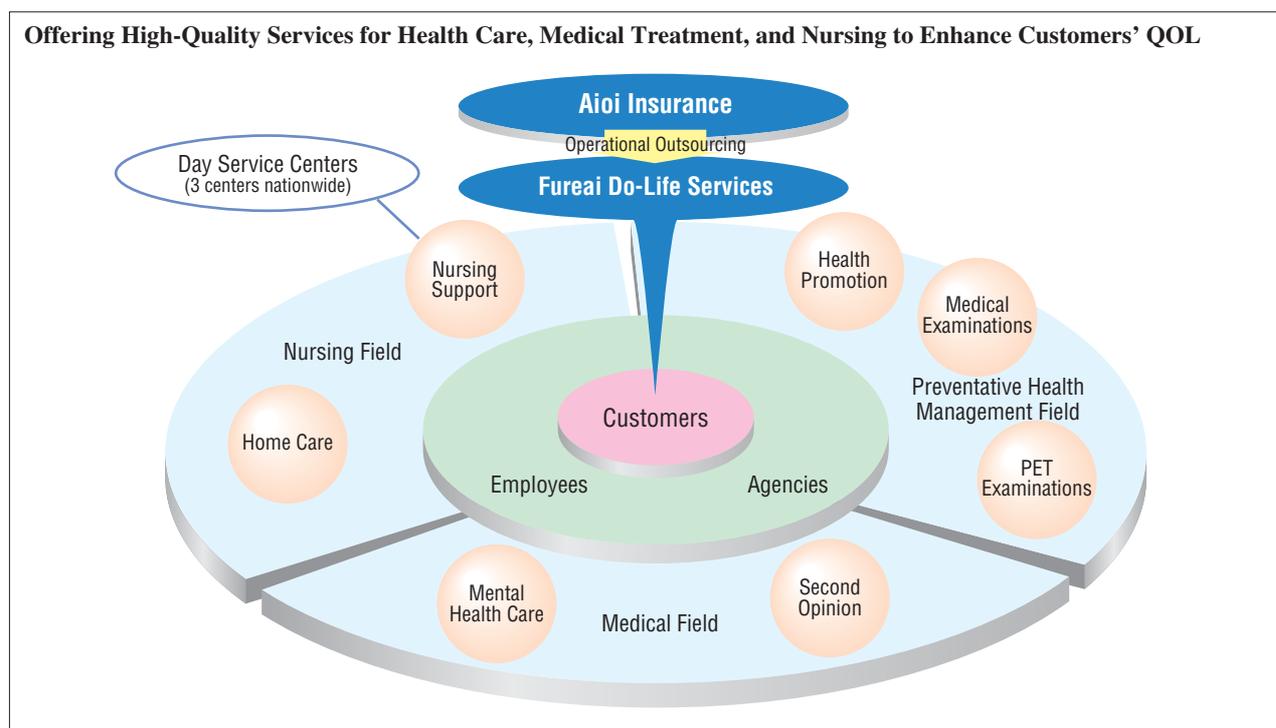
Aioi Insurance, Aioi Life Insurance, and Fureai Do-Life Services Co., Ltd., contribute to the enhancement of customers' quality of life (QOL) by developing and offering high-quality services information networks for medical treatment and nursing. Positioned at the hub of our medical treatment and nursing networks, Fureai Do-Life Services provides information services related to health care, medical treatment, and nursing services. We call the construction of that services information network QOL business, and we will continue to develop services information networks that are rooted in local communities and that reflect customers' viewpoints.

Creating support systems for our QOL business

In order to create high-quality products and services through painstaking responses by employees and agents, we believe that it is essential to understand the feelings and standpoint of patients, the elderly, those requiring nursing, families, and medical and nursing professionals. With that in mind, we are creating a system that enables us to reflect the experience and know-how gained by employees, and agents in our marketing and services.



Offering High-Quality Services for Health Care, Medical Treatment, and Nursing to Enhance Customers' QOL

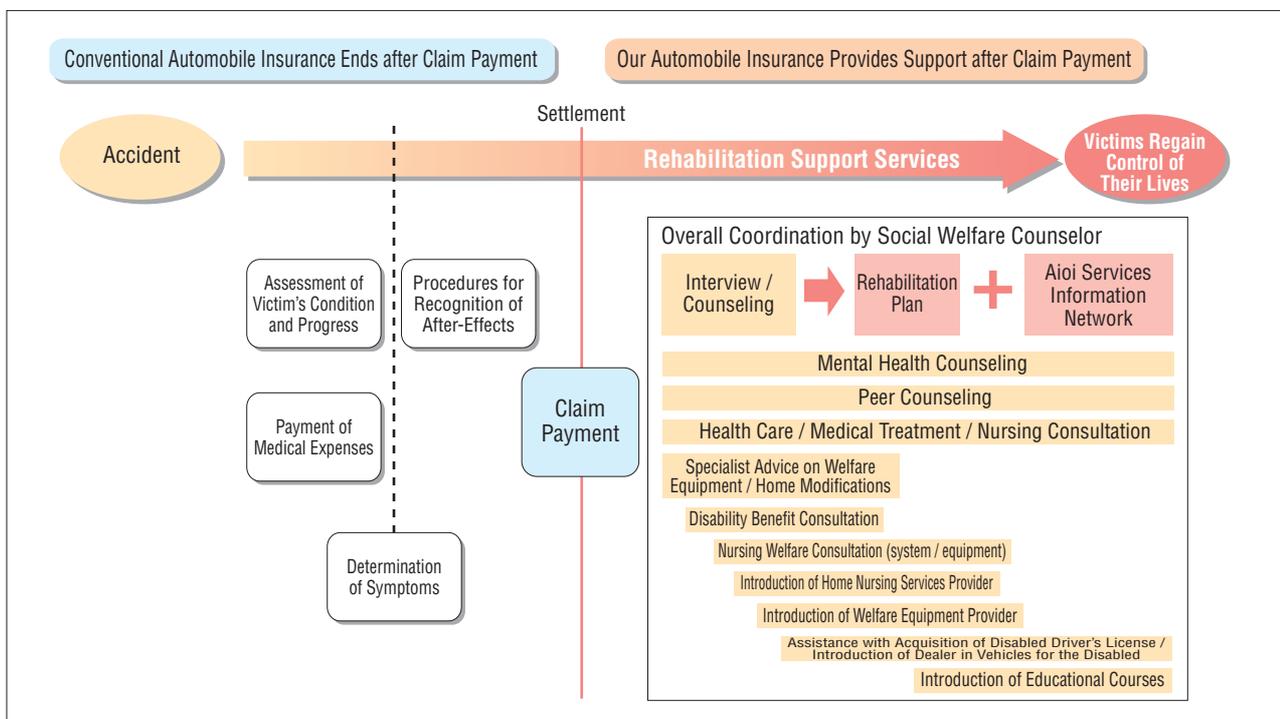


Rehabilitation Support Services

Helping accident victims to take control of their lives

We have developed rehabilitation support services to complement the *Self-Reliance Support Rider* included in *Top Run*, a personal comprehensive automobile insurance product that we launched in April 2004. Those services help people that have been seriously injured in traffic accidents to accept their disabilities, find a new sense of purpose in their lives, and achieve self-reliance.

Generally, people feel impotent and withdrawn immediately after becoming disabled. To encourage such individuals to use insurance claim payments meaningfully, we provide a range of services —mainly through social welfare counselors— and draw on our services information networks for health care, medical treatment, and nursing. Those services deal with such issues as psychological problems related to motivation; guidance in using community resources, such as welfare services; and assistance with financial issues, including pensions, various benefits, and medical expenses.



Aioi Insurance—Ongoing Growth with High Efficiency and Corporate Value

Ever aware of the need to advance efficiency and productivity, the Company is moving forward with a variety of measures, including the restructuring of marketing systems and sales innovations that capitalize on IT.

Construction of an Integrated Three-Pronged Marketing System

We are enhancing the productivity of marketing and administrative managers by developing sales branch offices with specialized functions while promoting initiatives for agents, including outsourcing and collaboration for back-office operations and the management of umbrella agents. Through such efforts to restructure marketing and back-office operations rapidly, we aim to establish an unshakable base for higher revenues.

Specializing the functions of sales branch offices

1. Marketing specialists

Sales branch offices exclusively undertake management of umbrella agents and of administrative outsourcing and collaboration. The resulting increased efficiency of the Company's back-office operations enables managers to concentrate on marketing activities and to provide agents with more advanced, specialist guidance.

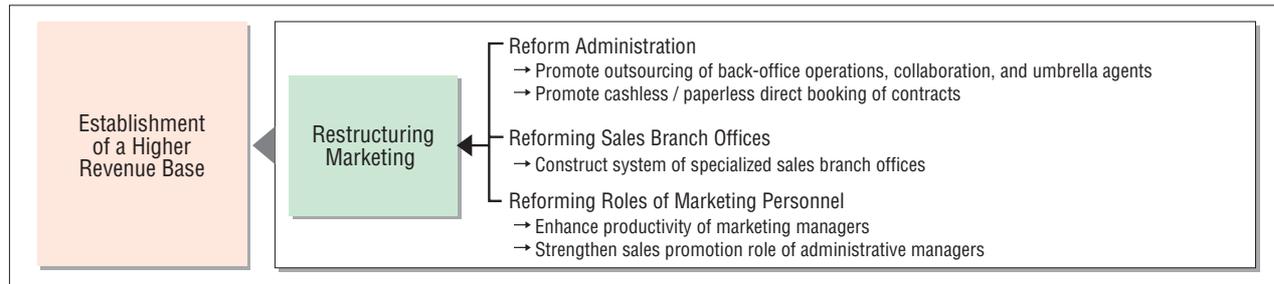
2. Administrative promotion centers

These centers focus on administrating the outsourcing of Aioi Insurance's back-office operations to agents. These centers undertake education on administrative and system-related issues of agents.

3. Sales centers

These centers are sales branch offices that efficiently support agents that are difficult to systematize.

In addition to advancing the specialization of sales branch offices, we aim to review and reform the roles of marketing and administrative managers.



System for Outsourcing Back-Office Operations

Aioi Insurance is heightening the overall efficiency of its administrative operations through the construction of a system for outsourcing back-office operations that leverages the Company's network of agents and is unique in the non-life insurance industry.

Operational Collaboration

In administrative collaboration efforts, mainly agents to which the Company outsources back-office operations undertake in-house administrative operations on behalf of other agents, such as the recording of insurance contracts. This system enables Aioi Insurance to curb back-office costs while supporting and expanding the businesses of agents that accept outsourced back-office operations.

Our Contribution to the Creation of a Ubiquitous Society

Promoting paperless office system (POS)

POS is a support system that enables agents to use mobile telephones, PCs, and other IT equipment to undertake insurance operations, such as policy maturity management, policy renewal procedures, and the confirmation of policy details and customer information, at anytime from any location.

In particular, POS significantly enhances convenience for customers. Because the premium calculation, contract conclusion, and premium payment can be completed using mobile telephones and other mobile terminals, customers do not have to fill out forms or sign documents.

We introduced POS in June 2002 as the non-life insurance industry's first system for remotely renewing automobile insurance policy and have filed for a business model patent for the system. Plans call for providing agents with even stronger support by expanding the lines of business handled by the system and adding functions.

Offering accident status update services for accident processing

In November 2002, Aioi Insurance developed the non-life insurance industry's first accident status update system, which enables policyholders that have been involved in automotive accidents to use their mobile telephones to check progress in processing of the accident.

Car accidents take a number of different forms and can affect numerous parties. Types of accident and related insurance include third-party injury, bodily injury liability insurance; damage to third-party property, property damage liability insurance; damage to the policyholder's car, automobile physical damage insurance; and passenger injury, automobile passengers' personal accident insurance. As a result, resolving accidents can place a considerable burden upon customers due to the large amount of complex information



PC screen showing status update services for accident processing

that can accompany the processing of an accident. Therefore, we developed status update services for accident processing to support such customers. The service offers the following three features.

- 1) Summaries of information that customers tend to be most concerned about: the parties involved in the accident, developments, and the current situation
- 2) Information on which category of insurance claim payments will be made to which parties
- 3) Access to the latest information through mobile telephones at anytime and in anyplace

Moreover, the above services can be accessed by policyholders that are registered with the Company's Internet-based information service *Aioi My Page*, which is available at Aioi Insurance's web site.

Developing mobile LAN

Aioi Insurance has developed a system that is compatible with in-house groupware and a range of other software and that enables employees to access a range of information from outside the Company by using mobile telephones, personal digital assistants, and laptop computers. Employees enjoy the same rapid access and range of information that is available at their offices, including e-mail, in-house notices, news, and company phonebooks. As a result, the system enhances the operational efficiency of employees by enabling them to provide customers with services and support agents rapidly.

* In light of the characteristics of systems that allow access from mobile terminals, we take particular care to ensure security of our mobile LAN system. Our wide-ranging measures include data encryption and a system that identifies users and terminals.



NEW PRODUCTS AND SERVICES

Selling More Than 2.5 Million Speedier-Resolution *Top Run* Policies in Fiscal 2004

In April 2004, Aioi Insurance began marketing a comprehensive, risk-segmented automobile insurance, *Top Run*, which targets individual customers owning one of eight types of car for private use. We developed *Top Run* based on an in-depth analysis of market demand, collecting more than 5,000 opinions and requests through questionnaires and verbal surveys of customers and agents. We then reflected that feedback in coverage, services, and comprehensibility to develop an industry-leading automobile insurance product.

Top Run includes our unique *Omoiyari* (caring) *Rider* as standard, which pays expenses for the social rehabilitation of those injured or disabled due to accidents. Such expenses are not normally covered by bodily injury liability and personal injury insurance. We buttressed the *Omoiyari Rider* by adding and marketing the *Pedestrian Injury Rider* from October 1, 2004, which pays full damages to pedestrians or cyclists involved in automotive accidents without offsetting culpability.

If injured pedestrians or cyclists have been negligent, for example ignoring traffic signals or running onto the road, automobile insurance policies usually deduct an amount from damages paid to individuals injured in accidents that corresponds to their degree of negligence. However, this leads to frequent disputes with such victims of traffic accidents, who often do not agree with the degree of responsibility attributed to them. As a result, in cases that clearly are within the payment parameters of compulsory automobile liability insurance, insurance companies have difficulty negotiating out-of-court settlements. However, the standard inclusion of the *Omoiyari Rider* in *Top Run*, removes such impediments to out-of-court settlement negotiations for automotive accidents involving bodily injury liability and ensures the rapid resolution of automotive accidents.



Realizing Advanced Lifetime Support through *Live Lead*

On April 2, 2005, the Company launched *Live Lead* as an upgraded comprehensive health insurance product with survival-risk features. Our new product caters to three of customers' basic life needs: medical care, nursing care, and asset management.

As our fifth platform product, *Live Lead* incorporates discounts for automobile insurance policyholders. Holding one of our automobile insurance policies entitles customers to a 5% discount on premiums for *Live Lead*, which enables them to take out a new policy at even more affordable premium rates (certain riders, such as riders for variable interest saving-type insurance, are excluded from the discount system).

Live Lead offers particularly comprehensive coverage for three major illnesses: cancer, acute myocardial infarction, and cerebral strokes. The product includes a new rider with no limit on the number of days of claim payment for hospitalization due to one of those medical conditions. Also, the rider provides for lump-sum payments if the policyholder is transferred to another hospital for treatment related to those conditions. Moreover, *Live Lead* includes another new rider that exempts the policyholder from insurance premium payments from the time that they are diagnosed as suffering one of those illnesses. Further, in response to requests from many customers, we have raised the maximum number of days of hospitalization claim payment to 120 days, which allows customers to choose between the conventional 60-day limit and a newly established 120-day limit. Consequently, we are able to tailor products to meet customer needs more closely.

In addition, Aioi Insurance reviewed premium levels for medical treatment insurance and lowered the premiums for lifetime insurance policies by up to 5%. Thanks to those efforts, our customers can benefit from more affordable premiums for enhanced lifetime medical treatment coverage.



Rolling Out an Upgraded Lineup of One-Stop Platform Products

We have steadily built up a menu of platform products that automobile insurance policyholders can access readily. Comprising *Comprehensive Home Insurance*, *Comprehensive Business Insurance*, *Comprehensive Contractors Insurance*, *Comprehensive Transporters Insurance*, and the comprehensive health insurance product *Live Lead*, platform products combine affordability, simplicity, and convenience by offering those policyholders discounted premiums, cashless premium payments, and other benefits.

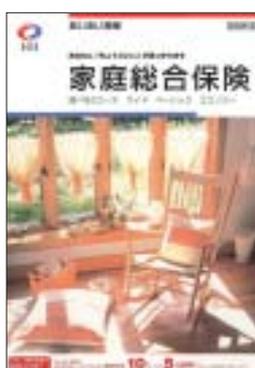
Launched in December 2004 as our fourth platform product, *Comprehensive Transporters Insurance* covers a wide range of operational risks for transportation companies, including general liability risks; operational disaster risks faced by employees; and risks associated with fixtures, equipment, and other assets.

Also, in April 2005 we unveiled *Live Lead* as a comprehensive health insurance platform product for individuals that covers survival risks and addresses three

basic life needs: medical care, nursing care, and asset management. We have enabled *Live Lead* to become a platform product by establishing a system that qualifies our automobile insurance policyholders to receive a 5% discount on *Live Lead* premiums.

Platform products have been selling briskly since the January 2004 launch of our first platform product, the *Comprehensive Home Insurance* fire insurance product. We intend to provide automobile insurance policyholders with affordable, simple, and convenient services by continuing to develop unique platform products that reflect their needs even more closely.

Performance of Platform Products in Fiscal 2004
 Sales.....approximately 330,000 policies
 Premiums received.....approximately ¥17.9 billion



Promoting General Liability Insurance for Personal Information Leakages

In response to the full enactment of the Personal Information Protection Law on April 1, 2005, Aioi Insurance launched *General Liability Insurance for Personal Information Leakages*. The product offers dedicated coverage for leakages of personal information by the policyholder, including expenses associated with the advertisement of apology notices, the preparation of written apologies, and other measures in response to the leakage.

Marketing Comprehensive Corporate Asset Insurance

Aiming to create a comprehensive insurance product for corporate assets that catered to the needs of medium- and large-sized companies more precisely, we reviewed our existing products and launched *Comprehensive Corporate Asset Insurance* in January 2005.

For companies, mitigating the risk of losing profits due to damage or accidents involving assets is a significant management issue. Our new product provides powerful backup to companies by offering appropriate, efficient solutions in relation to such risks. Specifically, *Comprehensive Corporate Asset Insurance* consolidates client assets that had been covered by multiple policies under a single insurance policy. Also, equipment acquired or plants built during the period of coverage are automatically insured by the policy if the value of the new assets is within a pre-agreed limit. As a result, our customers are able to reduce back-office costs while ensuring that all of their assets are insured. Moreover, the product enables corporate clients to include their affiliates which leads to advance groupwide risk management.

In addition to plants, marketing bases, stores, and company housing, the product offers insurance coverage for losses related to equipment, products, cash, and other items. Also, the product covers loss of profits due to accidents or expenses incurred for the continuance of operations after accidents. Furthermore, this new product allows us to offer insurance that is carefully customized to each client's needs. Clients can choose the areas that they need to insure from the wide range of coverage offered by the policy. Another merit of the product is that it enables clients to reduce premiums by establishing limits and deductions for each asset category.

Promoting My Home Comprehensive Insurance

In light of recent house ownership trends, in March 2005 Aioi Insurance introduced *My Home Comprehensive Insurance* as a residential comprehensive fire insurance product for customers that have purchased homes. This new product offers coverage for all residential buildings, including those that incorporate nonresidential facilities, such as shops. We developed this unique product to offer enhanced insurance coverage and services at reasonable premium to customers that have purchased or built homes recently. By taking out the most inclusive plan, customers can protect their homes, one of their most important assets, from a variety of accidents and disasters, including fire; theft; natural disasters, such as typhoons and floods; and accident damage. To cater to homeowners' distinctive asset protection needs, our new product enables insurance claim payments up to 36 years from the start of the policy, which are based on rebuilding or repurchasing costs.

Further, *My Home Comprehensive Insurance* includes unique *Insurance Payments for Upgrading Building Functionality*, which we created in response to the growing need for residential buildings that are environment-friendly, barrier-free, and secure. Our *environmental measures payments* cover the additional cost of building an environment-friendly residence following the total loss of a house due to an accident. *Barrier-free renovation payments* include the cost of establishing ramps and other fixtures if a family member requires nursing care due to an unforeseen injury. And, if a policyholder's residence is burgled, the policy's *security measures payments* meet expenses arising from the installation of crime prevention devices.

As well as that full range of insurance services, all *My Home Comprehensive Insurance* policies include our *Home Emergency Express Service*, which has earned a very favorable reputation as a comprehensive residential insurance service. In addition to offering insurance for unlikely occurrences, our aim is to be the insurance company closest to customers by providing new, differentiated products that contribute to peace of mind, health, and fulfillment.

