

## TOPICS

### Products/Services

#### Launched “Top Run”: One step ahead in automobile insurance

Aioi Insurance introduced “Top Run” (official name: Personal Comprehensive Automobile Insurance) for policies taken out on or after April 1, 2004 and covering eight types of personal-use vehicles. We also revised premium rates and systems for automobile insurance in line with loss ratio trends.

To develop products that meet specific needs, we conducted a verbal and written survey of customers and agencies. We collected over 5,000 responses and worked these opinions into “Top Run”.

We factored “purpose for using car” and “type of license” into premium calculations and developed a new compensation scheme and added riders. We also incorporated our original “Omoiyari (caring) rider”, “Speed kaiketsu 3 kyoudai (additional riders for speedy settlement)”, and a 55km tow truck service, making it one of the most attractive products in the industry.



#### Commenced self-help services for crash victims

With Aioi Insurance’s “Omoiyari rider” (part of Top Run automobile insurance), services are offered to injured or disabled parties by social welfare specialists from our medical, health and nursing care network. The assistance covers psychological problems stemming from the accident, including motivation, economic problems related to benefits, allowances and medical costs, and utilization of healthcare resources and equipment.

#### Enhanced automobile insurance with new rider for drivers and their spouses

Aioi Insurance created a new rider for “Top Run” and other automobile insurance packages taken out on or after August 2004 that covers driver and spouse. Policies with the new rider have an 8% discount, a feature that will prove to be very attractive to customers. Furthermore, holders of gold driver’s licenses now benefit from an 18% to 21% discount, although this does not include spouse.

#### First in industry with full bodily injury compensation irrespective of comparative fault launched new automobile insurance rider

Aioi Insurance has developed a new “Pedestrian Injury Compensation” rider for all Top Run insurance packages taken out on or after October 2004.

This rider helps to realize speedy resolution to accidents, something that all automobile insurance customers desire, as damages paid to pedestrians are not offset against the amount of blame (ignoring traffic lights, running onto the road etc.) apportioned to them for the accident. This unique product therefore enhances “Top Run” and “Speed kaiketsu 3 kyoudai”.



#### Started long-term automobile insurance “Nagaraku Plan” for TS CUBIC cardholders

Aioi Insurance commenced sales of long-term automobile insurance “Nagaraku Plan” for holders of the TS CUBIC card, which is issued by Toyota Finance Corporation (Toyota Finance). With this insurance, customers receive a “no-claim bonus” while the premium is paid in set amounts each month.

Sales began for policies taken out on or after July 2003. This is the second product developed in conjunction with Toyota Finance, following on from Ashinaga Plan in February 2002.

### **Released “Chokotto Odekake” insurance (Leisure insurance tied with Toyota G-BOOK)**

A new nationwide travel insurance “Chokotto Odekake” was introduced on August 1, 2003. Users can quickly and easily complete the procedure for this insurance if the need arises via Toyota’s on-board G-BOOK device. Customers feel safer with this insurance when making short domestic trips (between one and four days). We decided to release the new plan in line with Toyota’s move to expand its range of services for G-BOOK owners.

### **Introduced industry-first mileage based premium structure for automobile insurance “PAYD”**

Aioi Insurance introduced a “PAYD” (Pay As You Drive) program for automobile insurance policyholders that take out cover after April 2004. Mileage data is collected from a device inside the vehicle, so that customers pay premiums based on how far they travel. This groundbreaking product reflects the strength of Aioi Insurance in the automobile insurance world.

### **Created online auction system for “end-of-life” automobiles encouraging the use of recycled parts**

In response to the planned enactment of the End-of-Life Vehicle Recycling Law in January 2005, we were the first in the non-life insurance industry to establish an online system for end-of-life automobiles. The system was launched in December 2003. With the cooperation of NGP Group, the largest recycled parts enterprise in Japan, we promote the distribution of recycled parts and thereby the optimum method of disposal for end-of-life automobiles.

### **Established “Aioi International Anshin Dial (help line)” service for Athens Olympics**

Aioi Insurance has created the “Aioi International Anshin Dial” service as part of its overseas travel insurance for customers in Greece during the period of the Olympics in August 2004. The service is 24 hours a day and in Japanese. The health consultation service by Japanese doctors on sojourn in Greece is unique to Aioi Insurance.



### **Developed fire risk consultation system with Taisei Corporation**

With the cooperation of Taisei Technology Center, we developed a fire risk quantification system by analyzing data taken from approximately 500,000 incidents. We created a risk curve that visually portrays the chance of fire and scale of damage in roughly 220 different industries. The system also enables data analysis of the cause, location and frequency. Aioi Insurance plans to use the information to bolster its risk consulting services for both companies and individuals.

### **Assisting environmental management at small- to medium-size companies**

Together with Environmental Planning Society, we have developed an Environment Supervisor System and a Simple Environmental Evaluation tool to aid small- and medium-size companies in tackling environmental issues. Both tools were put into action in May 2004, beginning with the Tokyo metropolitan area. Plans are in place to extend the service area gradually throughout Japan.

### **Preventing accidents caused by fatigue**

Aioi Risk Consulting Co., Ltd. (Aioi Risk Consulting) and Circadian Technologies Japan, Inc. have teamed up to develop a risk management service called “Circadian Program.” It proposes ways to prevent accidents at work by measuring the degree of employee fatigue. The service commenced on October 1, 2003. The program assumes “fatigue” and “sleepiness” as risk factors. It creates the best work schedule for the individual, aiming to avoid traffic accidents, industrial accidents, loss of productivity and quality reduction. Aioi Insurance and Aioi Risk Consulting plan to aggressively promote the product in the transportation, distribution and medical fields which often require all-day shifts.

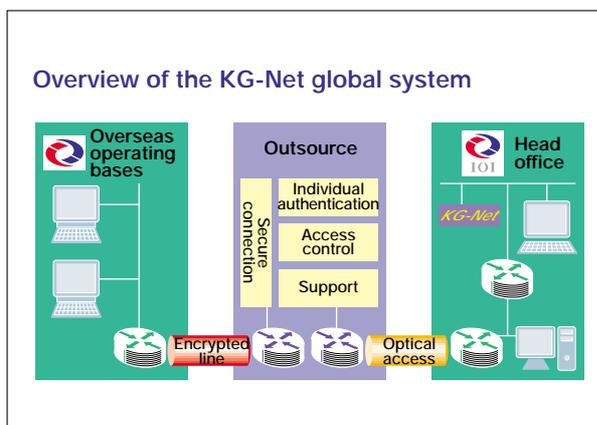
### Preventing damage by indirect lightning stroke

Electronic equipment supports the advancement of the information society. As this equipment gets smaller, more integrated and uses less power, its ability to cope with over-voltage caused by electrical storms diminishes. Similarly, such events are likely to cause major damage to networks through excessive electrical flow. Together with Otowa Electric Co., Ltd., a major manufacturer of technologies to prevent and withstand such occurrences, we started the provision of a fee-based service to investigate the risk of damage by indirect lightning stroke, being the first insurer in the industry to offer diagnostic reports based on questionnaires.

### Systems

#### Jointly developed “e-JIBAI” system with five major non-life insurers

Aioi Insurance, Sompo Japan Insurance Inc., The Tokio Marine and Fire Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd. and Nipponkoa insurance Co., Ltd. jointly agreed on development and sharing of the “e-JIBAI” system for compulsory automobile insurance transactions. The system will be connected with the agency system of each non-life insurer and increase convenience for the policyholders and the agents, for example, by issuing a certificate to a policyholder or booking an entry directly to the system of the host computer of its insurer at an agent’s place. The development will start soon to be set in operation in the second half of fiscal 2004 ending March 2005.



#### First in industry to create a global network system

Aioi Insurance has completed an international operations system network (KG-NET), linking 22 overseas operating bases. The objective of the project was to provide business support for Japanese affiliates overseas.

The network enables us to share information across the globe in real-time, which manifests a vast improvement to over-reliance on indirect forms of communication such as email, fax and international mail. We are confident that the new system will enhance the efficiency and bolster risk management capabilities in our overseas operations, as well as raise customer satisfaction.

### International Operations

In our international operations, we provide services to Japanese-affiliated firms overseas, market products and services in accord with Toyota’s strategies, and sell insurance in local retail markets. Amid a changing business environment the world over, we will seek to strengthen and extend our business base in the international arena.

#### Developed automobile insurance for purchasers of Toyota automobiles

##### <Australia>

In Australia, we commenced the sale of automobile insurance specifically for people who have purchased Toyota automobiles since August 2003. We market the product in conjunction with local Toyota sales and sales finance companies, and Insurance Australia Group (IAG), the country’s largest insurance firm. A total of 230 local Toyota dealers back our sales there.

In terms of sales volume, Australia marks Toyota’s second biggest market behind the United States. We plan to expand our services there by marketing automobile insurance at the time of automobile sale.

### <Hawaii>

DTRIC Insurance Company, Limited (DTRIC Insurance), an insurance carrier in Hawaii partly owned by Aioi Insurance, collaborates with Servco Pacific Inc. (Servco), the exclusive Toyota dealer in Hawaii, to market insurance to Toyota customers. Sales began in January 2004.

As it is not common to sell insurance through car dealers in the United States, including Hawaii, this will emerge as a new business model and will be a core business for DTRIC in the future. We are forecasting approximately ¥1.5 billion in premium income in 2008.



Aioi Insurance chairman Kurioka (left) with Mr. Fukunaga, chairman & CEO of Servco

### **DTRIC Insurance secures A- rating from A.M. Best**

On January 29, 2004, DTRIC Insurance's financial strength was upgraded two notches from B+ (Very Good) to A- (Excellent) by A.M. Best Company, Inc., an insurance rating organization in the United States. Primary reasons were a reduction in corporate expenses and significant growth in personal insurance business in recent years.

### **Strengthened business expansion in China**

Ever since China joined the WTO, the number of Japanese-affiliated firms entering the market there has increased considerably each year. As the insurance market in China gradually opens up, it is expected that foreign insurance companies will extend business operations into the retail field. Following the setup of the China Division, Aioi Insurance has newly opened representative offices in Shanghai and Guangzhou as part of its plan to accelerate the business expansion strategy in China.

We intend to cater to the needs of Japanese clients in China and to increase our range of products and services in the process. This will be accomplished by creating a support system for Japanese companies in China. We are currently investigating into the possibility of developing personal automobile insurance there in line with the advent of automobileization expected in the near future.

### **Conducting seminars for Japanese firms planning to enter China**

Aioi Insurance conducts support seminars for Japanese companies planning to enter the Chinese market. We provide information and assistance in areas ranging from business customs and company establishment to debt collection, taxation, accounting and logistics.

### **Established Overseas Business Unit**

We established the Overseas Business Unit in our Head Office on April 1, 2004 in order to strengthen overseas operations, particularly in China and other areas of Asia. Through this, we intend to enhance the strategic planning, promotion and management control functions of our international business.

### **Launched new income security insurance "Just One"**

Aioi Insurance released a new income security insurance called "Just One" on June 2, 2004. This product offers total security, meeting both bereavement compensation and medical benefit needs with a low cost premium.

## **Other**

### **Reflecting employee opinion in management decisions**

In order to build a company that rates in the highest echelons of quality, we distributed a questionnaire, “Aioi: Re-declaring our Founding,” to all 11,500 employees, including executives. This is seen as the first step towards examining daily operations, eliminating problem areas and improving work efficiency.

Members selected from each department were asked to formulate improvement plans for their department that reflect employee opinion in management policy. We plan to conduct these surveys on a yearly basis and monitor their effectiveness in terms of policy implementation.

### **Took over insurance policies of Winterthur Swiss Insurance**

Aioi Insurance received approval from the Japanese Financial Services Agency to take over the insurance policies issued in Japan by Winterthur Swiss Insurance, one of Switzerland’s leading non-life insurance firms, pursuant to an agreement in May 2003. The portfolio transfer had been already completed.

### **Executed own share repurchase**

Aioi Insurance has purchased a portion of its own shares with the objectives of boosting capital efficiency and returning profits to shareholders.

1. Class of shares: Common stock
2. Aggregate purchase amount: 15,107,000 shares
3. Price: ¥391 per share

### **Signed basic sales partnership agreement with AXA Life Insurance**

In July 2004, Aioi Insurance concluded a basic agreement with AXA Life Insurance Company Limited (AXA Life Insurance) regarding a sales partnership, subject to approval from the relevant authorities.

The purpose of the agreement is to provide non-life insurance products to existing and potential customers, especially member entities and their employees of the chamber of commerce and industry and other commercial and industrial markets. We are making preparations to begin sales in October this year.

## SOCIAL CONTRIBUTION

### Ensuring Traffic Safety

Aioi insurance has participated in traffic safety campaigns in one form or another for over 30 years. We first donated yellow pedestrian safety flags in 1971 to be used predominantly by school children at pedestrian crossings. We have donated more than 4.31 million flags in conjunction with national automotive campaigns held twice a year.

We also support a “zero accident” campaign by dispatching driving instructors to companies around Japan. The instructors administer specially designed driver safety aptitude tests and provide personal advice based on the results and driving capabilities.

Aioi Insurance will continue to work together with regional communities, companies and our own offices to further promote traffic safety in Japan.



Yellow pedestrian safety flags



Camellia art exhibition

### Camellia Art Exhibitions

As part of our activities to give something back to society, we hold public art exhibitions at galleries throughout Japan once or twice a year.

A number of exhibitions have been held in recent months – at the Suitopia Center in Ogaki City, Gifu Prefecture, from October 4 to November 3, 2003; at the Hoshun Yamaguchi Memorial Hall in Hayama, Kanagawa Prefecture, from November 7 to December 21, 2003; and, at the Kawagoe City Art Museum in Kawagoe City, Saitama Prefecture, from January 10 to March 21, 2004. Between 60 and 80 Japanese and Western pieces were carefully selected from our collection and put on show. In

all, roughly 14,000 people from inside each city and surrounding areas visited the exhibition. The artwork has gained praise not only from local citizens but also from art lovers around Japan. We plan to continue holding such events. Our art collection can also be seen at the Camellia Art Museum on our website (<http://www.ioi-sonpo.co.jp>).

### Charity Work

Aioi Insurance has set up the Unizon Fund to make it easier for employees to make contributions to charity. Participating employees determine a desired amount (up to 10 units of ¥101) to be deducted from their salary each month and contributed to the fund. The Company donates a further ¥101 for each member.

Every October, which is designated as “Aioi month,” we make donations to Japanese Red Cross Society, Japan UNICEF Association, Guide Dog & Service Dogs Association of Japan, Japan Marrow Donor Program, Fund for Children Orphaned by Traffic Accidents, Akemi-chan Fund, Japan Partner Dogs Association and Japan Guide Dogs for the Blind Association.

In particular, donations to the Akemi-chan Fund were used to help pay for an operation for Janis Shelester, a 12-year old from Nepal who has a terminal heart disease.



Making a donation to Guide Dog & Service Dogs Association of Japan

## Held Photo Contest

With the aim of contributing to Japan’s photographic culture, we staged a photo contest based on the theme “protecting nature and the landscape.” We received a plethora of entries that aptly portrayed the beauty of the seasons from would-be professionals and amateurs alike before the closing date of April 30, 2004. Itaru Hirama, a professional photographer, helped to screen and adjudicate the winners. Prizes were awarded to the top entry and five other outstanding pieces. The success of the contest in portraying daily scenes has prompted us to plan similar events on an annual basis. The six winning entries will be used in the Aioi Insurance/Aioi Life Insurance joint calendar, of which 500,000 copies will be made.



Winning entries in the 2004 photo contest



Original Calendar in 2005

## Volunteer Activities

In line with the Company’s symbol “IOI,” October 1 (10/1) has been designated as “Aioi day” and October as “Aioi month.” We initiated a program in fiscal 2003 whereby personnel take part in local volunteer activities during October.

A total of 150 people, which included personnel from Head Office departments and their families, conducted a clean-up of Yoyogi Park in Tokyo’s Shibuya Ward together with members of Guide Dog and Service Dogs Association of Japan. This occasion marked the first time physically-challenged people were allowed to enter the park with their guide dogs, after the introduction of the Law Concerning Assistant Dogs for the Physically Impaired, which took full effect on October 1, 2003. This event helped to raise public awareness of this new law.

In other endeavors, sales departments performed clean-up activities and held charity bazaars. All proceeds were donated to children who have lost their parents in road accidents.



Clean-up in Yoyogi Park



## Co-hosted art show with National Federation of UNESCO Associations in Japan

Aioi Insurance will co-sponsor an art show with National Federation of UNESCO Associations in Japan, with the theme being to depict the beautiful aspects of the local community.

The objective of the art show is to show how wonderful local culture and environment can be, in order to encourage their future wellbeing.

Aioi insurance aims to be the insurance company closest to customers based on the key words “community,” “children” and “consideration.” The exhibition, which is the seventh of its kind, will be held throughout Japan and calls for entries from primary school and junior high school students.

# ENVIRONMENTAL ACTIVITIES

## Environmental Philosophy

Based on the principles of our corporate philosophy – empathy, cooperation and coexistence – Aioi Insurance aims to create an environment in which people and nature can exist together in harmony. The Group carries out business activities only upon due consideration of potential environmental impact, while our environmental protection activities are always performed in close liaison with the local community.

### Environmental Action Plan

1. We will promote environmental preservation through products and services, especially in the automobile field, and in all business activities.
2. We will strive to conserve energy and resources and take proactive measures to prevent pollution in all 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, as well as any agreements made by the Company.
5. We will promote education on the need for environmental protection and social contribution.

## Activities aimed at environmental protection

### Commenced activities to attain ISO14001

Aioi Insurance works to reduce environmental impact in all aspects of operations. We commenced activities at the main building and annex of Head Office aimed at attaining ISO14001 certification in the year ending March 31, 2005. We set detailed rules concerning the separation of large amounts of paper waste, started paper recycling and reduced OA paper usage. We also promoted energy conservation by cutting power consumption.

We seek to save resources and energy and reduce environmental load by promoting the recycling and reduction of print materials and copy paper, shifting to low-emission vehicles and advancing waste separation in line with local regulations,

Aioi Insurance will be one of Japan's major non-life insurance companies participating in the 2005 World Exposition (theme: "Nature's Wisdom") in Aichi Prefecture.

Aioi Insurance is a proactive member of various environmental protection groups (see below), working to foster education on environmental conservation.

### Environmental Protection Groups

World Wide Fund for Nature Fund Japan (WWF Japan)

OISCA-International (promotes industrial, spiritual and cultural development)

Japan Environmental Education Forum (JEEF)

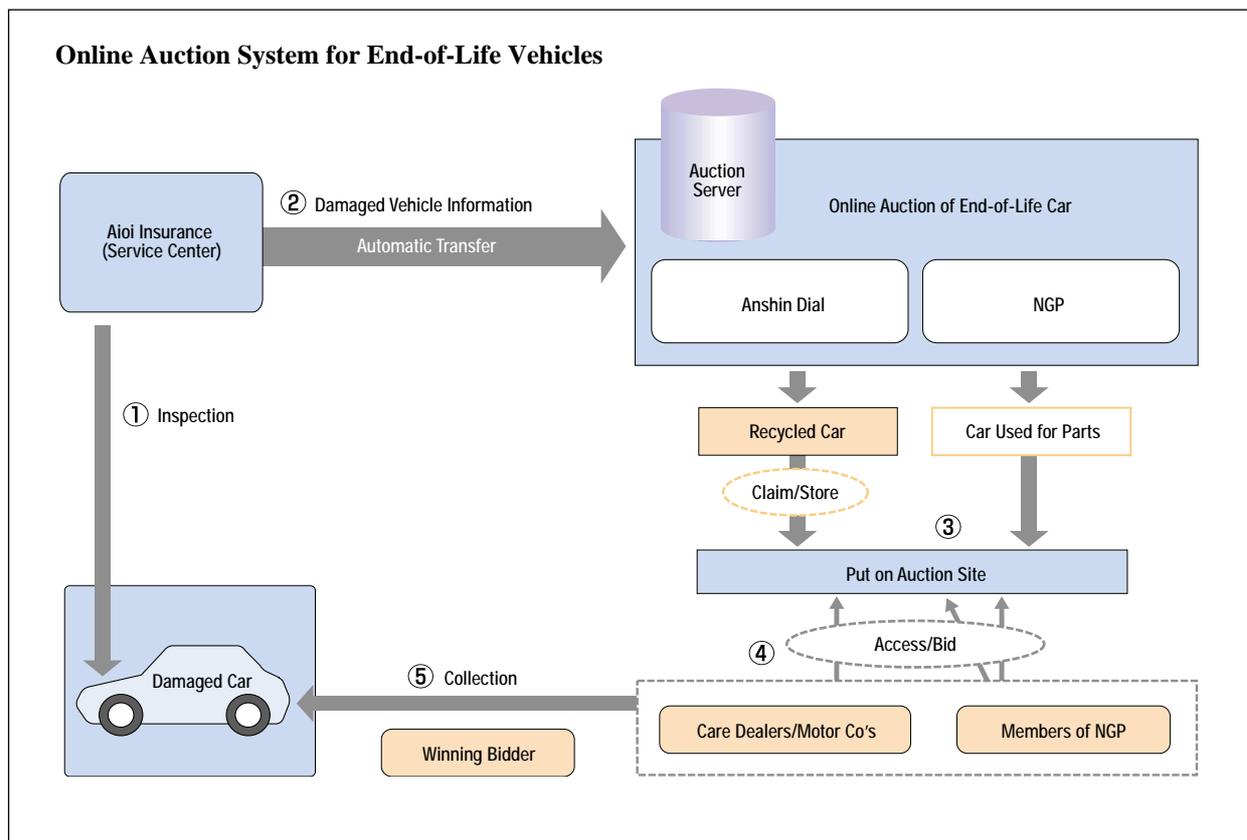
Nippon Environment Club

As a member of the Sustainable Management Forum of Japan, we sponsor academic activities, and as a member of the Green Purchasing Network (GPN), we assist in the promotion and expansion of green procurement at companies and corporations.

## Created online auction system for "end-of-life" automobiles

### Encouraging the use of recycled parts

In response to the enactment of the End-of-Life Vehicle Recycling Law planned for January 2005, we were the first in the non-life insurance industry to establish an online system for end-of-life automobiles. The system was launched in December 2003. With the cooperation of NGP Group, the largest recycled parts enterprise in Japan, we promote the distribution of recycled parts and thereby the optimum method of disposal for end-of-life automobiles.



## Assisting Environmental Management at Small- to Medium-Size Companies

Together with Environmental Planning Society, we have developed an Environment Supervisor System and a Simple Environmental Evaluation tool to aid small- and medium-size companies in tackling environmental issues.

### Invested in Environmental Venture Company

To help reduce the load inflicted on the environment by automobiles, we invested in the environmental venture company, Juon, which is developing equipment to filter diesel exhaust gas. The main ingredient in this gas is an oil extract from thinned and drift wood taken from forests that are regarded as being important in terms of CO<sub>2</sub> absorption. As a means to encouraging the protection of global forests, and based on the growing need to assist and educate those involved in the venture, we decided to invest in the company.

We invested in another environmental venture company, Zeotek, which operates a mobile recycling service, transporting and recycling machine oil by way of a special vehicle. This service drastically reduces emissions of liquid industrial waste due to incineration. The money we have invested will be used towards the realization of “zero emissions” and to promote the effective utilization of resources, ideals that are becoming increasingly important to society.

## Protecting the environment through products and services

### Insurance policies encourage the use of recycled parts

In response to the Automobile Recycling Law, which is scheduled to come into effect in Japan in January 2005, Aioi Insurance became the first company in the industry to develop and market an insurance policy with a rider encouraging the use of recycled parts. In April 2002, we launched a renewal version, called “Heartful Recycle,” which features discounted car insurance for vehicles that use recycled parts.

### Developed a reliable supply system for recycled car parts

The automobile insurance policy rider designed to promote the use of recycled parts is part of our efforts to realize a recycling oriented society. In order to achieve a steady supply of used components, we have also developed and introduced a pioneering search system through an alliance with Japan's largest recycled parts related corporate group.

### Program to support compliance with the Automobile NOx/PM Law and new restrictions on diesel vehicle emissions

The Automobile NOx/PM Law came into force in 2002 and regulations restricting emissions from diesel vehicles were enforced in October 2003. These developments are forcing relevant vehicle owners to take action. Aioi Insurance is helping the automobile industry and diesel vehicle owners by assisting in the purchase of diesel particulate filters (DPFs) and

catalytic converters at concessionary prices, and access to our ITI System for the purchase and trade-in of existing vehicles that do not comply with the revised regulations. Aioi Insurance is also preparing several original tools to provide automobile owners with information on these issues.



### Helping the automotive industry comply with the Automobile Recycling Law

Prior to the implementation of the Automobile Recycling Law, Aioi Insurance is offering compliance assistance to companies in the automotive industry with its Aioi Eco Partner program. This program encourages companies to process used vehicles appropriately and use recycled components for repair.

### Providing environmental risk consultation services

Through operational alliances with affiliate Aioi Risk Consulting Co., Ltd. and other specialist companies and organizations, we offer corporations risk assessments and solutions for environmental issues. Our comprehensive support services facilitate the

introduction of clients to companies with expertise in the acquisition and maintenance of ISO certification.



### Towards Japan's first car sharing automotive insurance

Aioi Insurance joined with Orix Corporation, Orix Rent-a-Car Co., Ltd., Suzuki Motor Co., Ltd., NEC Software Co., Ltd. and NEC Corporation to establish CIV Sharing Co., Ltd. on February 20, 2002. Car sharing, in which drivers reserve cars for use, has proven an increasingly popular strategy in Europe and North America for reducing traffic problems and improving urban environments. Aioi Insurance intends to improve urban traffic flows and contribute to the environment by encouraging frequent use of low-emission vehicles in this car-sharing business. We also plan to develop original automobile insurance products for car-sharing applications.