

## II. Business Strategy

## 1. Pillars of strategy

**Establish a structure to raise domestic non-life income and profits**

**Securing growth**

Develop regional markets

Cultivate Toyota market

Advanced motor products / personal products / platform products

Customer No. 1 for loss adjusting / lifestyle service

**Boost earnings**

Cut losses

Reform product portfolio

Strengthen asset m'gmt capability

**Productivity / efficiency up**

Reform sales structure

**Grow Group earnings**

Overseas

Life

**Enhance capital level and efficiency**

**Gauge management risk**

Strengthen risk management (risk capital allocation)

Mitigate management risk (reduce risk assets/inefficient assets)

**Establish a trusted corporate culture founded on 'Communication'**

Customer First

Enhance IR

Agency partnership

Staff training/ES

Promote CSR

**Grow risk-adjusted earnings**  
**Broaden scope for new investments**

**Strong ties with stakeholders**

**Achieve continuous growth / enhance corporate value**

## 2. Medium Term Targets (FY2004-FY2005)

\*Figures in brackets exclude special factors

Secure growth above the market and promote bottom-up expense efficiency

	FY2003	FY2004	FY2005	Change 2003-05
Net premiums	¥836.5bn (¥758.2bn)	¥837.0bn (¥766.0bn)	¥856.0bn (¥783.0bn)	¥19.5bn (¥24.8bn)
	YoY % 0.0% (-1.9%)	0.0% (1.0%)	2.3% (2.2%)	2.3% (3.3%)
Loss ratio	60.8% (59.9%)	63.1% (59.6%)	62.2% (58.7%)	1.4P (-1.2P)
Net expense ratio	33.5% (36.9%)	33.3% (36.3%)	32.7% (35.7%)	-0.8P (-1.2P)
Combined ratio	94.3% (96.8%)	(96.3%) (95.9%)	94.9% (94.4%)	0.6P (-2.4P)
Ordinary profit	¥45.3bn	¥24.5bn	¥28.0bn	-¥17.3bn
Net profit	¥27.3bn	¥13.0bn	¥15.0bn	-¥12.3bn
Adj. ROE	9.1%	4.2%	4.7%	-4.3P

Note: Adj. ROE: ROE is calculated by deducting 'Other gain on marketable securities' from 'Capital'

## 3. Securing growth (1) Plan to increase domestic direct income

\* Operating result basis

Secure higher motor insurance income primarily from Toyota Group sales. Substantially grow fire and personal insurance revenue by strengthening Pro multi-product sales, developing financial institution/ housing / affinity markets


Upper: premiums (Lower: change %)	FY2003	FY2004	FY2005	Change 2003-05
Motor	¥465.4bn (-2.2%)	¥466.0bn (0.1%)	¥473.0bn (1.5%)	¥7.6bn (1.6%)
CALI	¥145.3bn (2.0%)	¥147.0bn (1.2%)	¥150.0bn (2.0%)	¥4.7bn (3.2%)
Fire	¥91.1bn (6.0%)	¥95.0bn (4.3%)	¥104.5bn (10.0%)	¥13.4bn (14.7%)
Personal (Third Sector)	¥39.9bn (2.5%)	¥44.0bn (10.4%)	¥47.0bn (6.8%)	¥7.1bn (17.8%)
Miscellaneous Accident	¥63.9bn (-1.4%)	¥64.5bn (1.0%)	¥62.0bn (-3.9%)	-¥1.9bn (-3.0%)
Marine	¥8.5bn (0.3%)	¥8.5bn (0.4%)	¥8.5bn (0.0%)	¥0bn (0.0%)
General Classes	¥813.9bn (-0.3%)	¥825.0bn (1.4%)	¥845.0bn (2.4%)	¥31.1bn (3.8%)

### 3. Securing growth (2) Product strategy

#### (1) Motor insurance strategy

New risk-segmented comprehensive motor insurance *Top Run* (Apr 2004)

*A step ahead in motor insurance*



Expanded coverage — <i>Speed kaiketsu 3 kyoudai</i> —	<b>Sector first</b>	<i>Omoiyari</i> rider < Financial assistance for injured/disabled party >
		Legal fee rider
Additional coverage service	<b>Sector No. 1</b>	Rider for portion of vehicle repair cost exceeding market value 55km tow truck assistance

Gain new customers by appealing with full coverage and sector No. 1 service

Raise unit prices by switching existing customers to *Top Run* and adding riders

## 3. Securing growth (2) Product strategy

### (2) Personal insurance strategy

Expanded sales of personal insurance, primarily a doubling in sales of *Health Comprehensive Insurance Health Club*

#### Sales channel expansion

Large-scale recruitment of 300 QLIC personnel for joint selling of personal insurances

Promotion of dealers/motor agents as multi-product sales channels

#### Expanded product line-up

Launch of simple and reasonable products

#### Additional coverage service

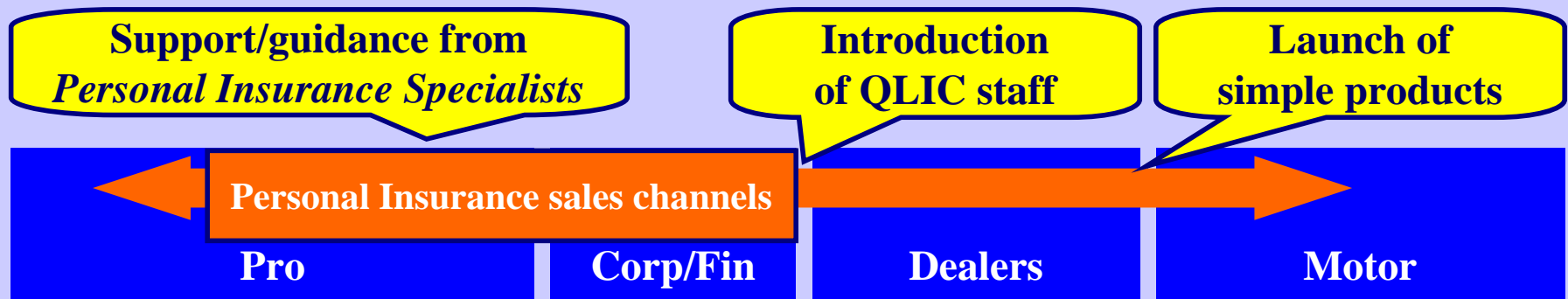
Sector first *Prime Doctor Service* (specialist doctor introduction service)

Addition of telephone/e-mail based *Mental Health Consultation Service*

#### Reinforcement of sales promotion structure

Allocation of *Personal Insurance Specialists* to handle personal insurance sales promotion

FY2004 Target	
<i>Health Club</i> sales	110,000 policies

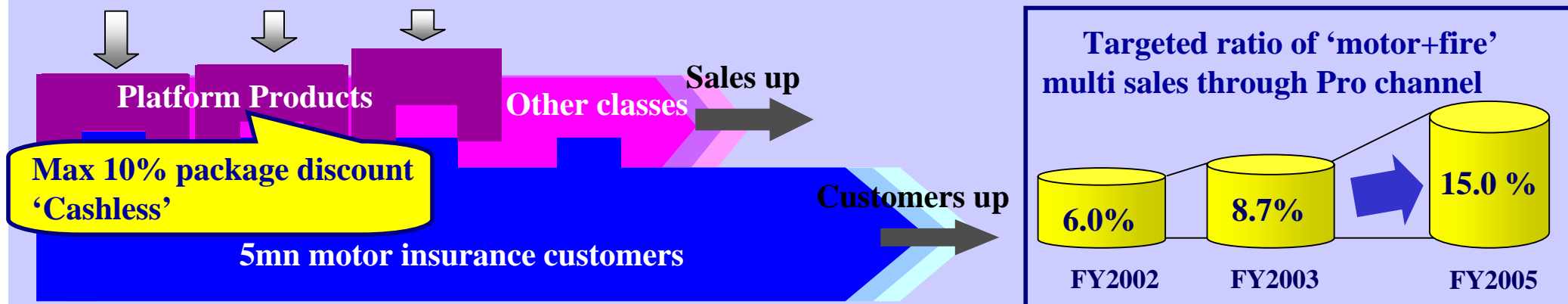


## 3. Securing growth (2) Product strategy

### (3) Platform strategy

Bottom-up promotion of 'Platform products', thereby strengthening multi-product sales

Selling of motor insurance as a package with other classes



Sale of dedicated products by market

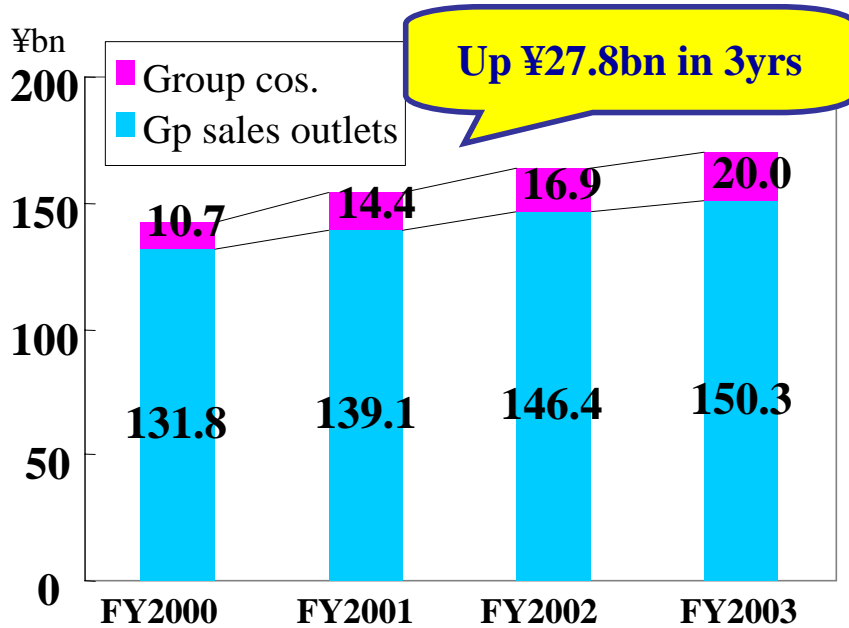
Personal market	Home Comprehensive
Small-mid co. market	Traders Comprehensive
Construction market	Construction Comprehensive

	FY2003 result		FY2004 target	
	Policies ('000s)	Increase (¥bn)	Policies ('000s)	Increase (¥bn)
Home Comp	290	3.2	290	2.9
Traders Comp	10	0.5	50	1.3
Construction Comp	10	3.2	3	1.5
<b>TOTAL</b>	<b>310</b>	<b>6.8</b>	<b>340</b>	<b>5.7</b>

## 3. Securing growth (2) Channel/market strategy

### (1) Toyota market strategy

Steady climb in Toyota market revenue



Business with group outlets also growing yoy

	FY2001	FY2002	FY2003
New partner outlets	98	80	96
New outlets (Aioi coinsurer)	19	10	8
New outlets (Aioi leader)	4	1	2

#### Product development with Toyota

Develop products linked to advanced technologies, financing operations

#### Support to outlets to raise income

Active proposals on reorganizing Toyota sales channel  
Acceleration of insurance business enhancement activities  
Utilization of dealer ranking system

#### Expand business with Group cos.

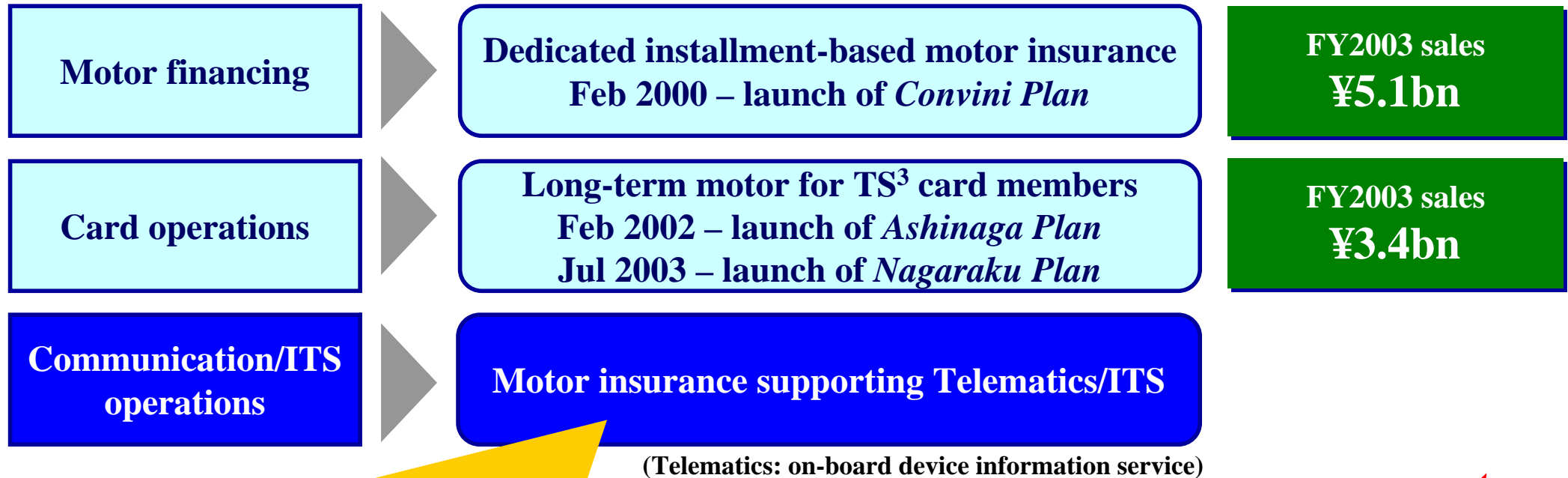
Steady share building in Toyota Group property/  
group insurance markets  
Expanded selling of long-term fire insurance with  
home loan for Toyota Home customers



### 3. Securing growth (2) Channel/market strategy

#### (1) Toyota market strategy

Develop motor insurance products linked to Toyota advanced technologies, financing operations



**April 2004: mileage-linked motor insurance**

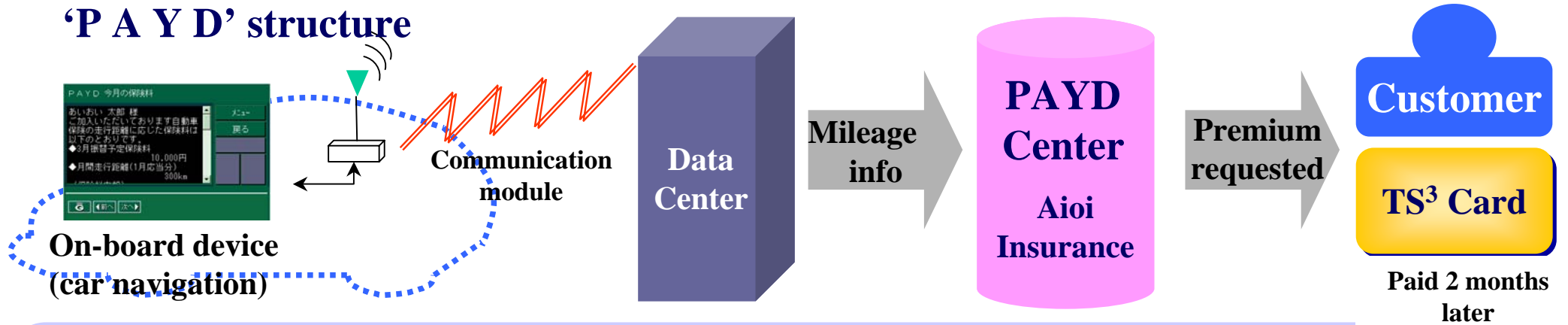
**‘P A Y D’ (= Pay As You Drive)**

- Premiums paid for the distance driven, similar to telephone call costs -  
Employs advanced ITS technology – developed based on Toyota G-BOOK

**Sector 1st**

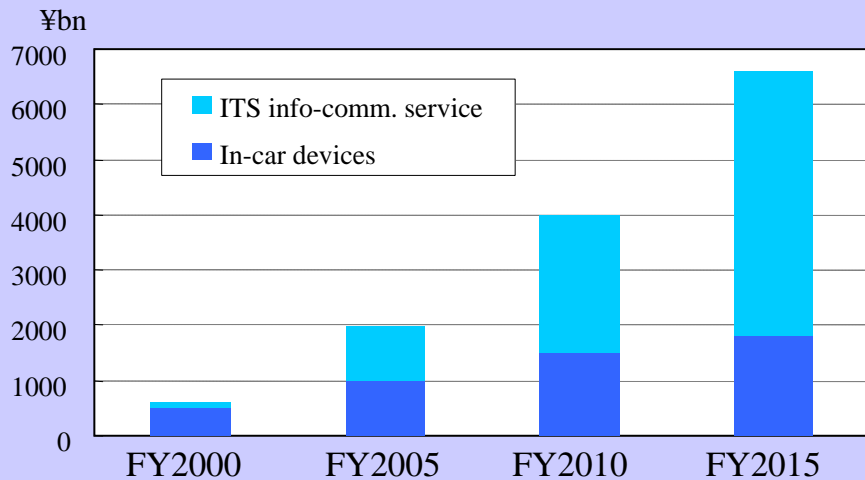
## 3. Securing growth (2) Channel/market strategy

### (1) Toyota market strategy

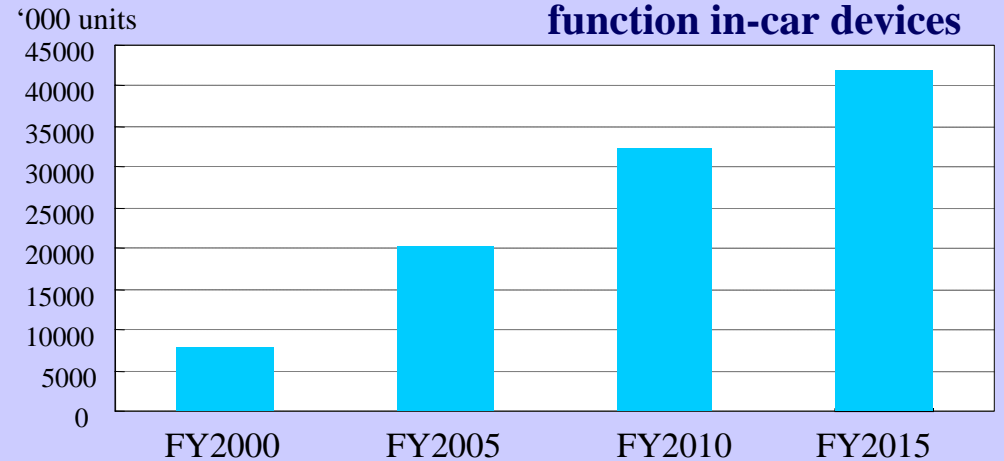


### Telematics market forecast

#### Market size



#### Market penetration of car navigation, incl. advance function in-car devices



Source: Compiled by Telecommunications Technology Council based on

ITS Info-Communications Systems Committee Report

## 3. Securing growth (2) Channel/market strategy

### (2) Pro channel strategy

Clarify guidance/support/response based on stratified segments

Guidance/support to medium core agents to expand/systemize operations  
 Promote mergers/alliances amongst non-independent agents

**Core agents (over ¥50mn in premium income)**

Pro agents

Large agents

Large reserve corps

**Non-Independent Agents**

Senior/Low Volume

Strengthen business efficiency/customer management through agency system

Group guidance through 'Nationwide Pro Association'

**Reform Agency Activities  
(Boost face-to-face sales)**

Multi-product sales to motor customers

Cultivate office market through consulting sales

Promote large agents  
as umbrella agents

Promote mergers

Promote administrative cooperation with Pro agents

New agency system 'IONOS' - develop and launch

Develop and launch Platform products

Launch of 'QLIC staff for joint sale of personal products

Risk Consulting Service

AIOI Risk Consulting

Mgmt consulting, training, admin support, staff dispatch

AIOI Support BOX

Agency support group cos.

## 3. Securing growth (2) Channel/market strategy

### (3) Motor channel strategy

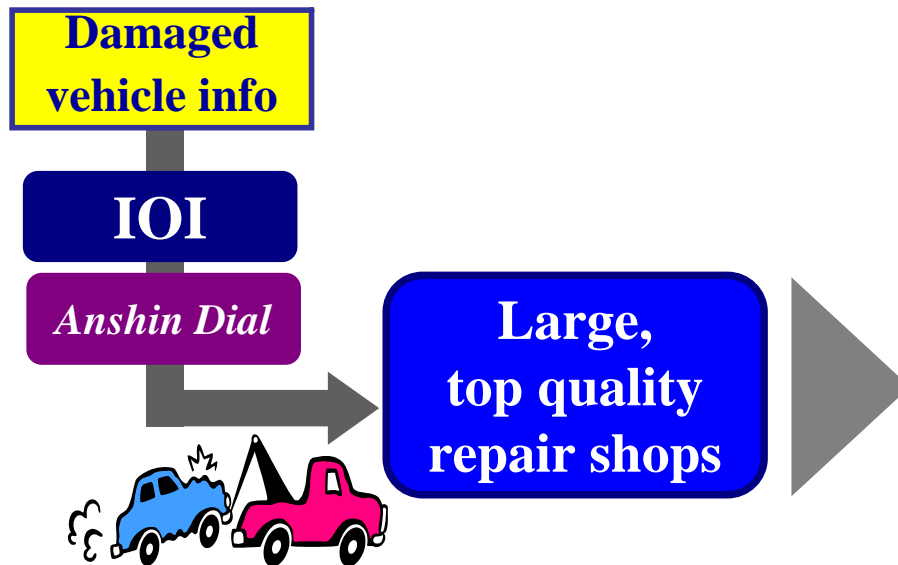
Introduce damaged cars to repair network and shift to large repair shops

#### Promote vehicle introduction

Expand no. of vehicles introduced to repair network and focus on strategic BP (body & paint) shops

#### Shift to large, top quality 'winning' repair shops

Strengthen measures to respond to 'winner' repair shop groups  
**MAC: Bring top quality repair shop agents in-house**



#### Strong increase in revenues at strategic BP / pro repair shops

Unit: %

	FY2002 revenue increase (%)			FY2003 revenue increase (%)		
	Motor	CALI	General	Motor	CALI	General
Repair shop total	-1.8	+1.7	-10.0%	-2.4	+2.2	-30.0%
o/w strategic BP	+2.6	+12.8	+7.1	+3.0	+12.9	+7.3
o/w group shops	+0.8	+8.9	+4.8	+1.9	+7.7	+4.1

Strategic BP shops means those pro body (auto body repair) shops with which Aioi has formed a reduced-fee contract, designated by sales outlets as being likely to see an increase in revenues

## 3. Securing growth (2) Channel/market strategy

### (4) Regional financial institution strategy

**Offer unique products to financial institutions**

Bancassurance fire policy *Home Plus* (revised May 2004)

‘Small Loan Credit Insurance for Medium/Small Cos.’ to support small/mid business financing

Aioi Life ‘Group Credit Life Insurance with Cancer Coverage’

**FY2004 Target**

**New financial institutions**

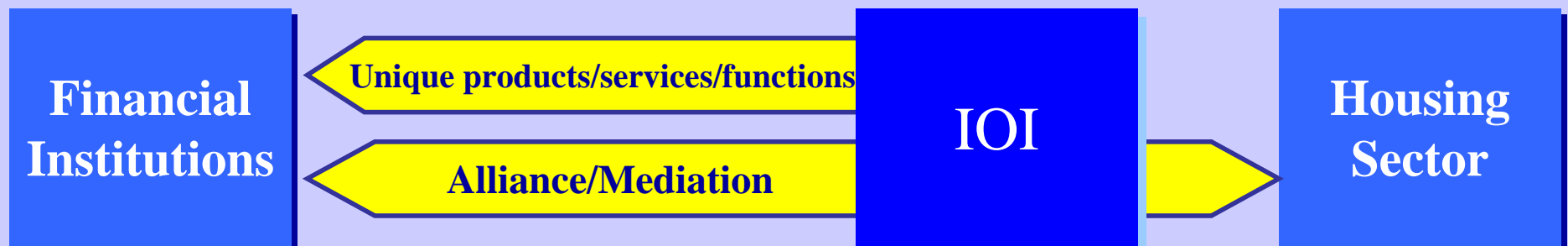
**20**

**Promote functional alliances**

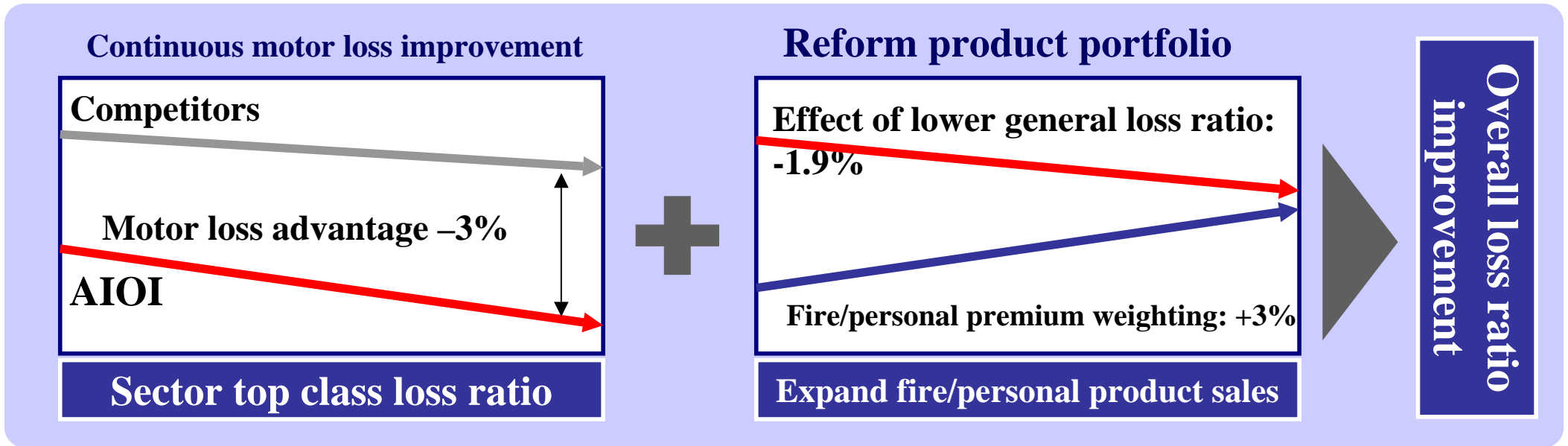
Open up ‘IOI Service Network’ to loan customers

Utilize Aioi’s call center function, the best in the sector

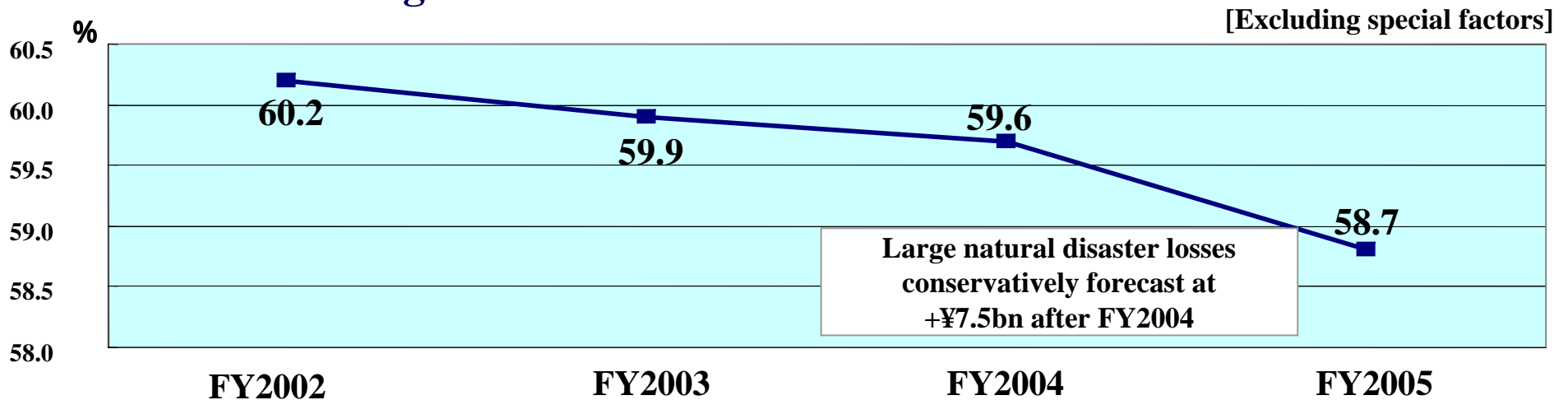
Introduce home loan customers through alliance/mediation with the housing sector, where Aioi has a large market share



## 4. Strengthening earnings capability (1) Improving the loss ratio



### General loss ratio target



## 4. Strengthening earnings capability (2) Asset management

**Enhance  
asset portfolio**

**Ongoing reduction of strategic shareholdings**

**Accelerated reduction of idle/non-performing real estate based on introduction of impairment accounting**

**Strategic shareholding reduction plan (book value basis)**

Unit: Yen bn

	FY2003	FY2004	FY2005
Planned reduction	66.3	40.0	40.0
Total reduction	96.9		
Period end balance	368.9		

**Grow asset  
management  
returns**

**Build stable income base through diversified investment style/methodology**

**Expand new opportunities for income**

**Strengthen alliance with Toyota Asset Management**

**Promote rigorous risk  
management & ALM**

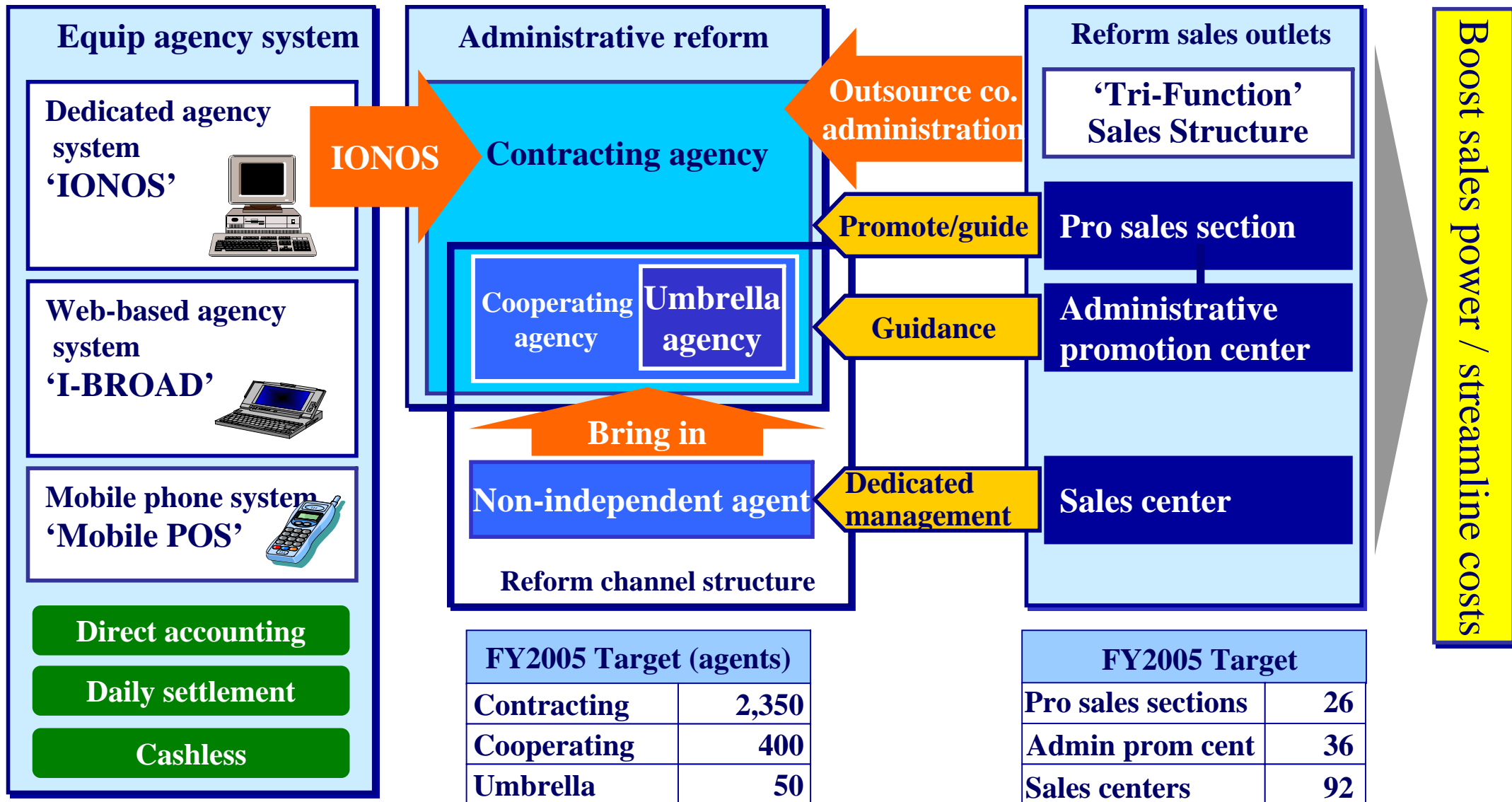
**Strengthen ALM (focused on insurance liability aspects) in response to across-the-board introduction of CVA**

**Bottom-up risk management centered on risk capital allocation**

**Strengthen earnings/risk integrated management**

## 5. Enhancing productivity/efficiency – reform of the sales structure

Drastic enhancement of productivity/efficiency through reform of the sales structure

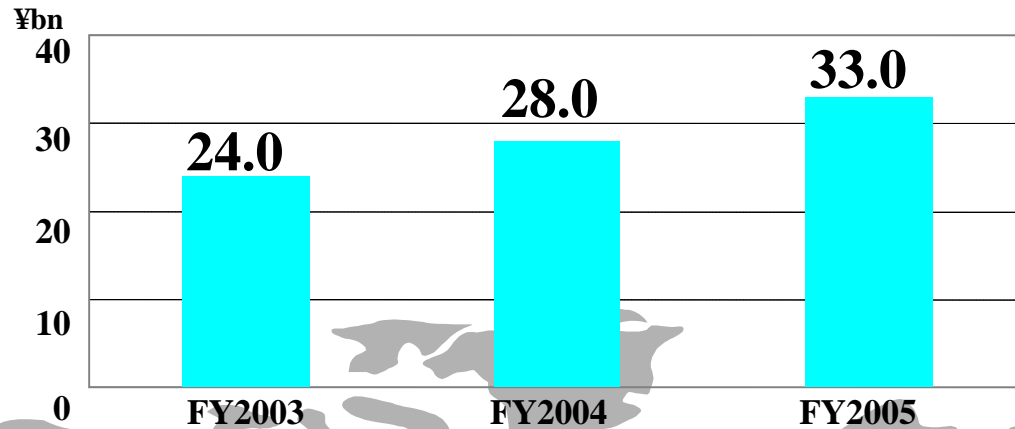




## 6. Expanding Group earnings (1) Overseas strategy

Promote F&I (Finance & Insurance) business associated with Toyota global strategy  
Strengthen sales to Japanese cos. in burgeoning Asian market and invest in China

Local direct premium income targets



FY2004: 5-office structure (open 2 offices)  
FY2005: Establish direct business structure through new branches

Promote F&I through enhanced TIM service function

China

Thai

Asia-wide base, promoting direct business structure and F&I operations

AUS

Promote F&I through strengthened IAG alliance

TIM: An IOI/TFS JV insurance agent  
IAG: Major Australian general insurer

## 6. Expanding Group earnings (2) Life business strategy

**Build structure for ¥1 trillion in new policies**

**Accelerate reserving to meet statutory level as soon as possible**



**Significant contribution to group earnings once statutory level achieved**

Unit: Yen bn

		FY2003	FY2004	FY2005
New policy total	Personal	790.9	970.0	1,080.0
Policies in force	Personal	3,404.6	3,920.0	4,500.0
	Group	783.8	850.0	1,000.0
	TOTAL	4,188.5	4,770.0	5,500.0

### Promote sales/strengthen sales structure to expand new policies

Strengthen Pro channel sales guidance capability: 80 life sales promotion managers      100 in FY2005

Boost consultancy selling: 30 LIM (Life Insurance Manager) sales personnel      100 in FY2005

### Expand unique product line-up responding to needs of customers/channels

Feb 2004: Launch of ‘Group Credit Life Insurance with Cancer Coverage’ for financial institutions

Jun 2004: Launch of package product ‘New Income Guarantee Insurance *Just One*’ combining income and medical guarantee

### Enhance customer service and strengthen measures to prevent lapses/cancellations

Strengthen policy retention structure through establishment of Customer Service Center (Apr 2004)

Begin offering ‘Policy Amendment Direct Service’

Establish dedicated business advice team to prevent lapses/cancellations

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This presentation contains statements relating to future performance, which entail certain risks and uncertainties.

You should bear in mind that future performance, management policy or strategy could be subject to alteration or fluctuation due to changes in the external environment.

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## FY2003 Earnings Data

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1 June 2004

Aioi Insurance Company, Ltd

# 1. FY2003 Earnings Summary

(Unit: Yen bn)

	FY2002	FY2003	Change	YoY %
1. Net Premiums	836.8	836.5	(0.2)	(0.0)%
2. Net Claims Paid	463.6	471.4	7.8	1.7
3. Loss Adjusting Expenses	38.9	37.1	(1.7)	(4.5)
4. Net Operating Expenses	295.2	279.8	(15.4)	(5.2)
Operating Balance	38.9	48.0	9.1	23.4
5. Increase in Reserve	(28.5)	(19.5)	8.9	
6. Foreign exchange gain (loss)	(10.8)	(10.2)	0.6	
7. Increase in CALI Reserve	40.7	44.2	3.4	
8. Increase in CAT Reserve	11.9	9.7	(2.1)	
<b>Underwriting Profit</b>	<b>7.3</b>	<b>13.0</b>	<b>5.7</b>	<b>77.8</b>
Profit/loss on assets under management	19.3	41.5	22.2	
(of which interest/dividend income)	( 40.3 )	( 35.5 )	( 4.8 )	( 11.9 )
(of which gain on sale of securities)	( 36.3 )	( 22.0 )	( 14.3 )	
(of which valuation loss on securities)	( 30.2 )	( 0.9 )	( 29.2 )	
<b>Ordinary Profit</b>	<b>20.3</b>	<b>45.3</b>	<b>25.0</b>	<b>123.1</b>
Extraordinary Profit	14.7	19.0	4.3	
Extraordinary Loss	14.4	14.0	(0.3)	
<b>Net Profit</b>	<b>10.3</b>	<b>27.3</b>	<b>17.0</b>	<b>165.1</b>

Key Points
Movement in amount comprises: direct/motor -¥12.6bn (-2.7%), inwards reinsurance / motor -¥5.7bn +¥18.3bn following abolition of gvt CALI R/I scheme ('CALI impact')
Movement in amount comprises: -¥6.2bn yoy in direct/motor business, CALI impact +¥14.6bn
Overall reduction, including personnel/general expenses/commissions
Of the increase this term: Fortress Re ('FR') -¥26.8bn, CALI +¥8.9bn
Yen appreciation from the close of FY02 resulted in an exchange loss offset by fall in o/s claims re
Fire reserve at period end: ¥65.5bn (79.7% of premiums)
Motor reserve at period end: ¥84.2bn (17.9% of premiums)

¥26.9bn in shares this fiscal year
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Ordinary Profit	20.3	45.3	25.0	123.1
Extraordinary Profit	14.7	19.0	4.3	
Extraordinary Loss	14.4	14.0	(0.3)	
<b>Net Profit</b>	<b>10.3</b>	<b>27.3</b>	<b>17.0</b>	<b>165.1</b>

This fiscal year	(yoy)
Partial receipt of settlement from FR-related litigation	(Profit on return of substitutional portion of pension fund ('daiko henjo') ¥7.5bn)
¥13.4bn	
Disposal of real estate/property	¥8.9bn
Additional early retirement payments ¥2.5bn	(Systems merger-related costs ¥10.4bn)

## (Ratios)

	FY2002	FY2003	Change
Net Premium Increase Ratio	7.7%	0.0%	
Net Loss Ratio	60.1%	60.8%	0.7%
Net Expense Ratio	35.3%	33.5%	- 1.8%
Combined Ratio	95.3%	94.3%	- 1.0%
Balance of income/expenditure	4.7%	5.7%	1.0%

## Financial position

	FY2002	FY2003	Change
Total assets	2,496.3	2,597.8	101.5
Net worth	308.8	446.8	137.9
CAT reserves	184.4	194.2	9.7
Solvency margin	683.4%	910.1%	226.7%

## (Ratios excluding Special Factors)

	FY2002	FY2003	Change
Net Premium Increase Ratio	- 0.4%	- 1.9%	
Net Loss Ratio	60.2%	59.9%	- 0.3%
Net Expense Ratio	37.9%	36.9%	- 1.0%
Combined Ratio	98.2%	96.8%	- 1.4%
Balance of income/expenditure	1.8%	3.2%	1.4%

## Breakdown of 'special factors'

	FY2002	FY2003
Impact from abolition of gvt CALI reinsurance scheme	Net premium income ¥48.3bn	¥66.6bn
	Net claims paid ¥600mn	¥15.2bn
Impact from R/I contracts through agency of FR	Net premium income ¥15.2bn	¥11.7bn
	Net claims paid ¥36.2bn	¥38.9bn
	Net operating expenses ¥1.9bn	¥300mn

## 2. Premiums & Claims by Class

### •Direct Net Premiums by Class

(Units: Yen million, %)

Class \ FY	FY2001		FY2002		FY2003		FY2004 Forecast	
		Change %		Change %		Change %		Change %
Fire	93,555	(5.8)	92,817	(0.8)	96,824	4.3	101,100	4.4
Marine	5,019	(7.3)	4,991	(0.6)	5,039	1.0	4,900	(2.8)
P.A.	52,048	(12.0)	50,081	(3.8)	49,619	(0.9)	51,200	3.2
Motor	481,018	(0.7)	476,841	(0.9)	464,177	(2.7)	462,800	(0.3)
CALI	141,134	(3.2)	170,681	20.9	174,213	2.1	176,600	1.4
Others	66,353	4.4	69,164	4.2	67,292	(2.7)	68,100	1.2
TOTAL	839,130	(2.2)	864,579	3.0	857,167	(0.9)	864,700	0.9

### •Net Premiums by Class

(Units: Yen million, %)

Class \ FY	FY2001		FY2002		FY2003		FY2004 Forecast	
		Change %		Change %		Change %		Change %
Fire	91,027	(8.1)	81,042	(11.0)	83,737	3.3	91,800	9.6
Marine	5,343	(1.3)	5,224	(2.2)	5,251	0.5	5,200	(1.0)
P.A.	51,867	(9.7)	49,887	(3.8)	49,090	(1.6)	49,200	0.2
Motor	488,179	(0.3)	490,025	0.4	471,792	(3.7)	466,200	(1.2)
CALI	78,548	(3.2)	131,531	67.5	153,634	16.8	157,200	2.3
Others	62,394	4.3	79,128	26.8	73,089	(7.6)	67,400	(7.8)
TOTAL	777,361	(1.9)	836,841	7.7	836,596	(0.0)	837,000	0.0

### •Net Claims Paid by Class

(Units: Yen million, %)

Class \ FY	FY2001			FY2002			FY2003			FY2004 Forecast		
		Loss ratio	Change		Loss ratio	Change		Loss ratio	Change		Loss ratio	Change
Fire	77,182	86.8	42.5	37,188	48.2	(38.6)	34,182	42.4	(5.8)	39,900	44.8	2.4
Marine	3,874	77.3	10.2	2,711	55.0	(22.3)	3,896	76.5	21.5	4,200	83.1	6.6
P.A.	20,186	43.7	(2.8)	18,767	42.8	(0.9)	17,790	40.4	(2.4)	17,400	39.4	(1.0)
Motor	286,134	63.5	(4.1)	273,352	60.4	(3.1)	266,689	61.3	0.9	262,700	61.2	(0.1)
CALI	49,354	73.6	0.1	51,236	45.0	(28.6)	64,304	47.1	2.1	88,800	61.5	14.4
Others	43,555	74.8	7.2	80,400	106.1	31.3	84,622	119.9	13.8	78,000	120.2	0.3
TOTAL	480,287	67.0	3.3	463,655	60.1	(6.9)	471,486	60.8	0.7	491,000	63.1	2.3

NB: Net Loss Ratio (%) = (net claims paid + loss adjusting expenses) ÷ net premium income

### 3. Premiums & Claims by Class (excl. special factors)

\* This data excludes the impact of abolition of the gvt CALI reinsurance scheme and Fortress Re.

#### ·Net Premiums by Class (excl. special factors)

(Units: Yen million, %)

Class \ FY	FY2001		FY2002		FY2003		FY2004 Forecast	
		Change %		Change %		Change %		Change %
Fire	91,027	(1.7)	81,042	(11.0)	83,737	3.3	91,800	9.6
Marine	5,343	(1.3)	5,224	(2.2)	5,251	0.5	5,200	(1.0)
P.A.	51,867	(9.7)	49,887	(3.8)	49,090	(1.6)	49,200	0.2
Motor	488,179	(0.3)	490,025	0.4	471,792	(3.7)	466,200	(1.2)
CALI	78,548	(3.2)	83,180	5.9	86,942	4.5	90,600	4.2
Others	61,502	2.8	63,852	3.8	61,389	(3.9)	63,000	2.6
TOTAL	776,468	(1.2)	773,213	(0.4)	758,204	(1.9)	766,000	1.0

#### ·Net Claims Paid by Class (excl. special factors)

(Units: Yen million, %)

Class \ FY	FY2001			FY2002			FY2003			FY2004 Forecast		
		Loss ratio	Change		Loss ratio	Change		Loss ratio	Change		Loss ratio	Change
Fire	44,897	51.3	3.8	37,188	48.2	(3.1)	34,182	42.4	(5.8)	39,900	44.8	2.4
Marine	3,874	77.3	10.2	2,711	55.0	(22.3)	3,896	76.5	21.5	4,200	83.1	6.6
P.A.	20,186	43.7	(2.8)	18,767	42.8	(0.9)	17,790	40.4	(2.4)	17,400	39.4	(1.0)
Motor	286,134	63.5	(4.1)	273,352	60.4	(3.1)	266,689	61.3	0.9	262,700	61.2	(0.1)
CALI	49,354	73.6	0.1	50,630	70.5	(3.1)	49,077	65.7	(4.8)	48,400	62.2	(3.5)
Others	43,546	75.8	8.2	44,144	74.7	(1.1)	45,712	79.4	4.7	46,900	79.2	(0.2)
TOTAL	447,994	62.9	(1.4)	426,794	60.2	(2.7)	417,350	59.9	(0.3)	419,500	59.6	(0.3)

NB: Net Loss Ratio (%) = (net claims paid + loss adjusting expenses) ÷ net premium income

#### 4. Inwards Reinsurance Premiums & Claims by Class

##### • Inwards Reinsurance Premiums by Class

(Units: Yen million, %)

Class \ FY	FY2001		FY2002		FY2003		FY2004 Forecast	
		Change %		Change %		Change %		Change %
Fire	22,855	(10.9)	14,710	(35.6)	14,533	(1.2)	14,800	1.8
Marine	1,705	2.0	1,490	(12.6)	1,551	4.0	1,500	(3.3)
P.A.	752	774.8	289	(61.5)	907	213.7	900	(0.9)
Motor	14,554	18.0	19,234	32.2	13,460	(30.0)	9,100	(32.4)
CALI	37,578	(3.4)	92,855	147.1	113,937	22.7	116,500	2.2
Others	10,143	143.7	31,994	215.4	14,418	(54.9)	10,000	(30.6)
TOTAL	87,590	5.8	160,575	83.3	158,808	(1.1)	152,800	(3.8)

##### • Inwards Reinsurance Claims by Class

(Units: Yen million, %)

Class \ FY	FY2001			FY2002			FY2003			FY2004 Forecast		
		Loss ratio	Change		Loss ratio	Change		Loss ratio	Change		Loss ratio	Change
Fire	55,143	241.3	171.7	16,702	113.5	(127.8)	13,652	93.9	(19.6)	11,700	79.1	(14.8)
Marine	1,825	107.0	2.9	1,483	99.5	(7.5)	2,673	172.4	72.9	2,300	153.3	(19.1)
P.A.	165	22.1	(12.7)	294	101.9	79.8	181	20.0	(81.9)	300	33.3	13.3
Motor	10,419	71.6	5.7	12,966	67.4	(4.2)	12,407	92.2	24.8	7,400	81.3	(10.9)
CALI	49,354	131.3	1.0	51,236	55.2	(76.1)	64,304	56.4	1.2	88,400	75.9	19.5
Others	3,966	39.1	(37.2)	40,558	126.8	87.7	42,937	297.8	171.0	33,800	338.0	40.2
TOTAL	120,874	138.0	39.4	123,242	76.8	(61.2)	136,156	85.7	8.9	143,900	94.2	8.5



## 5. Breakdown of Net Operating Expenses

(Units: Yen million, %)

		FY2001			FY2002			FY2003			FY2004 Forecast		
			Change %	% of Premium		Change %	% of Premium		Change %	% of Premium		Change %	% of Premium
Loss Adjusting +	Personnel	104,252	(2.9)	13.4	102,543	(1.6)	12.3	96,036	(6.3)	11.5	96,500	0.5	11.5
	Non-Personnel	83,763	0.9	10.8	80,708	(3.6)	9.6	77,197	(4.3)	9.2	77,100	(0.1)	9.2
Op. Expenses & SG&A	Tax etc.	11,310	(3.0)	1.5	10,813	(4.4)	1.3	10,477	(3.1)	1.3	10,400	(0.7)	1.2
	TOTAL	199,326	(1.3)	25.6	194,065	(2.6)	23.2	183,711	(5.3)	22.0	184,000	0.2	22.0
Operating expenses and SG&A relating to insurance underwriting		150,247	(3.1)	19.3	146,539	(2.5)	17.5	138,602	(5.4)	16.6	139,000	0.3	16.6
Various fees and collection costs		152,423	5.7	19.6	148,746	(2.4)	17.8	141,255	(5.0)	16.9	139,500	(1.2)	16.7
Operating Expenses		302,670 (295,912)	1.1 0.0	38.9 (38.1)	295,286 (293,316)	(2.4) (0.9)	35.3 (37.9)	279,858 (279,516)	(5.2) (4.7)	33.5 (36.9)	278,500 (278,400)	(0.5) (0.4)	33.3 (36.3)

NB: Figures in brackets exclude Special Factors (abolition of gvt CALI reinsurance & Fortress Re related impact)

## 6. Catastrophe Reserves

(Units: Yen million, %)

Period / Class	FY2001		FY2002		FY2003	
	(% of premium)	Change	(% of premium)	Change	(% of premium)	Change
Fire	59,075 ( 65.8)	(31,134)	61,359 ( 77.0)	2,283	65,587 ( 79.7)	4,228
Marine	3,775 ( 70.6)	(398)	3,941 ( 75.4)	166	3,370 ( 64.2)	(570)
P.A.	25,585 ( 49.3)	49	25,549 ( 51.2)	(35)	26,969 ( 54.9)	1,420
Motor	67,228 ( 13.8)	(1,827)	78,889 ( 16.1)	11,661	84,240 ( 17.9)	5,350
Others	16,848 ( 27.0)	(2,165)	14,695 ( 18.6)	(2,153)	14,056 ( 19.2)	(638)
TOTAL	172,512 ( 24.7)	(35,476)	184,435 ( 26.2)	11,922	194,225 ( 28.5)	9,790

% of premium = o/s catastrophe reserve ÷ net premium income (excl. dwelling EQ / CALI) × 100

## 7. Asset Evaluation (Loans)

(Units: Yen million, %)

	FY2002 (Share)	FY2003 (Share)	Change (Share)
TOTAL	364,359 ( 100.0)	352,977 ( 100.0)	(11,382) ( -)
Total non-classified assets	334,289 ( 91.7)	324,433 ( 91.9)	(9,856) ( +0.2)
Total classified assets	30,070 ( 8.3)	28,544 ( 8.1)	(1,526) ( -0.2)
Class II	18,539 ( 5.1)	18,438 ( 5.2)	(101) ( +0.1)
Class III	10,006 ( 2.7)	8,641 ( 2.4)	(1,365) ( -0.3)
Class IV	1,523 ( 0.4)	1,463 ( 0.4)	(59) ( -)

## 8. Debt Subject to Risk Control

(Units: Yen million, %)

	FY2002	FY2003	Change
Total debt subject to risk control	25,159	24,627	(532)
Debts with failed companies	314	158	(155)
Debts overdue	20,101	18,314	(1,786)
Debts overdue for more than 3 months	872	642	(229)
Loans with eased conditions	3,872	5,512	1,639
Loans	364,359	352,977	(11,382)
As a proportion of loans	6.9	7.0	0.1

## 9. Long-Lived Assets

(Unit: Yen million)

	FY2002	FY2003	Change
Long-lived assets	800,275	732,168	(68,106)

## 10. Securities

(1) Latent profit/loss on securities (Unit: Yen billion)

	FY2002	FY2003	Change
Government & corp. bonds	15.2	3.6	- 11.5
Shares	21.6	223.8	202.2
Overseas securities	- 0.7	- 14.9	- 14.1
Other	- 8.2	5.7	14.0
<b>TOTAL</b>	<b>27.8</b>	<b>218.3</b>	<b>190.5</b>

Note: Monetary debt purchased is included within 'Other'

(2) Impairment loss on revaluation of securities (Unit: Yen billion)

	FY2002	FY2003	Change
Government & corp. bonds	-	-	-
Shares	28.8	0.8	-27.9
Overseas securities	0.8	0.0	-0.7
Other	0.4	-	-0.4
<b>TOTAL</b>	<b>30.2</b>	<b>0.9</b>	<b>-29.2</b>

## 11. Other

(1) Losses from Motor Theft (Unit: Yen billion)

	FY2002	FY2003	Change
No. of payments made	6,825	7,379	554
Claims paid	6.8	6.9	0.1
Loss reserves	1.2	1.1	0.0

Note: Own portion of contracts where Aioi is the lead insurer (direct basis)

(2) Impact of natural disasters (Unit: Yen billion)

	FY2002	FY2003	Change
Direct claims	2.4	2.0	-0.3
Net claims	2.1	1.6	-0.5
Outstanding claims*	0.1	0.0	0.0

\* Outstanding Claims = net after claims reserves and recoveries

Note: no large losses from natural disasters