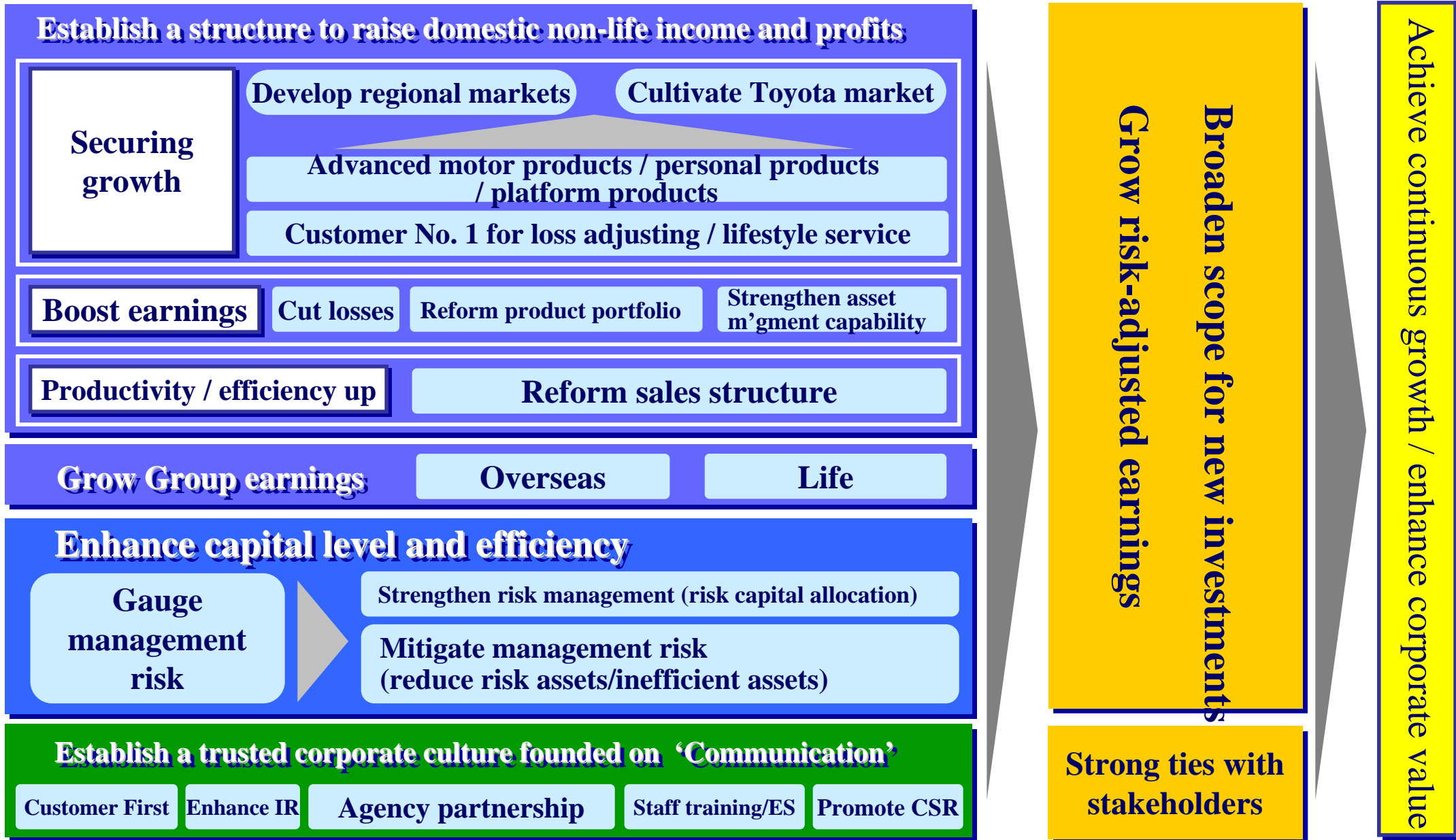


## II. Business Strategy

## 1. Pillars of strategy



## 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<br>(¥758.2bn)   | ¥837.0bn<br>(¥766.0bn) | ¥856.0bn<br>(¥783.0bn) | ¥19.5bn<br>(¥24.8bn) |
|                   | YoY %<br>0.0%<br>(-1.9%) | 0.0%<br>(1.0%)         | 2.3%<br>(2.2%)         | 2.3%<br>(3.3%)       |
| Loss ratio        | 60.8%<br>(59.9%)         | 63.1%<br>(59.6%)       | 62.2%<br>(58.7%)       | 1.4P<br>(-1.2P)      |
| Net expense ratio | 33.5%<br>(36.9%)         | 33.3%<br>(36.3%)       | 32.7%<br>(35.7%)       | -0.8P<br>(-1.2P)     |
| Combined ratio    | 94.3%<br>(96.8%)         | (96.3%)<br>(95.9%)     | 94.9%<br>(94.4%)       | 0.6P<br>(-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<br>(Lower: change %) | FY2003              | FY2004             | FY2005              | Change 2003-05     |
|--------------------------------------|---------------------|--------------------|---------------------|--------------------|
| Motor                                | ¥465.4bn<br>(-2.2%) | ¥466.0bn<br>(0.1%) | ¥473.0bn<br>(1.5%)  | ¥7.6bn<br>(1.6%)   |
| CALI                                 | ¥145.3bn<br>(2.0%)  | ¥147.0bn<br>(1.2%) | ¥150.0bn<br>(2.0%)  | ¥4.7bn<br>(3.2%)   |
| Fire                                 | ¥91.1bn<br>(6.0%)   | ¥95.0bn<br>(4.3%)  | ¥104.5bn<br>(10.0%) | ¥13.4bn<br>(14.7%) |
| Personal<br>(Third Sector)           | ¥39.9bn<br>(2.5%)   | ¥44.0bn<br>(10.4%) | ¥47.0bn<br>(6.8%)   | ¥7.1bn<br>(17.8%)  |
| Miscellaneous<br>Accident            | ¥63.9bn<br>(-1.4%)  | ¥64.5bn<br>(1.0%)  | ¥62.0bn<br>(-3.9%)  | -¥1.9bn<br>(-3.0%) |
| Marine                               | ¥8.5bn<br>(0.3%)    | ¥8.5bn<br>(0.4%)   | ¥8.5bn<br>(0.0%)    | ¥0bn<br>(0.0%)     |
| General Classes                      | ¥813.9bn<br>(-0.3%) | ¥825.0bn<br>(1.4%) | ¥845.0bn<br>(2.4%)  | ¥31.1bn<br>(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<br>— <i>Speed kaiketsu 3 kyoudai</i> — | <b>Sector first</b> | <i>Omoiyari</i> rider<br>< 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<br>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

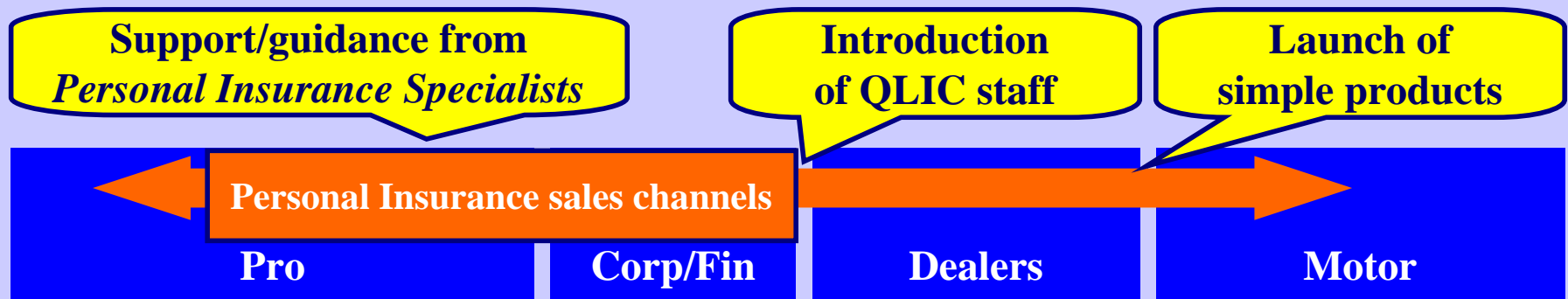
Sector first *Prime Doctor Service* (specialist doctor introduction service)

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 |

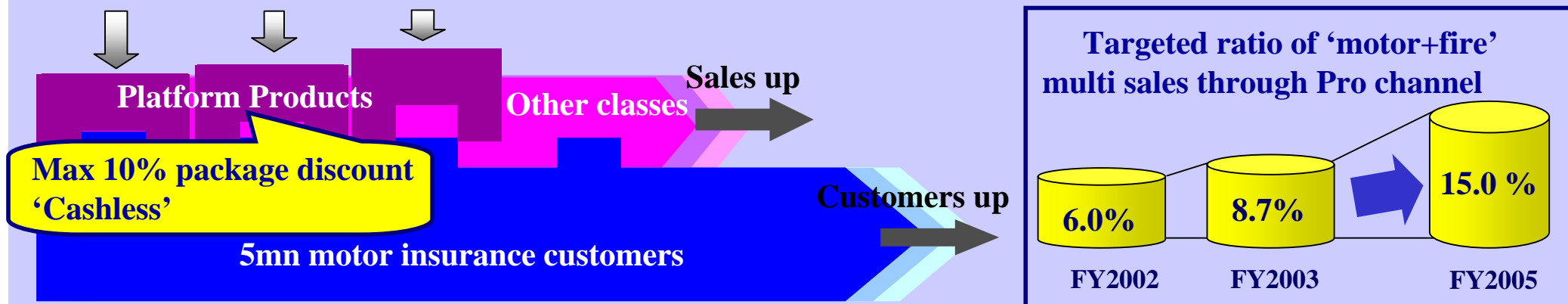


## 3. Securing growth (2) Product strategy

### (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

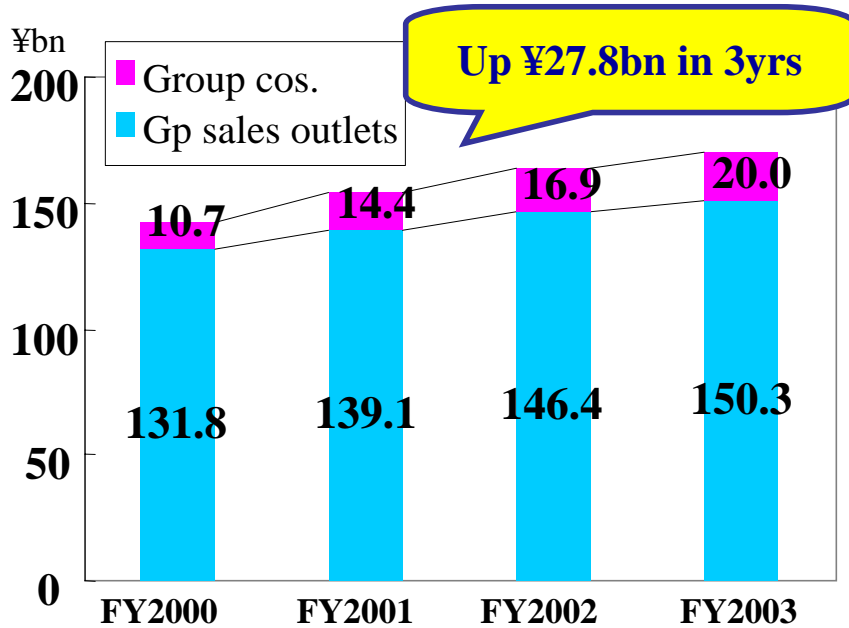
|                      |                            |
|----------------------|----------------------------|
| Personal market      | Home Comprehensive         |
| Small-mid co. market | Traders Comprehensive      |
| Construction market  | Construction Comprehensive |

|                   | 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.

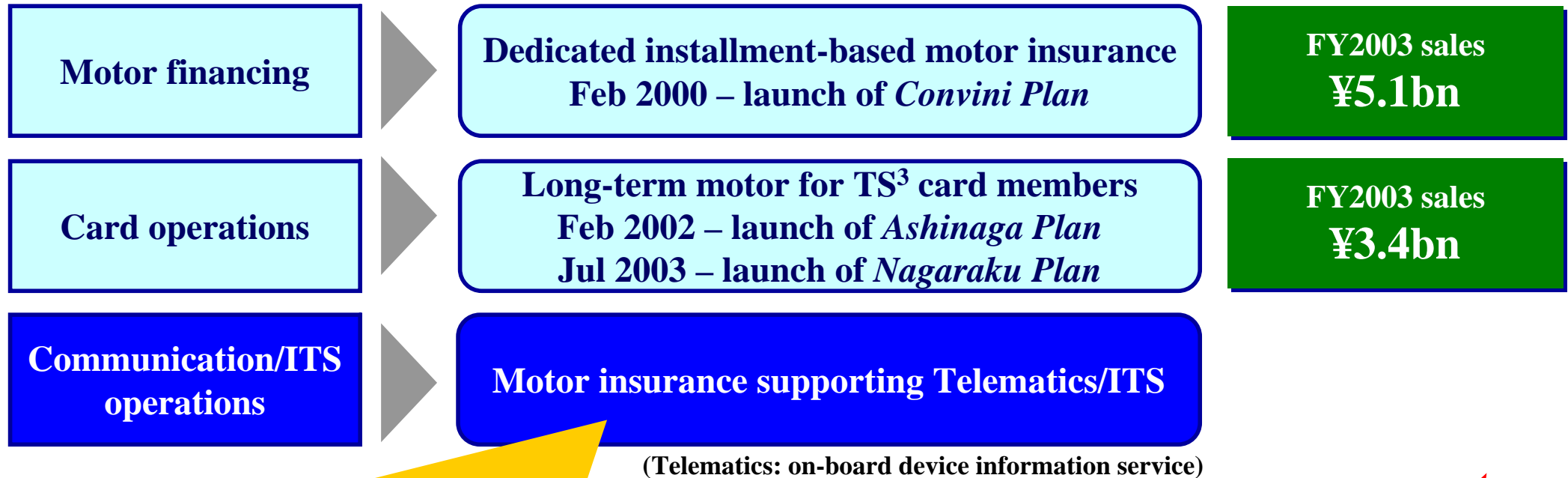
Steady share building in Toyota Group property/  
group insurance markets  
Expanded selling of long-term fire insurance with  
home loan for Toyota Home customers



### 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**

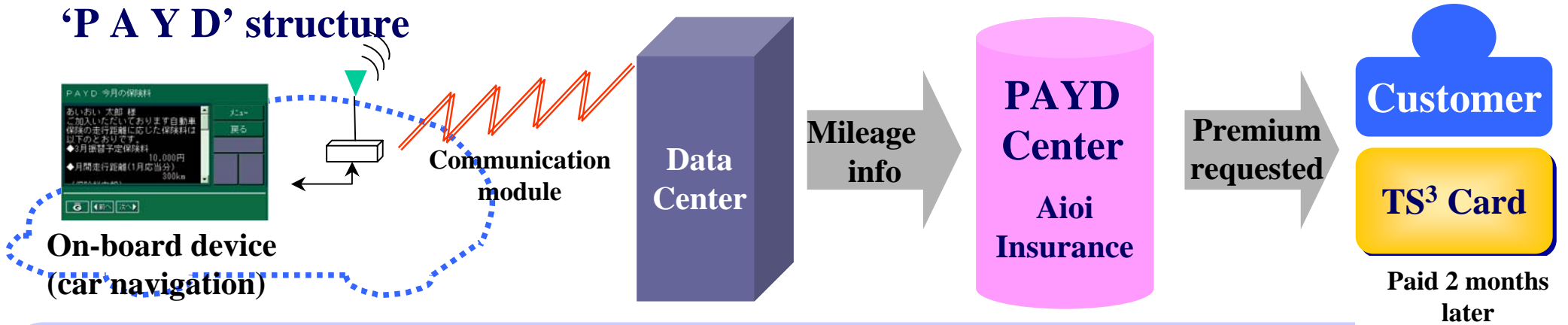
**‘P A Y D’ (= Pay As You Drive)**

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

**Sector 1st**

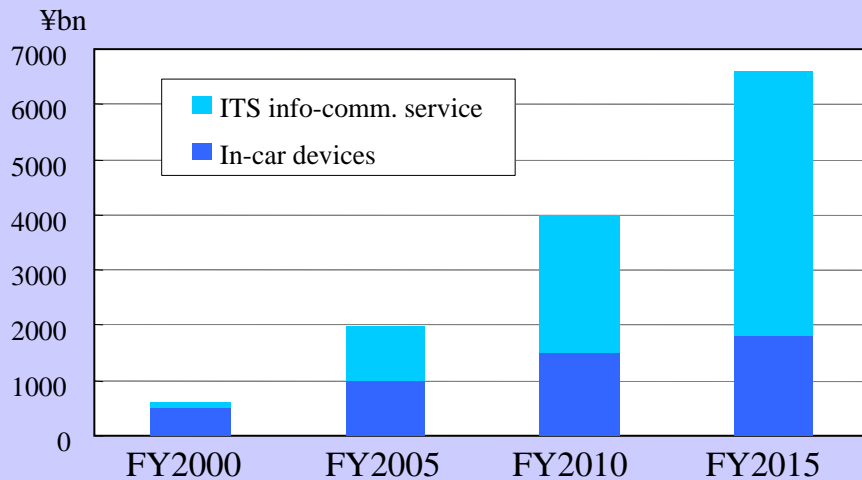
## 3. Securing growth (2) Channel/market strategy

### (1) Toyota market strategy

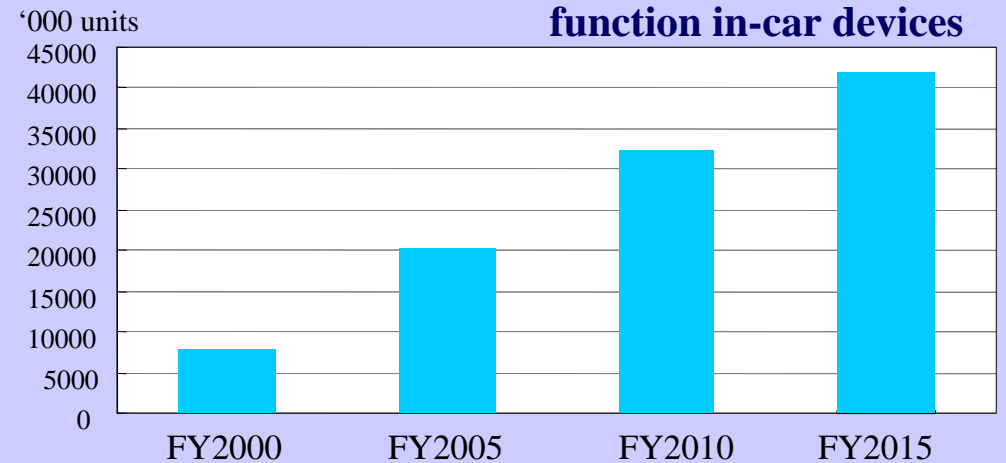


### Telematics market forecast

#### 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

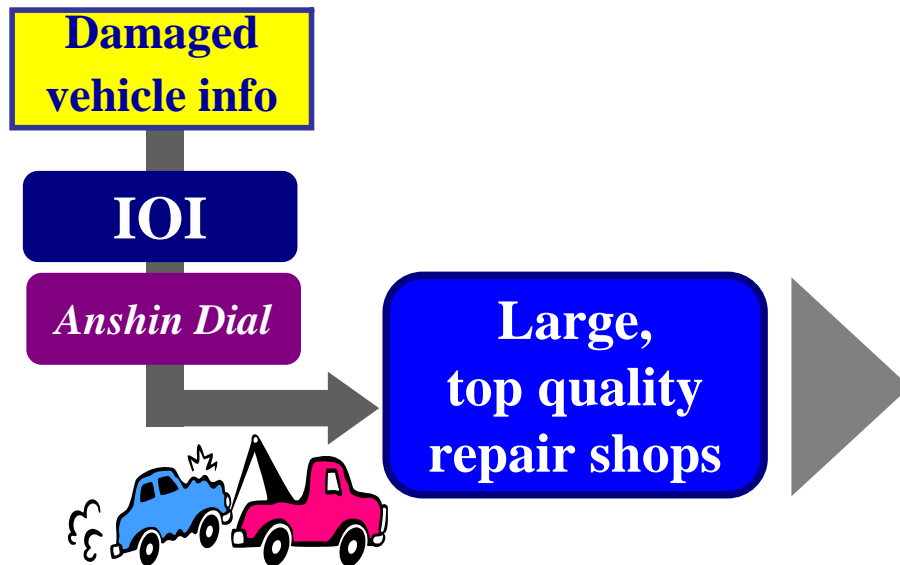
Introduce damaged cars to repair network and shift to large repair shops

#### 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**

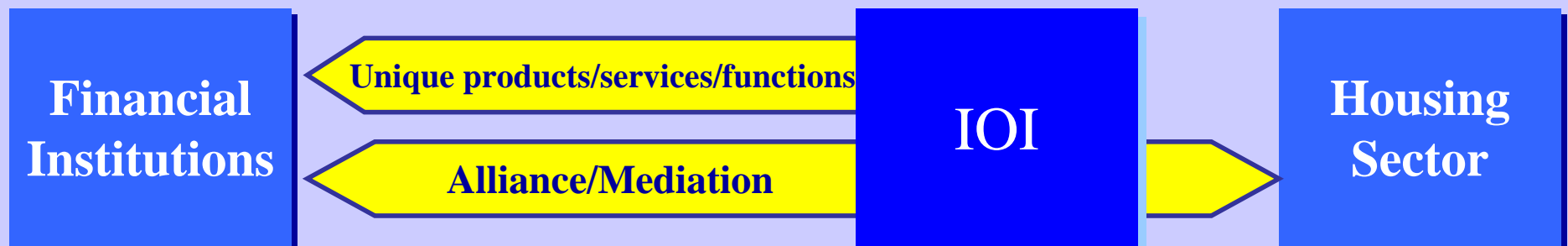
**20**

**Promote functional alliances**

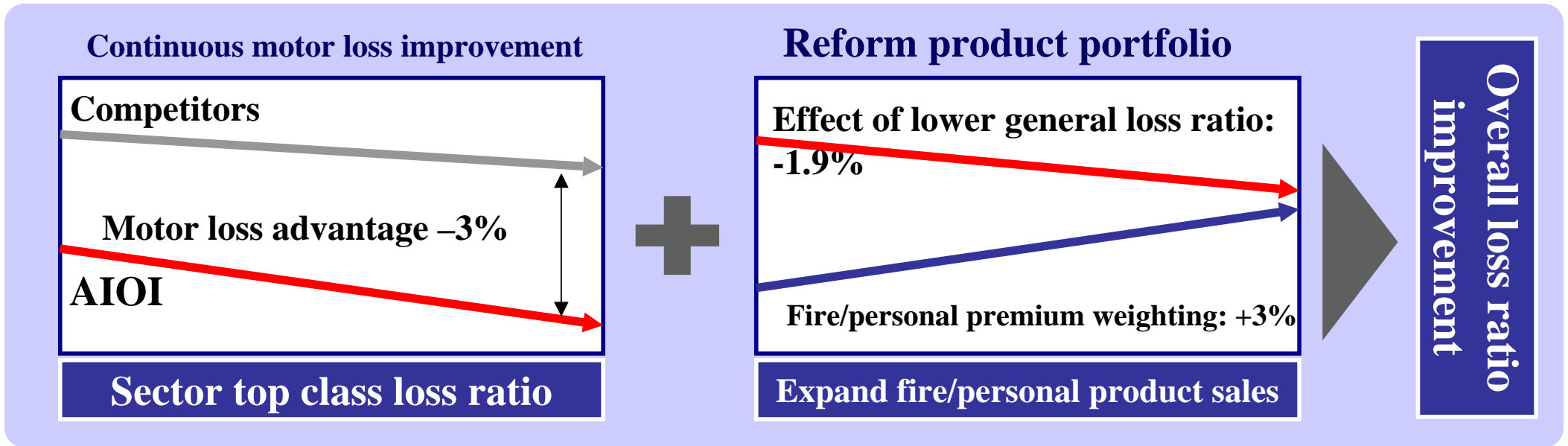
Open up ‘IOI Service Network’ to loan customers

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

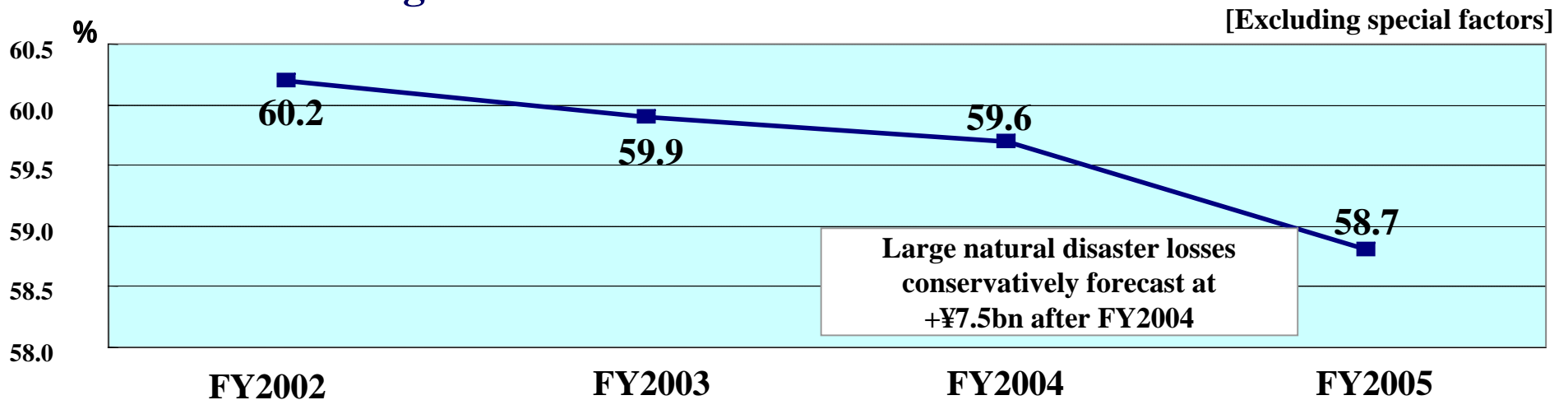
Introduce home loan customers through alliance/mediation with the housing sector, where Aioi has a large market share



## 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**

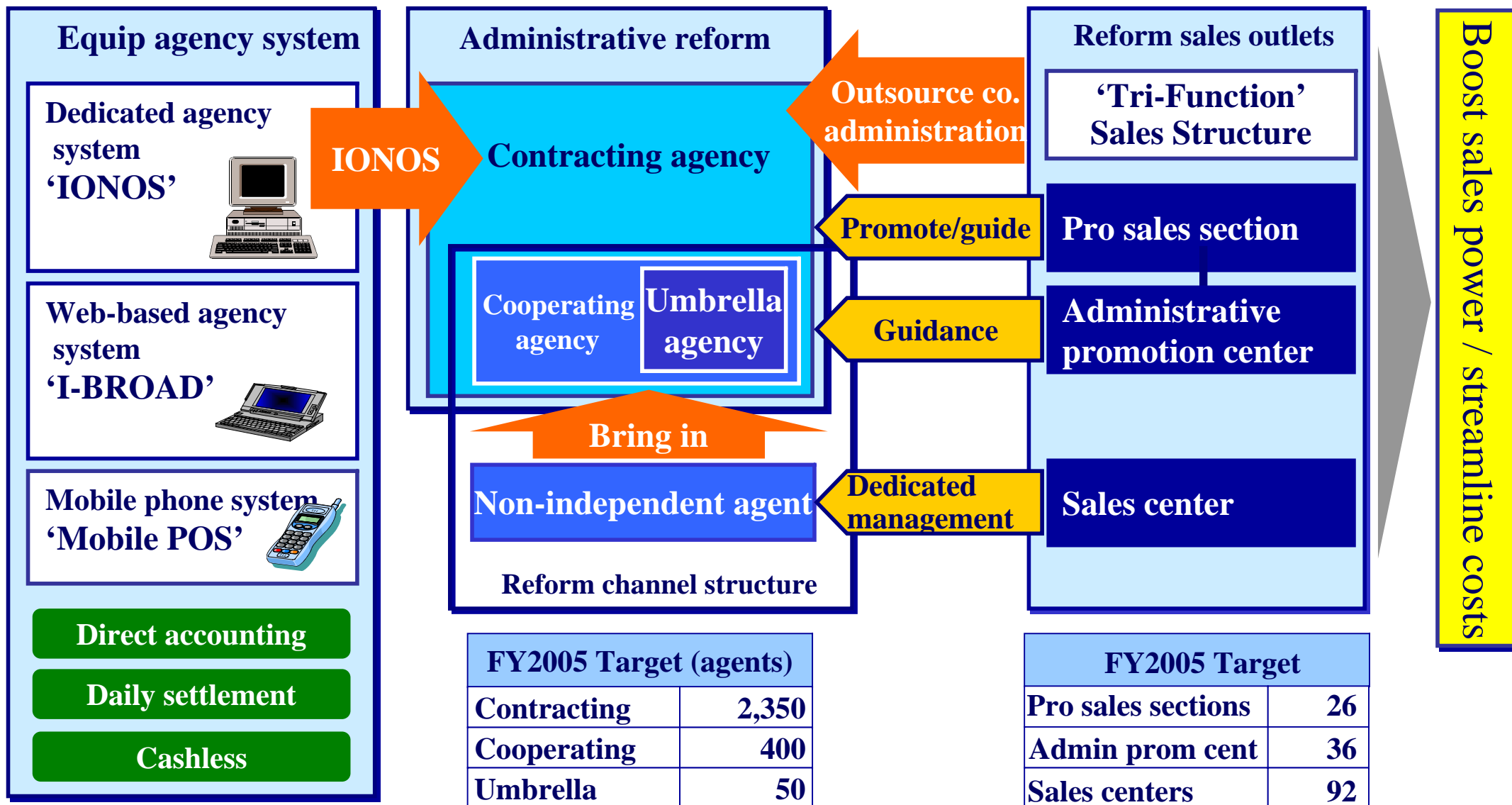
**Strengthen ALM (focused on insurance liability aspects) in response to across-the-board introduction of CVA**

**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

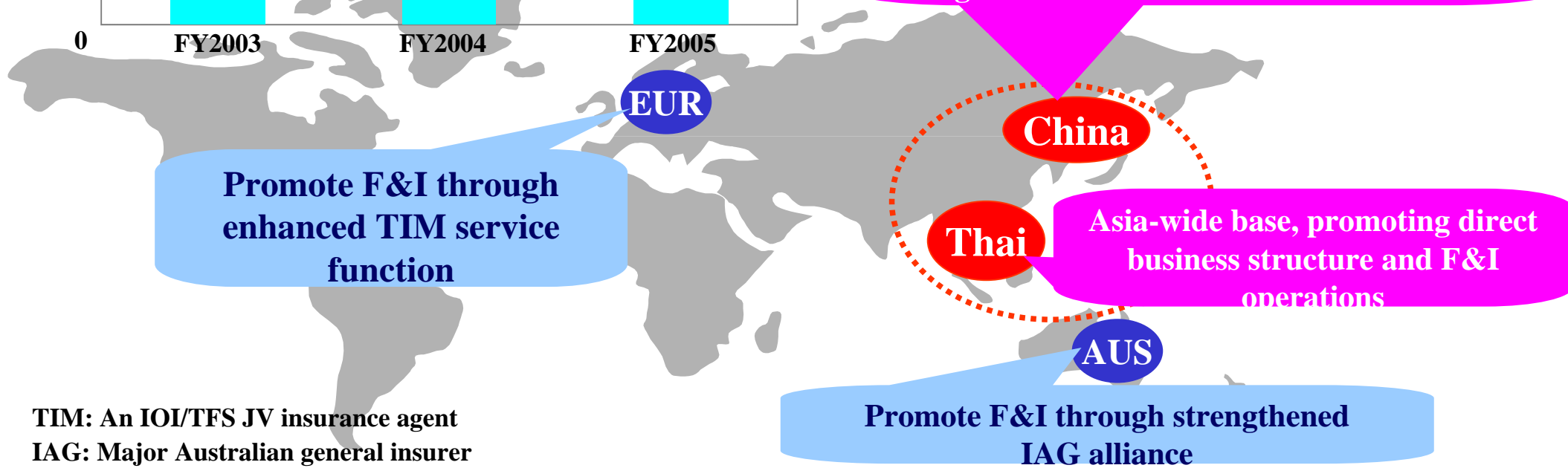
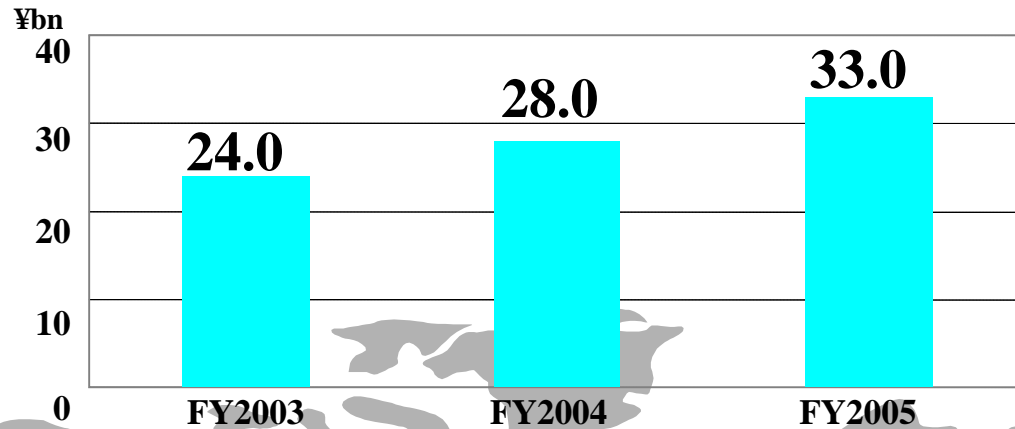




## 6. Expanding Group earnings (1) Overseas strategy

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



## 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

|    |  |       |    |
|----|--|-------|----|
| 1  | FY2003 Earnings Summary                            | ..... | P1 |
| 2  | Premiums & Claims by Class                         | ..... | P2 |
| 3  | Premiums & Claims by Class (excl. special factors) | ..... | P3 |
| 4  | Inwards Reinsurance Premiums & Claims by Class     | ..... | P4 |
| 5  | Breakdown of Net Operating Expenses                | ..... | P5 |
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| 10 | Securities   | ..... | P7 |
| 11 | Other  | ..... | P7 |

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 |
|------------------------------------|

|                        |             |             |             |              |
|------------------------|-------------|-------------|-------------|--------------|
| <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> |

| 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<br>(295,912) | 1.1<br>0.0 | 38.9<br>(38.1) | 295,286<br>(293,316) | (2.4)<br>(0.9) | 35.3<br>(37.9) | 279,858<br>(279,516) | (5.2)<br>(4.7) | 33.5<br>(36.9) | 278,500<br>(278,400) | (0.5)<br>(0.4) | 33.3<br>(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