



ANNUAL REPORT 2009

Aoi Insurance Co., Ltd.



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Profile

Aioi Insurance Company, Limited (hereinafter “Aioi Insurance”) was formed in April 2001 from the merger of two long-established non-life insurance companies, The Dai-Tokyo Fire & Marine Insurance Co., Ltd. and The Chiyoda Fire & Marine Insurance Co., Ltd. Our company name, which means “living and growing together” in Japanese, reflects our desire to grow together with our customers, agencies and shareholders. On a consolidated basis with net premiums written of ¥829 billion (\$8,440 million) and total assets of ¥2,804 billion (\$28,546 million), Aioi Insurance is one of Japan’s major non-life insurance companies. Through our domestic subsidiaries and affiliates, we also offer life and personal insurance, operate nursing care facilities and provide various insurance support services.

Aioi Insurance boasts a comprehensive nationwide network of 473 sales offices*¹ under 107 sales branch offices*¹, 199 claim service centers and offices*¹, and 39,384 agencies*². This domestic network helps the Company develop products and services tailored to evolving consumer demands.

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

We also operate overseas offices in 20 major cities*¹ worldwide to assist policyholders who travel, live or work abroad.

Figures are based on fiscal 2008 financial results.

*¹ As of July 1, 2009

*² As of May 31, 2009

CAUTIONARY NOTE: FORWARD-LOOKING STATEMENTS

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

Corporate Philosophy

We aim to be a company that grounds its operations with the spirit of “co-awareness, co-creativity and co-existence” and contributes to social stability, economic development and living standards as a comprehensive service company that provides security and offers protection against risk.

We aim to be a company that listens to what individual customers say, swiftly responds to changes of the times and continues to create new value in order to achieve continued growth.

We aim to enhance corporate value and increase public confidence by practicing solid and sound management.

We aim to be a company that is innovative and full of creativity and dynamism by creating a culture that nurtures the personal characteristics and talent of individual employees.

Mission

Always There for the Customer

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

Number One on the Road

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

Peace of Mind, Health and Prosperous Lifestyles

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

Sustained Growth Founded on High Efficiency and Enhanced Corporate Value

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

Committed to the Spirit of Dynamism and Challenge to Become an Industry Pioneer

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



Financial Highlights

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

CONSOLIDATED FINANCIAL HIGHLIGHTS	Millions of Yen		Thousands of U.S. Dollars*
	2009	2008	2009
Net premiums written	¥ 829,147	¥ 871,589	\$ 8,440,881
Interest and dividend income	51,007	89,297	519,268
Net loss	(10,943)	(3,172)	(111,408)
Total equity	266,868	422,392	2,716,773
Total assets	¥2,804,162	¥2,987,234	\$28,546,905

* U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥98.23 to U.S.\$1 at March 31, 2009.

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS	Millions of Yen		Thousands of U.S. Dollars*
	2009	2008	2009
Net premiums written	¥ 816,693	¥ 851,849	\$ 8,314,096
Interest and dividend income	42,982	81,864	437,568
Net income (loss)	(9,550)	7,171	(97,228)
Total equity	291,727	441,106	2,969,839
Total assets	¥2,419,760	¥2,638,595	\$24,633,625

* U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥98.23 to U.S.\$1 at March 31, 2009.

	%	
	2009	2008
Net loss ratio	64.96	62.23
Net expense ratio	34.58	33.27



Message from the President



Aioi Insurance is seizing the opportunities created by the harsh operating environment, while improving the quality of all aspects of its operations and reinforcing profit-generating capabilities to build a business foundation for continuous growth.

We wish to thank all of our stakeholders for their continuing support. Since its formation, Aioi Insurance's business activities have been guided by the principles of "co-awareness, co-creativity and co-existence." As a company offering an integrated lineup of services, capable of shouldering risk and providing security, we aim to contribute to social stability, economic prosperity and the enrichment of lifestyles. For this, we consistently listen to the views of our customers to realize our goal of becoming the insurance company with which consumers feel most comfortable and familiar. Furthermore, we strive to respond quickly to change and are always seeking to create new value. Through sound and prudent management, we are working to enhance corporate value and earn the respect and trust of society at large.

IMPROVING THE QUALITY OF ALL ASPECTS OF OUR OPERATIONS AND REINFORCING PROFIT-GENERATING CAPABILITIES

In fiscal 2008, we pursued improvement of the quality of all aspects of our operations based on a two-year medium-term management plan called "Aioi Quality for the Customer," which we embarked on in fiscal 2007. On the product front, we steadily provided easy-to-understand personal line insurance products that reflect the customer feedback we have received. On the service front, which is key to maintaining customer trust as well as working to completely eliminate the occurrence of inadvertent non-payment of claims, we expanded the "Peace of Mind Call" program, which follows up claims to ensure case resolution and to provide customers with updates on the progress of their claim. We also bolstered measures to accelerate the resolution of long-term unresolved cases—particularly focusing on those cases that involve bodily injury—as part of a program to further raise the level of service quality. As a result, in a web site survey of customer satisfaction relating to accident claims, over 90% of Aioi Insurance customers reported that they were satisfied with our service response.

One of the main pillars of our growth strategy is the cross-selling of insurance products by leveraging our strengths in the automobile insurance market. In concrete terms, this means we aim to sell fire, third-sector and life insurance products to customers with whom we have already established trust through our automobile insurance products. We build this trust by appropriately and adequately explaining insurance products, and providing speedy, understandable insurance claims processing services. By reforming our earnings structure—based on strategic focus on selected businesses—we aim to realize a high level of profitability, and win the sustained support of our customers and shareholders.

In addition to ceaseless efforts to improve the quality of all aspects of our operations and measures to bolster earnings capabilities, management is also diligently working to reinforce such key areas as compliance, risk management and corporate social responsibility (CSR). As a good corporate citizen firmly rooted in local communities, we strive to fulfill our CSR by undertaking activities that contribute to society and by taking a proactive stance toward environmental issues. Aioi Insurance employees and directors will continue working in unison to build an insurance company that is close to communities and accessible to customers, as well as capable of providing a high level of customer satisfaction.

TOWARD SUSTAINED GROWTH

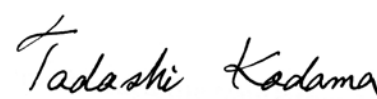
To secure sustained growth in a maturing domestic non-life insurance market, it is essential for us to diversify our business operations and take an increasingly global approach. Furthermore, to move beyond conventional wisdom as we strive to bolster the quality of all aspects of our operations, we must invest increased management resources. We anticipate economic conditions to become more severe as the global economy is battered by effects of the ongoing financial crisis. However, we view this harsh operating environment as an important opportunity. We see it as a

chance to transform the Company and move beyond the confines of the current industry framework.

Based on this shared view of the environment and a sense of urgency, on January 23, 2009, Aioi Insurance, Nissay Dowa General Insurance Company, Limited and Mitsui Sumitomo Insurance Group (Mitsui Sumitomo Insurance Group Holdings, Inc. and Mitsui Sumitomo Insurance Company, Limited) agreed to commence discussions on a possible business combination and business alliance, with the goal of forming a new insurance and financial group. These discussions have been initiated as the parties involved explore ways to establish unrivaled competitive advantage in the domestic market through the creation of greater investment capacity—driven by the quality of all aspects of our operations and efficiency gains—as well as expand their business presence on a global level. Aioi Insurance has also agreed to enter discussions with Nissay Dowa General Insurance relating to a merger between the two companies. The merged entity—one of the core companies of the newly formed group resulting from the business combination—will strive to enhance the value of the new group. Further details regarding the proposed business combination, business alliances and merger are provided in other parts of this annual report. We are committed to realizing a fruitful outcome from these discussions and will pursue efforts to this end expeditiously and to the fullest of our ability.

As I have outlined above, the year ending March 31, 2010, is likely to be a momentous one for Aioi Insurance. In these endeavors, we look forward to your ongoing understanding and support.

August 2009



Tadashi Kodama
Representative Director and President



Business Combination and Business Alliance

Way towards World Leading Insurance and Financial Group

Aioi Insurance, Nissay Dowa General Insurance Company, Limited and Mitsui Sumitomo Insurance Group (Mitsui Sumitomo Insurance Group Holdings, Inc. and Mitsui Sumitomo Insurance Company, Limited) reached an agreement on January 23, 2009 to commence discussions on a possible business combination and business alliance with the goal of forming a new insurance and financial group, subject to shareholder and regulatory approvals. These three companies seek to achieve sustainable growth and enhance enterprise value by rapidly and dramatically enhancing and expanding the quality and quantity of their respective operational bases and management resources to create a globally operating and world-leading insurance and financial group.



VISION OF BUSINESS GROUP

1. The three companies believe that the vision described below will enable the business group to realize the above objectives:

- (1) To enable customers and business partners to enjoy and rely on high-quality products and services
- (2) To have shareholders understand and realize the future potential for profitability and growth
- (3) To help employees attain job satisfaction and grow through their jobs

- (4) To gain the confidence of insurance agents as partners and grow together
 - (5) To contribute to the harmony of local and international communities and the preservation of the natural environment
2. To take advantage of the respective strengths of the three companies and provide high-quality products and services to customers in all markets.

THREE COMPANIES' STRENGTH

Aioi Insurance

- The strong operational base of the Toyota Group
- A high level of profitability from automobile insurance centering on the Toyota market
- Ability to develop retail market on local basis and high-quality claim services

Mitsui Sumitomo Insurance Group

- The strong operational base centered on the Mitsui Group and the Sumitomo Group
- Wide-ranging domestic and overseas businesses centering on the domestic non-life insurance business (life insurance, overseas, financial services, risk-related businesses, etc.)
- A business foundation that leverages the overall capabilities of the Group

Nissay Dowa General Insurance

- The strong operational base of the Nippon Life Insurance Group
- Growth ability that is among the top in the industry through the cultivation of business with individuals and small & medium-sized companies through Nippon Life Insurance Company's sales staff, as well as through development of business with large companies, financial institutions and government agencies through collaboration with Nippon Life Insurance Company

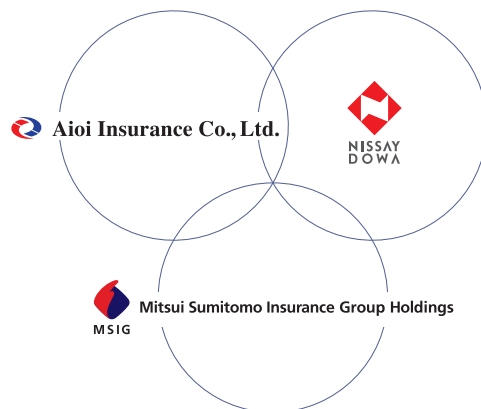
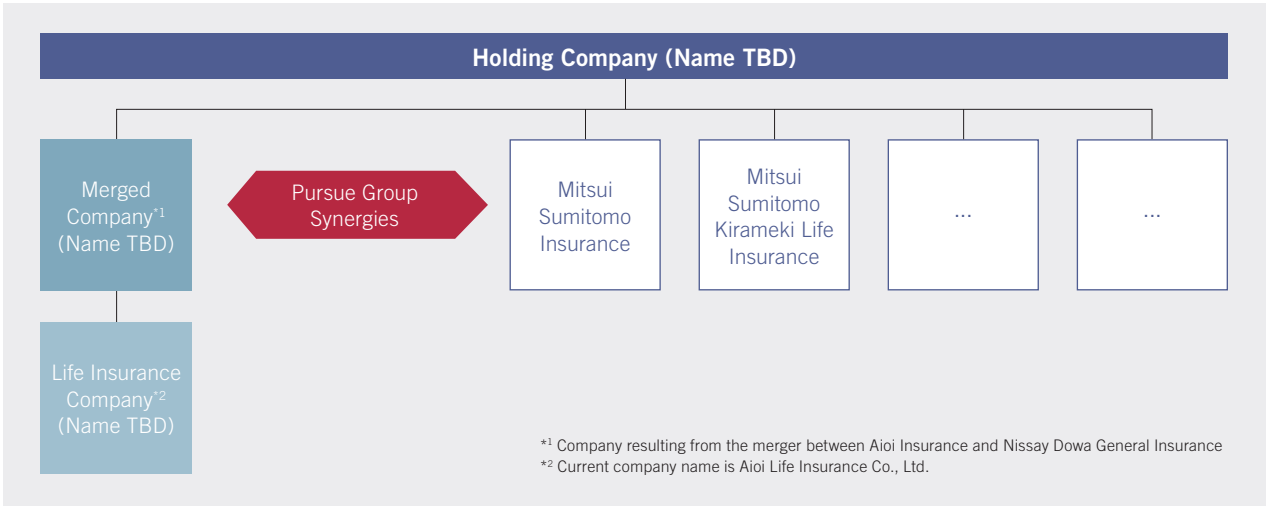


IMAGE OF BUSINESS COMBINATION AND BUSINESS ALLIANCE

The three companies aim to implement the business combination in April 2010 by way of a holding company structure and also aim to implement the merger between Aioi Insurance and Nissay Dowa General Insurance on the same day as the business combination.



BUSINESS ALLIANCE

The three companies aim to establish business alliances in the following areas in the near future in pursuit of group synergies:

- Jointly establish and expand global businesses and new areas of business
- Share various critical systems and server systems
- Joint use of the risk consulting subsidiaries
- Joint use of subsidiaries that provide claims handling services

In addition to the areas mentioned above, we aim to move forward with promotion and expansion of business alliances which are expected to have synergy effects.



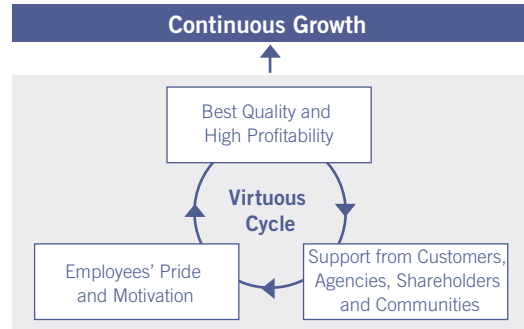


Fiscal 2009 Management Policy

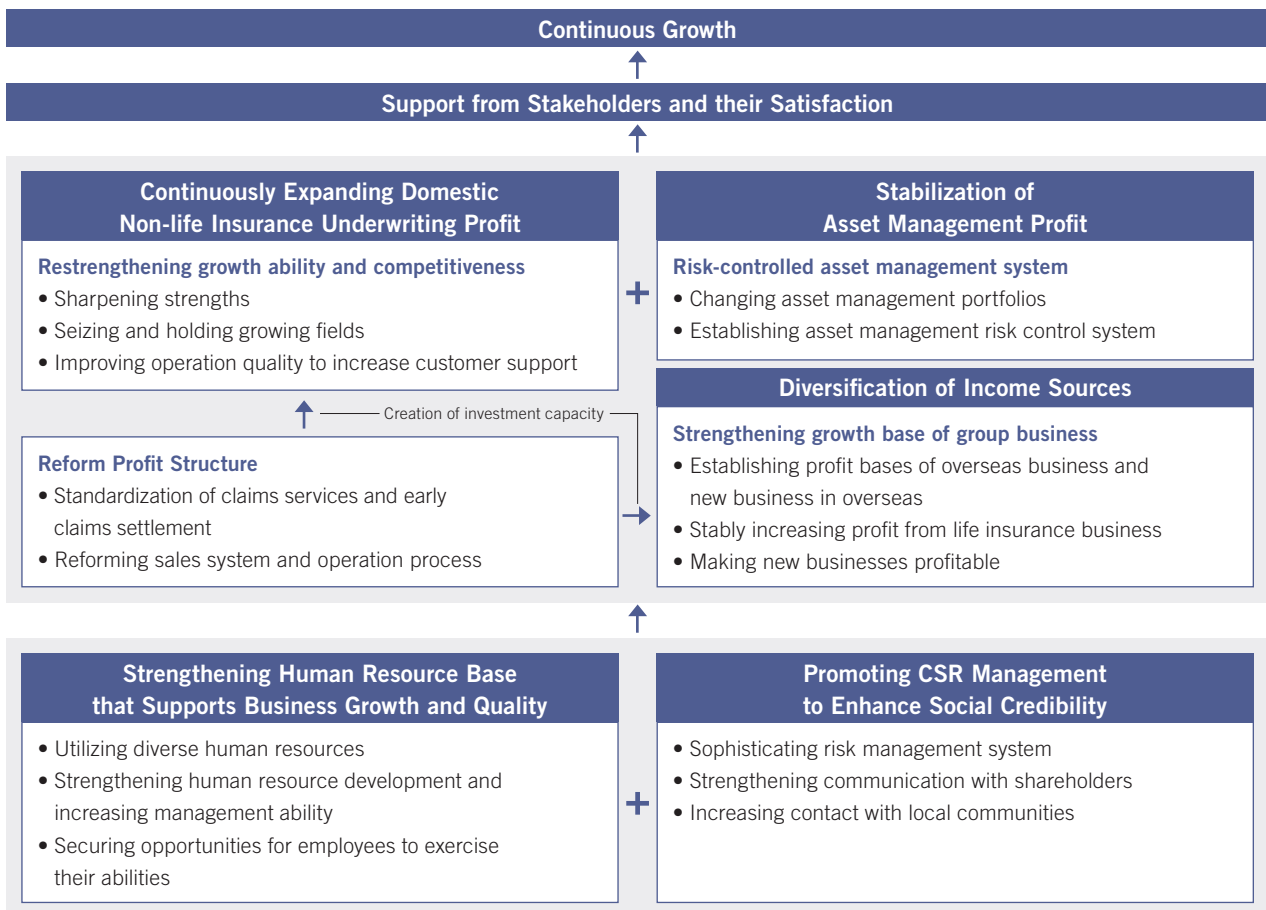
Steadily grow our insurance group based on the support of all stakeholders by realizing the best quality and high profitability

SPECIFIC INITIATIVES AND ISSUES IN FISCAL 2009

- Restrengthen growth ability and competitiveness of domestic non-life insurance business and reform profit structure
- Establish risk-controlled asset management system
- Strengthen growth base of group business to diversify income sources
- Strengthen human resource base that supports business growth and quality, and promote CSR management to enhance social credibility
- Work promptly on business combination by sharing the same goal



BASIC CONCEPTS OF FISCAL 2009 MANAGEMENT STRATEGY



FISCAL 2009 MANAGEMENT TARGETS

CONSOLIDATED OPERATIONS	¥ billion
Ordinary income	20.0
Net income	8.0

NON-LIFE INSURANCE OPERATIONS	¥ billion/%
Net premiums written	818.0
Overseas premiums written	44.7
Net loss ratio	64.6%
Net expense ratio	35.1%
Combined ratio	99.8%
Ordinary income	22.0
Net income	10.0

LIFE INSURANCE OPERATIONS	¥ billion
Value of new individual insurance and individual pension contracts	1,026.0
Value of policies in force	8,161.0