





# Six-Year Financial Summary

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

Consolidated	Millions of Yen						Thousands of U.S. Dollars <sup>1</sup>
	2009	2008	2007	2006	2005	2004	2009
Net premiums written	¥ 829,147	¥ 871,589	¥ 868,907	¥ 847,008	¥ 838,740	¥ 843,552	\$ 8,440,881
Interest and dividend income	51,007	89,297	57,503	48,372	44,427	40,344	519,268
Net income (loss)	(10,943)	(3,172)	16,187	20,791	19,701	29,359	(111,408)
Total shareholders' equity <sup>2</sup>	—	—	—	624,103	445,147	435,597	—
Total equity <sup>2</sup>	266,868	422,392	620,731	624,154	—	—	2,716,773
Total assets	2,804,162	2,987,234	3,082,676	3,008,838	2,797,920	2,791,994	28,546,905

	Yen						U.S. Dollars <sup>1</sup>
Equity per share	¥363.24	¥574.83	¥845.07	¥849.84	¥609.31	¥596.01	\$3.69
Net income (loss) per share	(14.90)	(4.31)	22.04	28.37	26.96	39.67	(0.15)

<sup>1</sup> 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.

<sup>2</sup> Effective year ended March 31, 2007, a new accounting standard for presentation of equity was applied. According to this change, "equity" is indicated instead of "total shareholders' equity" from the year ended March 31, 2007.

Non-Consolidated	Millions of Yen						Thousands of U.S. Dollars <sup>1</sup>
	2009	2008	2007	2006	2005	2004	2009
Net premiums written	¥ 816,693	¥ 851,849	¥ 851,238	¥ 834,284	¥ 827,807	¥ 836,596	\$ 8,314,096
Net income	(9,550)	7,171	18,874	19,750	16,132	27,322	(97,228)
Total equity <sup>2</sup>	291,727	441,106	628,680	630,663	452,040	446,820	2,969,839
Total assets	2,419,760	2,638,595	2,784,898	2,761,116	2,569,113	2,597,891	24,633,625
Net loss ratio	64.96%	62.23%	62.44%	62.71%	64.58%	60.80%	
Net expense ratio	34.58%	33.27%	32.66%	33.07%	33.15%	33.45%	

	Yen						U.S. Dollars <sup>1</sup>
Equity per share	¥397.23	¥600.59	¥855.93	¥858.77	¥618.75	¥611.37	\$4.04
Net income per share	(13.00)	9.76	25.69	26.95	22.07	36.91	(0.13)
Cash dividends per share	10.00	10.00	10.00	10.00	8.00	8.00	0.10

<sup>1</sup> 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.

<sup>2</sup> Effective year ended March 31, 2007, a new accounting standard for presentation of equity was applied. This change makes no difference between "equity" and previously presented "total shareholders' equity" in non-consolidated basis.



# Review of Operations

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

## OPERATING ENVIRONMENT

The Japanese economy entered an unprecedented recession due to the economic impact of the worldwide financial crisis started in the U.S. during the fiscal year ended March 31, 2009. Deterioration in earnings resulted in greatly decreasing corporate capital expenditure, and the uncertain future of the economy such as worsened employment conditions negatively influenced consumer spending.

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

The total operating income decreased by ¥81.0 billion to ¥1,085.3 billion, the ordinary loss increased by ¥14.4 billion to ¥23.0 billion, and the net loss increased by ¥7.7 billion to ¥10.9 billion, as compared to the previous fiscal year.

Brief analyses of underwriting income and expenses, investment, and operating and general administrative expenses are given below.

### 1. Analysis of Underwriting Income and Expenses

#### Underwriting Income

Underwriting income decreased by 5.1% to ¥985.7 billion, and net premiums written decreased by 4.9% to ¥829.1 billion as compared to the previous fiscal year. The following chart outlines the breakdown by the class of business.

#### Net Premiums Written

Class of Business	Millions of Yen		
	Years ended March 31,		
	2009	2008	Change
Fire and Allied Lines	¥102,633	¥100,423	2.2%
Marine	5,430	6,459	(15.9)
Personal Accident	46,015	47,893	(3.9)
Voluntary Automobile	477,499	488,852	(2.3)
Compulsory Automobile Liability	119,731	149,545	(19.9)
Other	77,836	78,413	(0.7)
<b>Total</b>	<b>¥829,147</b>	<b>¥871,589</b>	<b>(4.9)%</b>

Note: Any figures are amounts after the offset of inter-segment transactions.

Premiums for maturity of refundable portion of long-term insurance decreased by 11.5% to ¥52.9 billion as compared to the previous fiscal year, and life insurance premiums also decreased by 1.1% to ¥71.2 billion.

#### Underwriting Expenses

Underwriting expenses decreased by 8.0% to ¥824.7 billion, and net claims paid decreased by 1.5% to ¥501.5 billion. The following chart outlines the breakdown by the class of business.

#### Net Claims Paid

Class of Business	Millions of Yen		
	Years ended March 31,		
	2009	2008	Change
Fire and Allied Lines	¥ 35,078	¥ 36,171	(3.0)%
Marine	3,363	3,632	(7.4)
Personal Accident	21,468	20,395	5.3
Voluntary Automobile	287,159	290,622	(1.2)
Compulsory Automobile Liability	100,283	100,168	0.1
Other	54,197	57,968	(6.5)
<b>Total</b>	<b>¥501,550</b>	<b>¥508,958</b>	<b>(1.5)%</b>

Note: Any figures are amounts after the offset of inter-segment transactions.

Provision for underwriting reserves decreased by 70.4% to ¥20.1 billion mainly due to greatly reduced rate of compulsory automobile liability insurance compared to the previous fiscal year. Maturity refunds and dividends to policyholders for long-term insurance decreased by 11.9% to ¥92.4 billion.

### 2. Analysis of Investment

#### Investment Income and Expenses

Interest and dividend income decreased by 42.9% to ¥51.0 billion mainly due to decreased dividends from investment trusts as compared to the previous fiscal year. Gains on sales of investments in securities increased by 16.3% to ¥56.2 billion. As a result, investment income decreased by 25.1% to ¥87.2 billion.

Loss on derivatives decreased by 86.0% to ¥11.8 billion as compared to the previous fiscal year. Meanwhile, loss on devaluation of investments in securities increased by 399.2% to ¥62.4 billion mainly due to a worsened asset management environment such as a sharp decline in stock prices. As a result, investment expenses increased by 3.7% to ¥113.5 billion as compared to the previous fiscal year.

With regard to investment in securitized products, the book value of securities decreased by ¥37.3 billion to ¥38.5 billion, and the notional value of credit derivatives transactions greatly decreased by ¥72.8 billion to ¥85.8 billion.

### 3. Analysis of Operating and General Administrative Expenses

Operating and general administrative expenses increased by 1.4%, to ¥158.8 billion as compared to the previous fiscal year due to increased costs for retirement benefits.



## Review of Operations

### SUMMARY OF FINANCIAL CONDITION

#### 1. Total Assets and Equity

Total assets at March 31, 2009 decreased by ¥183.0 billion to ¥2,804.1 billion, and equity amounted to ¥266.8 billion. As a result, the equity ratio at year-end was 9.5%.

#### 2. Solvency Margin Ratio

The solvency margin ratio for Aioi Insurance was 720.8%, and that of Aioi Life Insurance was to be 2,040.6%, based on computations specified by the Japanese Insurance Business Law. Both marks far exceed the 200%, which are deemed to be sufficient to cover insurance payouts and other expenditures.

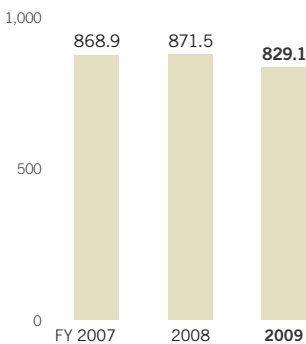
### CASH FLOWS

Net cash provided by operating activities decreased by ¥54.0 billion compared with the previous fiscal year to ¥36.1 billion (¥90.2 billion in the previous year) mainly due to decreased premium income resulting from the rate reduction of compulsory automobile liability insurance. Net cash provided by investing activities amounted to ¥18.1 billion (greatly increased from ¥-52.1 billion in the previous year) mainly due to proceeds from sales of investments in securities. Net cash used in financing activities increased by ¥0.4 billion to ¥8.0 billion (¥7.6 billion in the previous year) mainly due to cash dividends.

As a result, net increase in cash and cash equivalents was ¥36.0 billion (¥29.6 billion in the previous year), and the balance of cash and cash equivalents was ¥163.9 billion at March 31, 2009.

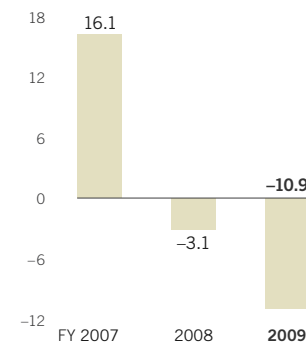
#### NET PREMIUMS WRITTEN (CONSOLIDATED)

¥ billion



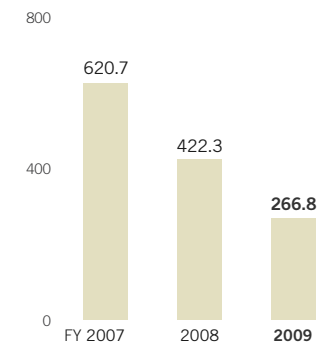
#### NET INCOME (LOSS) (CONSOLIDATED)

¥ billion



#### EQUITY (CONSOLIDATED)

¥ billion





# Consolidated Balance Sheets

Aioi Insurance Company, Limited and consolidated subsidiaries  
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>ASSETS</b>			
Cash and cash equivalents	¥ 163,919	¥ 127,841	\$ 1,668,731
Money held in trust (Note 3)	6,718	2,222	68,397
Investments in securities (Notes 4 and 5)	1,642,053	1,959,337	16,716,414
Loans (Note 6)	360,819	349,852	3,673,211
Property and equipment—net (Note 7)	150,333	151,620	1,530,423
Intangible assets	9,045	7,261	92,080
Premiums receivable from policyholders and agents	38,154	38,043	388,424
Reinsurance receivable and recoverable on paid losses	53,753	53,009	547,224
Deferred tax assets (Note 10)	195,635	114,659	1,991,603
Customers' liabilities for acceptances and guarantees	3,000	3,000	30,540
Other assets (Note 13)	183,009	182,734	1,863,070
Allowance for doubtful accounts	(2,280)	(2,350)	(23,216)
<b>TOTAL</b>	<b>¥2,804,162</b>	<b>¥2,987,234</b>	<b>\$28,546,905</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Underwriting funds:			
Outstanding claims	¥ 313,809	¥ 327,971	\$ 3,194,635
Underwriting reserves	2,055,008	2,037,378	20,920,380
Reinsurance payable and due to other insurance companies	37,348	37,946	380,213
Income taxes payable (Note 10)	2,450	1,997	24,947
Liability for employees' retirement benefits (Note 8)	20,111	19,961	204,738
Liability for directors' retirement allowance	51	1,231	524
Reserve for price fluctuation	1,729	7,637	17,610
Acceptances and guarantees	3,000	3,000	30,540
Other liabilities (Notes 5 and 13)	103,783	127,718	1,056,540
<b>Total liabilities</b>	<b>2,537,293</b>	<b>2,564,841</b>	<b>25,830,131</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			
(Note 12)	—	—	—
<b>EQUITY (Notes 9 and 18):</b>			
Common stock – authorized, 2,000,000 thousand shares; issued, 756,201 thousand shares in 2009 and 2008	¥ 100,005	¥ 100,005	\$ 1,018,069
Capital surplus	44,092	44,088	448,874
Stock acquisition rights	104	—	1,059
Retained earnings	167,394	185,836	1,704,110
Net unrealized gains (losses) on available-for-sale securities	(33,506)	99,129	(341,099)
Foreign currency translation adjustments	(3,368)	927	(34,296)
Treasury stock—at cost, 22,067 thousand shares in 2009 and 21,752 thousand shares in 2008	(7,946)	(7,800)	(80,899)
<b>Total</b>	<b>266,774</b>	<b>422,185</b>	<b>2,715,818</b>
Minority interests	93	207	955
<b>Total equity</b>	<b>266,868</b>	<b>422,392</b>	<b>2,716,773</b>
<b>TOTAL</b>	<b>¥2,804,162</b>	<b>¥2,987,234</b>	<b>\$28,546,905</b>

See notes to consolidated financial statements.



# Consolidated Statements of Operations

Aioli Insurance Company, Limited and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

FINANCIAL SECTION

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>OPERATING INCOME:</b>			
<b>Underwriting income:</b>			
Net premiums written	¥ 829,147	¥ 871,589	\$ 8,440,881
Premiums for maturity of refundable portion of long-term insurance	52,954	59,802	539,089
Investment income on premiums for maturity of refundable portion of long-term and other insurance	20,213	22,106	205,780
Life insurance premiums	71,249	72,019	725,338
Reversal of outstanding claims	11,132	12,296	113,328
Other underwriting income	1,024	796	10,432
<b>Total underwriting income</b>	<b>985,723</b>	<b>1,038,610</b>	<b>10,034,850</b>
<b>Investment income:</b>			
Interest and dividend income	51,007	89,297	519,268
Gains on money held in trust	38	23	391
Gains on trading securities	35	20	362
Gains on sales of investments in securities (Note 4)	56,270	48,372	572,846
Other investment income	104	942	1,062
Transfer of investment income on premiums for maturity of refundable portion of long-term and other insurance	(20,213)	(22,106)	(205,780)
<b>Total investment income</b>	<b>87,243</b>	<b>116,551</b>	<b>888,151</b>
<b>Other income (Note 14)</b>	<b>12,405</b>	<b>11,214</b>	<b>126,285</b>
<b>Total operating income</b>	<b>1,085,371</b>	<b>1,166,376</b>	<b>11,049,287</b>
<b>OPERATING EXPENSES:</b>			
<b>Underwriting expenses:</b>			
Net claims paid	501,550	508,958	5,105,880
Loss adjustment expenses	37,732	36,003	384,123
Commissions and brokerage	156,745	159,631	1,595,697
Maturity refunds and dividends to policyholders for long-term insurance	92,407	104,813	940,722
Life insurance claims and other payments	13,957	12,802	142,089
Provision for underwriting reserves	20,122	68,084	204,854
Other underwriting expenses	2,276	6,539	23,178
<b>Total underwriting expenses</b>	<b>824,792</b>	<b>896,833</b>	<b>8,396,546</b>
<b>Investment expenses:</b>			
Losses on sales of investments in securities (Note 4)	12,598	9,604	128,259
Losses on devaluation of investments in securities (Note 4)	62,461	12,512	635,874
Losses on derivatives	11,832	84,774	120,452
Other investment expenses	26,627	2,621	271,073
<b>Total investment expenses</b>	<b>113,520</b>	<b>109,513</b>	<b>1,155,660</b>
<b>Operating and general administrative expenses</b>	<b>158,847</b>	<b>156,687</b>	<b>1,617,093</b>
<b>Other expenses (Note 15)</b>	<b>2,814</b>	<b>7,497</b>	<b>28,653</b>
<b>Total operating expenses</b>	<b>1,099,975</b>	<b>1,170,531</b>	<b>11,197,953</b>
<b>LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>(14,603)</b>	<b>(4,155)</b>	<b>(148,666)</b>
<b>INCOME TAXES (Note 10):</b>			
Current	2,485	206	25,299
Deferred	(6,041)	(1,085)	(61,505)
<b>Total income taxes</b>	<b>(3,556)</b>	<b>(879)</b>	<b>(36,206)</b>
<b>MINORITY INTERESTS IN NET LOSS</b>	<b>(103)</b>	<b>(103)</b>	<b>(1,051)</b>
<b>NET LOSS</b>	<b>¥ (10,943)</b>	<b>¥ (3,172)</b>	<b>\$ (111,408)</b>

	Yen		U.S. Dollars (Note 1)
<b>PER SHARE OF COMMON STOCK (Notes 2.r and 17):</b>			
Basic net loss	¥(14.90)	¥(4.31)	\$(0.15)
Diluted net income	—	—	—
Cash dividends applicable to the year	10.00	10.00	0.10

See notes to consolidated financial statements.



# Consolidated Statements of Changes in Equity

Aioi Insurance Company, Limited and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

	Thousands		Millions of Yen							
	Outstanding number of shares of common stock	Common stock	Capital Surplus	Stock acquisition rights	Retained earnings	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Minority interests	Total equity
<b>BALANCE, APRIL 1, 2007</b>	734,499	¥100,005	¥44,081	¥ —	¥196,501	¥ 286,410	¥ 1,448	¥(7,742)	¥ 26	¥ 620,731
Net loss	—	—	—	—	(3,172)	—	—	—	—	(3,172)
Cash dividends	—	—	—	—	(7,344)	—	—	—	—	(7,344)
Change in scope of consolidation	—	—	—	—	(147)	—	—	—	—	(147)
Purchase of treasury stock	(108)	—	—	—	—	—	—	(79)	—	(79)
Sales of treasury stock	58	—	6	—	—	—	—	20	—	27
Net decrease in unrealized gains on available-for-sale securities	—	—	—	—	—	(187,281)	—	—	—	(187,281)
Net decrease in foreign currency translation adjustments	—	—	—	—	—	—	(521)	—	—	(521)
Net increase in minority interests	—	—	—	—	—	—	—	—	181	181
<b>BALANCE, MARCH 31, 2008</b>	734,449	100,005	44,088	—	185,836	99,129	927	(7,800)	207	422,392
Adjustment of retained earnings due to an adoption of PITF No.18 (Note 2.a)	—	—	—	—	(153)	—	—	—	—	(153)
Net loss	—	—	—	—	(10,943)	—	—	—	—	(10,943)
Cash dividends	—	—	—	—	(7,344)	—	—	—	—	(7,344)
Purchase of treasury stock	(387)	—	—	—	—	—	—	(171)	—	(171)
Sales of treasury stock	71	—	4	—	—	—	—	25	—	30
Net decrease in unrealized gains on available-for-sale securities	—	—	—	—	—	(132,635)	—	—	—	(132,635)
Net decrease in foreign currency translation adjustments	—	—	—	—	—	—	(4,296)	—	—	(4,296)
Issuance of stock acquisition rights	—	—	—	104	—	—	—	—	—	104
Net decrease in minority interests	—	—	—	—	—	—	—	—	(113)	(113)
<b>BALANCE, MARCH 31, 2009</b>	734,133	¥100,005	¥44,092	¥104	¥167,394	¥ (33,506)	¥ (3,368)	¥(7,946)	¥ 93	¥ 266,868

	Thousands of U.S. Dollars (Note 1)									
	Common stock	Capital Surplus	Stock acquisition rights	Retained earnings	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Minority interests	Total equity	
<b>BALANCE, MARCH 31, 2008</b>	\$1,018,069	\$448,826	\$ —	\$1,891,852	\$1,009,154	\$ 9,440	\$(79,414)	\$ 2,110	\$ 4,300,039	
Adjustment of retained earnings due to an adoption of PITF No.18 (Note 2.a)	—	—	—	(1,565)	—	—	—	—	(1,565)	
Net loss	—	—	—	(111,408)	—	—	—	—	(111,408)	
Cash dividends	—	—	—	(74,768)	—	—	—	—	(74,768)	
Purchase of treasury stock	—	—	—	—	—	—	(1,748)	—	(1,748)	
Sales of treasury stock	—	48	—	—	—	—	263	—	311	
Net decrease in unrealized gains on available-for-sale securities	—	—	—	—	(1,350,253)	—	—	—	(1,350,253)	
Net decrease in foreign currency translation adjustments	—	—	—	—	—	(43,736)	—	—	(43,736)	
Issuance of stock acquisition rights	—	—	1,059	—	—	—	—	—	1,059	
Net decrease in minority interests	—	—	—	—	—	—	—	(1,155)	(1,155)	
<b>BALANCE, MARCH 31, 2009</b>	\$1,018,069	\$448,874	\$ 1,059	\$1,704,110	\$ (341,099)	\$(34,296)	\$(80,899)	\$ 955	\$ 2,716,773	

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Aioli Insurance Company, Limited and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>OPERATING ACTIVITIES:</b>			
Loss before income taxes and minority interests	¥ (14,603)	¥ (4,155)	\$ (148,666)
Adjustments for:			
Depreciation and amortization	12,073	11,183	122,913
Impairment losses	665	869	6,777
Reversal of outstanding claims	(11,132)	(12,296)	(113,328)
Provision for underwriting reserves	20,122	68,084	204,854
Provision for (reversal of) allowance for doubtful accounts	(58)	92	(592)
Increase in liability for employees' retirement benefits	150	605	1,530
Increase (decrease) in liability for directors' retirement allowance	(1,179)	1,231	(12,011)
Increase (decrease) in reserve for price fluctuation	(5,907)	1,324	(60,135)
Interest and dividend income	(51,007)	(89,297)	(519,268)
Net loss (gain) on investments in securities	18,902	(26,951)	192,435
Interest expense	49	49	508
Foreign exchange losses	2,010	1,453	20,472
Net loss on property and equipment	139	651	1,422
Net loss on derivatives	—	84,774	—
Others—net	10,258	(21,217)	104,429
Interest and dividends received	50,648	90,685	515,609
Interest paid	(49)	(49)	(508)
Income taxes paid	5,084	(16,793)	51,759
Total adjustments	50,771	94,398	516,867
<b>Net cash provided by operating activities</b>	<b>36,168</b>	<b>90,243</b>	<b>368,201</b>
<b>INVESTING ACTIVITIES:</b>			
Net increase in bank deposits	(9,383)	(2,329)	(95,523)
Purchase of debts	(11)	(11,372)	(114)
Proceeds from sales or redemptions of debts purchased	9,902	4,141	100,813
Purchase of money held in trust	(9,829)	(4,641)	(100,064)
Proceeds from decrease in money held in trust	5,300	7,300	53,955
Purchase of investments in securities	(574,544)	(973,614)	(5,848,971)
Proceeds from sales or maturities of investments in securities	643,786	976,850	6,553,871
Loans made	(98,575)	(88,238)	(1,003,517)
Collection of loans	87,195	87,129	887,664
Purchase of property and equipment	(10,327)	(8,760)	(105,135)
Proceeds from sales of property and equipment	1,718	2,614	17,490
Others—net	(27,042)	(41,268)	(275,297)
<b>Net cash provided by (used in) investing activities</b>	<b>18,189</b>	<b>(52,190)</b>	<b>185,170</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from sales of treasury stock	30	27	311
Purchase of treasury stock	(171)	(79)	(1,748)
Cash dividends	(7,344)	(7,344)	(74,768)
Others—net	(546)	(217)	(5,562)
<b>Net cash used in financing activities</b>	<b>(8,032)</b>	<b>(7,614)</b>	<b>(81,768)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(10,247)</b>	<b>(820)</b>	<b>(104,322)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>36,077</b>	<b>29,618</b>	<b>367,280</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>127,841</b>	<b>96,940</b>	<b>1,301,450</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGE IN SCOPE OF CONSOLIDATION</b>	<b>—</b>	<b>1,282</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥163,919</b>	<b>¥ 127,841</b>	<b>\$ 1,668,731</b>

See notes to consolidated financial statements.





# Notes to Consolidated Financial Statements

Aioi Insurance Company, Limited and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

## NOTE 1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Aioi Insurance Company, Limited (“the Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan, the Insurance Business Law and related regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. Figures stated in yen and U.S. dollars have been rounded down to millions of yen and thousands of U.S. dollars, respectively. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and are stated at the rate of ¥98.23 to U.S.\$1, the approximate exchange rate at March 31, 2009. The translations should not be construed as representations that the Japanese yen amounts could be converted to U.S. dollars at that or any other rate.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Consolidation

The consolidated financial statements as of March 31, 2009 and 2008 include the accounts of the Company and its six significant subsidiaries (together, “the Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

The financial statements of the unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements. Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Four of the subsidiaries are consolidated on the basis of the fiscal year ending December 31, which differs from that of the Company; however, significant effects arising from transactions occurring in the period from January 1 to March 31 have been adjusted for consolidation purposes.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No.18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”. PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial

statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, certain items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material.

The Company applied this accounting standard effective April 1, 2008, but the effect of this change was not material.

### b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, call loans and receivables under resale agreements. Money held in trust, as well as time deposits and debts purchased with original maturities exceeding three months, have been excluded from cash equivalents.

### c. Foreign Currency Translation

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

The balance sheet accounts of the consolidated subsidiaries located outside Japan are translated into Japanese yen at the exchange rate as of the balance sheet date except for some parts of equity, which are translated at the historical rate. Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of equity.



## Notes to Consolidated Financial Statements

Income and expense accounts of consolidated subsidiaries located outside Japan are translated into yen at the exchange rate as of the balance sheet date.

### d. Investments in Securities

All applicable securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, with the related unrealized gains and losses included in the statements of operations for the period. The cost of the securities is determined by the moving-average method; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost; (3) available-for-sale securities, which are not classified as either trading or held-to-maturity, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of the securities is determined by the moving-average method. Unlisted securities that do not have quoted market prices in active markets are reported at moving-average cost or amortized cost.

The Company and its domestic consolidated insurance subsidiary own debt securities earmarked for underwriting reserves, which correspond to the terms and conditions for special accounting treatment for investments in securities prescribed in the Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants ("JICPA"). In accordance with the report, securities for which the durations are matched with those of underwriting reserves in the specific range stipulated in the report are stated at amortized cost using the moving-average method.

Securities in money held in trust for trading purpose are reported at fair value. Other assets in money held in trust for neither trading nor held-to-maturity purpose are reported at the same as available-for-sale securities described above.

Available-for-sale securities held by overseas consolidated subsidiaries are reported at fair value, and its unrealized gains and losses are charged to income according to the accounting standards of the country of their domicile.

### e. Derivatives

The Company and its domestic consolidated insurance subsidiary use the following derivative financial instruments to manage their exposures to fluctuating foreign currency exchange rates, interest rates, stock prices and bond prices. The derivatives utilized by the Company and its domestic consolidated insurance subsidiary include foreign exchange forward contracts,

currency swaps, currency option contracts, interest rate swaps, stock index futures, stock index options, bond futures contracts, bond option contracts, credit derivatives and weather derivatives.

As to derivative activities, the standards require that: (1) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations, and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between changes in the value of the hedging instruments and changes in the value of the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

### f. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Significant renewals and additions are capitalized; maintenance and repairs, minor renewals and improvements are charged to expense as incurred.

The Company and its domestic consolidated subsidiaries compute depreciation of property and equipment using the declining-balance method except that the straight-line method is applied to buildings acquired on or after April 1, 1998.

### g. Intangible Assets

The Company and its domestic consolidated subsidiaries compute amortization of intangible assets using the straight-line method. Software for internal use are amortized over the period of estimated useful lives (5 years).

### h. Impairment of Fixed Assets

The Group reviews its fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the estimated selling price at disposition.

### i. Policy Acquisition Costs

Policy acquisition costs are charged to expense as incurred.

### j. Underwriting Funds

Underwriting funds are established for outstanding claims and

underwriting reserves, and are calculated pursuant to the Insurance Business Law and other regulations, by each line of insurance and type of policy.

#### **Outstanding claims**

Provision is made for claims reported prior to the close of the accounting period based on the estimated ultimate cost of settling such claims. In addition to the above, provision is made for incurred but not reported claims (“IBNR”) based on the past experience.

#### **Underwriting reserves**

Pursuant to the provisions of the Insurance Business Law and related rules and regulations, the Company and its insurance subsidiaries are required to maintain underwriting reserves in amounts determined as follows:

##### (1) Premium reserve:

###### – Property and casualty insurance

Insurance other than Compulsory Automobile Liability Insurance and Earthquake Insurance

Greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, by lines of insurance and types of policy.

Compulsory Automobile Liability Insurance

Accumulated total sum of premiums written less claims incurred and related net investment income less income taxes and contributions to the Japan Red Cross Society and other Japanese institutions. Insurance companies are not permitted to recognize any profit or loss from underwriting Compulsory Automobile Liability Insurance.

Earthquake Insurance

Accumulated total amounts of underwriting balance and related net investment income less income taxes.

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required to maintain a contingency reserve at an amount determined based on net premiums written by lines of business.

###### – Life insurance

Future policy benefits for life insurance contracts are mainly calculated pursuant to the net level premium reserve method. In the fiscal year ended March 31, 2008, Aioi Life Insurance Company, Limited lumped ¥10.2 billion into the underwriting reserve to fulfill the required amount of the standard underwriting reserve, which is stipulated in the Insurance Business Law and calculated pursuant to the net level premium reserve method.

##### (2) Deposits by policyholders:

The Company maintains reserves for the deposit portion of premiums and investment income on such portion, which are refundable to policyholders under long-term insurance.

#### **k. Reinsurance**

Reinsurance covers, which are the estimated portion of original insurance claims to be compensated by reinsurers under reinsurance contracts, were reduced from gross insurance liabilities shown as outstanding claims in the accompanying consolidated balance sheets.

The amounts of net premiums written and net claims paid reported in the consolidated statements of operations are calculated by offsetting premiums and claims under direct insurance contracts by those ceded to reinsurers under reinsurance contracts.

#### **l. Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

#### **m. Allowance for Doubtful Accounts**

The allowance for doubtful accounts included in the financial statements of the Company and its domestic consolidated insurance subsidiary are determined based on management’s judgment and assessment of future losses using the self-assessment system. This method reflects past history of credit losses, possible credit losses, business and economic conditions, in addition to the character, quality and performance of debtors’ business activities, and other pertinent indicators.

The amounts of the allowance for doubtful accounts are then calculated in accordance with the rules of self-assessment of assets and the rules for provision for or write-offs of doubtful accounts.

For loans to counterparties who are in legal or perfunctory bankruptcy and are not allowed to participate in the bank clearing process, and for loans to counterparties who are substantially in bankruptcy, provision is made at amounts equal to the loan balance less the estimated amounts recoverable through disposal of collateral or discharges of guarantees.

For loans to borrowers who are likely to be in future bankruptcy, a provision equal to the anticipated uncollectible amount is estimated by management based on their knowledge of borrower’s solvency. In determining the anticipated uncollectible amount, management considers the recoverable amount of the balance of loans in question through disposal of collateral or discharges of guarantees.

For debts other than the loans described above, provision is calculated by multiplying the balance of debts at the closing date by the actual bad debt ratio computed based on bad debts incurred in the past.



## Notes to Consolidated Financial Statements

All debts of the Company and its domestic consolidated subsidiary are subject to the self-assessment conducted by departments handling the debts in question. The result of that self-assessment is required to be reviewed by the inspection department independent of each department conducting the self-assessment.

The allowance for doubtful accounts included in the financial statements for the remaining consolidated subsidiaries is determined based on management's judgments of the uncollectible amount of each receivable.

### n. Employees' Retirement Benefits and Pension Plan

The Company has a contributory funded pension plan, a non-contributory funded pension plan, a termination allowance plan and a defined contribution pension plan covering substantially all of its employees. The domestic consolidated insurance subsidiary has a termination allowance plan and a defined contribution pension plan.

In accordance with the accounting standard for employees' retirement benefits, the Company and its domestic consolidated insurance subsidiary account for the liability for retirement benefits based on the present value of the projected benefit obligations and the fair value of plan assets at the balance sheet date.

Changes in the projected benefit obligation, recognized in the preceding year, arising from modified actuarial assumptions are amortized to expense by the straight-line method over the average remaining service life of the employees (12 years).

### o. Liability for Directors' Retirement Allowance

The liability for directors' retirement allowance is calculated at the required amount as of the balance sheet date, based on internally established standards.

### p. Reserve for Price Fluctuation

In conformity with the Insurance Business Law, insurance companies are required to establish a provision for losses resulting from fluctuations in market values of securities, bank deposits and loans denominated in foreign currencies.

The amount of the reserve for price fluctuation and the maximum balances are calculated using percentages set forth in the Insurance Business Law for each type of assets.

### q. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date. The effect of this change was not material.

### r. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if warrants were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding warrants at the beginning of the year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

### s. New Accounting Pronouncements

**Business Combinations:** On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

**Asset Retirement Obligations:** On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

### NOTE 3 MONEY HELD IN TRUST

Aggregate cost, fair values and unrealized gains (losses) of money held in trust at March 31, 2009 and 2008 were as follows:

	Millions of Yen		
	Aggregate cost	Unrealized losses	Fair value
<b>March 31, 2009</b>			
<b>Money held in trust classified as:</b>			
Trading			¥4,708
Available-for-sale	¥2,221	¥(211)	2,010
<b>March 31, 2008</b>			
<b>Money held in trust classified as:</b>			
Trading			¥ 200
Available-for-sale	¥2,191	¥(169)	2,022
	Thousands of U.S. Dollars		
	Aggregate cost	Unrealized losses	Fair value
<b>March 31, 2009</b>			
<b>Money held in trust classified as:</b>			
Trading			\$47,932
Available-for-sale	\$22,613	\$(2,148)	20,464

### NOTE 4 INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Government and municipal bonds	¥ 586,262	¥ 696,997	\$ 5,968,267
Corporate bonds	332,769	370,898	3,387,656
Equity securities	299,320	424,167	3,047,134
Foreign securities	321,617	382,832	3,274,123
Other securities	102,083	84,440	1,039,233
Total	¥1,642,053	¥1,959,337	\$16,716,414

## Notes to Consolidated Financial Statements

Information regarding each category of the securities classified as trading and available-for-sale at March 31, 2009 and 2008 were as follows:

March 31, 2009	Millions of Yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Trading				¥ 19
Available-for-sale:				
Bonds	¥ 610,967	¥11,868	¥ (3,897)	¥ 618,938
Equity securities	269,329	19,826	(19,850)	269,305
Foreign securities	349,833	1,730	(42,198)	309,365
Other securities*	136,422	67	(19,769)	116,720
Total available-for-sale	¥1,366,552	¥33,493	¥(85,715)	¥1,314,330

March 31, 2008	Millions of Yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Trading				¥ 5,025
Available-for-sale:				
Bonds	¥ 782,994	¥ 14,324	¥ (1,997)	¥ 795,322
Equity securities	239,430	169,733	(3,676)	405,487
Foreign securities	390,852	6,432	(22,588)	374,696
Other securities*	109,484	794	(7,716)	102,562
Total available-for-sale	¥1,522,762	¥191,285	¥(35,978)	¥1,678,068

March 31, 2009	Thousands of U.S. Dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Trading				\$ 196
Available-for-sale:				
Bonds	\$ 6,219,760	\$120,828	\$ (39,674)	\$ 6,300,914
Equity securities	2,741,827	201,842	(202,085)	2,741,584
Foreign securities	3,561,369	17,612	(429,587)	3,149,394
Other securities*	1,388,803	689	(201,254)	1,188,239
Total available-for-sale	\$13,911,761	\$340,973	\$(872,601)	\$13,380,132

\* Other securities include debts purchased classified as other assets at March 31, 2009 and 2008.

Debt securities earmarked for underwriting reserves at March 31, 2009 and 2008 were as follows:

March 31, 2009	Millions of Yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Bonds	¥299,974	¥10,664	¥(1,530)	¥309,108
Foreign securities	3,253	254	(10)	3,497
Total	¥303,227	¥10,918	¥(1,541)	¥312,605
March 31, 2008				
Bonds	¥272,225	¥9,200	¥(1,685)	¥279,740
Foreign securities	2,971	211	(0)	3,181
Total	¥275,197	¥9,411	¥(1,685)	¥282,922

March 31, 2009	Thousands of U.S. Dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Bonds	\$3,053,795	\$108,562	\$(15,579)	\$3,146,778
Foreign securities	33,122	2,593	(108)	35,608
Total	\$3,086,918	\$111,156	\$(15,687)	\$3,182,386

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale:			
Equity securities	¥26,381	¥15,061	\$268,565
Foreign securities	3,800	—	38,684
Other securities*	4,898	6,637	49,871
Total available-for-sale	¥35,080	¥21,698	\$357,121
Held-to-maturity—Bonds	¥ 119	¥ 348	\$ 1,213

\* Other securities include debts purchased classified as other assets at March 31, 2009 and 2008.

Proceeds from sales of available-for-sale securities and debt securities earmarked for underwriting reserves for the years ended March 31, 2009 and 2008 were ¥516,532 million (\$5,258,394 thousand) and ¥775,703 million, respectively. Gross realized gains and losses on these sales, computed

using the moving average cost basis, were ¥56,270 million (\$572,846 thousand) and ¥12,598 million (\$128,259 thousand), respectively, for the year ended March 31, 2009 and ¥48,372 million and ¥9,604 million, respectively, for the year ended March 31, 2008.

Carrying amounts of debt securities with contractual maturities classified as available-for-sale, held-to-maturity and debt securities earmarked for underwriting reserves at March 31, 2009 were as follows:

March 31, 2009	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Government bonds	¥17,722	¥ 80,525	¥144,001	¥279,872
Municipal bonds	881	11,128	13,601	38,529
Corporate bonds	35,981	139,722	82,487	74,577
Foreign securities	6,110	73,141	132,244	14,908
Other securities*	1,010	7,795	20,237	16,209
Total	¥61,707	¥312,311	¥392,573	¥424,098

March 31, 2009	Thousands of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Government bonds	\$180,415	\$ 819,761	\$1,465,967	\$2,849,157
Municipal bonds	8,976	113,286	138,464	392,238
Corporate bonds	366,301	1,422,398	839,740	759,215
Foreign securities	62,210	744,589	1,346,273	151,773
Other securities*	10,289	79,359	206,025	165,014
Total	\$628,193	\$3,179,395	\$3,996,471	\$4,317,400

\* Other securities include debts purchased classified as other assets at March 31, 2009.

Investments in unconsolidated subsidiaries and affiliated companies were ¥8,812 million (\$89,710 thousand) and ¥8,735 million at March 31, 2009 and 2008, respectively.

The Company and its domestic consolidated insurance subsidiary recognized ¥62,461 million (\$635,874 thousand) and ¥12,512 million losses on devaluation of available-for-sale

securities, respectively, for the years ended March 31, 2009 and 2008. Losses on devaluation of available-for-sale securities for the years ended March 31, 2009 and 2008 were recognized in the statements of operations when their fair value declined by more than 30%.

## Notes to Consolidated Financial Statements

### NOTE 5 COLLATERAL

The carrying amounts of investments in securities pledged as collateral were ¥48,845 million (\$497,257 thousand) at March 31, 2009. This includes collateral for loans payable of ¥47 million (\$479 thousand) classified as other liabilities,

collateral for letters of credit issued and collateral for derivative transactions.

The carrying amounts of investments in securities pledged as collateral were ¥57,478 million at March 31, 2008.

### NOTE 6 LOANS

Loans which are in default, delinquent, past due and under mitigating conditions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Defaulted loans	¥ 39	¥ 477	\$ 397
Delinquent loans (non-performing loans)	1,548	3,055	15,766
Past due loans (over three months)	1,342	586	13,671
Loans under mitigating conditions	745	230	7,592
Total	¥3,676	¥4,349	\$37,428

Defaulted loans represent loans for which the Company estimates that the prospect of recovery or repayment of principal or interest is unlikely and therefore, has ceased to accrue interest.

Delinquent loans represent loans for which the Company estimates there are very few prospects for recovery or repayment of principal or interest and therefore, has ceased to accrue interest. For delinquent loans, management does not intend to mitigate conditions to support the recovery of the counterparties as mentioned in the definition of loans under mitigating conditions below.

Past due (over three months) loans represent loans in which the repayment of principal or payment of interest accrued are

past due over three months from the due date set forth in the loan agreements and not falling into either the categories of defaulted loans or delinquent loans.

Loans under mitigating conditions represent loans to counterparties in which the Company accepted a reduction in its interest rates or revised repayment schedule of principal and/or interest, or waived certain amounts owed in order to provide financial support to facilitate the recovery of the counterparties and not falling into the categories of either defaulted loans, delinquent loans or past due loans.

### NOTE 7 PROPERTY AND EQUIPMENT

Accumulated depreciation on property and equipment totaled ¥171,646 million (\$1,747,391 thousand) and ¥166,636 million at March 31, 2009 and 2008, respectively. Property and equipment were stated at cost less deferred gains of ¥7,356

million (\$74,890 thousand) and ¥7,689 million on sale and replacement of assets under certain conditions in accordance with the Japanese tax law for the years ended March 31, 2009 and 2008, respectively.

### NOTE 8 EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN

Under the pension plan of the Company, employees terminating their employment are entitled to pension payments and lump-sum payments based on their average pay during their employment, length of service and certain other factors. Under the pension plan of the domestic consolidated insurance subsidiary, employees terminating their employment are entitled to a lump-sum payment and pension payments.

The Company implemented a defined contribution pension plan in September 2007 and transferred to it a portion of the defined benefit pension plan, and applied "Accounting for Transfer between Retirement Benefit Plans" (Implementation Guidance No.1 issued by ASBJ on January 31, 2002). As a result of this transfer, the Company recorded gains of ¥8,021 million as other income for the year ended March 31, 2008.



The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥(127,247)	¥(127,650)	\$ (1,295,406)
Fair value of plan assets	108,757	140,475	1,107,170
Unrecognized actuarial gain (loss)	38,298	3,450	389,888
Prepaid pension cost	(39,919)	(36,237)	(406,391)
Net liability for employees' retirement benefits	¥ (20,111)	¥ (19,961)	\$ (204,738)

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 3,426	¥ 3,993	\$ 34,882
Interest cost	2,515	2,657	25,603
Expected return on plan assets	(1,567)	(1,655)	(15,962)
Amortization of unrecognized actuarial gain	471	(2,476)	4,794
Net periodic benefit costs	4,844	2,518	49,318
Gain on revision of retirement benefit plans	—	(8,021)	—
Premium for defined contribution pension plan	666	376	6,787
Total	¥ 5,511	¥ (5,126)	\$ 56,105

Assumptions used for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
Amortization period of unrecognized actuarial gain/loss	12 years	12 years
Amortization period of prior service cost	1 year	1 year

## NOTE 9 EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"). The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below;

### (a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its Articles of Incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the Company has prescribed so in its Articles of Incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the Articles of Incorporation of the Company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥ 3 million.

### (b) Increases/decreases and transfer of common stock, reserve and surplus

The Insurance Business Law was revised along with the enforcement of the Corporate Law to require that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals that of the common stock.

## Notes to Consolidated Financial Statements

Under the former Insurance Business Law, the aggregate amount of additional paid-in capital and legal reserve that exceeds the common stock may be made available for dividends by resolution of the shareholders. Under the revised Insurance Business Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Company's legal reserve amount, which is included in retained earnings, totaled ¥33,995 million (\$346,084 thousand) and ¥32,526 million as of March 31, 2009 and 2008, respectively.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights are presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

### NOTE 10 INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal statutory tax rate of 36.10% for the years ended March 31, 2009 and 2008. The tax effects of temporary differences between the book basis and tax bases of assets and liabilities which create deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
<b>Deferred tax assets:</b>			
Underwriting reserves	¥116,722	¥113,648	\$1,188,254
Investments in securities	34,149	11,667	347,651
Depreciation	9,864	9,166	100,419
Net unrealized losses on available-for-sale securities	20,513	—	208,836
Assets contributed to employees' retirement benefit trusts	10,877	10,495	110,730
Other	15,823	28,174	161,082
Sub total	207,950	173,152	2,116,973
Valuation allowance	(9,229)	(7,326)	(93,956)
Total	198,720	165,825	2,023,016
<b>Deferred tax liabilities:</b>			
Net unrealized gains on available-for-sale securities	(853)	(49,051)	(8,690)
Reserve for advanced depreciation	(2,201)	(1,847)	(22,411)
Other	(30)	(260)	(312)
Total	(3,085)	(51,166)	(31,413)
<b>Net deferred tax assets</b>	<b>¥195,635</b>	<b>¥114,659</b>	<b>\$1,991,603</b>

Reconciliation between the statutory tax rates and the effective income tax rates is not disclosed since net loss before income taxes and minority interests is posted for the years ended March 31, 2009 and 2008.

**NOTE 11 LEASE TRANSACTIONS****a. Finance Leases**

On an “as if capitalized” basis, pro forma information of leased property of the Group such as acquisition cost, accumulated depreciation, accumulated impairment loss, lease payment obligations, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee for the year ended March 31, 2008 was as follows:

	Millions of Yen
	2008
Acquisition cost	¥812
Accumulated depreciation	291
Accumulated impairment loss	—
Net leased property	¥520

The imputed interest expense portion is included in the above acquisition cost.

**b. Operating Leases**

Obligations under operating leases as of March 31, 2009 and 2008, and total payments for the years were as follows:

As Lessor:	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due in 1 year or less	¥184	¥40	\$1,877
Due after 1 year	445	—	4,540
Total	¥630	¥40	\$6,417

**NOTE 12 COMMITMENTS AND CONTINGENT LIABILITIES****Contracts of Loan Commitment Limits**

Contracts of loan commitment limits are contracts by which the Company lends to customers up to the prescribed limits in response to customers' loan applications as long as there is no breach of any condition in the contracts. The unutilized amount within the prescribed limits relating to these contracts totaled ¥11,116 million (\$113,169 thousand) and ¥11,262 million at March 31, 2009 and 2008, respectively.

**Guarantees**

The Company guarantees the liabilities of its subsidiary, Aioi Insurance Company of America. The balances of the guarantees are ¥3,251 million (\$33,105 thousand) and ¥3,257 at March 31, 2009 and 2008, respectively.

**NOTE 13 DERIVATIVES****a. Utilization**

The Company and its domestic consolidated insurance subsidiary utilize various derivative financial instruments (“derivatives”) in their investing activities to mitigate the risk of fluctuating

Obligations under finance leases and total payments for finance leases as of March 31, 2008 were as follows:

	Millions of Yen
	2008
Due in 1 year or less	¥158
Due after 1 year	361
Total	¥520
Total payments for finance leases	¥159

The amounts of obligations under finance leases include the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated financial statements, computed by the straight-line method was equal to the above total payment for finance leases.

As Lessee:	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due in 1 year or less	¥ 94	¥ 94	\$ 966
Due after 1 year	268	363	2,737
Total	¥363	¥458	\$3,704

In addition, the Company enters into a guarantee agreement on behalf of its subsidiary, DTRIC Insurance Company, Limited. Under this agreement, the Company's funding and other obligations are triggered if DTRIC falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. The aggregated amount of liabilities and assets of DTRIC were ¥4,973 million (\$50,629 thousand) and ¥7,779 million (\$79,193 thousand) at March 31, 2009, and ¥5,196 million and ¥8,272 million at March 31, 2008, respectively. DTRIC was not in a triggering situation mentioned above as of March 31, 2009.

foreign currency exchange rates, interest rates, stock prices and bond prices. The Company also utilizes derivatives for trading purposes to some extent. The derivatives utilized by the Company and its domestic consolidated insurance subsidiary

## Notes to Consolidated Financial Statements

include foreign exchange forward contracts, currency swaps, currency option contracts, interest rate swaps, stock index futures, stock index options, bond futures contracts, bond option contracts, credit derivatives and weather derivatives.

The Company and its domestic consolidated insurance subsidiary enter into these contracts with major financial institutions in order to minimize credit loss in the event of nonperformance by counterparties to the contracts. Exposure to market risk is managed through position limits, approvals and monitoring procedures.

Daily risk control of the Company consists of confirmation procedures and analyses conducted by the administrative and supervisory sections, respectively. The confirmation procedures require a collaboration of operational reports prepared by the executive section with transaction reports sent directly from financial institutions to the administrative section. The risk

management section, which is independent from the executive section, then performs analysis of the positions and the possible risk incurred in the transactions by using the Value at Risk method. As a periodic measure for internal risk control, the risk management committee meets regularly to evaluate the transactions and to review procedures performed in that period by the aforementioned sections. The current status of derivative activities is also reported regularly by the supervisory section to the Board of Directors.

The domestic consolidated insurance subsidiary, Aioi Life Insurance Company, Limited, utilizes derivatives in compliance with internal regulations for authorization procedures and risk management policy of derivative transactions. The risk of derivatives are managed together with other investment assets, and the current status of derivative activities is reported regularly to management.

### b. Fair Value Information

The Company and its domestic consolidated insurance subsidiary had the following derivatives contracts outstanding at March 31, 2009 and 2008.

#### (1) Currency-related transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			2009		
	Contract amount	Fair value	Unrealized gains	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized gains
Foreign exchange contracts—forward									
Buying U.S.\$	¥45,622	¥ 46,555	¥933	¥57,568	¥55,609	¥(1,959)	\$464,445	\$473,946	\$9,500
Buying Euro	—	—	—	19,601	19,597	(4)	—	—	—
Total			¥933			¥(1,963)			\$9,500

Note: Fair values of foreign exchange transactions are based on the forward exchange rate as of the year-end date.

#### (2) Interest rate-related transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			2009		
	Contract amount	Fair value	Unrealized gains	Contract amount	Fair value	Unrealized gains	Contract amount	Fair value	Unrealized gains
Interest rate swaps—									
Fixed rate receipts,									
floating rate payment	¥3,500	¥156	¥156	¥3,500	¥153	¥153	\$35,630	\$1,597	\$1,597
Total			¥156			¥153			\$1,597

Note: Fair values are based on the indicated figure from financial institutions.

#### (3) Other transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			2009		
	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses
Credit derivatives—									
Selling	¥85,811	¥(31,435)	¥(31,435)	¥158,665	¥(43,490)	¥(43,490)	\$873,572	\$(320,019)	\$(320,019)
Total			¥(31,435)			¥(43,490)			\$(320,019)

Note: Fair values are based on the indicated prices from financial institutions.

**NOTE 14 OTHER INCOME**

Other income for the year ended March 31, 2009 included ¥624 million (\$6,359 thousand) of gains on sales of fixed assets, ¥5,907 million (\$60,135 thousand) of reversal of price fluctuation reserve, and ¥3,321 million (\$33,816 thousand) of a payment received in

the action against Fortress Re, a reinsurance agent.

Other income for the year ended March 31, 2008 included ¥1,362 million of gains on sales of fixed assets, and ¥8,021 million of gain on revision of retirement benefit plans.

**NOTE 15 OTHER EXPENSES**

Other expenses for the year ended March 31, 2009 included ¥763 million (\$7,771 thousand) of losses on sales of fixed assets, and ¥665 million (\$6,777 thousand) of impairment losses.

Other expenses for the year ended March 31, 2008 included ¥1,948 million of losses on sales of fixed assets, ¥869 million of

impairment losses, ¥1,324 million of provision for price fluctuation reserve, and ¥65 million of advanced depreciation of properties, and ¥711 million of past portion of liability for directors' retirement benefits.

**NOTE 16 STOCK OPTION PLANS**

The content of the stock options outstanding as of March 31, 2009 is as follows:

Date of approval by shareholders	June 26, 2008
Grantees	11 Directors and 23 Executive Officers of the Company
Type and number of stock granted	235,000 shares of Common stock
Grant date	July 28, 2008
Vesting conditions	Stock option rights are vested when granted. However, the number of stock option rights may be adjusted in case of discontinuance of grantees' position by June 30, 2009.
Service period	No provisions
Exercise period	From July 29, 2008 to July 28, 2038, provided, however, that the stock options shall be exercised within 10 days of the loss of status as both Director and Executive Officer of the Company.

The number of and changes in stock options during the years ended March 31, 2009 and 2008 are as follows:

	Number of Shares	
	2009	2008
Non-vested:		
Outstanding at the beginning of the year	—	—
Granted during the year	235,000	—
Vested	192,000	—
Outstanding at the end of the year	43,000	—
Vested:		
Outstanding at the beginning of the year	—	80,000
Vested	192,000	—
Exercised	—	25,000
Forfeited	—	55,000
Outstanding at the end of the year	192,000	—
Yen		
Exercise price	¥ 1	¥311
Average share price at exercise	—	¥828
Fair value price at grant date	¥542	—



## Notes to Consolidated Financial Statements

The assumptions used to measure fair value of 2008 stock options are as follows:

Estimate method	Black-Scholes option pricing model
Volatility of stock price	38.674%
Estimated remaining outstanding period	3.050 years
Estimated dividend	1.745%
Interest rate with risk free	0.916%

### NOTE 17 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net loss per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
<b>Year ended March 31, 2009</b>		Weighted-average shares		EPS
Basic EPS – Net loss attributable to common shareholders	<b>¥(10,943)</b>	<b>734,318</b>	<b>¥(14.90)</b>	<b>\$(0.15)</b>

Diluted net income per share for the year ended March 31, 2009 is not disclosed since there were no dilutive securities due to the net loss position.

	Millions of Yen	Thousands of Shares	Yen
<b>Year ended March 31, 2008</b>		Weighted-average shares	EPS
Basic EPS – Net loss attributable to common shareholders	¥(3,172)	734,462	¥(4.31)

### NOTE 18 SUBSEQUENT EVENTS

At the general shareholders' meeting held on June 25, 2009, the following appropriation of retained earnings was resolved:

#### Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 (\$0.10) per share	<b>¥7,341</b>	<b>\$74,736</b>

**NOTE 19 SEGMENT INFORMATION**

The Group operates two major businesses; non-life insurance and life insurance. Business segment information for the years ended March 31, 2009 and 2008 was as follows:

Year ended March 31, 2009	Millions of Yen			
	Non-life insurance	Life insurance	Elimination and corporate	Consolidated
Operating income				
Sales to external customers	¥1,030,781	¥ 79,824	¥(25,234)	¥1,085,370
Inter-segment sales and transfers	1,225	145	(1,371)	—
Total	1,032,006	79,969	(26,605)	1,085,370
Operating expenses	1,047,175	79,081	(26,605)	1,099,652
Operating profit (loss)	¥ (15,169)	¥ 887	¥ (0)	¥ (14,281)
Assets	¥2,381,773	¥422,500	¥ (111)	¥2,804,162
Depreciation and amortization	11,653	420	—	12,073
Impairment losses	665	—	—	665
Capital expenditure	17,652	1,617	—	19,270
Year ended March 31, 2008				
Operating income				
Sales to external customers	¥1,087,539	¥ 79,227	¥ (390)	¥1,166,376
Inter-segment sales and transfers	1,207	152	(1,360)	—
Total	1,088,747	79,379	(1,750)	1,166,376
Operating expenses	1,084,249	88,032	(1,750)	1,170,531
Operating profit (loss)	¥ 4,497	¥ (8,652)	¥ (0)	¥ (4,155)
Assets	¥2,611,076	¥376,482	¥ (324)	¥2,987,234
Depreciation and amortization	10,835	347	—	11,183
Impairment losses	869	—	—	869
Capital expenditure	13,009	323	—	13,333

Year ended March 31, 2009	Thousands of U.S. Dollars			
	Non-life insurance	Life insurance	Elimination and corporate	Consolidated
Operating income				
Sales to external customers	\$10,493,546	\$ 812,624	\$ (256,892)	\$11,049,277
Inter-segment sales and transfers	12,475	1,481	(13,957)	—
Total	10,506,021	814,106	(270,850)	11,049,277
Operating expenses	10,660,449	805,067	(270,850)	11,194,667
Operating profit (loss)	\$ (154,428)	\$ 9,038	\$ (0)	\$ (145,389)
Assets	\$24,246,902	\$4,301,139	\$ (1,136)	\$28,546,905
Depreciation and amortization	118,636	4,276	—	122,913
Impairment losses	6,777	—	—	6,777
Capital expenditure	179,708	16,468	—	196,176

As described in Note 2. a. "Consolidation", the Company applied PITF No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" for the fiscal year ended March 31, 2009. As a result, operating profit of "Life insurance" decreased ¥149 million (\$1,524 thousand) compared to previously applied accounting method, while its effect on "Non-life insurance" segment was slight.

The Group changed its accounting method for director and corporate auditor retirement allowance for the fiscal year ended March 31, 2008. As a result, operating profit of "Non-life insurance" decreased ¥459 million compared to previously applied accounting method, while its effect on "Life insurance" segment was slight.

Other segment information of the Group, such as geographical breakdown and overseas sales is not disclosed because of its immateriality.

# Independent Auditors' Report

# Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Aioi Insurance Company, Limited:

We have audited the accompanying consolidated balance sheets of Aioi Insurance Company, Limited and consolidated subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aioi Insurance Company, Limited and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu*

June 17, 2009

Member of  
Deloitte Touche Tohmatsu





## Other Financial Data

### Non-Consolidated Balance Sheets (Assets)

Aioi Insurance Company, Limited  
March 31, 2009 and 2008

	Millions of Yen				
	2009		2008		Change
<b>Assets</b>					
<b>Cash and deposits</b>	¥ 155,529	6.43%	¥ 77,051	2.92%	¥ 78,478
Cash	51		81		
Deposits	155,478		76,969		
<b>Call loans</b>	—	—	20,000	0.76	(20,000)
<b>Monetary receivables purchased</b>	19,535	0.81	29,736	1.13	(10,200)
<b>Money held in trust</b>	6,718	0.28	2,222	0.08	4,496
<b>Investments in securities</b>	1,314,157	54.31	1,678,821	63.63	(364,664)
Government bonds	277,985		420,363		
Local government bonds	41,197		46,252		
Corporate bonds	216,235		266,490		
Stocks	342,257		468,033		
Foreign securities	334,496		394,465		
Other securities	101,984		83,216		
<b>Loans</b>	349,470	14.44	340,228	12.89	9,242
Policy loans	5,758		5,838		
General loans	343,712		334,390		
<b>Property and equipment</b>	149,165	6.16	150,335	5.70	(1,169)
Land	63,434		63,716		
Buildings, net	75,397		74,117		
Leased assets, net	369		—		
Construction in progress	11		2,805		
Other, net	9,953		9,695		
<b>Intangible assets</b>	6,048	0.25	4,716	0.18	1,332
Software	3,612		3,725		
Other	2,436		990		
<b>Other assets</b>	226,121	9.35	223,543	8.47	2,577
Accrued premiums	9,329		10,061		
Agency accounts receivable	21,214		19,613		
Foreign agency accounts receivable	1,652		1,892		
Coinsurance accounts receivable	2,700		2,312		
Reinsurance accounts receivable	42,736		42,843		
Foreign reinsurance accounts receivable	9,900		9,805		
Accounts receivable	17,735		21,583		
Accrued income	4,890		4,139		
Cash segregated as deposits	7,932		8,661		
Deposits for earthquake insurance	37,864		35,908		
Suspense payments	27,702		28,187		
Initial margins of futures markets	851		1,697		
Derivatives other than for trading-assets	1,245		153		
Prepaid pension expense	39,919		36,237		
Rest of the other assets	444		444		
<b>Deferred tax assets</b>	192,140	7.94	111,236	4.22	80,903
<b>Customers' liabilities for acceptances and guarantees</b>	3,000	0.12	3,000	0.11	—
<b>Allowance for doubtful accounts</b>	(2,127)	(0.09)	(2,295)	(0.09)	168
<b>Total assets</b>	<b>¥2,419,760</b>	<b>100.00%</b>	<b>¥2,638,595</b>	<b>100.00%</b>	<b>¥(218,834)</b>



## Other Financial Data

### Non-Consolidated Balance Sheets (Liabilities and Equity)

Aioi Insurance Company, Limited  
March 31, 2009 and 2008

Millions of Yen

	2009		2008		Change
<b>Liabilities</b>					
<b>Reserve for insurance policy liabilities</b>	<b>¥1,968,852</b>	<b>81.37%</b>	<b>¥2,006,518</b>	<b>76.05%</b>	<b>¥ (37,666)</b>
Outstanding claims	303,661		314,673		
Policy reserve	1,665,191		1,691,845		
<b>Other liabilities</b>	<b>130,508</b>	<b>5.39</b>	<b>155,250</b>	<b>5.88</b>	<b>(24,742)</b>
Coinsurance accounts payable	1,192		1,227		
Reinsurance accounts payable	26,564		27,652		
Foreign reinsurance accounts payable	7,609		7,446		
Borrowings	47		58		
Income taxes payable	1,920		1,990		
Deposits received	3,388		3,377		
Unearned revenue	3,063		2,756		
Accounts payable—other	26,184		26,448		
Suspense receipt	28,648		38,838		
Derivatives other than for trading—assets	31,591		45,454		
Lease obligations	298		—		
<b>Provision for retirement benefits</b>	<b>19,952</b>	<b>0.83</b>	<b>19,837</b>	<b>0.75</b>	<b>114</b>
<b>Provision for directors' retirement benefits</b>	<b>—</b>	<b>—</b>	<b>1,203</b>	<b>0.05</b>	<b>(1,203)</b>
<b>Provision for bonuses</b>	<b>4,457</b>	<b>0.18</b>	<b>4,429</b>	<b>0.17</b>	<b>27</b>
<b>Reserves under the special laws</b>	<b>1,262</b>	<b>0.05</b>	<b>7,249</b>	<b>0.27</b>	<b>(5,987)</b>
Reserve for price fluctuation	1,262		7,249		
<b>Acceptances and guarantees</b>	<b>3,000</b>	<b>0.12</b>	<b>3,000</b>	<b>0.11</b>	<b>—</b>
<b>Total liabilities</b>	<b>2,128,033</b>	<b>87.94</b>	<b>2,197,489</b>	<b>83.28</b>	<b>(69,455)</b>
<b>Equity</b>					
<b>Shareholders' equity</b>					
<b>Capital stock</b>	<b>100,005</b>	<b>4.14</b>	<b>100,005</b>	<b>3.79</b>	<b>—</b>
<b>Capital surplus</b>					
Legal capital surplus	44,081		44,081		
Other capital surplus	11		6		
<b>Total capital surplus</b>	<b>44,092</b>	<b>1.82</b>	<b>44,088</b>	<b>1.68</b>	<b>4</b>
<b>Retained earnings</b>					
Legal retained earnings	33,995		32,526		
Other retained earnings	156,500		174,864		
Reserve for dividends	38,640		38,640		
Special reserve for insurance contract	25,070		25,070		
Reserve for reduction entry	3,896		3,271		
Reserve for special account for advanced depreciation	—		471		
Special reserve	84,985		84,985		
Retained earnings brought forward	3,908		22,427		
<b>Total retained earnings</b>	<b>190,496</b>	<b>7.87</b>	<b>207,391</b>	<b>7.86</b>	<b>(16,895)</b>
<b>Treasury stock</b>	<b>(7,946)</b>	<b>(0.33)</b>	<b>(7,800)</b>	<b>(0.30)</b>	<b>(145)</b>
<b>Total shareholders' equity</b>	<b>326,647</b>	<b>13.50</b>	<b>343,683</b>	<b>13.03</b>	<b>(17,036)</b>
<b>Valuation and translation adjustments</b>					
<b>Net unrealized gains (losses) on available-for-sale securities</b>	<b>(35,023)</b>	<b>(1.45)</b>	<b>97,422</b>	<b>3.69</b>	<b>(132,446)</b>
<b>Total valuation and translation adjustments</b>	<b>(35,023)</b>	<b>(1.45)</b>	<b>97,422</b>	<b>3.69</b>	<b>(132,446)</b>
<b>Stock acquisition rights</b>	<b>104</b>	<b>0.01</b>	<b>—</b>	<b>—</b>	<b>104</b>
<b>Total equity</b>	<b>291,727</b>	<b>12.06</b>	<b>441,106</b>	<b>16.72</b>	<b>(149,379)</b>
<b>Total liabilities and equity</b>	<b>¥2,419,760</b>	<b>100.00%</b>	<b>¥2,638,595</b>	<b>100.00%</b>	<b>¥(218,834)</b>

## Non-Consolidated Statements of Operations

Aioi Insurance Company, Limited  
Years ended March 31, 2009 and 2008

	Millions of Yen		
	2009	2008	Change
<b>Operating income</b>	<b>¥1,009,647</b>	<b>¥1,058,424</b>	<b>¥(48,777)</b>
<b>Underwriting income</b>	<b>927,934</b>	<b>947,315</b>	<b>(19,380)</b>
Net premiums written	816,693	851,849	(35,155)
Premiums of savings-type insurance	52,954	59,802	(6,847)
Investment income from savings-type insurance	20,213	22,106	(1,892)
Reversal of reserve for outstanding claims	11,011	13,200	(2,188)
Reversal of policy reserve	26,654	—	26,654
Other underwriting income	405	357	48
<b>Investment income</b>	<b>79,174</b>	<b>109,035</b>	<b>(29,861)</b>
Interest and dividend income	42,982	81,864	(38,882)
Gain from money held in trust	38	23	14
Gain on trading securities	28	34	(5)
Gain on sales of securities	56,236	48,277	7,959
Gain on redemption of securities	8	675	(667)
Other investment income	93	267	(173)
Income credited to savings-type insurance	(20,213)	(22,106)	1,892
<b>Other operating income</b>	<b>2,538</b>	<b>2,073</b>	<b>464</b>
<b>Operating expenses</b>	<b>1,030,006</b>	<b>1,053,993</b>	<b>(23,986)</b>
<b>Underwriting expenses</b>	<b>769,208</b>	<b>798,590</b>	<b>(29,381)</b>
Net loss paid	493,549	495,081	(1,531)
Loss adjustment expenses	37,008	34,992	2,016
Commissions and collection fees	144,132	147,020	(2,887)
Maturity refunds to policyholders	92,279	104,793	(12,514)
Dividends to policyholders	128	19	108
Provision of policy reserve	—	10,359	(10,359)
Foreign exchange losses	1,302	5,494	(4,192)
Other underwriting expenses	809	829	(20)
<b>Investment expenses</b>	<b>113,130</b>	<b>109,021</b>	<b>4,108</b>
Loss on sales of securities	12,242	9,190	3,051
Loss on valuation of securities	62,461	12,496	49,965
Loss on redemption of securities	126	—	126
Net derivative financial instruments loss	11,832	84,774	(72,941)
Foreign exchange losses	2,008	1,393	614
Other investment expenses	24,459	1,167	23,291
<b>Sales and administrative expenses</b>	<b>146,481</b>	<b>144,589</b>	<b>1,891</b>
Other operating expenses	1,186	1,791	(605)
Interest expenses	2	2	0
Provision of allowance for doubtful accounts	454	168	285
Loss from bad debts	10	4	5
Other	719	1,615	(896)
<b>Ordinary income (loss)</b>	<b>(20,359)</b>	<b>4,431</b>	<b>(24,790)</b>
<b>Extraordinary income</b>	<b>9,932</b>	<b>9,384</b>	<b>548</b>
Gain on disposal of non-current assets	623	1,362	(739)
Reversal of reserves under the special laws	5,987	—	5,987
Reversal of reserve for price fluctuation	5,987	—	5,987
Other	3,321	8,021	(4,699)
<b>Extraordinary loss</b>	<b>3,262</b>	<b>4,777</b>	<b>(1,515)</b>
Loss on disposal of non-current assets	757	1,941	(1,183)
Impairment loss	342	869	(526)
Provision of reserves under the special laws	—	1,252	(1,252)
Provision of reserve for price fluctuation	—	1,252	(1,252)
Loss on reduction of real estate	—	65	(65)
Other	2,161	648	1,512
<b>Income (loss) before income taxes</b>	<b>(13,689)</b>	<b>9,038</b>	<b>(22,727)</b>
<b>Income taxes—current</b>	<b>1,940</b>	<b>126</b>	<b>1,813</b>
<b>Income taxes—deferred</b>	<b>(6,078)</b>	<b>1,739</b>	<b>(7,818)</b>
<b>Total income taxes</b>	<b>(4,138)</b>		
<b>Net income (loss)</b>	<b>¥ (9,550)</b>	<b>¥ 7,171</b>	<b>¥(16,722)</b>



## Other Financial Data

### Non-Consolidated Statements of Changes in Equity

Aioli Insurance Company, Limited  
Years ended March 31, 2009 and 2008

	Millions of Yen	
	2009	2008
Shareholders' equity		
Capital stock		
Balance at the end of previous period	¥100,005	¥100,005
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	100,005	100,005
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	44,081	44,081
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	44,081	44,081
Other capital surplus		
Balance at the end of previous period	6	—
Changes of items during the period		
Disposal of treasury stock	4	6
Total changes of items during the period	4	6
Balance at the end of current period	11	6
Total capital surplus		
Balance at the end of previous period	44,088	44,081
Changes of items during the period		
Disposal of treasury stock	4	6
Total changes of items during the period	4	6
Balance at the end of current period	44,092	44,088
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	32,526	31,058
Changes of items during the period		
Dividends from surplus	1,468	1,468
Total changes of items during the period	1,468	1,468
Balance at the end of current period	33,995	32,526
Other retained earnings		
Reserve for dividends		
Balance at the end of previous period	38,640	38,640
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	38,640	38,640
Special reserve for insurance contract		
Balance at the end of previous period	25,070	25,070
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	25,070	25,070
Reserve for reduction entry		
Balance at the end of previous period	3,271	3,165
Changes of items during the period		
Provision of reserve for reduction entry	685	146
Reversal of reserve for reduction entry	(59)	(40)
Total changes of items during the period	625	105
Balance at the end of current period	3,896	3,271
Reserve for special account for advanced depreciation		
Balance at the end of previous period	471	—
Changes of items during the period		
Provision of reserve for special account for advanced depreciation	—	471
Reversal of reserve for special account for advanced depreciation	(471)	—
Total changes of items during the period	(471)	471
Balance at the end of current period	—	471
Reserve for special depreciation		
Balance at the end of previous period	—	9
Changes of items during the period		
Reversal of reserve for special depreciation	—	(9)
Total changes of items during the period	—	(9)
Balance at the end of current period	—	—
Special reserve		
Balance at the end of previous period	84,985	76,985
Changes of items during the period		
Provision of special reserve	—	8,000
Total changes of items during the period	—	8,000
Balance at the end of current period	¥ 84,985	¥ 84,985

	Millions of Yen	
	2009	2008
Retained earnings brought forward		
Balance at the end of previous period	¥ 22,427	¥ 32,636
Changes of items during the period		
Dividends from surplus	(8,813)	(8,813)
Provision of reserve for reduction entry	(685)	(146)
Reversal of reserve for reduction entry	59	40
Provision of reserve for special account for advanced depreciation	—	(471)
Reversal of reserve for special account for advanced depreciation	471	—
Reversal of reserve for special depreciation	—	9
Provision of special reserve	—	(8,000)
Net income (loss)	(9,550)	7,171
Total changes of items during the period	(18,518)	(10,209)
Balance at the end of current period	3,908	22,427
Total retained earnings		
Balance at the end of previous period	207,391	207,564
Changes of items during the period		
Dividends from surplus	(7,344)	(7,344)
Net income (loss)	(9,550)	7,171
Total changes of items during the period	(16,895)	(173)
Balance at the end of current period	190,496	207,391
Treasury stock		
Balance at the end of previous period	(7,800)	(7,742)
Changes of items during the period		
Purchase of treasury stock	(171)	(79)
Disposal of treasury stock	25	20
Total changes of items during the period	(145)	(58)
Balance at the end of current period	(7,946)	(7,800)
Total shareholders' equity		
Balance at the end of previous period	343,683	343,908
Changes of items during the period		
Dividends from surplus	(7,344)	(7,344)
Net income (loss)	(9,550)	7,171
Purchase of treasury stock	(171)	(79)
Disposal of treasury stock	30	27
Total changes of items during the period	(17,036)	(224)
Balance at the end of current period	326,647	343,683
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	97,422	284,772
Changes of items during the period		
Net changes of items other than shareholders' equity	(132,446)	(187,349)
Total changes of items during the period	(132,446)	(187,349)
Balance at the end of current period	(35,023)	97,422
Stock acquisition rights		
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	104	—
Total changes of items during the period	104	—
Balance at the end of current period	104	—
Total equity		
Balance at the end of previous period	441,106	628,680
Changes of items during the period		
Dividends from surplus	(7,344)	(7,344)
Net income (loss)	(9,550)	7,171
Purchase of treasury stock	(171)	(79)
Disposal of treasury stock	30	27
Net changes of items other than shareholders' equity	(132,342)	(187,349)
Total changes of items during the period	(149,379)	(187,574)
Balance at the end of current period	¥ 291,727	¥ 441,106



## Other Financial Data

### Detailed Information

Aioi Insurance Company, Limited  
Years ended March 31

#### 1. Premiums and Claims by Class

##### Direct Premiums Written

	100 Millions of Yen					
	2009		2008		2007	
		Change		Change		Change
Fire and Allied Lines	¥1,222	4.1%	¥1,174	(2.6)%	¥1,205	7.0%
Marine	50	(9.8)	55	2.9	53	6.1
Personal Accident	495	(2.1)	505	(2.2)	517	1.0
Voluntary Automobile	4,588	(1.7)	4,667	(0.3)	4,681	1.5
Compulsory Automobile Liability	1,327	(15.8)	1,575	(7.6)	1,704	0.4
Other	759	2.7	739	2.8	719	4.8
<b>Total</b>	<b>¥8,442</b>	<b>(3.2)%</b>	<b>¥8,717</b>	<b>(1.9)%</b>	<b>¥8,882</b>	<b>2.3%</b>

##### Net Premiums Written

	100 Millions of Yen					
	2009		2008		2007	
		Change		Change		Change
Fire and Allied Lines	¥1,027	2.4%	¥1,003	(1.7)%	¥1,020	7.2%
Marine	55	(13.2)	64	(0.7)	64	14.5
Personal Accident	460	(3.9)	478	(2.7)	492	(0.1)
Voluntary Automobile	4,668	(1.3)	4,727	0.1	4,720	1.7
Compulsory Automobile Liability	1,197	(19.9)	1,495	(0.1)	1,497	(0.9)
Other	757	1.2	748	4.6	716	4.3
<b>Total</b>	<b>¥8,166</b>	<b>(4.1)%</b>	<b>¥8,518</b>	<b>0.1%</b>	<b>¥8,512</b>	<b>2.0%</b>

##### Net Claims Paid

	100 Millions of Yen								
	2009		2008		2007				
	Loss Ratio*	Change	Loss Ratio*	Change	Loss Ratio*	Change			
Fire and Allied Lines	¥ 351	35.9%	(1.4)%	¥ 358	37.3%	(6.9)%	¥ 435	44.2%	(0.8)%
Marine	34	64.3	6.6	36	57.7	14.0	27	43.7	(12.9)
Personal Accident	214	50.0	4.3	203	45.7	4.7	185	41.0	3.9
Voluntary Automobile	2,794	64.8	1.5	2,779	63.3	1.7	2,698	61.6	0.3
Compulsory Automobile Liability	1,002	90.2	17.9	1,001	72.3	0.3	1,000	72.0	2.1
Other	538	74.7	(5.3)	571	80.0	(10.2)	618	90.2	(9.4)
<b>Total</b>	<b>¥4,935</b>	<b>65.0%</b>	<b>2.8%</b>	<b>¥4,950</b>	<b>62.2%</b>	<b>(0.2)%</b>	<b>¥4,965</b>	<b>62.4%</b>	<b>(0.3)%</b>

\* Loss Ratio = (Net Claims Paid + Loss Adjustment Expenses) / Net Premiums Written x 100

#### 2. Inwards Reinsurance Premiums and Claims by Class

##### Net Inwards Reinsurance Premiums by Class

	100 Millions of Yen					
	2009		2008		2007	
		Change		Change		Change
Fire and Allied Lines	¥ 92	(2.2)%	¥ 95	(1.9)%	¥ 96	9.3%
Marine	22	(5.9)	23	1.0	23	28.4
Personal Accident	1	(81.9)	7	(9.8)	8	(13.2)
Voluntary Automobile	132	14.9	115	20.0	96	15.0
Compulsory Automobile Liability	763	(30.9)	1,105	0.4	1,101	(1.5)
Other	66	(21.2)	83	(9.5)	92	(11.0)
<b>Total</b>	<b>¥1,079</b>	<b>(24.6)%</b>	<b>¥1,431</b>	<b>0.9%</b>	<b>¥1,418</b>	<b>(0.2)%</b>

##### Net Inwards Reinsurance Claims by Class

	100 Millions of Yen								
	2009		2008		2007				
	Loss Ratio*	Change	Loss Ratio*	Change	Loss Ratio*	Change			
Fire and Allied Lines	¥ 44	48.4%	(1.9)%	¥ 47	50.3%	(16.3)%	¥ 64	66.6%	(63.1)%
Marine	19	89.8	(3.7)	22	93.5	33.0	14	60.5	(43.6)
Personal Accident	3	265.7	222.1	3	43.6	3.0	3	40.6	8.0
Voluntary Automobile	79	60.2	(8.9)	79	69.1	5.8	60	63.3	(1.5)
Compulsory Automobile Liability	1,002	131.3	40.7	1,001	90.6	(0.3)	1,000	90.9	3.7
Other	125	190.6	(18.6)	175	209.2	(39.5)	230	248.7	(58.8)
<b>Total</b>	<b>¥1,277</b>	<b>118.4%</b>	<b>25.5%</b>	<b>¥1,329</b>	<b>92.9%</b>	<b>(4.0)%</b>	<b>¥1,373</b>	<b>96.9%</b>	<b>(7.6)%</b>

\* Loss Ratio = Net Inwards Reinsurance Claims / Net Inwards Reinsurance Premiums x 100

### 3. Breakdown of Net Operating Expenses

	100 Millions of Yen									
	2009			2008			2007			
	Change	% of Premiums		Change	% of Premiums		Change	% of Premiums		
Loss Adjustment Expenses & Operating and General Administrative Expenses										
Personal Cost	¥ 916	2.8%	11.2%	¥ 891	0.0%	10.5%	¥ 891	(3.9)%	10.5%	
Non-Personal Cost	821	1.6	10.1	808	6.3	9.5	760	1.3	8.9	
Tax and Other	96	2.0	1.2	94	(2.7)	1.1	97	(1.8)	1.1	
Total	1,834	2.2	22.5	1,795	2.6	21.1	1,750	(1.6)	20.6	
Operating and General Administrative Expenses for Underwriting	1,383	1.4	16.9	1,364	3.1	16.0	1,323	(2.0)	15.5	
Commissions and Brokerage	1,441	(2.0)	17.6	1,470	0.9	17.3	1,457	3.5	17.1	
Total (Net Operating Expenses)	¥2,824	(0.4)%	34.6%	¥2,834	1.9%	33.3%	¥2,780	0.8%	32.7%	

### 4. Catastrophe Reserves

	100 Millions of Yen									
	2009				2008			2007		
	Reserve Ratio*	Change	Draw-Down	Transfer	Reserve Ratio*		Reserve Ratio*			
Fire and Allied Lines	¥ 979	97.0%	¥ 80	¥ —	¥ 80	¥ 899	91.3%	¥ 820	81.8%	
Marine	44	79.2	2	0	2	42	65.5	39	61.1	
Personal Accident	343	74.5	14	—	14	328	68.6	313	63.7	
Voluntary Automobile	769	16.5	(141)	470	328	910	19.3	983	20.8	
Other	268	35.4	25	10	36	243	32.5	215	30.1	
Total	¥2,404	34.6%	¥ (19)	¥481	¥461	¥2,423	34.6%	¥2,372	33.9%	

\* Reserve Ratio = Amount of Catastrophe Reserve / Net Premiums Written (Excl. Dwelling EQ + CALI) x 100

### 5. Underwriting Reserves

	100 Millions of Yen			
	2009	2008	2007	2009/2008 Change
Fire and Allied Lines	¥ 5,560	¥ 5,379	¥ 5,227	¥ 181
Marine	67	75	70	(7)
Personal Accident	4,870	4,995	5,136	(124)
Voluntary Automobile	2,145	2,343	2,439	(198)
Compulsory Automobile Liability	2,693	2,876	2,725	(183)
Other	1,314	1,248	1,215	66
Total	¥16,651	¥16,918	¥16,814	¥(266)

### 6. Outstanding Claims Reserves

	100 Millions of Yen							
	2009		2008		2007		2009/2008 Change	
	of which IBNR		of which IBNR		of which IBNR		of which IBNR	
Fire and Allied Lines	¥ 212	¥ 77	¥ 231	¥ 80	¥ 253	¥102	¥ (19)	¥ (2)
Marine	36	17	48	24	68	37	(11)	(7)
Personal Accident	169	69	149	52	131	43	19	16
Voluntary Automobile	1,780	184	1,822	176	1,817	164	(41)	8
Compulsory Automobile Liability	361	—	365	—	367	—	(4)	—
Other	476	155	528	268	640	380	(52)	(112)
Total	¥3,036	¥504	¥3,146	¥603	¥3,278	¥727	¥(110)	¥ (99)



## Other Financial Data

### 7. Total Assets and Managed Assets

	100 Millions of Yen			
	2009	2008	2007	2009/2008 Change
Cash and Deposits	¥ 1,555	¥ 770	¥ 652	¥ 784
Call Loans	—	200	200	(200)
Monetary Receivables Purchased	195	297	221	(102)
Money Held in Trust	67	22	50	44
Investments in Securities	13,141	16,788	19,738	(3,646)
Bonds	5,354	7,331	7,051	(1,976)
Equity Securities	3,422	4,680	6,597	(1,257)
Foreign Securities	3,344	3,944	4,774	(599)
Other Securities	1,019	832	1,315	187
Loans	3,494	3,402	3,410	92
Property and Equipment	1,491	1,503	1,548	(11)
Intangible Assets	60	47	58	13
Other Assets	2,261	2,235	1,888	25
Deferred Tax Assets	1,921	1,112	72	809
Customers' Liabilities for Acceptances and Guarantees	30	30	30	—
Allowance for Doubtful Accounts	(21)	(22)	(22)	1
<b>Total</b>	<b>24,197</b>	<b>26,385</b>	<b>27,848</b>	<b>(2,188)</b>
<b>Managed Assets</b>	<b>19,841</b>	<b>22,858</b>	<b>25,697</b>	<b>(3,016)</b>

#### (Reference)

	100 Millions of Yen			
	2009	2008	2007	2009/2008 Change
Long-Lived Assets	¥5,469	¥5,732	¥6,049	¥(263)

### 8. Solvency Margin Ratio

	100 Millions of Yen			
	2009	2008	2007	2009/2008 Change
(A) Total Solvency Margin	¥6,250	¥8,417	¥11,026	¥(2,167)
Capital Stock, Funds and Other	3,194	3,363	3,365	(169)
Price Fluctuation Reserve	12	72	59	(59)
Contingency Fund	5	5	—	—
CAT Reserve including Earthquake Insurance	2,823	2,823	2,753	(0)
Allowance for Bad Debt	3	3	2	0
90% of Net Unrealized Gain on Available-for-Sale Securities (100% in the case of the minus)	(548)	1,372	4,010	(1,920)
85% of Unrealized Gain and Loss on Land	145	61	13	83
Deductions	(242)	(242)	(125)	0
Other	856	958	946	(102)
(B) Total Risk $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2+R_5+R_6}$	1,734	1,951	2,140	(217)
General Insurance Risk (R <sub>1</sub> )	459	459	467	0
Third Sector Insurance Risk (R <sub>2</sub> )	—	—	—	—
Projected Interest Risk (R <sub>3</sub> )	23	24	13	(0)
Asset Management Risk (R <sub>4</sub> )	776	938	1,212	(162)
Business Management Risk (R <sub>5</sub> )	40	45	49	(4)
Catastrophe Risk (R <sub>6</sub> )	770	839	778	(68)
<b>Solvency Margin Ratio [(A) / ((B) × 1/2)] × 100 (%)</b>	<b>720.8%</b>	<b>862.6%</b>	<b>1,030.4%</b>	<b>(141.8)%</b>

### 9. Asset Evaluations (Loans)

	100 Millions of Yen							
	2009		2008		2007		2009/2008 Change	
	Proportion		Proportion		Proportion		Proportion	
<b>Total</b>	<b>¥3,494</b>	<b>100.0%</b>	<b>¥3,402</b>	<b>100.0%</b>	<b>¥3,410</b>	<b>100.0%</b>	<b>¥ 92</b>	<b>—%</b>
Total Non-Classified Assets	3,449	98.7	3,295	96.9	3,289	96.4	153	1.8
Total Classified Assets	45	1.3	106	3.1	121	3.6	(61)	(1.8)
Class II	43	1.2	96	2.8	94	2.8	(53)	(1.6)
Class III	1	0.1	4	0.1	22	0.7	(2)	—
Class IV	0	0	5	0.2	3	0.1	(5)	(0.2)



## 10. Debt Subject to Risk Control

	100 Millions of Yen			
	2009	2008	2007	2009/2008 Change
(A) Total Debt Subject to Risk Control	¥ 36	¥ 43	¥ 95	¥ (6)
Defaulted Loans	0	4	3	(4)
Delinquent Loans (non-performing loans)	15	30	87	(15)
Past due Loans (over three months)	13	5	2	7
Loans under Mitigating Conditions	7	2	2	5
(B) Loans	3,494	3,402	3,410	92
As a Proportion of Loans (A) / (B)	1.1%	1.3%	2.8%	(0.2)%

## 11. Shareholdings by Sector

	100 Millions of Yen							
	2009		2008		2007		2009/2008 Change	
	Proportion		Proportion		Proportion		Proportion	
Finance and Insurance	¥ 933	27.3%	¥1,004	21.5%	¥1,182	17.9%	¥ (71)	5.8%
Transportation Equipment	471	13.8	731	15.6	1,008	15.3	(259)	(1.8)
Commerce	360	10.5	550	11.8	765	11.6	(189)	(1.3)
Chemicals	327	9.6	439	9.4	661	10.0	(111)	0.2
Electric Appliances	277	8.1	470	10.1	638	9.7	(193)	(2.0)
Land Transportation	199	5.8	269	5.7	363	5.5	(69)	0.1
Construction	144	4.2	188	4.0	393	6.0	(44)	0.2
Electric Power and Gas	119	3.5	129	2.8	167	2.5	(10)	0.7
Foods	100	2.9	107	2.3	159	2.4	(7)	0.6
Machinery	88	2.6	183	3.9	275	4.2	(94)	(1.3)
Other	399	11.7	605	12.9	982	14.9	(205)	(1.2)
Total	¥3,422	100.0%	¥4,680	100.0%	¥6,597	100.0%	¥(1,257)	—%

Notes: 1. Items are in accordance with industrial classifications of the Tokyo Stock Exchange.

2. "Chemicals" includes medical products, and "Land Transportation" includes the air transportation industry. The wholesale trade industry and the retail trade industry are listed as "Commerce," and the banking industry, the insurance industry and other financial industries are listed as "Finance and Insurance."

## 12. Asset Management Profit and Loss

	100 Millions of Yen			
	2009	2008	2007	2009/2008 Change
Interest and Dividend Income	¥ 429	¥ 818	¥ 512	¥(388)
Gain on Sales of Securities	439	390	73	49
Loss on Valuation of Securities	(624)	(124)	(16)	(499)
Net Derivative Financial Instruments Gain (loss)	(118)	(847)	1	729
Other Investment Expenses	(264)	(15)	(0)	(248)
Income Credited to Saving-Type Insurance	(202)	(221)	(220)	18
Total	¥(339)	¥ 0	¥ 350	¥(339)

Note: Evaluation profit and loss of derivative transaction at the end of the period are included.

### (Reference) Breakdown of Interest and Dividend Income

	100 Millions of Yen			
	2009	2008	2007	2009/2008 Change
Securities	¥296	¥686	¥387	¥(390)
Bonds	102	112	98	(9)
Equity Securities	94	88	73	5
Foreign Securities	91	357	156	(266)
Other	7	128	57	(120)
Loan	67	67	63	0
Land and Buildings	52	51	51	0
Other	13	13	10	0
Total	¥429	¥818	¥512	¥(388)

## 13. Investments in Securities

### (1) Unrealized Profit and Loss on Securities

	100 Millions of Yen						
	2009				2008		
	Cost	Fair Value	Difference	Change	Cost	Fair Value	Difference
Bonds	¥ 5,296	¥ 5,352	¥ 56	¥ (49)	¥ 7,221	¥ 7,327	¥ 106
Equity Securities	2,690	2,689	(1)	(1,653)	2,387	4,038	1,651
Foreign Securities	3,472	3,067	(404)	(243)	3,867	3,705	(161)
Other	1,363	1,166	(197)	(126)	1,083	1,013	(70)
Total	¥12,822	¥12,276	¥(545)	¥(2,072)	¥14,559	¥16,085	¥1,526

Notes: 1. Other available-for-sale securities, which are fairly valued on the market, are listed in the above tables.

2. Monetary receivables purchased is included in other.



## Other Financial Data

### (2) Gain and Loss on Sales of Securities

	100 Millions of Yen			2009/2008 Change
	2009	2008	2007	
Bonds	¥ 65	¥ 55	¥ (6)	¥ 9
Equity Securities	465	98	77	366
Foreign Securities	(105)	155	1	(261)
Other	15	80	1	(65)
<b>Total</b>	<b>¥ 439</b>	<b>¥390</b>	<b>¥73</b>	<b>¥ 49</b>

### (3) Valuation Loss on Securities after Impairment

	100 Millions of Yen			2009/2008 Change
	2009	2008	2007	
Bonds	¥ 4	¥ —	¥—	¥ 4
Equity Securities	254	84	15	169
Foreign Securities	248	34	0	214
Other	116	6	—	110
<b>Total</b>	<b>¥624</b>	<b>¥124</b>	<b>¥16</b>	<b>¥499</b>

### 14. Fixed Asset Impairment

	100 Millions of Yen			2009/2008 Change
	2009	2008	2007	
Land	¥0	¥5	¥0	¥(4)
Buildings	2	3	2	(0)
<b>Total</b>	<b>¥3</b>	<b>¥8</b>	<b>¥3</b>	<b>¥(5)</b>

### 15. Impact of Natural Disasters

	100 Millions of Yen			2009/2008 Change
	2009	2008	2007	
<b>Direct Insurance</b>				
Fire and Allied Lines	¥ 8	¥20	¥76	¥(12)
Voluntary Automobile	18	2	12	16
Other	2	2	2	—
Claims Paid	28	24	90	4
Claims Reserve	1	2	3	(1)
<b>Total</b>	<b>¥29</b>	<b>¥26</b>	<b>¥93</b>	<b>¥ 3</b>
<b>Reinsurance</b>				
Fire and Allied Lines	—	¥ 1	¥ 3	¥ (1)
Voluntary Automobile	—	—	—	—
Other	—	—	—	—
Claims Recovered	—	1	3	(1)
Reserves Recovered	—	—	—	—
<b>Total</b>	<b>—</b>	<b>¥ 1</b>	<b>¥ 3</b>	<b>¥ (1)</b>
<b>Net</b>				
Fire and Allied Lines	¥ 8	¥19	¥73	¥(11)
Voluntary Automobile	18	2	12	16
Other	2	2	2	—
Claims Paid	28	23	87	5
Claims Reserve	1	2	3	(1)
<b>Total</b>	<b>¥29</b>	<b>¥25</b>	<b>¥90</b>	<b>¥ 4</b>
Draw-Down on CAT Reserves	18	2	12	16
<b>Net Impact (Negative)</b>	<b>11</b>	<b>23</b>	<b>78</b>	<b>(12)</b>

### 16. Aioi Life—Earning Summary

	100 Millions of Yen			2009/2008 Change
	2009	2008	Change	
<b>New Policy Total</b>	<b>¥10,640</b>	<b>¥ 8,015</b>	<b>¥2,625</b>	<b>32.7%</b>
Personal and Personal Pension Group	10,437	7,866	2,571	32.7
	203	149	53	35.9
<b>Policies in Force</b>	<b>74,711</b>	<b>67,499</b>	<b>7,211</b>	<b>10.7</b>
Personal and Personal Pension Group	53,668	49,074	4,594	9.4
	21,042	18,425	2,617	14.2
Premium and Other Income	943	899	44	4.9
Investment Income	74	65	9	14.8
Claims and Other Payments	358	304	53	17.5
Investment Expenses	4	5	(0)	(17.2)
<b>Total Assets</b>	<b>¥ 4,208</b>	<b>¥ 3,746</b>	<b>¥ 461</b>	<b>12.3%</b>
<b>Solvency Margin Ratio (%)</b>	<b>2,040.6%</b>	<b>2,078.8%</b>	<b>(38.2)%</b>	
<b>(Reference) Annualized Premiums</b>				
New Policy	¥ 94	¥ 99	¥ (5)	(5.7)%
Policies in Force	708	684	24	3.5



# Investment Conditions of Securitized Products

We invested in securitized products, such as securities and credit derivatives. The booked amount of securities was ¥38.5 billion, and the notional amount of credit derivatives was ¥85.8 billion as of March 31, 2009. ABS-CDOs in credit derivative transactions partially contained subprime-related loans, but securities did not contain any subprime-related loans.

## 1. Investment Conditions of Securities (As of March 31, 2009)

	100 Millions of Yen								
	Booked Amount		Fair Value		Unrealized Profit and Loss		Profit and Loss for 2009		
	2009	2009/2008 Change	2009	2009/2008 Change	2009	2009/2008 Change	Evaluation Loss	Profit and Loss on Sale	Total
Total Amount of Securitized Products	¥385	¥(373)	¥368	¥(373)	¥(16)	¥(0)	¥(32)	¥(9)	¥(41)

### (1) Special Purpose Entity (SPE)

There was no SPE structured by the Company. We did not supplement liquidity in SPEs.

	100 Millions of Yen								
	Booked Amount		Fair Value		Unrealized Profit and Loss		Profit and Loss for 2009		
	2009	2009/2008 Change	2009	2009/2008 Change	2009	2009/2008 Change	Evaluation Loss	Profit and Loss on Sale	Total
Total Amount	¥ 3	¥(0)	¥ 4	¥(4)	¥ 0	¥(4)	¥(0)	—	¥(0)
ABCP	—	—	—	—	—	—	—	—	—
Bond Issued by SIV <sup>1</sup>	3	(0)	4	(4)	0	(4)	(0)	—	(0)
Other	—	—	—	—	—	—	—	—	—

<sup>1</sup> We held subordinated bonds issued by Structured Investment Vehicles (SIVs). More than 50% of pledged assets for the bonds as collaterals kept AAA ratings, and more than 70% of the assets kept higher than BBB ratings. More than 60% of the bonds were Residential Mortgage Backed Securities (RMBSs) and Commercial Mortgage Backed Securities (CMBSs). RMBSs did not contain subprime-related exposure but partially contained Alt-A exposure. Percentages of pledged assets by country were about 64% for the U.S., and about 33% for Europe. The average remaining period of pledged assets was 3.8 years.

### (2) Collateralized Debt Obligations

We held Collateralized Loan Obligations (CLOs), one of Collateralized Debt Obligations (CDOs), but these CLOs did not contain subprime-related exposure and Alt-A exposure.

	100 Millions of Yen								
	Booked Amount		Fair Value		Unrealized Profit and Loss		Profit and Loss for 2009		
	2009	2009/2008 Change	2009	2009/2008 Change	2009	2009/2008 Change	Evaluation Loss	Profit and Loss on Sale	Total
Total Amount	¥ 5	¥(45)	¥ 5	¥(36)	—	¥ 8	¥(32)	¥(1)	¥(33)
CLO <sup>2</sup>	5	(45)	5	(36)	—	8	(32)	(1)	(33)
Other	—	—	—	—	—	—	—	—	—

<sup>2</sup> We held overseas equities.

### (3) Other Securitized Products

The below chart shows the amounts of other securitized products. Subprime-related exposure and Alt-A exposure are not included.

	100 Millions of Yen								
	Booked Amount		Fair Value		Unrealized Profit and Loss		Profit and Loss for 2009		
	2009	2009/2008 Change	2009	2009/2008 Change	2009	2009/2008 Change	Evaluation Loss	Profit and Loss on Sale	Total
Total Amount	¥376	¥(327)	¥359	¥(332)	¥(17)	¥(4)	—	¥(7)	¥(7)
CMBS	38	(34)	37	(35)	(0)	(0)	—	—	—
RMBS	239	(176)	238	(181)	(1)	(5)	—	(1)	(1)
ABS and Other	99	(116)	83	(115)	(15)	1	—	(6)	(6)



## Investment Conditions of Securitized Products

Overseas exposures in the above chart are as follows:

	100 Millions of Yen								
	Booked Amount		Fair Value		Unrealized Profit and Loss		Profit and Loss for 2009		
	2009	2009/2008 Change	2009	2009/2008 Change	2009	2009/2008 Change	Evaluation Loss	Profit and Loss on Sale	Total
Total Amount	¥80	¥(40)	¥65	¥(39)	¥(15)	¥ 1	—	¥(5)	¥(5)
CMBS	—	—	—	—	—	—	—	—	—
RMBS	—	—	—	—	—	—	—	—	—
ABS and Other	80	(40)	65	(39)	(15)	1	—	(5)	(5)

### 2. Investment Conditions of Credit Derivative Transactions (As of March 31, 2009)

We held CDSs (Credit Default Swaps) referring to ABS-CDOs, Corporate CDOs and other. These ABS-CDOs contained subprime-related exposure and Alt-A exposure, but Corporate CDOs and other did not contain these exposures. We traded currency hedges but did not trade any other hedges related to credit derivative transactions as of March 31, 2009.

	100 Millions of Yen								
	Notional Amount		Evaluation Profit and Loss		Outstanding Exposure		Profit and Loss for 2009		
	2009	2009/2008 Change	2009	2009/2008 Change	2009	2009/2008 Change	Fair Value Change	Cancellation	Total
Total Amount	¥858	¥(728)	¥(314)	¥120	¥543	¥(607)	¥(79)	¥(2)	¥(82)
ABS-CDO <sup>3</sup>	248	(288)	(244)	165	4	(123)	(30)	(0)	(31)
Corporate CDO <sup>4</sup>	350	(410)	(59)	(36)	290	(446)	(40)	(2)	(42)
Other	260	(30)	(11)	(8)	248	(38)	(8)	0	(8)

100 Millions of Yen	
Currency hedge loss (Exchange contract)	¥(41)
Subprime-related profit and loss (Total)	(73)

<sup>3</sup> The loss on ABS-CDOs including currency hedges (subprime-related loss) for this period was ¥7.3 billion. The ratings of ABS-CDOs, which partially contained subprime-related loans, are BB and below due to conditions of underlying assets and tranches. Almost half of underlying assets of these ABS-CDOs were RMBSs, and the other underlying assets were CMBSs, credit card receivables, leasing receivables, and student loans.

<sup>4</sup> All Corporate CDOs kept AAA ratings. Underlying assets of Corporate CDOs were all domestic CDSs.

Overseas exposures in the above chart are as follows:

	100 Millions of Yen								
	Notional Amount		Evaluation Profit and Loss		Outstanding Exposure		Profit and Loss for 2009		
	2009	2009/2008 Change	2009	2009/2008 Change	2009	2009/2008 Change	Fair Value Change	Cancellation	Total
Total Amount	¥248	¥(598)	¥(244)	¥166	¥4	¥(431)	¥(30)	¥0	¥(30)
ABS-CDO	248	(288)	(244)	165	4	(123)	(30)	(0)	(31)
Corporate CDO	—	(310)	—	1	—	(308)	—	1	1
Other	—	—	—	—	—	—	—	—	—

### 3. Other Conditions (As of March 31, 2009)

We did not implement leveraged finance deals and did not underwrite financial guarantee insurances and reinsurances of monoline insurers. In addition, we did not hold bonds and securitized products, such as RMBSs, issued by housing enterprises sponsored by the U.S. government. The consolidated subsidiaries did not hold securitized products.

Note: Page 65 and 66 are based on a guideline issued by the Financial Stability Forum held on April 2008. These pages include contents based on information from outside financial institutions which have business relationships with us.