FINANCIAL SECTION

SIX-YEAR FINANCIAL SUMMARY

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

	Millions of Yen						Thousands of U.S. Dollars (Note 1)
Consolidated	**2008**	2007	2006	2005	2004	2003	**2008**
Net premiums written	**¥871,589**	¥ 868,907	¥ 847,008	¥ 838,740	¥ 843,552	¥ 845,669	**$8,699,363**
Interest and dividend income	**89,297**	57,503	48,372	44,427	40,344	44,959	**891,283**
Net income (loss)	**(3,172)**	16,187	20,791	19,701	29,359	13,927	**(31,660)**
Total shareholders' equity (Note 2)	**—**	—	624,103	445,147	435,597	295,670	**—**
Total equity (Note 2)	**422,392**	620,731	624,154	—	—	—	**4,215,918**
Total assets	**2,987,234**	3,082,676	3,008,838	2,797,920	2,791,994	2,651,212	**29,815,690**

	Yen						U.S. Dollars (Note 1)
Equity per share	**¥574.83**	¥845.07	¥849.84	¥609.31	¥596.01	¥396.34	**$5.73**
Net income (loss) per share	**(4.31)**	22.04	28.37	26.96	39.67	18.60	**(0.04)**

Notes:
1. U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥100.19 to U.S.$1 on March 31, 2008.
2. 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, 2006.

	Millions of Yen						Thousands of U.S. Dollars (Note 1)
Non-Consolidated	**2008**	2007	2006	2005	2004	2003	**2008**
Net premiums written	**¥ 851,849**	¥ 851,238	¥ 834,284	¥ 827,807	¥ 836,596	¥ 836,841	**$ 8,502,335**
Net income	**7,171**	18,874	19,750	16,132	27,322	10,304	**71,583**
Total equity (Note 2)	**441,106**	628,680	630,663	452,040	446,820	308,888	**4,402,700**
Total assets	**2,638,595**	2,784,898	2,761,116	2,569,113	2,597,891	2,496,328	**26,335,921**
Loss ratio	**62.23%**	62.44%	62.71%	64.58%	60.80%	60.06%	
Expense ratio	**33.27%**	32.66%	33.07%	33.15%	33.45%	35.29%	

	Yen						U.S. Dollars (Note 1)
Equity per share	**¥600.59**	¥855.93	¥858.77	¥618.75	¥611.37	¥414.06	**$5.99**
Net income per share	**9.76**	25.69	26.95	22.07	36.91	13.76	**0.09**
Cash dividends per share	**10.00**	10.00	10.00	8.00	8.00	7.00	**0.09**

Notes:
1. U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥100.19 to U.S.$1 on March 31, 2008.
2. 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

OPERATING ENVIRONMENT

The Japanese economy kept growing up gradually in the first half of the year ended March 31, 2008. Export increased in the background of the expansion of overseas economy, and capital investment expanded supported by high-level corporate profits. However, the economy was slowing down as stock prices fall and appreciation of the yen triggered by U.S. subprime loan problems in the latter half.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements show that the total operating income increased by ¥75.0 billion to ¥1,166.3 billion.

The income and loss before income taxes and minority interests decreased from ¥25.3 billion of income to ¥4.1 billion of loss, and the net income and loss decreased from ¥16.1 billion of income to ¥3.1 billion of loss.

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 0.2% to ¥1,038.6 billion. Net premiums written increased by 0.3% to ¥871.5 billion. The following outlines the breakdown by the class of business.

Net Premiums Written (Millions of Yen)

	Years ended March 31,		
Class of Business	**2008**	2007	% Change
Fire and Allied Lines	**¥100,423**	¥103,373	(2.9)
Marine	**6,459**	6,513	(0.8)
Personal Accident	**47,893**	49,242	(2.7)
Voluntary Automobile	**488,852**	486,596	0.5
Compulsory Automobile Liability	**149,545**	149,749	(0.1)
Other	**78,413**	73,432	6.8
Total	**¥871,589**	¥868,907	0.3

Note: Any figures are amounts after the offset of intersegment transactions.

Underwriting Expenses

Underwriting expenses decreased by 0.7% to ¥896.8 billion. Net claims paid increased by 0.1%, to ¥508.9 billion. The following outlines the breakdown by the class of business.

Net Claims Paid (Millions of Yen)

	Years ended March 31,		
Class of Business	**2008**	2007	% Change
Fire and Allied Lines	**¥ 36,171**	¥ 43,938	(17.7)
Marine	**3,632**	2,741	32.5
Personal Accident	**20,395**	18,555	9.9
Voluntary Automobile	**290,622**	280,946	3.4
Compulsory Automobile Liability	**100,168**	100,044	0.1
Other	**57,968**	62,228	(6.8)
Total	**¥508,958**	¥508,454	0.1

Note: Any figures are amounts after the offset of intersegment transactions.

Commissions and brokerage increased by 1.5% to ¥159.6 billion. Maturity refunds and dividends to policyholders for long-term insurance dropped by 4.0% to ¥104.8 billion.

2. ANALYSIS OF INVESTMENT

Investment Income and Expenses

Interest and dividend income sharply increased by 55.3% to ¥89.2 billion. Gains on sales of investments in securities also increased by 299.3% to ¥48.3 billion. Meanwhile, ¥84.7 billion loss on derivatives was charged to investment expenses as the fair values of subprime related credit derivatives dropped significantly. As a result, net investment income decreased by 82.8% to ¥7.0 billion.

As for the subprime related investments, total loss for the year ended March 31, 2008 amounted to ¥83.6 billion, comprising ¥40.9 billion of valuation loss on the above credit derivatives and ¥42.6 billion of realized loss arising from cancellation of derivative contracts and other.

In addition, the Company's investment to securitized products at the end of the current fiscal year are ¥75.8 billion in book value of securities, and credit derivatives transactions with notional principals of ¥158.6 billion.

3. ANALYSIS OF OPERATING AND GENERAL ADMINISTRATIVE EXPENSES

Operating and general administrative expenses increased by 4.0%, to ¥156.6 billion due to costs of supplies for the action to the establishment of the appropriate insurance sales structure.

SUMMARY OF FINANCIAL CONDITION

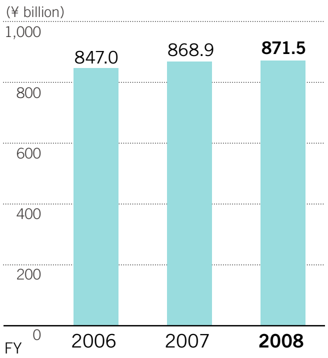
1. TOTAL ASSETS AND EQUITY

Total assets at March 31, 2008 were down ¥95.4 billion to ¥2,987.2 billion, and equity amounted to ¥422.3 billion. As a result, the equity ratio at year-end was 14.1%.

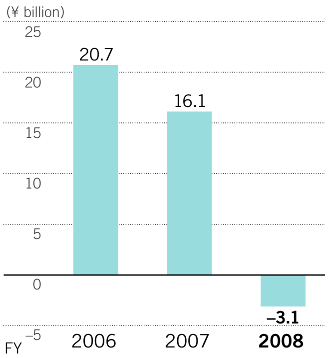
2. SOLVENCY MARGIN RATIO

The solvency margin ratio for Aioi Insurance was 862.6%, and that of Aioi Life Insurance was to be 2,078.8%, 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.

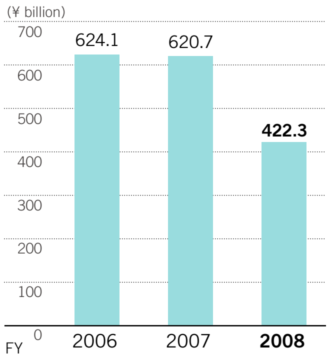
Net Premiums Written (Consolidated)



Net Income (Consolidated)



Equity (Consolidated)



RESULTS BY BUSINESS SEGMENT

1. NON-LIFE INSURANCE

Regarding the non-life insurance industry, which is principal business of our group, business environment is still severe depending upon prolonged automobile sales, stagnation in residential construction, and the deterioration of investment earnings due to decline in stock prices.

Under such situation, we formulated the mid-term management plan (a two year plan starting in the 2007 fiscal year) that was designed to transform the Company into a customer-oriented company, and made every effort to transform the Company focusing on three priority issues below.

1) Establishment of the appropriate insurance sales structure through “Peace of mind and Checking campaign”
2) Eradicate inappropriate non-payment of insurance claims and establish high quality non-life insurance services that will be welcomed by customers
3) Establish a corporate culture that seeks continuous improvement activities to respond to customer feedback

By these efforts, the enterprise “quality improvement” effort has taken root and the corporate culture that continues to improve by oneself has been established.

Concerning the non-life insurance underwriting, the sales of insurance for enterprise field products increased favorably. With respect to motor insurance, we enhanced the cooperation with Toyota dealers such as Lexus, and underwriting of reinsurance also shifted firmly. These resulted in net premium written to keep the same level with preceding year. Operating and general administrative expenses increased due to the aggressive efforts towards business quality improvement such as "Peace of mind and Checking campaign", but payment of claim decreased by the efforts for proper underwriting and loss prevention and decline of large-scale natural disasters. As a result, underwriting profit increased significantly.

In business overseas, Aioi Motor and General Insurance Company of Europe Limited (AMaGIC) is working on the expansion of "F&I business," financial and insurance services for Toyota users with Toyota Financial Services Corporation. In November 2007, AMaGIC started deployment in Italy and Spain in addition to the already-advanced countries like the United Kingdom, France and Germany.

As a result, the non-life insurance business segment recorded an 0.3% increase in net premiums written to ¥871.5 billion, the total operating income amounted to ¥1,079.3 billion, and the operating loss to ¥0.1 billion.

2. LIFE INSURANCE

In life insurance segment, Aioi Life Insurance Company, Limited made efforts to strengthen the payment management system, and to promote the efforts to reflect complaints and requirements from customers in order to materialize the management policy of "Mid-term Management Plan NEXT10" that designating "customer first" conduct and started in 2006. We also promoted the use of "Policy Alteration Direct Service" that accepts direct telephone calls for policy alteration from customers, and "Policy Alteration Web Service" that accepts application for policy alteration at any time on our homepage, to improve convenience for our customers.

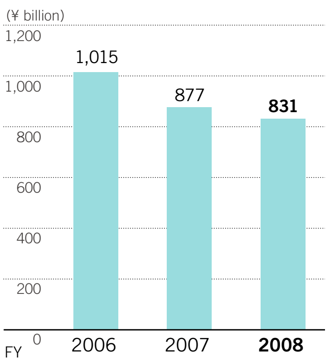
With respect to insurance products, Aioi Life started providing whole-life insurance "Kairos" that includes essential coverage for young men in April 2007, "non-dividend type individual annuity with variable interest rate and non-selective application rider" in October 2007, and "non-dividend type lump-sum individual annuity with variable interest rate" in December 2007, to make an effort toward offering of the products which correspond to social environment changes and customer needs accurately.

Furthermore, Aioi Life enhanced its capital and lumped ¥10.2 billion into standard underwriting reserve to reinforce its financial basis.

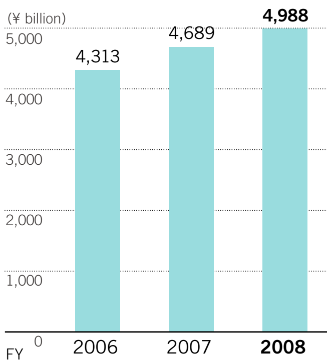
In business overseas, we operated credit life insurance business through Aioi Life Insurance of Europe AG, a subsidiary of AMaGIC, for the customers who financed their cars.

As a result, the life insurance business segment recorded a 6.3% increase in life insurance premiums to ¥72.1 billion, the total operating income amounted to ¥79.3 billion, and the operating loss to ¥8.5 billion.

New Policy Amount



Total Amount of Life Insurance in Force



CASH FLOWS

Net cash provided by operating activities decreased ¥15.3 billion compared with the previous fiscal year, to ¥90.2 billion (¥105.5 billion in previous year), due to the increase in operating and general administrative expenses by the efforts for establishing appropriate insurance sales structure. Net cash used in investing activities amounted to ¥52.1 billion (¥54.4 billion in previous year), due to an increased payment for credit derivatives. Net cash used in financing activities increased ¥0.2 billion, to ¥7.6 billion (¥7.3 billion in previous year).

As a result, cash and cash equivalents at March 31, 2008 were up ¥29.6 billion (¥44.4 billion up in previous year) compared with the end of the previous fiscal year, to ¥127.8 billion.

CONSOLIDATED BALANCE SHEETS

Aioi Insurance Company, Limited and consolidated subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
ASSETS			
Cash and cash equivalents	**¥ 127,841**	¥ 96,940	**$ 1,275,990**
Money held in trust (Note 3)	**2,222**	5,050	**22,180**
Investments in securities (Notes 4 and 5)	**1,959,337**	2,233,984	**19,556,218**
Loans (Note 6)	**349,852**	348,745	**3,491,891**
Property and equipment – net (Note 7)	**151,620**	155,517	**1,513,330**
Intangible assets	**7,261**	6,480	**72,481**
Premiums receivable from policyholders and agents	**38,043**	41,611	**379,717**
Reinsurance receivable and recoverable on paid losses	**53,009**	56,494	**529,094**
Deferred tax assets (Note 10)	**114,659**	7,839	**1,144,422**
Customers' liabilities for acceptances and guarantees	**3,000**	3,000	**29,943**
Other assets (Note 13)	**182,734**	129,258	**1,823,880**
Allowance for doubtful accounts	**(2,350)**	(2,245)	**(23,459)**
TOTAL	**¥2,987,234**	¥3,082,676	**$29,815,690**
LIABILITIES AND EQUITY			
LIABILITIES:			
Underwriting funds:			
Outstanding claims	**¥ 327,971**	¥ 340,109	**$ 3,273,493**
Underwriting reserves	**2,037,378**	1,969,173	**20,335,146**
Reinsurance payable and due to other insurance companies	**37,946**	54,138	**378,741**
Income taxes payable (Note 10)	**1,997**	11,153	**19,940**
Liability for employees' retirement benefits (Note 8)	**19,961**	19,355	**199,232**
Liability for directors' retirement allowance	**1,231**	—	**12,290**
Reserve for price fluctuation	**7,637**	6,312	**76,225**
Acceptances and guarantees	**3,000**	3,000	**29,943**
Other liabilities (Notes 5 and 13)	**127,718**	58,703	**1,274,758**
Total liabilities	**2,564,841**	2,461,945	**25,599,772**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)	**—**	—	**—**
EQUITY (Notes 9 and 18)**:**			
Common stock – authorized, 2,000,000 thousand shares; issued, 756,201 thousand shares in 2008 and 2007	**¥ 100,005**	¥ 100,005	**$ 998,153**
Capital surplus	**44,088**	44,081	**440,045**
Retained earnings	**185,836**	196,501	**1,854,842**
Net unrealized gains on available-for-sale securities	**99,129**	286,410	**989,412**
Foreign currency translation adjustments	**927**	1,448	**9,256**
Treasury stock – at cost, 21,752 thousand shares in 2008 and 21,701 thousand shares in 2007	**(7,800)**	(7,742)	**(77,861)**
Total	**422,185**	620,705	**4,213,849**
Minority interests	**207**	26	**2,069**
Total equity	**422,392**	620,731	**4,215,918**
TOTAL	**¥2,987,234**	¥3,082,676	**$29,815,690**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
OPERATING INCOME:			
Underwriting income:			
Net premiums written	**¥ 871,589**	¥ 868,907	**$ 8,699,363**
Premiums for maturity of refundable portion of long-term insurance	**59,802**	65,710	**596,887**
Investment income on premiums for maturity of refundable portion of long-term and other insurance	**22,106**	22,007	**220,646**
Life insurance premiums	**72,019**	67,757	**718,828**
Reversal of outstanding claims	**12,296**	7,327	**122,735**
Other underwriting income	**796**	9,119	**7,948**
Total underwriting income	**1,038,610**	1,040,829	**10,366,410**
Investment income:			
Interest and dividend income	**89,297**	57,503	**891,283**
Gains on money held in trust	**23**	39	**237**
Gains on trading securities	**20**	—	**208**
Gains on sales of investments in securities (Note 4)	**48,372**	12,114	**482,810**
Gains on derivatives	**—**	164	**—**
Other investment income	**942**	555	**9,408**
Transfer of investment income on premiums for maturity of refundable portion of long-term and other insurance	**(22,106)**	(22,007)	**(220,646)**
Total investment income	**116,551**	48,369	**1,163,301**
Other income (Note 14)	**11,214**	2,080	**111,931**
Total operating income	**1,166,376**	1,091,279	**11,641,643**
OPERATING EXPENSES:			
Underwriting expenses:			
Net claims paid	**508,958**	508,454	**5,079,937**
Loss adjustment expenses	**36,003**	35,283	**359,356**
Commissions and brokerage	**159,631**	157,276	**1,593,285**
Maturity refunds and dividends to policyholders for long-term insurance	**104,813**	109,135	**1,046,142**
Life insurance claims and other payments	**12,802**	10,231	**127,777**
Provision for underwriting reserves	**68,084**	78,458	**679,558**
Other underwriting expenses	**6,539**	4,186	**65,269**
Total underwriting expenses	**896,833**	903,026	**8,951,328**
Investment expenses:			
Losses on trading securities	**—**	362	**—**
Losses on sales of investments in securities (Note 4)	**9,604**	4,971	**95,865**
Losses on devaluation of investments in securities (Note 4)	**12,512**	1,625	**124,889**
Losses on derivatives	**84,774**	—	**846,132**
Other investment expenses	**2,621**	444	**26,167**
Total investment expenses	**109,513**	7,404	**1,093,055**
Operating and general administrative expenses	**156,687**	150,610	**1,563,899**
Other expenses (Note 15)	**7,497**	4,856	**74,832**
Total operating expenses	**1,170,531**	1,065,897	**11,683,115**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**(4,155)**	25,382	**(41,471)**
INCOME TAXES (Note 10)**:**			
Current	**206**	12,367	**2,059**
Deferred	**(1,085)**	(3,139)	**(10,839)**
Total income taxes	**(879)**	9,228	**(8,780)**
MINORITY INTERESTS IN NET LOSS	**(103)**	(33)	**(1,030)**
NET INCOME (LOSS)	**¥ (3,172)**	¥ 16,187	**$ (31,660)**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.r and 17)**:**			
Basic net income (loss)	**¥ (4.31)**	¥22.04	**$(0.04)**
Diluted net income	**—**	22.03	**—**
Cash dividends applicable to the year	**10.00**	10.00	**0.09**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2008 and 2007

	Thousands	Millions of Yen								
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
BALANCE, APRIL 1, 2006	734,373	¥100,005	¥ 44,081	¥ 187,665	¥299,728	¥ 330	¥ (7,709)	¥624,103	¥ 51	¥624,154
Net income	—	—	—	16,187	—	—	—	16,187	—	16,187
Cash dividends	—	—	—	(7,343)	—	—	—	(7,343)	—	(7,343)
Purchase of treasury stock	(162)	—	—	—	—	—	(135)	(135)	—	(135)
Sales of treasury stock	288	—	—	(8)	—	—	102	94	—	94
Net decrease in unrealized gains on available-for-sale securities	—	—	—	—	(13,317)	—	—	(13,317)	—	(13,317)
Net increase in foreign currency translation adjustments	—	—	—	—	—	1,117	—	1,117	—	1,117
Net decrease in minority interests	—	—	—	—	—	—	—	—	(25)	(25)
BALANCE, MARCH 31, 2007	734,499	100,005	44,081	196,501	286,410	1,448	(7,742)	620,705	26	620,731
Net loss	**—**	**—**	**—**	**(3,172)**	**—**	**—**	**—**	**(3,172)**	**—**	**(3,172)**
Cash dividends	**—**	**—**	**—**	**(7,344)**	**—**	**—**	**—**	**(7,344)**	**—**	**(7,344)**
Change in scope of consolidation	**—**	**—**	**—**	**(147)**	**—**	**—**	**—**	**(147)**	**—**	**(147)**
Purchase of treasury stock	**(108)**	**—**	**—**	**—**	**—**	**—**	**(79)**	**(79)**	**—**	**(79)**
Sales of treasury stock	**58**	**—**	**6**	**—**	**—**	**—**	**20**	**27**	**—**	**27**
Net decrease in unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**(187,281)**	**—**	**—**	**(187,281)**	**—**	**(187,281)**
Net decrease in foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(521)**	**—**	**(521)**	**—**	**(521)**
Net increase in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**181**	**181**
BALANCE, MARCH 31, 2008	**734,449**	**¥100,005**	**¥ 44,088**	**¥ 185,836**	**¥ 99,129**	**¥ 927**	**¥ (7,800)**	**¥422,185**	**¥ 207**	**¥422,392**

	Thousands of U.S. Dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
BALANCE, MARCH 31, 2007	$998,153	$439,983	$1,961,287	$2,858,674	$14,460	$(77,280)	$6,195,279	$ 259	$6,195,538
Net loss	**—**	**—**	**(31,660)**	**—**	**—**	**—**	**(31,660)**	**—**	**(31,660)**
Cash dividends	**—**	**—**	**(73,310)**	**—**	**—**	**—**	**(73,310)**	**—**	**(73,310)**
Change in scope of consolidation	**—**	**—**	**(1,473)**	**—**	**—**	**—**	**(1,473)**	**—**	**(1,473)**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(789)**	**(789)**	**—**	**(789)**
Sales of treasury stock	**—**	**62**	**—**	**—**	**—**	**208**	**271**	**—**	**271**
Net decrease in unrealized gains on available-for-sale securities	**—**	**—**	**—**	**(1,869,262)**	**—**	**—**	**(1,869,262)**	**—**	**(1,869,262)**
Net decrease in foreign currency translation adjustments	**—**	**—**	**—**	**—**	**(5,204)**	**—**	**(5,204)**	**—**	**(5,204)**
Net increase in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,809**	**1,809**
BALANCE, MARCH 31, 2008	**$998,153**	**$440,045**	**$1,854,842**	**$ 989,412**	**$ 9,256**	**$(77,861)**	**$4,213,849**	**$2,069**	**$4,215,918**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ (4,155)**	¥ 25,382	**$ (41,471)**
Adjustments for:			
Depreciation and amortization	**11,183**	11,274	**111,618**
Impairment losses	**869**	308	**8,677**
Reversal of outstanding claims	**(12,296)**	(7,327)	**(122,735)**
Provision for underwriting reserves	**68,084**	78,458	**679,558**
Provision for (reversal of) allowance for doubtful accounts	**92**	(1,981)	**924**
Increase (decrease) in liability for employees' retirement benefits	**605**	(423)	**6,040**
Increase in liability for directors' retirement allowance	**1,231**	—	**12,290**
Increase in reserve for price fluctuation	**1,324**	1,350	**13,223**
Interest and dividend income	**(89,297)**	(57,503)	**(891,283)**
Net gain on investments in securities	**(26,951)**	(5,178)	**(269,003)**
Interest expense	**49**	5	**491**
Foreign exchange losses (gains)	**1,453**	(208)	**14,506**
Net loss on property and equipment	**651**	742	**6,499**
Net loss (gain) on derivatives	**84,774**	(164)	**846,132**
Others–net	**(21,217)**	6,316	**(211,770)**
Interest and dividends received	**90,685**	60,334	**905,135**
Interest paid	**(49)**	(5)	**(491)**
Income taxes paid	**(16,793)**	(5,805)	**(167,616)**
Total adjustments	**94,398**	80,192	**942,197**
Net cash provided by operating activities	**90,243**	105,575	**900,726**
INVESTING ACTIVITIES:			
Net increase in bank deposits	**(2,329)**	(500)	**(23,248)**
Purchase of debts	**(11,372)**	(9,619)	**(113,512)**
Proceeds from sales or redemptions of debts purchased	**4,141**	7,315	**41,334**
Purchase of money held in trust	**(4,641)**	—	**(46,331)**
Proceeds from decrease in money held in trust	**7,300**	1,666	**72,861**
Purchase of investments in securities	**(973,614)**	(833,419)	**(9,717,677)**
Proceeds from sales or maturities of investments in securities	**976,850**	789,199	**9,749,977**
Loans made	**(88,238)**	(108,464)	**(880,711)**
Collection of loans	**87,129**	113,105	**869,641**
Purchase of property and equipment	**(8,760)**	(13,619)	**(87,438)**
Proceeds from sales of property and equipment	**2,614**	1,121	**26,090**
Others–net	**(41,268)**	(1,190)	**(411,904)**
Net cash used in investing activities	**(52,190)**	(54,405)	**(520,918)**
FINANCING ACTIVITIES:			
Proceeds from sales of treasury stock	**27**	94	**271**
Purchase of treasury stock	**(79)**	(135)	**(789)**
Cash dividends	**(7,344)**	(7,343)	**(73,310)**
Others–net	**(217)**	(9)	**(2,168)**
Net cash used in financing activities	**(7,614)**	(7,394)	**(75,997)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(820)**	643	**(8,191)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**29,618**	44,418	**295,618**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**96,940**	52,521	**967,566**
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGE IN SCOPE OF CONSOLIDATION	**1,282**	—	**12,805**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 127,841**	¥ 96,940	**$1,275,990**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2008 and 2007

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 ¥100.19 to U.S.$1, the approximate exchange rate at March 31, 2008. 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.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION

The consolidated financial statements as of March 31, 2008 include the accounts of the Company and its six significant (five in 2007) subsidiaries (together, "the Group"). The Aioi Insurance CS-Desk Company, Limited is included in consolidation for the fiscal year ended March 31, 2008 due to an increase in its materiality.

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.

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.

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 derivatives 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 subsidiary 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 net 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 were mainly calculated pursuant to the five-year zillmerized reserve method until the year ended March 31, 2007. In the fiscal year ended March 31, 2008, Aioi Life Insurance Company, Limited lumped ¥10.2 billion ($102 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.

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

Until the fiscal year ended March 31, 2007, the Company and its domestic consolidated insurance subsidiary recognized director and corporate auditor retirement allowance as expenses at the time of payment. However, in accordance with the public announcement of the "Auditing Treatment relating to Reserve defined under the Special Tax Measurement Law, Reserve defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Allowance" (JICPA Auditing and Assurance Practice Committee Report No.42, April 13, 2007), these benefits are to be recorded as a liability for directors' retirement allowance at the required amount as of March 31, 2008, based on internally established standards.

As a result, loss before income taxes and minority interests for the year ended March 31, 2008 increased by ¥487 million ($4,864 thousand), compared with the corresponding amounts under the previously applied method.

Beginning in the fiscal year ended March 31, 2008, the liability for executive officers' retirement allowance, which was included in liability for employees' retirement benefit in previous years, is included in liability for directors' retirement allowance.

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

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed. See Note 11.

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

Lease Accounting: On March 30, 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 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.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are 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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements: Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, 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". The new standard 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 tentatively may be used for the consolidation process, 3) however, the following 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;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3.MONEY HELD IN TRUST

Aggregate cost, fair values and unrealized gains (losses) of money held in trust at March 31, 2008 and 2007 were as follows:

	Millions of Yen		
March 31, 2008	Aggregate cost	Unrealized gains (losses)	Fair value
Money held in trust classified as:			
Trading			**¥ 200**
Available-for-sale	**¥2,191**	**¥(169)**	**2,022**

March 31, 2007	Aggregate cost	Unrealized gains (losses)	Fair value
Money held in trust classified as:			
Trading			¥5,050

March 31, 2008	Thousands of U.S. Dollars Aggregate cost	Unrealized gains (losses)	Fair value
Money held in trust classified as:			
Trading			**$ 1,996**
Available-for-sale	**$21,878**	**$(1,693)**	**20,184**

4.INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen **2008**	2007	Thousands of U.S. Dollars **2008**
Government and municipal bonds	**¥ 696,997**	¥ 649,184	**$ 6,956,759**
Corporate bonds	**370,898**	333,730	**3,701,954**
Equity securities	**424,167**	629,600	**4,233,632**
Foreign securities	**382,832**	488,162	**3,821,067**
Other securities	**84,440**	133,305	**842,803**
Total	**¥1,959,337**	¥2,233,984	**$19,556,218**

Information regarding each category of the securities classified as trading and available-for-sale at March 31, 2008 and 2007 was as follows:

March 31, 2008	Millions of Yen Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
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, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 13,568
Available-for-sale:				
Bonds	¥ 727,246	¥ 13,701	¥ (1,932)	¥ 739,014
Equity securities	246,287	359,528	(480)	605,336
Foreign securities	414,586	55,632	(371)	469,846
Other securities*	119,931	22,337	(263)	142,006
Total available-for-sale	¥1,508,051	¥451,200	¥ (3,048)	¥1,956,203

March 31, 2008	Thousands of U.S. Dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				**$ 50,161**
Available-for-sale:				
Bonds	**$ 7,815,098**	**$ 142,973**	**$ (19,934)**	**$ 7,938,137**
Equity securities	**2,389,764**	**1,694,115**	**(36,696)**	**4,047,183**
Foreign securities	**3,901,112**	**64,204**	**(225,458)**	**3,739,857**
Other securities*	**1,092,772**	**7,930**	**(77,018)**	**1,023,684**
Total available-for-sale	**$15,198,748**	**$1,909,223**	**$(359,107)**	**$16,748,863**

* Other securities include debts purchased classified as other assets at March 31, 2008 and 2007.

Debt securities earmarked for underwriting reserves at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
March 31, 2008	Cost	Unrealized gains	Unrealized losses	Fair value
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, 2007				
Bonds	¥243,159	¥4,709	¥ (2,925)	¥244,943
Foreign securities	2,665	38	(8)	2,695
Total	¥245,825	¥4,747	¥(2,933)	¥247,638

	Thousands of U.S. Dollars			
March 31, 2008	Cost	Unrealized gains	Unrealized losses	Fair value
Bonds	**$2,717,097**	**$91,828**	**($16,822)**	**$2,792,103**
Foreign securities	**29,654**	**2,108**	**(4)**	**31,757**
Total	**$2,746,751**	**$93,936**	**($16,826)**	**$2,823,861**

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Available-for-sale:			
Equity securities	**¥15,061**	¥17,645	**$150,324**
Foreign securities	**—**	5,000	**—**
Other securities*	**6,637**	5,440	**66,250**
Total available-for-sale	**¥21,698**	¥28,085	**$216,575**
Held-to-maturity–Bonds	**¥ 348**	¥ 740	**$ 3,479**

* Other securities include debts purchased classified as other assets at March 31, 2008 and 2007.

Proceeds from sales of available-for-sale securities and debt securities earmarked for underwriting reserves for the years ended March 31, 2008 and 2007 were ¥775,703 million ($7,742,324 thousand) and ¥617,968 million, respectively. Gross realized gains and losses on these sales, computed using the moving average cost basis, were ¥48,372 million ($482,810 thousand) and ¥9,604 million ($95,865 thousand), respectively, for the year ended March 31, 2008 and ¥12,114 million and ¥4,971 million, respectively, for the year ended March 31, 2007.

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, 2008 were as follows:

	Millions of Yen			
March 31, 2008	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	**¥ 56,886**	**¥ 56,925**	**¥159,605**	**¥356,355**
Municipal bonds	**1,097**	**8,185**	**21,245**	**36,695**
Corporate bonds	**43,600**	**168,860**	**77,794**	**80,642**
Foreign securities	**567**	**62,276**	**136,914**	**26,913**
Other securities*	**4,181**	**7,488**	**15,866**	**26,117**
Total	**¥106,333**	**¥303,737**	**¥411,425**	**¥526,725**

	Thousands of U.S. Dollars			
March 31, 2008	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	**$ 567,783**	**$ 568,177**	**$1,593,025**	**$3,556,799**
Municipal bonds	**10,957**	**81,699**	**212,054**	**366,262**
Corporate bonds	**435,182**	**1,685,406**	**776,469**	**804,896**
Foreign securities	**5,660**	**621,588**	**1,366,545**	**268,626**
Other securities*	**41,732**	**74,741**	**158,359**	**260,682**
Total	**$1,061,315**	**$3,031,615**	**$4,106,454**	**$5,257,266**

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

Investments in unconsolidated subsidiaries and affiliated companies were ¥8,735 million ($87,185 thousand) and ¥11,735 million at March 31, 2008 and 2007, respectively.

The Company and its domestic consolidated insurance subsidiary recognized ¥12,512 million ($124,889 thousand) and ¥1,625 million losses on devaluation of available-for-sale securities, respectively, for the years ended March 31, 2008 and 2007. Losses on devaluation of available-for-sale securities for the years ended March 31, 2008 and 2007 were recognized in the statements of operations when their fair value declined by more than 30%.

5.COLLATERAL

The carrying amounts of investments in securities pledged as collateral were ¥57,478 million ($573,690 thousand) at March 31, 2008. This includes collateral for loans payable of ¥58 million ($578 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 ¥46,143 million at March 31, 2007.

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
	2008	2007	**2008**
Defaulted loans	**¥ 477**	¥ 338	**$ 4,767**
Delinquent loans (non-performing loans)	**3,055**	8,747	**30,494**
Past due loans (over three months)	**586**	265	**5,849**
Loans under mitigating conditions	**230**	248	**2,301**
Total	**¥4,349**	¥9,599	**$43,413**

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.

7.PROPERTY AND EQUIPMENT

Accumulated depreciation on property and equipment totaled ¥166,636 million ($1,663,209 thousand) and ¥165,307 million at March 31, 2008 and 2007, respectively. Property and equipment were stated at cost less deferred gains of ¥7,689 million ($76,746 thousand) and ¥7,630 million on sale and replacement of assets under certain conditions in accordance with the Japanese tax law for the years ended March 31, 2008 and 2007, respectively.

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 domestic consolidated insurance subsidiary implemented a defined contribution pension plan in April 2006 and transferred to it a portion of the severance lump-sum payment plan. This transfer had no effect on income before income taxes and minority interests for the year ended March 31, 2007.

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 ($80,061 thousand) as other income for the year ended March 31, 2008.

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥(127,650)**	¥(148,734)	**$(1,274,083)**
Fair value of plan assets	**140,475**	172,645	**1,402,094**
Unrecognized actuarial gain (loss)	**3,450**	(33,876)	**34,440**
Prepaid pension cost	**(36,237)**	(9,391)	**(361,683)**
Net liability for employees' retirement benefits	**¥ (19,961)**	¥ (19,355)	**$ (199,232)**

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥ 3,993**	¥4,627	**$ 39,860**
Interest cost	**2,657**	2,748	**26,523**
Expected return on plan assets	**(1,655)**	(1,559)	**(16,519)**
Amortization of unrecognized actuarial gain	**(2,476)**	(2,583)	**(24,722)**
Net periodic benefit costs	**2,518**	3,233	**25,141**
Gain on revision of retirement benefit plans	**(8,021)**	—	**(80,061)**
Premium for defined contribution pension plan	**376**	10	**3,753**
Total	**¥(5,126)**	¥3,244	**$(51,167)**

Assumptions used for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
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

9.EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. 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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also 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. 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 ¥32,526 million ($324,653 thousand) and ¥31,058 million as of March 31, 2008 and 2007, 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, which were previously presented as a liability, are now 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.

10.INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporate income tax and inhabitant tax which, in the aggregate, resulted in a normal statutory tax rate of 36.10% for the year ended March 31, 2008 and 36.09% for the year ended March 31, 2007. 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, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Underwriting reserves	**¥113,648**	¥107,910	**$1,134,324**
Outstanding claims	**11,385**	17,270	**113,639**
Depreciation	**9,166**	9,576	**91,491**
Assets contributed to employees' retirement benefit trusts	**10,495**	10,098	**104,758**
Other	**28,456**	24,185	**284,026**
Sub total	**173,152**	169,041	**1,728,241**
Valuation allowance	**(7,326)**	(6,926)	**(73,128)**
Total	**165,825**	162,114	**1,655,113**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(49,051)**	(152,482)	**(489,589)**
Other	**(2,114)**	(1,792)	**(21,101)**
Total	**(51,166)**	(154,274)	**(510,690)**
Net deferred tax assets	**¥114,659**	¥ 7,839	**$1,144,422**

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 year ended March 31, 2008 and the difference is not material for the year ended March 31, 2007.

11.LEASE TRANSACTIONS

A. FINANCE LEASES

Information regarding finance leases other than those which deem to transfer ownership of the leased property to the lessee, of the Group, is as follows:

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 years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Acquisition cost	**¥812**	¥784	**$8,109**
Accumulated depreciation	**291**	193	**2,911**
Accumulated impairment loss	**—**	—	**—**
Net leased property	**¥520**	¥591	**$5,198**

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

Obligations under finance leases and total payments for finance leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due in 1 year or less	**¥158**	¥141	**$1,585**
Due after 1 year	**361**	449	**3,612**
Total	**¥520**	¥591	**$5,198**
Total payments for finance leases	**¥159**	¥110	**$1,594**

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.

B. OPERATING LEASES

Obligations under operating leases as of March 31, 2008 and 2007, and total payments for the years were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As Lessee:	**2008**	2007	**2008**
Due in 1 year or less	**¥40**	¥123	**$409**
Due after 1 year	**—**	40	**—**
Total	**¥40**	¥164	**$409**

	Millions of Yen		Thousands of U.S. Dollars
As Lessor:	**2008**	2007	**2008**
Due in 1 year or less	**¥ 94**	¥ —	**$ 947**
Due after 1 year	**363**	—	**3,631**
Total	**¥458**	¥ —	**$4,579**

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 ¥11,262 million ($112,406 thousand) and ¥10,566 million at March 31, 2008 and 2007, respectively.

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 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 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, 2008 and 2007.

(1) Currency-related transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			**2008**		
	Contract amount	**Fair value**	**Unrealized losses**	Contract amount	Fair value	Unrealized gains (losses)	**Contract amount**	**Fair value**	**Unrealized losses**
Foreign exchange contracts–forward									
Buying U.S.$	**¥ 57,568**	**¥ 55,609**	**¥ (1,959)**	¥ 53,668	¥ 52,791	¥ (877)	**$574,595**	**$555,041**	**$(19,554)**
Buying Euro	**19,601**	**19,597**	**(4)**	46	47	0	**195,647**	**195,600**	**(46)**
Total			**¥ (1,963)**			¥ (876)			**$(19,600)**

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		
	2008			2007			**2008**		
	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**	**¥ 153**	**¥ 153**	¥ 4,500	¥ 79	¥ 79	**$34,933**	**$1,534**	**$1,534**
Total			**¥ 153**			¥ 79			**$1,534**

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

(3) Equity-related transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			**2008**		
	Contract amount	**Fair value**	**Unrealized gains**	Contract amount	Fair value	Unrealized gains (losses)	**Contract amount**	**Fair value**	**Unrealized gains**
Equity-related transactions– Stock index futures–									
Selling	**¥ —**	**¥ —**	**¥ —**	¥ 2,915	¥ 3,029	¥ (113)	**$ —**	**$ —**	**$ —**
Buying	**—**	**—**	**—**	3,221	3,261	39	**—**	**—**	**—**
Total			**¥ —**			¥ (73)			**$ —**

Note: Fair values are based on market quotations as of the year-end date.

(4) Other transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			**2008**		
	Contract amount	**Fair value**	**Unrealized losses**	Contract amount	Fair value	Unrealized gains	**Contract amount**	**Fair value**	**Unrealized losses**
Credit derivatives –									
Selling	**¥158,665**	**¥(43,490)**	**¥(43,490)**	¥288,645	¥ 334	¥ 334	**$1,583,649**	**$(434,084)**	**$(434,084)**
Total			**¥(43,490)**			¥ 334			**$(434,084)**

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

14.OTHER INCOME

Other income for the year ended March 31, 2008 included ¥1,362 million ($13,602 thousand) of gains on sales of fixed assets, and ¥8,021 million ($80,061 thousand) of gain on revision of retirement benefit plans.

Other income for the year ended March 31, 2007 included ¥795 million of gains on sales of fixed assets, and ¥510 million of a reversal of allowance for doubtful accounts.

15.OTHER EXPENSES

Other expenses for the year ended March 31, 2008 included ¥1,948 million ($19,450 thousand) of losses on sales of fixed assets, ¥869 million ($8,677 thousand) of impairment losses, ¥1,324 million ($13,223 thousand) of provision for price fluctuation reserve, ¥65 million ($655 thousand) of advanced depreciation of properties, and ¥711 million ($7,103 thousand) of past portion of liability for directors' retirement benefits.

Other expenses for the year ended March 31, 2007 included ¥1,409 million of losses on sales of fixed assets, ¥308 million of impairment losses, ¥1,350 million of provision for price fluctuation reserve, and ¥55 million of devaluation of properties.

16.STOCK OPTION PLANS

The content of the stock options in existence during the year ended March 31, 2008 is as follows:

Date of approval by shareholders	June 27, 2003
Grantees	15 Directors, 26 Executive Officers and 306 employees of the Company 38 Directors, 8 Executive Officers and 33 employees of subsidiaries and affiliated companies
Type and number of stock granted	4,350,000 shares of Common stock
Grant date	August 1, 2003
Vesting conditions	No provisions
Service period	No provisions
Exercise period	From July 1, 2005 to June 30, 2007

The number of and changes in stock options during the years ended March 31, 2008 and 2007 are as follows:

	Number of shares	
	2008	2007
Outstanding at the beginning of the year	**80,000**	360,000
Granted during the year	**—**	—
Exercised during the year	**25,000**	280,000
Forfeited during the year	**55,000**	—
Outstanding at the end of the year	**—**	80,000
	Yen	
Exercise price	**¥311**	¥311
Average share price at exercise	**¥828**	¥827

17.NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2008 and 2007 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2008	Net loss	Weighted-average shares	EPS	
Basic EPS – Net loss attributable to common shareholders........................	**¥ (3,172)**	**734,462**	**¥ (4.31)**	**$(0.04)**

Diluted net income per share for the year ended March 31, 2008 is not disclosed since there were no dilutive securities due to the net loss position.

	Millions of Yen	Thousands of Shares	Yen
Year ended March 31, 2007	Net income	Weighted-average shares	EPS
Basic EPS – Net income available to common shareholders	¥16,187	734,408	¥22.04
Effect of dilutive securities – Warrants...	—	153	
Diluted EPS – Net income for computation	¥16,187	734,562	¥22.03

18.SUBSEQUENT EVENTS

At the general shareholders' meeting held on June 26, 2008, 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 ($0.09) per share	¥ 7,344	$73,305

19.SEGMENT INFORMATION

The Group operates two major businesses; non-life insurance and life insurance. Business segment information for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen			
Year ended March 31, 2008	Non-life insurance	Life insurance	Elimination and Corporate	Consolidated
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, 2007	Non-life insurance	Life insurance	Elimination and Corporate	Consolidated
Operating income				
Sales to external customers	¥1,017,709	¥73,878	¥ (308)	¥1,091,279
Inter-segment sales and transfers	1,327	147	(1,474)	—
Total	1,019,036	74,025	(1,782)	1,091,279
Operating expenses	993,120	74,559	(1,782)	1,065,897
Operating profit (loss)	¥ 25,916	¥ (534)	¥ 0	¥ 25,382
Assets	¥2,767,122	¥315,627	¥ (72)	¥3,082,676
Depreciation and amortization	10,933	340	—	11,274
Impairment losses	308	—	—	308
Capital expenditure	15,093	319	—	15,413

	Thousands of U.S. Dollars			
Year ended March 31, 2008	Non-life insurance	Life insurance	Elimination and Corporate	Consolidated
Operating income				
Sales to external customers	**$10,854,769**	**$ 790,770**	**$ (3,897)**	**$11,641,643**
Inter-segment sales and transfers	**12,055**	**1,521**	**(13,577)**	**—**
Total	**10,866,825**	**792,292**	**(17,474)**	**11,641,643**
Operating expenses	**10,821,938**	**878,651**	**(17,474)**	**11,683,115**
Operating profit (loss)	**$ 44,887**	**$ (86,358)**	**$ (0)**	**$ (41,471)**
Assets	**$26,061,243**	**$3,757,688**	**$ (3,241)**	**$29,815,690**
Depreciation and amortization	**108,148**	**3,470**	**—**	**111,618**
Impairment losses	**8,677**	**—**	**—**	**8,677**
Capital expenditure	**129,850**	**3,228**	**—**	**133,078**

As described in Note 2. o. "Liability for Directors' Retirement Allowance", 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 ($4,582 thousand) 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.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

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 as of March 31, 2008 and 2007, 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, 2008 and 2007, 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 26, 2008

OTHER FINANCIAL DATA (UNAUDITED)

Non-Consolidated Balance Sheets (Assets)

Aioi Insurance Company, Limited
March 31, 2008 and 2007

	Millions of Yen				
	2008		2007		Change
Assets					
Cash and deposits	**¥ 77,051**	**2.92%**	¥ 65,255	2.34%	¥ 11,795
Cash	**81**		138		
Deposits	**76,969**		65,116		
Call loans	**20,000**	**0.76**	20,000	0.72	—
Receivable under resale agreements	**29,736**	**1.13**	22,173	0.80	7,562
Money held in trust	**2,222**	**0.08**	5,050	0.18	(2,827)
Investment in securities	**1,678,821**	**63.63**	1,973,849	70.88	(295,027)
Government bonds	**420,363**		442,139		
Municipal bonds	**46,252**		16,999		
Corporate bonds	**266,490**		245,980		
Equity securities	**468,033**		659,752		
Foreign securities	**394,465**		477,400		
Other securities	**83,216**		131,576		
Loans	**340,228**	**12.89**	341,043	12.24	(815)
Policy loans	**5,838**		6,359		
Financial loans	**334,390**		334,684		
Tangible assets	**150,335**	**5.70**	154,840	5.56	(4,504)
Land	**63,716**		65,315		
Buildings	**74,117**		77,178		
Construction in process	**2,805**		1,428		
Other tangible assets	**9,695**		10,918		
Intangible assets	**4,716**	**0.18**	5,830	0.21	(1,114)
Software	**3,725**		4,833		
Other intangible assets	**990**		996		
Other assets	**223,543**	**8.47**	188,871	6.78	34,672
Premiums receivable	**10,061**		10,575		
Agency accounts receivable	**19,613**		23,635		
Foreign agency accounts receivable	**1,892**		1,926		
Co-insurance accounts receivable	**2,312**		2,123		
Reinsurance accounts receivable	**42,843**		42,536		
Foreign reinsurance accounts receivable	**9,805**		13,309		
Other receivables	**21,583**		12,061		
Accrued income	**4,139**		4,443		
Deposits and subscription rights	**8,661**		9,245		
Deposits for earthquake insurance	**35,908**		33,999		
Suspense payment	**28,187**		22,997		
Deposits for future trading	**1,697**		1,424		
Derivatives	**153**		756		
Prepaid pension expense	**36,237**		—		
Other assets	**444**		9,835		
Deferred tax assets	**111,236**	**4.22**	7,203	0.26	104,032
Customers' liabilities for acceptance and guarantees	**3,000**	**0.11**	3,000	0.11	—
Allowance for doubtful accounts	**(2,295)**	**(0.09)**	(2,219)	(0.08)	(76)
Total assets	**¥2,638,595**	**100.00%**	¥2,784,898	100.00%	¥(146,302)

Non-Consolidated Balance Sheets (Liabilities and Net Assets)

Aioi Insurance Company, Limited
March 31, 2008 and 2007

	Millions of Yen				
	2008		2007		Change
Liabilities					
Underwriting funds	**¥2,006,518**	**76.05%**	¥2,009,359	72.15%	¥ (2,840)
Outstanding claims	**314,673**		327,873		
Underwriting reserves	**1,691,845**		1,681,485		
Other liabilities	**155,250**	**5.88**	114,292	4.10	40,958
Amounts due to other domestic insurance companies for co-insurance	**1,227**		1,239		
Amounts due to other domestic insurance companies for reinsurance	**27,652**		41,052		
Amounts due to other foreign insurance companies for reinsurance	**7,446**		10,415		
Borrowings	**58**		62		
Income taxes payable, etc.	**1,990**		10,930		
Deposit received	**3,377**		3,387		
Advance received	**2,756**		2,421		
Accrued expenses payable	**26,448**		14,603		
Suspense receipts	**38,838**		28,887		
Derivatives	**45,454**		1,293		
Liability for employees' retirement benefits	**19,837**	**0.75**	19,254	0.69	583
Liability for directors' retirement allowance	**1,203**	**0.05**	—	—	1,203
Liability for bonuses	**4,429**	**0.17**	4,314	0.16	115
Reserve under special law	**7,249**	**0.27**	5,997	0.22	1,252
Reserve for price fluctuation	**7,249**		5,997		
Acceptances and guarantees	**3,000**	**0.11**	3,000	0.11	—
Total liabilities	**2,197,489**	**83.28**	2,156,218	77.43	41,271
Net assets					
Shareholders' equity					
Share capital	**100,005**	**3.79**	100,005	3.59	—
Capital surplus					
Capital reserve	**44,081**		44,081		
Other share capital	**6**		—		
Total capital surplus	**44,088**	**1.68**	44,081	1.58	6
Retained earnings					
Earned reserves	**32,526**		31,058		
Other earned reserves	**174,864**		176,506		
Reserve for dividends	**38,640**		38,640		
Special reserve for insurance contract	**25,070**		25,070		
Reserve for advanced depreciation	**3,271**		3,165		
Reserve for special account for advanced depreciation	**471**		—		
Reserve for special depreciation	**—**		9		
Special reserve	**84,985**		76,985		
Earned surplus carried forward	**22,427**		32,636		
Total retained earnings	**207,391**	**7.86**	207,564	7.46	(173)
Treasury stock	**(7,800)**	**(0.30)**	(7,742)	(0.28)	(58)
Total shareholders' equity	**343,683**	**13.03**	343,908	12.35	(224)
Valuation and transaction adjustments					
Unrealized gains on available-for-sale securities	**97,422**	**3.69**	284,772	10.22	(187,349)
Total valuation and transaction adjustments	**97,422**	**3.69**	284,772	10.22	(187,349)
Total net assets	**441,106**	**16.72**	628,680	22.57	(187,574)
Total liabilities and net assets	**¥2,638,595**	**100.00%**	¥2,784,898	100.00%	¥(146,302)

Non-Consolidated Statements of Income

Aioi Insurance Company, Limited
Years ended March 31, 2008 and 2007

	Millions of Yen				
	2008		2007		Change
Ordinary income	**¥1,058,424**	**100.00%**	¥999,623	100.00%	¥ 58,800
Underwriting income	**947,315**	**89.50**	955,681	95.61	(8,366)
Net premiums written	**851,849**		851,238		610
Premiums for maturity of refundable portion of long-term insurance	**59,802**		65,710		(5,907)
Investment income on premiums for maturity of refundable portion of long-term and other insurance	**22,106**		22,007		99
Reversal of outstanding claims	**13,200**		8,157		5,042
Foreign exchange gains	**—**		3,479		(3,479)
Other underwriting income	**357**		5,088		(4,731)
Investment Income	**109,035**	**10.30**	42,124	4.21	66,911
Interest and dividend income	**81,864**		51,228		30,636
Gains on money held in trust	**23**		39		(15)
Gains on trading securities	**34**		—		34
Gains on sales of investments in securities	**48,277**		12,055		36,221
Gains on redemption of securities	**675**		27		647
Gains on derivatives	**—**		164		(164)
Foreign exchange gains	**—**		262		(262)
Other investment income	**267**		354		(87)
Transfer of investment income on premiums for maturity of refundable portion of long-term and other insurance	**(22,106)**		(22,007)		(99)
Other ordinary income	**2,073**	**0.20**	1,817	0.18	256
Ordinary expenses	**1,053,993**	**99.58**	969,815	97.02	84,178
Underwriting expenses	**798,590**	**75.45**	821,043	82.13	(22,452)
Net claims paid	**495,081**		496,539		(1,458)
Loss adjustment expenses	**34,992**		34,937		54
Commissions and brokerage	**147,020**		145,741		1,278
Maturity refunds for long-term insurance	**104,793**		109,114		(4,320)
Dividends to policyholders	**19**		21		(1)
Provision for underwriting reserves	**10,359**		30,761		(20,402)
Foreign exchange loss	**5,494**		—		5,494
Other underwriting expenses	**829**		3,927		(3,097)
Investment expenses	**109,021**	**10.30**	7,092	0.71	101,929
Losses on trading securities	**—**		363		(363)
Losses on sales of investments in securities	**9,190**		4,712		4,478
Losses on devaluation of investments in securities	**12,496**		1,625		10,870
Losses on redemption of securities	**—**		3		(3)
Losses on derivatives	**84,774**		—		84,774
Foreign exchange loss	**1,393**		—		1,393
Other investment expenses	**1,167**		387		780
Operating and general administrative expenses	**144,589**	**13.66**	140,107	14.02	4,481
Other ordinary expenses	**1,791**	**0.17**	1,571	0.16	219
Interest expenses	**2**		2		(0)
Provision for allowance for doubtful accounts	**168**		—		168
Losses on bad debts	**4**		10		(6)
Other underwriting expenses	**1,615**		1,558		57
Ordinary profit	**4,431**	**0.42**	29,808	2.98	(25,377)
Extraordinary gains	**9,384**	**0.88**	1,235	0.12	8,149
Gains on sales of fixed assets	**1,362**		795		567
Other extraordinary gains	**8,021**		439		7,581
Extraordinary losses	**4,777**	**0.45**	3,061	0.30	1,715
Losses on sales of fixed assets	**1,941**		1,407		533
Impairment losses	**869**		308		560
Provision for reserve under special laws	**1,252**		1,289		(37)
Reserve for price fluctuations	**1,252**		1,289		(37)
Advanced depreciation deduction of fixed assets	**65**		—		65
Other extraordinary losses	**648**		55		593
Income before income taxes	**9,038**	**0.85**	27,982	2.80	(18,944)
Current income taxes	**126**	**0.01**	12,015	1.20	(11,888)
Deferred income taxes	**1,739**	**0.16**	(2,906)	(0.29)	4,646
Net income	**¥ 7,171**	**0.68%**	¥ 18,874	1.89%	¥(11,702)

Non-Consolidated Statements of Changes in Net Assets

Aioi Insurance Company, Limited
Years ended March 31, 2007 and 2008

	Millions of Yen													
	Shareholders' Equity												Valuation and Translation Adjustments	
		Capital Surplus	Retained Earnings											
				Other Earned Reserves										
	Common Stock	Capital Reserve	Earned Reserves	Reserve for Dividends	Special Reserve for Insurance	Reserve for Advanced Depreciation	Reserve for Special Depreciation	Special Reserve	Earned Surplus Carried Forward	Total Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gains on Available-for-Sale Securities	Total Net Assets
Balance (As of March 31, 2006)	100,005	44,081	29,558	38,640	25,070	2,834	117	67,985	31,837	196,042	(7,709)	332,420	298,243	630,663
Dividend of Surplus*									(7,343)	(7,343)		(7,343)		(7,343)
Provision of Earned Reserves*			1,500						(1,500)	—		—		—
Provision of Reserve for Advanced Depreciation*						61			(61)	—		—		—
Reversal of Reserve for Advanced Depreciation*						(40)			40	—		—		—
Reversal of Reserve for Special Depreciation*							(54)		54	—		—		—
Provision of Earned Reserves						350			(350)	—		—		—
Reversal of Earned Reserves						(39)			39	—		—		—
Reversal of Reserve for Special Depreciation							(54)		54	—		—		—
Provision of Special Reserve*								9,000	(9,000)	—		—		—
Net Income									18,874	18,874		18,874		18,874
Purchase of Treasury Stock											(135)	(135)		(135)
Sales of Treasury Stock									(8)	(8)	102	94		94
Net Changes in Items Other than Shareholders' Equity													(13,471)	(13,471)
Total Changes	—	—	1,500	—	—	331	(108)	9,000	799	11,521	(33)	11,488	(13,471)	(1,983)
Balance (As of March 31, 2007)	100,005	44,081	31,058	38,640	25,070	3,165	9	76,985	32,636	207,564	(7,742)	343,908	284,772	628,680

*Appropriation of profits approved at the ordinary general meeting of shareholders in June 2006.

Millions of Yen

	Shareholders' Equity									Valuation and Translation Adjustments	
		Capital Surplus			Retained Earnings						
	Common Stock	Capital Reserve	Other Capital Surplus	Total Capital Surplus	Earned Reserves	Other Retained Earnings*	Total Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gains on Available-for-Sale Securities	Total Net Assets
Balance (As of March 31, 2007)	100,005	44,081	—	44,081	31,058	176,506	207,564	(7,742)	343,908	284,772	628,680
Dividend of Surplus					**1,468**	**(8,813)**	**(7,344)**		**(7,344)**		**(7,344)**
Net Income						**7,171**	**7,171**		**7,171**		**7,171**
Purchase of Treasury Stock								**(79)**	**(79)**		**(79)**
Sales of Treasury Stock			**6**	**6**				**20**	**27**		**27**
Net Changes in Items Other than Shareholders' Equity										**(187,349)**	**(187,349)**
Total Changes	**—**	**—**	**6**	**6**	**1,468**	**(1,642)**	**(173)**	**(58)**	**(224)**	**(187,349)**	**(187,574)**
Balance (As of March 31, 2008)	**100,005**	**44,081**	**6**	**44,088**	**32,526**	**174,864**	**207,391**	**(7,800)**	**343,683**	**97,422**	**441,106**

Millions of Yen

	Reserve for Dividends	Special Reserve for Insurance	Reserve for Advanced Depreciation	Reserve for Special Account for Advanced Depreciation	Reserve for Special Depreciation	Special Reserve	Earned Surplus Carried Forward	Total
Balance (As of March 31, 2007)	38,640	25,070	3,165	—	9	76,985	32,636	176,506
Dividend of Surplus							**(8,813)**	**(8,813)**
Provision of Earned Reserves			**146**				**(146)**	**—**
Reversal of Reserve for Advanced Depreciation			**(40)**				**40**	**—**
Provision for Reserve for Special Account for Advanced Depreciation				**471**			**(471)**	**—**
Reversal of Reserve for Special Depreciation					**(9)**		**9**	**—**
Provision of Special Reserve						**8,000**	**(8,000)**	**—**
Net Income							**7,171**	**7,171**
Total Changes	**—**	**—**	**105**	**471**	**(9)**	**8,000**	**(10,209)**	**(1,642)**
Balance (As of March 31, 2008)	**38,640**	**25,070**	**3,271**	**471**	**—**	**84,985**	**22,427**	**174,864**

*Breakdown of Other Retained Earnings

Detailed Information

Aioi Insurance Company, Limited
Years ended March 31

1. PREMIUMS & CLAIMS BY CLASS

(1) Direct Premiums Written by Class of Business

100 million yen

	2008		2007		2006	
		Change		Change		Change
Fire & Allied Lines	**¥1,174**	(2.6)%	¥1,205	7.0%	¥1,126	10.3%
Marine	**55**	2.9	53	6.1	50	3.6
Personal Accident	**505**	(2.2)	517	1.0	512	1.3
Voluntary Automobile	**4,667**	(0.3)	4,681	1.5	4,611	0.8
Compulsory Automobile Liability	**1,575**	(7.6)	1,704	0.4	1,696	(2.8)
Other	**739**	2.8	719	4.8	686	(0.2)
Total	**¥8,717**	(1.9)	¥8,882	2.3	¥8,685	1.2

(2) Net Premiums Written by Class of Business

100 million yen

	2008		2007		2006	
		Change		Change		Change
Fire & Allied Lines	**¥1,003**	(1.7)%	¥1,020	7.2%	¥ 952	7.5%
Marine	**64**	(0.7)	64	14.5	56	5.4
Personal Accident	**478**	(2.7)	492	(0.1)	492	0.1
Voluntary Automobile	**4,727**	0.1	4,720	1.7	4,643	0.8
Compulsory Automobile Liability	**1,495**	(0.1)	1,497	(0.9)	1,510	(2.2)
Other	**748**	4.6	716	4.3	686	(1.2)
Total	**¥8,518**	0.1	¥8,512	2.0	¥8,342	0.8

(3) Net Claims Paid by Class of Business

100 million yen

	2008			2007			2006		
		Loss ratio	Loss ratio change		Loss ratio	Loss ratio change		Loss ratio	Loss ratio change
Fire & Allied Lines	**¥ 358**	**37.3%**	(6.9)%	¥ 435	44.2%	(0.8)%	¥ 413	45.0%	(20.0)%
Marine	**36**	**57.7**	14.0	27	43.7	(12.9)	31	56.6	0.5
Personal Accident	**203**	**45.7**	4.7	185	41.0	3.9	167	37.1	0.6
Voluntary Automobile	**2,779**	**63.3**	1.7	2,698	61.6	0.3	2,636	61.3	(0.7)
Compulsory Automobile Liability	**1,001**	**72.3**	0.3	1,000	72.0	2.1	974	69.9	9.5
Other	**571**	**80.0**	(10.2)	618	90.2	(9.4)	657	99.6	(11.6)
Total	**¥4,950**	**62.2**	(0.2)	¥4,965	62.4	(0.3)	¥4,880	62.7	(1.9)

Note: Net Loss Ratio (%) = (net claims paid + loss adjustment expenses) / net premiums written

2. INWARDS REINSURANCE PREMIUMS & CLAIMS BY CLASS

(1) Net Inwards Reinsurance Premiums Written by Class of Business

100 million yen

	2008		2007		2006	
		Change		Change		Change
Fire & Allied Lines	**¥ 95**	(1.9)%	¥ 96	9.3%	¥ 88	(30.6)%
Marine	**23**	1.0	23	28.4	18	6.8
Personal Accident	**7**	(9.8)	8	(13.2)	9	(1.1)
Voluntary Automobile	**115**	20.0	96	15.0	83	(5.3)
Compulsory Automobile Liability	**1,105**	0.4	1,101	(1.5)	1,117	(2.4)
Other	**83**	(9.5)	92	(11.0)	104	23.7
Total	**¥1,431**	0.9	¥1,418	(0.2)	¥1,421	(3.4)

(2) Net Inwards Reinsurance Claims Paid by Class of Business

100 million yen

	2008			2007			2006		
		Loss ratio	Loss ratio change		Loss ratio	Loss ratio change		Loss ratio	Loss ratio change
Fire & Allied Lines	**¥ 47**	**50.3%**	(16.3)%	¥ 64	66.6%	(63.1)%	¥ 114	129.7%	63.7%
Marine	**22**	**93.5**	33.0	14	60.5	(43.6)	18	104.1	11.9
Personal Accident	**3**	**43.6**	3.0	3	40.6	8.0	3	32.6	6.0
Voluntary Automobile	**79**	**69.1**	5.8	60	63.3	(1.5)	54	64.8	(16.1)
Compulsory Automobile Liability	**1,001**	**90.6**	(0.3)	1,000	90.9	3.7	974	87.2	12.7
Other	**175**	**209.2**	(39.5)	230	248.7	(58.8)	320	307.5	(148.2)
Total	**¥1,329**	**92.9**	(4.0)	¥1,373	96.9	(7.6)	¥1,486	104.5	8.7

3. BREAKDOWN OF NET OPERATING EXPENSES

100 million yen

	2008			2007			2006		
		Change	% of premium		Change	% of premium		Change	% of premium
Loss Adjustment Expenses+Operating and General Administrative Expenses									
Personnel	**¥ 891**	0.0%	10.5	¥ 891	(3.9)%	10.5	¥ 928	(1.2)%	11.1
Non-Personnel	**808**	6.3	9.5	760	1.3	8.9	751	0.2	9.0
Taxes etc.	**94**	(2.7)	1.1	97	(1.8)	1.1	99	(1.4)	1.2
Total	**1,795**	2.6	21.1	1,750	(1.6)	20.6	1,778	(0.6)	21.3
Operating and General Administrative Expenses Associated with Underwriting	**1,364**	3.1	16.0	1,323	(2.0)	15.5	1,350	(0.4)	16.2
Commission & Brokerage	**1,470**	0.9	17.3	1,457	3.5	17.1	1,407	1.4	16.9
Business Expenses	**2,834**	1.9	33.3	2,780	0.8	32.7	2,758	0.5	33.1

4. CATASTROPHE RESERVES

100 million yen

	2008		Breakdown of transfer/draw-down in FY2008			2007		2006	
		Reserve ratio	Change	Draw-down	Transfer		Reserve ratio		Reserve ratio
Fire & Allied Lines	**¥ 899**	**91.3%**	¥78	¥ —	¥ 78	¥ 820	81.8%	¥ 741	79.3%
Marine	**42**	**65.5**	2	0	2	39	61.1	37	65.7
Personal Accident	**328**	**68.6**	14	—	14	313	63.7	298	60.7
Voluntary Automobile	**910**	**19.3**	(72)	405	333	983	20.8	971	20.9
Other	**243**	**32.5**	27	8	36	215	30.1	186	27.2
Total	**¥2,423**	**34.6**	¥51	¥414	¥465	¥2,372	33.9	¥2,235	32.8

Note: Reserve ratio = o/s catastrophe reserve + net premiums written (excl. dwelling EQ / CALI) ×100

5. UNDERWRITING RESERVES

100 million yen

	2008	2007	2006	2008/2007 Change
Fire & Allied Lines	**¥ 5,379**	¥ 5,227	¥ 5,022	¥ 151
Marine	**75**	70	65	5
Personal Accident	**4,995**	5,136	5,261	(141)
Voluntary Automobile	**2,343**	2,439	2,414	(95)
Compulsory Automobile Liability	**2,876**	2,725	2,573	151
Other	**1,248**	1,215	1,170	32
Total	**¥16,918**	¥16,814	¥16,507	¥ 103

6. OUTSTANDING CLAIMS RESERVE

100 million yen

	2008		2007		2006		2008/2007 Change	
		of which IBNR		of which IBNR		of which IBNR		of which IBNR
Fire & Allied Lines	**¥ 231**	**¥ 80**	¥ 253	¥102	¥ 336	¥ 157	¥(21)	¥(22)
Marine	**48**	**24**	68	37	56	28	(19)	(12)
Personal Accident	**149**	**52**	131	43	123	37	18	9
Voluntary Automobile	**1,822**	**176**	1,817	164	1,728	148	4	12
Compulsory Automobile Liability	**365**	**—**	367	—	367	—	(1)	—
Other	**528**	**268**	640	380	747	402	(112)	(112)
Total	**¥3,146**	**¥603**	¥3,278	¥727	¥3,360	¥ 775	¥(132)	¥(124)

7. TOTAL ASSETS / INVESTED ASSETS

100 million yen

	2008	2007	2006	2008/2007 Change
Investments in Securities	**¥16,788**	¥19,738	¥19,840	¥(2,950)
Government and Municipal Bonds	**7,331**	7,051	7,505	279
Equity Securities	**4,680**	6,597	7,072	(1,917)
Foreign Securities	**3,944**	4,774	4,181	(829)
Other Securities	**832**	1,315	1,081	(483)
Loans	**3,402**	3,410	3,479	(8)
Land/Buildings		1,424	1,404	
Other		3,275	2,886	
Total assets	**26,385**	27,848	27,611	(1,463)
(o/w invested assets)	**22,858**	25,697	25,467	(2,839)

(For Reference)

100 million yen

	2008	2007	2006	2008/2007 Change
Long-term Assets	**¥5,732**	¥6,049	¥6,324	¥(316)

8. SOLVENCY MARGIN RATIO

100 million yen

	2008	2007	2006	2008/2007 Change
(A) Total Solvency Margin (amount)	**¥8,417**	¥11,026	¥10,861	¥(2,609)
Capital Stock, Funds, and Other	**3,363**	3,365	3,250	(2)
Price Fluctuation Reserve	**72**	59	47	12
Contingency Fund	**5**	—	—	5
CAT Reserve (incl. E/Q insurance loss reserve)	**2,823**	2,753	2,595	70
Allowance for Bad Debt	**3**	2	2	1
90% of Valuation Difference on other Securities (before tax effect deduction)	**1,372**	4,010	4,199	(2,638)
85% of Unrealized Gains on Land	**61**	13	0	47
Deductions	**(242)**	(125)	(125)	(117)
Other	**958**	946	890	11
(B) Total risk ($\sqrt{(R1+R2)^2+(R3+R4)^2}+R5+R6$)	**1,951**	2,140	2,051	(188)
General Insurance Risk (R1)	**459**	467	470	(8)
Third Sector Insurance Risk (R2)	**—**	—	—	—
Projected Interest Risk (R3)	**24**	13	13	10
Asset Management Risk (R4)	**938**	1,212	1,157	(273)
Business Management Risk (R5)	**45**	49	47	4
Catastrophe Risk (R6)	**839**	778	742	60
Solvency Margin Ratio ((A) / [(B) × 0.5] ×100)	**862.6**	1,030.4	1,058.7	(167.8)

9. ASSET EVALUATION (LOANS)

100 million yen

	2008		2007		2006		2008/2007 Change	
		Share		Share		Share		Share
Total	**¥3,402**	**100.0%**	¥3,410	100.0%	¥3,479	100.0%	¥ (8)	—%
Total Non-Classified Assets	**3,295**	**69.9**	3,289	96.4	3,328	95.7	6	0.5
Total Classified Assets	**106**	**3.1**	121	3.6	151	4.3	(14)	(0.5)
Class II	**96**	**2.8**	94	2.8	108	3.1	2	—
Class III	**4**	**0.1**	22	0.7	23	0.7	(18)	(0.6)
Class IV	**5**	**0.2**	3	0.1	18	0.5	1	0.1

10. DEBT SUBJECT TO RISK CONTROL

100 million yen

	2008	2007	2006	2008/2007 Change
Total Debt Subject to Risk Control	**¥ 43**	¥ 95	¥ 109	¥(52)
Debts with Failed Companies	**4**	3	0	1
Debts Overdue	**30**	87	104	(56)
Debts Overdue for More than 3 Months	**5**	2	1	3
Debts with Relaxed Repayment Terms	**2**	2	2	(0)
Loans	**3,402**	3,410	3,479	(8)
As a Proportion of Loans	**1.3**	2.8	3.2	(1.5)

11. SHAREHOLDINGS BY SECTOR

100 million yen

	2008		2007		2006		2008/2007 Change	
		Share		Share		Share		Share
Finance & Insurance	**¥1,004**	**21.5%**	¥1,182	17.9%	¥1,347	19.1%	¥ (178)	3.6%
Transport Equipment	**731**	**15.6**	1,008	15.3	960	13.6	(277)	0.3
Commerce	**550**	**11.8**	765	11.6	921	13.0	(214)	0.2
Electrical Machinery	**470**	**10.1**	638	9.7	630	8.9	(167)	0.4
Chemicals	**439**	**9.4**	661	10.0	610	8.6	(222)	(0.6)
Construction	**269**	**5.7**	393	6.0	538	7.6	(94)	0.2
Land Transport	**188**	**4.0**	363	5.5	398	5.6	(204)	(1.9)
Machinery	**183**	**3.9**	275	4.2	309	4.4	(91)	(0.3)
Real Estate	**129**	**2.8**	236	3.6	208	2.9	(38)	0.2
Oil & Coal Products	**123**	**2.6**	182	2.8	203	2.9	(12)	0.5
Other	**589**	**12.6**	889	13.4	944	13.4	(415)	(2.6)
Total	**¥4,680**	**100.0**	¥6,597	100.0	¥7,072	100.0	¥(1,917)	—

12. INVESTMENT INCOME & EXPENSE

100 million yen

	2008	2007	2006	2008/2007 Change
Interest and Dividend Income	**¥ 818**	¥ 512	¥ 421	¥ 306
Gain on sale of Marketable Securities	**390**	73	69	317
Loss on Devaluation of Investments in Securities	**(124)**	(16)	(9)	(108)
Income & Expense on Financial Derivatives	**(847)**	1	(7)	(849)
Other Income & Expense on Assets Managed	**(15)**	(0)	18	(14)
Transfer of Investment Income on Premiums for Long-term and Other Insurance	**(221)**	¥(220)	(207)	(0)
Investment Income & Expense	**0**	350	284	(350)

(For Reference)Breakdown of interest and dividend income

100 million yen

	2008	2007	2006
Securities	**¥686**	¥387	¥305
Government and Municipal Bonds	**112**	98	70
Equity Securities	**88**	73	65
Foreign Securities	**357**	156	129
Other	**128**	57	40
Loan	**67**	63	59
Land/Buildings	**51**	51	48
Other	**13**	10	7
Total	**¥818**	¥512	¥421

13. INVESTMENTS IN SECURITIES

(1) Unrealized Profit (Loss) on Securities

100 million yen

	2008	2007	2006	2008/2007 Change
Government and Municipal Bonds	**¥ 106**	¥ 114	¥ 81	¥ (7)
Equity Securities	**1,651**	3,574	4,072	(1,922)
Foreign Securities	**(161)**	552	308	(713)
Other	**(70)**	214	203	(285)
Total	**¥1,526**	¥4,455	¥4,666	¥(2,929)

Note: Monetary claims purchased are included under 'Other'

(2) Gain (Loss) on Sale of Securities

100 million yen

	2008	2007	2006	2008/2007 Change
Government and Municipal Bonds	**¥ 55**	¥ (6)	¥ (28)	¥ 62
Equity Securities	**98**	77	140	20
Foreign Securities	**155**	1	(47)	154
Other	**80**	1	5	79
Total	**¥390**	¥ 73	¥ 69	¥317

(3) Valuation Loss on Securities after Impairment

100 million yen

	2008	2007	2006	2008/2007 Change
Government and Municipal Bonds	**¥ —**	¥ —	¥ —	¥ —
Equity Securities	**84**	15	9	69
Foreign Securities	**34**	0	—	33
Other	**6**	—	—	6
Total	**¥124**	¥16	¥ 9	¥108

15. FIXED ASSET IMPAIRMENT

100 million yen

	2008	2007	2006	2008/2007 Change
Land	**¥5**	¥0	¥ 5	¥4
Buildings	**3**	2	10	0
Total	**¥8**	¥3	¥16	¥5

16. IMPACT OF NATURAL DISASTERS

100 million yen

	2008	2007	2006	2008/2007 Change
Direct				
Fire & Allied Lines	**¥20**	¥76	¥33	¥(56)
Voluntary Automobile	**2**	12	8	(10)
Other	**2**	2	2	—
Claims Paid	**24**	90	43	(66)
Outstanding Claims	**2**	3	2	(1)
Total	**¥26**	¥93	¥45	¥(67)
Reinsurance				
Fire & Allied Lines	**1**	3	1	(2)
Voluntary Automobile	**—**	—	—	—
Other	**—**	—	—	—
Claims Recovered	**1**	3	1	(2)
Outstanding Claims Recovered	**—**	—	—	—
Total	**¥ 1**	¥ 3	¥ 1	¥ (2)
Net				
Fire & Allied Lines	**19**	73	32	(54)
Voluntary Automobile	**2**	12	8	(10)
Other	**2**	2	2	—
Claims Paid	**23**	87	42	(64)
Outstanding Claims Recovered	**2**	3	2	(1)
Total	**¥25**	¥90	¥44	¥(65)
Draw-down on Catastrophe Reserves	**2**	12	8	(10)
Net Impact (Negative)	**23**	78	36	(55)

17. AIOI LIFE - EARNINGS SUMMARY

100 million yen

	2008	2007	Change	2008/2007 Change
New Policy Total	**¥8,015**	¥ 8,746	¥(730)	(8.3)%
Personal/Pensions	**7,866**	8,456	(590)	(7.0)
Group	**149**	289	(139)	(48.3)
Policies in Force	**67,499**	62,334	5,164	8.3
Personal/Pensions	**49,074**	46,570	2,504	5.4
Group	**18,425**	15,764	2,660	16.9
Premium and Other Income	**899**	829	70	8.4
Asset Management Profit	**65**	54	10	18.8
Claims and Other Payments	**304**	251	53	21.2
Asset Management Expenses	**5**	0	5	—
Total Assets	**3,746**	3,141	605	19.3
Solvency Margin Ratio	**2,078.8**	1,734.6	344.2	

100 million yen

(Reference) Annualized Premiums	2008	2007	Change	2008/2007 Change
New Policy	**¥ 99**	¥116	¥(16)	(14.0)
Policies in Force	**684**	642	42	6.5

INVESTMENT CONDITIONS OF SECURITIZED PRODUCTS

The Company invests in securitized products, such as marketable securities and credit derivatives. The booked amount of marketable securities was 75.8 billion yen equivalent, and the notional amount of credit derivatives was 158.6 billion yen equivalent as of March 31, 2008.

ABS-CDOs in credit derivative transactions partially contain subprime related loans. Meanwhile, marketable securities do not contain any subprime related loans. Please refer to page 65 for the details of current conditions of subprime related investments.

1. INVESTMENT CONDITIONS OF MARKETABLE SECURITIES (AS OF MARCH 31, 2008)

	100 Millions of Yen		
	Booked Amount	Fair Value	Unrealized Profit and Loss
Total Amount of Securitized Products	758	742	(16)

(1) Special Purpose Entity (SPE)

There is no SPE structured by our company. Furthermore, we do not supplement liquidity in SPEs.

	100 Millions of Yen		
	Booked Amount	Fair Value	Unrealized Profit and Loss
Total Amount	3	8	5
ABCP	—	—	—
Bond Issued by SIV*	3	8	5
Other	—	—	—

* The Company holds subordinated bonds issued by Structured Investment Vehicles (SIVs). More than 85% of pledged assets for the bonds as collaterals keep AAA ratings, and more than 95% of the assets keep higher than A ratings. More than half of the bonds are Residential Mortgage Backed Securities (RMBSs) and Commercial Mortgage Backed Securities (CMBSs). RMBSs do not contain subprime related exposure but partially contain Alt-A exposure. Percentages of pledged assets by country are about 60% for the U.S., and about 35% for Europe. The average remaining period of pledged assets is 4.2 years.

(2) Collateralized Debt Obligation

The Company hold Collateralized Loan Obligations (CLOs), one of Collateralized Debt Obligations (CDOs). However, the CLOs do not contain subprime related exposure and Alt-A exposure.

	100 Millions of Yen		
	Booked Amount	Fair Value	Unrealized Profit and Loss
Total Amount	50	41	(8)
CLO*	50	41	(8)
Other	—	—	—

* The Company holds overseas equities.

(3) Other Securitized Product

Other marketable securities are as follows: (Subprime related exposure and Alt-A exposure not included.)

	100 Millions of Yen		
	Booked Amount	Fair Value	Unrealized Profit and Loss
Total Amount	704	691	(13)
CMBS	73	72	(0)
RMBS	415	419	4
ABS and Other	215	198	(16)

Overseas exposure in the above chart are as follows:

	100 Millions of Yen		
	Booked Amount	Fair Value	Unrealized Profit and Loss
Total Amount	121	105	(16)
CMBS	—	—	—
RMBS	—	—	—
ABS and Other	121	105	(16)

2. INVESTMENT CONDITIONS OF CREDIT DERIVATIVE TRANSACTION (AS OF MARCH 31, 2008)

The Company holds ABS-CDOs, Corporate CDOs, and CDSs (Credit Derivative Swaps). These ABS-CDOs contain subprime related exposure and Alt-A exposure, but Corporate CDOs and CDSs do not contain those exposures. The Company trades exchange hedges but do not trade any other hedges.

	100 Millions of Yen		
	Notional Amount	Evaluation Profit and Loss	Outstanding Exposure
Total Amount	1,586	(434)	1,151
ABS-CDO*	536	(409)	127
Corporate CDO**	760	(22)	737
CDS	290	(3)	286

Overseas exposure in the above chart are as follows:

	100 Millions of Yen		
	Notional Amount	Evaluation Profit and Loss	Outstanding Exposure
Total Amount	846	(410)	436
ABS-CDO	536	(409)	127
Corporate CDO	310	(1)	308
CDS	—	—	—

* ABS-CDOs, which partially contain subprime related exposure, keep AAA ratings due to conditions of underlying assets and tranches. Over half of underlying assets of these ABS-CDOs are RMBSs, and the other underlying assets are CMBSs, credit card receivables, leasing receivables, and student loans.

** About 90% of Corporate CDOs keep AAA ratings, and the other Corporate CDOs keep higher than AA ratings. Underlying assets of Corporate CDOs are CDSs for domestic companies and overseas companies. The percentages of the underlying assets are about 60% for Japan, about 25% for Europe, and about 10% for the U.S.

3. OTHER CONDITIONS

The Company does not implement leveraged finance deals and do not underwrite reinsurances of financial guarantee insurances and monoline insurers. The consolidated subsidiaries do not hold securitized products.

Note: Page 63 and 64 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.

SUBPRIME RELATED INVESTMENTS

1. SUBPRIME RELATED EXPOSURE

The Company has been decreasing the total amount of subprime related investments. As a result, the notional amount of ABS-CDOs, which partially contain subprime loans, has greatly decreased to 53.6 billion yen equivalent as of March 31, 2008. In addition, we sold the full amount of SIV bonds, which also partially contain subprime loans, in January 2008.

2. EVALUATION LOSS AND ACTUAL LOSS

The Company booked 40.9 billion yen equivalent as evaluation loss of ABS-CDOs and 42.6 billion yen equivalent as actual loss that lead to the total loss of 83.6 billion yen equivalent as of March 31, 2008.

	Billions of Yen					
	As of Mar. 31, 2008		As of Dec. 31, 2007		As of Sep. 30, 2007	
	Notional Amount/ Contract Amount	Evaluation Loss	Notional Amount/ Contract Amount	Evaluation Loss	Notional Amount/ Contract Amount	Evaluation Loss
ABS-CDO	53.6	40.9	106.2	60.0	111.4	25.2
SIV Bond	—	—	4.0	3.0	4.0	—
Total	53.6	40.9	110.2	63.0	115.4	25.2
Actual Loss		42.6		4.4		—
Total		83.6		67.5		25.2

As stated above, the amount of subprime related investments decreased by almost half, and about 75% of the amount was booked as evaluation loss. Thus, risk of subprime related investments greatly decreased.

3. COUNTERMEASURES FOR INVESTMENT MANAGEMENT

The Company implements the following management measures for investment activities in accordance with internal reviews on subprime issues.

- Business management

Active involvement of board of directors in investment activities and review of reporting rule to directors

- Investment risk management

- Enhancement of risk management and mutual monitoring management by reviewing organizations and authorities in departments of investment activities
- New special risk management function to be established separately from investment departments.