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	**2007**	2006	2005	2004	2003	2002	**2007**
Net premiums written	**¥ 868,907**	¥ 847,008	¥ 838,740	¥ 843,552	¥ 845,669	¥ 788,275	**$ 7,360,501**
Interest and dividend income	**57,503**	48,372	44,427	40,344	44,959	50,393	**487,115**
Net income (loss)	**16,187**	20,791	19,701	29,359	13,927	(88,247)	**137,125**
Total shareholders' equity (Note 2)	—	624,103	445,147	435,597	295,670	378,644	—
Total equity (Note 2)	**620,731**	624,154	—	—	—	—	**5,258,204**
Total assets	**3,082,676**	3,008,838	2,797,920	2,791,994	2,651,212	2,792,102	**26,113,315**

	Yen						U.S. Dollars (Note 1)
Equity per share	**¥845.07**	¥849.84	¥609.31	¥596.01	¥396.34	¥ 501.52	**$7.15**
Net income (loss) per share	**22.04**	28.37	26.96	39.67	18.60	(116.87)	**0.18**

Notes:
1. U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥118.05 to U.S.$1 on March 31, 2007.
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. See Note 2, R. of the notes to consolidated financial statements.

	Millions of Yen						Thousands of U.S. Dollars (Note 1)
Non-Consolidated	**2007**	2006	2005	2004	2003	2002	**2007**
Net premiums written	**¥ 851,238**	¥ 834,284	¥ 827,807	¥ 836,596	¥ 836,841	¥ 777,361	**$ 7,210,833**
Net income (loss)	**18,874**	19,750	16,132	27,322	10,304	(83,413)	**159,881**
Total equity (Note 2)	**628,680**	630,663	452,040	446,820	308,888	394,390	**5,325,545**
Total assets	**2,784,898**	2,761,116	2,569,113	2,597,891	2,496,328	2,663,459	**23,590,840**
Loss ratio	**62.44%**	62.71%	64.58%	60.80%	60.06%	66.95%	
Expense ratio	**32.66%**	33.07%	33.15%	33.45%	35.29%	38.94%	

	Yen						U.S. Dollars (Note 1)
Equity per share	**¥855.93**	¥858.77	¥618.75	¥611.37	¥414.06	¥ 522.38	**$7.25**
Net income (loss) per share	**25.69**	26.95	22.07	36.91	13.76	(110.47)	**0.21**
Cash dividends per share	**10.00**	10.00	8.00	8.00	7.00	7.00	**0.08**

Notes:
1. U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥118.05 to U.S.$1 on March 31, 2007.
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 year ended March 31, 2007. Export increased in the background of the expansion of overseas economy, and capital investment expanded supported by high-level corporate profits. In addition, individual consumption shifts firmly by the gradual increase of employee income, and the worldwide increase of demand continued.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements show that the total operating income increased by ¥2.0 billion to ¥1,091.2 billion.

The income before income taxes and minority interests decreased from ¥30.2 billion to ¥25.3 billion, and the net income decreased from ¥20.7 billion to ¥16.1 billion.

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 increased by 1.5% to ¥1,040.8 billion. Net premiums written increased by 2.6% to ¥868.9 billion. The following outlines the breakdown by the class of business.

Net Premiums Written (Millions of Yen)

	Years ended March 31,		
Class of Business	**2007**	2006	% Change
Fire and Allied Lines	**¥103,373**	¥ 95,853	7.8
Marine	**6,513**	5,668	14.9
Personal Accident	**49,242**	49,372	(0.3)
Voluntary Automobile	**486,596**	476,290	2.2
Compulsory Automobile Liability	**149,749**	151,083	(0.9)
Other	**73,432**	68,740	6.8
Total	**¥868,907**	¥847,008	2.6

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

Underwriting Expenses

Underwriting expenses increased by 2.5% to ¥903.0 billion. Net claims paid increased by 1.9%, to ¥508.4 billion. The following outlines the breakdown by the class of business.

Net Claims Paid (Millions of Yen)

	Years ended March 31,		
Class of Business	**2007**	2006	% Change
Fire and Allied Lines	**¥ 43,938**	¥ 42,263	4.0
Marine	**2,741**	3,176	(13.7)
Personal Accident	**18,555**	17,060	8.8
Voluntary Automobile	**280,946**	272,152	3.2
Compulsory Automobile Liability	**100,044**	97,473	2.6
Other	**62,228**	66,616	(6.6)
Total	**¥508,454**	¥498,742	1.9

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

Commissions and brokerage increased by 5.1% to ¥157.2 billion. Maturity refunds and dividends to policyholders for long-term insurance dropped by 18.2% to ¥109.1 billion.

2. ANALYSIS OF INVESTMENT

Investment Income

Interest and dividend income increased by 18.9% to ¥57.5 billion. Gains on sales of investments in securities decreased 42.5% to ¥12.1 billion due to the decrease of gains on sales of investments in securities. As a result, investment income decreased by 6.0% to ¥48.3 billion.

Investment Expenses

Investment expenses decreased by 55.5% to ¥7.4 billion due to the decrease of losses on sales of investments in securities.

3. ANALYSIS OF OPERATING AND GENERAL ADMINISTRATIVE EXPENSES

Operating and general administrative expenses decreased by 1.5%, to ¥150.6 billion due to a reduction in net periodic benefit costs.

SUMMARY OF FINANCIAL CONDITION

1. TOTAL ASSETS AND EQUITY

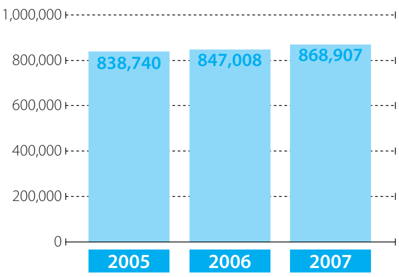
Total assets at the end of the fiscal year were up ¥73.8 billion to ¥3,082.6 billion, and equity amounted to ¥620.7 billion. As a result, the equity ratio at year-end was 20.1%.

2. SOLVENCY MARGIN RATIO

The solvency margin ratio for Aioi Insurance was 1,030.4%, and that of Aioi Life Insurance was to be 1,734.6%, based on computations specified by the Japanese Insurance Business Law. Both marks far exceed the 200%, which are deemed to be sufficient to cover insurance payouts and other expenditures.

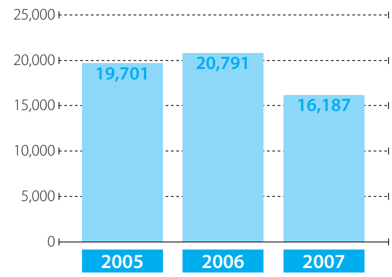
Net Premiums Written (Consolidated)

(Millions of Yen)



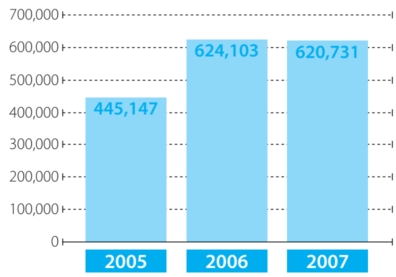
Net Income (Consolidated)

(Millions of Yen)



Equity (Consolidated)

(Millions of Yen)



RESULTS BY BUSINESS SEGMENT

1. NON-LIFE INSURANCE

Regarding the non-life insurance industry, which is principal business of our group, competitions such as product developments, rate cutting, and the business efficiency improvement, continued by the progress of liberalization and deregulation. On the other hand, there was a sign of improvement in the asset management environment. Although stock quotations shifted with approximately similar level to the preceding year, interest and dividends income increased with the releasing of zero interest rates.

Under such situation, we advanced acquisition of the new contracts in sales of automobile insurance, focusing on the risk-segmented automobile insurance *"Top Run"* and the *"Lexus owners automobile insurance plan"* that packaged special riders for high-class car owners. We also planned the expansion of our customer base mainly on long-term fire insurance contracts through the housing industry channel in sales of the fire insurance.

Further, to reinforce compound sales to our automobile insurance customers, we endeavored to increase sales of our five platform products, *"Comprehensive Home Insurance"* (Fire and allied lines), *"Comprehensive Business Insurance"* (Fire and allied line), *"Comprehensive Constructors Insurance"* (Liability), *"Comprehensive Transporters Insurance"* (Liability), and *"Comprehensive health Insurance"* (Medical).

On 14 March, 2007, we received the suspension and business improvement orders from the Financial Services Agency based on the stipulation of the Insurance Business Law, as a cause of the inadequate non-payments of the insurance claims relating to the medical insurance products. We accepted these orders solemnly, and are working on recurrence prevention so that we never make such situation occur.

In business overseas, centering on Aioi Motor and General Insurance Company of Europe Limited (AMaGIC), we positively worked on the expansion of our business such as "F&I business," financial and insurance services for Toyota users with Toyota Financial Services Corporation.

As a result, the non-life insurance business segment recorded an 2.6% increase in net premiums written to ¥868.9 billion, the total operating income amounted to ¥1,019.0 billion, and the operating profit to ¥25.9 billion.

2. LIFE INSURANCE

In life insurance segment, Aioi Life Insurance Company, Limited made an effort toward offering of the products which correspond to social environment changes and customer needs accurately. In June 2006, Aioi Life started providing whole-life insurance *"Dream One"* that corresponds to changes in market interest rates and is simple in application without medical examination and notification. In addition, we reformed main products, *"Super Whole-Life Premium"* that enables safe and rational preparation for death and serious impairment over a lifetime, and *"Income Indemnity Insurance Just One"* that covers income indemnity and medical care needs with rational premiums, to lower the premiums by focusing on three major illness coverage, and developed *"New Whole-Life Premium"* and *"Just One α."*

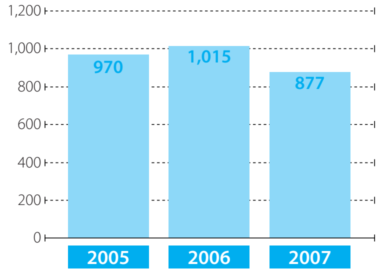
To improve the customers' convenience, we also expanded the customer service system, *"Policy Alteration Direct Service"* that accepts direct telephone calls for policy alteration from customers, and *"Policy Alteration Web Service"* that accepts application for policy alteration at any time on our homepage.

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

As a result, the life insurance business segment recorded a 17.4% increase in life insurance premiums to ¥67.9 billion, the total operating income amounted to ¥74.0 billion, and the operating loss to ¥0.5 billion.

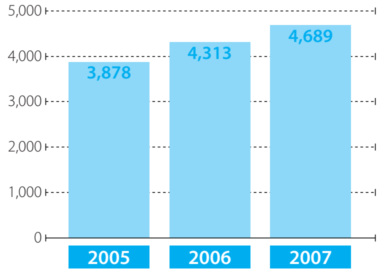
New Policy Amount

(Billions of Yen)



Total Amount of Life Insurance in Force

(Billions of Yen)



CASH FLOWS

Net cash provided by operating activities increased ¥10.9 billion compared with the previous fiscal year, to ¥105.5 billion (¥94.6 billion in previous year), due to the increase in both non-life and life insurance premium income. Net cash used in investing activities amounted to ¥54.4 billion (¥226.5 billion in previous year), as we increased investments in securities, which outweighed proceeds from the sales of investments in securities. Net cash used in financing activities increased ¥2.6 billion, to ¥7.3 billion (¥4.7 billion in previous year), due to the increase in payment of dividends.

As a result, cash and cash equivalents at March 31, 2007 were up ¥44.4 billion (¥136.0 billion down in previous year) compared with the end of the previous fiscal year, to ¥96.9 billion.

Consolidated Balance Sheets

Aioi Insurance Company, Limited and consolidated subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
ASSETS			
Cash and cash equivalents	**¥ 96,940**	¥ 52,521	**$ 821,181**
Money held in trust (Note 3)	**5,050**	6,716	**42,779**
Investments in securities (Notes 4 and 5)	**2,233,984**	2,204,110	**18,924,050**
Loans (Note 6)	**348,745**	354,657	**2,954,217**
Property and equipment–net (Note 7)	**155,517**	153,092	**1,317,386**
Intangible assets	**6,480**	7,717	**54,899**
Premiums receivable from policyholders and agents	**41,611**	43,363	**352,491**
Reinsurance receivable and recoverable on paid losses	**56,494**	65,105	**478,560**
Deferred tax assets (Note 10)	**7,839**	478	**66,411**
Customers' liabilities for acceptances and guarantees	**3,000**	3,000	**25,412**
Other assets (Notes 4 and 13)	**129,258**	122,204	**1,094,947**
Allowance for doubtful accounts	**(2,245)**	(4,130)	**(19,022)**
TOTAL	**¥3,082,676**	¥3,008,838	**$26,113,315**
LIABILITIES AND EQUITY			
LIABILITIES:			
Underwriting funds:			
Outstanding claims	**¥ 340,109**	¥ 345,716	**$ 2,881,064**
Underwriting reserves	**1,969,173**	1,890,182	**16,680,838**
Reinsurance payable and due to other insurance companies	**54,138**	57,729	**458,604**
Income taxes payable (Note 10)	**11,153**	4,531	**94,478**
Liability for employees' retirement benefits (Note 8)	**19,355**	19,779	**163,964**
Reserve for price fluctuation	**6,312**	4,961	**53,470**
Deferred tax liabilities (Note 10)	—	3,297	—
Acceptances and guarantees	**3,000**	3,000	**25,412**
Other liabilities (Notes 5 and 13)	**58,703**	55,484	**497,276**
Total liabilities	**2,461,945**	2,384,683	**20,855,111**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)	—	—	—
EQUITY (Notes 9 and 19)**:**			
Common stock–authorized, 2,000,000 thousand shares; issued, 756,201 thousand shares in 2007 and 2006	**¥ 100,005**	¥ 100,005	**$ 847,141**
Capital surplus	**44,081**	44,081	**373,417**
Retained earnings	**196,501**	187,665	**1,664,560**
Treasury stock–at cost, 21,701 thousand shares in 2007 and 21,827 thousand shares in 2006	**(7,742)**	(7,709)	**(65,588)**
Unrealized gains on available-for-sale securities	**286,410**	299,728	**2,426,180**
Foreign currency translation adjustments	**1,448**	330	**12,272**
Minority interests	**26**	51	**220**
Total equity	**620,731**	624,154	**5,258,204**
TOTAL	**¥3,082,676**	¥3,008,838	**$26,113,315**

See notes to consolidated financial statements.

Consolidated Statements of Income

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
OPERATING INCOME:			
Underwriting income:			
Net premiums written	**¥ 868,907**	¥ 847,008	**$7,360,501**
Premiums for maturity of refundable portion of long-term insurance	**65,710**	73,237	**556,629**
Investment income on premiums for maturity of refundable portion of long-term and other insurance	**22,007**	20,719	**186,424**
Life insurance premiums	**67,757**	57,700	**573,975**
Reversal of outstanding claims	**7,327**	17,025	**62,071**
Other underwriting income	**9,119**	9,422	**77,250**
Total underwriting income	**1,040,829**	1,025,113	**8,816,854**
Investment income:			
Interest and dividend income	**57,503**	48,372	**487,115**
Gains on money held in trust	**39**	59	**332**
Gains on trading securities	**—**	1,937	**—**
Gains on sales of investments in securities (Note 4)	**12,114**	21,082	**102,622**
Gains on derivatives	**164**	—	**1,390**
Other investment income	**555**	725	**4,701**
Transfer of investment income on premiums for maturity of refundable portion of long-term and other insurance	**(22,007)**	(20,719)	**(186,424)**
Total investment income	**48,369**	51,458	**409,738**
Other income (Note 14)	**2,080**	12,700	**17,622**
Total operating income	**1,091,279**	1,089,272	**9,244,214**
OPERATING EXPENSES:			
Underwriting expenses:			
Net claims paid	**508,454**	498,742	**4,307,110**
Loss adjustment expenses	**35,283**	35,834	**298,883**
Commissions and brokerage	**157,276**	149,685	**1,332,283**
Maturity refunds and dividends to policyholders for long-term insurance	**109,135**	133,480	**924,484**
Life insurance claims and other payments	**10,231**	9,263	**86,672**
Provision for underwriting reserves	**78,458**	53,257	**664,621**
Other underwriting expenses	**4,186**	614	**35,467**
Total underwriting expenses	**903,026**	880,877	**7,649,523**
Investment expenses:			
Losses on money held in trust	**—**	430	**—**
Losses on trading securities	**362**	—	**3,074**
Losses on sales of investments in securities (Note 4)	**4,971**	14,292	**42,111**
Losses on devaluation of investments in securities (Note 4)	**1,625**	998	**13,771**
Losses on derivatives	**—**	795	**—**
Other investment expenses	**444**	114	**3,761**
Total investment expenses	**7,404**	16,631	**62,719**
Operating and general administrative expenses	**150,610**	152,836	**1,275,817**
Other expenses (Note 15)	**4,856**	8,671	**41,139**
Total operating expenses	**1,065,897**	1,059,017	**9,029,200**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**25,382**	30,255	**215,014**
INCOME TAXES (Note 10)**:**			
Current	**12,367**	3,891	**104,767**
Deferred	**(3,139)**	5,576	**(26,594)**
Total income taxes	**9,228**	9,467	**78,172**
MINORITY INTERESTS IN NET LOSS	**(33)**	(3)	**(283)**
NET INCOME	**¥ 16,187**	¥ 20,791	**$ 137,125**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.Q and 17)**:**			
Basic net income	**¥22.04**	¥28.37	**$0.18**
Diluted net income	**22.03**	28.33	**0.18**
Cash dividends applicable to the year	**10.00**	10.00	**0.08**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Thousands	Millions of Yen						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Minority interests
BALANCE, APRIL 1, 2005	730,569	¥100,005	¥44,084	¥172,874	¥(8,982)	¥135,420	¥ 1,746	¥ 54
Net income	—	—	—	20,791	—	—	—	—
Cash dividends	—	—	—	(5,844)	—	—	—	—
Purchase of treasury stock	(194)	—	—	—	(131)	—	—	—
Sales of treasury stock	3,999	—	(2)	(155)	1,404	—	—	—
Net increase in unrealized gains on available-for-sale securities	—	—	—	—	—	164,308	—	—
Net decrease in foreign currency translation adjustments	—	—	—	—	—	—	(1,415)	—
Net decrease in minority interests	—	—	—	—	—	—	—	(2)
BALANCE, MARCH 31, 2006	734,373	100,005	44,081	187,665	(7,709)	299,728	330	51
Net income	**—**	**—**	**—**	**16,187**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(7,343)**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**(162)**	**—**	**—**	**—**	**(135)**	**—**	**—**	**—**
Sales of treasury stock	**288**	**—**	**—**	**(8)**	**102**	**—**	**—**	**—**
Net decrease in unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**(13,317)**	**—**	**—**
Net increase in foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**—**	**1,117**	**—**
Net decrease in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(25)**
BALANCE, MARCH 31, 2007	**734,499**	**¥100,005**	**¥44,081**	**¥196,501**	**¥(7,742)**	**¥286,410**	**¥ 1,448**	**¥ 26**

	Thousands of U.S. Dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Minority interests
BALANCE, MARCH 31, 2006	$847,141	$373,417	$1,589,715	$(65,306)	$2,538,997	$ 2,803	$ 439
Net income	**—**	**—**	**137,125**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**(62,208)**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**—**	**—**	**—**	**(1,150)**	**—**	**—**	**—**
Sales of treasury stock	**—**	**—**	**(71)**	**868**	**—**	**—**	**—**
Net decrease in unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**(112,816)**	**—**	**—**
Net increase in foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**9,469**	**—**
Net decrease in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**(219)**
BALANCE, MARCH 31, 2007	**$847,141**	**$373,417**	**$1,664,560**	**$(65,588)**	**$2,426,180**	**$12,272**	**$ 220**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 25,382**	¥ 30,255	**$ 215,014**
Adjustments for:			
Depreciation and amortization	**11,274**	11,463	**95,503**
Impairment losses	**308**	1,619	**2,616**
Reversal of outstanding claims	**(7,327)**	(17,025)	**(62,071)**
Provision for underwriting reserves	**78,458**	53,257	**664,621**
Reversal of allowance for doubtful accounts	**(1,981)**	(1,257)	**(16,785)**
Increase (decrease) in liability for employees' retirement benefits	**(423)**	615	**(3,583)**
Increase in reserve for price fluctuation	**1,350**	1,257	**11,438**
Interest and dividend income	**(57,503)**	(48,372)	**(487,115)**
Net gain on investments in securities	**(5,178)**	(8,364)	**(43,866)**
Interest expenses	**5**	4	**47**
Foreign exchange gains	**(208)**	(105)	**(1,766)**
Net loss on property and equipment	**742**	1,606	**6,287**
Others–net	**6,152**	16,475	**52,114**
Interest and dividends received	**60,334**	53,739	**511,094**
Interest paid	**(5)**	(4)	**(47)**
Income taxes paid	**(5,805)**	(541)	**(49,174)**
Total adjustments	**80,192**	64,367	**679,312**
Net cash provided by operating activities	**105,575**	94,623	**894,326**
INVESTING ACTIVITIES:			
Net decrease (increase) in bank deposits	**(500)**	341	**(4,237)**
Purchase of debts	**(9,619)**	(8,003)	**(81,490)**
Proceeds from sales or redemptions of debts purchased	**7,315**	4,481	**61,969**
Purchase of money held in trust	**—**	(2,045)	**—**
Proceeds from decrease in money held in trust	**1,666**	2,005	**14,116**
Purchase of investments in securities	**(833,419)**	(1,223,255)	**(7,059,889)**
Proceeds from sales or maturities of investments in securities	**789,199**	1,010,501	**6,685,298**
Loans made	**(108,464)**	(95,773)	**(918,798)**
Collection of loans	**113,105**	89,589	**958,119**
Purchase of property and equipment	**(13,619)**	(8,382)	**(115,368)**
Proceeds from sales of property and equipment	**1,121**	394	**9,501**
Proceeds from sale of consolidated subsidiary's shares	**—**	4,925	**—**
Others–net	**(1,190)**	(1,331)	**(10,088)**
Net cash used in investing activities	**(54,405)**	(226,552)	**(460,867)**
FINANCING ACTIVITIES:			
Proceeds from sales of treasury stock	**94**	1,246	**796**
Purchase of treasury stock	**(135)**	(131)	**(1,150)**
Cash dividends	**(7,343)**	(5,844)	**(62,208)**
Others–net	**(9)**	(8)	**(78)**
Net cash used in financing activities	**(7,394)**	(4,737)	**(62,641)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**643**	635	**5,451**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**44,418**	(136,031)	**376,269**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**52,521**	188,553	**444,912**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 96,940**	¥ 52,521	**$ 821,181**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Aioi Insurance Company, Limited and consolidated subsidiaries
Years ended March 31, 2007 and 2006

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 Securities and Exchange Law 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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

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 ¥118.05 to U.S.$1, the approximate exchange rate at March 31, 2007. 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, 2007 include the accounts of the Company and its five significant (five in 2006) subsidiaries (together, "the Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and shares of those companies over which the Company and its consolidated subsidiaries have the ability to exercise significant influence are accounted for by the equity method. Investments in affiliated companies are accounted for by the equity method.

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 statements of income 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 income 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 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. 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.

Listed securities in the money held in trust are stated at fair value.

E. DERIVATIVES

The Company and its domestic consolidated 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 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 statements of income, 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 subsidiary 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 are mainly calculated pursuant to the five-year zillmerized 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 income 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 income. 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 basis 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 subsidiary is 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 amount of the allowance for doubtful accounts is 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 and a termination allowance plan covering substantially all of its employees. The domestic consolidated 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 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. 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.

P. 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.

Q. 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 income are dividends applicable to the respective years including dividends to be paid after the end of the year.

R. PRESENTATION OF EQUITY

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, minority interests are now presented as components of equity. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheets as of March 31, 2007 and 2006 are presented in line with this new accounting standard.

3. MONEY HELD IN TRUST

All securities held as money held in trust are classified as trading securities. Aggregate cost at March 31, 2007 and 2006 and gains recognized in the consolidated statements of income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Aggregate cost	**¥5,050**	¥6,716	**$42,779**
Gains recognized	—	—	—

4. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Government and municipal bonds	**¥ 649,184**	¥ 664,078	**$ 5,499,232**
Corporate bonds	**333,730**	325,571	**2,827,026**
Equity securities	**629,600**	677,242	**5,333,338**
Foreign securities	**488,162**	427,257	**4,135,222**
Other securities	**133,305**	109,960	**1,129,230**
Total	**¥2,233,984**	¥2,204,110	**$18,924,050**

Information regarding each category of the securities classified as trading and available-for-sale at March 31, 2007 and 2006 was as follows:

	Millions of Yen			
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, 2006	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 49,907
Available-for-sale:				
Bonds	¥ 760,133	¥ 12,745	¥(4,582)	¥ 768,296
Equity securities	247,919	409,214	(260)	656,873
Foreign securities	360,326	32,235	(1,366)	391,194
Other securities*	78,626	21,376	(372)	99,630
Total available-for-sale	¥1,447,004	¥475,571	¥(6,581)	¥1,915,994

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				**$ 114,937**
Available-for-sale:				
Bonds	**$ 6,160,497**	**$ 116,061**	**$(16,374)**	**$ 6,260,184**
Equity securities	**2,086,301**	**3,045,565**	**(4,070)**	**5,127,795**
Foreign securities	**3,511,952**	**471,260**	**(3,150)**	**3,980,063**
Other securities*	**1,015,936**	**189,222**	**(2,228)**	**1,202,931**
Total available-for-sale	**$12,774,688**	**$3,822,110**	**$(25,823)**	**$16,570,975**

* Other securities include debts purchased classified as other assets at March 31, 2007 and 2006.

Debt securities earmarked for underwriting reserves at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
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**
March 31, 2006				
Bonds	¥220,010	¥4,283	¥(3,843)	¥220,450
Foreign securities	1,639	23	(24)	1,638
Total	¥221,649	¥4,306	¥(3,868)	¥222,088

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
Bonds	**$2,059,802**	**$39,895**	**$(24,782)**	**$2,074,916**
Foreign securities	**22,578**	**323**	**(71)**	**22,829**
Total	**$2,082,381**	**$40,219**	**$(24,853)**	**$2,097,746**

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities	**¥17,645**	¥18,577	**$149,471**
Foreign securities	**5,000**	5,000	**42,354**
Other securities*	**5,440**	6,262	**46,082**
Total available-for-sale	**¥28,085**	¥29,839	**$237,908**
Held-to-maturity–Bonds	**¥ 740**	¥ 1,342	**$ 6,271**

* Other securities include debts purchased classified as other assets at March 31, 2007 and 2006.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥617,968 million ($5,234,803 thousand) and ¥669,235 million, respectively. Gross realized gains and losses on these sales, computed using the moving average cost basis, were ¥12,114 million ($102,622 thousand) and ¥4,971 million ($42,111 thousand), respectively, for the year ended March 31, 2007 and ¥21,082 million and ¥14,292 million, respectively, for the year ended March 31, 2006.

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, 2007 were as follows:

	Millions of Yen			
March 31, 2007	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	**¥27,951**	**¥ 57,750**	**¥210,325**	**¥327,915**
Municipal bonds	**1,898**	**4,172**	**6,152**	**13,019**
Corporate bonds	**36,022**	**180,836**	**64,291**	**52,580**
Foreign securities	**18,210**	**81,649**	**109,667**	**50,234**
Other securities*	**864**	**21,988**	**14,862**	**18,275**
Total	**¥84,947**	**¥346,396**	**¥405,299**	**¥462,025**

	Thousands of U.S. Dollars			
March 31, 2007	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	**$236,773**	**$ 489,201**	**$1,781,662**	**$2,777,768**
Municipal bonds	**16,085**	**35,342**	**52,115**	**110,284**
Corporate bonds	**305,142**	**1,531,861**	**544,615**	**445,407**
Foreign securities	**154,263**	**691,651**	**928,992**	**425,538**
Other securities*	**7,327**	**186,262**	**125,900**	**154,811**
Total	**$719,592**	**$2,934,319**	**$3,433,284**	**$3,913,809**

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

Investments in unconsolidated subsidiaries and affiliated companies were ¥11,735 million ($99,408 thousand) and ¥5,575 million at March 31, 2007 and 2006, respectively.

The Company recognized ¥1,625 million ($13,771 thousand) and ¥998 million losses on devaluation of available-for-sale securities, respectively, for the years ended March 31, 2007 and 2006. Losses on devaluation of available-for-sale securities for the years ended March 31, 2007 and 2006 were recognized in the statements of income when their fair value declined by more than 30%.

5. COLLATERAL

The carrying amounts of investments in securities pledged as collateral were ¥46,143 million ($390,883 thousand) at March 31, 2007. This includes collateral for loans payable of ¥62 million ($527 thousand) classified as other liabilities, collateral for letters of credit issued and collateral pledged in lieu of guarantee deposits for margin trading.

The carrying amounts of investments in securities pledged as collateral were ¥67,713 million at March 31, 2006.

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
	2007	2006	**2007**
Defaulted loans	**¥ 338**	¥ 32	**$ 2,864**
Delinquent loans (non-performing loans)	**8,747**	10,494	**74,099**
Past due loans (over three months)	**265**	170	**2,248**
Loans under mitigating conditions	**248**	265	**2,107**
Total	**¥9,599**	¥10,962	**$81,319**

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 ¥165,307 million ($1,400,321 thousand) and ¥163,737 million at March 31, 2007 and 2006, respectively. Property and equipment were stated at cost less deferred gains of ¥7,630 million ($64,641 thousand) and ¥7,632 million on sale and replacement of assets under certain conditions in accordance with the Japanese tax law for the years ended March 31, 2007 and 2006, 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 subsidiary, employees terminating their employment are entitled to a lump-sum payment and pension payments. The domestic consolidated 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 has two types of pension plans for employees; a non-contributory and a contributory funded defined benefit pension plan. The contributory funded defined benefit pension plan, which is established under the Japanese Defined Benefit Corporate Pension Plan Law, covers substantially all employees other than directors and auditors. According to the enactment of the Japanese Defined Benefit Corporate Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on March 14, 2003.

The Company applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare on November 30, 2004. The actual transfer of the pension obligations and related assets to the government is to take place subsequently after the government approval.

Based upon the above approval in November 2004, there was no effect on the statements of income for the years ended March 31, 2007 and 2006.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥(148,734)**	¥(141,865)	**$(1,259,923)**
Fair value of plan assets	**172,645**	166,683	**1,462,480**
Unrecognized actuarial gain	**(33,876)**	(38,914)	**(286,965)**
Prepaid pension cost	**(9,391)**	(5,682)	**(79,555)**
Net liability for employees' retirement benefits	**¥ (19,355)**	¥ (19,779)	**$ (163,964)**

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥ 4,627**	¥ 4,704	**$ 39,202**
Interest cost	**2,748**	2,671	**23,280**
Expected return on plan assets	**(1,559)**	(1,258)	**(13,207)**
Amortization of unrecognized actuarial loss (gain)	**(2,583)**	1,271	**(21,885)**
Net periodic benefit costs	**3,233**	7,388	**27,390**
Premium for defined contribution pension plan	**10**	—	**91**
Total	**¥ 3,244**	¥ 7,388	**$ 27,481**

Assumptions used for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
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

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Japanese Commercial Code (the "Code") with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes 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 ¥31,058 million ($263,091 thousand) and ¥29,558 million as of March 31, 2007 and 2006, 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 subsidiary are subject to corporate income tax and inhabitant tax which, in the aggregate, resulted in a normal statutory tax rate of 36.09% for the years ended March 31, 2007 and 2006. The tax effects of temporary differences between the book basis and tax basis of assets and liabilities which create deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Underwriting reserves	**¥ 107,910**	¥ 100,296	**$ 914,107**
Outstanding claims	**17,270**	20,431	**146,294**
Depreciation	**9,576**	10,025	**81,120**
Assets contributed to employees' retirement benefit trusts	**10,098**	9,702	**85,542**
Other	**24,185**	34,572	**204,878**
Sub total	**169,041**	175,028	**1,431,944**
Valuation allowance	**(6,926)**	(6,938)	**(58,671)**
Total	**162,114**	168,089	**1,373,272**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(152,482)**	(169,261)	**(1,291,675)**
Other	**(1,792)**	(1,647)	**(15,186)**
Total	**(154,274)**	(170,909)	**(1,306,861)**
Net deferred tax assets (liabilities)	**¥ 7,839**	¥ (2,819)	**$ 66,411**

Reconciliation between the statutory tax rates and the effective income tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2006 was as follows:

	2006
Statutory tax rate	36.09%
Tax credit for dividends received	(5.00)
Expenses not deductible for income tax purposes	2.86
Tax credit for IT investment	(2.79)
Per capita inhabitant tax	1.25
Other–net	(1.12)
Effective income tax rate	31.29%

Reconciliation between the statutory tax rates and the effective income tax rates for the year ended March 31, 2007 is not disclosed since the difference is not material.

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, 2007 and 2006 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Acquisition cost	**¥784**	¥384	**$6,644**
Accumulated depreciation	**193**	115	**1,636**
Accumulated impairment loss	**—**	—	**—**
Net leased property	**¥591**	¥268	**$5,008**

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, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due in 1 year or less	**¥141**	¥ 77	**$1,200**
Due after 1 year	**449**	190	**3,807**
Total	**¥591**	¥268	**$5,008**
Total payments for finance leases	**¥110**	¥ 84	**$ 936**

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, 2007 and 2006, and total payments for the years were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due in 1 year or less	**¥123**	¥124	**$1,042**
Due after 1 year	**40**	164	**347**
Total	**¥164**	¥288	**$1,389**

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 ¥10,566 million ($89,504 thousand) and ¥9,663 million at March 31, 2007 and 2006, respectively.

13. DERIVATIVES

A. UTILIZATION

The Company and its domestic consolidated 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 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 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.

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 subsidiary had the following derivatives contracts outstanding at March 31, 2007 and 2006.

(1) Currency-related transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			**2007**		
	Contract amount	**Fair value**	**Unrealized gains (losses)**	Contract amount	Fair value	Unrealizd gains (losses)	**Contract amount**	**Fair value**	**Unrealizd gains (losses)**
Foreign exchange contracts–forward									
Selling U.S.$	**¥ —**	**¥ —**	**¥ —**	¥10,486	¥10,445	¥ 41	**$ —**	**$ —**	**$ —**
Buying U.S.$..........	**53,668**	**52,791**	**(877)**	66,571	67,408	837	**454,623**	**447,194**	**(7,429)**
Buying Euro...........	**46**	**47**	**0**	998	998	(0)	**395**	**399**	**4**
Total			**¥(876)**			¥879			**$(7,424)**

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		
	2007			2006			**2007**		
	Contract amount	**Fair value**	**Unrealized gains**	Contract amount	Fair value	Unrealized gains	**Contract amount**	**Fair value**	**Unrealizd gains**
Interest rate swaps– Fixed rate receipts, floating rate payment	**¥4,500**	**¥79**	**¥79**	¥4,500	¥14	¥14	**$38,119**	**$673**	**$673**
Total			**¥79**			¥14			**$673**

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

(3) Equity-related transactions

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			**2007**		
	Contract amount	**Fair value**	**Unrealized gains (losses)**	Contract amount	Fair value	Unrealized gains	**Contract amount**	**Fair value**	**Unrealized gains (losses)**
Equity-related transactions– Stock index futures–									
Selling	**¥2,915**	**¥3,029**	**¥(113)**	¥—	¥—	¥—	**$24,697**	**$25,660**	**$(963)**
Buying....................	**3,221**	**3,261**	**39**	—	—	—	**27,290**	**27,626**	**336**
Total			**¥ (73)**			¥—			**$(626)**

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		
	2007			2006			**2007**		
	Contract amount	**Fair value**	**Unrealized gains**	Contract amount	Fair value	Unrealized gains	**Contract amount**	**Fair value**	**Unrealizd gains**
Credit derivatives–									
Selling	**¥288,645**	**¥334**	**¥334**	¥156,006	¥249	¥249	**$2,445,114**	**$2,831**	**$2,831**
Total			**¥334**			¥249			**$2,831**

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

14. OTHER INCOME

Other income for the year ended March 31, 2007 included ¥795 million ($6,740 thousand) of gains on sales of fixed assets, and ¥510 million ($4,325 thousand) of a reversal of allowance for doubtful accounts.

Other income for the year ended March 31, 2006 included ¥193 million of gains on sales of properties, ¥11,022 million of a payment received in the action against Fortress Re, a reinsurance agent, and ¥682 million of a reversal of allowance for doubtful accounts.

15. OTHER EXPENSES

Other expenses for the year ended March 31, 2007 included ¥1,409 million ($11,943 thousand) of losses on sales of fixed assets, ¥308 million ($2,616 thousand) of impairment losses, ¥1,350 million ($11,438 thousand) of provision for price fluctuation reserve, and ¥55 million ($473 thousand) losses of devaluation of properties.

Other expenses for the year ended March 31, 2006 included ¥1,796 million of losses on sales of properties and ¥1,619 million of impairment losses, ¥1,257 million of provision for price fluctuation reserve, and ¥1,961 million of subsidiary-related loss.

16. STOCK OPTION PLANS

The content of the stock options in existence during the year ended March 31, 2007 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 of stock granted	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 year ended March 31, 2007 are as follows:

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

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
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**	**$0.18**
Effect of dilutive securities–Warrants	—	**153**		
Diluted EPS–Net income for computation	**¥16,187**	**734,562**	**¥22.03**	**$0.18**

	Millions of Yen	Thousands of Shares	Yen
Year ended March 31, 2006	Net income	Weighted-average shares	EPS
Basic EPS–Net income available to common shareholders	¥20,791	732,697	¥28.37
Effect of dilutive securities–Warrants	—	1,022	
Diluted EPS–Net income for computation	¥20,791	733,720	¥28.33

18. SUPPLEMENTARY CASH FLOW INFORMATION

The following is a summary of the assets and liabilities of Aioi Insurance Company of Europe Limited at the time it was excluded from the scope of consolidation.

Year ended March 31, 2006	Millions of Yen
Investments in securities	¥23,829
Total assets	34,235
Underwriting funds	14,900
Total liabilities	20,492

19. SUBSEQUENT EVENTS

At the general shareholders' meeting held on June 27, 2007, 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 ($0.08) per share	**¥7,344**	**$62,219**

20. SEGMENT INFORMATION

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

	Millions of Yen			
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, 2007	Non-life insurance	Life insurance	Elimination and Corporate	Consolidated
Operating income				
Sales to external customers	**$ 8,621,004**	**$ 625,823**	**$ (2,613)**	**$ 9,244,214**
Inter-segment sales and transfers	**11,242**	**1,245**	**(12,488)**	**—**
Total	**8,632,247**	**627,069**	**(15,102)**	**9,244,214**
Operating expenses	**8,412,708**	**631,593**	**(15,102)**	**9,029,200**
Operating profit (loss)	**$ 219,538**	**$ (4,524)**	**$ 0**	**$ 215,014**
Assets	**$23,440,257**	**$2,673,673**	**$ (614)**	**$26,113,315**
Depreciation and amortization	**92,618**	**2,884**	**—**	**95,503**
Impairment losses	**2,616**	**—**	**—**	**2,616**
Capital expenditure	**127,859**	**2,708**	**—**	**130,567**

Other segment information of the Group, such as business segments for the year ended March 31, 2006, geographical breakdown and overseas sales is not disclosed because of its immateriality.

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Aioi Insurance Company, Limited and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, 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, 2007 and 2006, 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 27, 2007

Member of
Deloitte Touche Tohmatsu

Other Financial Data (Unaudited)

Aioi Insurance Company, Limited
Years ended March 31

1. Highlight Data

(Unit: 100 million yen, %)

	2006	2007	Change	Change %
1. Direct Premiums Written	¥8,685	**¥8,882**	¥ 197	2.3
2. Net Premiums Written	8,342	**8,512**	169	2.0
3. Net Claims Paid	4,880	**4,965**	84	1.7
4. Loss Adjustment Expenses	351	**349**	(2)	(0.6)
5. Net Operating Expenses	2,758	**2,780**	21	0.8
Operating Income	352	**417**	64	18.4
6. Increase in Outstanding Claims	(154)	**(81)**	73	
7. Increase in Catastrophe Reserve	287	**137**	(150)	
Underwriting Profit (Loss)	19	**10**	(9)	(47.4)
Investment Profit & Loss	284	**350**	65	
(of which interest/dividend income)	421	**512**	90	
(of which gain (loss) on sales of investments in securities)	69	**73**	3	
(of which loss on devaluation of investments in securities)	9	**16**	6	
Ordinary Profit	249	**298**	49	19.7
Extraordinary Profit & Loss	42	**(18)**	(60)	
Net Profit	197	**188**	(8)	(4.4)
(Ratios)				
Net Premium Growth Ratio	0.8	**2.0**	1.2	
Net Loss Ratio	62.7	**62.4**	(0.3)	
Net Expense Ratio	33.1	**32.7**	(0.4)	
Combined Ratio	95.8	**95.1**	(0.7)	
U/W Profit Ratio	4.2	**4.9**	0.7	

Financial Position

(Unit: 100 million yen, %)

	2006	2007	Change
Total Assets	¥27,611	**¥27,848**	¥ 237
Total Equity	6,306	**6,286**	(19)
Catastrophe Reserves	2,235	**2,372**	137
Solvency Margin Ratio	1058.7	**1030.4**	(28.3)

Natural Disasters

(Unit: 100 million yen)

	Direct	Net	Net Claims Reserve
Fire/Casualty	¥81	¥78	¥ 3
Motor	12	12	—
Total	¥93	¥90	¥ 3

2. Premiums & Claims by Class

(1) Direct Premiums Written by Class of Business

(Unit: 100 million yen, %)

	2005		2006		2007	
Class of Business		Change %		Change %		Change %
Fire & Allied Lines	¥1,020	5.4	¥1,126	10.3	**¥1,205**	**7.0**
Marine	49	(2.6)	50	3.6	**53**	**6.1**
Personal Accident	505	2.0	512	1.3	**517**	**1.0**
Voluntary Automobile	4,574	(1.4)	4,611	0.8	**4,681**	**1.5**
Compulsory Automobile Liability	1,746	0.2	1,696	(2.8)	**1,704**	**0.4**
Other	687	2.2	686	(0.2)	**719**	**4.8**
Total	¥8,584	0.2	¥8,685	1.2	**¥8,882**	**2.3**

(2) Net Premiums Written by Class of Business

(Unit: 100 million yen, %)

	2005		2006		2007	
Class of Business		Change %		Change %		Change %
Fire & Allied Lines	¥ 885	5.8	¥ 952	7.5	**¥1,020**	**7.2**
Marine	53	2.2	56	5.4	**64**	**14.5**
Personal Accident	492	0.3	492	0.1	**492**	**(0.1)**
Voluntary Automobile	4,606	(2.4)	4,643	0.8	**4,720**	**1.7**
Compulsory Automobile Liability	1,544	0.5	1,510	(2.2)	**1,497**	**(0.9)**
Other	695	(4.9)	686	(1.2)	**716**	**4.3**
Total	¥8,278	(1.1)	¥8,342	0.8	**¥8,512**	**2.0**

(3) Net Claims Paid by Class of Business

(Unit: 100 million yen, %)

	2005			2006			2007		
Class of Business		Loss Ratio	Loss Ratio Change		Loss Ratio	Loss Ratio Change		Loss Ratio	Loss Ratio Change
Fire & Allied Lines	¥ 558	65.0	22.6	¥ 413	45.0	(20.0)	**¥ 435**	**44.2**	**(0.8)**
Marine	29	56.1	(20.4)	31	56.6	0.5	**27**	**43.7**	**(12.9)**
Personal Accident	162	36.5	(3.9)	167	37.1	0.6	**185**	**41.0**	**3.9**
Voluntary Automobile	2,638	62.0	0.7	2,636	61.3	(0.7)	**2,698**	**61.6**	**0.3**
Compulsory Automobile Liability	852	60.4	13.3	974	69.9	9.5	**1,000**	**72.0**	**2.1**
Other	747	111.2	(8.7)	657	99.6	(11.6)	**618**	**90.2**	**(9.4)**
Total	¥4,989	64.6	3.8	¥4,880	62.7	(1.9)	**¥4,965**	**62.4**	**(0.3)**

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

3. Inwards Reinsurance Premiums & Claims Paid by Class of Business

(1) Inwards Reinsurance Premiums Written by Class of Business

(Unit: 100 million yen, %)

	2005		2006		2007	
Class of Business		Change %		Change %		Change %
Fire & Allied Lines	¥ 127	(12.1)	¥ 88	(30.6)	**¥ 96**	**9.3**
Marine	17	10.0	18	6.8	**23**	**28.4**
Personal Accident	9	5.3	9	(1.1)	**8**	**(13.2)**
Voluntary Automobile	88	(34.4)	83	(5.3)	**96**	**15.0**
Compulsory Automobile Liability	1,144	0.5	1,117	(2.4)	**1,101**	**(1.5)**
Other	84	(41.6)	104	23.7	**92**	**(11.0)**
Total	¥1,471	(7.3)	¥1,421	(3.4)	**¥1,418**	**(0.2)**

(2) Inwards Reinsurance Claims Paid by Class of Business

(Unit: 100 million yen, %)

	2005			2006			2007		
Class of Business		Loss Ratio	Loss Ratio Change		Loss Ratio	Loss Ratio Change		Loss Ratio	Loss Ratio Change
Fire & Allied Lines	¥ 84	66.0	(27.9)	¥ 114	129.7	63.7	**¥ 64**	**66.6**	**(63.1)**
Marine	15	92.2	(80.2)	18	104.1	11.9	**14**	**60.5**	**(43.6)**
Personal Accident	2	26.6	6.6	3	32.6	6.0	**3**	**40.6**	**8.0**
Voluntary Automobile	71	80.9	(11.3)	54	64.8	(16.1)	**60**	**63.3**	**(1.5)**
Compulsory Automobile Liability	852	74.5	18.1	974	87.2	12.7	**1,000**	**90.9**	**3.7**
Other	383	455.7	157.9	320	307.5	(148.2)	**230**	**248.7**	**(58.8)**
Total	¥1,410	95.8	10.1	¥1,486	104.5	8.7	**¥1,373**	**96.9**	**(7.6)**

4. Breakdown of Net Operating Expenses

(Unit: 100 million yen, %)

	2005			2006			2007		
		Change %	% of Premium		Change %	% of Premium		Change %	% of Premium
Loss Adjustment Expenses+Operating and General Administrative Expenses									
Personnel	¥ 939	(2.2)	11.4	¥ 928	(1.2)	11.1	**¥ 891**	**(3.9)**	**10.5**
Non-Personnel	749	(2.9)	9.1	751	0.2	9.0	**760**	**1.3**	**8.9**
Taxes etc.	100	(3.8)	1.2	99	(1.4)	1.2	**97**	**(1.8)**	**1.1**
Total	1,790	(2.6)	21.6	1,778	(0.6)	21.3	**1,750**	**(1.6)**	**20.6**
Operating and General Administrative Expenses Associated with Underwriting	1,356	(2.1)	16.4	1,350	(0.4)	16.2	**1,323**	**(2.0)**	**15.5**
Commission & Brokerage	1,387	(1.8)	16.8	1,407	1.4	16.9	**1,457**	**3.5**	**17.1**
Business Expenses	2,744	(1.9)	33.2	2,758	0.5	33.1	**2,780**	**0.8**	**32.7**

5. Catastrophe Reserves

(Unit: 100 million yen, %)

	2005		2006		2007			Breakdown of transfer/draw-down in 2007	
Class of Business		Reserve Ratio		Reserve Ratio		Reserve Ratio	Change	Draw-down	Transfer
Fire & Allied Lines	¥ 563	64.7	¥ 741	79.3	**¥ 820**	**81.8**	**¥ 79**	¥ —	¥ 79
Marine	35	65.4	37	65.7	**39**	**61.1**	**2**	0	2
Personal Accident	284	57.7	298	60.7	**313**	**63.7**	**14**	—	14
Voluntary Automobile	893	19.4	971	20.9	**983**	**20.8**	**12**	319	332
Other	171	24.7	186	27.2	**215**	**30.1**	**28**	7	36
Total	¥1,948	29.0	¥2,235	32.8	**¥2,372**	**33.9**	**¥137**	¥328	465

Note: Reserve ratio = catastrophe reserves / net premiums written (excl. dwelling EQ / CALI) ×100

6. Underwriting Reserves

(Unit: 100 million yen)

Class of Business	2005	2006	2007	Change
Fire & Allied Lines	¥ 4,790	¥ 5,022	**¥ 5,227**	**¥ 205**
Marine	51	65	**70**	**4**
Personal Accident	5,542	5,261	**5,136**	**(124)**
Voluntary Automobile	2,370	2,414	**2,439**	**24**
Compulsory Automobile Liability	2,410	2,573	**2,725**	**152**
Other	1,182	1,170	**1,215**	**45**
Total	¥16,348	¥16,507	**¥16,814**	**¥ 307**

7. Outstanding Claims

(Unit: 100 million yen)

Class of Business	2005	2005 of which IBNR	2006	2006 of which IBNR	**2007**	**2007 of which IBNR**	Change	Change of which IBNR
Fire & Allied Lines	¥ 413	¥171	¥ 336	¥ 157	**¥ 253**	**¥102**	¥ (82)	¥(55)
Marine	72	37	56	28	**68**	**37**	11	8
Personal Accident	114	38	123	37	**131**	**43**	7	5
Voluntary Automobile	1,720	151	1,728	148	**1,817**	**164**	89	15
Compulsory Automobile Liability	365	—	367	—	**367**	**—**	(0)	—
Other	828	482	747	402	**640**	**380**	(107)	(22)
Total	¥3,514	¥880	¥3,360	¥ 775	**¥3,278**	**¥727**	¥ (81)	¥(47)

8. Total Assets / Invested Assets

(Unit: 100 million yen)

	2005	2006	**2007**	Change
Investments in Securities	¥15,854	¥19,840	**¥19,738**	¥(102)
Government and Municipal Bonds	6,101	7,505	**7,051**	(454)
Equity Securities	5,122	7,072	**6,597**	(475)
Foreign Securities	3,760	4,181	**4,774**	592
Other Securities	869	1,081	**1,315**	234
Loans	3,430	3,479	**3,410**	(69)
Land/Buildings	1,437	1,404	**1,424**	20
Other	4,969	2,886	**3,275**	388
Total assets	25,691	27,611	**27,848**	237
(o/w invested assets)	22,488	25,467	**25,697**	230

(For Reference)

(Unit: 100 million yen)

	2005	2006	**2007**	Change
Long-term Assets	¥6,781	¥6,324	**¥6,049**	¥(274)

9. Solvency Margin Ratio

(Unit: 100 million yen)

	2005	2006	**2007**	Change
(A) Total Solvency Margin (amount)	¥8,055	¥10,861	**¥11,026**	**¥ 165**
Total Capital (excl. expected outflow, deferred assets & other valuation gain on securities)	3,115	3,250	**3,365**	**114**
Price Fluctuation Reserve	35	47	**59**	**12**
CAT Reserve (incl. E/Q insurance loss reserve)	2,288	2,595	**2,753**	**157**
Allowance for Bad Debt	5	2	**2**	**(0)**
90% of Valuation Difference on other Securities (before tax effect deduction)	1,896	4,199	**4,010**	**(189)**
85% of Unrealized Gains on Land	10	0	**13**	**13**
Deductions (negative)	(125)	(125)	**(125)**	**—**
Other	829	890	**946**	**56**
(B) Total risk ($\sqrt{R1^2+(R2+R3)^2}+R4+R5$)	1,692	2,051	**2,140**	**88**
General Insurance Risk (R1)	470	470	**467**	**(2)**
Projected Interest Risk (R2)	14	13	**13**	**(0)**
Asset Management Risk (R3)	945	1,157	**1,212**	**54**
Business Management Risk (R4)	40	47	**49**	**1**
Catastrophe Risk (R5)	583	742	**778**	**36**
Solvency Margin Ratio ((A) / [(B) × 0.5] ×100)	951.9	1,058.7	**1,030.4**	**(28.3)**

10. Asset Evaluation (Loans)

(Unit: 100 million yen, %)

	2005	2005 Share	2006	2006 Share	**2007**	**2007 Share**	Change	Change Share
Total	¥3,430	100.0	¥3,479	100.0	**¥3,410**	**100.0**	¥(69)	—
Total Non-Classified Assets	3,265	95.2	3,328	95.7	**3,289**	**96.4**	(39)	0.7
Total Classified Assets	164	4.8	151	4.3	**121**	**3.6**	(29)	(0.7)
Class II	118	3.5	108	3.1	**94**	**2.8**	(14)	(0.3)
Class III	44	1.3	23	0.7	**22**	**0.7**	(0)	—
Class IV	1	0.0	18	0.5	**3**	**0.1**	(14)	(0.4)

11. Debt Subject to Risk Control

(Unit: 100 million yen, %)

	2005	2006	**2007**	Change
Total Debt Subject to Risk Control	¥ 121	¥ 109	**¥ 95**	¥(13)
Debts with Failed Companies	1	0	**3**	3
Debts Overdue	114	104	**87**	(17)
Debts Overdue for More than 3 Months	3	1	**2**	0
Debts with Relaxed Repayment Terms	2	2	**2**	(0)
Loans	3,430	3,479	**3,410**	(69)
As a Proportion of Loans	3.5	3.2	**2.8**	(0.4)

12. Shareholdings by Sector

(Unit: 100 million yen, %)

Category	2005	Share	2006	Share	**2007**	**Share**	Change	Share
Finance & Insurance	¥ 989	19.3	¥1,347	19.1	**¥1,182**	**17.9**	¥(164)	(1.2)
Transport Equipment	670	13.1	960	13.6	**1,008**	**15.3**	48	1.7
Commerce	641	12.5	921	13.0	**765**	**11.6**	(156)	(1.4)
Electrical Machinery	458	8.9	630	8.9	**638**	**9.7**	8	0.8
Chemicals	517	10.1	610	8.6	**661**	**10.0**	50	1.4
Construction	298	5.8	538	7.6	**393**	**6.0**	(144)	(1.6)
Land Transport	295	5.8	398	5.6	**363**	**5.5**	(35)	(0.1)
Machinery	197	3.9	309	4.4	**275**	**4.2**	(34)	(0.2)
Real Estate	94	1.8	208	2.9	**236**	**3.6**	28	0.7
Oil & Coal Products	192	3.8	203	2.9	**182**	**2.8**	(20)	(0.1)
Other	765	15.0	944	13.4	**889**	**13.4**	(54)	—
Total	¥5,122	100.0	¥7,072	100.0	**¥6,597**	**100.0**	¥(475)	—

13. Investment Income & Expense

(Unit: 100 million yen)

	2005	2006	**2007**	Change
Investment Income & Expense	¥ 380	¥ 284	**¥ 350**	**¥ 65**
Interest and Dividend Income	387	421	**512**	**90**
Gain on Sales of Investments in Securities	208	69	**73**	**3**
Loss on Devaluation of Investments in Securities	(13)	(9)	**(16)**	**(6)**
Other Investment Income & Expense	6	10	**0**	**(9)**
Income & Expense on Money in Trust	0	(3)	**0**	**4**
Income & Expense on Financial Derivatives	(9)	(7)	**1**	**9**
Income & Expense on Trading Securities Held	11	19	**(3)**	**(22)**
Gain on Redemption of Securities	—	0	**0**	**0**
Forex Gain/Loss	1	0	**2**	**1**
Other Income & Expense on Assets Managed	1	2	**(0)**	**(2)**
Transfer of Investment Income on Premiums for Maturity of Refundable Portion of Long-Term and Other Insurance	(207)	(207)	**(220)**	**(12)**

(Reference) Breakdown of interest and dividend income (Unit: 100 million yen)

	2005	2006	**2007**
Securities	¥264	¥305	**¥387**
Government and Municipal Bonds	71	70	**98**
Equity Securities	56	65	**73**
Foreign Securities	106	129	**156**
Other	30	40	**57**
Loan	64	59	**63**
Land/Buildings	52	48	**51**
Other	6	7	**10**
Total	¥387	¥421	**¥512**

14. Marketable Securities

(1) Unrealized Profit (Loss) on Securities

(Unit: 100 million yen)

	2005	2006	**2007**	Change
Government and Municipal Bonds	¥ 77	¥ 81	**¥ 114**	¥ 32
Equity Securities	2,061	4,072	**3,574**	(497)
Foreign Securities	(72)	308	**552**	243
Other	41	203	**214**	11
Total	¥2,106	¥4,666	**¥4,455**	¥(210)

Note: Monetary claims purchased are included under 'Other'

(2) Gain (Loss) on Sales of Securities

(Unit: 100 million yen)

	2005	2006	**2007**	Change
Government and Municipal Bonds	¥ 16	¥ (28)	**¥(6)**	¥ 21
Equity Securities	233	140	**77**	(62)
Foreign Securities	(43)	(47)	**1**	49
Other	2	5	**1**	(4)
Total	¥208	¥ 69	**¥ 73**	¥ 3

(3) Loss on Devaluation of Securities After Impairment

(Unit: 100 million yen)

	2005	2006	**2007**	Change
Government and Municipal Bonds	¥ 0	¥—	**¥—**	¥—
Equity Securities	13	9	**15**	5
Foreign Securities	0	—	**0**	0
Other	—	—	**—**	—
Total	¥13	¥ 9	**¥16**	¥ 6

15. Fixed Asset Impairment

(Unit: 100 million yen)

	2005	2006	2007	Change
Land	¥50	¥ 5	**¥0**	¥ (4)
Buildings	34	10	**2**	(8)
Total	¥85	¥16	**¥3**	¥(13)

16. Impact of Natural Disasters

(Unit: 100 million yen)

	2005	2006	2007	Change
Direct				
Fire & Allied Lines	¥404	¥33	**¥76**	¥43
Voluntary Automobile	78	8	**12**	4
Other	15	2	**2**	—
Claims Paid	497	43	**90**	47
Outstanding Claims	40	2	**3**	1
Total	¥537	¥45	**¥93**	¥48
Reinsurance				
Fire & Allied Lines	143	1	**3**	2
Voluntary Automobile	16	—	**—**	—
Other	2	—	**—**	—
Claims Recovered	161	1	**3**	2
Outstanding Claims Recovered	17	—	**—**	—
Total	¥178	¥1	**¥ 3**	¥ 2
Net				
Fire & Allied Lines	261	32	**73**	41
Voluntary Automobile	62	8	**12**	4
Other	13	2	**2**	—
Claims Paid	336	42	**87**	45
Outstanding Claims Recovered	23	2	**3**	1
Total	¥359	¥44	**¥90**	¥46
Draw-down on Catastrophe Reserves	215	8	**12**	4
Net Impact (Negative)	144	36	**78**	42

17. Aioi Life - Earnings Summary

(Unit: 100 million yen,%)

	2006	2007	Change	Change %
New Policy Total	¥10,866	**¥ 8,746**	**¥(2,120)**	**(19.5)**
Personal/Pensions	10,156	**8,456**	**(1,699)**	**(16.7)**
Group	709	**289**	**(420)**	**(59.3)**
Policies in Force	55,849	**62,334**	**6,485**	**11.6**
Personal/Pensions	43,136	**46,570**	**3,434**	**8.0**
Group	12,712	**15,764**	**3,051**	**24.0**
Premium and Other Income	724	**829**	**104**	**14.5**
Asset Management Profit	45	**54**	**9**	**19.9**
Claims and Other Payments	230	**251**	**20**	**9.0**
Asset Management Expenses	0	**0**	**0**	**27.0**
Total Assets	2,674	**3,141**	**466**	**17.4**
Solvency Margin Ratio	1,733.9	**1,734.6**	**0.7**	

(Reference) Annualized Premiums

(Unit: 100 million yen,%)

	2006	2007	Change	Change %
New Policy	¥129	**¥116**	**¥(13)**	**(10.1)**
Policies in Force	576	**642**	**66**	**11.5**