



ANNUAL REPORT 2006

Annual Report **2006**



Aioi Insurance Co., Ltd.

Profile

Aioi Insurance Company, Limited was formed in April 2001 from the merger of two long-established non-life insurance companies, The Dai-Tokyo Fire & Marine Insurance Co., Ltd. and The Chiyoda Fire & Marine Insurance Co., Ltd. Our company name, which means “growing together” in Japanese, reflects our desire to grow in tandem with our customers, agents and shareholders. With net premiums written of ¥847 billion (\$7,210 million) on a consolidated basis and total assets of ¥3,008 billion (\$25,613 million), Aioi Insurance is one of Japan’s largest non-life insurance companies. Through our domestic subsidiaries and affiliates we also offer life and personal insurance, operate nursing care facilities and provide various insurance support services.

Aioi Insurance boasts a comprehensive nationwide network of 532 sales offices under 109 sales branch offices, 207 claim service centers and offices, and 44,559 agents. This domestic network helps the company develop products and services tailored to evolving consumer demands.

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

We also operate representative offices in 21 major cities worldwide to assist policyholders who travel, live, or work abroad.

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CAUTIONARY NOTE:

FORWARD-LOOKING STATEMENTS

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

BUSINESS OUTLINE

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FINANCIAL HIGHLIGHTS

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

CONSOLIDATED FINANCIAL HIGHLIGHTS	Millions of Yen		Thousands of U.S. Dollars (Note)
	2006	2005	2006
Net premiums written	¥ 847,008	¥ 838,740	\$ 7,210,424
Interest and dividend income.....	48,372	44,427	411,786
Net income.....	20,791	19,701	176,994
Total shareholders' equity.....	624,103	445,147	5,312,872
Total assets.....	¥3,008,838	¥2,797,920	\$25,613,675

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥117.47 to U.S.\$1 on March 31, 2006.

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS	Millions of Yen		Thousands of U.S. Dollars (Note)
	2006	2005	2006
Net premiums written	¥ 834,284	¥ 827,807	\$ 7,102,103
Interest and dividend income.....	42,167	38,742	358,967
Net income.....	19,750	16,132	168,132
Total shareholders' equity.....	630,663	452,040	5,368,721
Total assets.....	¥2,761,116	¥2,569,113	\$23,504,862

	%	
	2006	2005
Loss ratio	62.71	64.58
Expense ratio	33.07	33.15

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥117.47 to U.S.\$1 on March 31, 2006.



Amid an increasingly challenging business environment, we are enhancing the quality of our operations by establishing an unshakable base for growth while reflecting the customer's viewpoint in every aspect of our business activities.

The non-life insurance industry will likely see faster-paced change in business conditions, characterized by the increasing importance of enhancing and ensuring customer convenience and protection. One driver of that change is liberalization and deregulation, which is intensifying competition over the development of products and services. The roll-out of the Financial Reform Program is increasing the diversity of insurance products, promoting price flexibility, revising rules on sales solicitation, and requiring ever stricter accountability and sales responsibility.

Viewing such changes in the business environment as opportunities, Aioi Insurance has strengthened its business infrastructure and improved efficiency of business since its founding in April 2001.

We are not affiliated with Japan's traditional *zaibatsu* financial groups. Our marketing base is founded on the retail insurance market and close ties with local communities. To meet the needs of customers and raise their quality of life, we develop products and services that are unrivaled in the Japanese insurance arena. We aim to be as close to customers as possible to ensure that we are their first-choice insurance company.

In automobile insurance, we have capitalized on our position as a non-life insurance company with close ties to the Toyota Group by launching such products as *Top Run* - a risk-segmented package including comprehensive coverage for the smooth, rapid, and reliable resolution of accidents as well as services - and the *Lexus Owners Automobile Insurance Plan* in association with new brand strategies by Toyota.

In addition, we are developing unique products and services in the field of health care and medical treatment, where Japan's aging population is expected to drive growth. In these efforts, we are building a service network in association with health care and medical treatment providers, developing subsidiary-operated day-care centers, and expanding into the mental health care services field.

Moreover, to provide comprehensive coverage to our customers, we develop and market platform products that enhance customer convenience and provide even more affordable insurance premiums. At the same time, we are leveraging IT to build a new business model, that is creating a more productive and efficient structure for the Company. Specifically, we are drastically reforming the structure of operations to eliminate operational overlaps between the Company and its agents and heighten the specialization of marketing bases.

Meanwhile, aiming to respond to the diversifying customer needs in a changing social and economic environment by strengthening our financial services for small- and medium-sized companies and retirees, we began 401k operations through an alliance with the Nomura Securities Group in July 2005. In addition to strengthening our position in the steadily growing life insurance business; overseas, we are working in tandem with Toyota Motor Corporation's global strategies by mainly focussing on active business development in rapidly growing markets in China and other Asian countries and Russian market.

In addition to these initiatives, we have concluded basic agreements with three companies - AdvanceCreate Co., Ltd., SBI Holdings, Inc., and Culture Convenience Club Co., Ltd. - to jointly study the respective establishment with each company of new client- and market-oriented non-life insurance companies. These initiatives will allow us to cater to diversifying customer and market needs more accurately.

Further, to fulfill our corporate social responsibility (CSR) as a corporate citizen, we are building and strengthening systems for the advancement of CSR and the implementation of CSR management. Building on existing compliance policies, we are strengthening risk management, enhancing disclosure and IR activities, strengthening initiatives to address environmental issues, and undertaking social contribution activities. During our year as the leader of the General Insurance Association of Japan, ending August 31, 2006, we pursued initiatives under the key slogan "Non-life insurance that supports you, your local communities, and society." We will continue raising confidence in the whole insurance industry by pursuing a variety of initiatives including social contribution activities.

In fiscal 2005, we noticed that some ancillary benefits that could have accompanied settled claims had not been paid. Given that appropriate claims payments are the most fundamental element of an insurance company's operations we view those lapses with the utmost gravity. To regain the trust of clients and prevent recurrence, the Company is making concerted efforts to strengthen its internal control systems and to improve the quality of operations by reflecting the customer's viewpoint in all operational activities. To establish a trusted corporate culture, we will continue to make every effort to build good relationships with all of our stakeholders by focusing on communication and teamwork.

In fiscal 2006, is the last year of our medium-term management plan "IOI ACT II." To establish a solid foundation for growth and achieve the management targets set out in that plan, all employees will work in unison to build a company that is underpinned by an uncompromising commitment to quality.

As liberalization and deregulation continue, competition is expected to intensify in every area of the financial and insurance fields, from prices and products to services and sales channels. In response, Aioi Insurance will work to become the insurance company that is closest to customers and local communities and offers every customer maximum satisfaction. We will realize that overriding goal by decisively taking on the challenges of the emerging operating environment based on a firm commitment to innovation.

In closing, I would like to take this opportunity to ask all of our stakeholders for their continued support and understanding.

August 2006



Tadashi Kodama
President



Masao Adachi
Vice President, Director
and Representative Director

Under our mid-term management plan, “IOI ACT II,” we are accelerating the expansion of our international operations. The core of our overseas business is the F&I operation and various commercial lines required by our Japanese corporate customers.

Allied to Toyota Motor’s global strategy, F&I business integrates ‘Finance’ and ‘Insurance’ by cooperating with local Toyota Distributors, Toyota sales-financing companies, car dealers and call centers. This is a self-build business model, and it enhances the development of the retail business. At present, Aioi underwrites personal automobile insurance customized for Toyota vehicle purchasers in 9 countries around the world. For example, policies sold through Toyota dealers in Germany have topped 100,000 units, and in Europe the total number of policies has reached 200,000 units in fiscal year 2005. We intend to increase the competitiveness of “Toyota Insurance,” the personal automobile insurance provided exclusively for Toyota customers, in terms of such factors as quality, value, and progressiveness, and we aim to offer every customer the maximum satisfaction.

As for overseas strategies, we are adopting a different approach to business development in each country that we currently operate in, and pushing forward with our plans in a truly customized way. For fiscal year 2005, our U.K. subsidiary, Aioi Motor and General Insurance Company of Europe Ltd. established a new life insurance company in Germany, named Aioi Life Insurance of Europe AG, to meet the needs of credit life insurance business for Toyota vehicle purchasers. This made it possible for us to provide both life and non-life insurance products to purchasers of Toyota vehicles in Germany. In addition, we established an insurance broker in Guangzhou,

China as a joint venture with the Guangzhou Automobile Group, Toyota Motor Corporation’s regional partner. This is to conquer purchasers of new Camry, which they are planning to introduce in mid 2006. We will attempt to standardize insurance business procedures in China, in addition to build and develop a new sales business model.

With regard to commercial line products for our Japanese corporate customers, we are continually expanding our overseas business network to meet the increasing demands of Japanese clients entering into new foreign markets. In October 2005, we opened a new representative office in Moscow to enhance our service and support for our Japanese clients in Russia, and sent an employee to Kuala Lumpur in early 2006 as a director of our allied insurance company to boost the Japanese business in Malaysia.

As a leading insurer of motor insurance in Japan, my task is to spread out our expertise worldwide. I strongly believe that the further diversion of our unique expertise will strengthen our efficiency of overseas operations. The horizontal deployment of the expertise in a way that eliminates the gap between Japan and overseas, and the seamless deployment of human resources will be crucial to the growth of our business both domestically and internationally.

To improve convenience for our customers, we are moving forward to strengthen our overseas operations together with our business partners, and we intend to develop our capabilities to provide our customers with best products, and best services suited to their needs. We will continue to make such efforts as we strive to be chosen by customers not only in Japan but also abroad as the insurance company that is closest to customers and local communities.



Masahiko Oji
Senior Managing Director

Since 1st April 2005, when the Reinsurance Department became a member of the Products Unit, increased opportunities for face to face meetings have further encouraged closer relationships between the Reinsurance Department and our primary underwriters. This has enabled us not only to develop a reinsurance program that better matches the requirements of our underwriting portfolio, but also to make primary insurance and reinsurance respond swiftly in unison to our customers' wide-ranging needs. In addition, our Products Development and Underwriting Departments are enjoying the advantages of timely and up-to-date information through extensive access to the international marketplace, contributing greatly to the development of new products, as well as our own human resources.

The fundamental philosophy that underlies our outward reinsurance buying strategy is to ensure the stability of our bottom line results by attaining a competitive edge over both domestic and international marketplaces. We believe that an efficient and effective reinsurance program is an essential factor in order to secure, and then maintain, profitability by mitigating the impact of various risks, particularly catastrophic exposures such as earthquakes and typhoons, which have become increasing areas of concern in recent times. We will carefully monitor and analyze our exposure to these risks, and then endeavor to secure sufficient reinsurance protections with the most reputable reinsurance carriers. We currently secure enough earthquake and typhoon reinsurance capacity to cope with, respectively, a Great Kanto Earthquake event, and a typhoon double the size of Typhoon Mireille. We are committed to designing and implementing ever more efficient reinsurance solutions, not only through more effective negotiations with existing reinsurers, but also by utilising new good quality markets, which will directly contribute to achieving the objectives we have described above.

In placing our reinsurance, we select only highly rated reinsurers in strict compliance with our own internal credit standards, which, in turn, are based on credit ratings developed by the leading rating agencies.

With regard to inward reinsurance business, we are now in the midst of rebuilding our inward reinsurance portfolio based on strict underwriting guidelines, which is in line with the current global trend of more stringent risk management practices. In order to achieve this objective, we have streamlined our portfolio by focusing on business with appropriate risk transparency and better profitability. While we intend to maintain this conservative approach, we will nevertheless continue to look for new business opportunities that will further improve our portfolio and, of course, enhance our premium income and profitability. The challenge we have to write inward business from new areas is a reflection of this policy.

Throughout the entire company, we are addressing ourselves to the successful implementation of an increasingly demanding risk management and compliance culture. On determining our outward and inward reinsurance strategy, we submit our plan to various internal committees and the Executive Meeting for approval, only after which will we action our proposals. This is because the reinsurance operation, both outward and inward, plays a very important role within our organization today.

The large natural catastrophe disasters of 2005, as typified by Hurricane Katrina, have given world's reinsurance market a severe shock. At the same time, however, we also see these events as an opportunity to make a great leap forward. By evaluating capacity, pricing, and reinsurer's financial credibility, we will pursue a strategy that is appropriate for an ideal future for Aioi, from the perspective of both inwards and outwards reinsurance business. We would like to take this opportunity to ask sincerely for your continued valuable support of Aioi Insurance.

ALWAYS THERE FOR THE CUSTOMER

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

NUMBER ONE ON THE ROAD

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

PEACE OF MIND, HEALTH AND PROSPEROUS LIFESTYLES

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

SUSTAINED GROWTH FOUNDED ON HIGH-EFFICIENCY AND CORPORATE VALUE

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

COMMITTED TO THE SPIRIT OF DYNAMISM AND CHALLENGE TO BECOME AN INDUSTRY PIONEER

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

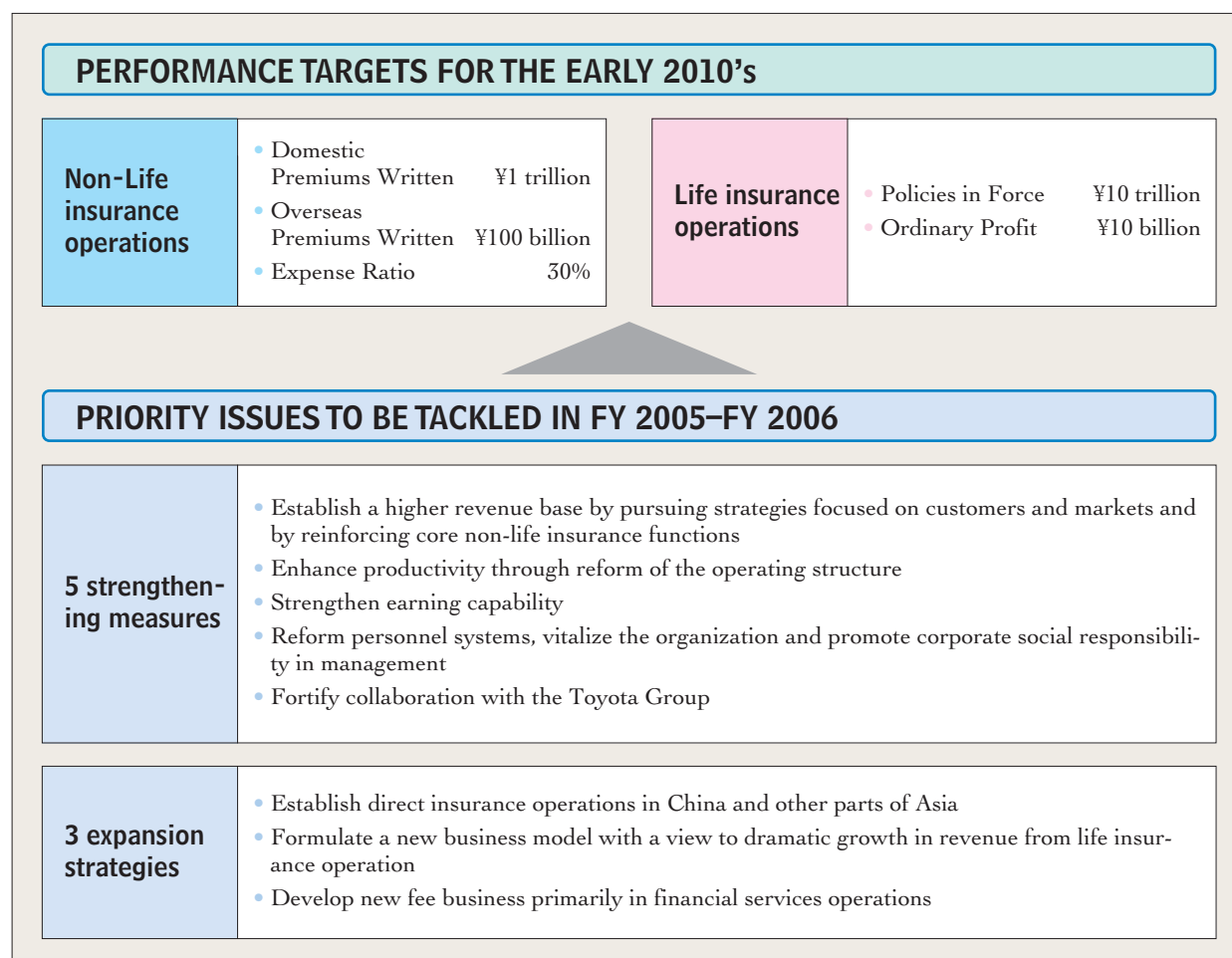
“IOI ACT II” COMMITTED TO INNOVATION

Aioi Insurance has established a new medium-term management plan, “IOI ACT II” Committed to Innovation, which covers the two years from April 2005 through March 2007. Our employees will make a concerted, fully committed effort to enhance corporate value and achieve sustainable growth.

Since its incorporation, Aioi Insurance has developed its management base and improved management efficiency. At the same time, we have paved the way for growth through investment in overseas businesses and the implementation of various measures. Having come within sight of completing the first stage of our evolution by achieving the aims of those measures, we are now embarking upon the second stage of our evolution, in which we will realize concrete benefits.

Aioi Insurance revised its latest medium-term management plan, covering the period from fiscal 2003 to fiscal 2005 and aims to propel the Company forward in the second stage of its development by setting out an ambitious vision of Aioi Insurance’s corporate profile in the early 2010’s. The revised plan reflects changes in business conditions and competitive environment due to deregulation and liberalization of the market.

Aiming to identify and tackle priority issues from April 2005 through March 2007, our latest plan highlights five strengthening measures, mostly in mainstay non-life insurance operations, and three expansion strategies targeting new fields of business. Aioi Insurance has named its latest management plan “IOI ACT II” Committed to Innovation to express the entire Group’s staunch resolve to take on the challenges of the next developmental phase.



BASIC MEDIUM-TERM STRATEGIES

1. Establish a foundation for revenues and earnings growth in domestic non-life insurance operations

1) Establish capability for revenue growth through customer- and market-driven strategies

Develop business with a focus in local communities through business management that puts customers first and emphasizes the situation on the ground and build a solid higher revenue platform by rapidly staking out sound positions in growth markets and by reinforcing core non-life insurance functions

2) Enhance productivity/efficiency by reforming operational structure

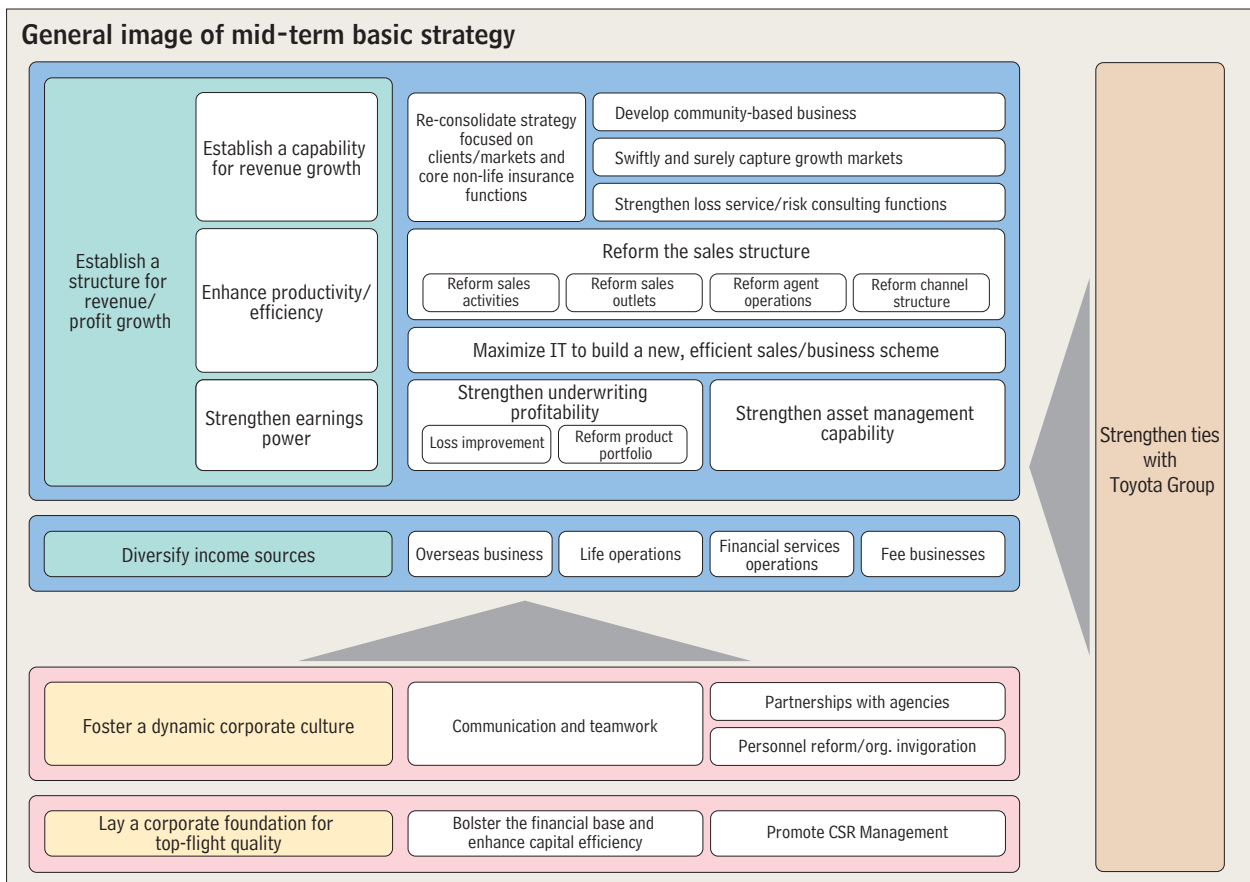
Heighten productivity by reforming the sales structure and by leveraging IT to engineer efficient systems for sales and back-office operations

3) Strengthen earnings capability

Strengthen earning by implementing loss improvement measures and revamp the product portfolio, and bolster asset management capability

2. Widen the business scope to diversify sources of earnings

Build new sources of earnings by enhancing the productivity in domestic non-life insurance operations to generate surplus cash for investment and shift management resources aggressively into growth sectors in the overseas, life and financial services operations, etc.



3. Foster a dynamic corporate culture that continues to innovate

Foster continually innovating, vigorous corporate culture by upgrading personnel training programs and emphasizing communication and teamwork to raise employees’ abilities and morale and to strengthen partnerships with agents

4. Build accompany of top-flight quality

Bolster the financial base and enhance capital efficiency in order to generate surplus cash for investment, and boost shareholder value, and build a foundation for strong confidence in the company by promoting corporate social responsibility management based on communication with stakeholders

5. Strengthen collaboration with the Toyota Group

Use management resources mutually by fortifying joint efforts with the Toyota Group in domestic non-life insurance operations and a range of other fields

Non-Life Insurance Operations

(excluding the effect of the government’s abolishment of reinsurance for CALI)

	Billions of Yen / %	
	FY 2004	FY 2006
Net premiums written	760.9	792.0
Net loss ratio	65.2	59.4
Net expenses ratio	36.1	35.4
Combined ratio	101.3	94.8
Ordinary profit	22.3	29.0
Net profit	13.1	18.0
Overseas premiums written	28.5	41.4

Life Insurance Operations

	Billions of Yen	
	FY 2004	FY 2006
New personal policies / pensions	970.2	1,060.0
Policies in force	4,829.0	6,145.0
Of which personal policies / pensions	3,878.1	4,840.0
Ordinary profit*	3.3	4.1

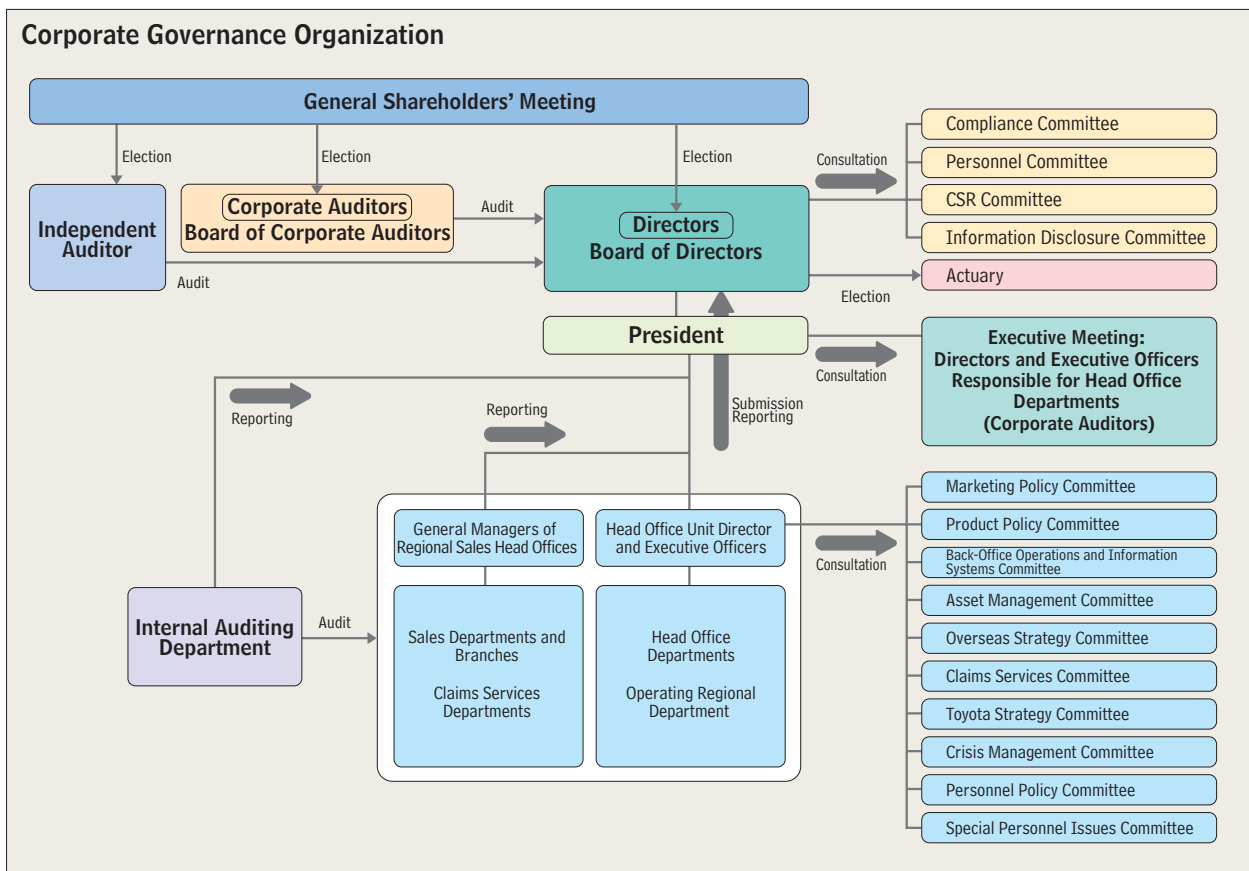
* Before additional provision for standard policy reserve

Regarding corporate governance as a high-priority management issue, Aioi Insurance is implementing measures to enhance the utility of its internal control systems, to increase management efficiency through the effective deployment of management resources, and to heighten transparency through timely, appropriate disclosure.

BASIC POLICY FOR IMPROVING OUR INTERNAL CONTROL SYSTEMS

Viewing the establishment of internal control systems as a key element to improving our corporate governance, we are striving to improve each system guided by the following basic policies.

1. System to ensure that directors perform duties in compliance with laws and company statutes
 - Develop code of conduct based on the Company's corporate philosophy and corporate vision, which directors, executives, and employees share and observe.
 - Develop regulations for the Board of Directors and continually review resolutions by the Board of Directors.
2. System for the storage and management of information related to the performance of duties by directors
 - Store documents and minutes from Board of Directors' and the Executive Meeting in a readily accessible format.



3. System for regulations related to crisis management for losses and other systems
 - Clarify risks that need to be managed, identify the location of risks, and manage risks based on their nature.
 - Determine risk management policies and yearly risk management initiative policies and initiative tasks through resolutions of the Board of Directors.
 - Prepare concrete risk management regulations based on risk categories and revise these regularly as needed.
 - Develop Risk Management Department to handle the Company's overall risk management and develop committee that is an advisory body for executives with jurisdiction over Head Office departments and that is responsible for the management of risks in respective operations under the authority of executives.
 - Manage risk information centrally through the Risk Management Department and develop system for reporting to the Board of Directors' meeting as needed.
 - Implement effective business auditing that considers risk information and is based on coordination between the Internal Auditing Department and the Risk Management Department.
 - Develop systems for responding to crisis events such as major natural disasters.
4. System for ensuring that directors perform duties efficiently
 - Define the duties and authority of directors clearly.
 - Convene Board of Directors monthly or as needed. Significant matters such as management strategy reported and as submitted for deliberation to the Board of Directors following prior deliberation by the Executive Meeting.
5. System to ensure that employees perform their duties in compliance with laws and company statutes
 - Determine a compliance program through the Board of Directors, conduct progress management and reviews, ensure rigorous in-house compliance.
 - Assign regional compliance officers and establish a Compliance Control Department to manage compliance issues centrally.
 - Establish a Compliance Committee to act as an advisory body to the Board of Directors, establish a regional compliance committee in each area, and build a system to promote overall compliance.
 - Use a compliance manual and use every opportunity to educate employees thoroughly about compliance.
 - Develop internal notification system (compliance hotline 110) and whistleblower protection provisions.
 - Implement audits through the Internal Auditing Department that include branch visits and review auditing policies and issues yearly.
 - Develop system in which the Board of Directors reports the discovery of significant compliance issues to the Board of Corporate Auditors and the Board of Directors.
6. System to ensure appropriate business activities in the Group
 - Develop regulations for the management of affiliates and oversee the management of affiliates efficiently based on coordination between the Corporate Planning Department and each head office's administrative departments.
 - Build a compliance system and a risk management system, with particular emphasis on the crisis management system, based on the direction and support of the Corporate Planning Department.
 - Share the Company's internal notification system (compliance hotline 110) and whistleblower protection regulations with affiliates.

7. Items relating to employees asked to assist corporate auditors in their duties
 - Develop Auditors' Office and appoint employees from the Company to assist corporate auditors in their duties (corporate auditors' assistants).
8. Items relating to independence of corporate auditors' assistants from executives
 - Ensure that corporate auditors' assistants are not involved in execution of the Company's operations and are not subject to the orders of executives.
 - Ensure that corporate auditors evaluate corporate auditors' assistants and that corporate auditors' assent is obtained in appointment, dismissal and other personnel issues.
 - Develop regulations regarding the corporate auditors' assistants.
9. System for executives and employees to report to corporate auditors
 - Ensure that executives and employees report on duties periodically or as needed and promptly report matters significantly affecting management.
10. System for ensuring that corporate auditors are able to perform audits effectively
 - Build an effective auditing system by strengthening coordination among corporate auditors, the Internal Auditing Department, and the Corporate Planning Department, primarily, and divisions responsible for the execution of operations.

CORPORATE GOVERNANCE SYSTEM

Under an auditors system, the Company's management organization clearly separates decision making and oversight functions from operational implementation. As of May 31, 2006, the management organization comprised 13 directors and 5 corporate auditors as well as 23 executive officers who are primarily responsible for operational implementation. To clarify the management responsibility for the Company's results in each fiscal year and to enable Aioi Insurance to respond flexibly to changes in business conditions, the Company stipulates a one-year term of office for directors and executive officers.

Convening once a month and as required, the Board of Directors comprises 13 directors, including 1 external director. The board determines significant Groupwide issues relating to management policies and strategies and oversees operational implementation. In addition, the Compliance Committee, the Personnel Committee, and the newly established CSR Committee and Information Disclosure Committee act as advisory bodies to the Board of Directors. The Compliance Committee deliberates measures to improve compliance oversight based on the results of compliance progress checks as well as in-house and third-party investigations. The Compliance Committee then reflects its conclusions in advice to the Board. Tasked with realizing equitable evaluations of and compensation for directors and executive officers, the Personnel Committee deliberates the appointment, reappointment, dismissal, promotion, and compensation of directors and reports its conclusions to the Board of Directors. The CSR Committee deliberates on policies and issues and promotes and controls initiatives in each department to promote CSR management throughout the Company. A subcommittee of the CSR Committee, the Operational Improvement Committee is tasked with building a quality-centered corporate foundation by focusing on strengthening claims payment systems and improving systems for dealing with customer complaints. The Information Disclosure Committee promotes fair, timely, and appropriate disclosure of Company information based on disclosure policies determined by the Board of Directors.

The Board of Directors appoints an actuary. In addition to actuarial operations, the actuary checks with regard to items stipulated by the Insurance Business Law for each fiscal year and reports the results to the Board of Directors in written opinions.

The Company has established the Executive Meeting as an advisory body to the president that consists of directors, executive officers responsible for Head Office departments, and corporate auditors. The Executive Meeting deliberates and reports on significant issues relating to operational implementation. Further, Aioi Insurance has 10 committees that provide the Executive Meeting's Head Office executives with advice on important policies in various operational areas. The committees examine issues in their respective areas of responsibility - assessing expected results, risk management, compliance, profit management, and other considerations - and refer agenda items and report their findings to the Executive Meeting. The committees are: the Marketing Policy Committee, the Product Policy Committee, the Back-Office Operations and Systems Committee, the Asset Management Committee, the Overseas Strategy Committee, the Claims Services Committee, the Toyota Strategy Committee, the Crisis Management Committee, the Personnel Policy Committee, and the Special Personnel Issues Committee.

Corporate auditors regularly convene the Board of Corporate Auditors; deliberate on audit policies and methods; deliberate and report on significant audit-related matters; oversee the operational implementation of directors and executive officers; and provide opinions at important meetings, including the Board of Directors, the Executive Meeting, and various committee meetings. Further, Aioi Insurance has established the Auditors' Office with full-time employees that support the auditing operations of corporate auditors.

RELATIONSHIPS WITH EXTERNAL DIRECTOR AND EXTERNAL CORPORATE AUDITORS

The Company's external director also serves as a director of Toyota Motor Corporation. Among the Company's three external corporate auditors, one serves as an advisor of Toyota Motor Corporation, another serves as an advisor of Nomura Research Institute, Ltd., and the third serves as an honorary advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Regarding Aioi Insurance's relationships with those companies, Toyota Motor Corporation is a large shareholder of the Company, holding 34.59% of total voting rights as of March 31, 2006. Further, the Company conducts ongoing insurance transactions with Toyota Motor Corporation. The Company consigns the maintenance and operation of information systems to Nomura Research Institute, Ltd., and conducts financial transactions with The Bank of Tokyo-Mitsubishi UFJ, Ltd.

DISCLOSURE POLICY

In the spirit of its corporate philosophy advocating empathy, cooperation, and coexistence, the Company strives to build strong trusting relationships with shareholders and all other stakeholders based on good communication.

Furthermore, we view the timely and appropriate disclosure of important corporate information related to the Group as a part of corporate governance and an important responsibility in the enhancement of management transparency. We base disclosure on the following policy.

Basic Policy

The Company will disclose corporate information related to the Group in a timely, appropriate and fair manner to deepen the understanding of the Company among shareholders and other stakeholders and enable them to make appropriate evaluations of the Company.

Disclosure

The Company will disclose important corporate information pursuant to Japan's Securities Exchange Law, other laws and statutory regulations, and regulations applicable to stock exchanges where the Company's stock is listed. Further, we will vigorously disclose other information that facilitates deeper understanding of the Company.

Disclosure Method

The Company will implement timely, appropriate, and equitable disclosure through the timely disclosure systems of stock exchanges where its stock is listed and through press releases and the Company's web site. Also, aiming to provide readily understandable disclosure to as many stakeholders as possible, the Company will utilize a wide range of methods to distribute information, such as the publishing of disclosure magazines and corporate social responsibility reports.

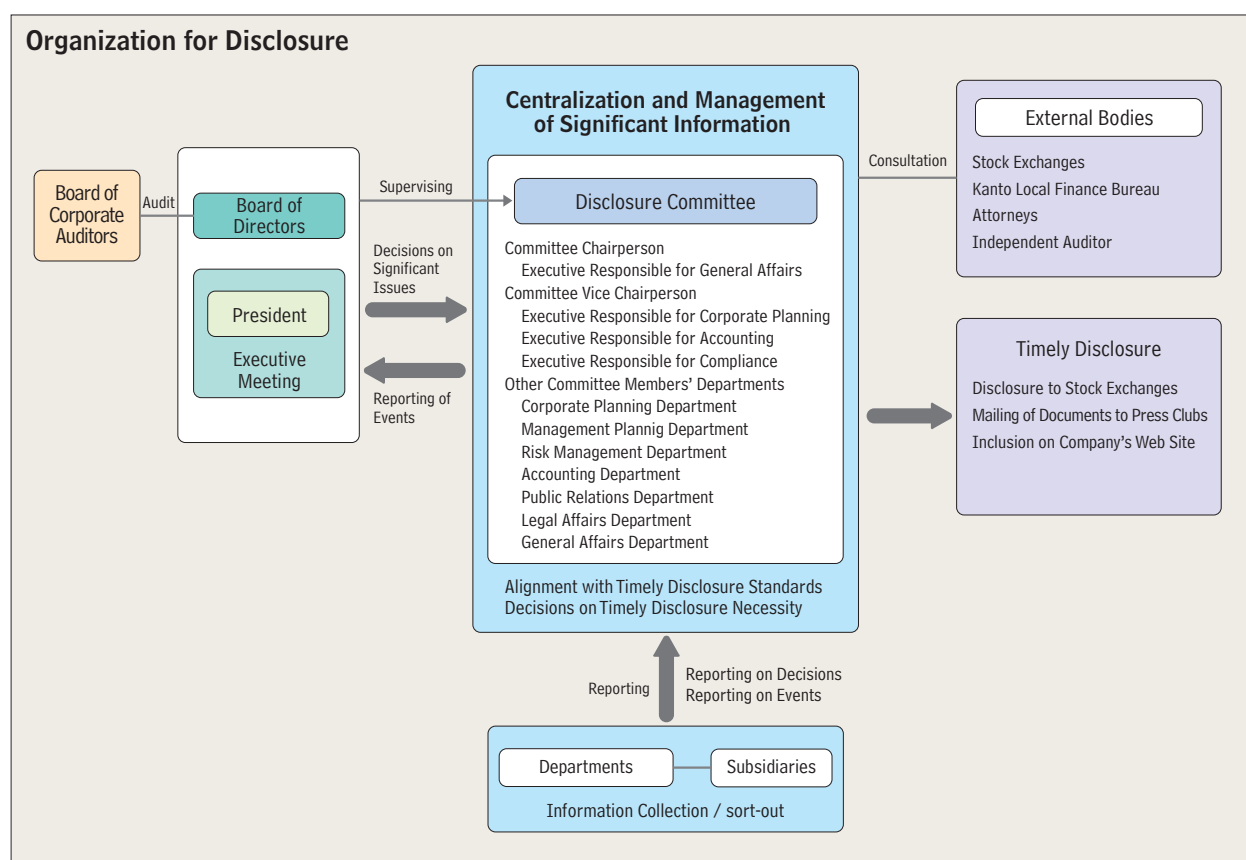
In-House System

The Company will strengthen in-house systems appropriately to realize disclosure based on the above disclosure policy.

IN-HOUSE DISCLOSURE SYSTEMS

Aioi Insurance regards the heightening of management transparency through timely, appropriate disclosure of corporate information relating to the Group as an important obligation.

The Board of Directors determines disclosure policy and an in-house code of practice for the disclosure of corporate information. In addition, the Company has strengthened its internal systems for corporate information disclosure through the establishment of the Disclosure Committee, which consists of executives and general managers responsible for departments that handle corporate information. That committee promotes timely, appropriate, and equitable disclosure based on Japan's Securities and Exchange Law and other laws and on the Rules for the Timely Disclosure of Corporate Information by Issuers of Listed Securities and the Other Rules stipulated by each stock exchange.



NOTICE REGARDING PAYMENT OF INSURANCE CLAIMS

In November 2005, the Company was ordered by the Financial Services Agency to improve business procedures after a comprehensive review of claims paid to date revealed that some payments for contingencies and other items had not been made. This situation was brought about by insufficient checking functions in the system for inspection and management at the time of payment and in the payment system. We view this situation very seriously, and we are making every effort to enhance our internal control system, including adapting systems to prevent recurrence.

MISREPRESENTATION IN BROCHURE OF SAVING-TYPE INSURANCE

It came to our attention that some of the brochure of saving-type insurance texts printed and used in the past lack a certain cautionary note and may have led to some misunderstanding among our customers. We have decided to pay maturity refund in installments at the the projected interest rate at the time of a contract if the customer who believed and purchased this insurance based on the text of the brochure opt to receive his/her cash refund any customers that have purchased insurance based on the text in question.

RISK MANAGEMENT SYSTEM

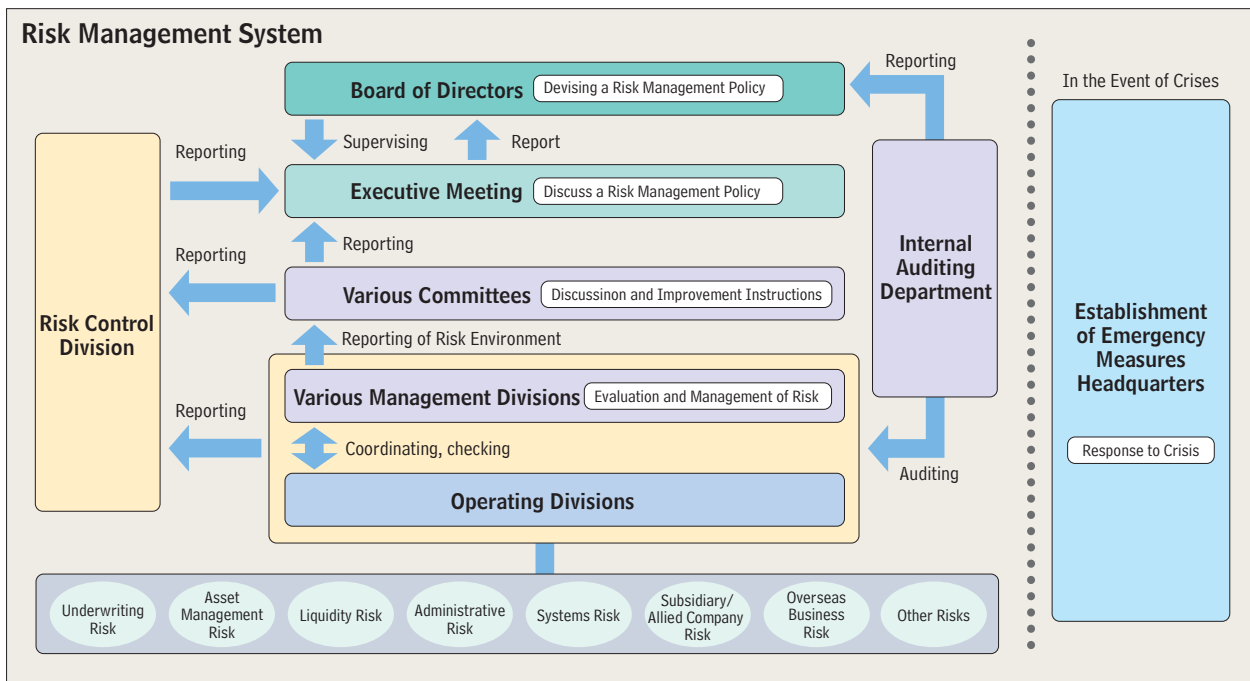
Aioi Insurance analyzes increasingly diverse and complex risks and enhances risk management.

Overall business conditions are changing dramatically due to such factors as economic globalization, deregulation, competition with companies in other industries, and changes in modes of communication associated with the Internet and other developments. By extension, non-life insurance companies face increasingly diverse and complex risks. Recognizing that the analysis and management of risk is therefore more important than ever, Aioi Insurance accurately identifies risks, evaluates their potential impact, and manages them appropriately to ensure operational stability and to enhance profitability.

Based on this knowledge, Aioi Insurance clearly identifies risks that should be managed based on the Risk Management Policy established by the Board of Directors. Further, the Company has taken organizational, systematic, and regulatory steps to ensure comprehensive monitoring of risks, including the establishment of the Risk Management Department, which controls overall risks, the setting up of committees tasked with addressing specific risk categories, and the formulation of risk management regulations.

RISK MANAGEMENT POLICY

To enhance corporate value, the Company's risk management focuses on eliminating risks that obstruct smooth corporate operations or lower their quality and curbing excessive risk-taking for the acquisition of profit in order to ensure safe management, enhanced operational quality, and increased profitability.



RISK CAPITAL ALLOCATION

Aioi Insurance uses a risk capital allocation method to maintain risk amounts at appropriate levels by measuring a variety of risks based on unified criteria and allocating risk capital reflecting risk amounts to respective operations and divisions. Through risk capital allocation, the Company secures management stability and uses capital effectively by seeking enhancements of profitability and efficiency commensurate with risk.

Moreover, as stress tests, the Company simulate such scenarios as earthquakes, typhoons, and other major natural catastrophes or drops in Japanese stock prices due to the collapse of a bubble economy and measure the effect these would have on the Company's capital in order to ensure that Aioi Insurance has sufficient capital to withstand the most influential events.

PRINCIPAL RISKS AND RELATED MANAGEMENT SYSTEMS

1. Underwriting Risk

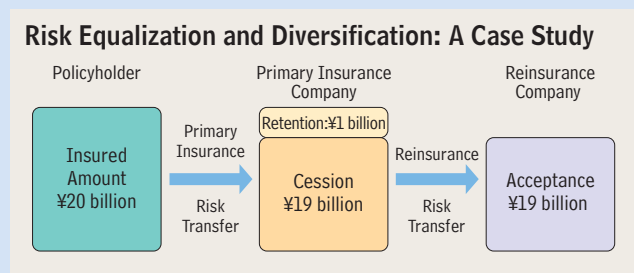
Underwriting risk indicates losses resulting from claims or economic conditions that differ significantly from forecasts when premiums were determined. The Company calculates appropriate premiums by taking into consideration adequacy, equitability, and other factors. Further, Aioi Insurance regularly identifies and manages risk trends for specific insurance product categories based on category loss ratios and significant concentrations of risk arising from such natural disasters as earthquakes. If Aioi Insurance identifies an unusual risk value, it analyzes the location and cause of the risk and reflects its findings by improving or eliminating the affected products or by reviewing underwriting standards or marketing policies.

In addition, the Company avoids excessive accumulation of risk through measures that include the creation of risk retention benchmarks for underwriting and the diversification of risks through reinsurance.

REINSURANCE

(1) Explanation

In order to fulfill insurance claim payment obligations and ensure operational stability, insurance companies equalize and diversify risk by transferring all or a part of insurance claim payment obligations to other insurance companies. This process is called "reinsurance" and is an important method of stabilizing and strengthening insurance business management.



(2) Outward Reinsurance Policy

The primary aim of the Company's outward reinsurance policy is to ensure the long-term stability of net operating results. In particular, once a natural disaster occurs, the Company may face very large insurance claim payment obligations. To offset that risk, the Company is enhancing its outward reinsurance program - based on considerations of retained risk, capital, and reserves - with a view to securing capacity for disasters on the scale of the Great Kanto Earthquake and disasters twice the scale of Typhoon Mireille in 1991.

Moreover, when establishing outward reinsurance coverage contracts, the Company carefully selects only those reinsurers with high creditworthiness that meets the Company's business partner credit standards, which are based on ratings of the major rating agencies.

(3) Inward Reinsurance Policy

The Company focuses its marketing of inward reinsurance on high-quality contracts, emphasizing profitability and guided by a policy of strengthening risk management and tightening the stringency of underwriting standards.

2. Investment Risk

Asset management is principally exposed to three main risks: market risk, credit risk, and real estate investment risk. Aioi Insurance manages those risks as follows.

(1) Market risk

This refers to the risk of losses resulting from a reduction in the value of managed assets due to such factors as changes in interest rates, stock prices, and currency exchange rates. Aioi Insurance manages market risk through a variety of measures, such as position control, loss limits, stress tests, and the monitoring of sensitivity to market environment fluctuations.

In the operation of such long-term insurance contracts as savings insurance, the Company endeavours to achieve a balance with liability terms through asset-liability management while constructing a portfolio that generates stable earnings.

(2) Credit risk

This refers to the risk of losses resulting from the decline in value or elimination of an asset due to deterioration in the financial position of a borrower. The Company manages such risk by establishing and managing credit limits based on an in-house rating system, by dynamically managing credit through self-assessments, and by clarifying credit screening policies.

(3) Real estate investment risk

This refers to the risk of losses resulting from a decrease in income derived from properties due to changes in rental rates or a decline in real estate prices associated with market fluctuation. Aioi Insurance manages real estate investment risk by establishing alarm points and a minimum rate of return on investment.

In addition to the above risk management measures, the Company undertakes risk limit management, which involves calculating the maximum loss that could be incurred in relation to respective risks and ensuring that amount is within the limit of capital invested.

3. Liquidity Risk

The Company undertakes loss risk management, which entails securing adequate liquidity through appropriate cash flow management that precisely monitors capital outflows and inflows.

4. Administrative Risk

This refers to the risk of loss resulting from procedural negligence or impropriety on the part of the Company's executives, agents, or employees or due to confusion arising from the introduction of new back-office systems without adequate developmental testing.

Aiming to provide consistent, high-quality services at its sales branch offices and service centers nationwide, the Company supplies them with manuals on administrative procedures and the treatment of personal information while conducting training of the employees and agents.

Further, Head Office divisions check the effectiveness of systems for administrative risk management by monitoring a range of administrative indicators and by conducting internal audits of sales branch offices and service centers.

5. Systems Risk

This primarily refers to the risk of loss resulting from the malfunctioning of computer systems, from their erroneous or improper operation, or from mistakes or delays in their development. To mitigate systems risk, the Company has established a basic policy on information management, or Security Policy, which stipulates that rigorous tests must be conducted before introducing new computer systems and that systems operations must be outsourced to specialists offering outstanding safety and reliability.

Further, because it handles important customer information, the Company regards the prevention of leakages of personal information as a significant facet of risk management. Accordingly, Aioi Insurance implements thoroughgoing safety measures for the treatment of customers' information and network security. In addition, the Company has established a contingency plan to ensure that systems can be recovered quickly in the event of a natural disaster or unforeseen accident.

6. Overseas Business Risk

This refers to a range of risks associated with overseas operations, including underwriting risk and administrative risk. To strengthen the monitoring functions, transparency, and appropriateness of overseas business risk management, Aioi Insurance has established the position of Overseas Business Risk Manager, who belongs to the Compliance Control Department but operates independently from it.

7. Subsidiary-and Affiliate-Related Risk

This refers to the risk of losses from a range of risks associated with domestic and overseas Group companies, including underwriting risk and administrative risk. Group companies strive to maintain their own soundness based on the principle of self-responsibility, and the Company strives to maintain the soundness of the whole Group by providing support and performing training aimed at strengthening the risk management system of Group companies in order to achieve the goals of the entire Group.

8. Other Risks

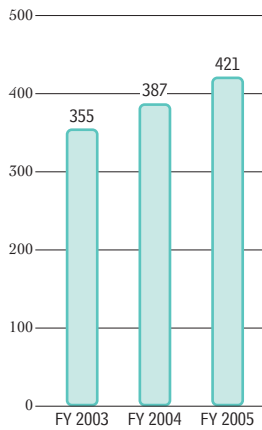
In addition to the above risks, the Company is aware of a variety of risks, including legal risk, catastrophe risk, and reputation risk, which are primarily managed by the pertinent controlling divisions.

Further, Aioi Insurance has prepared a system that will enable an organized companywide response in the event of a crisis associated with a major disaster. In such an event, the Crisis Management Committee will immediately establish an emergency measures headquarters, which will integrate information management, coordinate responses, and delegate decision-making authority to ensure those responses are rapid and effective.

INVESTMENT RESULTS (non-consolidated)

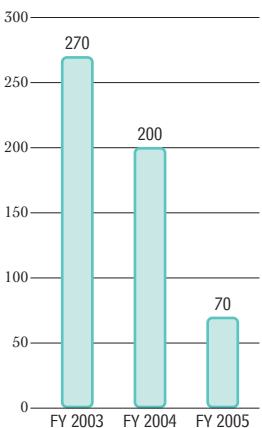
Interest and dividend income

(Unit: 100 million Yen)



Other investment income*

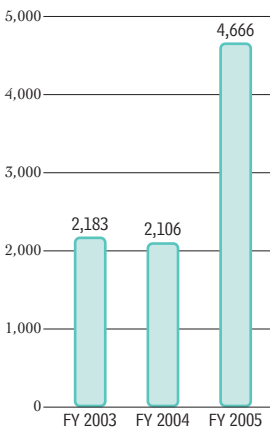
(Unit: 100 million Yen)



* Other investment income refers to the value obtained by adding "investment income on premiums for maturity of refundable portion of long-term and other insurance" to "total investment income" and subtracting "interest and dividend income" and "total investment expenses" on the statement of income.

Unrealised gains on available-for-sale securities

(Unit: 100 million Yen)



We are endeavouring to stabilize and expand investment earnings.

INVESTMENT POLICY

Aioi believes it is important to create a system that will ensure the "stability" of profit by paying attention to "liquidity" thereby increase "profitability," whilst meeting obligations to settle insurance claims and maturity refunds.

For this reason, we endeavour to ensure the stability of the overall net balance (difference between assets and liabilities) by using the ALM (Asset-Liability Management) method for long-term insurance policies such as maturity refund type insurance, long-term fire insurance and nursery care insurance, which entails dispersing investments into highly rated assets with high liquidity while striving to maintain a balance with the liability term, thereby ensuring the payment of insurance claims and maturity refunds.

In addition, to enhance the profitability of investment, we are building a portfolio with high profitability and low risk by reducing risks through further reduction of underperforming policy stock assets (201.7 billion Yen 2003-2005 (market value)) and reallocation to higher performing assets. Moreover, we are adopting an operating style that aims to surpass benchmarks set based on short-term market outlook (3 months to 1 year), and we are attempting to diversify our income sources by consecutive expansion of investment tools including alternative products, credit derivatives, private equities and securitized real-estates.

Our policy is to continue to speed up these strategies in order to achieve stable expansion of mid-to-long-term investment returns while controlling the volatility of short-term investment earnings.

SYSTEM TO MANAGE INVESTMENT RISKS

Risks associated with investment continue to diversify and become more complex, and we have recognized the importance to improve our risk management methods and further strengthen our management systems.

From the viewpoint of the Company's total risk management, we engage in risk limit management by calculating the VaR (Value at Risk) to control market risk and credit risk within allocated capital. We first clarify and then strictly enforce our management across the board from allocation of capital to the monitoring framework including risk limit control.

For individual investment risk, we maintain market risk appropriately through stress tests, position limit management, loss cut rules and so on, and we strictly manage credit risk through management of total credit limits based on credit ratings, close review before investment and financing, and subsequent monitoring of credit conditions.

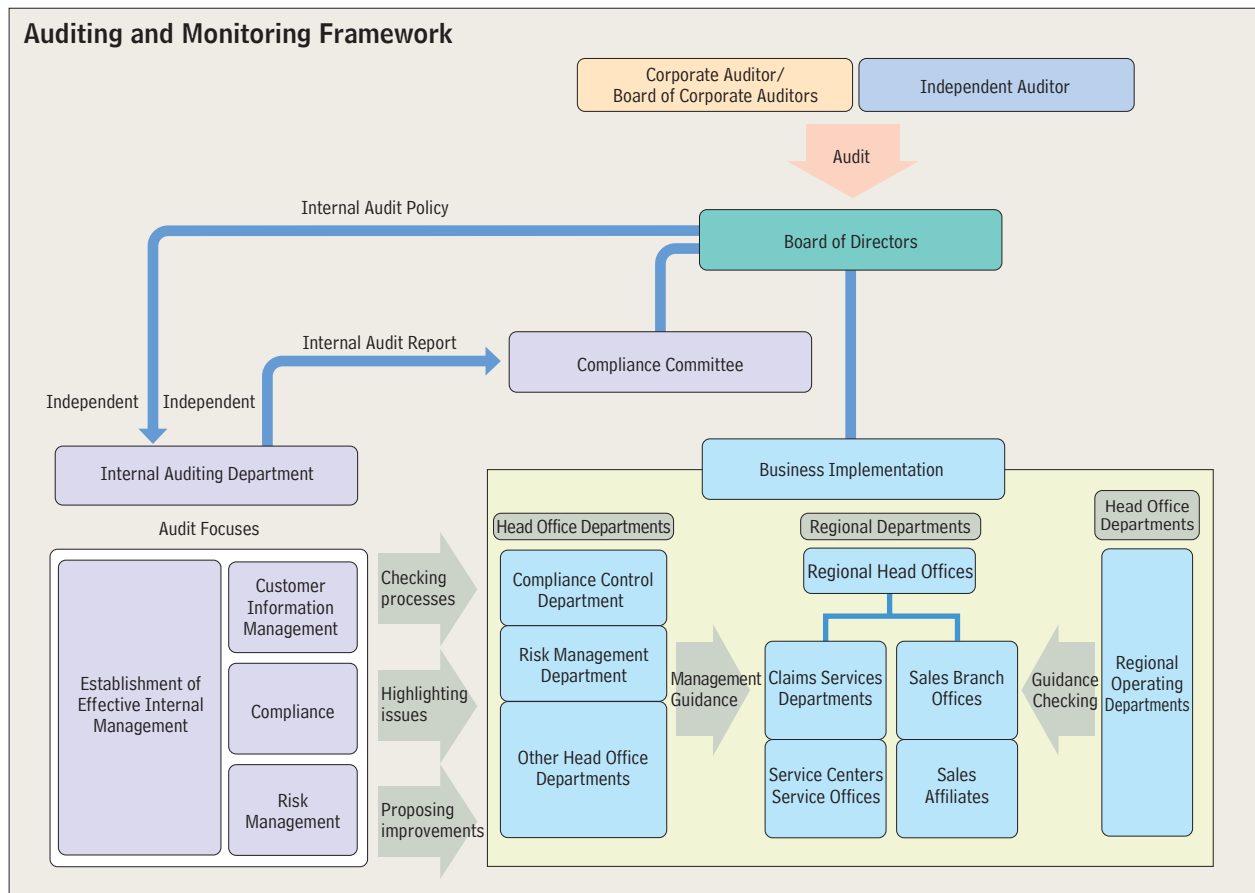
INTERNAL AND THIRD-PARTY AUDITING AND MONITORING FRAMEWORK

Aiming to be a first-rate corporation, Aioi Insurance undertakes exhaustive and effective auditing and monitoring.

INTERNAL AUDITING AND MONITORING SYSTEM

In addition to internal audits carried out by corporate auditors pursuant to laws and ordinances, the Internal Auditing Department undertakes internal auditing activities as an organization independent from the Company's executive bodies.

The Internal Auditing Department implements in-depth, effective audits by checking, evaluating and suggesting methods of improving the appropriateness and effectiveness of each department's internal control/management system and execution/administration of duties with respect to risk management, compliance, and customer management, and audits the Company's self-assessments of assets to ensure the soundness of assets held. Further, the department regularly reports audit results to the management team and submits proposals for improvements to respective departments.



THIRD-PARTY AUDITING AND MONITORING SYSTEM

An independent auditor audits Aioi Insurance in adherence with laws and ordinances. As stipulated by Japan's Insurance Business Law, the Company is also audited by the Inspection Bureau of the Financial Services Agent and the Kanto local finance bureau of the Ministry of Finance.

Furthermore, the independent auditor, corporate auditors, and the Internal Auditing Department collaborate to enhance the Company's auditing and monitoring framework.

Aioi Insurance has established the following code of conduct to which all employees adhere rigorously.

1. EARN SOCIETY'S TRUST THROUGH CORPORATE ACTIVITIES THAT CONSISTENTLY REFLECT COMMITMENT TO SOCIAL RESPONSIBILITY

- (1) Adherence to laws, social norms, and in-house rules
 - Contribute to the development of sound insurance operations by undertaking equitable, appropriate management of operations based on adherence to laws, social norms, and in-house rules
 - Enhance the quality of agents in direct contact with customers through direction and education emphasizing adherence to laws and statutory regulations
- (2) Stringent, appropriate management of information
 - Undertake stringent management to prevent the leaking to third parties of personal or corporate information obtained in the course of operations or of confidential in-house information
- (3) Disclosure of corporate information
 - Heighten management transparency and undertake fair competition in compliance with market rules through the timely, appropriate disclosure of corporate information
- (4) Confrontation with antisocial forces
 - Cooperate with the police and related agencies and adopt an unflinching stance in response to antisocial forces as a part of corporate social responsibility
- (5) Risk management and enhancement of operational efficiency
 - Promote sound, transparent operational management through the effective utilization of management resources and the untiring enhancement of operational efficiency as well as through the strengthening of respective divisions' risk management and the bolstering of in-house management systems
- (6) Social contribution
 - Use insurance operations to resolve or mitigate social issues through the development of products and services in response to the aging of society, environmental problems, and other issues
 - Contribute to local communities and undertake the preservation of the environment as a conscientious corporate citizen

2. OFFER CUSTOMERS PEACE OF MIND AND SATISFACTION BY ALWAYS PUTTING CUSTOMERS FIRST

- (1) Provision of outstanding products and services
 - Provide products and services that accurately reflect social change and the increasing diversification and sophistication of customer needs
- (2) Provision of accurate, useful information
 - Provide accurate, useful information about and related to products and services to maximize customer satisfaction
- (3) Sincere responses to customer feedback
 - Respond sincerely and politely to all customer feedback, including opinions, requests, and complaints, and faithfully reflect it in operations

3. ESTABLISH A FREE AND VIGOROUS CORPORATE CULTURE AND ENSURE ALL EMPLOYEES STRIVE TO ENHANCE THEIR PERSONAL QUALITIES, JUDGMENT, AND ABILITIES

- (1) Respect for human rights and individuality
 - Respect individuality and do not discriminate against individuals because of gender, age, nationality, race, ethnicity, religion, social status, disability, or other reasons
 - Manage the physical and mental health of employees and improve workplace environments
- (2) Training and utilization of a wide variety of personnel and realization of a free and vigorous corporate culture
 - Reform employment formats and personnel systems to reflect the changes in the times and in employees' attitudes and enhance the abilities of employees
 - Invigorate the Company's organization based on communication and teamwork and foster a free and vigorous corporate culture

The Company promotes appropriate operations by working to ensure management compliance and soundness.

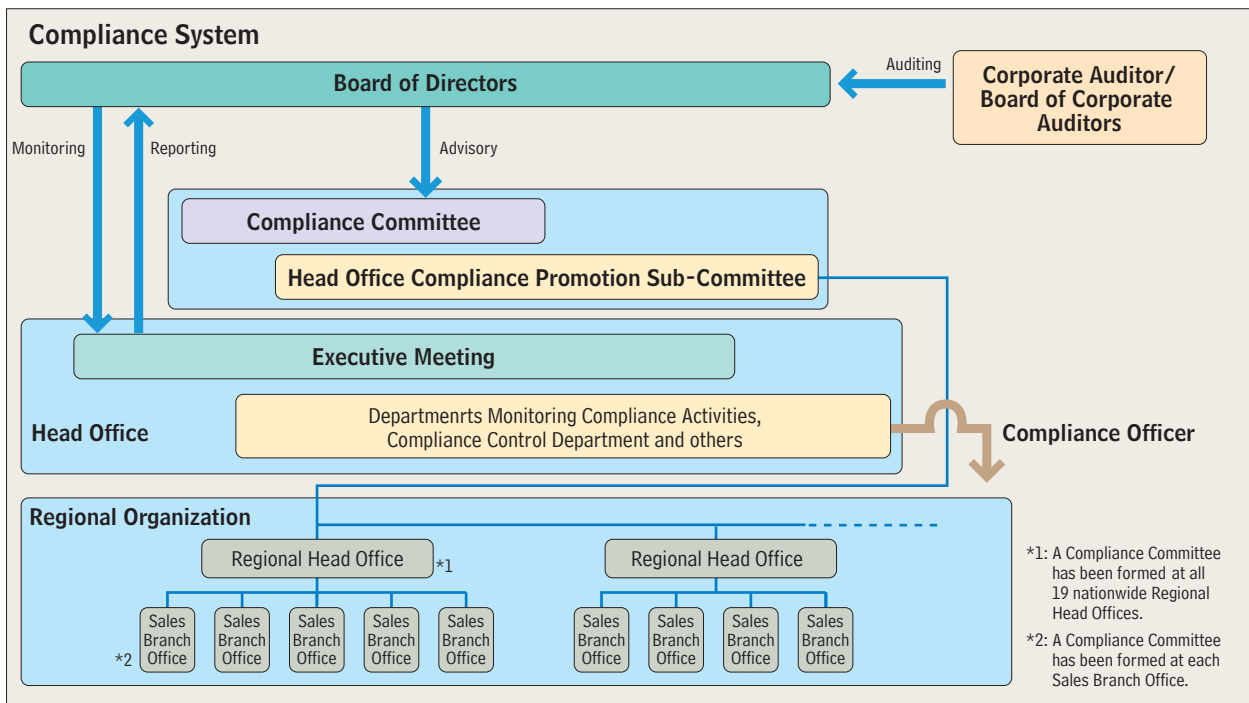
COMPLIANCE POLICY

- Aioi Insurance aims to become an insurance company that customers and society at large trust by having all executives and employees adhere to the code of conduct on the previous page.
- Aioi Insurance will provide customers with peace of mind and satisfaction through management that is strongly focused on the realization of sound, equitable operations based on rigorous compliance.

COMPLIANCE PROMOTION SYSTEM

The Compliance Committee was established as an advisory body to the Board of Directors, and beneath it the Head Office Compliance Promotion Sub-Committee focuses on concrete implementation and management of compliance promotion. In addition, compliance-related departments promote compliance in a wide range of areas, from the Company's responses to customer feedback through insurance solicitation by agents.

Further, the Company promotes strict compliance in regional operations through the establishment of Compliance Committees at each Regional Head Office and Sales Branch Office and through the appointment of Compliance Officers to each Regional Head Office.



COMPLIANCE PROGRAM AND TRAINING

Guided by the Compliance Program Action Plan established by the Board of Directors, the Company collaborates with Group companies to pursue compliance initiatives.

Aioi Insurance undertakes compliance training, including training by rank that begins when employees first join the Company and training tailored for specific departments. Moreover, the Company uses compliance manuals and Internet TV to heighten the effectiveness of such programs.

IN-HOUSE COMPLIANCE INITIATIVES

A section to inspect solicitation text has been established in the Compliance Control Department.

In addition, Aioi Insurance actively brings to light and rectifies any in-house compliance issues. In those efforts, the Company seeks to prevent inappropriate operations and scandals through internal inspections and audits. Also, the Company has established a compliance hotline that enables employees to report actions that violate laws or statutory regulations.

In response to the full enactment of the Personal Information Protection Law in April 2005, the Company revised its Privacy Policies for the Treatment of Customers' Information. Aioi Insurance also enhanced its regulations concerning the treatment of customers' information and undertook the education and training of its employees and agents. Aioi Insurance and the Aioi Insurance Group are committed to continuing endeavors to protect personal information.

AIOI INSURANCE'S POLICIES FOR TREATMENT OF CUSTOMERS' INFORMATION

Aioi Insurance's corporate philosophy is to help enrich peoples' lives by contributing to social stability and economic development as a one-stop services company that mitigates risk and offers peace of mind. The Company's aim is to pursue steady, sound management, to grow corporate value, and to be a superior company that is trusted throughout society.

The personal information that customers provide Aioi Insurance is indispensable because it enables the Company to provide them with products, services, and information. The Company regards the safe management and appropriate usage of customers' information as a significant social responsibility.

In light of the importance of protecting personal information and in order to earn further societal trust for the non-life insurance industry, the Company has established Privacy Policies for the Treatment of Customers' Information, which are based on the appropriate treatment of personal information through adherence to the relevant laws, regulations, and guidelines. These include the Personal Information Protection Law and related laws; guidelines, including those for the protection of personal information in the financial services industry; and the General Insurance Association of Japan's (GIAJ's) guidelines for the protection of personal information by non-life insurance companies. At the same time, the Company will conform to the practical guidelines issued by the Financial Services Agent and the GIAJ. In accordance with the relevant laws, regulations, and guidelines, Aioi Insurance hereby declares that it will do its utmost to protect personal information.

(1) Methods of Obtaining and Collecting Information

Information provided by customers is required by the Company to provide them with products and services that meet their needs, to offer them information, and to conclude and maintain policies. Accordingly, the Company will obtain information through lawful and equitable means within the limits of operational necessity.

Most of the information collected from customers comprises insurance policy application forms and insurance claim statements. In some cases, the Company will also collect information through sales promotions and customer surveys.

(2) Purpose of Information Usage

The Company will use information provided by customers within the limits of operational necessity for the purposes (usage purposes) itemized below and in (4)~(6).

Furthermore, if usage purposes change, the Company will notify individual customers or make public announcements through its web site or other media.

1. The underwriting examinations of insurance policy applications and the underwriting and redemption of insurance policies
2. The expeditious, appropriate payment of insurance claims in the event of insured accidents
3. The collection of the Company's receivables
4. The conclusion of reinsurance policies and notifications based on reinsurance policies and reinsurance claims
5. The provision of services related to insurance policies
6. The maintenance of insurance contracts
7. The sound operation of insurance systems
8. The provision of information regarding the Company's insurance products and services
 - The Company offers the following products and services:
Non-life insurance, life insurance, loans, government bonds, and services attached or related to those products and services
9. The provision of a wider range of information, including information regarding events, sales promotions, and seminars
10. The implementation of customer surveys regarding the products and services of the Company or its agents
11. The examination of loans, the conclusion of loan contracts, and the redemption and management of loans
12. The provision of over-the-counter sales of government bonds and other financial products and attached or related services and the maintenance of policies
13. The implementation of market surveys and research and development for insurance and financial products and services
14. The provision of information regarding the products and services of Group companies and allied companies
 - Group companies and allied companies offer the following products and services:
Life insurance, seminars, and consultation
 - Please refer to Aioi Insurance's web site (<http://www.ioi-sonpo.co.jp/>) for an overview of Group companies and allied companies.
15. The provision of responses to inquiries and requests
 - The Company will obtain the consent of individuals if it intends to use personal information beyond the scope of operational necessity as delimited by usage purposes, with the exception of the instances stated in article 16, paragraph 3 of the Personal Information Protection Law.

(3) Provision of Personal Information to Third Parties

With the exception of the following cases, the Company will not provide personal information to third parties without the consent of individuals.

- Cases based on the laws and statutory regulations
- Cases in which the Company provides information within the scope of operational necessity to its insurance agents and other consignees
- Cases in which the Company shares information with Group companies (please see (4) Sharing of Information with Group Companies)
- Cases in which the Company shares information with non-life insurance companies (please see (5) Information Sharing Systems)
- Cases in which the Company shares information with the Ministry of Land, Infrastructure and Transportation (MLIT) (please see (6) Provision of Personal Information to Ministry of Land, Infrastructure and Transportation)

(4) Sharing of Information with Group Companies

As the responsible administrator, the Company shares personal information with Group company Aioi Life Insurance Co., Ltd., in order to offer customers its products and services or related information.

For further information about the company, please see Aioi Life Insurance's web site (<http://www.ioi-life.co.jp>).

The following items of personal information are shared.

Addresses, names, telephone numbers, e-mail addresses, gender, dates of birth, and other policy details included in application and other forms

(5) Information Sharing Systems

1) Non-Life Insurance Industry's Information Sharing Systems

Non-life insurance companies share customers' personal information to eliminate fraud related to the conclusion of insurance policies and insurance claims. Also, to ensure appropriate compulsory automobile liability insurance claim payments, non-life insurance companies share information with the Non-Life Insurance Rating Organization of Japan (NLIRO). For further information regarding responsible administrators, information sharing, and other items, please refer to the web sites of the GIAJ (<http://www.sonpo.or.jp/e/index.html>) and the NLIRO (<http://www.nliro.or.jp/english/index.html>).

Inquiries:

Non-Life Insurance Liaison Section
General Insurance Association of Japan
Non-Life Insurance Building, 9, Kanda Awajicho 2-chome, Chiyoda-ku, Tokyo
101-8335, Japan
Telephone: 03-3255-1467
(Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays)

Personal Information Liaison Desk,
General Planning Department
Non-Life Insurance Rating Organization of Japan
1-9, Kanda-Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan
Telephone: 03-3233-4141
(Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays)

2) Checking of Information regarding Agents and Other Organizations

The Company shares personal information regarding the employees of non-life insurance agents and other consignees with non-life insurance companies to ensure the appropriate oversight of non-life insurance agents and to facilitate the Company's hiring of employees. Further, in relation to the consignment of operations to non-life insurance agents, the Company shares personal information regarding individuals that have passed such examinations as the GIAJ's non-life insurance agents, examination with non-life insurance companies. For further information regarding responsible administrators, information sharing, and other items, please refer to the GIAJ web site (<http://www.sonpo.or.jp/e/index.html>).

(6) Provision of Personal Information to Ministry of Land, Infrastructure and Transportation

To ensure all motorcycles are insured, the Company shares personal information relating to compulsory automobile liability insurance with the MLIT, which is the responsible administrator, enabling it to send reminders urging individuals to renew expired compulsory automobile liability insurance policies. For further information, please refer to the MLIT web site (<http://www.jibai.jp>).

The following items of personal information are shared.

Policyholders' names, addresses, identification numbers, insurance periods, motorcycle models, vehicle identification numbers, and license plate numbers or vehicle numbers

Inquiries:

Automobile Accident Countermeasures Section,
Insurance Division,
Road Transport Bureau
Ministry of Land, Infrastructure and Transportation
2-1-3, Kasumigaseki, Chiyoda-ku, Tokyo 100-8918, Japan
Telephone: 03-5253-8111 (extension: 41417)
(Office hours: 9:30-17:45, except Saturdays, Sundays, and national holidays)

(7) Treatment of Credit Information

Based on the Insurance Business Law Enforcement Regulations, article 53, paragraph 9, the Company will not use credit information received from institutions (organizations that collect information regarding individuals' ability to repay debts and provide that information to insurance companies) for any purpose other than examining the ability of individuals to repay debts.

(8) Treatment of Sensitive Information

Based on the Insurance Business Law Enforcement Regulations, article 53, paragraph 10, the Company will not obtain, use, or provide to third parties personal information relating to political views, beliefs (religion, ideology), labor union affiliations, race or ethnicity, family origins or registered domicile, medical records, sexual orientation, and criminal records (sensitive information) with the exception of the following cases.

- Cases in which, with the consent of individuals, the Company obtains, uses, or provides sensitive information to a third party to the extent required to operate appropriately as an insurance company
- Cases in which the Company obtains, uses, or provides sensitive information to a third party to the extent required to effect the payment of insurance claims and other administrative actions accompanying inheritance procedures
- Cases in which the Company obtains, uses, or provides sensitive information to a third party regarding employees' membership of or affiliation with political or religious groups or labor unions to the extent required to effect administrative actions related to insurance premium collection
- Cases based on laws and statutory regulations
- Cases in which it is necessary to protect people's lives, physical well-being, or assets
- Cases in which it is particularly necessary to enhance public health or to promote the sound upbringing of children

- Cases in which it is necessary for the Company to cooperate with national or regional government agents or parties acting on their behalf to enable them to effect administrative actions stipulated by laws or statutory regulations

(9) Safe Management of Personal Information

The Company will implement thorough security measures for the safe management of personal information, including the preparation of regulations for the treatment of information and the establishment of implementation systems, to prevent the leakage, loss, or damage of personal information.

Further, if the Company consigns the treatment of personal information to third parties, it will undertake appropriate supervision of the consignees, including the establishment of consignee selection benchmarks and the prior checking of consignees' information management systems.

(10) Ongoing Measures

To ensure that information provided by customers is treated appropriately, the Company will rigorously educate employees. At the same time, the Company will continuously review internal control systems and the security of information systems.

In addition, the Company will undertake regular audits to ensure the implementation of and adherence to those systems while continuously improving the protection of customers' information.

(11) Inquiries regarding Policy Details and Accidents

For inquiries regarding the details of policies, please refer to the agent that processed the policy, the sales branch office indicated in the insurance policy, or the nearest sales branch office. For inquiries regarding accidents, please contact the accident liaison service indicated in the insurance policy. The Company will respond to such inquiries upon confirming that the inquiry is from the policyholder in question.

(12) Notification, Disclosure, Revision, and Deletion of Items of Personal Information Held Based on Personal Information Protection Law

Please make requests for the notification, disclosure, revision, and deletion of items of personal information held by the Company, after referring to the Company's procedures for such items included in the Company's web site (<http://www.ioi-sonpo.co.jp/>), which are based on the Personal Information Protection Law. Upon confirming that the request is from the policyholder in question, the Company will require the individual to fill out the Company's prescribed forms and will then proceed with processing. In principle, the Company will reply to such requests in writing at a later date. For some disclosure requests, the Company charges a prescribed processing fee for replies.

The Company will correct information regarding individuals if any inaccuracies are identified as a result of required investigations.

(13) Inquiries Service

The Company will respond appropriately and expeditiously to inquiries or complaints regarding its treatment of personal information.

For inquiries regarding the Company's treatment of personal information or the personal information that the Company holds, please refer to the following contact details.

Aioi Insurance Co., Ltd.

Telephone: 03-5424-0101 (Head Office) for a guide to divisions and departments

Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays

For inquiries regarding policy details, please contact Aioi Insurance's Customer Service Center.

Telephone: 0120-101-101

Aioi Insurance is a member company of the GIAJ, which is an authorized personal information protection organization. The GIAJ accepts complaints and inquiries regarding the treatment of personal information by member companies.

Inquiries:

Non-Life Insurance Liaison Section

General Insurance Association of Japan

Non-Life Insurance Building, 9, Kanda Awajicho 2-chome, Chiyoda-ku, Tokyo 101-8335, Japan

Telephone: 03-3255-1470

(Office hours: 9:00-17:00, except Saturdays, Sundays, and national holidays)

Web site: <http://www.sonpo.or.jp/e/index.html>

SOLICITATION POLICIES

Aioi Insurance has stipulated the following solicitation policies based on the Law on Sales of Financial Products, and in accordance with those policies Aioi Insurance will conduct appropriate product sales activities.

- Aioi Insurance will realize appropriate sales of insurance and other products that are in adherence with laws and statutory regulations, including the Insurance Business Law, the Law on Sales of Financial Products, and the Consumer Contract Act.

- Aioi Insurance will introduce customers to appropriate insurance products and other products that reflect customers' intentions and circumstances based on comprehensive consideration of customers' familiarity with insurance products and other products, their reasons for entering into policies, and their financial positions.

- Aioi Insurance will explain the market risks associated with investment products appropriately based on consideration of customers' investing experience, the purpose of investments, and customers' financial resources.

- Aioi Insurance will help customers understand products correctly by devising ways of offering explanations that are readily understandable.

- Aioi Insurance will expedite accurate processing of insurance claim payments in the event of insurance-covered accidents.

- Aioi Insurance will respond to inquiries and other feedback from customers politely and considerately, take feedback seriously, and use it to improve product development, sales methods, and other aspects of operations.

Listening to our Customers

At Aioi Insurance, we have based many of our improvement initiatives on the opinions and ideas offered to us by customers.

We aim to provide customers with greater satisfaction by continuing to implement improvement measures steadily.

An example of improvement measures based on customers' opinions and ideas (fiscal year ended March 2006)

Feedback	Improvement measures
The insurance claim payment report does not give detailed breakdowns for the insurance claim payment amounts. Therefore, I do not know which expense items will be paid or how much will be paid for each expense item.	In Acknowledgement for claims notification, we included summaries of the types of riders and expense items that could possibly be paid. And, The insurance claim payment report we included explanations of insurance claim payment amounts and the reasons why payments cannot be made in some cases.
The expressions used in the pamphlet are difficult to understand. I would like something that is easier to grasp.	Pamphlets for third-sector insurance products: We added readily understandable explanations of the insurance claim payments for hospitalization for day-case treatment.
	Pamphlets for fire insurance products: We added a cautionary note indicating the need to establish separate insured amounts for buildings and home contents.
Statement on the policy "no coverage below 30 years old" was difficult to understand because it just stated "below 30 years old."	We amended the policy wording to "coverage for xx years old and above."
I would like an accident reporting service that the hearing-impaired can use.	We established a dedicated facsimile reporting service for use by the hearing-impaired, whereby we visit customers that contact us through the service.

Aioi Insurance places great value on cultivating an uninhibited, dynamic corporate culture. At the same time, the Company is actively taking steps to the foster personnel that can respond flexibly to the coming dramatic changes in the operating environment and to sharpen an appetite for challenges among employees.

AIOI WOMEN'S FORUM

The Company established the Aioi Women's Forum in March 2006. With a secretariat in the Personnel Planning Department, the forum pursues projected-based activities and is centered on the secretariat and 15 members selected through in-house recruitment.

With the overriding aim of reflecting women's perspectives, Aioi Insurance has tasked the forum with gathering requests regarding the human resources system and related measures as well as generating proposals on the creation of workplaces in which women find it easy to work and the realization of operational management that utilizes women's sensibilities. Another goal of the forum is to support the creation of women's networks.

Going forward, Aioi Insurance aims to create an environment in which employees can participate at all operational levels regardless of gender. To that end, the Company will exchange information with other companies while broadening the scope of efforts to develop its human resources system, to transform employees' attitudes, and to generate recommendations for submission to management.



Discussion at the second Aioi Women's Forum



Project members with Aioi Insurance's President Tadashi Kodama

CHALLENGE ENTRY SYSTEM

Mindful of our corporate tenet that advocates progressive, creative, and dynamic business activities, we strive to fully mobilize the individuality and capabilities of each employee through an internal recruitment system that is accessible to all employees. Under the challenge entry system, the Company recruits employees seeking openings in specific departments or posts or particular types of work and redeploys personnel accordingly.

As part of the “Aioi re-creation campaign,” from fiscal 2004 the Company introduced a “two-way recruitment system,” designed to discover highly motivated employees with specialist skills. At any time, employees can access internal notifications of the types of specialist knowledge or abilities Aioi Insurance requires, and the Company promotes personnel from among candidates. Further, to increase the challenge entry system’s emphasis on innovative thinking and willingness to take on challenges, Aioi Insurance changed from recruiting at regular intervals to recruiting on an as-needed basis and provided employees with more opportunities for self-actualization.

OVERSEAS TRAINING PROGRAMS

Given the increasingly globalized business environment, we operate overseas training programs aimed at fostering internationally minded personnel with foreign language skills. In fiscal 2005, we sent employees to China (Beijing, Shanghai), the United States (New York), and Germany (Munich). We work to upgrade the skills of each employee by having them learn foreign languages, research economic and social conditions in respective countries, and acquire specialist knowledge related to insurance operations. We plan to further expand and enhance such overseas training programs.



Overseas trainee: front row, left



Overseas trainee: right

Aioi Insurance is vigorously pursuing overseas activities as a new source of earnings.

Aioi Insurance has operational bases in major cities in 15 countries and regions and has constructed an operational network spanning 46 countries that comprises affiliates and agencies. Our overseas business mainly provides enhanced insurance products and services to Japanese companies with operations in overseas markets.

MEASURES IN THE OVERSEAS PERSONAL INSURANCE FIELD

Aioi Insurance provides optimal insurance services to Toyota vehicle owners, whose numbers continue to grow globally. In alliance with Toyota Financial Services Corporation, the finance umbrella of Toyota Motor Corporation, we offer overseas buyers of Toyota vehicles products and services that integrate automobile sales financing and automobile insurance, business that we call F&I operations. In addition, the Company markets insurance products and services customized for Toyota cars through Toyota Motor Corporation's overseas sales companies.

At present, Aioi Insurance has F&I operations in six countries - Germany, France, Norway, Thailand, Australia, and New Zealand - and markets insurance products customized for Toyota vehicles in three countries and regions - the United Kingdom, Taiwan, and Hawaii State of the United States.



TFS World Sales Finance Conference

MEASURES IN THE OVERSEAS CORPORATE INSURANCE FIELD

We design insurance products and offer services that closely reflect local market conditions and the needs of Japanese companies operating in overseas markets. Aioi Insurance is working to strengthen and enhance its insurance services to enable corporate clients to develop their operations confidently. In addition to providing consulting services for a range of insurance, we offer analysis of risks faced by clients, solutions for liability prevention, and other services.

Signing of partnership with China Insurance Group

In November 2005, Aioi Insurance agreed to enter into a business relationship with China Insurance Group (China Insurance Holdings Company Limited). The China Insurance Group was one of the Groups formed by the splitting of PICC insurance company, China's largest insurance company, and counts among its affiliates non-life insurance companies such as China Insurance H.K. (Hong Kong) and Tai Ping Insurance (China) and insurance companies such as Tai Ping Life.

Through this business partnership, Aioi Insurance and China Insurance Group will be engaging in the following initiatives to promote Sino-Japanese development.

Elements of business partnership with China Insurance Group:

- (1) Strengthen the relationship in order to secure profits in China and other areas
- (2) Mutual cooperation in specialized areas (non-life insurance, life insurance)
- (3) Cooperation in reinsurance
- (4) Mutual cooperation in personnel exchange and employee training
- (5) Support China Insurance Group by founding Aioi Insurance branches and local corporations in China

Center left: Mr. Feng Xiao Zeng,
Chairman of China Insurance (Holdings) Co., Ltd.
Center right: Tadashi Kodama,
President of Aioi Insurance



Representative Office Opened in Moscow

In October 2005, to improve service for Japanese clients in Russia, Aioi Insurance opened a representative office in Moscow.

With the steady growth of the Russian economy over the last few years, it is anticipated that more and more Japanese corporations will be expanding to Russia. In order to improve our information services and insurance purchasing support for Japanese clients in Russia, we will continue to perform studies and research in anticipation of entry into the retail insurance market in Russia, with a focus on automobile insurance.

Founding of Aioi Life Insurance of Europe AG

In December 2005, Aioi Motor & General Insurance of Europe (UK), a 100%-owned subsidiary of Aioi Insurance, founded a new life insurance company in Germany named Aioi Life Insurance of Europe AG, and began operations in March 2006.

Through this new company, we will enter into the credit life insurance business as a new source of income for the F&I business. This will allow us to provide insurance products in both life insurance and non-life insurance to owners of Toyota vehicles in Germany.

In the coming days, we will strive to further expand and improve the profitability of our F&I business in Europe by studying and developing sales of both life and non-life insurance products in every country of Europe.

Sales of Aioi Insurance Company of Europe Stock

In March 2006, all stocks of the Aioi Insurance Company of Europe (UK), a 100%-owned subsidiary of Aioi Insurance, were sold to Hillcot Holdings Limited, a joint venture of Castlewood Holdings Limited and Shinsei Bank.

Note that the F&I business and Japanese business, which were central to the business dealings of Aioi Insurance Company of Europe, will be taken over by Aioi Motor & General Insurance Company of Europe, which was founded in November 2005.

By continuing to focus management resources on Aioi Motor & General Insurance Company of Europe, we will increase the speed of initiatives aimed at further increasing profit of European insurance business activities.

Founding of Insurance Broker Joint Venture with Guangzhou Automobile Group Co., Ltd. (China)

In June 2006, our Company founded the insurance broker Guangzhou Guangai Insurance Brokers, Ltd. in Guangzhou, China as a joint venture with Guangzhou Automobile Group Co., Ltd.

This insurance broker was founded in association with Toyota Motor's regional partner, Guangzhou Automobile Group, to prepare for production and sales of Camris there starting in mid 2006. They will be attempting to standardize insurance business procedures in addition to building and developing a new sales business model.

In the coming days we will further expand our business activities by laying the foundation for entry into the Chinese insurance market, which is poised for rapid growth.



Mr. Andrei Kigim, President of the Russian Union Auto Insurance (right), presents a painting to Chairman Akira Seshimo (left)



From left:
Masao Adachi,
Vice President of Aioi Insurance;
Mr. Ding Baoshau,
Vice General Manager of Guangzhou Automobile Group Co., Ltd.
and Board Chairman of Guangzhou Guang Ai Insurance Brokers,
Co., Ltd.; and
Mr. Yao Yiming,
Director General Manager of Guangzhou Automobile Group
Business Co., Ltd.



Safety Support Bus

AIMING FOR ZERO TRAFFIC ACCIDENTS

Driving safety evaluations: the safety support bus
We offer companies and other organizations aptitude testing and expert instruction for driving safety by dispatching our safety support bus, which features an onboard driving simulator. Aioi Insurance also contributes to the promotion of safe driving through regionally based educational activities, such as participation in local traffic safety campaigns and events.



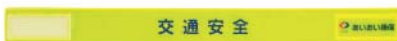
Yellow pedestrian safety flags

Donation of yellow flags for pedestrian safety

During twice yearly national traffic safety campaigns, Aioi Insurance donates yellow crosswalk flags for pedestrian safety.

Since starting to gift them in 1971, we have distributed more than 4.3 million yellow flags nationwide, making roads safer for numerous pedestrians.

Further, since fiscal 2004, we have donated reflective safety bands that pedestrians wear around their wrists or ankles.



Safety Bands

Implementation of a nationwide campaign for zero traffic accidents

From fiscal 2005, we became involved in a campaign to raise awareness of traffic safety and accident prevention by corporations and other organizations. Our key objective here was to contribute to regional communities making use of our know-how as an insurance company. Through this we have offered various educational materials and tools in order to promote zero accidents and awareness regarding safe driving. In fiscal 2006, as an Aioi days and Aioi month initiative, we will again undertake a campaign promoting zero accidents, with a target of 10,000 companies during the October to December period.

Support Menu Participation fee: none
Support tools: participating organizations to be provided with the following items.
Traffic safety calendar / Zero accidents sticker / Vehicle sticker

We will award commemorative prizes to organizations that achieve three accident-free months.



Vehicle sticker



Traffic safety calendar

Zero accidents sticker

PROMOTING CULTURE, ART, AND SPORTS

Camellia Art Exhibitions

Two or three times a year, we contribute to art exhibitions at galleries around the country by offering between 60 and 80 works of art from our collection. As part of our cultural activities, we plan to continue those contributions so that as many people as possible can enjoy the works of art. Further, our collection can be viewed at our web site's online art gallery, the Aioi Art Collection.

In fiscal 2005, we contributed some of our most famous artworks to exhibitions held at Tanabe City Museum of Art, in Wakayama Prefecture, Karatsu City Library, in Saga Prefecture, Meito Art Museum in Aichi Prefecture, and Yawata Shokado Garden Art Museum, in Kyoto Prefecture. In fiscal 2006, we plan to hold an exhibition at Tenshin Memorial Museum of Art, in Ibaraki Prefecture (January 2007).

Aioi Art Collection URL:

<http://www.ioi-sonpo.co.jp/corporate/tsubaki-e>

Holding of landscape photography contests themed on conserving nature

Since fiscal 2004, we have held landscape photography contests based on the theme of protecting nature and landscape that aim to promote awareness of the need to conserve our natural environment and to benefit Japan's photographic culture. For its third such contest in 2006, Aioi Insurance collected 1,228 photographs with a strong emphasis on seasons from would-be professional photographers and amateur photographers. We selected a first-prize photograph and five winning photographs and held a presentation ceremony for the winners. We included the winning photographs of the third "Protecting nature and landscape contest" of 2006, in the 2007 edition of the Aioi Insurance Group's original landscape calendar, which we normally distribute to about 550,000 people each year.

Cosponsorship of an art exhibition based on the theme of local treasures

The National Federation of UNESCO Associations in Japan hosts art exhibitions that encourage artists to portray cherished parts of their towns. We began cosponsoring those art exhibitions from fiscal 2004. In 2005, the eighth year that these exhibitions have been held, UNESCO associations from 58 regions in Japan collected artworks from elementary and junior high school students and held local exhibitions and award ceremonies. There were 19,870 submissions in all. The resulting 171 prize-winning works were reassessed and narrowed down to 12. We invited the creators of those works to our Head Office and held the first national award presentation ceremony on March 28, 2006. We created a calendar out of the prize-winning pieces so that the artwork can be enjoyed by as many people as possible. Our wish is that these children's remarkable works increase peoples' interest in culture and nature.

About UNESCO Art Exhibitions

From 1998, the National Federation of UNESCO Associations in Japan began using local UNESCO associations to collect artworks themed on "my town's treasure" from elementary and junior high school students and to hold exhibitions. Through those efforts, the federation aims to encourage students to value local cultural and natural assets and to give local residents a renewed sense of the importance of their area's cultural heritage and natural environment by holding regional exhibitions.

National Federation of UNESCO Associations in Japan Web site:

<http://www.unesco.jp>



Camellia art exhibition



"Midwinter Warmth"



2007 calendar created by the prize-winning works



Call for submissions



New Year Concert

Hosting of Aioi Insurance New Year Concerts

We have held New Year concerts since 1987 with a view to benefiting regional culture through music. On January 30, 2006, we cohosted a concert with Toyota Industries Corporation at the concert hall of the Aichi Prefectural Art Theater. More than 1,800 people attended the concert, of whom 720 obtained tickets through application.

Support for the 59th Osaka Jitsugyodan Ekiden

As part of our contributions to sports promotion, we cosponsored the 59th Osaka Jitsugyodan Ekiden, held on January 15, 2006. First held in 1948, this race has become a traditional New Year fixture in Osaka. In 2006, 440 companies and 3,500 competitors took part, with eight teams from our athletics club participating.



Photograph provided by Sankei Sports

BACKING INTERNATIONAL EXCHANGES

Holding of Aioi Insurance Seminars

Launched in 1967, Aioi Insurance Seminars seek to offer the Company's insurance skill and know-how to insurance companies in other Asian countries. At the same time, we established the seminars to encourage mutual respect for and understanding of the differences in cultures, customs, economic conditions, insurance market trends, and other areas among Asian countries. Over 38 years, more than 355 trainees have attended the seminars.



In the future, we intend to further enhance our program of seminars to deepen international exchanges and to contribute to social stability and the development of insurance operations in Asian countries.

Automobile insurance claims services seminar in China

We were the only foreign company invited to lecture at the 'National automobile insurance claims service advanced course' sponsored by the Insurance Association of China held in November 2005. A representative from our company conducted seminars on the claims services system. The lecturer received high evaluations, not only from the attendees, but from the insurance association as well, and was the first foreigner appointed the advanced lecturer status by The Insurance Institute of China.

In light of China's rapid motorization, the development of the claims services sector is recognized as an indispensable part of the healthy operations of China's non-life insurance market, and we plan to continue to respond to the needs of China's Insurance Regulatory Commission and the non-life insurance industry.



Lecturers from Aioi

Aioi Toyota Cup 2005 International Table Tennis Tournament

The international table tennis tournament, the Aioi Toyota Cup, which aims to encourage sports and international exchange in East Asia, was held on December 25, 2005 at the Aichi Prefectural Gymnasium in Nagoya City, Aichi prefecture, the third sponsor site following Tianjin, China in 2003 and Guangzhou, China in 2004, is the region with the most number of registered table tennis players in Japan. There was enthusiastic support from a crowd of 2,000 that gathered before the start of the tournament to see the top players from 7 countries, including Japan, China, Korea, and Hong Kong in action. In addition to having top dignitaries, such as Mr. Sun Ping, of the Consulate of the People's Republic of China in Nagoya, and Mr. Jehung Sung-beh, of the Consulate-General of the Republic of Korea in Nagoya, in attendance, the tournament was covered by TV Tokyo, TV-Aichi, and BS Japan and lived up to its billing as an international tournament.



Tournament winner Zhang Yining and Chairman of Aioi, Mr. Ryuji Araki

AIOI INSURANCE SUPPORTS WHEELCHAIR BASKETBALL

To support athletes who push their limits in spite of physical handicaps, Aioi Insurance has signed an official sponsorship contract with the Japan Wheelchair Basketball Federation (JWBF).

Becoming the official sponsor for the Japan Wheelchair Basketball Federation means that Aioi Insurance will contribute to the advancement of sport by supporting the independence and social integration of athletes handicapped by car accidents.

Aioi Insurance will also sponsor a variety of other tournaments involving wheelchair basketball.

Japan Wheelchair Basketball Federation (JWBF)

The Japan Wheelchair Basketball Federation was founded in 1975, and engages in a variety of activities to promote the sport, including holding championship series and publishing bulletins.

At present, the Federation comprises more than 90 teams nationwide, and has more than 1,000 registered members.

Aioi Sponsors the Denso-Aioi Insurance Cup WAFCA Wheelchair Basketball East Asia Exchange Cup

Held: May 29-31, 2005

Since 2000, Aioi Insurance has co-sponsored the International Exchange Cup with Denso Corporation. Last year, ten Asian countries participated in the Cup at the Aichi Expo. More than 1500 visitors came to watch the Cup in the EXPO Dome.

Aioi Sponsors the 2006 Osaka International Friendship Wheelchair Basketball Games Osaka Cup

Held: February 16-18, 2006

Aioi Insurance has sponsored this Cup since 2005. This year, a total of four men's teams from Australia, Canada, China and Japan participated in the event. Children and students promoted international goodwill and understanding of the disabled through interaction with each of the teams and hands-on activities allowing participants to experience wheelchair basketball.

Aioi Sponsors the 20th Annual Wheelchair Twin Basketball Championship Cup

Held: May 27-28, 2006

As of this year, Aioi Insurance sponsors the Wheelchair Twin Basketball Championship Cup.

What is twin wheelchair basketball?

Twin wheelchair basketball was conceived to allow persons who have been seriously disabled in either their lower or upper extremities to participate in sports.



Wheelchair Twin Basketball Championship Cup

PROMOTING VOLUNTARY ACTIVITIES ROOTED IN LOCAL COMMUNITIES

Undertaking of nationwide volunteer work centered on “Aioi month”

Designating October 1 as “Aioi day” and October as “Aioi month” from the Company’s symbol “IOI,” we create an environment conducive to our employees’ participation in volunteer work every October by providing funds for activities, holidays in lieu, and other support. Employees’ volunteer activities are directly linked to local communities and include nationwide cleanup projects, charity work, and registration as blood or bone marrow donors.

In fiscal 2005, approximately 5,000 employees, family members, and agent employees took part in clean-up, Mt. Fuji eco-picnic, charity activities, and blood and marrow donor registration.

Many of the participants commented that being able to contribute even a little to their local community had left them and their families with a sense of accomplishment or that they had become more conscious of the need to keep their community clean.

In fiscal 2006 as well, we plan to undertake a wide range of voluntary activities, and we hope to assemble even more participants from among employees and agents nationwide.

We believe that participation in volunteer work will make each of our employees more thoughtful and socially conscientious. We are also pursuing social contribution initiatives centered on Aioi Clubs. Our regional Aioi Clubs in Kanagawa Prefecture, Saitama Prefecture, Aichi Prefecture, Osaka, and Chiba are working with companies and customers that participate in our services information networks to implement fund-raising and charity activities.

Implementation of blood donation and bone marrow donor registration

In fiscal 2005, many employees in 30 regions nationwide donated blood. At some sites, bone marrow donor registration was also conducted.

In fiscal 2006, the Company will continue contributions aimed at mitigating the shortage of blood for transfusions by encouraging more employees to donate blood.



Saitama’s “IOI Club” charity concert registration



Blood donation activity at our headquarters, Century Hall

Development of systems and work environments to support volunteers

We support volunteers all year round, not only in “Aioi month.” Our intranet system has a notice board devoted to volunteer activities, including updates on volunteer projects around Japan, a continuing volunteer support program, and information on volunteer groups and the type of work they do.



“Magokoro” mailbox

Further, we have implemented a holiday system geared toward volunteers. As part of our efforts to encourage the continuation of volunteer activities, we collect old stamps and used pre-paid cards at our “Magokoro” mailbox that we established in various areas nationwide, and make donations to developing countries through JOICFP (Japan Organization for International Cooperation in Family Planning).

Collection of Unizon Funds

Aioi Insurance has established the Unizon Fund to facilitate the Company’s collection of charitable funds and to make it easy for employees to contribute to society. Employees that agree with the aims of the system and wish to participate can arrange to have fixed amounts up to 10 units of ¥101 deducted from their monthly salary and contributed to an accumulating charitable fund, which is mostly used for donations.

We match our employees’ donations by contributing ¥101 each month to the Unizon Fund for every employee that participates in the fund.

During “Aioi month” in fiscal 2005, the Company made donations to the Japanese Red Cross Society, the Japan Committee for UNICEF, the Guide Dog & Service Dogs Association of Japan, the Japan Marrow Donor Program, the Foundation for Orphans from Automobile Accidents, the Akemi Chan Fund, the Japan Environmental Education Forum, and the Japan Braille Library. Also, we made donations to areas for which the Disaster Relief Law was activated due to typhoons and floods and gifted wheelchairs to five regions of Japan.

We donate to the Guide Dog & Service Dogs Association of Japan’s dog puppy rearing support system, through which corporate sponsors pay for the expenses of rearing one guide dog puppy - dogs for the visually impaired, service dogs, and dogs for the hearing-impaired - for one year. Currently, we are supporting our 2nd puppy, Ai-kun.

We sponsor this program in the hope that as many puppies as possible can successfully complete training and provide support for those living with disabilities in our society.



We are supporting our 2nd puppy, Ai-kun

ENVIRONMENTAL ACTIVITIES

Aioi Insurance is contributing to environmental preservation through the provision of a range of unique insurance products and services.

ENVIRONMENTAL POLICY

Basic Philosophy

Guided by the principles of its corporate philosophy “empathy, cooperation, and coexistence,” Aioi Insurance Group aims to contribute to the creation of a global environment that is based on harmony between mankind and nature. To that end, we implement environment-friendly operations in a wide range of fields and conduct environmental protection activities continuously in close cooperation with local communities.

Action Plan

1. We will promote environmental preservation through products and services, particularly in the automotive field, and in all of our business activities.
2. We will conserve energy and resources and take measures to prevent pollution in our operations.
3. We will continuously upgrade policies by establishing new targets and regularly evaluating environmental initiatives.
4. We will comply with environmental laws and regulations and the environmental preservation agreements that have been concluded by the Company.
5. We will promote education on the need for environmental protection and social contribution.

ENVIRONMENTAL MANAGEMENT INITIATIVES

We acquired ISO 14001 certification.

Evaluation Agent: Tohmatu Evaluation and Certification Organization Co., Ltd. (October 18, 2004, registration)

We implemented an environmental management system at the main building of our Head Office and annex, and obtained the international environmental certification ISO14001 in October 2004.

Aioi Risk Consulting Co., Ltd. (Aioi Risk Consulting) and Aioi General Insurance Services (Ebisu Management Office) has similarly obtained certification, and Aioi Life Insurance obtained certification in September 2005.

In all aspects of operations, we work to reduce the burden that we place on the environment by using resources and energy more efficiently. For example, we are promoting the use of recycled paper for printed materials, photocopier paper, and other kinds of paper; changing company cars from standard to low-emission vehicles; and separating waste in line with local regulations.



ISO 14001 registration certificate

HELPING THE ENVIRONMENT THROUGH PRODUCTS AND SERVICES

Development of products and services for the realization of a recycling society

"Heartful Recycle" auto insurance with special provision for recycled parts

Looking ahead to the realization of a recycling society and in response to the Automobile Recycling Law, Aioi Insurance became the first company in the non-life insurance industry to develop and market an insurance policy with a rider that offers incentives for the use of recycled parts. In April 2002, we launched *Heartful Recycle* as an upgraded automobile insurance policy that incorporates a recycled parts rider.

Helping the car industry comply with the Automobile Recycling Law

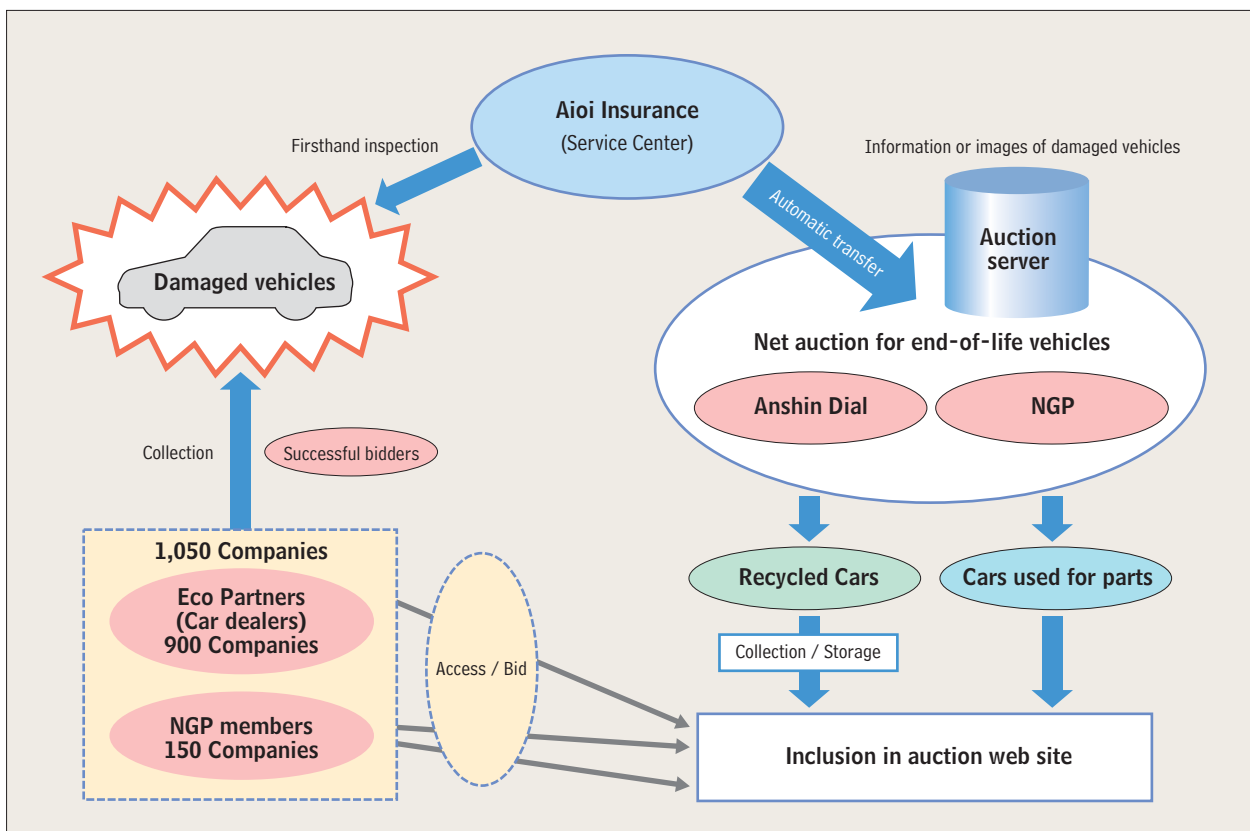
Aioi Insurance is helping companies in the automobile industry comply with the Automobile Recycling Law through the Aioi Eco Partner program. This program encourages companies to process used vehicles appropriately and use recycled components for repairs. Starting this year, we are offering "NGP Direct" to clients subscribed to Eco Partner, making it possible to order recycled parts over the Internet. To promote the use of recycled parts, we also provide this system to adjustors in the Claims Department.

Car sharing business support and automobile insurance in Japan

In February 2002, in association with Orix Corporation and other companies, we founded CEV Sharing Corporation, which supports car sharing business that contributes to solving environmental issues, such as increased use of low-emissions vehicles and solving of traffic problems. Further, we develop and sell our own car sharing automobile insurance.

Developed a system for stably supplying recycled car parts

To make the recyclable society a reality, the Company developed a system for stably supplying recycled car parts, and, in association with the NGP Group, the



biggest recycling enterprise in Japan, Aioi Insurance was the first company in Japan to develop and operate a system for the stable supply of parts.

Development and operation of an online auction system for total loss cars

In response to the end-of-life vehicle recycling law passed in January 2005, and to protect the environment, the Company worked with NGP Group to develop the industry's first online auction system for total loss cars. We are currently expanding operations.

The objective of this system is the processing of total loss vehicles using appropriate methods, the production of products from recycled parts, and the re-distribution of reusable vehicles as used cars.

In the 2005 period, the number of participating companies grew to 1050, the number of auctioned parts grew to 15,200, of which 13,000 consisted of vehicles using recycled parts, and 2200 consisted of reused vehicles.

Assistance for environmental management efforts of small and medium-sized companies

Simple corporate environmental evaluation and environment supervisor system

Working together with the Environmental Planning Society, we developed the "environmental supervisor" qualification and "Simple corporate environmental evaluation" to allow companies to assess their own environmental burden and environmental risk. We have also added an "Environmental planner report" to promote environmental administration at small and medium-sized corporations.

Tools for assisting environmental management efforts of small and medium-sized companies

Providing small and medium-sized corporations with environmental administration support that is easy to understand and implement

1. Simple corporate environmental evaluation

By attending a lecture on how to create an assessment report, companies can create their own reports to assess and evaluate their current environmental load and initiatives.

2. Environmental supervisor qualification

This environmental qualification will allow administrators of small and medium-sized corporations to learn the basics of environmental measures.

Supporting the environmentally friendly Eco-Drive movement

With the publishing of the Kyoto Protocol adopted by the Kyoto Global Warming Conference in February 2005, Japan will now have to reduce carbon dioxide emissions from 1990 levels by 6% between 2008 and 2012. Carbon dioxide emissions are on the rise in the transport transportation division. To bring about a more environmentally friendly approach to driving in automobile transport businesses, we are supporting the Eco-Drive movement with our affiliate IRC (Aioi Risk Consulting). Eco-Drive is a realistic and effective way for car owners to make a difference by practicing environmentally safe driving by avoiding idling, driving at an even speed, and keeping from making sudden starts or stops. By consulting with IRC about how to implement environmentally friendly Eco-Driving on a daily basis, companies can increase gas mileage and even bolster safety (by preventing accidents) and improve management (by reducing fuel costs).

Participating in model local business to help promote Eco-Drive



Environmental risk consulting service for corporate management
Supporting environmental management of transportation business

In association with Toyota Industries Corporation and Hino Motors, Ltd., associate company Aioi Risk Consulting has developed the “TSP Hit” consulting service for reducing CO₂ emissions and other burdens on the environment by improving administrative effectiveness with regards to accident mitigation, quality improvement, and cost reduction in the transportation business, which is the focus of many global warming measures.



Service to support the acquisition of ISO environmental certification

We support corporate environmental initiatives by providing services and consulting to help obtain and maintain ISO certification, including “ISO certification acquisition support service,” “Compliance and preparation structure assessment” and “Simple in-house ISO system assessment.”

Investment in environmental ventures

To support vehicle-related environmental measures, we are investing in the environmental venture “Juon,” a company that is developing devices that help eliminate CO₂ by eliminating gas emissions from diesel, the main component of which is oil extracted from driftwood and thinned wood, a by-product of forestry management.

In addition, we are also investing in the environmental venture “Zeotek”, which provides “Mobile Reconditioning Service” where a special truck is sent to collect and recycle machine oil. This service greatly reduces emissions from liquid industrial waste that would otherwise have been incinerated.

Promoting “Solar Loans”

Since 2002 we have been providing “Solar Energy System Purchase Loans (Solar Loans)”, which can be used to purchase of a solar energy system, something the government is also promoting through the New Energy Foundation.

Since then, we have contributed to the spread of solar energy systems by steadily increasing the balance of Solar Loans.

ENVIRONMENTAL INSTRUCTION AND EDUCATION AND SOCIAL CONTRIBUTIONS

In the belief that “nurturing people willing to protect the environment is the key to long-term environmental protection,” we are cooperating with the NPO in environmental education activities both in-house and outside of the Company. We are also undertaking volunteer environmental activities where employees can learn through experience with socially beneficial activities.



Kids ISO textbook

Promoting and supporting environmental education

Since 2005, we have been working with the City of Tokyo to support to the spread of the “Kid’s ISO 14000 Program”

This program is an “environmental education program for children” made available to children in Japan and the rest of the world by the International Art and Technology Cooperation Organization (ArTec).

We held a nature observation classroom in October 2005

We held a classroom in Yoyogi Koen park where parents and children could experience the pleasure and fascination of nature first-hand.

We held a School Eco Forum

We held a symposium on the theme of “Linking schools and environmental life” at the hall of the “Eco-Products 2005” held at the Tokyo Big Sight, featuring former NHK anchorman Akira Ikegami as emcee along with educator panelists including Masashi Inamoto, dean of the Toyota Shirakawago Nature School.

We participated in the Aichi Expo

As a non-life insurance companies involved in organizing the event, Aioi Insurance participated in the 2005 World Exposition held in Aichi Prefecture from March 2005, as a non-life insurance company involved in organizing the event and sympathetic to its theme of Nature’s Wisdom.

We provide the program “The good ship earth”

As a member of the Toyota Group, we provide the program “The good ship earth”, an educational program dealing with the environment, which is broadcast nationally on 32 prefectural network stations.

Supporting the activities of environmental protection organizations and societies
As part of our environmental initiatives, we belong to NPOs and organizations that pursue environmental measures and education or support the activities of such groups.

Organizations to which we belong (not in order)



UNEP Finance Initiative
Innovative financing for sustainability

- UN Environment Programme Financial Initiative (UNEPFI)
- World Wide Fund for Nature Fund Japan (WWF Japan)
- OISCA-International (promotes industrial, spiritual and cultural development)
- Japan Environmental Education Forum (JEEF)
- Nippon Environment Club

Furthermore we sponsor the activities of such academic societies as the Sustainable Management Forum of Japan, of which we are a supporting member. Also, as a member of the Green Purchasing Network, we back the promotion and expansion of green procurement by corporations and institutions.

Environmental protection initiatives as a member of the General Insurance Association of Japan

The General Insurance Association of Japan was the first industrial group involved in finance to acquire ISO14001 certification, as well as the first industrial group in Japan to issue a “Social Responsibility Report.” It has been vigorously involved in a variety of initiatives including holding environmental seminars and lectures and conducting environmental surveys among member companies. As the company chairing the association, the Aioi Insurance has made promotion of SONPO activities a priority.

Start of Aioi Insurance forest-planting

We held “OISCA Forest in Ehime” in Matsuyama City with the joint sponsorship of All Nippon Airways.



Tree planting

