



ANNUAL REPORT 2004

MISSION

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.

CONTENTS

Profile	1
Financial Highlights	1
Message from the President	2
Medium-Term Business Plan	4
International Operations	6
Risk Management System	8
Corporate Governance	10
Compliance	11
Notable Products and Services	12
New Products and Services	18
Topics	21
Social Contribution	26
Environmental Activities	28
Five-Year Financial Summary	31
Review of Operations	32
Financial Section	36
Independent Auditors' Report	53
Overseas Network	54
Subsidiaries and Affiliates	56
Milestones	57
Organization	58
Board of Directors and Auditors	59
Corporate Data	59

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.

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 new company name, which means “growing together” in Japanese, reflects our desire to grow in tandem with our customers, agencies and shareholders. With net premiums written of ¥843 billion (\$7,981 million) on a consolidated basis and total assets of ¥2,791 billion (\$26,416 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 515 sales offices under 107 sales branch offices, 226 claim service centers and offices, and 45,948 agencies. 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 19 major cities worldwide to assist policyholders who travel, live, or work abroad.

FINANCIAL HIGHLIGHTS

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Years Ended March 31

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2004	2003	2004
Consolidated Financial Highlights			
Net premiums written	¥ 843,552	¥845,669	\$7,981,385
Interest and dividend income.....	40,344	44,959	381,727
Net income for the year	29,359	13,927	277,785
Total shareholders' equity	435,597	295,670	4,121,463
Total assets	¥2,791,994	¥2,651,212	\$26,416,829

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥105.69 to U.S.\$1 on March 31, 2004

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2004	2003	2004
Non-Consolidated Financial Highlights			
Net premiums written	¥ 836,596	¥ 836,841	\$ 7,915,571
Interest and dividend income.....	35,552	40,372	336,383
Net income for the year	27,322	10,304	258,510
Total shareholders' equity	446,820	308,888	4,227,652
Total assets	¥2,597,891	¥2,496,328	\$24,580,293

	%	
	2004	2003
Loss ratio	60.80	60.06
Expense ratio	33.45	35.29

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥105.69 to U.S.\$1 on March 31, 2004.

MESSAGE FROM THE PRESIDENT



By re-declaring our founding and pressing ahead with fundamental management reform we will craft a highly productive and efficient corporate structure

Aioi Insurance Company, Limited (Aioi Insurance) was formed in April 2001 amid ongoing liberalization and deregulation in the insurance industry. In the years since, we have grabbed all available business opportunities from the ever-changing business environment. We have also strengthened management capabilities and boosted operating efficiency.

We are non-affiliated with the traditional zaibatsu (financial groups) in Japan, hence pursue close ties with local communities and the retail insurance market. To meet their needs and raise their quality of life, we develop inimitable products and services that are unrivalled in the Japanese insurance arena. We aim to be as close to customers as possible to guarantee that we are the insurance company chosen above all others.

In the automobile insurance field, we develop unique, innovative products and services through a close relationship with Toyota Motor Corporation (Toyota), which enables us to access advanced automotive technologies and leverage its financial services. In the health and medical sector, demand is rising in line with an aging society. We have therefore fashioned a service network that boasts an abundance of health and medical professionals. To complement this, a subsidiary runs a daycare center and we design novel products and services that cater for their specific requirements.

In order to provide comprehensive insurance to customers, we promote platform products, which enable users to combine other policies with their existing automobile insurance at an affordable price, thereby greatly enhancing convenience.

These implementation lead us to create a strong profit-earning base as well as secure stable growth.

We are also advancing reform to generate optimal productivity and efficiency in our

operating structure through the creation of a new business model by utilizing IT systems. Specifically, we will overhaul our traditional business approach and eliminate duplication of administrative works between agencies and ourselves through a unique new administration system. We will also reform our branch office structure by specializing in sales functions.

Along with transformations in the social and economic environment the needs of customers become diversified. It is therefore inevitable for us to meet with such needs and to look to expand business domains. Besides strengthening our high-growth life insurance business, we will exploit future opportunities in the booming Chinese and Asian markets based on a close affiliation with Toyota's global strategy.

We are committed to fulfilling our corporate social responsibility (CSR) in accord with our belief that companies are an integral part of the community. Over the years, we have striven to reinforce compliance and risk management, enhance disclosure and IR activities and tackle environmental issues. We view communication as the key to establishing a highly trusted enterprise. By advancing this principle, we seek to constantly deepen our relationship with stakeholders.

These endeavors will ensure ever-increasing growth and boost corporate value to the highest degree.

This fiscal year, the fourth since our founding, has been demarcated as a vital time to accelerate our management strategy, beginning with the establishment of a new management setup. We intend to garner maximum benefit from this strategy.

I expect further liberalization and deregulation in financial and insurance circles in the coming years. This will produce fiercer competition in price, product, service and distribution. To overcome this, we will work towards the realization of our vision to be the best insurance company that is closer to customers and communities than any other companies.



Our objective is always to provide optimum satisfaction to policyholders. To achieve this, our employees will aggressively face new challenges with an all-conquering determination.

I ask for your continued support and guidance as we forge along the road ahead.

Tadashi Kodama

Tadashi Kodama
President

MEDIUM-TERM BUSINESS PLAN

Aioi Insurance has formulated a Medium-Term Plan covering the three-year period from fiscal 2003 to fiscal 2005, designed to strengthen efforts aimed at realizing the Company’s vision. The following outlines the key strategies of the plan.

Strengthen domestic non-life insurance operations to create a more powerful earnings structure

(1) Securing growth

As the insurance company closest to the community and customers, we will provide unique products and services that lead the market in customer satisfaction, with the objective of raising the quality of life. At the same time, we will secure a growth track by continuing to be the company chosen by customers.

Instead of affiliations with the traditional zaibatsu or financial groups in Japan, Aioi Insurance’s operating base is closely tied to communities and the retail insurance market. As such, we will carve out regional markets through the creation of an information service network rooted in each community. We will also realize stable increase in sales by striving to steadily expand the market of the Toyota Group, our most intimate customer.

In automobile insurance, which remains our core product, we will leverage our dominance as the insurance company closest to car manufacturers to develop exclusive products based on Toyota’s advanced technologies and its financial services business.

From the perspective of boosting multi-product sales, we will develop and market platform products that enhance convenience and offer affordable premiums. We will also proactively develop “third sector” products and services, especially in medical insurance. This will help us meet diversifying customer needs as society changes due to a falling birthrate, aging population and reform of the social security system.

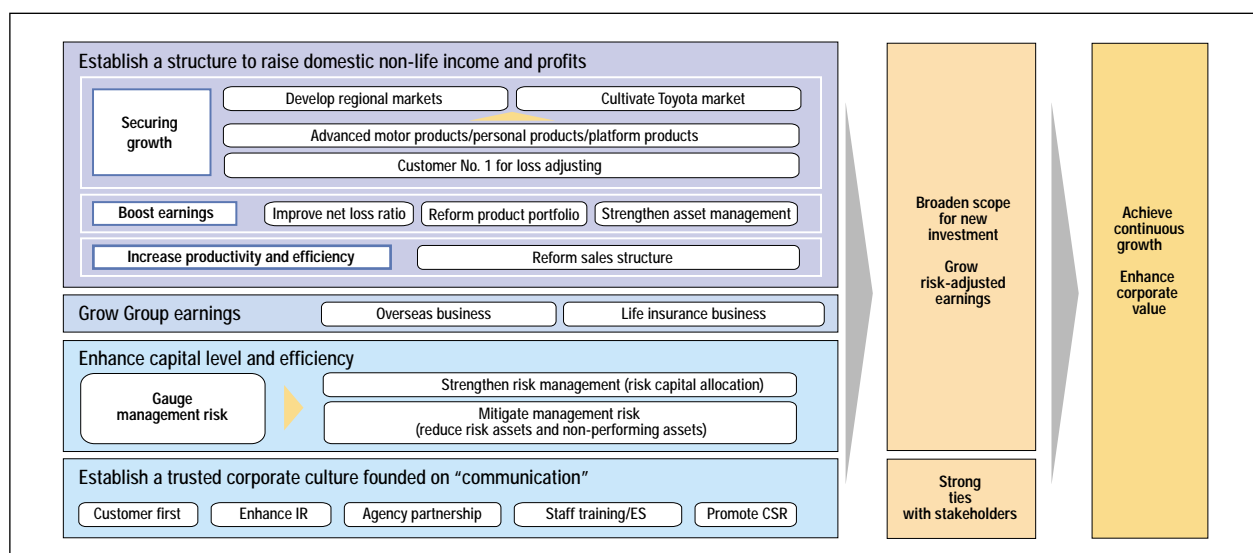
(2) Boost earnings

To raise price competitiveness, we will further streamline business expenses and reduce operating costs. To increase earnings potential, we will improve and stabilize the loss ratio by strengthening our claim handling and underwriting capabilities, and making quick and appropriate claim settlements.

We will strengthen multi-product sales by promoting platform products to customers with automobile insurance.

With the objective of improving our product portfolio, we will enhance sales for fire insurance through financial institutions, housing and affinity markets, while expanding sales of third sector insurance products.

In terms of asset management, we will boost the soundness of our portfolio by reducing strategic shareholdings and idle, non-performing real estate. We will further develop risk management by enhancing the allocation of risk capital and strengthening asset liability management (ALM). By diversifying management styles and methods, and creating new profit-making opportunities, we aim to strengthen our asset management capabilities.



(3) Increase productivity and efficiency

We will increase the efficiency of business operations through the introduction of a new administration and agency system. By outsourcing and sharing accounting work, and computerizing accounting and premium settlement procedures, we seek to reduce the volume of administrative work.

Through these moves, we aim to eliminate duplication in company and agency administration and increase the efficiency of personnel in charge of internal affairs. We also intend to raise productivity and efficiency by shifting the main focus of sales managers to the creation of new markets and sales channels.

Grow Group earnings

(1) Overseas business

As the key strategy to expanding the Finance & Insurance (F&I) business, we will strengthen our automobile insurance business overseas through amalgamations with automobile sales financiers in line with Toyota's global strategy.

Aioi Insurance Company of Europe Ltd., a consolidated subsidiary, offers automobile insurance in conjunction with the F&I business, while also conducting marketing and other functions for Japanese-affiliated firms in Europe. In the high-growth Asian market, we will advance efforts aimed at creating a direct insurance network. In particular, in China, we established two representative offices in fiscal 2004, making five in all. In fiscal 2005, we will press forward with preparations to obtain branch office licenses there to enable direct insurance operations.

(2) Life insurance business

Our next key business domain is life insurance. Aioi Life Insurance Co., Ltd., a consolidated subsidiary, serves our life insurance operations in Japan. Since its establishment in 1996, it has achieved steady business expansion especially in products related to death benefits.

In the future, we will continue to expand our sales channel and enhance our marketing competency. Through the provision of original products and services that correspond to customer needs, we plan to increase business scale and considerably boost consolidated sales.

Enhance capital level and efficiency

From the perspective of raising capital level and efficiency, we always try to improve our risk management. We do this by quantifying risk. Specifically, we reduce management risk through risk capital allocation and by reducing strategic shareholdings and idle, non-performing real estate. Furthermore, we constantly strive to secure and expand profitability whilst maintaining current levels of risk.

In the coming years, we seek to fine-tune our risk management methodology, and enhance capital level and efficiency in order to broaden the scope for new investments and increase risk-adjusted earnings.

Establish a trusted corporate culture founded on “communication”

As a good corporate citizen, we believe in the importance of fulfilling our responsibility to society. We constantly endeavor to strengthen compliance and risk management, enhance disclosure and IR activities, and tackle environmental issues.

We will continue to promote efforts aimed at fostering a good relationship with all stakeholders – customers, agencies, shareholders and personnel – using communication as the key to establishing a highly trusted enterprise.

INTERNATIONAL OPERATION



Naotatsu Momoi
Director
(Responsible for Overseas
Business Unit)



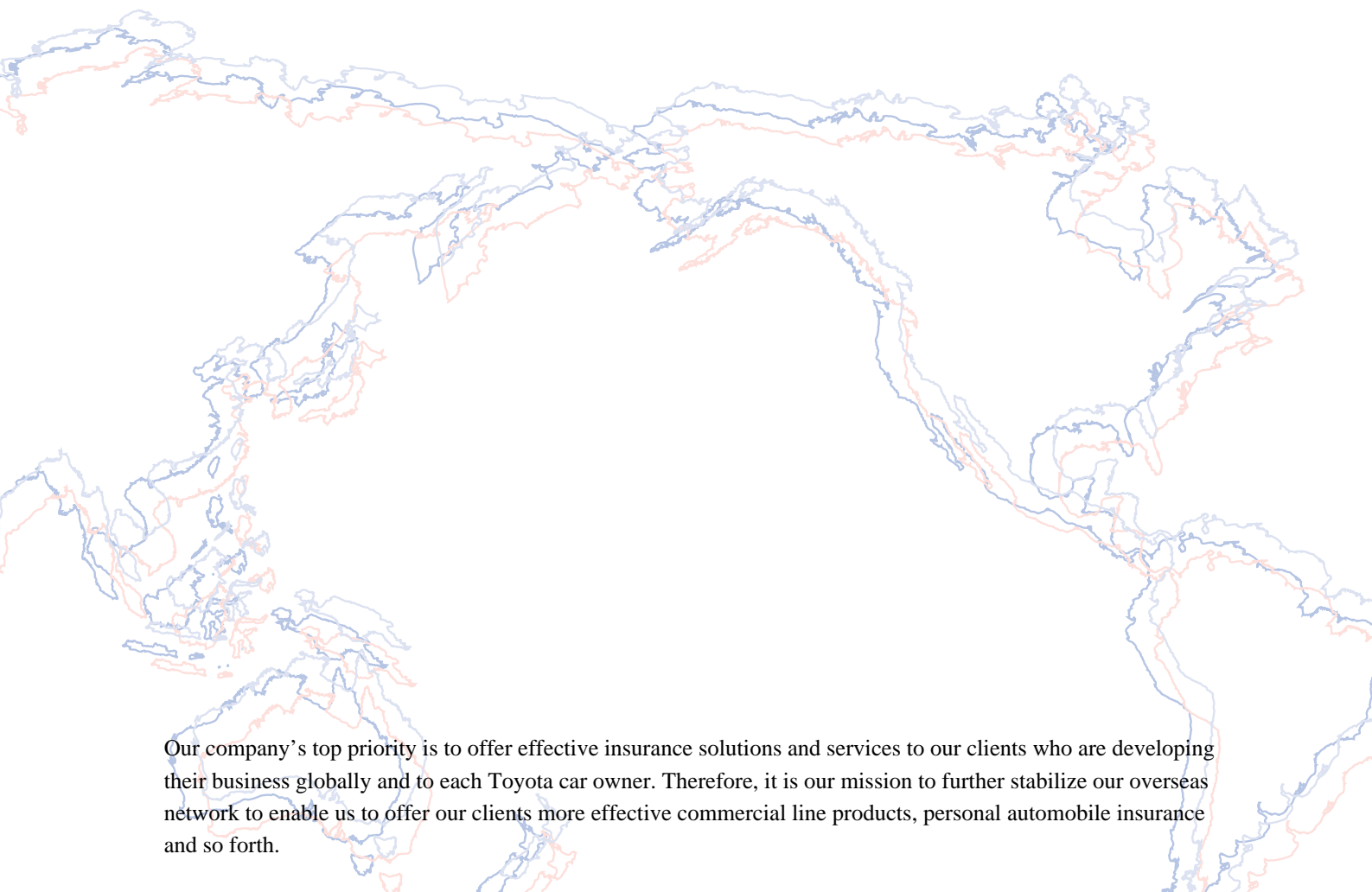
Our Overseas Business Unit was established as a new business unit this year to oversee our International and Reinsurance Departments and is fully responsible for managing our international operations. It is our intention to strengthen our international activities, especially by expanding the direct insurance underwriting capabilities we will have abroad. Under new management control, we will expand our business operations even further and conduct our operations efficiently as much as possible.

To strategically expand our operations, we recently launched a new business plan effective this year, which will last until 2008. Based on this plan, we are in the process of improving our facilities and insurance operations abroad, especially in rapidly growing markets like Asia including China. In addition to commercial line products we offer to our clients overseas, we intend to provide personal automobile insurance as our core business product not only in Japan but to our overseas markets as well. We intend to collaborate with Toyota Motor Corporation and its financial business partners overseas to underwrite more automobile insurance on a domestic and international basis.

We have developed this business in Germany, United Kingdom, France, Norway and New Zealand. We also started to underwrite automobile insurance in Australia as of August 2003. This operation was planned in conjunction with local Toyota sales companies and Toyota sales finance companies, which utilized Toyota car dealers to distribute finance and insurance. A business tie-up between our subsidiary, DTRIC, and local Toyota sales companies were established in January 2004 in Hawaii. In addition, we plan to distribute personal automobile insurance in Thailand by the end of this year.

This year, we opened representative offices in Shanghai and Guangzhou, China, bringing the office total to five. Since China has become affiliated with the WTO, our clients have increased their business presence year after year in China and we intend to provide direct support and assistance to these clients. On the other hand, in accordance with the gradual liberalization of the Chinese insurance market, we are conducting a study to explore the possibility of underwriting personal automobile insurance in the near future. We will also press forward with preparations to obtain branch office licenses and conduct direct underwriting.

With regards to Asia, we have established an Asia Strategic Division within our International Department to enhance our business activities and improve our facilities to underwrite directly in Asia, especially towards ASEAN countries. This strategy is planned and executed in cooperation with our local business partners.



Our company's top priority is to offer effective insurance solutions and services to our clients who are developing their business globally and to each Toyota car owner. Therefore, it is our mission to further stabilize our overseas network to enable us to offer our clients more effective commercial line products, personal automobile insurance and so forth.

On the other hand, our extensive access to the international marketplace, supported by stable, well-established relationships with top reinsurance brokers, insurance and reinsurance companies throughout the major markets, has always been beneficial to our company. These relationships have allowed us to expand our reinsurance activities and at the same time kept us less exposed to the effects of the reinsurance market cycle.

We are now in the midst of rebuilding up our inward reinsurance portfolio based on strict underwriting guidelines which is in line with the current global trend of more stringent risk management practices. As a result, we have significantly reduced overseas exposure and 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 profitability.

In order to maintain and secure profitability from our domestic and international business activities, we believe that a sophisticated reinsurance program is an essential factor to achieve it. Our philosophy behind our outward reinsurance protections is to gain a competitive edge in the domestic and international market and to stabilize our bottom line results. This can be achieved by mitigating the impact of various risks, particularly catastrophic exposures such as earthquakes and typhoons. We will carefully monitor and analyze our exposure to these risks and endeavor to secure sufficient reinsurance protections supported by very reputable reinsurance carriers. We are committed to designing and implementing ever more effective reinsurance protections, which will directly contribute in achieving the objectives we have described above.

Recognizing the importance of risk management and compliance in the overall control of international and reinsurance business, we have an "International and Reinsurance Risk Analysis Committee" as a consultative committee reporting to our main board. In addition, we also appoint a Risk Manager to work independently as a counselor, instructor and inspector in our Overseas Business Unit. As a result of these measures, we are confident that we can make a valuable contribution to the profitability of our company.

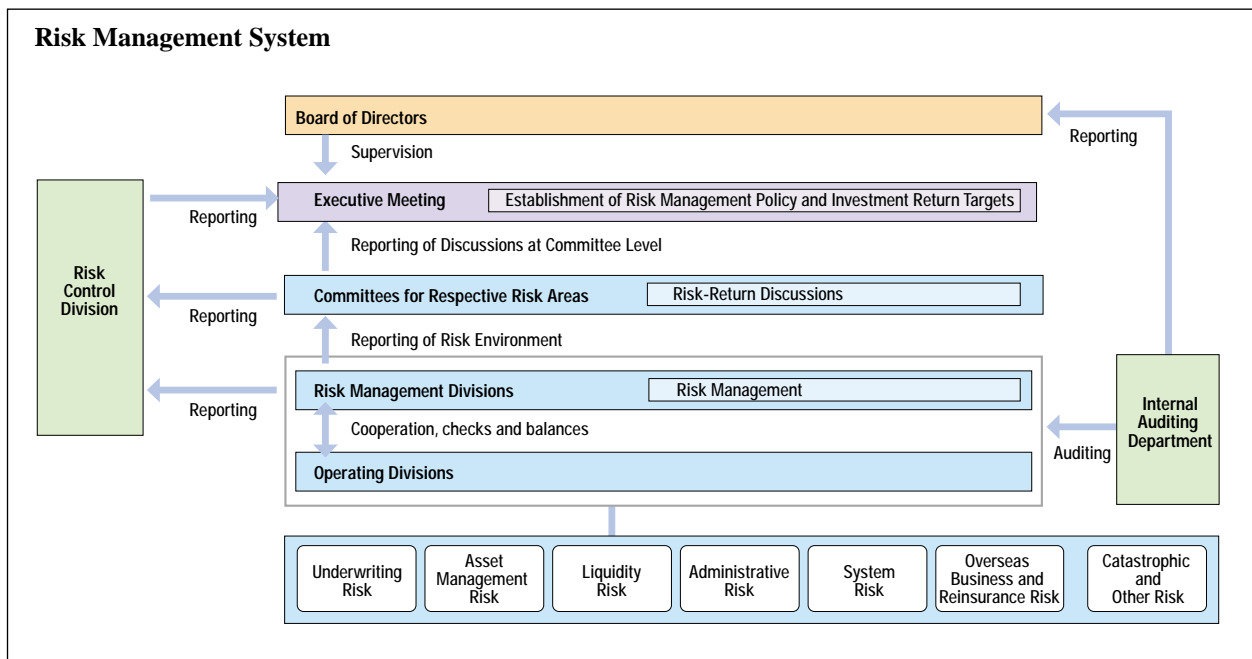
RISK MANAGEMENT SYSTEM

Driven by economic globalization, industry deregulation, new market entrants and changes in communication methods, including the Internet, Aioi Insurance’s operating environment is undergoing dramatic change. The upshot of these trends is that insurance companies face increasingly diverse and complex risk. Consequently, it is imperative that these risks are precisely identified and their potential impact properly analyzed and managed. If this is achieved, it will lead to a sound financial position and high profitability.

Aioi Insurance’s Risk Management Policy reflects this need and establishes a clear framework for our risk management system. Various committees and rules have been created for specific areas of risk. Our multifaceted approach includes organizational, systematic and regulatory initiatives. Our Risk Management Division monitors and manages risk.

Risk Management Policy

Aioi Insurance identifies and clarifies key areas of risk, optimizing risk management measures for each specific type and level of risk. This allows the company to take the considered risks necessary to achieve its management goals and to assure operational stability and business profitability.



Principal Risks and Related Management Systems

1. Underwriting Risk

Underwriting risk results from losses caused by actual claims that differ significantly from actuarial claims forecasts due to changes in economic conditions or loss trends.

Aioi Insurance evaluates risk trends for each insurance category by referring to category loss ratio and the concentration of risk resulting from natural disasters (such as earthquakes). As soon as an abnormal risk value arises, the company quickly goes to work on identifying the exact location and the cause of the risk, and reflects these findings in product development, underwriting standards, and marketing methods.

Furthermore, the company has established clear risk retention standards for underwriting risk and may diversify certain risks through reinsurance so that excessive accumulation of risk can be avoided.

2. Asset Management Risk

Assets are principally exposed to three main risks: market risk, credit risk and real estate investment risk.

Aioi Insurance has put in place measures to deal with all these areas.

(1) Market risk

Market risk results from changes in interest rates, stock prices and currency exchange rates. This risk has the potential to reduce the value of, or completely eliminate, an asset under management. We control this risk through a variety of measures, such as position control, loss limits and stress tests.

(2) Credit risk

Credit risk arises in the event that a credit obligation will not be paid due to reasons such as deterioration in the financial condition of the borrower. This can result in a decline in value or complete loss of an asset. To manage credit risk, Aioi Insurance has set up an in-house screening to develop credit policies and dynamic credit management.

(3) Real estate investment risk

Real estate investment risk derives from possible changes in rental rates and their impact on income from properties. In addition, changes in market conditions can cause real estate prices to decline, resulting in losses. Aioi Insurance manages real estate investment risk by setting up “alarm points” and a minimum rate of return on investment. To support the above risk management measures, Aioi Insurance adopts the Risk Limit Method, by Which the maximum amount of estimated market risk and credit risk are kept within the limit of the capital invested.

3. Liquidity Risk

Liquidity risk refers to possible losses caused by deterioration of a cash position, due to massive outflows of funds from the market or market turmoil. To protect against such risks, Aioi Insurance always maintains adequate liquidity and precisely monitoring incoming and outgoing funds, thus assuring a satisfactory cash position.

4. Administrative Risk

Administrative risk results mainly from errors in administrative procedures or fraud by part of the company’s officers, agents, or employees. Administrative risk also derives from insufficient testing of new data processing systems before their introduction. All these risks are potential causes of losses to the company. To guarantee identical quality levels in terms of service at branches and service centers nationwide, we have distributed an administrative procedures manual. Head Office monitors the parameters of administrative procedure, while regular audits are conducted at sales branches and service centers by the internal auditing department.

5. Systems Risk

Systems risk is related to the failure or malfunction of the main computer system, or computer fraud. Improper system development plans and delays in the development of new systems can also cause losses. To cope with these risks, Aioi Insurance has developed a Security Policy that defines fundamental policy on data management. The company also ensures that new computer systems undergo strict testing before being put into operation, while system development projects are only outsourced to the most reliable specialist firms.

Management believes that protecting customers’ personal information is an important part of risk management and has established strict rules on access to system data and instituted extensive measures to ensure network security.

A contingency plan has been developed to ensure that systems can be recovered quickly in case of fire or natural disaster.

6. Overseas Business and Reinsurance Risk

Overseas business risk refers to risks arising from underwriting and administration of our international business activities, including overseas inward reinsurance and management of overseas subsidiaries and branch offices. The Overseas Business and Reinsurance Risk Manager in the Compliance Control Department acts to strengthen monitoring capabilities. Operating independently of the Unit, the Risk Manager enhances the transparency and adequacy of risk monitoring capabilities.

7. Catastrophic and Other Risk

In addition to the aforementioned, we recognize risk associated with legal matters, catastrophes and reputation, which we manage in pertinent controlling divisions.

CORPORATE GOVERNANCE

Internal Audit and Monitoring Framework

Statutory Auditors are responsible for internal audits that are carried out pursuant to the Commercial Code of Japan. The Internal Auditing Department, which is independent of the Company’s executive bodies, is mandated to perform other auditing activities.

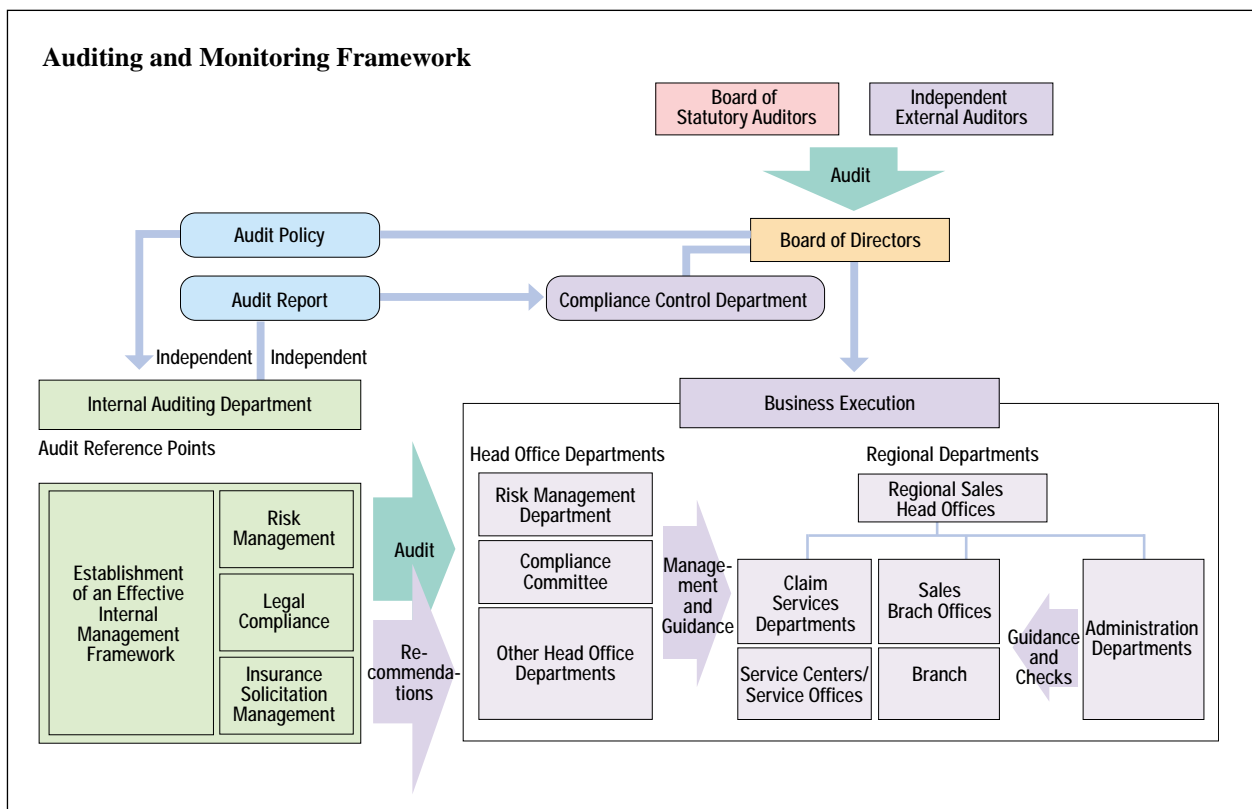
From the perspectives of risk management, legal compliance and insurance solicitation management, the Internal Auditing Department is responsible for verifying and evaluating the appropriateness and validity of internal audits executed in each department. It then uncovers and pinpoints problem areas before offering recommendations for improvement. Results are reported regularly to management and advice given to respective departments. This ensures a comprehensive and effective audit system.

External Audit and Monitoring System

Aioi Insurance is audited by independent external auditors in accordance with the Law for Special Exceptions to the Commercial Code and the Securities Exchange Law.

As prescribed by the Insurance Business Law, we are also audited by the Inspection Bureau of the Financial Services Agency and Local Finance Bureaus of the Ministry of Finance.

Independent external auditors, corporate auditors and the Internal Auditing Department work in unison to improve the Company’s auditing and monitoring framework.



COMPLIANCE

Compliance Policy

- In order to win the trust of customers and become a company respected by society at large, we have formulated a code of conduct to govern the activities of every Aioi Insurance employee.
- In order to satisfy our customers and retain their confidence, we have positioned compliance activities at the heart of all our business activities to ensure sound and fair management.

Compliance Promotion System

Besides the Compliance Committee under the auspices of the Board of Directors, we have established a Head Office Compliance Promotion Committee to advance and control specific compliance related activities. These bodies conduct the planning, monitoring, implementation and control of these activities in accordance with relevant laws and regulations. In each compliance related department, comprehensive activities aimed at compliance are performed, from response to customer opinion to agency recruitment.

A Compliance Committee has been formed at each Regional Sales Head Office and Sales Branch Office.

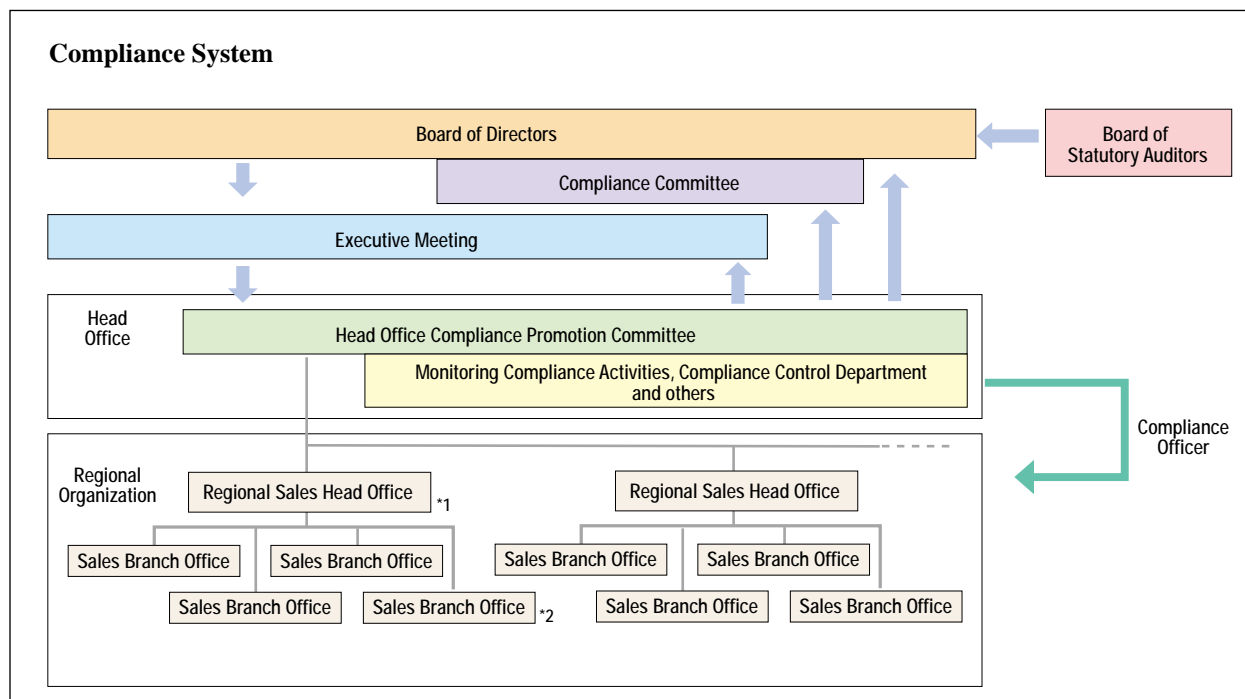
Furthermore, a Compliance Officer has been appointed to each of these head offices to enhance and foster regional compliance.

Compliance Program and Training

The Board of Directors has formulated a detailed compliance action plan known as the Compliance Program to encourage activities that comply with laws pertinent to Group Companies. We provide training on compliance to all personnel when they join the company as well as for each level of the organization and department. This boosts effective adoption of compliance.

Promoting Correction

We strive to prevent improper behavior through a system of self-examination. We have also established a hotline whereby personnel can report on personal breaches of compliance.



*1: A compliance Committee has been formed at each 19 nationwide Regional Sales Head Offices.

*2: A Compliance Committee has been formed at each Sales Branch Office.

NOTABLE PRODUCTS AND SERVICES

Information network close to the community

Our mission is to become the insurance company closest to customers. This concept is reflected in the Aioi Club network for individual customers and the Corporate Aioi Club network for business customers. We aim to provide information services that are useful in the automotive arena and in everyday life. We created a unique information network utilizing agencies and trading partners to achieve this, in conjunction with Anshin Dial Co., Ltd., a member of the Aioi Insurance Group.

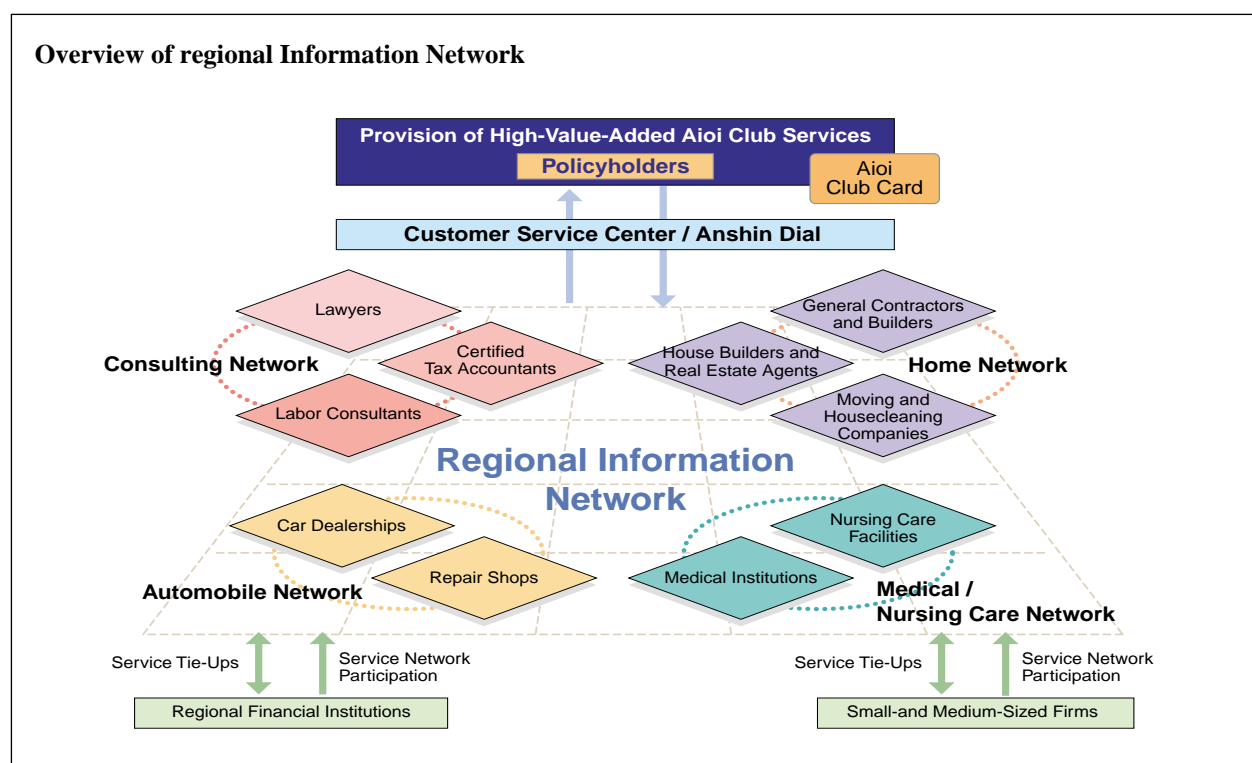
Information network defined

An information service network enables the provision of high quality services to customers. It also strengthens trade relationships by introducing customers to companies in the network. This latter objective helps us create new local retail markets. We plan to leverage information networks to enhance our service offering, a move that will place us at the doorstep of the local community. We also seek to develop new services by increasing ties with local companies, businesses and financial institutions.

Service Network

(as of March 2004)

Number of Automobile dealer network	9,000
Number of Vehicle inspection network	3,400
Number of Body & paint network	2,200
Number of Tow-truck network	2,100
Number of Housing reform network	250
Number of Plumbing network	3,000
Number of Medical, health and nursing care network (information providers)	9,400
Number of Nursing care network	200
Number of Consulting network	300
Number of Lawyer network	300
Number of Tax accountant network	100
Number of Local financial institutions (over-the-counter sales)	101



Regional information service network case study

Regional Sales Head Office “A”: creating services best suited to customers

In order to provide optimum services to customers, Regional Sales Head Office “A” is in the midst of developing its own IOI Club network.

(1) Network framework

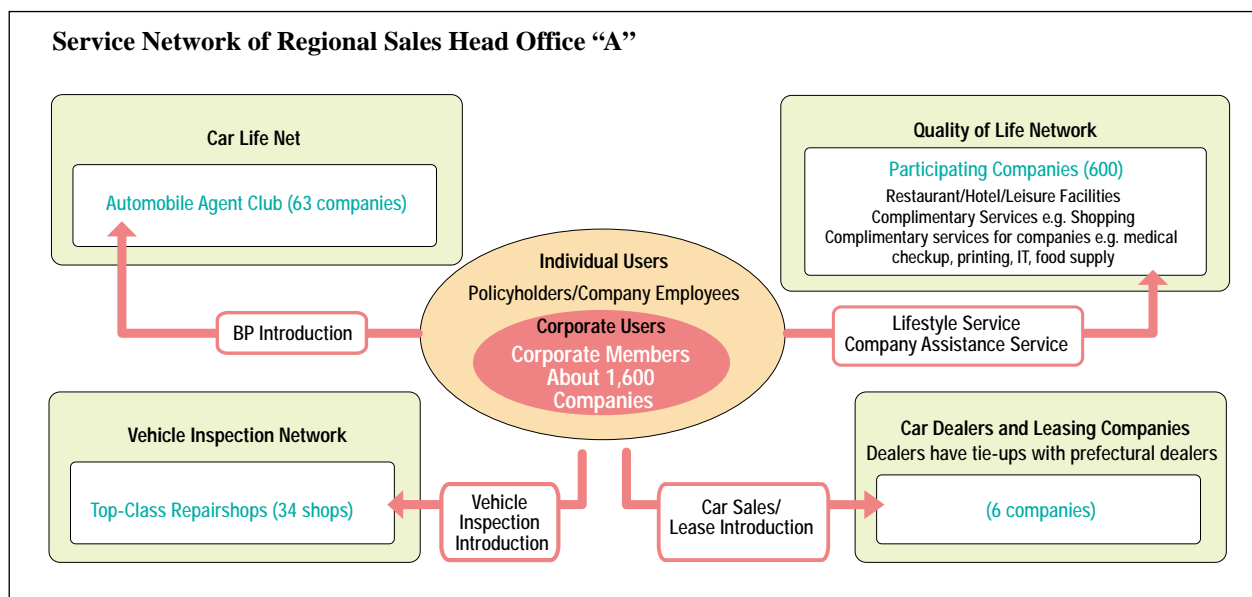
The information network consists of corporations that utilize four distinct information service networks and services.

(2) Professional agencies support network

This network is made up of professional agencies, whose role is to expand the number of companies providing or using the new services. Sales branches and information network bureaus help to accomplish this. By using local agencies, we can create a network that operates in close proximity to the community.

The following are three media used in relation to service provision/use.

1. Informational magazine for network members
2. Pocketbook with member cards that incorporates service details
3. Homepage that can be accessed by mobile phone



Developed individual automobile insurance with superior coverage /premiums

One step ahead in automobile insurance “Top Run”

We launched a new risk-segmented automobile insurance, “Top Run”, in April 2004, specifically for individual customers that use one of eight varieties of car. To develop products that meet needs, we conducted a verbal and written survey of customers and agencies. We collected over 5,000 responses and reflected opinions on “coverage,” “service offering” and “comprehensibility” in the latest automobile insurance.



Providing financial assistance to injured parties through the “Omoiyari (caring) rider” for Top Run

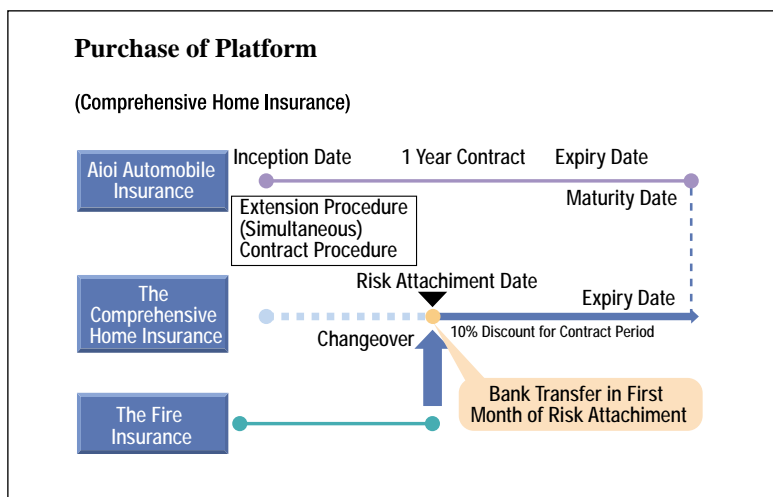
Care for car crash victims extends beyond mere insurance payout. Aioi Insurance seeks to help injured persons start a new life. We added “the Omoiyari rider” to our “Top Run” automobile insurance, which includes assistance services for injured or disabled parties. Services are offered by social welfare specialists from our medical, health and nursing care network, with assistance covering psychological and economic problems stemming from the accident as well as other welfare services. This ensures that insurance proceeds are spent in a meaningful way.

Enhanced and simplified world-leading Road Assistance Service and Car and Home Service

In accord with the launch of “Top Run” in April 2004, we revised our Road assistance Service and Car and Home Service, which rate among the top in the industry. In addition to tow-truck assistance up to 55 km, we will also either raise (up to 1m) or lower the car if it gets stuck free of charge.

Enhanced comprehensive platform products for customers

To encourage our automobile insurance policyholders to use other products, we launched a series of new platform products with discounted premium and cashless features. The Comprehensive Home Insurance, Comprehensive Traders Insurance and Comprehensive Construction Insurance have been developed based on the principles “inexpensive,” “simple” and “convenient.” They have gained very favorable market response.



Developing innovative insurance products by strengthening ties with car makers

Leveraging advanced vehicle technology, we strive to develop all-new automobile insurance that incorporates the latest telematics*1 technology from the ITS*2 field. We reflect data gathered from our unique crash test facility in products to increase driver safety. We plan to develop other creative products in line with breakneck advancements in automotive technology.

(*1) Telematics: The combination of telecommunications and informatics, it is a two-way communications system that provides access to knowledge, with a major application being vehicle-based electronic systems.
 (*2) ITS: Intelligent Transport Systems include the application of advanced IT technology to improve the safety and efficiency of the transportation system. National ITS projects are currently underway in Japan.

First in the industry to introduce “PAYD” Insurance

Aioi Insurance has developed a “PAYD” (Pay As You Drive) insurance program that collects data from a device in a customer’s car, made possible with the latest ITS technology.

In recent years, automobile manufacturers have been leveraging this technology to create a service in which information is sent and received via a telematics device installed inside the vehicle.

“PAYD” is the realization of this telematics technology, whereby information on distance traveled is transmitted automatically to the insurance company.

The revolutionary plan calculates mileage per month, giving customers the opportunity to pay premiums based upon their own driving habits, much the same as phone charges, which ultimately provides fairer and potentially lower insurance rates.



“PAYD” screen in a car equipped with G-Book

(Note) Aioi Insurance’s “PAYD” insurance program collects data from Toyota’s on-board G-BOOK terminal (as of July 2004).

Insurance policies developed from crash simulation data: “Dohn! To Omakase”

At our crash test facility, we analyze improvements in damage resistance and ease of repair for individual car models. Using this data, we have developed “the Dohn! To Omakase” insurance policies, which offer up to a 15% discount on premiums.

This innovative new product was made possible by our position as the only company in the non-life insurance industry in Japan to operate its own crash test facility, and our close relationships with carmakers.

Cars that have superior damage resistance and are easier to repair naturally cost less to put back on the road. These factors also keep down maintenance costs. Aioi Insurance helps to reduce the cost of owning a car in a society where it has become an indispensable means of transport.

We plan to work with carmakers in Japan and overseas to popularize and expand sales of this kind of insurance products. By helping to reduce the cost of repair and insurance, we hope to offer significant benefits to users and car-based society in general.

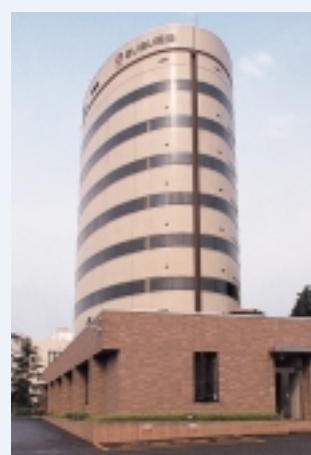
As of July 2004, the above policies covered cars manufactured by Toyota Motor Corporation and Fuji Heavy Industries Ltd. (Subaru)

**Center for research into vehicle collision and automobile technologies:
The Aioi Insurance Automobile Research Center (crash test facility)**

This facility was built to gather invaluable data on automobile damage from collisions, giving us the tools to stay competitive at a time when insurance products and premium rates are experiencing rapid deregulation. None of our rivals in the industry has access to their own crash test facility.

The Aioi Insurance Automobile Research Center operates this crash test facility and compiles experimental data on damage resistance and ease of repair for individual car models. The research center is also closely involved in research into developing new methods of car repair.

The efforts of the research center extend to a broad range of technology-related issues. It offers technical training programs and seminars covering a variety of topics from the repair of hybrid vehicles and the preparation of body repair and paint estimates, to consultation on car maintenance issues. In short, the research center is the Aioi Insurance Group's core facility for education and training related automobile technology.



Aioi Insurance Automobile Research Center in Susono City, Shizuoka Prefecture

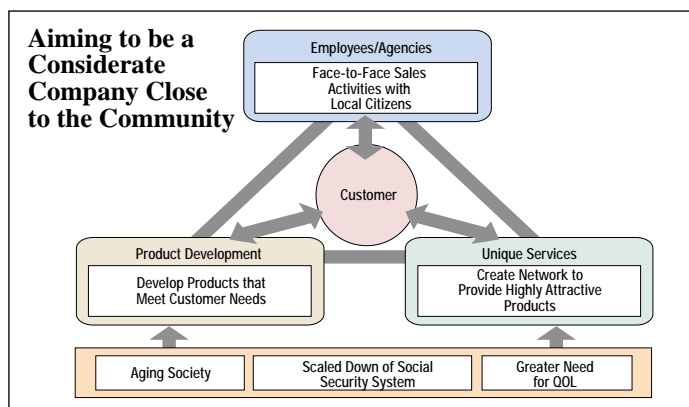
Enhancing peace-of-mind and health for a full, rich life

In Japan, demand for medical and nursing care services is growing rapidly in line with a falling birth rate and aging society. Problems such as how to identify appropriate health care institutions or cover hospitalization and treatment costs are becoming major societal issues.

Aioi Insurance's approach has been to offer a range of medical information services ahead of the competition, akin to the services we offer automobile owners. Aioi Insurance, Aioi Life Insurance and Fureai Do-Life Services Co., Ltd. combined their resources to create a high-quality medical, health and nursing care services network that offers products and services as our contribution to improving our customers' quality of life (QOL). We have named this service system our QOL business, with a focus on building close relationships with local communities and providing customer-oriented services.

Support System for QOL business

We believe in the importance of understanding the feelings of patients, the elderly, their families, and healthcare professionals. By doing so, we can design high quality products and services that are tailored to specific needs. At Aioi Insurance, we are pressing ahead with the creation of a system that echoes the experience and knowledge gained from the QOL business in our sales promotion and services.

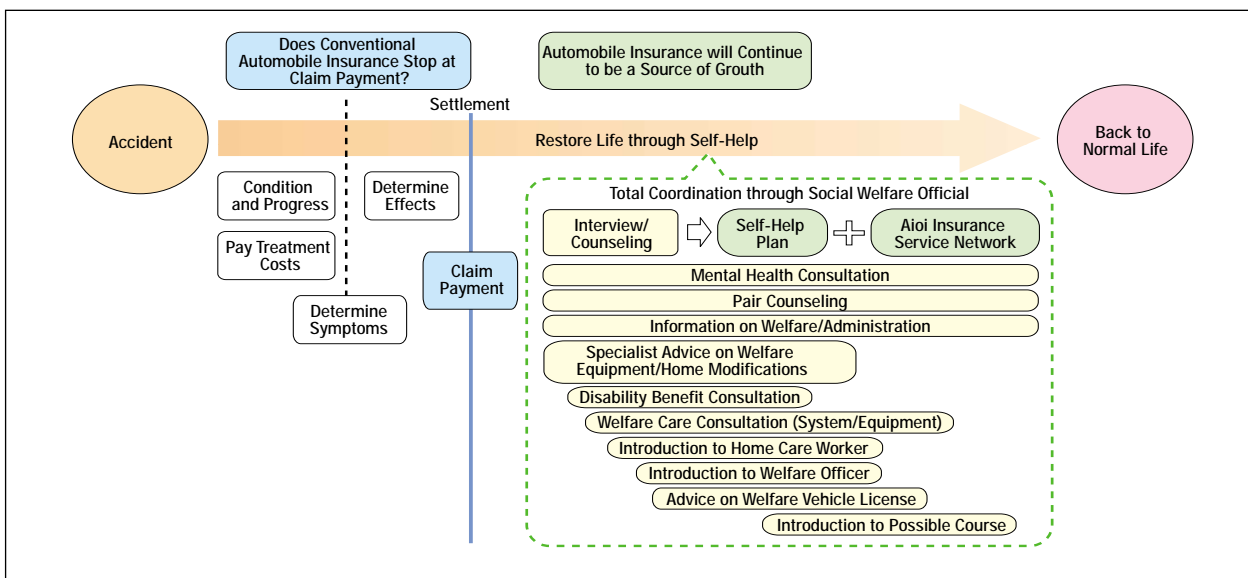


Self-help services

Getting life back to normal

In April 2004, we launched the comprehensive automobile insurance “Top Run” for individuals. In addition to the self-help rider, we developed self-help services for people suffering the after-effects of car accidents so they can get their life back on track.

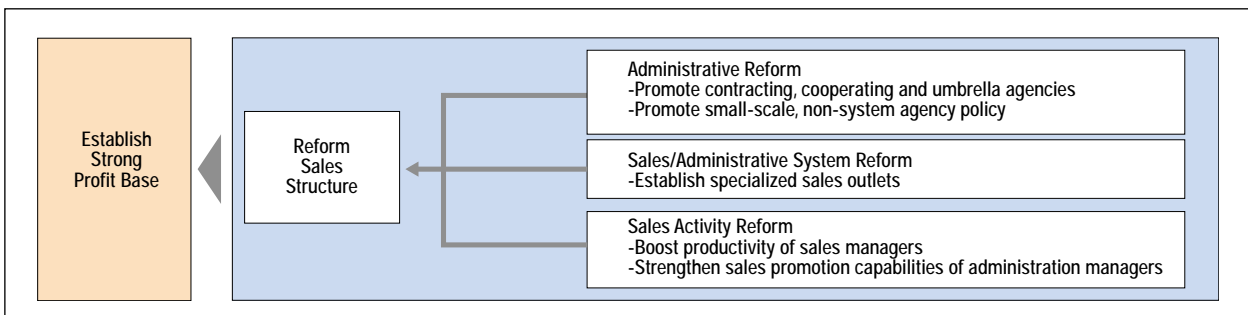
To over-come the depression and withdrawal that generally follows an accident, we provide health, medical and nursing care services through social welfare specialists. These focus on: (1) psychological problems concerning motivation and family contact; (2) utilization of community resources, including welfare services; and, (3) economic issues related to benefits, allowances and medical costs. This ensures that the insurance money is used productively. Visitation and consultation services by social welfare officers have begun in Tokyo, Nagoya, Osaka, Hiroshima and Fukuoka. We plan to progressively extend our service area in the future.



“Tri-function” sales structure

We aim to enhance the productivity of sales personnel and administration managers by expanding sales outlets with specialized functions. We promote a three-pronged agency structure comprising contracting agencies, cooperating agencies and umbrella agencies. Through swift reform of our sales structure, we intend to establish a strong profit base.

Expand specialized sales outlets



1. Pro sales section

These sales outlets are responsible for the integrated management of specialist contracting, cooperating and umbrella agencies. Enhancing efficiency in business and administration frees up managers to concentrate on sales activities, allowing them to work to their full potential.

2. Administrative promotion center

These sales outlets guide the contracting agencies in terms of business affairs, administration and systems operation.

3. Sales center

These sales outlets support the efficient and effective utilization of systems in agencies. In addition to promoting the establishment of other sales outlets, they review and revise the functions and roles of sales and administration managers with the aim of creating a profitable sales structure.

Aioi Insurance has created a contracting system (as part of its agency system) that is unique to the industry, in which agencies conduct the sales affairs of Group companies. By utilizing the best agencies, we seek to raise efficiency across the entire company.

Face-to-face with a ubiquitous society

Mobile POS

Mobile POS is a new agency support system that can be operated through any IT equipment (mobile phone, PDA, mobile PC, ordinary PC, etc.). This gives agents the opportunity to access information on maturity date, extension procedures, policy details, customers and other important matters anytime, anywhere.

All contract procedures – calculating premiums, concluding contracts and settling claims – can be handled via a mobile phone or other IT device. The customer is not required to fill in any forms or sign anything, leading to unrivalled convenience.

The system was first introduced in June 2002 to provide information on automobile insurance extensions and we have already filed a business model patent for it.

In a bid to provide ultimate support for agencies, we plan to make the system compatible with a greater array of devices in the future, while also adding more functions.

Accident status information service

Auto accidents can take a number of different forms: third party injury (automobile bodily injury liability insurance); damage to third party property (automobile property damage liability insurance); damage to one's own car (automobile physical damage insurance); or, passenger injury (automobile passengers' personal accident insurance). Affected parties therefore differ and the information required may be in-depth and complex. This makes it burdensome to resolve matters after an accident.

To solve these problems, Aioi Insurance developed a service in which customers can use their mobile phone to access information pertaining to insurance after a car accident. The service began in November 2002.

The service provides the following.

- (1) A concise breakdown of the most desired information: person involved, what happened and current situation
- (2) Information pertaining to the type of insurance possessed by each party
- (3) The ability to access information by mobile phone anytime, anywhere

The service is also accessible to registered policyholders via the Aioi Insurance website under "Aioi My Page".

Mobile phone adapter "Emergency NAVI" for accident reporting

Aioi Insurance developed Emergency NAVI, which is a mobile phone adapter that automatically connects to an accident report number of the company. It can be used to get advice from experts 24 hours a day, 365 days of the year for free. If the device is kept inside the car, it is possible to connect to the accident report center even if the victim cannot recall the number.

* The adapter is compatible with all models except obsolete models of DoCoMo, au, Vodafone and Tu-ka, and FOMA phones.



Mobile LAN

Aioi Insurance created a system for staff outside the office that enables access to information, including in-house groupware, by way of mobile phone, PDA or laptop. This enables staff to view data (mail, company notices, news, company phonebook, etc.) at anytime and from any location, as if they were still in the office. Facilitating speedy customer service and greater efficiency, it is a vital tool for insurance agents.

* To ensure security in mobile systems, we use a system to identify user and terminal, and employ data encryption.

NEW PRODUCTS AND SERVICES



Released pioneering automobile insurance “Top Run”

We launched a risk-segmented automobile insurance, “Top Run”, in April 2004, specifically for individual customers that use one of eight varieties of car. To develop products that meet specific needs, we conducted a verbal and written survey of customers and agencies. We collected over 5,000 responses and reflected opinions on “coverage,” “service offering” and “comprehensibility” in the new product.

We added the unique “Omoiyari (caring) rider” to provide financial assistance for injured or disabled parties in terms of social rehabilitation, which is not covered by injury compensation.

We also incorporated a rider for the portion of vehicle repair costs of the other party’s car that

exceed the market value. This covers up to ¥500,000. A legal fee rider covers lawyer costs of up to ¥3 million.

Known as “Speed kaiketsu 3 kyoudai”, these three riders help customers deal swiftly and efficiently with car accidents. Premiums are newly classified depending on what the vehicle is used for and the type of license held. In response to demand for inexpensive premiums, we offer a discount limited to the actual driver of the car and an endorsement excluding for people of under 35 years of age. This latter benefit applies to all vehicles insured under Top Run. A very reasonable rate has also been set for vehicles used to transport goods.

We expanded the coverage of our Road Assistance Service and Car and Home Service to ensure peace-of-mind for customers who have been involved in a traffic accident. In addition to tow truck assistance up to 55km anywhere in Japan, we simplified the policy by integrating all repair items, which previously differed depending on policy content.

Providing financial assistance with Omoiyari rider

Aioi Insurance believes that care for car crash victims extends beyond mere insurance payout. We seek to help injured persons start a new life. To achieve this, we commenced self-help services for injured or disabled parties under “the Omoiyari rider”.

Besides assisting with costs needed to regain independence, this rider offers health, medical and nursing care services through social workers. These focus on psychological and economic problems, and utilization of community resources, including welfare services. This ensures that insurance proceeds are used constructively.

Outline of services

Social workers coordinate the following services (as of May 2004) to help rebuild the victim’s life.

Mental health consultation

Pair counseling

Advice on disability benefits from social insurance specialists

Introduction to home care workers and people providing healthcare equipment

Specialist advice on selecting appropriate healthcare equipment and home modifications

Consultation on obtaining driver’s license and introduction to stores that sell special-purpose vehicles

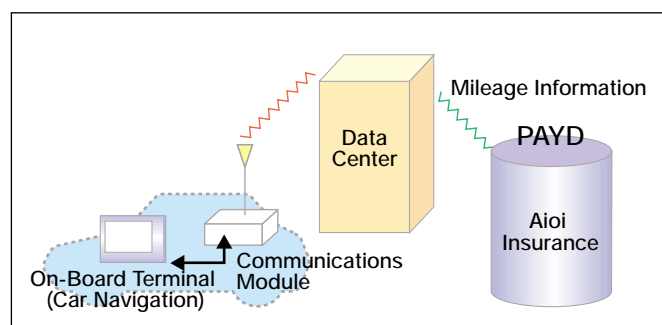
Help with courses (PC, English classes etc.)

Health, medical and nursing care consultation

First in the industry to introduce “PAYD” Insurance

Aioi Insurance introduced a “PAYD” (Pay As You Drive) insurance program that collects mileage data from an on-board device, giving customers the opportunity to pay premiums based upon their own driving habits. This groundbreaking product was developed with a view to utilizing advanced technology from car makers.

The monthly charge consists of a basic premium and a mileage based premium, which is akin to paying phone charges. The information is sent automatically from an on-board device, so there is no need for any forms. It is possible to extend the period of use automatically each year, which greatly increases customer convenience.



Insurance companies marketing this product in the United States are companies that prioritize environmental preservation and maximize customer return. There are even some states that offer tax rebates to insurance companies that provide the product. It is expected that it will gain great attention in the future.

Aioi Insurance intends to develop other cutting-edge products to fulfill needs, and enhance satisfaction and convenience. To achieve this, we will continue to focus on automobile insurance by maintaining as close a relationship with car makers as possible.

Enhanced and simplified world-leading Road Assistance Service and Car and Home Service

In accord with the launch of Top Run in April 2004, we revised our Road Assistance Service and Car and Home Service, which rate among the top in the industry.

In the Road Assistance Service, in addition to tow-truck assistance up to 55 km, we will also either raise (up to 1m) or lower the car if it gets stuck free of charge. Furthermore, we reviewed our emergency service and now dispatch expert staff to accident sites in around 30 minutes. We will also take cars that have broken down back home. We have newly added a petrol delivery service (10 liters) if required and a puncture repair service.

Basically, we have enhanced the contents and made them easier to understand. Customers can feel reassured that we are close at hand when trouble strikes.

Enhanced comprehensive platform products

To encourage our automobile insurance policyholders to use other products, we launched a series of new platform products with discounted premium and cashless features. The Comprehensive Home Insurance, Comprehensive Traders Insurance and Comprehensive Construction Insurance have been developed based on the principles “inexpensive,” “simple” and “convenient.”

In December 2003, we introduced Issho Raku Raku (Trader’s Comprehensive) for offices, small businesses and restaurants. This product fulfills the desires of many of our customers. We also adjusted compensation plans in accord with wide-ranging needs and budgets.

In Comprehensive Home Insurance, we included a Fire Legal Liability*¹ rider that provides compensation for damage caused by fires from nearby buildings or fixtures. This feature has been very well received. In this way, we have both expanded our product line-up and hedged against certain risks that we face.

We also market Issho Raku Raku J, which pertains to office equipment, furniture and fixtures, and is even easier to use.

Platform products have gained extremely positive response from automobile insurance policyholders. This is primarily due to the features “inexpensive” (greater discounts) “simple” (cashless contract procedure) and “convenient” (automobile insurance and period of cover can be arranged with one procedure).

Comprehensive Home Insurance with a fire insurance package and Comprehensive Construction Insurance especially for builders have also posted strong performances*².

(*1) Although fire legal liability coverage was previously limited to the home, with Issho Raku Raku, it now also includes office building and factory, which is an industry-first.

(*2) In the year ended March 31, 2004, total sales of platform products was approximately ¥15.6 billion with the number of units sold amounting to 320,000.

Launched improved version of Zero sai-sengen and Kaikin-sengen with Zero sai-sengen EX

Aioi Insurance revamped its popular “Zero sai-sengen” and “Kaikin-sengen” accident insurance products, which were introduced in April 2003 especially for the work setting, and developed “Zero sai-sengen EX”. This new insurance retains all the attractive features of the previous two products, but also answers customer needs in a more precise manner.



As with conventional products, compensation will still be paid to employees, subcontractors and part-time workers if they change jobs during the period of cover even if they don't give notification. New areas of compensation include: a lump-sum payment for hospitalization; compensation for work leave; covering rehabilitation-related costs; and paying for healthcare equipment. The method for calculating premiums has also been made easier.

First in industry with full bodily injury compensation irrespective of comparative fault promoting speedy resolution with a new rider for "Top Run" from October 2004

Aioi Insurance has developed an innovative rider for "Top Run" whereby full damages will be paid to pedestrians or cyclists embroiled in an automobile accident, irrespective of whether they were at fault or not. The so-called "Pedestrian Injury Compensation" rider will be added to all "Top Run" insurance packages taken out on or after October 2004.

This rider helps to realize speedy resolution to accidents, something that all automobile insurance customers desire. This new type of compensation is unique to Aioi Insurance and adds a new dimension to "Top Run" and "Speed kaiketsu 3 kyoudai".

Previously, damages paid to pedestrians were offset against the amount of blame (ignoring traffic lights, running onto the road etc.) apportioned to them for the accident. This led to numerous cases of disagreement over the amount.

In cases that were clearly inside the parameters of compulsory automobile liability insurance, the issue was often not resolved through amicable settlement or negotiation.

This new rider not only has coverage for bodily injury liability even if the pedestrian or cyclist is obviously to blame, we will pay out the full amount to prevent possible misunderstanding between policyholder and victim.

Even in cases that are inside the parameters of compulsory automobile liability insurance, we will always promote amicable negotiations. Such action will smooth out any potential problems and lead to speedy resolution.