FIVE-YEAR FINANCIAL SUMMARY

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

Consolidated		Millions of Yen 2004	2003	2002	2001	2000	Thousands of U.S. Dollars (Note) 2004
Net premiums written	Aioi	¥ **843,552**	¥ 845,669	¥ 788,275			**$ 7,981,385**
	Dai-tokyo				¥ 420,587	¥ 426,520	
	Chiyoda				371,265	391,113	
Net income (loss)	Aioi	**29,359**	13,927	(88,247)			**277,785**
	Dai-Tokyo				7,220	6,693	
	Chiyoda				(6,364)	3,568	
Total shareholders' equity	Aioi	**435,597**	295,670	378,644			**4,121,463**
	Dai-Tokyo				316,860	224,694	
	Chiyoda				223,419	168,644	
Total assets	Aioi	**2,791,994**	2,651,212	2,792,102			**26,416,829**
	Dai-Tokyo				1,677,181	1,547,262	
	Chiyoda				1,394,148	1,361,295	

		Yen					U.S. Dollars (Note)
Net asset value per share	Aioi	¥ **596.01**	¥ 396.34	¥ 501.52			**$ 5.63**
	Dai-Tokyo				¥ 778.24	¥ 551.86	
	Chiyoda				577.93	436.22	
Net income (loss) per share	Aioi	**39.67**	18.60	(116.87)			**0.37**
	Dai-Tokyo				17.73	16.44	
	Chiyoda				(16.46)	9.22	

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.

Non-Consolidated		Millions of Yen 2004	2003	2002	2001	2000	Thousands of U.S. Dollars (Note) 2004
Net premiums written	Aioi	¥ **836,596**	¥ 836,841	¥ 777,361			**$ 7,915,571**
	Dai-tokyo				¥ 420,588	¥ 426,521	
	Chiyoda				372,172	380,273	
Net income(loss)	Aioi	**27,322**	10,304	(83,413)			**258,510**
	Dai-Tokyo				7,563	7,023	
	Chiyoda				4,815	5,208	
Total shareholders' equity	Aioi	**446,820**	308,888	394,390			**4,227,652**
	Dai-Tokyo				315,853	226,933	
	Chiyoda				239,253	172,941	
Total assets	Aioi	**2,597,891**	2,496,328	2,663,459			**24,580,293**
	Dai-Tokyo				1,625,746	1,517,791	
	Chiyoda				1,328,166	1,311,554	
Loss ratio	Aioi	**60.80%**	60.06%	66.95%			
	Dai-Tokyo				62.42%	59.61%	
	Chiyoda				65.23%	60.52%	
Expense ratio	Aioi	**33.45%**	35.29%	38.94%			
	Dai-Tokyo				36.90%	38.36%	
	Chiyoda				38.72%	38.93%	

		Yen					U.S. Dollars (Note)
Net asset value per share	Aioi	¥ **611.37**	¥ 414.06	¥ 522.38			**$ 5.78**
	Dai-Tokyo				¥ 775.75	¥ 557.36	
	Chiyoda				616.92	445.93	
Net income (loss) per share	Aioi	**36.91**	13.76	(110.47)			**0.35**
	Dai-Tokyo				18.57	17.25	
	Chiyoda				12.41	13.42	
Cash dividends per share	Aioi	**8.00**	7.00	7.00			**0.07**
	Dai-Tokyo				7.00	7.00	
	Chiyoda				7.00	7.00	

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.

REVIEW OF OPERATIONS

OPERATING ENVIRONMENT

The Japanese economy recovered moderately in the year ended March 31, 2004 due to growing demand driven by a strong global economy, particularly manifest in the United States and Asia, and revitalized capital investment in accord with improving corporate performance. Stock prices rose considerably in line with bright future economic prospects.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements show that the total operating income reduced from ¥1,152.6 billion to ¥1,091.9 billion.

The income before income taxes and minority interests increased from ¥24.2 billion to ¥47.7 billion and the net income also increased from ¥13.9 billion to ¥29.3 billion.

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

1. Analysis of Underwriting Income and Expenses

Underwriting Income

Underwriting income decreased by 5.2% to ¥1,008.0 billion. Net premiums written dipped by 0.3% to ¥843.5 billion. The following outlines the breakdown by the class of business.

Net Premiums Written (Millions of Yen)

	Years ended March 31,		
Class of Business	**2004**	2003	% Change
Fire and Allied Lines	**¥ 83,631**	¥ 82,706	1.1
Marine	**5,260**	5,929	(11.3)
Personal Accident	**49,070**	50,248	(2.3)
Voluntary Automobile	**478,869**	495,748	(3.4)
Compulsory Automobile Liability	**153,634**	131,531	16.8
Other	**73,085**	79,504	(8.1)
Total	**¥843,552**	¥845,669	(0.3)

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

Underwriting Expenses

Underwriting expenses decreased by 5.7% to ¥853.5 billion. Net claims paid were down 1.0%, to ¥467.3 billion. The following outlines the breakdown by the class of business .

Net Claims Paid (Millions of Yen)

	Years ended March 31,		
Class of Business	**2004**	2003	% Change
Fire and Allied Lines	**¥ 31,875**	¥ 39,058	(18.4)
Marine	**4,014**	3,009	33.4
Personal Accident	**17,048**	19,518	(12.7)
Voluntary Automobile	**268,490**	278,391	(3.6)
Compulsory Automobile Liability	**64,304**	51,236	25.5
Others	**81,606**	80,980	0.8
Total	**¥467,340**	¥472,194	(1.0)

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

Maturity refunds and dividends to policyholders for long-term insurance dropped by 21.5% to ¥173.0 billion, while commissions and brokerage fell by 4.4% to ¥147.4 billion.

2. Analysis of Investment

Investment Income

Investment income decreased by 4.0% to ¥63.0 billion. Interest and dividend income declined by 10.3% to ¥40.3 billion due mainly to the impact of decreasing interest rates in Japan. Gain on sales of investment in securities amounted to ¥36.7 billion as we promoted the sale of securities in line with rising domestic stock prices.

Investment Expenses

Although loss on sales of investment in securities totaled ¥15.8 billion, primarily due to the sale of foreign bonds in line with the appreciating yen, loss on valuation of investment in securities decreased strikingly to stand at ¥0.9 billion. As a result, investment expenses decreased by 57.5% to ¥17.4 billion.

3. Analysis of Operating and General Administrative Expenses

Operating and general administrative expenses decreased by 5.9% to ¥154.9 billion. Primary factors behind this were a reduction in personnel costs achieved through a review of pay structure and the transfer of the substitutional portion of employees' pension obligations and funds to the government, and lower business expenses through enhanced efficiency of general expenses.

As a result, net income for the fiscal year increased by ¥15.4 billion to ¥29.3 billion.

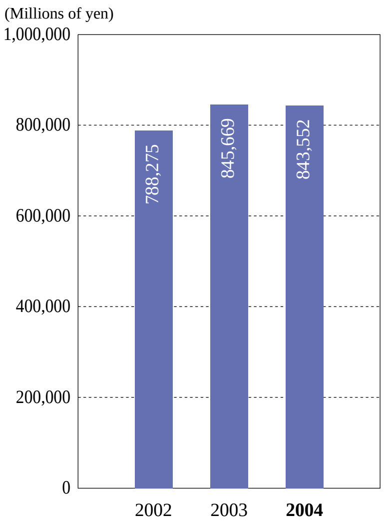
SUMMARY OF FINANCIAL CONDITION

1. Total Assets and Shareholders' Equity

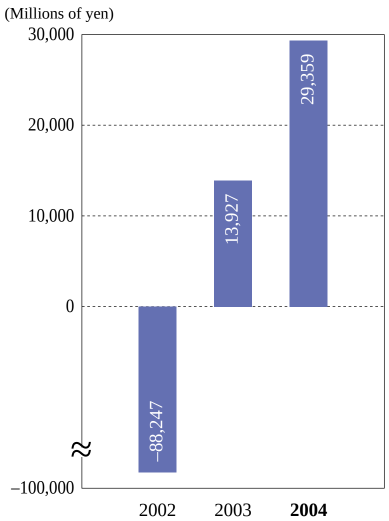
Total assets at the end of the fiscal year were up ¥140.7 billion to ¥2,791.9 billion, due mainly to an increase in unrealized gain on available-for-sale securities in line with rising stock prices.

Shareholders' equity amounted to ¥435.5 billion, up ¥139.9 billion. The main reason was an increase of ¥121.9 billion in unrealized gain on available-for-sale securities, which stood at ¥140.3 billion. As a result, the shareholders' equity ratio at year-end was 15.6%, an improvement of 4.4 percentage points.

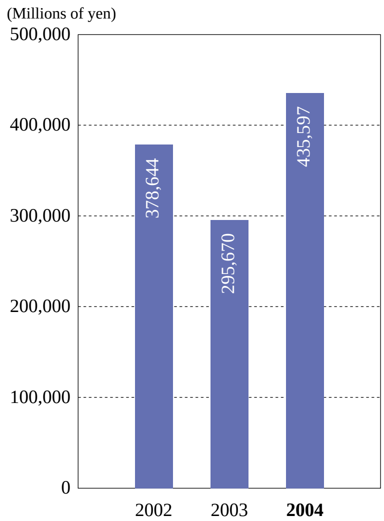
Net Premiums Written (Consolidated)



Net Income (Consolidated)



Total Shareholders' Equity (Consolidated)



2. Solvency Margin Ratio

The solvency margin ratio for Aioi Insurance improved from 683.4% to 910.1%, and that of Aioi Life Insurance was found to be 1,950.6%, based on computations specified by the Japanese Insurance Business Law. This mark far exceeds the 200%, which is deemed to be sufficient to cover insurance payouts and other expenditures.

RESULTS BY BUSINESS SEGMENT

1. Non-Life Insurance

In non-life insurance, Aioi Insurance's core business segment, a more stable operating environment led to an improvement in investment income and expenses. This was countered, however, by negative market growth and intensifying competition triggered by liberalization and deregulation, which has forced companies to develop innovative products and improve operational efficiency amid a climate of falling premiums.

Under this backdrop, in the key automobile insurance field, we expanded the variety of cars for using premium discount at our unique car crash test facilities in the domestic non-life insurance companies to gather data for insurance on vehicle damage and repairability. We also strove to bolster our line-up of products tailored to specific customer needs, including the development of Nagaraku Plan, which is long-term automobile insurance for TS CUBIC card holders.

We steadily expanded sales of the platform products Comprehensive Home Insurance (Fire), Comprehensive Construction Insurance (General liability) and Comprehensive Traders Insurance (Fire) which were developed to strengthen sales of packaged policies to automobile insurance customers.

In response to the spread of Severe Acute Respiratory Syndrome (SARS) in Asia, we expanded the coverage of our overseas travelers' personal accident insurance and comprehensive school travel insurance products.

In terms of customer services, we offer a diverse line that includes road assistance services over our unique network and Accident Information Services via mobile phone, created with the increasing popularity of mobile phones and text messaging. We also broadened our risk consulting services by providing corporate customers with a Fatigue Risk Diagnosis Program to help prevent accidents caused by tiredness.

In May 2003 we completed the development of the next-generation Web-based agency system IONOS and began to introduce it to agencies. This system has helped us boost management efficiency at agencies by incorporating a business assistance function in addition to our unique contracting, cooperating and umbrella agency functions.

On October 1, 2003, we took over insurance responsibilities issued in Japan of Winterthur Swiss Insurance Co.

Aioi Insurance Company of Europe Ltd. sought to expand its core businesses, further improve profitability and strengthen its finances.

The non-life insurance business segment posted a 0.3% decrease in net premiums written to ¥843.5 billion.

2. Life Insurance

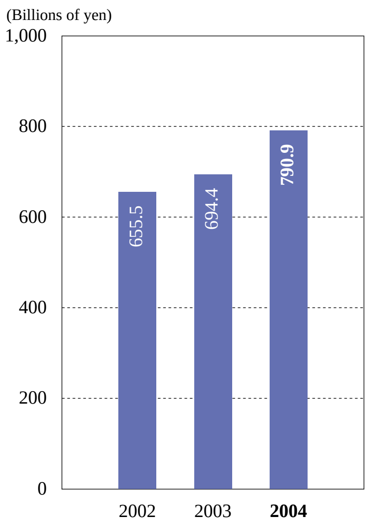
Besides revising the contents of Low Cancellation Return Premium Term Insurance, which offers rational death benefits and inexpensive premiums, Aioi Life Insurance Co., Ltd. made preparations for the reserve for directors' retirement benefits and potential large settlement payouts.

We also launched several new insurance products designed to better meet customer needs. These included the third version of Increasing Term Life Insurance which has greater flexibility and design to conventional insurance, and Non-Selective Type Whole Life Insurance (Dividend-free), in which users are not required to take a medical examination or supply notification of health condition at time of contract.

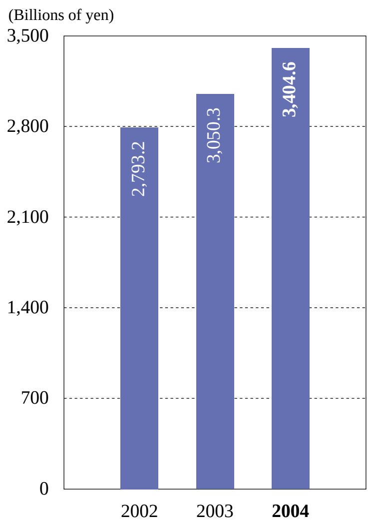
As a result, the new business for individuals increased by 13.9% to ¥790.9 billion and the amount of life insurance in force for individuals at the end of this fiscal year reached ¥3.4 trillion.

The life insurance business segment posted a 0.1% decrease in life insurance premiums to ¥47.3 billion.

New Business



Total Amount of Life Insurance in Force



CASH FLOWS

Net cash provided by the operating activities increased ¥76.8 billion compared with the previous fiscal year, to ¥73.2 billion, due primarily to a decrease in maturity repayments and a reduction in business expenses through enhanced efficiency. Net cash provided by the investing activities decreased ¥43.9 billion, to ¥9.7 billion, as we pushed ahead with numerous purchases, which outweighed proceeds from the sale of investments in securities. Net cash used in the financing activities increased ¥15.4 billion, to ¥11.2 billion, due predominantly to repayments of convertible bonds in the previous fiscal year.

As a result, cash and cash equivalents at the end of the year were up ¥71.8 billion compared with the end of the previous fiscal year, to ¥238.0 billion.

CONSOLIDATED BALANCE SHEETS

Aioi Insurance Company, Limited and Consolidated Subsidiaries
March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
ASSETS			
Cash and cash equivalents	**¥ 238,094**	¥ 166,246	**$ 2,252,762**
Money held in trust (Note 3)	**8,081**	11,503	**76,461**
Investments in securities (Notes 4 and 5)	**1,664,406**	1,459,155	**15,748,003**
Loans (Note 6)	**358,265**	368,645	**3,389,772**
Property and equipment—net (Note 7)	**171,705**	186,416	**1,624,614**
Premiums receivable from policyholders and agents	**45,831**	50,716	**433,640**
Reinsurance receivable and recoverable on paid losses	**80,391**	101,042	**760,630**
Deferred tax assets (Note 10)	**99,775**	185,308	**944,035**
Customers' liabilities for acceptances and guarantees	**2,500**		**23,654**
Other assets (Note 4)	**136,436**	138,609	**1,290,910**
Allowance for doubtful accounts	**(13,492)**	(16,431)	**(127,657)**
TOTAL	**¥2,791,994**	¥2,651,212	**$26,416,829**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Underwriting reserves:			
Estimated losses and claims	**¥ 377,006**	¥ 384,649	**$ 3,567,098**
Unearned premiums	**1,092,391**	1,013,324	**10,335,811**
Maturity refunds and dividends to policyholders	**732,994**	801,049	**6,935,324**
Reinsurance payable and due to other insurance companies	**69,145**	73,819	**654,227**
Income taxes payable (Note 10)	**2,885**	4,095	**27,303**
Liability for employees' retirement benefits (Note 8)	**18,572**	17,913	**175,730**
Reserve for price fluctuation	**2,500**	1,340	**23,661**
Acceptances and guarantees	**2,500**		**23,654**
Other liabilities (Note 5)	**58,353**	59,340	**552,115**
Total liabilities	**2,356,350**	2,355,532	**22,294,927**
MINORITY INTERESTS	**46**	9	**438**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock—authorized, 2,000,000 thousand shares; issued, 756,201 thousand shares in 2004 and 2003	**100,005**	100,005	**946,210**
Additional paid-in capital	**44,082**	44,081	**417,090**
Retained earnings	**159,067**	134,930	**1,505,039**
Unrealized gain on available-for-sale securities	**140,340**	18,416	**1,327,845**
Foreign currency translation adjustments	**986**	1,172	**9,330**
Treasury stock—at cost, 25,429 thousand shares in 2004 and 10,216 thousand shares in 2003	**(8,883)**	(2,936)	**(84,054)**
Total shareholders' equity	**435,597**	295,670	**4,121,463**
TOTAL	**¥2,791,994**	¥2,651,212	**$26,416,829**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING INCOME:			
Underwriting income:			
Net premiums written	**¥ 843,552**	¥ 845,669	**$ 7,981,385**
Premiums for maturity of refundable portion of long-term insurance	**87,593**	103,651	**828,781**
Investment income on premiums for maturity of refundable portion of long-term and other insurance	**21,069**	22,412	**199,354**
Life insurance premiums	**47,382**	47,443	**448,318**
Reversal of estimated losses and claims	**8,098**	27,371	**76,629**
Reversal of unearned premiums and maturity refunds and dividends to policyholders		16,505	
Other underwriting income	**334**	369	**3,161**
Total underwriting income	**1,008,032**	1,063,423	**9,537,630**
Investment income:			
Interest and dividend income	**40,344**	44,959	**381,727**
Gain on money held in trust	**2,553**	275	**24,157**
Gain on trading securities	**853**		**8,077**
Gain on sales of investment in securities (Note 4)	**36,725**	41,172	**347,484**
Gain from securities redemption	**240**	1,467	**2,279**
Gain on derivatives	**2,785**		**26,352**
Other investment income	**643**	274	**6,092**
Transfer of investment income on premiums for maturity of refundable portion of long-term and other insurance	**(21,069)**	(22,412)	**(199,354)**
Total investment income	**63,077**	65,736	**596,817**
Other income (Note 15)	**20,816**	23,448	**196,962**
Total operating income	**1,091,926**	1,152,608	**10,331,410**
OPERATING EXPENSES:			
Underwriting expenses:			
Net claims paid	**467,340**	472,194	**4,421,800**
Loss adjustment expenses	**37,796**	39,556	**357,617**
Commissions and brokerage	**147,499**	154,278	**1,395,589**
Maturity refunds and dividends to policyholders for long-term insurance	**173,030**	220,484	**1,637,153**
Life insurance claims	**6,665**	7,700	**63,069**
Provision for unearned premiums and maturity refunds and dividends to policyholders	**10,386**		**98,277**
Other underwriting expenses	**10,850**	11,410	**102,660**
Total underwriting expenses	**853,570**	905,625	**8,076,166**
Investment expenses:			
Loss on money held in trust	**3**	2,756	**29**
Loss on sales of investment in securities (Note 4)	**15,874**	4,852	**150,194**
Loss on valuation of investment in securities (Note 4)	**942**	30,226	**8,922**
Other investment expenses	**622**	3,194	**5,890**
Total investment expenses	**17,442**	41,030	**165,036**
Operating and general administrative expenses	**154,903**	164,642	**1,465,635**
Other expenses (Note 16)	**18,299**	17,099	**173,140**
Total operating expenses	**1,044,215**	1,128,398	**9,879,980**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**47,711**	24,210	**451,429**
INCOME TAXES (Note 10):			
Current	**1,633**	3,375	**15,453**
Deferred	**16,682**	6,898	**157,844**
Total income taxes	**18,315**	10,273	**173,298**
MINORITY INTERESTS IN NET INCOME	**36**	9	**346**
NET INCOME	**¥ 29,359**	¥ 13,927	**$ 277,785**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.o and 17):			
Basic net income	**¥39.67**	¥18.60	**$0.37**
Diluted net income	**39.64**	18.21	**0.37**
Cash dividends applicable to the year	**8.00**	7.00	**0.07**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2002	754,985	¥100,005	¥44,081	¥126,287	¥107,535	¥1,111	¥ (376)
Net income				13,927			
Cash dividends				(5,284)			
Repurchase of treasury stock	(9,000)						(2,559)
Net decrease in unrealized gain on available-for-sale securities					(89,118)		
Net increase in foreign currency translation adjustments						61	
BALANCE, MARCH 31, 2003	745,985	100,005	44,081	134,930	18,416	1,172	(2,936)
Net income				**29,359**			
Cash dividends				**(5,221)**			
Repurchase of treasury stock	**(15,230)**						**(5,952)**
Disposal of treasury stock	**18**						**5**
Net increase in unrealized gain on available-for-sale securities					**121,923**		
Net decrease in foreign currency translation adjustments						**(186)**	
BALANCE, MARCH 31, 2004	**730,772**	**¥100,005**	**¥44,082**	**¥159,067**	**¥140,340**	**¥ 986**	**¥(8,883)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2003	$946,210	$417,086	$1,276,662	$ 174,253	$11,096	$(27,783)
Net income			**277,785**			
Cash dividends			**(49,407)**			
Repurchase of treasury stock						**(56,323)**
Disposal of treasury stock		**4**				**53**
Net increase in unrealized gain on available-for-sale securities				**1,153,592**		
Net decrease in foreign currency translation adjustments					**(1,765)**	
BALANCE, MARCH 31, 2004	**$946,210**	**$417,090**	**$1,505,039**	**$1,327,845**	**$ 9,330**	**$(84,054)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 47,711**	¥ 24,210	**$ 451,429**
Adjustments for:			
Depreciation	**12,482**	21,539	**118,109**
Reversal of estimated losses and claims	**(7,581)**	(27,371)	**(71,737)**
Provision for (reversal of) unearned premiums and maturity refunds and dividends to policyholders	**11,035**	(16,505)	**104,414**
Reversal of allowance for doubtful accounts	**(2,927)**	(3,997)	**(27,703)**
Increase in liability for employees' retirement benefits	**659**	1,050	**6,241**
(Reversal of) provision for employees' bonus allowances	**(823)**	130	**(7,793)**
Increase in price fluctuation reserve	**1,160**	71	**10,981**
Interest and dividend income	**(40,344)**	(44,959)	**(381,727)**
Gain arising from sales or revaluation of investments in securities	**(20,999)**	(9,848)	**(198,689)**
Interest paid	**328**	198	**3,111**
Foreign exchange losses	**40**	242	**380**
Loss on sale of property and equipment	**6,704**	610	**63,431**
Others—net	**24,477**	3,747	**231,593**
Interest and dividends received	**44,261**	48,327	**418,790**
Interest paid	**(328)**	(198)	**(3,111)**
Income taxes paid	**(2,585)**	(815)	**(24,463)**
Total adjustment	**25,558**	(27,778)	**241,828**
Net cash provided by (used in) operating activities	**73,270**	(3,567)	**693,258**
INVESTING ACTIVITIES:			
Net increase in bank deposits	**1,326**	2,092	**12,553**
Purchase of debts	**(2,000)**	(6,150)	**(18,923)**
Proceeds from sale of debts purchased	**3,764**	5,125	**35,614**
Decrease in money held in trust—net	**6,187**	9,233	**58,539**
Purchase of investments in securities	**(671,699)**	(816,610)	**(6,355,378)**
Proceeds from sale or maturities of investments in securities	**662,462**	835,303	**6,267,977**
Decrease in loans—net	**10,158**	34,092	**96,116**
Purchases of property and equipment	**(11,763)**	(11,687)	**(111,300)**
Proceeds from sale of property and equipment	**8,256**	5,452	**78,117**
Proceeds from sale of shares of a consolidated subsidiary		630	
Others—net	**3,093**	(3,793)	**29,269**
Net cash provided by investing activities	**9,785**	53,688	**92,586**
	¥ 83,055	¥50,121	**$785,844**
FINANCING ACTIVITIES:			
Repayments of convertible bonds		(18,800)	
Acquisition of treasury stock	**(5,946)**	(2,559)	**(56,266)**
Cash dividends	**(5,221)**	(5,284)	**(49,407)**
Others—net	**(40)**	(50)	**(379)**
Net cash used in financing activities	**(11,208)**	(26,695)	**(106,054)**
FOREIGN CURRENCY TRANSACTION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	**1**	(289)	**13**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**71,848**	23,136	**679,803**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**166,246**	143,109	**1,572,958**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥238,094**	¥166,246	**$2,252,762**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. Figures stated in yen and U.S. dollars have been rounded down to millions of yen and thousands of U.S. dollars, respectively. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and are stated at the rate of ¥105.69 to U.S.$1, the approximate rate of exchange at March 31, 2004. The translations should not be construed as representations that the Japanese yen amounts could be converted to U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its four significant (four in 2003) subsidiaries (together, the "Group").

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

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

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

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

b. Cash Equivalents

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

c. Foreign Currency Translation

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

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Income and expense accounts of consolidated foreign subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date.

d. Investments in Securities

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

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

e. Derivatives

The Company uses the following derivative financial instruments to manage their exposures to fluctuating foreign currency exchange rates, interest rates, stock prices and bond prices. The derivatives utilized by the Company include foreign exchange forward contracts, currency swaps, currency option contracts, interest rate swaps, stock index futures, stock index options, bond futures contracts, bond option contracts and credit derivatives.

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

Interest rate swaps are utilized to hedge interest rate exposures of yen-dominated bonds. Those swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Foreign currency swaps are utilized to hedge foreign currency exposures of foreign bonds. Foreign bonds are translated at the contracted rates if the interest swaps qualify for hedge accounting.

f. Property and Equipment

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

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

g. Policy Acquisition Costs

Policy acquisition costs are charged to expense as incurred.

h. Underwriting Reserves

Underwriting reserves are established for estimated losses and claims, unearned premiums and maturity refunds and dividends to policyholders by each line of insurance and type of policy.

Estimated losses and claims

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

Unearned premiums

The unearned premiums reserve is based on unearned premiums at the end of the year, or the underwriting balances at the end of the year for policies written during the year, whichever is greater, by lines of insurance and type of policy. However, for compulsory automobile liability insurance (“CALI”) and earthquake insurance, all underwriting balances are transferred to this reserve. The extraordinary loss reserve (“ELR”) is also provided for catastrophic losses from net premiums written. The maximum amount of ELR at the end of the year is stipulated in the Insurance Business Law. The amount of the annual transfer to ELR from net premiums written is the larger of the amounts deductible for tax purposes or the minimum required under the Insurance Business Law. The maximum amounts differ by line of insurance, and are calculated using percentages of net premiums written. With respect to CALI and earthquake insurance, there is no extraordinary loss reserve because all underwriting balances are transferred to the unearned premium reserve.

Maturity refunds and dividends to policyholders

Provision is made for the sum of the amount equal to the refundable portion of the insurance premiums for long-term insurance at maturity and the amount equal to the investment income attributable to such portion of the relevant premiums.

i. Reinsurance

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

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

j. Income Taxes

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

k. Allowance for Doubtful Accounts

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

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

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

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

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

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

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

l. Employees' Retirement Benefits and Pension Plan

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

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

Changes in the projected benefit obligation, recognized in the preceding year, arising from modified actuarial assumptions are amortized to expense by the straight-line method over the average remaining service life of the employees (15 years).

m. Reserve for Price Fluctuation

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

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

n. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed. See Note 12 below.

o. Per Share Information

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

Diluted net income per share reflects the potential dilution that could occur if convertible securities or warrants were exercised. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

p. Deferred Expenses under Article 113 of the Insurance Business Law

Article 113 of the Insurance Business Law permits newly established insurance companies to defer organization costs and the selling and general administrative costs which exceed the total of net underwriting income and net investment income for the first five years from the year of its incorporation. These deferred costs are subject to amortization over a period of ten years. In accordance with this Article, the consolidated domestic subsidiary operating a life-insurance business, which was established in 1996, had deferred a portion of selling and general administrative costs incurred before April 1, 1998 as well as its organization cost incurred at inception and recognized amortization expense as required by the aforementioned law.

The amortization of deferred expenses under Article 113 of the Insurance Business Law was completed for the year ended March 31, 2003.

q. New Accounting Pronouncements

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. MONEY HELD IN TRUST

All securities held as money held in trust are classified as trading securities. Aggregate cost and gains (losses) recognized at March 31, 2004 and 2003 in the consolidated statements of income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Aggregate cost	**¥8,081**	¥11,503	**$76,461**
Gains (losses)	**1,200**	(1,613)	**11,359**

4. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
National and local government bonds	**¥ 365,210**	¥ 237,360	**$ 3,455,484**
Corporate bonds	**348,292**	376,267	**3,295,414**
Equity securities	**531,659**	425,528	**5,030,366**
Foreign securities	**351,645**	378,796	**3,327,138**
Other securities	**67,599**	41,202	**639,599**
Total	**¥1,664,406**	¥1,459,155	**$15,748,003**

Information regarding each category of the securities classified as trading, available-for-sale and held-to-maturity at March 31, 2004 and 2003 was as follows:

	Millions of Yen			
March 31, 2004	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				**¥ 53,034**
Available-for-sale:				
Bonds	**¥ 542,059**	**¥ 9,559**	**¥ (5,602)**	**¥ 546,016**
Equity securities	**287,750**	**226,139**	**(1,347)**	**512,542**
Foreign securities	**322,255**	**4,762**	**(19,821)**	**307,196**
Other securities*	**53,971**	**6,593**	**(692)**	**59,872**
Total	**¥1,206,036**	**¥247,055**	**¥(27,463)**	**¥1,425,628**
Held-to-maturity—bonds	**¥ 206**	**¥ 44**		**¥ 251**
Total	**¥ 206**	**¥ 44**		**¥ 251**

March 31, 2003	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 30,247
Available-for-sale:				
Bonds	¥ 462,551	¥19,768	¥ (3,766)	¥ 478,553
Equity securities	383,687	54,018	(32,065)	405,641
Foreign securities	341,291	7,858	(8,633)	340,516
Other securities*	52,292	224	(8,585)	43,930
Total	¥1,239,823	¥81,869	¥(53,051)	¥1,268,642
Held-to-maturity:				
Bonds	¥ 206	¥ 47		¥ 254
Foreign securities	1,070	138		1,209
Total	¥ 1,277	¥ 185		¥ 1,463

March 31, 2004	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				**$ 501,796**
Available-for-sale:				
Bonds	**$ 5,128,765**	**$ 90,452**	**$ (53,005)**	**$ 5,166,212**
Equity securities	**2,722,590**	**2,139,646**	**(12,744)**	**4,849,492**
Foreign securities	**3,049,059**	**45,064**	**(187,545)**	**2,906,578**
Other securities*	**510,655**	**62,387**	**(6,552)**	**566,490**
Total	**$11,411,071**	**$2,337,551**	**$(259,849)**	**$13,488,773**
Held-to-maturity—bonds	**$ 1,957**	**$ 423**		**$ 2,380**
Total	**$ 1,957**	**$ 423**		**$ 2,380**

* Other securities include beneficial interest in small receivables backed trust at March 31, 2003 and beneficial interest in loan asset backed trust at March 31, 2004, both classified as other assets.

Debt securities earmarked for underwriting reserve at March 31, 2004 and 2003 were as follows:

March 31, 2004	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bonds	**¥158,047**	**¥ 6,410**	**¥(2,557)**	**¥161,901**
Foreign securities	**799**	**51**		**850**
Total	**¥158,847**	**¥ 6,461**	**¥(2,557)**	**¥162,751**
March 31, 2003				
Bonds	¥129,648	¥16,526	¥ (6)	¥146,168
Foreign securities	799	73		872
Total	¥130,447	¥16,599	¥ (6)	¥147,040

March 31, 2004	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bonds	**$1,495,390**	**$60,656**	**$(24,197)**	**$1,531,850**
Foreign securities	**7,562**	**483**		**8,046**
Total	**$1,502,953**	**$61,139**	**$(24,197)**	**$1,539,896**

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Available-for-sale:			
Bonds	**¥ 200**	¥ 200	**$ 1,892**
Equity securities	**17,539**	18,410	**165,952**
Foreign securities	**7,000**	7,000	**66,231**
Other securities*	**4,097**	5,876	**38,766**
Total	**¥28,836**	¥31,487	**$272,842**
Held-to-maturity—Bonds	**¥ 3,475**	¥ 5,019	**$ 32,882**
Total	**¥ 3,475**	¥ 5,019	**$ 32,882**

* Other securities include beneficial interest in small receivables backed trust classified as other assets.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥559,621 million ($5,294,929 thousand) and ¥662,901 million. Gross realized gains and losses on these sales, computed using the moving average cost basis, were ¥36,725 million ($347,484 thousand) and ¥15,874 million ($150,194 thousand), respectively, for the year ended March 31, 2004 and ¥41,172 million and ¥3,992 million, respectively, for the year ended March 31, 2003.

Carrying amounts of debt securities with contractual maturities classified as available-for-sale, held-to-maturity and debt securities earmarked for underwriting reserve at March 31, 2004 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Bonds	Foreign Securities	Other Securities*	Bonds	Foreign Securities	Other Securities*
Due in one year or less	¥ 56,517	¥ 28,899	¥ 374	$ 534,751	$ 273,435	$ 3,542
Due after one year through five years	257,395	115,752	9,112	2,435,385	1,095,204	86,221
Due after five years through ten years	178,339	84,179	12,416	1,687,381	796,477	117,482
Due after ten years	215,693	11,009	1,984	2,040,817	104,163	18,781
Total	¥707,947	¥239,840	¥23,888	$6,698,335	$2,269,280	$226,027

* Other securities include beneficial interest in small receivables backed trust classified as other assets.

Investments in unconsolidated subsidiaries and affiliated companies were ¥4,766 million ($45,102 thousand) and ¥4,687 million at March 31, 2004 and 2003, respectively.

The Company and the domestic subsidiary recognized ¥911 million ($8,620 thousand) and ¥30,226 million loss on valuation of available-for-sale securities, respectively, for the years ended March 31, 2004 and 2003. A loss on valuation of available-for-sale securities for the year ended March 31, 2004 is recognized in the statements of income when its fair value declines by more than 30%. A loss on valuation of available-for-sale securities for the year ended March 31, 2003 is recognized in the statements of income when its fair value declines by more than 50% as compared with its cost value or when its fair value declines by more than 30% and the decline in value is considered to be other than temporary even though the decline is not more than 50%.

5. COLLATERAL

The carrying amounts of investments in securities pledged as collateral were ¥64,325 million ($608,620 thousand) at March 31, 2004. This includes collateral for loans payable of ¥117 million ($1,112 thousand) classified as other liabilities, collateral for letters of credit issued and collateral pledged in lieu of deposits for credit transactions.

The carrying amounts of investments in securities pledged as collateral were ¥41,114 million at March 31, 2003.

6. LOANS

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Defaulted loans	**¥ 198**	¥ 354	**$ 1,874**
Delinquent loans (non-performing loans)	**18,353**	20,167	**173,658**
Past due loans (over three months)	**656**	921	**6,213**
Loans under mitigating conditions	**5,643**	4,038	**53,397**
Total	**¥24,852**	¥25,481	**$235,144**

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

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

Past due (over three months) loans represent loans in which the repayment of principal or payment of interest accrued are past due over three months from the due date set forth in the loan agreements and not falling into either the categories of defaulted loans or delinquent loans.

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

7. PROPERTY AND EQUIPMENT

Accumulated depreciation on property and equipment totaled ¥171,679 million ($1,624,365 thousand) and ¥184,805 million as of March 31, 2004 and 2003, respectively. Property and equipment were stated at cost less deferred gains of ¥8,260 million ($78,153 thousand) and ¥9,787 million on sale and replacement of assets under certain conditions in accordance with the Japanese tax code for the years ended March 31, 2004 and 2003, respectively.

8. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN

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

The Company has two types of pension plans for employees; a non-contributory and a contributory funded defined benefit pension plan. The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on March 14, 2003.

As a result of this exemption, the Company recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥7,586 million for the year ended March 31, 2003.

The liability for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥(136,076)**	¥(133,532)	**$(1,287,510)**
Fair value of plan assets	**110,516**	83,467	**1,045,664**
Unrecognized actuarial loss	**11,924**	37,774	**112,821**
Prepaid pension cost	**(4,936)**	(5,623)	**(46,706)**
Net liability	**¥ (18,572)**	¥ (17,913)	**$ (175,730)**

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥4,915**	¥7,592	**$46,511**
Interest cost	**2,601**	3,568	**24,609**
Expected return on plan assets	**(957)**	(1,580)	**(9,057)**
Recognized actuarial loss	**2,612**	1,491	**24,717**
Gain on returning a substitutional portion of the public pension funds to the government		(7,586)	
Net periodic benefit costs	**¥9,171**	¥3,485	**$86,781**

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.5%
Recognition period of actuarial gain/loss	**15 years**	15 years
Amortization period of prior service cost	**1 year**	1 year

9. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Insurance Business Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve. The Company's legal reserve amount, which is included in retained earnings, totals ¥27,158 million ($256,959 thousand) and ¥26,058 million as of March 31, 2004 and 2003, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount to be distributed as dividends and transferred to stated capital both resolved at the general shareholders meeting plus the amount of stated capital, additional paid-in capital and legal reserve.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥112,539 million

($1,064,804 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at the shareholders meeting held subsequent to the fiscal year to which the dividends are applicable.

The stock option plan, which was approved at the general shareholders meeting held on June 27, 2003, provided for granting options to directors and key employees to purchase up to 4,350 thousand shares of the Company's common stock in the period from July 1, 2005 to June 30, 2007. The options would be granted at an exercise price of ¥311,000 per 1,000 shares of the Company's common stock at the date of option grant. The Company planned to issue acquired treasury stock upon exercise of the stock options. The number of shares and the exercise price were subject to adjustment in case of stock splits or reverse stock splits.

10. INCOME TAXES

The Company and its domestic subsidiary are subject to corporate income tax and inhabitant income tax which, in the aggregate, resulted in a normal statutory tax rate of 36.09% for the years ended March 31, 2004 and 2003. The tax effect of temporary differences between the book basis and tax basis of assets and liabilities which create deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Unearned premiums	**¥ 96,106**	¥ 95,348	**$ 909,324**
Estimated losses and claims	**26,272**	30,873	**248,585**
Devaluation of securities	**18,213**	31,902	**172,326**
Depreciation	**11,162**	12,112	**105,616**
Securities contributed to employees' retirement benefit trusts	**9,296**	7,851	**87,957**
Other	**21,858**	21,826	**206,818**
Total	**182,910**	199,914	**1,730,628**
Valuation allowance	**(2,555)**	(2,829)	**(24,179)**
Deferred tax assets	**180,354**	197,084	**1,706,449**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(79,252)**	(10,401)	**(749,856)**
Other	**(1,327)**	(1,374)	**(12,557)**
Total	**(80,579)**	(11,776)	**(762,413)**
Net deferred tax assets	**¥ 99,775**	¥185,308	**$ 944,035**

Deferred tax assets and liabilities appearing on the consolidated balance sheets are net amounts for each consolidated entity while the figures above are the gross amounts.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2004 and 2003 is as follows:

	2004	2003
Normal effective statutory tax rate	**36.09%**	36.1%
Expenses not deductible for income tax purposes	**1.75**	3.8
Tax credit for dividends received	**(2.32)**	(4.5)
Minimum inhabitant taxes	**0.79**	1.6
Tax benefits not recognized on operating losses of a subsidiary	**2.36**	
Change in valuation allowance		7.7
Other—net	**(0.28)**	(1.7)
Actual effective tax rate	**38.39%**	42.4%

11. LEASE TRANSACTIONS

a. Information regarding finance leases other than those which deem to transfer ownership of the leased property to the lessee, of the Company and consolidated subsidiaries, is as follows:

On an "as if capitalized" basis, pro forma information of leased property of the Company and consolidated subsidiaries such as acquisition cost, accumulated depreciation, lease payment obligations, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Acquisition cost	**¥495**	¥858	**$4,686**
Accumulated depreciation	**347**	591	**3,290**
Net leased property	**¥147**	¥267	**$1,396**

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

Obligations under finance leases and total payments for finance leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 88**	¥146	**$ 841**
Due after one year	**58**	121	**554**
Total	**¥147**	¥267	**$1,396**
Total payments for finance leases	**¥156**	¥178	**$1,479**

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

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

b. Obligations under operating leases as of March 31, 2004 and 2003, and total payments for the years were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥197**	¥204	**$1,864**
Due after one year	**438**	641	**4,152**
Total	**¥635**	¥845	**$6,017**

12. COMMITMENTS AND CONTINGENT LIABILITIES

Contracts of Loan Commitment Limits

Contracts of loan commitment limits are contracts by which the Company lends to customers up to the prescribed limits in response to customers' loan applications as long as there is no violation of any condition in the contracts. The unused amount within the prescribed limits relating to these contracts totaled ¥8,428 million ($79,742 thousand) and ¥7,213 million at March 31, 2004 and 2003, respectively.

13. DERIVATIVES

(1) Utilization

The Company utilizes various derivative financial instruments ("derivatives") in its investing activities to mitigate the risk of fluctuating foreign currency exchange rates, interest rates, stock prices and bond prices. The derivatives utilized by the Company include foreign exchange forward contracts, currency swaps, currency option contracts, interest rate swaps, stock index futures, stock index options, bond futures contracts, bond option contracts and credit derivatives. The Company enters into these contracts with major financial institutions in order to avoid credit loss in the event of nonperformance by counterparties to the contracts. Exposure to market risk is managed through position limits, approvals and monitoring procedures. Daily risk control consists of confirmation procedures and analyses conducted by the administrative and supervisory sections, respectively. The confirmation procedures require a collaboration of operational reports prepared by the executive section with transaction reports sent directly from financial institutions to the administrative section. The risk management section, which is independent from the executive section, then performs analysis of the positions and the possible risk incurred in the transactions by using the Value at Risk method. As a periodic measure for internal risk control, the risk management committee meets regularly to evaluate the transactions and to review procedures performed in that period by the aforementioned sections. The current status of derivative activities is also reported regularly by the supervisory section to the Board of Directors.

(2) The Company had the following derivatives contracts outstanding at March 31, 2004 and 2003.

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			**2004**		
	Contract Amount	Market Value	Unrealized Loss	Contract Amount	Market Value	Unrealized Gain	Contract Amount	Market Value	Unrealized Loss
Currency-related transactions—									
Foreign exchange contracts—forward:									
Selling U.S.$ ...	**¥20,049**	**¥20,062**	**¥ (12)**				**$189,697**	**$189,820**	**$ (122)**
Buying U.S.$ ...	**71,481**	**70,183**	**(1,297)**	¥82,382	¥83,411	¥1,028	**676,327**	**664,047**	**(12,280)**
Total			**¥(1,310)**			¥1,028			**$(12,402)**

Notes: 1. Market values of foreign exchange transactions are based on the forward exchange rate as of the year-end date.
2. Derivatives which qualify for hedge-accounting are excluded from the above table.

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			**2004**		
	Contract Amount	Market Value	Unrealized Gain	Contract Amount	Market Value	Unrealized Gain	Contract Amount	Market Value	Unrealized Gain
Interest rate-related transactions—									
Interest rate swaps—fixed rate receipts, floating rate payment ..	**¥26,400**	**¥386**	**¥386**	¥33,900	¥786	¥786	**$249,787**	**$3,657**	**$3,657**

Notes: 1. Market values are based on the indicated figure from financial institutions.
2. Derivatives which qualify for hedge-accounting are excluded from the above table.

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			**2004**		
	Contract Amount	Market Value	Unrealized Gain	Contract Amount	Market Value	Unrealized Gain (Loss)	Contract Amount	Market Value	Unrealized Gain
Bond-related transactions—									
Over-the-counter option:									
Selling (call)........	**¥6,011**		**¥14**				**$56,881**		**$132**
	[14]						**[132]**		
Buying (call)........				¥7,140					
Buying (put)	**6,011**	**¥62**	**42**				**56,881**	**$593**	**397**
	[20]						**[196]**		
Total			**¥56**						**$530**

Notes: 1. Market values are based on the indicated figure from financial institutions.
2. The figures written below the contract amounts in parentheses are the option premiums at the contracts were concluded.

	Millions of Yen		
	2003		
	Contract Amount	Market Value	Unrealized Gain
Others—Credit derivatives—selling	¥27,000	¥215	¥215

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

14. DEFERRED EXPENSES UNDER ARTICLE 113 OF THE INSURANCE BUSINESS LAW

The amortization of deferred expenses under Article 113 of the Insurance Business Law was completed, and the amount on the consolidated balance sheet as of March 31, 2002 was charged to the consolidated statements of income as a part of operating and general administrative expenses for the fiscal year ended March 31, 2003.

15. OTHER INCOME

Other income for the year ended March 31, 2004 included ¥3,671 million ($34,741 thousand) of gains on sales of properties, ¥13,498 million ($127,717 thousand) of a partial settlement of claim against Fortress Re, a reinsurance agent, and ¥1,697 million ($16,057 thousand) of a reversal of allowance for doubtful accounts.

Other income for the year ended March 31, 2003 included ¥3,448 million of gains on sales of properties, ¥7,586 million of gains on returning a substitutional portion of the public pension funds to the government, ¥3,394 million of reversal of allowances for doubtful accounts and ¥2,523 million of gains on sales of shares of a consolidated subsidiary.

16. OTHER EXPENSES

Other expenses for the year ended March 31, 2004 included ¥8,919 million ($84,393 thousand) of losses on sales of properties, ¥2,590 million ($24,514 thousand) of early retirement benefits and ¥1,456 million ($13,779 thousand) of losses on valuation of properties.

Other expenses for the year ended March 31, 2003 included ¥2,658 million of losses on sales of properties, ¥10,468 million of merger expenses and ¥1,250 million of losses on valuation of properties.

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS) for the years ended March 31, 2004 and 2003 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2004	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥29,311**	**738,760**	**¥39.67**	**$0.37**
Effect of dilutive securities—Warrants		**608**		
Diluted EPS—Net income for computation	**¥29,311**	**739,368**	**¥39.64**	**$0.37**

	Millions of Yen	Thousands of Shares	Yen
Year ended March 31, 2003	Net Income	Weighted-average Shares	EPS
Basic EPS—Net income available to common shareholders	¥13,927	748,497	¥18.60
Effect of dilutive securities—Convertible bonds	116	22,676	
Diluted EPS—Net income for computation	¥14,043	771,173	¥18.21

18. SUBSEQUENT EVENTS

At the general shareholders meeting held on June 29, 2004, the following appropriations of retained earnings and the purchase of treasury stock for retirement and the related reduction of retained earnings were resolved:

a. Purchase of Treasury Stock

The Company’s Article of Incorporation was partially amended to include the following statement: The Company may purchase its own shares by resolution of the Board of Directors as provided in Article 211-3, Paragraph 1, Item 2 of the Code.

b. Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8 ($0.07) per share	¥5,846	$55,314

19. SEGMENT INFORMATION

Segment information is not disclosed as the Company and its consolidated subsidiaries do not operate significant businesses other than the insurance business, and foreign operations and sales to foreign customers were immaterial for the years ended March 31, 2004 and 2003.

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Aioi Insurance Company, Limited and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aioi Insurance Company, Limited and consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 29, 2004

OVERSEAS NETWORK

REPRESENTATIVE OFFICES

London Office
1st Floor, 50 Mark Lane, London, EC3R 7QR, United Kingdom
Tel. 20-7481-9157 Fax. 20-7481-9158

Brussels Office
Rue Belliard 65, B.6, 1040 Bruxelles, Belgium
Tel. 2-511-5567 Fax. 2-513-4847

Paris Office
10 Rue de Marignan, 75008 Paris, France
Tel. 1-5669-3550 Fax. 1-5669-3569

New York Office
40 Wall Street, 7th Floor, New York, NY 10005, U.S.A.
Tel. 212-440-2745 Fax. 212-440-2749

Chicago Office
3335 Wabash Ave., CNA Plaza 3S, Chicago, IL60685, U.S.A.
Tel.312-822-7685 Fax. 312-822-4240

Kentucky Office
7300 Turfway Road, Suite 240, Florence, Kentucky 41042, U.S.A.
Tel. 859-282-8787 Fax. 859-647-4333

Los Angeles Office
21515 Hawthorne Blvd., #420, Torrance, California 90503, U.S.A.
Tel. 310-540-6890 Fax. 310-540-9030

Honolulu Office
1600 Kapiolani Boulevard, Suite 1520, Honolulu, Hawaii 96814, U.S.A.
Tel. 808-951-1724 Fax. 808-949-6696

Sydney Office
Level 12, 309 Kent Street, Sydney N.S.W. 2000, Australia
Tel. 2-9248-1780 Fax. 2-9248-1788

Melbourne Office
Level 4, 99 King Street, Melbourne, Victoria 3000, Australia
Tel. 3-8627-4366 Fax. 3-8627-4365

Beijing Office
Room No. 410 China World Tower 1,
No. 1 Jian Guo Men Wai Avenue, Beijing, P.R.C.
Tel. 10-6505-8960 Fax. 10-6505-8962

Tianjin Office
Room No. 1609, Tianjin International Building, 75 Nanjing Road, Tianjin, P.R.C.
Tel. 22-2332-0060 Fax. 22-2332-0061

Shanghai Office
Room No. 2605, Maxdo Centre, No. 8 Xing Yi Road, Shanghai, P.R.C.
Tel. 21-5208-1785 Fax. 21-5208-1786

Guangzhou Office
Room No. 01B, 66/F Tower CMC Plaza, 233 Tianhe Road North, Guangzhou, P.R.C.
Tel. 20-3877-3961 Fax. 20-3877-0166

Taipei Office
Room 2212, 22F, 333 Keelung Rd., Sec. 1, Taipei 10548, Taiwan, Republic of China
Tel. 2-2757-6300 Fax. 2-2757-6095

Hong Kong Office
c/o Asia Insurance Co., Ltd., 16th Fl., World-Wide House,
19 Des Voeux Road, Central, Hong Kong
Tel. 2867-7070 Fax. 2868-1413

Bangkok Office
25 Bangkok Insurance, YWCA Building, 10th Floor,
South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120, Thailand
Tel. 2-677-3930 Fax. 2-677-3937

Singapore Office
2 Finlayson Green #08-07, Asia Insurance Building,
Singapore 049247, Republic of Singapore
Tel. 6224-6759 Fax. 6224-7296

Jakarta Office
Menara Jamsostek North Tower 4th Floor, Jl. Jend,
Gatot Subroto No. 38, Jakarta 12710, Indonesia
Tel. 21-5296-1541 Fax. 21-5296-1563

UNDERWRITING AGENCIES

UNITED STATES
Takagi & Associates, Inc.
Flame Tree Plaza Suite 200, 540 Pale San Vitores Road Tumon, Guam U.S.A.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
Takagi & Associates, Inc. (Saipan Branch)
PPP 602, Box 10000, 2nd Floor, Bank of Hawaii Bldg., Mariana Heights Park, Puerto Rico, Saipan MP96950 CN.M.I.

SUBSIDIARIES AND AFFILIATES

UNITED KINGDOM
Aioi Insurance Co. of Europe Ltd.
Registered Office: Rose Lane Business Centre, Rose Lane, Norwich NR1 1JY, United Kingdom
Aioi Insurance Management Ltd.
Rose Lane Business Centre, Rose Lane, Norwich NR1 1JY, United Kingdom
Toyota Insurance Management Ltd.
Rose Lane Business Centre, Rose Lane, Norwich NR1 1JY, United Kingdom
Watershed Claims Services Ltd.
Rose Lane Business Centre, Rose Lane, Norwich NR1 1JY, United Kingdom

BELGIUM
Aioi Insurance Co. of Europe Ltd. <Belgian Branch>
Avenue des Arts 56, B-1000 Brussels, Belgium

FRANCE
Aioi Insurance Co. of Europe Ltd. <Paris Branch>
10 Rue de Marignan, F75008 Paris, France

GERMANY
Aioi Insurance Co. of Europe Ltd. <German Branch>
Leopoldstrasse 208, 80804 Munich, Germany

NETHERLANDS
Aioi Insurance Co. of Europe Ltd. <Netherlands Branch>
c/o WA Hienfeld BV, Drentestraat 5, 1083 HK, Amsterdam, Netherlands

NORWAY
Aioi Insurance Co. of Europe Ltd. <Norwegian Branch>
c/o Tennant Forsikring AS, P.O. Box 418 Sentrum, 0103 Oslo, Norway

UNITED STATES
Aioi Insurance Co. of America
40 Wall Street, 7th Floor, New York, NY 10038, U.S.A.
DTRIC Insurance Co., Ltd.
1600 Kapiolani Blvd., Suite 1520, Honolulu Hawaii 96814 U.S.A.
Paladin Reinsurance Corporation
1166 Avenue of the Americas 12th Floor, New York, NY.10036 U.S.A.

THAILAND
Bangkok Chayoratn Co., Ltd. (brokerage firm)
25 Bangkok Insurance, YWCA Building, 10th Floor, South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120, Thailand

SINGAPORE
Aioi Management Services Singapore Pte, Ltd.
2 Finlayson Green #80-07, Asia Insurance Building, Singapore 049247, Republic of Singapore

INDONESIA
PT. Asuransi Aioi Indonesia
Menara Jamsostek North Tower 4th Floor, Jl. Jend, Gatot Subroto No. 38, Jakarta 12710, Indonesia

SUBSIDIARIES AND AFFILIATES

DOMESTIC COMPANIES

As of July XX, 2004

Company	Capital (¥ million)	Ownership of Parent Company (%)	Ownership of Subsidiaries (%)	Establishment	Business Line
Aioi Life Insurance Co., Ltd.*	25,000	100.0	—	1996	Life insurance
Aioi Claim Research Co., Ltd.	25	100.0	—	1975	Claim research
Aioi Business Services Co., Ltd.	47	100.0	—	1982	Administration of Non-life insurance and data entry
Aioi Insurance Total Services Co., Ltd.	23	99.6	0.4	1983	Administration of real estate and facilities, warehousing, forwarding, management of printed matters, and temporary staffing
Aioi Insurance Systems Co., Ltd.	60	100.0	—	1995	Development and maintenance of software
Fureai Do-Life Services Co., Ltd.	221.5	100.0	—	2000	Nursing care-related services
Aioi Support Box Co., Ltd.	30	70.0	30.0	1999	Management consultation and training support services for insurance agencies
Toyota Asset Management Co., Ltd.	600	50.0	—	1990	Investment management
Aioi Insurance Finance Co., Ltd.	86.5	35.4	7.5	1985	Finance and loans
Aioi Risk Consulting Co., Ltd.	17.5	10.0	38.6	1987	Risk consultation and research services
Aioi Insurance Auto Technical Research Center Co., Ltd.	10	10.0	25.0	1994	Automobile repair technical research,training, and advisory services

OVERSEAS COMPANIES

Aioi Insurance Co. of Europe Ltd. (U.K.)*	£156 million	100	—	1976	Non-life insurance
Aioi Insurance Management Ltd. (U.K.)*	£10,000	—	100	1988	Non-life insurance general agency
Toyota Insurance Management Ltd. (U.K.)*	£500,000	—	75	1999	Non-life insurance agency
DTRIC Insurance Co., Ltd. (U.S.A)	US$2.5 million	74.77	—	1992	Non-life insurance
Aioi Insurance Company of America (U.S.A)	US$5 million	100	—	1994	Non-life insurance
PT. Asuransi Aioi Indonesia (Indonesia)	Rupy15 billion	80	—	1996	Non-life insurance
Aioi Management Services (S) Pte Ltd. (Singapore)	S$200,000	100	—	1998	Risk management
Bangkok Chayoratn Co., Ltd. (Thailand)	TB2 million	39	—	1973	Non-life insurance broker
Watershed Claims Services Ltd. (U.K.)	£5,000	—	30	1997	Claim research
Paladin Reinsurance Corporation (U.S.A.)	US$500,000	20	—	1980	Non-life reinsurance

*Consolidated Companies

MILESTONES

1918 Tokyo Movable Property Fire Insurance Company established

1920 Toshin Fire Insurance Co., Ltd. (sister company) established

1944 Merger of Tokyo Movable Property Fire Insurance and Toshin Fire Insurance; name changed to Dai-Tokyo Fire Insurance Co., Ltd.

1949 Name changed to The Dai-Tokyo Fire & Marine Insurance Co., Ltd.

1959 Policy of active involvement in automobile insurance adopted

1968 50th anniversary, approval gained for long-term comprehensive insurance (Echo Insurance)

1983 24-hour claim reception service introduced

1989 The Dai-Tokyo Fire & Marine Insurance Shinjuku Building completed

1996 Head office relocated to Dai-Tokyo Fire & Marine Insurance Shinjuku Building, start of life insurance operations by newly established subsidiary (the Dai-Tokyo Shiawase Life Insurance Co., Ltd.)

1897 Otaru Cargo Insurance Co., Ltd. established

1913 Chiyoda Fire Insurance Co., Ltd. established

1919 Approval gained for involvement in general fire insurance, marine insurance, transportation insurance, and related reinsurance activities, enabling Otaru Cargo Insurance to become a general insurance company

1922 Name changed to Fukoku Fire & Marine Insurance Co., Ltd.

1942 Chitose Fire & Marine Reinsurance Co., Ltd. absorbed by Chiyoda Fire Insurance; Chiyoda Fire Insurance renamed Chiyoda Fire & Marine Insurance Co., Ltd.

1944 Merger of Fukoku Fire & Marine Insurance with Okura Fire & Marine Insurance

1945 Equal merger of Okura Fire & Marine Insurance and Chiyoda Fire & Marine Insurance to form Okura Chiyoda Fire & Marine Insurance Co., Ltd.

1946 Name changed to The Chiyoda Fire & Marine Insurance Co., Ltd.

1959 Tie-up with Chukyo business circles, including Toyota Motor Corp. and Tokai Bank

1996 Commencement of life insurance operations by newly established subsidiary (the Chiyoda Kasai Ebisu Life Insurance Co., Ltd.)

The Path to Merger

March 1, 2000 Merger of The Chiyoda Fire & Marine Insurance Co., Ltd. and The Dai-Tokyo Fire & Marine Insurance Co., Ltd. announced at the Imperial Hotel, Hibiya, Tokyo

September 8, 2000 Merger agreement signed; details of new company announced
Name: Aioi Insurance Company, Limited
Head office: Ebisu, Tokyo

April 1, 2001 Aioi Insurance Company, Limited established

ORGANIZATION

As of April 1, 2004

- Shareholders' Meeting
  - Board of Statutory Auditors
    - Statutory Audtors
      - Auditors' Office
  - Board of Directors Meeting
    - Actuary
    - President
      - Executive Meeting
        - **Business Promotion Unit**
          - Business Promotion Dept.
          - Market Development Dept.
          - Agents Business Promotion Dept.
          - Automobile Agents Business Promotion Dept.
          - Financial Sales Promotion Dept.
          - Quality Life Dept.
          - Services Development Dept.
        - **Product Develpment Unit**
          - Product Development Dept.
          - Quality Life Product Dept.
        - **Toyota Business Unit**
          - Toyota Dept.
          - Toyota Dealership Agents Promotion Dept.
        - **Overseas Business Unit**
          - International Dept.
          - Reinsurance Dept.
        - **Financial Unit**
          - Financial Planning Dept.
          - Assets Management Dept.
          - Investment and Loan Dept.
          - Financial Management Dept.
          - Real Estate Dept.
        - IT Planning Dept.
        - Operating Control Dept.
        - System Development Dept.
        - Claims Services Dept.
        - Personnel Planning Dept.
        - Accounting Dept.
        - General Affairs Dept.
        - Compliance Control Dept.
        - Customer Services Dept.
        - Agents System Operating Dept.
        - Internal Auditing Dept.
        - Corporate Planning Dept.
        - Management Resources Innovation Dept.
        - Risk Management Dept.
        - Public Relations Dept.

BOARD OF DIRECTORS AND AUDITORS

As of June 29, 2004

CHAIRMANS, DIRECTORS
Kanji Kurioka
Akira Seshimo*

PRESIDENT, DIRECTOR
Tadashi Kodama*

VICE PRESIDENTS, DIRECTORS
Yasuhiko Kubota*
Hiromasa Kaneko*
Masashi Horie*

SENIOR MANAGING DIRECTORS
Masao Adachi*
Hisahito Suzuki*
Hiroshi Shiki
Shigeru Sudo
Masahiko Oji

* Representative Director

MANAGING DIRECTORS
Kaoru Matsuda

DIRECTORS
Fujio Cho
Naotatsu Momoi
Masayoshi Nakamura
Takayoshi Umemura

STANDING AUDITORS
Tadahiko Maruyama
Nobuo Tamamoto

AUDITORS
Shozo Hashimoto
Ryuji Araki
Hideo Ogasawara

SENIOR EXECUTIVE OFFICERS
Toshihiko Nakagawa
Hiroshi Taniguchi
Takaya Kawada
Masami Sasaki
Yoshiaki Kondo
Shusuke Kobayashi

EXECUTIVE OFFICERS
Tsukasa Yorifuji
Hiroshi Aizawa
Hiroaki Nagasue
Takao Shida
Masao Seki
Yasukazu Nagasaki
Tsutomu Matsumoto
Shigeki Kitazume
Kenji Toda
Kenichi Ito
Katsumi Inuta
Hirokazu Mizogami
Takashi Suenaga
Yoshihisa Ishii
Itaru Akihisa
Kaoru Choda
Hideo Murakami
Yoshitaka Sawamura
Takashi Matsumoto
Kenichi Izawa

CORPORATE DATA (Non-Consolidated)

As of March 31, 2004

Company Name:	Aioi Insurance Company, Limited
Date of Establishment:	June 30, 1918
Business Line:	Non-life insurance business
Head Office:	28-1, Ebisu 1-chome, Shibuya-ku, Tokyo 150-8488
Capital:	¥100.0 billion
Total Assets:	¥2,597.8 billion
Stock Listings:	Tokyo, Nagoya, Osaka Stock Exchanges
Number of Shares Issued:	756,201,411
Number of Shareholders:	28,185
Rating: (As of August 1, 2004)	A^- (Standard and Poor's) A3 (Moody's) A (A.M.BEST) A (R&I Rating & Investment Information, Inc.)
Net Premiums Written:	¥836.5 billion
Sales Branch Offices:	107
Sales Offices:	515
Claim Service Offices:	226
Agents:	45,948
Employees:	8,794

Aioi Insurance Company, Limited
1-28-1, Ebisu, Shibuya-ku, Tokyo 150-8488, Japan

Printed in Japan