

Aioi Insurance applies for business model patents

Aioi Insurance highly values its intellectual property as the foundation of its business strategy and market competitiveness. Consequently we are actively applying for patents for the unique and innovative business models we have developed toward our goal of becoming a pioneering player in the insurance industry. One patent we are applying for is for a system that significantly improves the efficiency of insurance contract procedures through the use of terminals installed at convenience stores. Another example is a car navigation system that promotes safe driving by using processed historical accident data stored in our database. And a third system we are seeking a patent for warns drivers in real-time that they are driving dangerously by sending an alert from the company's operations center. Active steps to secure patents for these and other groundbreaking services are part of our efforts to ensure that Aioi Insurance is recognized as a leading innovator and brand in the insurance sector.

In-house venture program for all employees

Aioi Insurance actively encourages all employees to put forward ideas for in-house venture businesses. This program is underpinned by our founding philosophy of "innovation, creativity, and dynamism."

The program encourages all employees to participate in new businesses on their own initiative. In this way, we hope to leverage the knowledge and expertise of our employees to develop new income streams. Furthermore, we believe it will lead to dynamic idea development and a greater awareness of issues among our employees, which we will use to speed up management reforms. Several of the ideas submitted by our employees have already been approved and roadmaps for their commercialization are being developed.

Aioi Insurance sells off Hastings Insurance Services stock

As a part of our efforts to restructure unprofitable businesses, our consolidated subsidiary, Aioi Insurance Company of Europe Limited, sold its entire holding in Hastings Insurance Services Limited, also a consolidated subsidiary, to Logan Consultants Limited. The value of the holding was estimated at ¥5.1 billion.

Aioi Support Box established

On October 1, 2002, Aioi Insurance, together with Aioi Life Insurance Co., Ltd., established Aioi Support Box Co., Ltd., a venture to provide a range of support services to insurance agencies offering both life and non-life insurance products.

The new company will provide comprehensive support services to insurance agencies on M&A consultation, temporary personnel, education and training, market development, and IT systems. These are designed to help them expand and cope with a fast-changing business environment, against a background of intensifying competition in the insurance industry following deregulation.

Automobile insurance sales through terminals at Three F convenience stores

Aioi Insurance has entered into an agreement with convenience store operator, Three F Co., Ltd., to market compulsory automobile liability insurance for motorcycles up to 250cc. The policies are delivered through e-TOWER multimedia terminals installed at Three F convenience stores. Sales through the convenience store network got underway on November 1, 2002.

Aioi Insurance has already offered compulsory automobile insurance for motorcycles through Three F convenience stores. However, only a few stores offered policies, due to the complex procedures involved in issuing this insurance. The use of e-TOWER multimedia terminal however, allows policies to be issued more quickly, helping to significantly enhance customer convenience. This approach has also made it possible to offer policies through all the Three F convenience stores in the network.

In the future, we plan to expand the lineup of products offered through e-TOWER terminal.

Aioi Insurance takes over Winterthur Swiss Insurance's insurance policies in Japan

Aioi Insurance has reached agreement to assume insurance policies issued in Japan by one of Switzerland's leading non-life insurance firms, Winterthur Swiss Insurance Company. The deal will become effective on October 1, 2003, when the latter pulls out of non-life insurance operations in Japan. This decision is founded on a long-standing business tie-up with Winterthur Swiss Insurance Company that dates back to 1973.

Aioi Insurance will continue to provide the same high level of service and products that Winterthur's customers have come to expect.

Return of the government entrusted portion of welfare pension fund plan

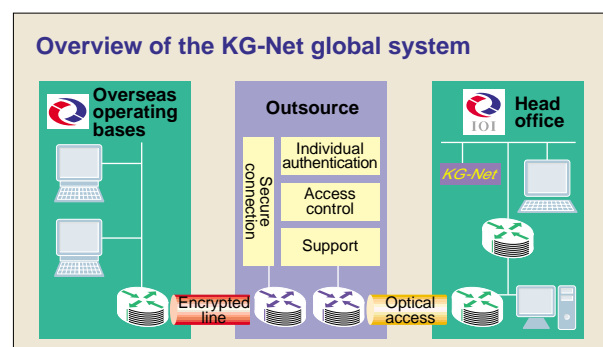
On March 14, 2003, Aioi Insurance received approval from Japan's Ministry of Health, Labor and Welfare for an exemption from obligation for future payments to the government-sponsored portion of the welfare pension fund plan. The decision to return the government-entrusted portion was taken because the company is faced with growing pension liabilities, primarily because investment returns are running at a lower rate than expected and this, along with declining discount rates in a protracted recession, could weigh heavily on management.

Global network system completed —an industry first

Aioi Insurance recently completed an international operations system network (KG-Net) linking 22 overseas operating bases. KG-Net enhances those bases' ability to offer comprehensive support to the overseas operations of our Japanese customers. The network also enables us to share global data on a real-time basis.

The system's name, KG, is derived from the first letters of the Japanese words *Kaigai* (meaning overseas) and *Gyomu* (operations). The primary objective is to manage the risk exposure of our overseas insurance operations. In recent years, there have been increasing calls to install operations terminals at overseas offices to enhance convenience and usability. After the project was launched, we linked all our overseas operating bases in just three months. This was achieved by introducing technologies developed by a third-party telecommunications carrier, which helped keep costs down and shorten the development period.

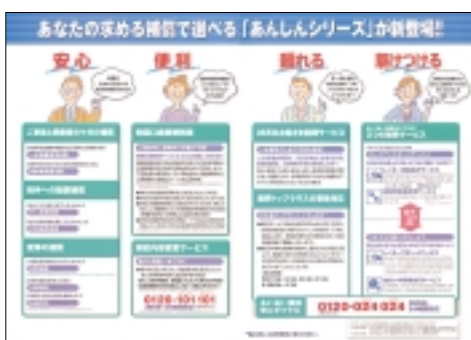
We are confident that the new system will boost the efficiency of our overseas business operations and improve risk management, ultimately leading to an improved level of customer service.



Upgrading the lineup of IAP automobile insurance products: Launch of IAP Cynthia and Fresh Stage to cover specific accident risk categories

The IAP series, originally introduced in October 2002 to closely respond to customer needs, was relaunched under a new brand name—the *Anshin Series*. Coverage offered by the new series is easier for policyholders to understand as it better matches compensation and services.

We also introduced two more insurance policies, *IAP Cynthia* that specifically targets women drivers, and *Fresh Stage* for younger drivers. The *IAP Cynthia* policy addresses the concerns of women drivers by incorporating passenger personal accident insurance, which ensures rapid payment of claims in the event of injury. The policy also includes a rider that offers superior coverage for injuries to conspicuous areas such as the face and head, in order to cover the costs of plastic surgery and additional hospitalization expenses. *Fresh Stage*, meanwhile, is designed to provide the minimum insurance coverage necessary for young drivers, thus containing premium costs. Aioi Insurance has managed to create this reasonably priced insurance plan that cuts down on premiums by modifying certain optional coverage and insurance payments.



Developing integrated platform products

In January 2003, Aioi Insurance started offering several optional riders to its automobile insurance policies to make it easier for policyholders to sign up for coverage in other areas. These riders enable users to combine other policies with their existing automo-

bile insurance to create a platform of products. This results in three benefits for the user: lower cost, simplicity, and convenience, thanks to discounts on insurance premiums and a cashless payment system.

We also completely renewed our *Comprehensive Family Insurance*, our mainstay family fire insurance product developed in-house. This revamped product offers new policyholders a 10% discount on automobile insurance, while coverage can be designed to suit individual customer needs. Special fire insurance rates are also offered for condominiums.

The platform structure allows us to design policies that eliminate unnecessary expense while ensuring insurance premiums that are well within the means of individual customers. By subscribing to our automobile and *comprehensive family insurance policies*, customers can consolidate multiple insurance policies into a single package.

Aioi Insurance's second platform product, called *Issho-rakuraku*, is a comprehensive insurance policy for small offices, retail stores, restaurants, and other small businesses. A third product, *Kensetsu Sogo Hoken*, an insurance product designed specifically for construction contractors, was added to our platform lineup in February 2002. This policy offers comprehensive coverage for a variety of risks, including liability, casualty and construction guarantee, but excluding automobile and building insurance, for which construction contractors have traditionally taken out separate policies. Furthermore, the platform approach also makes it easier for our existing automobile insurance policyholders to sign up for these new products.



Kenko Club: the ultimate health insurance product addressing three basic needs—medical care, nursing care, and asset accumulation

Making proper provision for the future is becoming increasingly important as the birthrate falls, the number of elderly grows and the safety net provided by the national insurance system becomes less comprehensive. Aioi Insurance considers this to be the single most important area of personal risk insurance coverage after our mainstay automobile insurance, and is expanding the lineup of products and enhancing services in these markets accordingly. One step in this direction was the January 2003 launch of *Kenko Club*, a comprehensive health insurance policy that provides cover for a wide range of risks faced by individuals in their day-to-day lives.

This product offers three riders for medical care, nursing care and a variable interest rate savings annuity for asset accumulation. This single policy allows policyholders to prepare for all their needs.

The asset accumulation rider allows users to make free deposits and withdrawals while guaranteeing a minimum expected rate of return, an advanced feature not available with conventional insurance products. In addition to risk coverage, *Kenko Club* also offers a range of services that include cash back rebates, healthy policyholders and a free prime doctor service to provide a second opinion in the event of illness.

Free wooden house inspection service for policyholders—another industry-first

Wooden house earthquake resistance has taken on added importance since the Great Hanshin Earthquake when collapsing wooden houses caused more than 80% of deaths. In January 2003, Aioi Insurance added a *Wooden House Inspection Service* to the *Aioi Club* service menu for policyholders. This is the first such initiative in Japan, and a significant step forward for the non-life insurance sector in earthquake damage insurance cover—one of the fundamental



product categories in the industry in Japan. The service is available for one- and two-story wooden houses that are more than three years old and built using traditional Japanese construction methods. Aioi Insurance inspects the house and submits a report on the building's earthquake resistance, expressed as a numerical indicator.

This service is provided in cooperation with the Japan Wooden Housing Earthquake Resistance Enhancement Construction Contractors Association (Mokutaikyo).

Condominium reconstruction liability insurance—another pioneering first

A law designed to facilitate the reconstruction of condominium buildings (Condominium Reconstruction Law) was enacted in December 2002 to remove obstacles to, and promote the smooth rebuilding of, old condominium buildings. Aioi Insurance was quick to respond to this development by designing an insurance policy to support the reconstruction of condominium buildings. This new policy, *Manshon Tatekae Jigyo Baisho Sekinin Hoken*, or condominium reconstruction liability insurance, is the first product of its kind on the market to precisely address these new needs.

Our policy covers risks such as legal liabilities and litigation costs faced by condominium reconstruction societies and individual condominium owners in the process of reconstructing their properties under the provisions of the new law.

As the number of aging condominium buildings increases, more problems related to deteriorating living environments and fire protection are emerging. Consequently, there is a pressing need to rebuild many of these properties. Our new insurance policy is designed to support this process and facilitate condominium reconstruction projects in the area of non-life insurance.



Katsuya Kimura

Managing Director
(Responsible for International Operations)

Since the merger in 2001, our new company, Aioi Insurance Co., Ltd. has strengthened its financial base, and expanded its overseas network. These enhanced resources, together with the combined expertise of former Dai-Tokyo Fire & Marine and Chiyoda Fire & Marine, will enable us to upgrade the quality of our operations by offering a wider range of services tailored more precisely to the needs of our customers.

In addition, our representative offices outside Japan can assist our corporate clients by providing locally based access to insurance skills and knowledge. Our overseas network consists of subsidiaries and branches in key cities in Europe, North America, Asia and Australia, together with alliances with major local insurers around the world. Our close cooperation with our alliance partners will also ensure that we can offer effective solutions to match the requirements of our customers.

Along with the development of advanced computer technology, we have recently introduced our “International Business Supporting System,” which links together our headquarters and twenty-two key international locations. This enables us to provide better services to our clients outside Japan by shar-

ing information within our organization in real time.

In the international market, our aim is to build our business base in areas with profit potential as quickly as is compatible with a naturally prudent attitude on our part. The priority is to offer effective insurance solutions and services to our customers who operate globally. It should be noted that in ASEAN countries we are continually seeking ways to strengthen our existing network of contacts in order to support our clients operating in this region. Meanwhile, in order to develop our profile in China, a rapidly growing market, we have recently established a “Chinese Division” within our International Department to enhance our business activities there.

Toyota Motor Corporation is expanding its financial activities both in Japan and internationally. As the non-life insurer in the Toyota Group, we see this expansion as an opportunity for future income growth, as well as the joint development of vehicle-related finance and insurance operations in countries where Toyota already has established finance companies. This area of activity is developing successfully, and, as a result, we will allocate greater resources to this sector to enable further expansion to take place.



In the field of reinsurance, our extensive access to the international marketplace, supported by stable, well-established relationships with top reinsurance brokerage houses, insurance and reinsurance companies throughout the world's major markets, has been beneficial to us. These relationships have allowed us to expand our reinsurance activities, whilst at the same time being less exposed to the influence of the reinsurance market cycle.

The fundamental goal of our purchase of reinsurance protections is to gain a competitive edge in the domestic market, and to stabilize our bottom line results by mitigating the impact of various risks, particularly catastrophe exposures such as earthquake and typhoon. We carefully monitor and analyze our exposure to such risks, and our aim is always to secure sufficient reinsurance protections backed by the most reputable reinsurance carriers. As a result of such a philosophy we have gained a market reputation for being one of the most conservative insurance companies. We are committed to designing and implementing ever more effective reinsurance protections, which can directly contribute to achieving the objectives we have described.

Following the tragic events of September 11th 2001, we introduced stricter underwriting guidelines in respect of our inward reinsurance business. As a result, we have reduced overseas exposures significantly, and rationalized our portfolio by focusing on business with adequate risk transparency and better profitability. Whilst we intend to maintain this conservative approach, we will, nevertheless, continue to look for new business opportunities that will bring further improvements to our portfolio, and, of course, enhanced profitability.

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

A deep commitment to local communities and society

Working to promote traffic safety

We contribute to society through traffic safety campaigns, something we have been doing in some form for more than 30 years. We first donated yellow pedestrian safety flags in 1971, for use mainly by schoolchildren at pedestrian crossings. Since then, we have supported pedestrians in Japan by donating more than 4.29 million flags in conjunction with national automotive safety campaigns held twice a year.

We have also supported a “zero accident” campaign by dispatching driving instructors to companies around the country upon request. The instructors administer specially developed driver safety aptitude tests and provide employees with personal advice based on the test results and their driving capabilities.

Aioi Insurance continues to work hand in hand with regional communities, companies and our own offices to further promote traffic safety in Japan.

Camellia Art Exhibitions

Aioi Insurance is involved in a range of activities designed to give back to society. One of these is a company-sponsored art exhibition held once or twice a year at galleries throughout Japan. These events give the general public the chance to view our extensive collection of artwork.

One of these exhibitions was held with the cooperation of Mitsukoshi department store in Niigata City

in the first two weeks of January 2003. This exhibition featured around 80 famous Japanese and Western camellia paintings and craftworks from our own collection and attracted around 20,000 visitors from Niigata City and surrounding areas. These visitors were able to appreciate the full beauty of the artworks in their original form.

As part of our cultural activities, we plan to continue to hold these exhibitions, which have proven particularly popular with art lovers throughout the country. The public is invited to view our art collection at any time by accessing our Camellia Art Museum at the Aioi Insurance website (<http://www.ioi-sonpo.co.jp>).



Yellow Pedestrian Safety Flags



Camellia art exhibitions

Charitable Activities

Aioi Insurance has set up a fund—the Unizon Fund—to make it easier for all its employees to contribute to charitable activities.

Participating employees determine a desired amount (up to 10 units of ¥101) to be deducted from their pay each month and contributed to the fund. This fund is an important part of our corporate citizenship activities, reflected by our own contribution of ¥101 for every participating employee.

Main beneficiaries of the fund include the Japan UNICEF Association, the Japanese Red Cross Society, the Fund for Children Orphaned by Traffic Accidents, and the Japanese Guide Dog Association. Aioi Insurance remains actively committed to giving donations to these groups, in the hope that they will have a positive impact wherever and however they are used.



A letter of appreciation from the Japan UNICEF Association

Aioi Insurance helps to protect the environment with its unique insurance products and services

Philosophy

Founded on empathy, cooperation, and coexistence, the main tenets of our corporate philosophy, the Aioi Group is helping to create a global environment in which people and nature can exist in harmony. The Group will remain committed to carrying out all its business activities with due consideration to the environment, and environmental protection activities closely tied to local communities.

Action Plan

Aioi Insurance will:

1. Contribute to protection of the environment through a range of insurance products and services, mainly focused on automobile-related operations;
2. Promote conservation of energy and resources and prevention of environmental pollution in its operations;
3. Work continuously to upgrade policies by establishing environmental protection targets and regularly reevaluate environmental initiatives;
4. Comply with environmental laws and regulations as well as respective agreements on environmental protection concluded by the Company; and
5. Undertake projects to heighten awareness of the need for environmental protection and contribute to related activities undertaken by local communities.

Protecting the environment through products and services Insurance policies encouraging the use of recycled parts

In response to the Automobile Recycling Law, which is scheduled to come into effect in Japan in December 2004, Aioi Insurance became the first company in the industry to develop and market an insurance policy with a rider encouraging the use of recycled components. Furthermore, in April 2002, we launched an upgraded version of this product—Heartful Recycle—which features discounted car insurance policies for vehicles that use recycled parts.



Developing a reliable supply system for recycled car parts

The automobile insurance policy rider designed to promote the use of recycled parts is part of our efforts to realize a recycling-oriented society. In order to achieve a steady supply of used components, we have also developed and introduced a pioneering search and supply system through an alliance with Japan's largest recycled parts-related corporate group.

Helping the automotive industry comply with the Automobile Recycling Law

Prior to implementation of the Automobile Recycling Law, Aioi Insurance is offering compliance assistance to companies in the automotive industry with its *Aioi Eco Partner* program. This program encourages companies to process used vehicles appropriately and use recycled components for repairs.



Providing environmental risk consultation services

Through operational alliances with affiliate Aioi Risk Consulting Co., Ltd. and other specialist companies and organizations, Aioi offers corporations risk assessments and solutions for environmental issues. Our comprehensive support services facilitate the introduction of clients to companies with expertise in the acquisition and maintenance of ISO certification.

Aioi measures to protect the environment

As well as working toward the acquisition of ISO 14001 certification, Aioi Insurance reduces its burden on the environment through the efficient use of energy and resources in all areas of its operations: we use recycled paper for all printed materials and photocopying, we are replacing all company vehicles in our fleet with low-emission vehicles, and we are separating and disposing waste in accordance with local regulations.

Aioi Insurance has signed up as one of the non-life insurance companies helping to organize Expo 2005 Aichi Japan, based on the theme of "Nature's Wisdom."

Aioi Insurance is an active sponsor and member of the Sustainable Management Forum of Japan. Also, as a participant in the Green Purchasing Network, we support the wider use of environmentally friendly procurement activities by corporations and organizations.

FIVE-YEAR FINANCIAL SUMMARY

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

Consolidated		Millions of Yen					Thousands of U.S. Dollars (Note)
		2003	2002	2001	2000	1999	2003
Net premiums written	Aioi.....	¥ 845,669	¥ 788,275				\$ 7,035,516
	Dai-Tokyo ..			¥ 420,587	¥ 426,520	¥ 422,416	
	Chiyoda			371,265	391,113	393,984	
Net income (loss)	Aioi.....	13,927	(88,247)				115,868
	Dai-Tokyo ..			7,220	6,693	5,622	
	Chiyoda			(6,364)	3,568	3,436	
Total shareholders' equity	Aioi.....	295,670	378,644				2,459,821
	Dai-Tokyo ..			316,860	224,694	201,170	
	Chiyoda			223,419	168,644	151,287	
Total assets	Aioi.....	2,651,212	2,792,102				22,056,679
	Dai-Tokyo ..			1,677,181	1,547,262	1,587,610	
	Chiyoda			1,394,148	1,361,295	1,351,833	
		Yen					U.S. Dollars (Note)
Net asset value per share	Aioi.....	396.34	501.52				3.29
	Dai-Tokyo ..			778.24	551.86	494.09	
	Chiyoda			577.93	436.22	390.88	
Net income (loss) per share	Aioi.....	18.60	(116.87)				0.15
	Dai-Tokyo ..			17.73	16.44	13.80	
	Chiyoda			(16.46)	9.22	9.10	

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥120.20 to U.S.\$1 on March 31, 2003.

Non-Consolidated		Millions of Yen					Thousands of U.S. Dollars (Note)
		2003	2002	2001	2000	1999	2003
Net premiums written	Aioi.....	¥ 836,841	¥ 777,361				\$ 6,962,075
	Dai-Tokyo ..			¥ 420,588	¥ 426,521	¥ 422,417	
	Chiyoda			372,172	380,273	382,136	
Net income (loss)	Aioi.....	10,304	(83,413)				85,727
	Dai-Tokyo ..			7,563	7,023	6,342	
	Chiyoda			4,815	5,208	5,070	
Total shareholders' equity	Aioi.....	308,888	394,390				2,569,785
	Dai-Tokyo ..			315,853	226,933	202,722	
	Chiyoda			239,253	172,941	153,923	
Total assets	Aioi.....	2,496,328	2,663,459				20,768,127
	Dai-Tokyo ..			1,625,746	1,517,791	1,573,398	
	Chiyoda			1,328,166	1,311,554	1,307,715	
Loss ratio	Aioi.....	60.06%	66.95%				
	Dai-Tokyo ..			62.42%	59.61%	57.14%	
	Chiyoda			65.23%	60.52%	58.42%	
Expense ratio	Aioi.....	35.29%	38.94%				
	Dai-Tokyo ..			36.90%	38.36%	38.85%	
	Chiyoda			38.72%	38.93%	39.83%	
		Yen					U.S. Dollars (Note)
Net asset value per share	Aioi.....	414.06	522.38				3.44
	Dai-Tokyo ..			775.75	557.36	497.90	
	Chiyoda			616.92	445.93	396.89	
Net income (loss) per share	Aioi.....	13.76	(110.47)				0.11
	Dai-Tokyo ..			18.57	17.25	15.57	
	Chiyoda			12.41	13.42	13.41	
Cash dividends per share	Aioi.....	7.00	7.00				0.06
	Dai-Tokyo ..			7.00	7.00	7.00	
	Chiyoda			7.00	7.00	7.00	

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥120.20 to U.S.\$1 on March 31, 2003.