

President's Message



Akira Seshimo
President

On behalf of the management and staff of Aioi Insurance Company, Limited, I would like to first express our heartfelt gratitude to our loyal customers for their continued patronage. Aioi Insurance was created on April 1, 2001 through the merger of two leading non-life insurers, The Dai-Tokyo Fire and Marine Insurance Company, Limited and The Chiyoda Fire and Marine Insurance Company, Limited.

Aioi Insurance was conceived during a time of great change in the Japanese non-life insurance sector. Full-fledged deregulation, economic globalization and the impact of information technologies have helped transform the industry, spurring intense price competition, product and service diversification and the influx of foreign non-life insurers and domestic competitors from other sectors.

Corporate survival in these turbulent times requires bold and savvy management. As the first new company to emerge during the current phase of industry integration, Aioi Insurance is well equipped to further strengthen organizational functions and upgrade efficiency. The synergy created by our corporate merger has allowed us to enhance many of our functional strengths. For instance, it has bolstered our efforts to establish regional service networks together with client companies and agencies in order to provide customers with comprehensive services to handle all kinds of daily risks, transcending the traditional boundaries between insurance categories. We are creating regional service networks that will not only encompass automobile-related services, the company's core specialty, but will also provide housing information and consulting by specialists as well as integrated health and medical care services, bolstered by our entry into the dynamic health and medical care market with the operation of senior day care centers and provision of mental health services.

Companies must act responsibly and independently to prosper in the years to come. Our corporate vision is to become an integrated service company that contributes to social stability, economic prosperity and enriched lifestyles, while consistently responding to customers' evolving needs. Specifically, our visions include the following:

1. Cultivating local retail markets by creating information-based service networks;
2. Entering new business areas such as the personal insurance market and strengthening our position in established areas such as automobile insurance;
3. Increasing earnings and efficiency through structural innovation;
4. Supplying high quality products and services by bolstering our core insurance functions; and
5. Forging an innovative operating and administrative infrastructure that will encourage the creation of new business models.

We look forward to your continuing support of these efforts.



Akira Seshimo
President

Management Policies

As the first new non-life insurance company to emerge in the current era of corporate integration, Aioi Insurance intends to succeed in a tough marketplace by applying sound management policies to upgrade our organizational strength and operating efficiency. Our aim is to become an integrated service company capable of shouldering risk and providing security to our customers. We seek to contribute to social and economic welfare and enrich individual lifestyles by responding rapidly to new trends and to customer desires. Through prudent management, and by mobilizing the individual ability of every employee, we will work to enhance the company's value and to earn the respect and trust of society at large.

Our long-term corporate vision lays out several goals for the next two to four years. These include responding quickly and appropriately to customer needs, securing a position as the top domestic automobile insurer, offering products and services that will benefit our aging society, offering superior efficiency and corporate value for sustained growth and creating a progressive corporate culture that values creativity and a spirit of dynamism.

To help achieve these objectives, the management has adopted several specific operational priorities for the next fiscal year, ending March 31, 2003.

1. Cultivating retail markets through regional information networks

Aioi Insurance is establishing innovative local information networks based upon axial call centers which include corporate customers and underwriting agencies to supply customers with lifestyle information in the automotive, health care and other fields. With these networks we not only provide customers with improved service, we also support the participants' core businesses by acting as an intermediary, introducing participating companies to one another.

In October 2001 the company started Aioi Club, a comprehensive service system for individual policyholders, and in February 2002 we introduced the Corporate Aioi Club, which comprises management support and other business services. A later introduction, the Aioi Club Card, provides unique Club services as well as ordinary credit card functions. In the future, we intend to fully utilize the Aioi Club system to extend our own regional information network and strengthen local retail markets.

2. Expanding opportunities in new business areas

Japan's falling birth rate and increasing longevity have led to an aging population and a large and expanding market for health, medical and nursing care services. In fiscal 2001, Aioi was among the top non-life insurers in sales of "third-sector" products, a category that includes recently developed coverage such as medical care and cancer insurance that address the needs of a graying populace.

At Aioi Insurance we are aggressively pursuing new products and business lines in this potentially high-growth sector. Our strategy is to collaborate with medical institutions as well as to directly operate nursing care facilities in order to supply community-based, life-enhancing services. In July 2000, the company became the first non-life insurer to operate a day care center for the elderly when we opened our facility in Tokyo, followed by a second such facility in Nagoya, established in April 2002. We plan to operate up to 10 senior day care centers within the next few years. In December 2001, we invested capital in a company which furnishes equipment and supplies for home medical care services as part of our efforts to build an integrated medical care network and further penetrate the personal insurance market.

3. Enhancing competitiveness in automobile insurance

As an insurer affiliated with Japan's leading car maker, Toyota Motors, Aioi Insurance can access the latest automotive technologies in developing original products, draw on the Toyota auto dealer network to supply lifestyle services for automobile owners and jointly develop new financial sector products. We are the only domestic insurer with our own crash test facility; by fully integrating our experimental data, we plan to closely collaborate with automakers on proposals for manufacturing safer vehicles and on developing original insurance products.

4. Upgrading efficiency through structural innovation

Investment in operating systems often accounts for a large percentage of operating expenses, so rational, efficient administration can be critical to a company's success in the fiercely competitive insurance industry. Following the merger of the two insurers, Dai-Tokyo and Chiyoda, to form Aioi Insurance, the new company has accelerated integration of operating systems while ensuring continued reliability and safety. The integration process should be completed by September 2002, allowing management to smoothly and rapidly introduce clerical and operating innovations. We plan to engage in alliances with counterparts in emerging market areas to further reduce costs and respond rapidly to customer needs. Our unique strategy also aims for dramatic gains in efficiency by having agencies assume more of our operating functions, thereby eliminating many indirect administrative expenses.

5. Reducing losses and improving response time

At Aioi we aim to offer services worthy of our slogan, "speedy, friendly and appropriate." To help do this, we launched a new claim processing and adjustment system, Symphony, in January 2002. Symphony should accelerate claim responses by administering the entire process from call reception after an accident has occurred through final claim settlement. The company has also developed Aioi Fleet Risk Management 54, a program for paring operating losses and reducing traffic accidents. The program helps companies improve their drivers' motoring skills and refers company cars to facilities that can be relied upon to make reasonable estimates for repair and maintenance, thus reducing the companies' insurance premiums. These efforts contributed to a significant decline in the net loss ratio for voluntary automobile insurance for fiscal 2001. Aioi will continue to reduce operating losses and increase earnings to achieve more stable business management in the year to come.

6. Strengthening investment capabilities

The company will continue to make investment decisions according to our proven Asset Liability Management (ALM) system, a comprehensive program aimed at increasing security and realizing a sound asset portfolio while strictly minimizing foreign exchange, liquidity and interest rate risk. The ALM system strengthens our ability to forecast investment returns and the investment environment and allows for integrated management of assets and liabilities. Over the next three years, we also plan to reduce our volume of non-performing assets, particularly securities and real estate, as the introduction of market value accounting is expected to lead to increased price fluctuation. At the same time we will aim to maximize returns by reviewing our investment techniques and implementing more flexible investment policies.

7. Promoting an improved natural and social environment

As one of Japan's top automobile insurers, Aioi seeks to reduce the adverse environmental impact of automobiles and to optimize potential resources by promoting recycling of automobile parts and components. In anticipation of implementation of the Automobile Recycling Law in 2004, we have already begun sales of a Special Contract for Recycling Parts, a rider for auto insurance policies that provides for discounted premiums for car owners who accept repairs using recycled auto parts. We have already tied up with Japan's biggest supplier of recycled automobile parts to ensure a stable supply of parts, and we are leading the insurance industry in developing and operating our own part retrieval and supply systems.

In February 2002 we invested capital in a company that promotes shared car ownership, and we are helping develop theft-proof automobile safety devices as part of our efforts to improve urban traffic and the overall outlook for safety and comfort for car owners.