

Financial Review

Five-Year Summary

Aioi Insurance Company, Limited and Consolidated and Non-Consolidated Subsidiaries
Years ended March 31

Consolidated		Millions of Yen					Thousands of U.S. Dollars (Note)
		2002	2001	2000	1999	1998	2002
Net premiums written	Aioi.....	¥ 788,275					\$ 5,915,765
	Dai-Tokyo ...		¥ 420,587	¥ 426,520	¥ 422,416	¥ 441,315	
	Chiyoda.....		371,265	391,113	393,984	410,895	
Net income(loss)	Aioi.....	(88,247)					(662,271)
	Dai-Tokyo ...		7,220	6,693	5,622	6,205	
	Chiyoda.....		(6,364)	3,568	3,436	4,533	
Total shareholders' equity	Aioi.....	378,644					2,841,609
	Dai-Tokyo ...		316,860	224,694	201,170	198,454	
	Chiyoda.....		223,419	168,644	151,287	140,792	
Total assets	Aioi.....	2,792,102					20,953,865
	Dai-Tokyo ...		1,677,181	1,547,262	1,587,610	1,569,589	
	Chiyoda.....		1,394,148	1,361,295	1,351,833	1,330,279	
		Yen					U.S. Dollars (Note)
Net asset value per share	Aioi.....	501.52					3.76
	Dai-Tokyo ...		778.24	551.86	494.09	487.42	
	Chiyoda.....		577.93	436.22	390.88	382.79	
Net income(loss) per share	Aioi.....	(116.87)					(0.87)
	Dai-Tokyo ...		17.73	16.44	13.80	15.24	
	Chiyoda.....		(16.46)	9.22	9.10	12.32	

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥133.25 to U.S. \$1 on March 31, 2002.

Non-Consolidated		Millions of Yen					Thousands of U.S. Dollars (Note)
		2002	2001	2000	1999	1998	2002
Net premiums written	Aioi.....	¥ 777,361					\$ 5,833,858
	Dai-Tokyo ...		420,588	426,521	422,417	441,316	
	Chiyoda.....		372,172	380,273	382,136	401,105	
Net income(loss)	Aioi.....	(83,413)					(625,990)
	Dai-Tokyo ...		7,563	7,023	6,342	6,776	
	Chiyoda.....		4,815	5,208	5,070	5,230	
Total shareholders' equity	Aioi.....	394,390					2,959,776
	Dai-Tokyo ...		315,853	226,933	202,722	199,287	
	Chiyoda.....		239,253	172,941	153,923	141,477	
Total assets	Aioi.....	2,663,459					19,988,441
	Dai-Tokyo ...		1,625,746	1,517,791	1,573,398	1,561,993	
	Chiyoda		1,328,166	1,311,554	1,307,715	1,294,444	
Loss ratio	Aioi.....	66.95%					66.95%
	Dai-Tokyo ...		62.42%	59.61%	57.14%	54.02%	
	Chiyoda.....		65.23%	60.52%	58.42%	55.68%	
Expense ratio	Aioi.....	38.94%					38.94%
	Dai-Tokyo ...		36.90%	38.36%	38.85%	38.32%	
	Chiyoda.....		38.72%	38.93%	39.83%	39.94%	
		Yen					U.S. Dollars (Note)
Net asset value per share	Aioi.....	522.38					3.92
	Dai-Tokyo ...		775.75	557.36	497.90	489.46	
	Chiyoda.....		616.92	445.93	396.89	384.64	
Net income(loss) per share	Aioi.....	(110.47)					(0.82)
	Dai-Tokyo ...		18.57	17.25	15.57	16.64	
	Chiyoda.....		12.41	13.42	13.41	14.22	
Cash dividends per share	Aioi.....	7.00					0.05
	Dai-Tokyo ...		7.00	7.00	7.00	7.00	
	Chiyoda.....		7.00	7.00	7.00	7.00	

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥133.25 to U.S. \$1 on March 31, 2002.

Financial Review

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Year ended March 31, 2002

Non-Life Insurance

Net premiums written and Net claims paid

Class of Business	Net premiums written (Millions of Yen)	Component Ratio (%)	Net claims paid (Millions of Yen)	Component Ratio (%)
Fire and Allied Lines.....	¥ 93,068	11.81	¥ 83,725	16.89
Marine.....	5,672	0.72	4,091	0.83
Personal Accident.....	53,644	6.80	21,371	4.31
Voluntary Automobile.....	494,551	62.74	292,724	59.04
Compulsory Automobile Liability.....	78,548	9.96	49,354	9.95
Other.....	62,798	7.97	44,533	8.98
Total.....	¥788,283	100.00%	¥495,799	100.00%

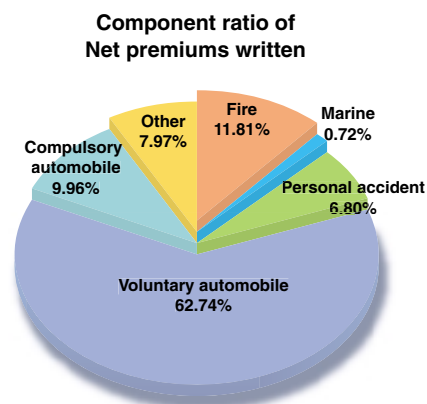
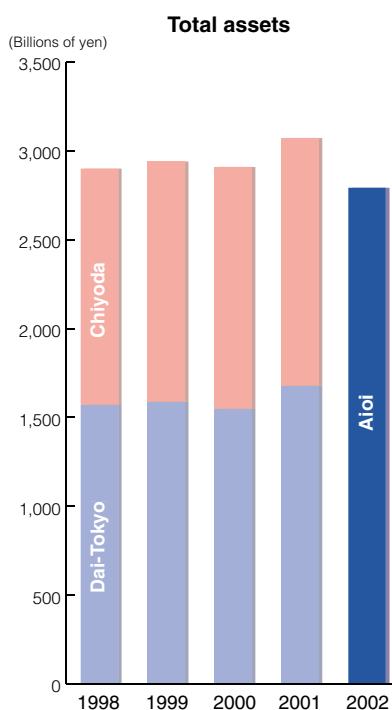
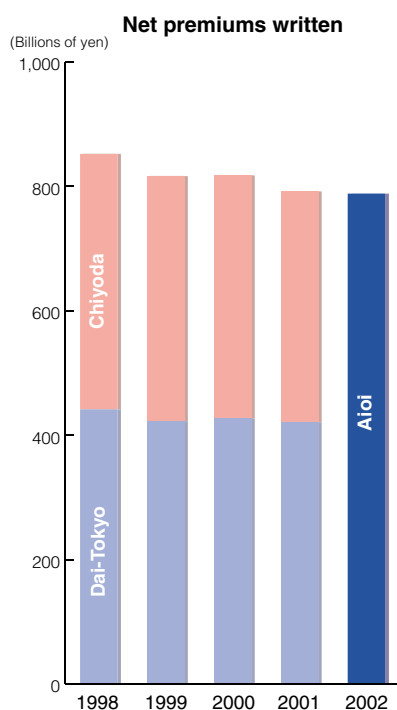
Life Insurance

Life Insurance in Force

	Million of yen
Individual Life Insurance.....	¥2,707,750
Individual Annuity Insurance.....	85,463
Group Life Insurance.....	523,013
Group Annuity Insurance.....	464

New Business

	Million of yen
Individual Life Insurance.....	¥644,592
Individual Annuity Insurance.....	10,965
Group Life Insurance.....	87,448
Group Annuity Insurance.....	0



Financial Section

Consolidated Balance Sheet

Aioi Insurance Company, Limited and Consolidated Subsidiaries
March 31, 2002

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
ASSETS		
Cash and cash equivalents.....	¥ 143,109	\$ 1,073,989
Money held in trust (Note 3).....	20,275	152,160
Investments in securities (Notes 4 and 5).....	1,613,414	12,108,175
Loans (Note 6).....	403,238	3,026,177
Property and equipment—net (Note 7).....	194,405	1,458,950
Premiums receivable from policyholders and agents.....	53,426	400,947
Reinsurance receivable and recoverable on paid losses.....	111,588	837,434
Deferred tax assets (Note 11).....	142,039	1,065,961
Other assets (Notes 4 and 15).....	131,032	983,361
Allowance for doubtful accounts.....	(20,426)	(153,292)
TOTAL	¥2,792,102	\$20,953,865
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Underwriting reserves:		
Estimated losses and claims.....	¥ 411,686	\$ 3,089,579
Unearned premiums.....	933,304	7,004,163
Maturity refunds and dividends to policyholders.....	897,462	6,735,181
Reinsurance payable and due to other insurance companies.....	65,656	492,732
Income taxes payable (Note 11).....	2,031	15,242
Convertible bonds (Note 8).....	18,800	141,088
Liability for employees' retirement benefits (Note 9).....	16,862	126,548
Reserve for price fluctuation.....	1,268	9,519
Deferred tax liabilities (Note 11).....	161	1,213
Other liabilities (Note 5).....	66,223	496,984
Total liabilities	¥2,413,457	\$18,112,253
MINORITY INTERESTS		\$ 1
COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)		
SHAREHOLDERS' EQUITY (Note 10):		
Common stock authorized, 2,000,000 thousand shares; issued, 756,201 thousand shares in 2002.....	¥ 100,005	\$ 750,506
Additional paid-in capital.....	44,081	330,821
Retained earnings.....	126,287	947,751
Unrealized gain on available-for-sale securities.....	107,535	807,020
Foreign currency translation adjustments.....	1,111	8,337
Total	379,021	2,844,436
Treasury stock, at cost, 1,240 thousand shares in 2002.....	(376)	(2,826)
Total shareholders' equity	¥ 378,644	\$ 2,841,609
TOTAL	¥2,792,102	\$20,953,865

See notes to consolidated financial statements.

Financial Section

Consolidated Statement of Operations

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Year Ended March 31, 2002

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
OPERATING INCOME:		
Underwriting income	¥1,066,578	\$8,004,342
Net premiums written	788,275	5,915,765
Premiums for maturity of refundable portion of long-term insurance	106,327	797,958
Investment income on premiums for maturity of refundable portion of long-term and other insurance	25,327	190,075
Life insurance premiums	41,057	308,123
Reversal of underwriting reserves (Note 16)	101,541	762,037
Other underwriting income (Note 16)	4,048	30,381
Investment income	69,164	519,061
Interest and dividend income	50,393	378,188
Gain on money held in trust	195	1,470
Gain on trading securities	1,472	11,049
Gain on sales of investments in securities (Note 4)	41,392	310,635
Gain from securities redemption	505	3,793
Other investment income	532	3,998
Transfer of investment income on premiums for maturity of refundable portion of long-term and other insurance	(25,327)	(190,075)
Other income (Note 17)	34,019	255,305
OPERATING EXPENSES:		
Underwriting expenses	1,043,081	7,828,000
Net claims paid (Note 16)	495,799	3,720,822
Loss adjustment expenses	40,046	300,539
Commissions and brokerage	159,788	1,199,161
Maturity refunds and dividends to policyholders for long-term insurance	223,709	1,678,870
Life insurance claims	6,192	46,475
Provision for estimated losses and claims (Note 16)	117,030	878,274
Other underwriting expenses	513	3,857
Investment expenses	63,178	474,134
Loss on money held in trust	4,103	30,798
Loss on sales of securities (Note 4)	4,957	37,205
Loss on valuation of securities (Note 4)	51,968	390,010
Other investment expenses	2,147	16,119
Operating and general administrative expenses	172,951	1,297,945
Other expenses	26,332	197,619
Merger expenses (Note 18)	21,396	160,571
Other	4,936	37,048
NET LOSS BEFORE INCOME TAXES	(135,780)	(1,018,991)
INCOME TAXES BENEFIT (Note 11)	(47,532)	(356,719)
Current	2,687	20,166
Deferred	(50,220)	(376,885)
NET LOSS	¥ (88,247)	\$ (662,271)
	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK—Net loss	¥(116.87)	\$(0.87)

See notes to consolidated financial statements.

Financial Section

Consolidated Statement of Shareholders' Equity

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Year Ended March 31, 2002

	Thousands	Millions of Yen					
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Currency Translation Adjustment	Treasury Stock
BALANCE, APRIL 1, 2001	407,154	¥ 57,139	¥41,712	¥130,163	¥ 87,846		¥ (2)
Adjustment due to merger	349,033	42,860	2,364	87,268			
Net loss				(88,247)			
Cash dividends				(2,850)			
Directors' bonuses				(47)			
Conversion of convertible bonds	13	5	4				
Increase in treasury stock							(374)
Net increase in unrealized gain on available-for-sale securities					19,688		
Net increase in foreign currency translation						¥1,111	
BALANCE, MARCH 31, 2002	756,201	¥100,005	¥44,081	¥126,287	¥107,535	¥1,111	¥(376)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Currency Translation Adjustment	Treasury Stock
BALANCE, APRIL 1, 2001	\$428,817	\$313,040	\$976,837	\$659,261		\$ (19)
Adjustment due to merger	321,651	17,742	654,926			
Net loss			(662,271)			
Cash dividends			(21,388)			
Directors' bonuses			(352)			
Conversion of convertible bonds	37	37				
Increase in treasury stock						(2,806)
Net increase in unrealized gain on available-for-sale securities				147,758		
Net increase in foreign currency translation					\$8,337	
BALANCE, MARCH 31, 2002	\$750,506	\$330,821	\$947,751	\$807,020	\$8,337	\$(2,826)

See notes to consolidated financial statements.

Financial Section

Consolidated Statement of Cash Flows

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Year Ended March 31, 2002

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
OPERATING ACTIVITIES:		
Loss before income taxes	¥(135,780)	\$(1,018,991)
Adjustments for:		
Depreciation	21,590	162,031
Provision for estimated losses and claims	117,030	878,274
Reversal of underwriting reserve.....	(101,541)	(762,037)
Reversal of allowance for doubtful accounts.....	(2,113)	(15,859)
Reversal of investment loss allowances.....	(3)	(24)
Decrease in liability for employees' retirement benefits.....	(22,742)	(170,678)
Provision for employees' bonus allowances.....	1,557	11,690
Reversal of allowances for the loss arising from sale of loans receivable	(106)	(801)
Decrease in price fluctuation reserve.....	(9,474)	(71,105)
Interest and dividend income.....	(50,393)	(378,188)
Loss arising from sales or revaluation of investments in securities.....	13,565	101,806
Interest expenses.....	325	2,443
Foreign exchange losses	761	5,715
Loss on sale of property and equipment	3,915	29,383
Others—net	5,863	44,000
Interest and dividends received	52,754	395,907
Interest paid.....	(316)	(2,375)
Income taxes paid.....	3,007	22,568
Total adjustment.....	<u>33,678</u>	<u>252,749</u>
Net cash used in operating activities	<u>¥(102,101)</u>	<u>\$(766,241)</u>
INVESTING ACTIVITIES:		
Net increase in bank deposits.....	12,125	90,996
Purchase of debts	(7,339)	(55,080)
Proceeds from sale of debts purchased.....	8,340	62,595
Decrease in money held in trust—net	85	644
Purchase of investments in securities.....	(738,738)	(5,544,003)
Proceeds from sale or maturities of investments in securities.....	674,400	5,061,164
Decrease in loans—net	53,837	404,032
Purchases of property and equipment.....	(18,028)	(135,301)
Proceeds from sale of property and equipment.....	884	6,637
Decrease in payables under securities lending transactions	(30,920)	(232,051)
Others—net	(15,285)	(114,712)
Net cash used in investing activities	<u>(60,639)</u>	<u>(455,077)</u>
FORWARD	<u>¥(162,740)</u>	<u>\$(1,221,318)</u>

(Continued)

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
FORWARD	<u>¥(162,740)</u>	<u>\$(1,221,318)</u>
FINANCING ACTIVITIES:		
Repayment of commercial paper	(55,000)	(412,757)
Acquisition of treasury stock	(28)	(211)
Cash dividends	(2,850)	(21,388)
Cash distribution upon merger	(2,706)	(20,308)
Others—net	<u>(347)</u>	<u>(2,605)</u>
Net cash used in financing activities	<u>(60,931)</u>	<u>(457,271)</u>
FOREIGN CURRENCY TRANSACTION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	(1,607)	(12,066)
CASH AND CASH EQUIVALENTS INCREASED BY MERGER	116,189	871,962
NET DECREASE IN CASH AND CASH EQUIVALENTS	(109,090)	(818,693)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>252,200</u>	<u>1,892,683</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 143,109</u>	<u>\$ 1,073,989</u>
ADDITIONAL CASH FLOW INFORMATION:		
Non-cash investing and financing activities:		
Assets acquired upon merger including investment in securities of ¥663,603 million (\$4,980,135 thousand) and loans of ¥173,077 million (\$1,298,896 thousand).....	¥1,315,296	\$9,870,889
Liabilities assumed upon merger including underwriting reserve of ¥1,022,690 million (\$7,674,972 thousand)	1,183,619	8,882,695
Common stock increase upon merger	42,860	321,651
Additional paid-in capital increase upon merger.....	2,364	17,742

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Year Ended March 31, 2002

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 from the accounts maintained 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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The Dai-Tokyo Fire and Marine Insurance Company, Limited were merged with The Chiyoda Fire and Marine Insurance Company, Limited ("the chiyoda") on April 1, 2001. Aioi insurance Company, Limited is new business name. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan.

Since the fiscal year ended March 31, 2002 is the first year for the Company after the merger between The Dai-Tokyo Fire and Marine Insurance Company, Limited and the Chiyoda on April 1, 2001, the accompanying consolidated financial statements are prepared on a single year basis only.

The accounts of the Company and its consolidated subsidiary established in Japan are maintained 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. Figures stated in U.S. dollars in the accompanying consolidated financial statements are converted, solely for the convenience of readers outside Japan and are stated at the rate of ¥133.25 to U.S.\$1, the approximate rate of exchange at March 31, 2002. The translations should not be construed as representations that the Japanese yen amounts could have been converted to U.S. dollars at that or any other rate.

2. SUMMARY OF
SIGNIFICANT
ACCOUNTING
POLICIES

a. **Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

b. **Consolidation**—The accompanying consolidated financial statements include the accounts of the Company and its five significant subsidiaries.

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and 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.

Four 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.

c. **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, call loans, debts purchased and money management funds (MMF). Money held in trust and time deposits with original maturities exceeding three months have been excluded from cash equivalents.

- d. **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 statement of operations 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.

- e. **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 statement of operations 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 reserve in accordance with 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. The securities are reported at amortized cost using the moving-average method.

- f. **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 statement of operations, 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. These 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.

- g. **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 by the declining-balance method except that the straight-line method is applied to buildings acquired on or after April 1, 1998.

- h. Policy Acquisition Costs**—Policy acquisition costs are charged to expense as incurred.
- i. 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.

- j. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. 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 the borrower’s solvency. In determining the anticipated irrecoverable amount, management considers the recoverable amount of the balance of loans in question through disposal of pledges encumbered 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 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. **Net Loss per Share**—Net loss per share is computed based on the weighted average number of shares outstanding during each year.

Diluted net income per share is not disclosed because of the Company's net loss position.

- 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 has 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.

3. MONEY HELD IN TRUST

All securities held as money held in trust are classified as trading securities.

4. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2002 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
National and local government bonds	¥ 223,556	\$ 1,677,724
Corporate bonds.....	443,855	3,330,997
Equity securities.....	571,289	4,287,348
Foreign securities	363,837	2,730,484
Other securities	10,875	81,620
Total	¥1,613,414	\$12,108,175

Information regarding each category of the securities classified as trading, available-for-sale and held-to-maturity at March 31, 2002 was as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥42,405
Available-for-sale:				
Bonds	¥ 548,196	¥ 13,307	¥ (3,477)	¥ 558,026
Equity securities.....	408,156	150,891	(7,144)	551,903
Foreign securities	304,223	18,184	(1,985)	320,422
Other securities*	12,055	79	(1,589)	10,545
Total	¥1,272,632	¥182,462	¥(14,196)	¥1,440,897
Held-to-maturity:				
Bonds	¥ 2,086	¥ 44	¥ (132)	¥ 1,999
Foreign securities	1,070	288		1,359
Total	¥ 3,157	¥ 333	¥ (132)	¥ 3,358

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				\$318,241
Available-for-sale:				
Bonds	\$4,114,043	\$ 99,869	\$ (26,096)	\$ 4,187,816
Equity securities.....	3,063,090	1,132,393	(53,616)	4,141,867
Foreign securities	2,283,106	136,468	(14,902)	2,404,672
Other securities*	90,469	594	(11,926)	79,137
Total	\$9,550,709	\$1,369,324	\$(106,541)	\$10,813,492
Held-to-maturity:				
Bonds	\$ 15,659	\$ 335	\$ (991)	\$ 15,003
Foreign securities	8,033	2,167		10,201
Total	\$ 23,693	\$ 2,502	\$ (991)	\$ 25,204

*Other securities include investments in receivable trusts classified as other assets.

Debt securities earmarked for underwriting reserve at March 31, 2002 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bonds	¥100,525	¥3,516	¥(460)	¥103,580
Foreign securities	799	40		839
Total	¥101,324	¥3,556	¥(460)	¥104,419

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bonds	\$754,409	\$26,391	\$(3,458)	\$777,341
Foreign securities	5,996	300		6,297
Total	\$760,406	\$26,691	\$(3,458)	\$783,638

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2002 were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale:		
Bonds.....	¥ 410	\$ 3,077
Equity securities	17,888	134,246
Other securities*	7,893	59,238
Total	¥26,192	\$196,563
Held-to-maturity:		
Bonds.....	¥ 6,363	\$ 47,758
Total	¥ 6,363	\$ 47,758

Proceeds from sales of available-for-sale securities for the year ended March 31, 2002 were ¥452,182 million (\$3,393,490 thousand). Gross realized gains and losses on these sales, computed using the moving average cost basis, were ¥41,392 million (\$310,635 thousand) and ¥4,957 million (\$37,205 thousand), respectively.

*Other securities include investments in receivable trusts classified as other assets.

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, 2002 are as follows:

	Millions of Yen		
	Bonds	Foreign Securities	Other Securities*
Due in one year or less	¥ 61,951	¥ 18,929	¥ 3,872
Due after one year through five years.....	267,715	169,889	4,899
Due after five years through ten years	250,170	81,404	7,531
Due after ten years.....	87,575	2,511	79
Total	¥667,412	¥272,735	¥16,382

	Thousands of U.S. Dollars		
	Bonds	Foreign Securities	Other Securities*
Due in one year or less	\$ 464,923	\$ 142,063	\$ 29,059
Due after one year through five years.....	2,009,118	1,274,968	36,767
Due after five years through ten years	1,877,454	610,918	56,520
Due after ten years.....	657,225	18,846	596
Total	\$5,008,721	\$2,046,796	\$122,943

*Other securities include investments in receivable trusts classified as other assets.

Investments in unconsolidated subsidiaries and affiliated companies were ¥4,708 million (\$35,334 thousand).

The Company and the domestic subsidiary recognized ¥51,968 million (\$390,010 thousand) loss on valuation of available-for-sale securities and investments in receivable trusts classified as other assets. A loss on valuation of available-for-sale securities is recognized in the statement of operations when its fair value declines by more than 50% as compared with its amortized 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 for loans payable of ¥208 million (\$1,563 thousand), classified as other liabilities, at March 31, 2002 were ¥34,534 million (\$259,169 thousand).

6. LOANS

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

	Millions of Yen	Thousands of U.S. Dollars
Defaulted loans.....	¥ 306	\$ 2,300
Delinquent loans (non-performing loans).....	14,296	107,294
Past due loans (over three months)	604	4,537
Loans under mitigating conditions	8,199	61,537
Total	¥23,408	\$175,669

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 on behalf of 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 ¥179,790 million (\$1,350,624 thousand). Property and equipment were stated at cost less deferred gains of ¥10,497 million (\$78,781 thousand) on sale and replacement of assets under certain conditions in accordance with the Japanese tax code.

8. CONVERTIBLE BONDS

Unsecured bonds convertible into common stock are as follows:

	Conversion Price per Share	Millions of Yen	Thousands of U.S. Dollars
1.6% convertible bonds due March 31, 2003.....	¥1,194.30	¥ 3,810	\$ 28,592
0.8% convertible bonds due March 31, 2003.....	761.90	14,990	112,495
Total		¥18,800	\$141,088

If all convertible bonds outstanding were converted as of March 31, 2002, common shares outstanding would be increased by 22,864 thousand shares.

Under the trust deeds, conversion prices are subject to adjustment in certain cases including stock splits or the issuance of new shares at prices which are less than market prices.

9. 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.

In addition to the normal contribution, the Company contributed certain available-for-sale securities to the employees' retirement benefit trusts for non-contributory pension plans. During the fiscal year the Company recognized a non-cash gain of ¥4,561 million (\$34,234 thousand) from the contribution of certain available-for-sale securities. The securities held in this trust are qualified as plan assets.

The liability for employees' retirement benefits at March 31, 2002 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation.....	¥(147,617)	\$(1,107,825)
Fair value of plan assets.....	108,197	811,992
Unrecognized actuarial loss	22,557	169,285
Net liability	¥ (16,862)	\$ 126,548

The components of net periodic benefit costs for the year ended March 31, 2002 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 6,586	\$ 49,433
Interest cost	3,819	28,662
Expected return on plan assets.....	(1,856)	(13,993)
Recognized actuarial loss	194	1,456
Amortization of prior service cost*	(11,290)	(84,731)
Net periodic benefit costs	¥ (2,546)	\$(19,113)

Assumptions used for the year ended March 31, 2002 are set forth as follows:

Discount rate	2.5%
Expected rate of return on plan assets	3.0%
Recognition period of actuarial gain/loss.....	15 years
Amortization period of prior service cost.....	1 year

* Since the projected benefit obligation was decreased as a result of the revision of the employees' retirement benefits and pension plan on the occasion of the merger on April 1, 2001, prior service cost was accrued.

10. SHAREHOLDERS' EQUITY

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

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

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 ¥24,958 million (\$187,302 thousand) as of March 31, 2002. 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.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing 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 after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2002, retained earnings recorded on the Company's books were ¥119,355 million (\$895,725 thousand) which is available for future dividends subject to the approval of the shareholders and the legal reserve requirement.

In connection with the merger with the Chiyoda on April 1, 2001, the Company carried over the stock option plan originated from the Chiyoda. A resolution, which was approved at the Chiyoda's general shareholders meeting held on June 26, 1998 provided for granting options to directors and key employees to purchase up to 698 thousand shares of the Company's common stock until August 30, 2002. The options would be granted at an exercise price of ¥576 of the Company's common stock at the date of option grant. A resolution, which was approved at the Chiyoda's general shareholders meeting held on June 29, 1999 provided for granting options to directors and key employees to purchase up to 389 thousand shares of the Company's common stock until August 29, 2003. The options would be granted at an exercise price of ¥469 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.

11. 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 approximately 36.1% for the year ended March 31, 2002. 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, 2002 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Unearned premiums.....	¥ 98,751	\$ 741,102
Estimated losses and claims.....	43,739	328,249
Devaluation of securities.....	22,557	169,283
Depreciation.....	8,985	67,431
Securities contributed to employees' retirement benefit trusts.....	7,736	58,062
Other	23,060	173,062
Total	204,831	1,537,193
Valuation allowance	(960)	(7,207)
Deferred tax assets	203,870	1,529,985
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities.....	(60,730)	(455,763)
Other	(1,262)	(9,474)
Total	(61,992)	(465,237)
Net deferred tax assets	¥141,877	\$1,064,748

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

12. 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 year ended March 31, 2002, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Acquisition cost.....	¥1,397	\$10,484
Accumulated depreciation.....	959	7,200
Net leased property.....	¥ 437	\$ 3,283

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, 2002, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥238	\$1,787
Due after one year.....	199	1,496
Total	¥437	\$3,283
Total payments for finance leases.....	¥307	\$2,310

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

Depreciation expense for the year ended March 31, 2002, which is not reflected in the accompanying consolidated statement of operations, 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, 2002, and total payments for the years were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 424	\$ 3,185
Due after one year.....	918	6,895
Total	¥1,343	\$10,080

13. 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 ¥8,214 million (\$61,647 thousand) at March 31, 2002.

14. 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, 2002.

	Millions of Yen			Thousands of U.S. Dollars		
	Contract Amount	Market Value	Unrealized Gain (Loss)	Contract Amount	Market Value	Unrealized Gain (Loss)
Currency transactions:						
Foreign exchange contracts—						
forward:						
Selling U.S.\$.....	¥14,128	¥14,254	¥(126)	\$106,027	\$106,975	\$(948)
Buying U.S.\$	104,267	105,557	1,289	782,498	792,172	9,674
Currency swaps—						
floating rate receipts,						
floating rate payment.....	1,810	(813)	(813)	13,583	(6,107)	(6,107)
Total			¥348			\$2,618

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		
	Contract Amount	Market Value	Unrealized Gain (Loss)	Contract Amount	Market Value	Unrealized Gain (Loss)
Interest rate transactions—						
Interest rate swaps—fixed rate						
receipts, floating rate payment	¥38,900	¥1,025	¥1,025	\$291,932	\$7,693	\$7,693

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		
	Contract Amount	Market Value	Unrealized Gain (Loss)	Contract Amount	Market Value	Unrealized Gain (Loss)
Stock transactions—						
Stock index futures—selling	¥957	¥957		\$7,182	\$7,189	\$6

Notes: Market values are based on the Tokyo Stock Exchange closing prices.

	Millions of Yen			Thousands of U.S. Dollars		
	Contract Amount	Market Value	Unrealized Gain (Loss)	Contract Amount	Market Value	Unrealized Gain (Loss)
Others—Credit derivatives—selling ...	¥21,000	¥(63)	¥(63)	\$157,598	\$(479)	\$(479)

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

15. DEFERRED EXPENSES UNDER ARTICLE 113 OF THE INSURANCE BUSINESS LAW The unamortized expenses under Article 113 of the Insurance Business Law recorded on the domestic subsidiary's books were ¥1,100 million (\$8,257 thousand) at March 31, 2002, and were classified as other assets.

16. UNDERWRITING INCOME AND EXPENSES Paid losses of ¥32,284 million (\$242,285 thousand) claimed under the provision of certain reinsurance treaties entered into with foreign insurers, resulting mainly from the September 11, 2001 terrorist attacks in the United States, were offset against the "ELR" in accordance with the Insurance Business Law.

The remaining balance of losses incurred in the above-mentioned incidents of ¥106,422 million (\$798,666 thousand) were reported in the form of both provision for estimated losses and claims of ¥107,382 million (\$805,870 thousand) and exchange gain classified as other underwriting income of ¥959 million (\$7,204 thousand) accordingly in the consolidated statement of operations.

17. OTHER INCOME Other income was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Reversal of liability for employees' retirement benefits in line with the revision of the employees' retirement benefits and pension plan	¥11,290	\$ 84,731
Reversal of price fluctuation reserve	9,474	71,105
Gain on securities contributed to employees' retirement benefit trusts	4,561	34,234
Reversal of allowance for doubtful accounts	1,468	11,021
Other	7,223	54,212
Total	¥34,019	\$255,305

18. MERGER EXPENSES Merger expenses were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Computer software expenses	¥ 6,108	\$ 45,843
Property related expenses	6,099	45,774
Subsidiary related expenses	1,393	10,457
Other	7,794	58,495
Total	¥21,396	\$160,571

19. SUBSEQUENT EVENTS At the general shareholders meeting held on June 27, 2002, the Company's shareholders approved the following:

a. Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7 (\$0.05) per share	¥5,284	\$39,661

b. Purchase of Treasury Stock

The Company is authorized to repurchase 50,000 thousand shares of the Company's common stock (aggregate amount ¥14,000 million (\$105,065 thousand)).

20. 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 year ended March 31, 2002.

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

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

We have examined the consolidated balance sheet of Aioi Insurance Company, Limited and consolidated subsidiaries as of March 31, 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese yen. Our examination was made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Aioi Insurance Company, Limited and consolidated subsidiaries as of March 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan applied on a basis consistent with that of the preceding year.

Our examination 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 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

Financial Section

Consolidated Balance Sheet (Unaudited)

Aioi Insurance Company, Limited and Consolidated Subsidiaries
March 31, 2001

	Millions of Yen		Thousands of U.S. Dollars (Note)	
	Dai-Tokyo	Chiyoda	Dai-Tokyo	Chiyoda
ASSETS				
Cash and cash equivalents	¥ 252,200	¥ 116,189	\$ 2,035,512	\$ 937,764
Money held in trust	12,240	10,532	98,790	85,006
Investments in securities	864,109	768,272	6,974,247	6,200,743
Loans	285,505	173,077	2,304,324	1,396,916
Property and equipment, net	105,176	97,617	848,884	787,872
Deferred tax assets.....	29,629	25,895	239,138	209,004
Per contra acceptances and guarantees.....		11,226		90,611
Allowance for doubtful accounts.....	(14,511)	(10,527)	(117,125)	(84,966)
Other assets	142,831	201,865	1,152,797	1,629,259
TOTAL	¥1,677,181	¥1,394,148	\$13,536,570	\$11,252,211
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Underwriting reserves:				
Estimated losses and claims	¥ 136,997	¥ 149,182	\$ 1,105,707	\$ 1,204,058
Unearned premiums	492,718	445,713	3,976,744	3,597,360
Maturity refunds and dividends to policyholders.....	572,603	420,848	4,621,496	3,396,676
Income taxes payable.....	15	999	122	8,068
Commercial paper	30,000		242,130	
Convertible bonds	3,810	15,000	30,750	121,065
Liability for employees' retirement benefits	22,806	10,854	184,070	87,609
Reserve for price fluctuations	5,021	5,721	40,531	46,178
Deferred tax liability	1,989	1,151	16,061	9,292
Acceptances and guarantees		11,226		90,611
Other liabilities	94,358	110,030	761,568	888,058
Total liabilities	¥1,360,320	¥1,170,728	\$10,979,184	\$ 9,448,981
MINORITY INTEREST			\$	1
SHAREHOLDERS' EQUITY:				
Share capital	¥ 57,139	¥ 42,664	\$ 461,177	\$ 344,349
Additional paid-in capital	41,712	31,149	336,664	251,407
Retained earnings.....	130,163	83,871	1,050,553	676,925
Unrealized gains on available-for-sale securities	87,846	68,888	709,012	556,000
Foreign currency translation adjustments		(2,807)		(22,659)
Treasury stock.....	(2)	(346)	(21)	(2,795)
Total shareholders' equity.....	¥ 316,860	¥ 223,419	\$ 2,557,386	\$ 1,803,227
TOTAL	¥1,677,181	¥1,394,148	\$13,536,570	\$11,252,211

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥123.90 to U.S. \$1 on March 31, 2001.

Financial Section

Consolidated Statement of Operations (Unaudited)

Aioi Insurance Company, Limited and Consolidated Subsidiaries
Year Ended March 31, 2001

	Millions of Yen		Thousands of U.S. Dollars (Note)	
	Dai-Tokyo	Chiyoda	Dai-Tokyo	Chiyoda
OPERATING INCOME:				
Underwriting income	¥582,781	¥509,159	\$4,703,640	\$4,109,435
Net premiums written	420,587	371,265	3,394,570	2,996,495
Premiums for maturity of refundable portion of long-term insurance.....	80,274	53,399	647,900	430,986
Investment income on premiums for maturity of refundable portion of long-term and other insurance	16,501	12,509	133,185	100,960
Life insurance premiums.....	24,359	16,142	196,606	130,288
Reversal of underwriting reserves	40,352	53,814	325,682	434,337
Other underwriting income	705	2,027	5,695	16,367
Investment income	39,153	52,715	316,006	425,469
Interest and dividend income	28,468	28,245	229,773	227,970
Gain on money held in trust.....		26	4	217
Gain on trading securities	1,261		10,177	
Gain on sales of investments in securities.....	25,687	36,200	207,321	292,172
Gain from securities redemption	19	24	155	200
Other investment income	217	727	1,758	5,869
Transfer of investment income on premiums for maturity of refundable portion of long-term and other insurance	(16,501)	(12,509)	(133,185)	(100,960)
Other income	5,386	40,303	43,473	325,289
OPERATING EXPENSES:				
Underwriting expenses	484,019	455,083	3,906,537	3,672,989
Net claims paid	244,675	231,173	1,974,785	1,865,805
Loss adjustment expenses.....	17,848	19,817	144,052	159,948
Commissions and brokerage	75,407	75,116	608,617	606,266
Maturity refunds and dividends to policyholders for long-term insurance.....	134,252	108,217	1,083,557	873,424
Life insurance claims	1,918	2,241	15,485	18,089
Provision for estimated losses and claims.....	9,722	18,227	78,470	147,114
Other underwriting expenses	194	290	1,567	2,341
Investment expenses	17,591	11,589	141,984	93,539
Loss on money held in trust.....	5,750	385	46,409	3,113
Loss on sales of securities	1,535	1,358	12,391	10,966
Loss on valuation of securities	6,917	7,659	55,832	61,823
Other investment expenses	3,388	2,184	27,350	17,634
Operating and general administrative expenses	90,739	82,515	732,356	665,986
Other expenses	24,005	53,766	193,745	433,947
NET INCOME (LOSS) BEFORE INCOME TAXES	10,964	(776)	88,496	(6,267)
INCOME TAXES	1,530	2,039	12,351	16,459
ADJUSTMENTS TO DEFERRED INCOME TAXES	2,213	3,568	17,866	28,802
MINORITY INTEREST		(20)		(161)
NET INCOME (LOSS)	¥ 7,220	¥ (6,364)	\$ 58,278	\$ (51,367)

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥123.90 to U.S. \$1 on March 31, 2001.

Subsidiaries and Affiliates

Domestic Companies

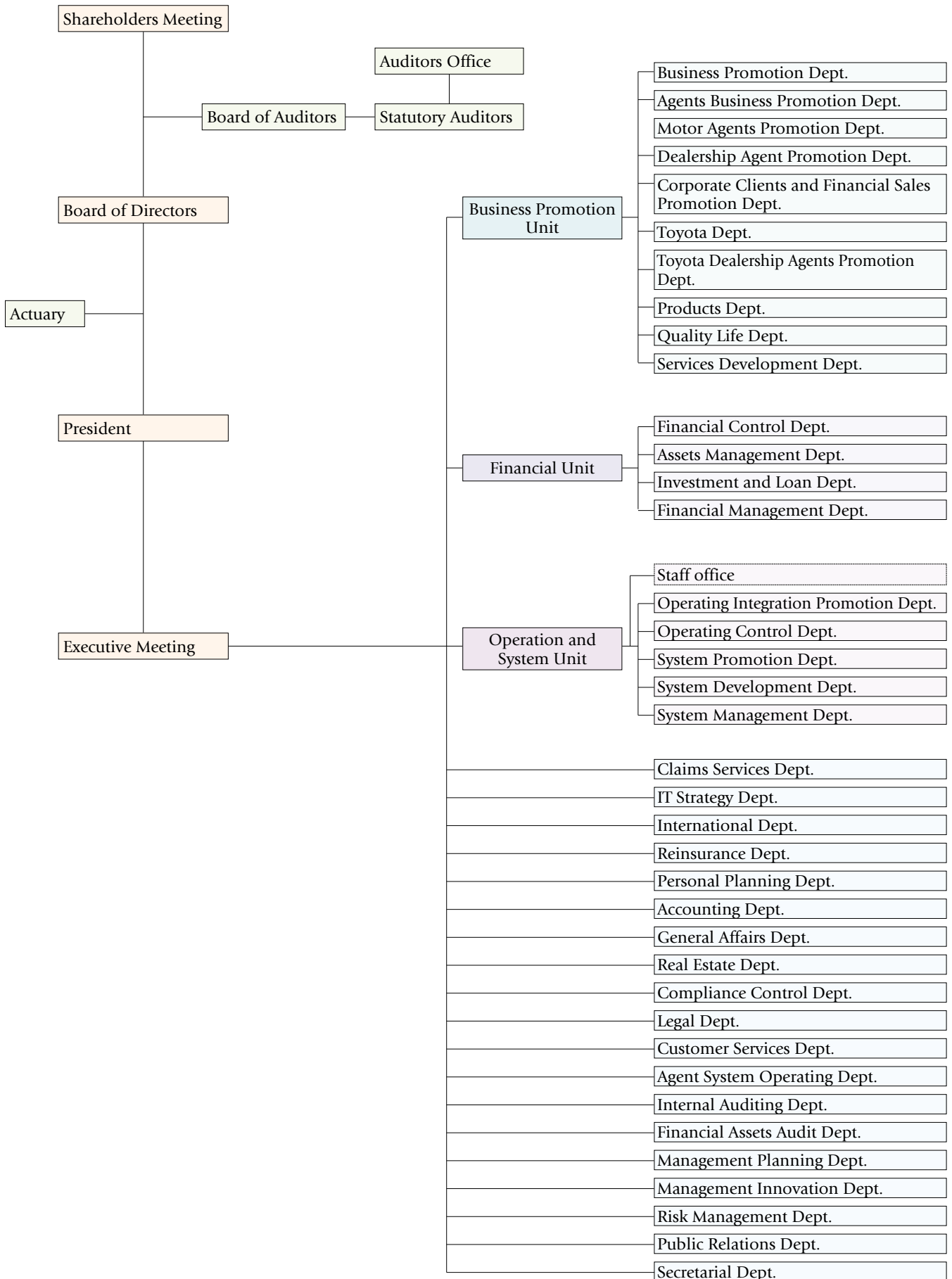
As of July 1

Company	Capital (¥ million)	Ownership of Parent Company (%)	Ownership of Subsidiaries (%)	Establishment	Business Line
Aioi Life Insurance Co., Ltd.*	25,000	100	—	1996	Life Insurance
Aioi Claim Research Co., Ltd.	25	100	—	1975	Claim research
Aioi Personnel Development Research Co., Ltd.	10	100	—	1982	Education and training for employees
Aioi Business Services Co., Ltd.	47	100	—	1982	Warehousing, forwarding, management of printed matters, data-entry
Aioi Insurance Total Services Co., Ltd.	23	100	—	1983	Administration of real-estates and facilities
The Chiyoda Kasai Anshin-Hot Line Co., Ltd.	20	100	—	1990	Receiving notification of accidents and providing consultations
Aioi Career Services Co., Ltd.	70	100	—	1990	Recruitment services business
Aioi Insurance Systems Co., Ltd.	60	100	—	1995	Development and maintenance of software
Fureai Do-Life Services Co., Ltd.	221.5	100	—	2000	Nursing care-related services
Aioi Insurance G.A. Services Co., Ltd.	10	100	—	1999	Consultation for management of insurance agency
Toyota Assets Management Co., Ltd.	400	50	—	1990	Investment management
Aioi Insurance Finance Co., Ltd.	80.5	34.8	5.8	1985	Finance and loans
Aioi Risk Consulting Co., Ltd.	17.5	10	38.6	1987	Risk consulting and researching services
Aioi Insurance Card Services Co., Ltd.	10	10	30	1991	Credit card
Aioi Insurance Auto Technical Research Center Co., Ltd.	10	10	25	1996	Technical research, training and advisory services of automobile repair

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
Hastings Insurance Services Ltd. (U.K.)*	£5,000	—	75	1996	Non life insurance 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\$5.0 million	100	—	1994	Non life insurance
PT.Asuransi Aioi Indonesia (Indonesia)	Rupy 15billion	80	—	1996	Non life insurance
Aioi Management Services (S) Pte Ltd. (Singapore)	\$200,000	100	—	1998	Risk management
Bangkok Chayoratr 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 insurance

*Consolidated Companies



Overseas Network



Representative offices

London Office

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

Brussels Office

Rue Belliard 65, B. 6, 1040 Brussels, 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

c/o CNA Insurance Companies, CNA Plaza 18N,
Chicago, Illinois 60685, U.S.A.
Tel. 312-822-7685 Fax. 312-822-4240

Kentucky Office

7310 Turfway Road, Suite 220, 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 Blvd., Suite 1520, Honolulu,
Hawaii 96814, U.S.A.
Tel. 808-951-1724 Fax. 808-949-6696

Sydney Office

Level 8, 55 Sasssex Street Sydney, N.S.W.2000. Australia
Tel. 2-9248-1780 Fax. 2-9248-1788

Melbourne Office

Level 7, 179 Queen Street, Melbourne, Victoria 3000, Australia
Tel. 3-9607-1744 Fax. 3-9607-1745

Beijing Office

Beijing Fortune Bldg. Room No.1019 No.5, Dong San Huan
Beilu, Chao Yang District Beijing People's Republic of China
Tel. 10-6590-8030 Fax. 10-6590-8031

Tianjin Office

Room No. 1103, Tianjin International Building,
75 Nanjing Road, Tianjin, People's Republic of China
Tel. 22-2332-0060 Fax. 22-2332-0061

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

Bapindo Plaza Citibank Tower 10th Floor, Jl. Jend,
Sudirman Kav. 54-55, Jakarta, 12190, Indonesia

Underwriting Agencies

United States

Takagi & Associates, Inc.
Suite 100, GCIC Building, 414 West Soledad Ave.,
Agana, Guam 96910 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

Hastings Insurance Services 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 204, 80804 Munich, Germany

Netherlands

Aioi Insurance Co. of Europe Ltd. <Netherlands Branch>
c/o W A 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
c/o D'Amato & Lynch, 70 Pine Street, New York,
NY 10270 U.S.A.

Thailand

Bangkok Chayorath 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.
Finlayson Green #80-07, Asia Insurance Building,
Singapore 049247, Republic of Singapore

Indonesia

PT. Asuransi Aioi Indonesia
Bapindo Plaza Citibank Tower 10th Floor, Jl. Jend,
Sudirman Kav. 54-55, Jakarta, 12190, Indonesia

Milestones

History of The Dai-Tokyo Fire & Marine Insurance

- 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.)

History of The Chiyoda Fire & Marine Insurance

- 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

Board of Directors and Auditors

As of July 15

Chairman	Kanji Kurioka
President and Executive Officer	Akira Seshimo
Vice President and Executive Officers	Yasuhiko Kubota Hiromasa Kaneko
Senior Managing Directors and Executive Officers	Norikazu Ueno Masao Adachi
Senior Managing Directors	Masashi Horie Yoshinori Mori Yoshihiro Ohga
Managing Directors	Katsuya Kimura Kenji Washio Tadashi Kodama Hisahito Suzuki
Directors	Fujio Cho Shusuke Kobayashi Koichi Atobe
Standing Auditors	Hitoshi Hasunuma Tadahiko Maruyama
Auditors	Satoru Nishigaki Shozo Hashimoto Ryuji Araki

Senior Managing Operating Officers	Shoji Kawasumi
Managing Operating Officers	Tadashi Sato Takashi Murasugi Hiroshi Shiki Toshihiko Nakagawa Hiroshi Taniguchi Masaru Kobayashi Masahiko Oji
Operating Officers	Yasuo Saito Takaya Kawada Masami Sasaki Tsukasa Yorifuji Shigeru Sudo Hiroshi Aizawa Takeo Nomura Hiroaki Nagasue Yoshiaki Kondo Takao Shida Kaoru Matsuda Takao Aizawa Hiroo Yamashita Toshio Furukawa Masao Seki Naotatsu Momoi Yasukazu Nagasaki Tsutomu Matsumoto Shigeki Kitazume Kenji Toda Masayoshi Nakamura

Corporate Data

(Parent Company)

As of March 31, 2002

Company Name:	Aioi Insurance Company Limited
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:	2,663.4 billion
Stock Exchange Listing:	Tokyo, Nagoya, Osaka Stock Exchanges
Number of Issued Shares:	756,201 thousands
Number of Shareholders:	31,783

Rating: (As of July 9, 2002)	A (R&I Rating & Investment Information, Inc.) A3 (Moody's) A (Standard and Poor's)
Net Premiums Written:	¥777.3 billion
Branch Office:	518
Claim Services Office:	228
Agents:	50,219
Employees:	9,175

