NIPPONKOA
INSURANCE

ANNUAL REPORT

NIPPONKOA INSURANCE CO., LTD.

2005

CONTENTS

NIPPONKOA Insurance Co., Ltd. was established in April 2001 through a merger of The Nippon Fire & Marine Insurance Co., Ltd. (founded in 1892) and The Koa Fire & Marine Insurance Co., Ltd. (founded in 1918). Japan's third-oldest non-life insurance provider, the Company commands over 10% of the domestic non-life insurance market and plays a leading role in the industry, which is second in size only to that of the United States.

In line with its fundamental philosophy of enhancing customer satisfaction, the Company, which is not affiliated with any financial group, has developed operations involving a wide range of customers—beyond the *keiretsu* (corporate group framework)—and established numerous strategic business alliances. NIPPONKOA's strength lies in its powerful sales network of highly capable professional sales agents and its extensive close ties with financial institutions, including nationwide and regional banks. At the same time, it has distinguished itself as a creative force in the industry by developing new products that reflect a solid understanding of changing lifestyles and customer needs.

Making full use of these unique features and competitive advantages, the Company will strive to deepen the trust of customers and meet the expectations of shareholders by expanding its operations and improving profitability. It will at the same time step up activities aimed at fulfilling its corporate social responsibilities in terms of compliance, environmental issues and other matters, and by actively disclosing corporate information.

Credit Ratings

NIPPONKOA has received the following ratings from credit rating agencies (as of July 31, 2005):

Standard & Poor's	A+
Moody's	A2
A.M. Best	A

Corporate Philosophy

With an independent spirit, guided by its liberal corporate culture, the NIPPONKOA Insurance Group will contribute to the development of an affluent and healthy society, through unremitting effort and innovative ideas that transform old ways of thinking.

Guiding Principles

1. We make our customers the starting point of all our corporate activities, thereby earning their full trust.
2. We work all-out to boost corporate value and promote disclosure, thereby meeting the expectations of our shareholders.
3. Guided by a high standard of corporate ethics, we promote sincere, fair and environmentally friendly corporate activities.
4. We foster a vigorous corporate setting in which individuals feel free to express their opinions and put them into practice.
5. Working together with our agents, we provide our customers with the highest level of comfort and satisfaction.

CONSOLIDATED FINANCIAL HIGHLIGHTS

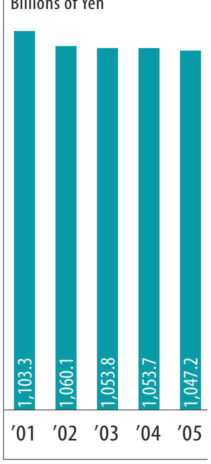
NIPPONKOA INSURANCE CO., LTD. Years ended March 31, 2005, 2004, 2003 and 2002
THE NIPPON FIRE & MARINE INSURANCE CO., LTD. Year ended March 31, 2001
THE KOA FIRE & MARINE INSURANCE CO., LTD. Year ended March 31, 2001

						Millions of Yen	Thousands of U.S. Dollars*1
	2005 NIPPONKOA	2004 NIPPONKOA	2003 NIPPONKOA	2002 NIPPONKOA	2001 NIPPON	2001 KOA	**2005 NIPPONKOA**
Operating income	**¥1,047,293**	¥1,053,793	¥1,053,827	¥1,060,141	¥ 660,229	¥ 443,109	**$ 9,752,239**
Net premiums written for non-life insurance	**728,421**	732,486	724,979	671,823	413,307	265,904	**6,782,950**
Life insurance premiums	**58,124**	54,864	45,559	38,862	17,364	18,557	**541,245**
Ordinary profit (loss)	**21,634**	49,390	(34,208)	(31,052)	27,533	18,865	**201,456**
Net income (loss)	**13,467**	19,319	(25,890)	(22,741)	7,561	6,406	**125,407**
Net income (loss) per share (in yen and U.S. dollars):							
Basic	**16.35**	23.18	(30.72)	(26.90)	13.47	22.28	**0.152**
Diluted*2	**16.35**	—	—	—	—	22.20	**0.152**
Total assets	**3,422,186**	3,432,069	3,217,703	3,240,237	2,100,668	1,345,396	**31,866,905**
Shareholders' equity	**582,408**	598,360	444,144	533,019	427,059	194,978	**5,423,301**
Shareholders' equity ratio	**17.0%**	17.4%	13.8%	16.4%	20.3%	14.5%	
Return on equity (ROE)	**2.3%**	3.7%	-5.3%	-4.0%	2.3%	3.9%	
Net cash provided by (used in):							
operating activities	**(22,283)**	65,645	55,698	(40,374)	(47,340)	(37,026)	**(207,502)**
investing activities	**23,836**	(96,072)	(12,128)	78,336	50,571	(5,817)	**221,964**
financing activities	**(12,987)**	(11,998)	(14,604)	(32,430)	(7,124)	(8,712)	**(120,937)**
Cash and cash equivalents at end of year	**141,861**	153,399	196,689	155,114	79,248	68,043	**1,320,997**

*1: U.S. dollar amounts are translated from yen at the rate of ¥107.39 = US$1, the approximate rate prevailing at March 31, 2005.
*2: There were no potential common shares to be issued from the year ended March 31, 2002 to the year ended March 31, 2004.

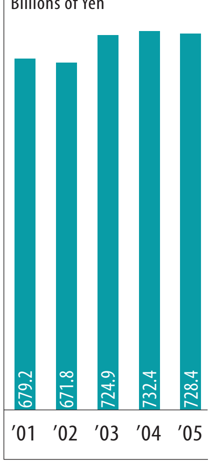
Operating income

Billions of Yen



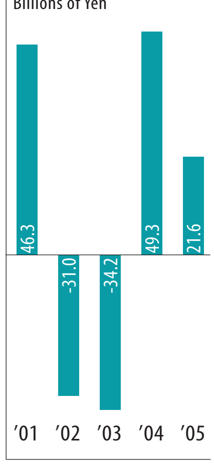
Net premiums written for non-life insurance

Billions of Yen



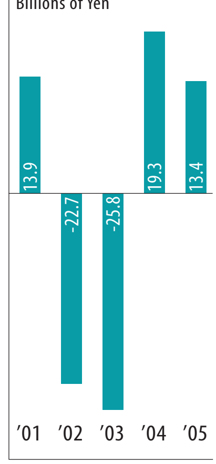
Ordinary profit (loss)

Billions of Yen



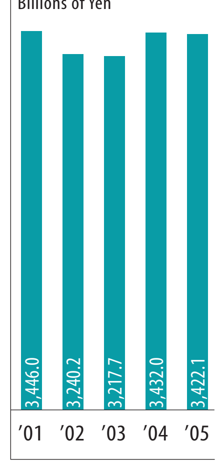
Net income (loss)

Billions of Yen



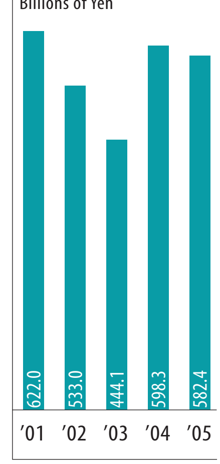
Total assets

Billions of Yen



Shareholders' equity

Billions of Yen



Figures for the year ended March 31, 2001 in the above graphs are combined totals of The Nippon Fire & Marine Insurance Co., Ltd. and The Koa Fire & Marine Insurance Co., Ltd.

Moving Forward *with Our* Customers

Fiscal 2004 in Review

The business environment that encompassed the Japanese non-life insurance industry in the fiscal year that ended on March 31, 2005 was exceptionally challenging, due to a succession of natural disasters. These included a record 10 typhoons, the most ever to make landfall in a single year, as well as the powerful Niigata Chuetsu earthquake and other events.

Under these conditions, NIPPONKOA Insurance Co., Ltd. posted ordinary profit of ¥22.5 billion and net income of ¥14.5 billion. (All figures in this section are non-consolidated results for NIPPONKOA Insurance Co., Ltd.) Net premiums written totaled ¥722.8 billion, a slight decline of 0.8% from the preceding year. Average unit price in our mainstay voluntary automobile insurance business fell 3.4% year on year; however, the number of insured vehicles grew 4.0% on brisk sales through allied life insurance companies, which is a new sales channel. As a result, net premiums written for this product line rose 0.1% compared with fiscal 2003. In non-automobile insurance business, we also secured an increase in net premiums written in marine insurance, thanks to an upsurge in foreign trade within Asia, and the "Other" line was supported by continued brisk sales of general liability and comprehensive workers' compensation insurance.

Most of our decrease for the year came in the fire line, and these were mainly the result of increased reinsurance costs. On the other hand, net losses paid increased by 20.9% to ¥428.8 billion, due to the large number of natural disasters that occurred during the year. The amount of net losses paid deriving from natural disasters in fiscal 2004 totaled ¥68.9 billion, an increase of ¥64.0 billion compared with the previous year. In relation with this, we reversed our catastrophe reserve by ¥35.9 billion. However, to ensure that our financial condition remained sound, we added to the catastrophe reserve by making an irregular provisioning of ¥29.5 billion. As a result, at the end of the term we recorded only a limited decline in the catastrophe reserve.

Ken Matsuzawa
President & CEO

Underwriting expenses fell 3.9% to ¥248.3 billion, primarily because of the reduction in costs related to IT investment. The expense ratio was 34.4%, a year-on-year decrease of 1.1 percentage points. Our underwriting balance (excluding compulsory automobile liability insurance), calculated by deducting net losses paid and underwriting expenses from net premiums written, showed a net loss of ¥12.7 billion in fiscal 2004. This was significantly down from the net gain of ¥41.3 billion that we posted in fiscal 2003; however, this result was clearly attributable to the exceptional number of natural disasters that struck Japan during the year. With regard to our asset management operations, gains from the sale of securities and revaluation loss on securities increased from ¥19.8 billion in fiscal 2003 to ¥53.4 billion in fiscal 2004. This reflected our proactive efforts to reduce relationship stocks to improve risk management.

The *"from ZERO—New Departures"* Medium-Term Business Plan

NIPPONKOA Insurance Co., Ltd. was established in April 2001 through a merger of The Nippon Fire & Marine Insurance Co., Ltd. and the Koa Fire & Marine Insurance Co., Ltd. We devoted the first three years following the new company's establishment to building a firm basis for future growth. In our fourth year, the fiscal year now under review, we began implementing ***"from ZERO—New Departures,"*** a medium-term business plan. This two-year plan, which runs through the end of March 2006, reflects our firm commitment to return to our fundamentals and start again from the beginning.

During fiscal 2004, the first year of this business plan, we continued the process of restructuring our sales network, and implemented further upgrades of our IT infrastructure designed to enhance our customer service capabilities and improve our operating efficiency. We also took steps to reinforce our ability to respond to accidents by introducing a new claims-handling system and fundamentally reorganizing our claims-handling procedures. Moreover, to further strengthen our customer service capabilities, we decided to establish the largest customer call center in the industry, and are working quickly to expand the number of our overseas offices in China so that we can more effectively support the international operations of our customers who have established businesses there.

Our main priority in fiscal 2005, which ends on March 31, 2006 and is the final year of the current business plan, will be to improve profitability by expanding both the number and the quality of our products and services.

We are presently focusing most of our management resources on the domestic Japanese market. In the future, we will continue striving to achieve higher levels of customer satisfaction by taking active measures to reinforce our sales system, enhance our claims-handling services, and restructure our sales networks. At the same time, we will devote ourselves to developing new products and services that meet the needs of our customers. Our aim will be to improve profitability by achieving lower loss ratios through prudent underwriting and thorough claim assessment, as well as by reducing operating expenses through investment in an upgraded IT infrastructure, and by reforming our business processes. Based on our results in fiscal 2004, we have revised the numerical targets in our medium-term business plan. Our new targets call for achieving net premiums written of ¥730 billion, an underwriting balance (excluding compulsory automobile liability insurance) of ¥40 billion, ordinary profit of ¥29 billion, net income of ¥16 billion, and adjusted return on equity (ROE) of 5.5% by the end of March 2006.

Group Companies Respond to Diverse Client Needs

With regard to Group management, one of the main strategies we implemented in fiscal 2004 was the acquisition and inclusion of Sonpo 24 Insurance Co., Ltd. as a consolidated subsidiary. In July 2004, NIPPONKOA acquired the shares of Sonpo 24's predecessor company, Yasuda Direct General Insurance Co., Ltd., which had originally been established as a joint venture between Direct Line Group Ltd. and Meiji Yasuda Life Insurance Company, thus making it a wholly owned subsidiary of NIPPONKOA.

Sonpo 24 is engaged, like NIPPONKOA, in the non-life insurance business, but is distinguished from NIPPONKOA by a product line that features very simple, straightforward coverage at prices that appeal to cost-conscious consumers. We expect that the addition of Sonpo 24 will prove highly effective in helping our corporate Group to attract and serve customers with a broader range of needs. Sonpo 24 is engaged in developing a unique business model that combines direct marketing and intermediary agency-based sales. We believe that as we reinforce the ties between Sonpo 24 and the rest of the NIPPONKOA Group, the new subsidiary will contribute significantly to the creation of new corporate value.

We regard life insurance as a core business in addition to the non-life insurance business, and we work very closely with NIPPONKOA Life Insurance Co., Ltd., one of our core Group companies, to offer a comprehensive combination of life and non-life insurance products. As of the end of March 2005, the total amount of business in force for NIPPONKOA Life was ¥2,914.8 billion. We believe that the life insurance business not only allows us to meet the needs of customers through expansion of the product line-up, but also to achieve stable business results by complementing the non-life insurance business, where performance can easily be affected by natural disasters. At present, our cross-selling ratio of both non-life and life insurance products is no more than 5%, so we are actively engaged in strengthening our marketing capability by promoting cooperation among Group companies and expanding our sales promotion system.

In a further step designed to strengthen the Group, in March 2005 we purchased an asset management company that had helped to establish hedge fund management in Japan. In April 2005, this firm made a fresh start under the new name ZEST Asset Management Limited. The purpose behind this move was to lay the groundwork for future growth in Group business, both by reinforcing our own asset management capabilities and by developing new sources of revenue by serving the needs of institutional investors in Japan, where demand for alternative investments has been increasing in recent years.

With regard to our consolidated results for the fiscal year ended March 31, 2005, including Sonpo 24, NIPPONKOA Life and our other consolidated subsidiaries, we posted ordinary profit of ¥21.6 billion, and net income of ¥13.4 billion.

Basic Business Policies and Corporate Governance

The NIPPONKOA Group will continue to pursue its goals of improved profitability and steady, stable business expansion. At the same time, we will aim to increase corporate value by fulfilling our corporate social responsibilities as we carry out our business. Our goal is to be a company that is trusted by society and that remains the first choice of our stakeholders.

In April 2005, we established the CSR Office to further reinforce our corporate social responsibility (CSR) efforts. This new office will promote CSR initiatives on a company-wide basis, and ensure that all our employees achieve a common understanding of CSR issues.

We will continue in the future to conduct our business activities in an upright and ethical manner, and by earning the trust and fulfilling the expectations of our customers, will establish a firm foundation for growth in the face of intensifying competition in the non-life insurance industry. The management of NIPPONKOA is committed to doing everything in its power to meet the expectations of our shareholders, and we look forward to your continued support and understanding.

August 2005

Ken Matsuzawa

Ken Matsuzawa
President & CEO

Strategies in Focus

An outline of NIPPONKOA's medium-term business plan entitled ***"from ZERO – New Departures,"*** which is being implemented over the two years that began in April 2004, is described in the To Our Shareholders section of this annual report. The following information provides a more detailed explanation of our business strategies.

1. INCREASING PREMIUM INCOME

NIPPONKOA believes that a central key to enhancing profitability is to increase premium income. To achieve this, we have developed a number of strategies to expand market share in the face of the fierce competition that continues to characterize the non-life insurance industry in Japan.

(1) New Sales Channels

The most effective way to boost the number of new policies is to expand sales channels and increase our ability to contact potential customers.

The composition of the Company's sales channels as of the end of fiscal 2004 is shown below.

Sales channel	Proportion of premium income*1	Primary insurance lines
Financial institutions and their affiliated agencies	7.1%	Fire (particularly long-term fire insurance), etc.
Life insurance companies	4.0%	Voluntary automobile, personal accident, etc.
Corporation and transportation affiliated agencies	24.9%	Commercial lines: Fire, general liability insurance, etc. Group policy market: Personal accident, voluntary automobile
Car dealers and car repair shops, etc.	22.8%	Voluntary automobile, compulsory automobile liability
Core agencies, other general agencies, etc.	41.4%	Voluntary automobile, fire, personal accident, etc.

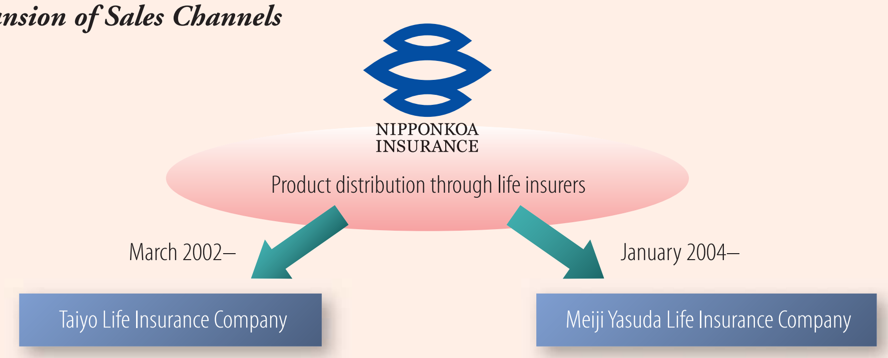
*1: Proportion of premium income is based on sales performance as of the end of March 2005 (excluding savings-type insurance).

The top two entries in the above chart, "Financial institutions and their affiliated agencies," and "Life insurance companies" represent newly developed sales channels. These two channels together accounted for 8.5% of premium income in fiscal 2003, but this component ratio grew sharply to 11.1% by the end of fiscal 2004.

With regard to sales through financial institutions and their affiliated agencies, one of NIPPONKOA's major strengths is the solid relationship established with influential regional banks and other financial institutions around the country. Marketing of insurance products through financial institutions only began in April 2001, but we expect that sales through these channels should continue to experience high growth, especially considering the potential for sales of other types of insurance products that can be sold through these routes in the future. We will continue to work closely with financial institutions to increase premium income from this source.

As for sales tie-ups with life insurance companies, NIPPONKOA concluded a marketing agreement with Taiyo Life Insurance Company in March 2002, and a similar agreement with Meiji Yasuda Life Insurance Company in January 2004. As a result, the sales personnel of these two companies are now actively involved in marketing NIPPONKOA's non-life insurance products. We are the only Japanese non-life insurer that has succeeded in creating marketing alliances with multiple major life insurance companies. This new sales channel has already generated a sharp increase in insurance premiums, and we anticipate that revenue from this source will continue to expand significantly in the future.

■ ***Expansion of Sales Channels***



The reason that NIPPONKOA has been free to follow a strategy of developing and maintaining close relations with influential regional financial institutions around the country, and has been able to establish marketing agreements with multiple major life insurance companies, is because it is not affiliated with any particular corporate or industrial group (*keiretsu*). In the future we will continue to take advantage of this independent status to pursue a variety of new business alliances aimed at increasing premium income.

(2) Existing Sales Channels

While NIPPONKOA is working to develop new sales channels on the one hand, the Company also believes that it is important to revitalize existing sales channels, which have had a long history of success. Sales of insurance products through automobile dealerships, car repair shops and also corporate affiliated agencies tend to be strongly affected by economic factors such as trends in capital investment, personal consumption, and so on. Our strategy for strengthening these channels is to consult closely with the parent companies of these affiliates, and fine-tune products and systems to meet their needs. Also, with regard to agencies for which the sale of insurance products is a side business, we are taking steps to enhance loyalty by helping provide support to their main businesses.

Core Agencies and other general agencies account for 40% of NIPPONKOA's premium income, representing an extremely important marketing channel. We have designated nearly 3,000 agencies across the nation as Core Agencies, based on criteria such as premium income, business capability and growth potential. These Core Agencies represent another facet of NIPPONKOA's major strengths. They are run by insurance sales professionals who are able to aggressively promote strategies through consulting-type sales, and by taking advantage of these Core Agencies' marketing abilities, we expect to reach an increasing number of customers nationwide.

(3) Offering Attractive Products

In order to win business from customers NIPPONKOA must offer attractive products. The Company's product development capability is highly regarded, and we take pride in the fact that all of the products we offer are among the most sought after in the industry.

The needs of NIPPONKOA's corporate customers vary widely depending on the scale and the type of their business. For relatively large corporations, we offer order-made consulting-type services, but for small- and medium-sized enterprises, we focus efforts on marketing packaged products that conduct a simple evaluation and provide a wide range of coverage. Corporate sales of packaged insurance products have grown significantly, and we forecast that this high growth rate will continue in the future.

For individual customers, it is extremely troublesome to try and find insurance products that provide adequate coverage against all the risks of everyday life. To meet these needs, we have developed a flagship package plan for each of the Company's product lines. One example is "FULL HOUSE," a value-added fire insurance product that provides wider coverage than conventional fire insurance products, and significantly reduces a customer's financial burden at the time of an accident. All of NIPPONKOA's offices have recorded steady sales of FULL HOUSE, and sales at banks have also remained strong. As a result, FULL HOUSE has become our mainstay personal fire insurance product.

We will continue to try and increase premium income by developing attractive products that meet the needs of the market.

2. EXPANDING THE UNDERWRITING BALANCE

The profitability of the insurance business is reflected primarily in its underwriting balance. We have taken firm steps to expand our underwriting balance by improving the loss ratio and expense ratio.

(1) Continuous Effort to Improve the Loss Ratio

The loss ratio is largely dependent on external factors such as economic and social conditions, natural disasters, and others. Nevertheless, we will strive to improve our loss ratio over the long term by means of prudent underwriting and thorough claim assessment.

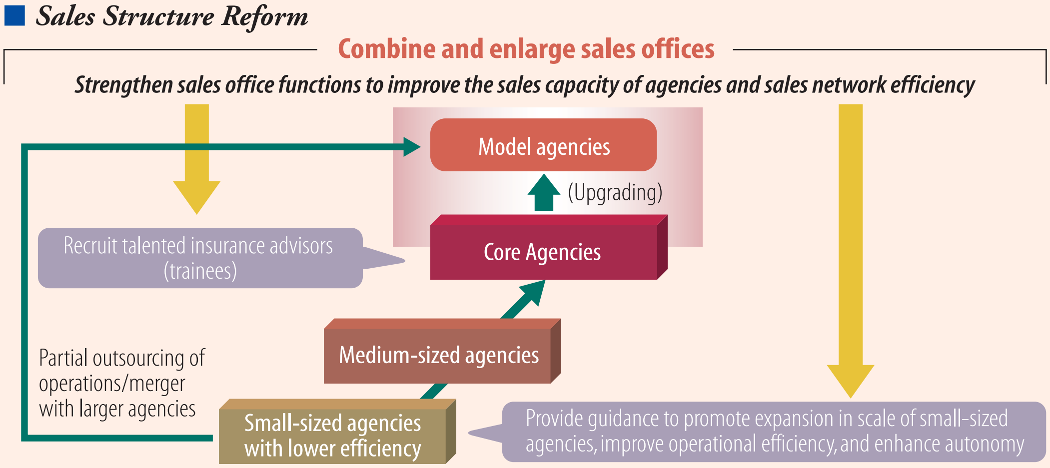
The Company also strives to pay claims as early as possible. Shortening the time required to settle claims not only improves customer satisfaction, but also helps reduce claim costs by, for example, reducing the number of days available to provide substitute automobiles.

(2) Business Process Reform

To improve company-wide operating efficiency and continuously reduce the expense ratio, NIPPONKOA is presently reviewing all of its business procedures in the areas of sales, claims-handling and other administrative operations, and is carrying out a fundamental reform of those operations in order to improve efficiency. The two main pillars of these reform efforts are Sales Structure Reform and Strategic Investment in IT.

The Sales Structure Reform program is designed to improve the quality and efficiency of NIPPONKOA's sales network by promoting an increase in the size and operational capability of agencies. Through a process of dialogue we are encouraging agencies to implement these measures in a smooth, systematic manner. We expect that an increase in large-scale agencies with strong operational capability and a decrease in the number of inefficient small-sized agencies will significantly boost the efficiency of sales activities in all offices of NIPPONKOA.

■ ***Sales Structure Reform***



	March 2002	March 2003	March 2004	March 2005
Number of agencies	56,109	52,172	48,901	40,371

The second pillar of Business Process Reform is strategic investment in IT infrastructure. This is motivated by the belief that a solid IT infrastructure is a key to raising levels of efficiency throughout the Company. To accomplish this, from fiscal 2003 to fiscal 2005 NIPPONKOA will invest a total of ¥30 billion to build and install a state-of-the-art IT infrastructure.

This IT development project is proceeding smoothly. Installation of improved basic facilities has already been completed, and a new web-based agency system, a new claims-handling system, and a new customer data management system have been developed and are now operational. These results will enable us to take full advantage of our database to improve the effectiveness of marketing efforts, and will significantly enhance the efficiency of administrative operations.

(3) Building an Efficient System of Sales Bases and Human Resources

At the time of the merger in April 2001, the Company streamlined operations and improved efficiency by consolidating many sales offices and claims-handling offices. The number of new hires also was limited as part of an effort to more effectively allocate human resources.

The number of sales personnel was increased slightly in fiscal 2004 to take better advantage of the opportunities presented by the successes realized through the new life insurance company sales channels. These staff increases are being monitored carefully to ensure that the benefits outweigh the costs.

NIPPONKOA will continue seeking to improve the efficiency of its sales bases and allocation of human resources. We will place special emphasis on the aggressive implementation of the Business Process Reform strategy, through which we hope to dramatically improve overall operational efficiency and reduce human resource requirements.

	As of April 1, 2000	As of April 1, 2001 (merger)	As of April 1, 2002	As of April 1, 2003	As of April 1, 2004	As of April 1, 2005
Sales bases*1	522	323	321	316	301	291
Claims-handling bases*1	280	204	208	203	194	187

*1: Two or more offices in the same building are counted as one base.

	As of March 31, 2000	As of March 31, 2001	As of March 31, 2002	As of March 31, 2003	As of March 31, 2004	As of March 31, 2005
Number of employees*2	9,009	8,351	7,818	7,612	7,480	7,520

*2: Figures do not include agency trainees and sales personnel.

3. ASSET MANAGEMENT STRATEGIES

NIPPONKOA's main objective with regard to asset management is to improve return on risk. To do this efficiently, and effectively we have classified the assets the Company manages into the following three categories.

■ **Deposit Premium Account: Yen-Denominated Bonds, Short-Term Financial Products, etc.**

Assets in this category are derived from the deposit premiums of savings-type policies, for which funds must be repaid upon maturity. The Company's priorities in managing assets in this category are to secure the expected yield promised to the policyholders and to ensure a stable spread. To do this, we focus on minimizing risk while paying careful attention to the matching of assets and liabilities.

■ "Pure Investment Assets" in the General Account: Yen-Denominated Bonds, Foreign Currency-Denominated Bonds, "Purely Invested" Stocks, Alternative Investments, etc.

Pure investment assets in the general account have two functions: they must provide adequate liquidity to cover payment of insurance claims, and they should contribute to a stable expansion in the Company's net asset value. Therefore, asset managers have more freedom in choosing investments and allocating assets in this category as compared with those in the Deposit Premium Account. NIPPONKOA's objective in managing pure investment assets is to achieve high returns over the long term within a specific range of risk, and this is accomplished through flexible asset allocation and the careful hedging of risk.

With regard to medium-risk medium-return investments, the Company is focusing on alternative investments such as hedge funds, and in fiscal 2004 acquired an asset management company with particular expertise in this field.

■ "Other Assets" in General Account: "Relationship Stocks," Real Estate, etc.

Japanese non-life insurance companies have traditionally invested in the stocks of their corporate customers. By supporting their customers in this manner, insurance companies have sought to achieve stable growth in insurance business from those customers, while also sharing in their profits as shareholders.

Japan's economy has matured, however, and the performance gap between various companies has expanded significantly. It has become necessary, therefore, to carefully scrutinize the profitability of each corporate account and ensure that we receive a sufficient return from their insurance business to justify continued investment. Moreover, holding a large number of shares exposes the Company to greater risk from price fluctuations. From the viewpoint of controlling risk, we believe that reducing investment in risk assets such as relationship stocks is an important management priority.

By allocating the funds generated by selling off assets such as relationship stocks and real estate to "Pure Investment Assets" described above, we will create a more efficient investment portfolio, and enhance the capital efficiency of the Company as a whole.

■ *Type of Investment Assets*

	Deposit premium account	General account	
		Pure investment	Other
Major assets	Yen-denominated bonds, short-term funds, etc.	Yen-denominated bonds, foreign currency-denominated bonds, purely invested stocks, alternative investments, etc.	Relationship stocks, real estate, etc.
Investment policy	Secure stable spreads while matching assets and liabilities	Improve the return on risk	Reduce the balance of these investments, while monitoring investment efficiency
Marked-to-market balance (as of March 31, 2005)	¥1,227.3 billion	¥631.3 billion	¥1,171.0 billion

4. LIFE INSURANCE BUSINESS

NIPPONKOA regards life insurance to be one of its core businesses, on a par with its non-life insurance business. We believe that the life insurance business not only allows us to meet the needs of customers through expansion of the product line-up, but also to achieve stable business results by complementing the slightly more volatile nature of the non-life insurance business.

NIPPONKOA Life Insurance Co., Ltd., the Company's wholly owned subsidiary, has been working through the agencies of the parent company to attract new customers, and these efforts have resulted in a steady increase in new business. Even with these gains, however, the number of life insurance customers is still extremely small as compared with non-life insurance customers. This indicates that as a Group, a great deal of potential remains to be exploited. Non-life insurance customers represent a large pool of potential customers for NIPPONKOA Life, and we believe that there is ample room for continued expansion in the amount of business in force from this source.

In the future the Company will work to strengthen collaboration between NIPPONKOA Life and NIPPONKOA. We will help agencies to better understand the life insurance products and to improve their sales techniques, while supporting their efforts to actively urge current non-life insurance customers to consider buying life insurance products.

5. SONPO 24 INSURANCE CO., LTD.

In July 2004 a new member joined the NIPPONKOA Group. The new addition is Sonpo 24 Insurance Co., Ltd., a firm that specializes in providing voluntary automobile insurance with low premiums and straightforward coverage.

Sonpo 24 will help to strengthen the Group's main non-life insurance business. NIPPONKOA already offers voluntary automobile insurance with a comprehensive compensation package. The addition of Sonpo 24 meets the needs of price-conscious customers, as well as customers whose main concern is acquiring a high level of coverage.

Although Sonpo 24 markets its products by telephone and over the Internet, it also sells through intermediary agencies. This allows it to attract customers who are price conscious, but who are uneasy about shopping by phone or over the Internet. Further, through Sonpo 24, NIPPONKOA expects to be able to establish relationships with many new agencies with which it has had no previous business relationship.

Sonpo 24 is a recently formed company and therefore is still running in the red. However, we will work to strengthen its ties with the Company and help it move into the black as soon as possible.

6. EVALUATING RISK AND ENSURING ADEQUATE CAPITAL

As a non-life insurance company, NIPPONKOA must always be aware of how much capital it needs to cover retained risk, and it is vital for the Company to be able to verify that its actual solvency margin is large enough to maintain the soundness of operations.

To accomplish this, NIPPONKOA uses a method called Dynamic Financial Analysis to evaluate and manage overall risk. Dynamic Financial Analysis involves simulating changes in various parameters such as claim occurrence levels and asset management performance in order to predict changes in capital levels.

Using this method, the amount of retained risk is defined as being equivalent to the reduction in capital the Company would incur in a once-in-a-century worst-case scenario. We regularly monitor capital to ensure that it is kept at an adequate level. An analysis of our solvency margin at the end of March 2005 confirmed that the Company has sufficient capital to continue business operations with virtually no disruption, even in the event of a once-in-a-century worst-case scenario in 2005. As a result, we believe that the Company has an adequate capital to cover its retained risk.

In the future NIPPONKOA will strive to reduce retained risk by cutting back on holdings of risk assets such as "Relationship Stocks," and will make every effort to increase profitability so as to maintain a high degree of freedom in capital policies and strategic investments.

7. SHAREHOLDER RETURN

With regard to shareholder returns, in the last six years, NIPPONKOA has repurchased 10 million shares each year for a total repurchase of 60 million shares. Of these, 40 million shares have already been canceled. Shareholder dividends in fiscal 2004 were ¥7.5 per common share, for a dividend payout ratio of 42%.

NIPPONKOA will continue to strive to provide stable shareholder returns that appropriately reflect profitability, while ensuring that adequate capital is retained.

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004
Cash dividends (per share, yen)	¥5.8 billion (¥7.0)	¥5.8 billion (¥7.0)	¥6.1 billion (¥7.5)	¥6.0 billion (¥7.5)
Share repurchases (number of shares)	¥4.3 billion (10 million shares)	¥4.3 billion (10 million shares)	¥6.0 billion (10 million shares)	¥6.5 billion (10 million shares)
Total shareholder return	¥10.2 billion	¥10.1 billion	¥12.1 billion	¥12.6 billion

10 million shares have been repurchased each year since 1999, for a cumulative total of 60 million shares.

Total shares issued: 833,743 thousand (As of March 2005, including treasury stocks)

Cautionary Statement

This publication contains estimates, projections, targets, and other figures and statements related to the plans and future performance of NIPPONKOA Insurance Co., Ltd. (the "Company"). These estimates, projections, etc., are not historical facts. Rather, they are forward-looking figures and statements based on the Company's assumptions and beliefs in light of the information currently available to it.

Accordingly, these figures and statements involve risks and uncertainties and do not guarantee actual future performance results. The Company cautions you that a number of factors could cause actual performance results to differ materially from those contained in this publication. Such factors include, but are not limited to, the items listed in "Information on Risks and Uncertainties Related to Operations" on page 38 of this annual report.

Taking Our Responsibilities to Heart

NIPPONKOA's medium-term business plan, ***"from ZERO—New Departures,"*** presents a vision for the medium to long term, emphasizing stable, sustainable growth and increasing profitability, fulfillment of corporate social responsibilities, and development as a company that is chosen and trusted by all its stakeholders. In accordance with this vision, we are working to build an effective corporate governance structure, ensure full compliance and reinforce our risk management systems, as well as to provide appropriate disclosure, address environmental concerns and actively contribute to society.

In April 2005, we established the CSR Office under the auspices of the Chief Executive's Office. This new administrative body will take the lead in promoting CSR initiatives throughout the Company by clarifying the directions and goals of our CSR measures and communicating an understanding of these to all our employees in order to enhance their effectiveness.

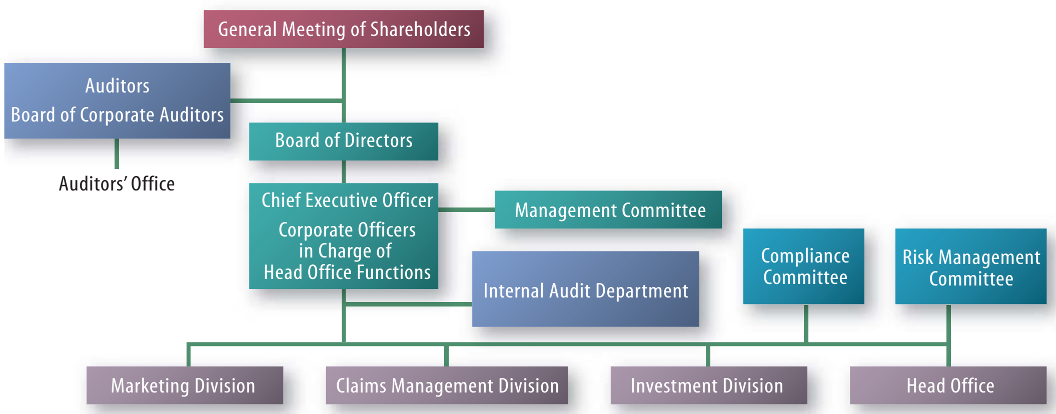
CORPORATE GOVERNANCE

The Company's fundamental responsibilities are to maintain fair, efficient business practices and to earn the trust and meet the needs of customers and society. We are building a more effective corporate governance structure in recognition of these responsibilities.

Corporate Governance Structure

NIPPONKOA has instituted a corporate officer system in which corporate officers manage the Company's operations under the direction of the chief executive officer. The responsibilities of the corporate officers are separated from those of the Board of Directors, who supervise and monitor the Company's operations, in order to expedite decision-making and delineate authority and accountability clearly.

Board members are appointed for one-year terms to enable management to react flexibly to changes in the business environment and to clarify the board members' responsibilities. The corporate governance structure is as follows:



- Two of the ten directors and two of the five corporate auditors are from outside the Company.
- The Board of Directors holds regular meetings twice a month and has the flexibility to convene extraordinary meetings as the need arises. The Management Committee comprising representative directors, corporate officers in charge of Head Office functions and other executives has also been established to discuss important issues involving operations.
- Outside experts such as lawyers and accounting auditors contribute to enhanced corporate governance by providing the Company with advice and by monitoring various aspects of management.
- A number of committees, each headed by a representative director or corporate officer responsible for operations, have been organized to reinforce initiatives with respect to various management issues. These include the Compliance Committee, Risk Management Committee and Information Disclosure Committee.

Industry-Leading Initiatives

In June 2004, the Company implemented a major revision of its system of remuneration for directors and officers to ensure greater transparency and objectivity. Among the changes, it raised the ratio of performance-based compensation to full remuneration for all directors and corporate officers and instituted a system that links their remuneration directly to prescribed business indicators. The Company has also led the non-life insurance industry in introducing a stock compensation plan involving stock options, with the aim of enhancing corporate value over the long term. The former retirement bonus plan for directors and officers was consequently abolished.

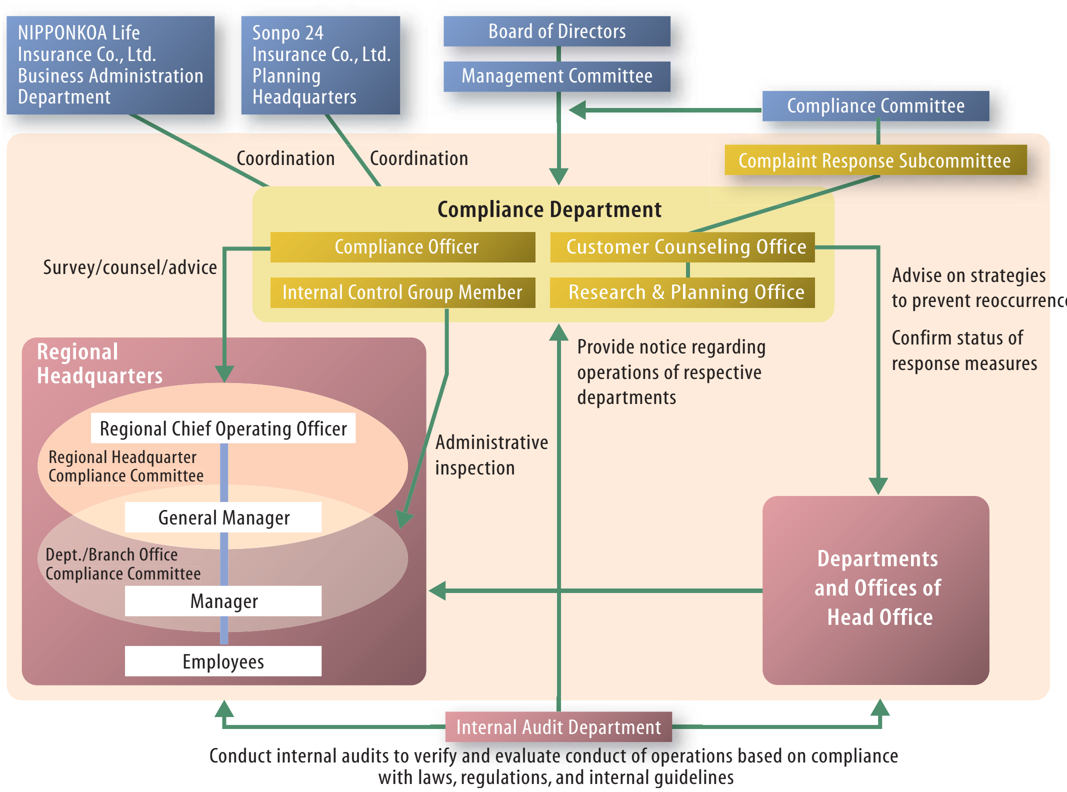
COMPLIANCE

The insurance business is a highly social and public business, and companies in this industry have a duty to contribute to society and the economy through healthy, proper business operations. As financial liberalization progresses and regulations relax, it is essential that financial institutions assume a strict posture incorporating the principle of self-responsibility.

Fully cognizant of this need, NIPPONKOA has positioned strengthening compliance to enhance the trust placed in it by customers and society as one of its highest management priorities. In his role as chairman of the Compliance Committee, the president provides leadership for the Company as a whole in these efforts.

Compliance Structure

The Compliance Department conducts surveys, provides counseling and offers advice concerning compliance with laws and regulations for the ten regional headquarters throughout Japan, as well as for the departments and branches under their authority. Compliance officers who report directly to the Compliance Department have also been assigned to each of the regional headquarters to reinforce the supervisory function. Each department head has been given responsibility for compliance as a means of ensuring a firm compliance structure.



Compliance Initiatives

The compliance program is revised each fiscal year, with compliance measures based on the annual program initiated through a variety of means.

NIPPONKOA has implemented a system of voluntary inspection of operations, with the Compliance Department conducting inspections to ensure the appropriateness of the Company's administrative procedures. A compliance manual with practical guidance for legal and regulatory compliance has also been distributed to employees and agents. Issues that arise in the course of daily operations are discussed at compliance meetings held at every workplace, helping to create a corporate environment with heightened awareness of compliance and to ensure its constant observation. Any case of improper conduct is met with stern measures, the introduction of policies to prevent reoccurrences and companywide disclosure of the incident. We have also established a Complaint Response Subcommittee to investigate the circumstances of any complaints, analyze their causes and implement measures to prevent reoccurrence.

A new law for the protection of personal information was enforced in Japan in April 2005, drawing greater attention to issues concerning the handling of personal information. NIPPONKOA has responded by appointing a Chief Privacy Officer (CPO) responsible for ensuring the proper handling of customer information and by establishing a department to oversee operations.

RISK MANAGEMENT

Financial deregulation and ongoing globalization have brought significant changes to the business environment, making the risks incurred by non-life insurance companies increasingly diverse and complex. Faced with these changes, NIPPONKOA adheres to a strict regimen of risk management, implemented in recognition of the importance of sound business operations and steady earnings growth to acquire widespread trust among its customers and markets.

Basic Risk Management Policies

The following basic policies have been adopted to strengthen and enhance risk management:

1. Remain fully alert to the possibility that changes in the insurance business environment could lead to operational risk, and conduct risk management as a means of dealing with such changes quickly and accurately.
2. Analyze and evaluate risks properly, once they have been accurately identified, and make every possible effort to construct and introduce rational, quantifiable methods.

3. Move to prevent the generation and/or escalation of losses by alleviating and exposing risks from the standpoint of efficient and effective operations.
4. When it is necessary to incur risk intentionally in order to maintain and expand earnings opportunities, endeavor to ensure that the risk is maintained at an appropriate level.
5. Act aggressively to minimize risks with the potential to exert a direct influence on customers in order to gain and/or retain customer trust.

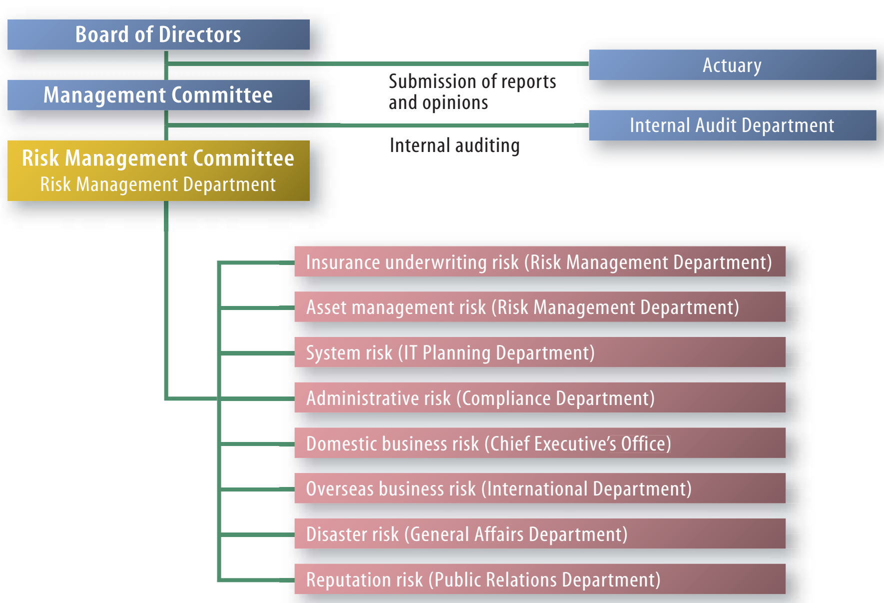
Risk Management Structure

NIPPONKOA divides the risks to which it is exposed in the course of its operations into eight categories for purposes of management: insurance underwriting risk; asset management risk; system risk; administrative risk; domestic business risk; overseas business risk; disaster risk; and reputation risk. Each department with operations exposed to these risks acts appropriately to recognize, analyze, evaluate and manage them.

The Risk Management Committee maintains comprehensive control over the risk management status of every department throughout the Company. This multilayered management approach produces a risk management structure that is closely connected to management decision-making, thus strengthening risk management.

NIPPONKOA employs the Dynamic Financial Analysis (DFA) model* to quantify risk more accurately. This is combined with more sophisticated methods of profitability management to provide integrated risk management that contributes to an efficient, effective allocation of management resources.

*DFA model: A model that simulates profits and losses repeatedly based on an array of economic scenarios in order to optimize the dynamic risk/return relationship throughout the Company.



ENVIRONMENTAL INITIATIVES AND SOCIAL CONTRIBUTIONS

NIPPONKOA demonstrates its worthiness of the trust placed in it by customers and society by pursuing a variety of environmental initiatives and social contribution activities, with special emphasis placed on fulfilling its social responsibilities as an insurance company.

Environmental Initiatives

Environmental Management System

NIPPONKOA has implemented an Environmental Management System (EMS) in accordance with ISO 14001 standards to promote environmentally friendly corporate activities, as specified in its Guiding Principles. The Company received ISO14001 certification for its Head Office building in June 2002, and as of June 2005 acquired certification for more than 300 locations nationwide.

Insurance Products and Services

NIPPONKOA strives to reduce the environmental burden and prevent pollution stemming from its operations, while contributing to society through its insurance business, as the primary aspect of its social mission.

To this end, the Company directs concerted effort to developing insurance products and services that introduce measures beneficial to the environment through the insurance business. The following are examples of these products and services offered during fiscal 2004:

- Premium discounts in the new Business Master product for companies that have acquired ISO 14001 certification.
- Launch of NK Recycle Net, an online service that supports efforts to achieve the objectives of the Automobile Recycling Law, which went into full effect in 2005.

Publication of the Environmental Report and Information Bulletins

NIPPONKOA provided up-to-date environmental information through the publication of the *NIPPONKOA Environmental Report 2004,* which details initiatives related to environmental problems and their results, and of the *Environmental Risk Review,* in connection with the Company's environmental risk management program. In November 2004, the Company sponsored an environmental seminar on managing the risks generated by global warming and other environmental concerns as part of efforts to contribute to sustainable social and economic growth.

Forest Protection

Since 1996, the Company has managed the 12.7 acre NIPPONKOA Forest in the foothills of Mt. Yatsugatake in Nagano Prefecture. Under a program administered by Japan's Forestry Agency, the Company will raise Japanese larch and broad-leaved trees there for 34 years, after which the profits generated by harvesting the trees will be shared between the Company and the government and used to support further forest development initiatives.

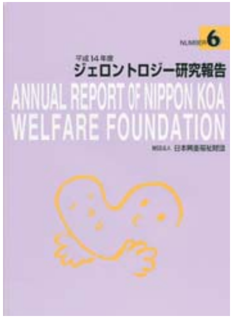
In 2002, the Company introduced a forest workshop to give employees and their families an opportunity to experience forests firsthand and to encourage them to become actively involved in forest preservation.

Social Contributions

The Omoiyari Club

The Omoiyari Club was founded in 1996 to provide matching gifts to organizations that contribute to society. A certain amount of each club member's monthly salary is donated to such organizations, and the donation is matched by the Company based on the concept that both parties should participate as one in social contribution activities. Over the past nine years, the club has donated a total of ¥28 million to 283 organizations involved in social welfare, environmental conservation and philanthropic activities overseas. The club also donated ¥10 million for relief efforts following the earthquake off the coast of Sumatra and the resulting tsunami in December 2004.

Omoiyari Club member visited a day-care center



Gerontology Research Report

NIPPONKOA Welfare Foundation

The NIPPONKOA Welfare Foundation was established in 1991 to address social issues involving the elderly and to contribute to society through a variety of activities contributing to their welfare. Support provided by the foundation includes the following:

- Help for families caring for elderly members with senile dementia
- Scholarships for students who plan to become care workers
- Financial support for gerontology research

Cultural Activities

NIPPONKOA supports a variety of cultural activities in accordance with its corporate philosophy of contributing to the creation of true cultural wealth. During fiscal 2004, the Company co-sponsored a variety of art exhibitions, concerts, ballet performances and other events, including the following:

- Commemoration of Disabled Persons Day – International music festival featuring musicians from Eastern Europe (Japan-Romania cultural exchange concert)
- The 16th All-Japan Ballet Competition
- Nikikai Summer Concert
- Exhibition of the Staatlichen Kunstsammlungen Dresden

An art exhibition co-sponsored by the Company

Overview of Operations

NEW PRODUCTS AND SERVICES

NIPPONKOA actively offers the latest insurance products and services that quickly respond to a wide variety of needs for both individuals and corporations. New products and services are developed with support from a product committee composed of consumer representatives and experts, consumer surveys incorporating customer feedback, and other measures. Existing products and services are constantly being improved in response to changing requirements, ensuring that they always reflect accurately the insurance needs of customers.

KURUMAX

■ Revision of "KURUMAX" voluntary automobile insurance

The Company's voluntary automobile insurance, including the core KURUMAX product, was fully revised in June 2004 with enhanced coverage and a new price structure to make it a more customer-oriented product. In February 2005 we increased the premium discount for holders of "gold" driver's licenses (those with no violations for a fixed period) and introduced an installment payment plan for insurance premiums for long-term policies.

Reblock

■ Launch of "Reblock" insurance for homes and stores

A savings-type fire insurance for residential houses and stores, "Reblock" was launched in December 2004, offering exceptional compensation combined with a savings feature in the form of maturity payment. Along with coverage for all risks, from fire, flood and theft to damage and defacement, the product also offers such optional riders as injury and liability coverage, allowing for a flexible design to fit the needs of the customer.

Business Master

■ Launch of "Business Master" insurance for business activities

The "Business Master" product was launched in November 2004 to provide complete coverage for operating risks incurred by small- and medium-sized businesses. This single policy offers comprehensive coverage for a variety of risks, from movable property damage to loss from suspension of operations, liability, and injury to executives and employees. The product can provide uniform coverage for numerous office locations and provides premium discounts for businesses with ISO9001 and ISO14001 certifications.

e-Business Pack Overseas Travel Insurance

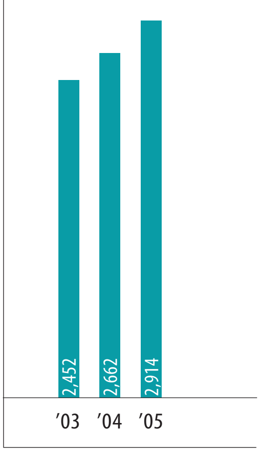
■ Launch of "e-Business Pack Overseas Travel Insurance"

In February 2005, the Company launched a product designed specifically for corporate employees on overseas assignments, "e-Business Pack Overseas Travel Insurance." Notifications of the insured and issuance of policy documents are all conducted over the Internet, greatly simplifying the procedures and permitting swift coverage even for sudden business trips. The product also offers a flexible pricing schedule, with premiums as much as 45% lower than conventional overseas travel insurance.

Launch of M-5 (Management 5) risk management assessment service

The M-5 (Management 5) risk management assessment service was launched in December 2004 to support corporate crisis management programs. Companies respond to a questionnaire with approximately 60 questions, each covering five areas of their crisis management structure. NIPPONKOA then analyzes their management based on the responses and provides an assessment report with specific points of advice. The five areas assessed are risk management (internal regulations), business continuation management, compliance, information security, and provision against accidents or disaster risks.

Amount of business in force
(Total individual insurance/annuity)
Billions of Yen



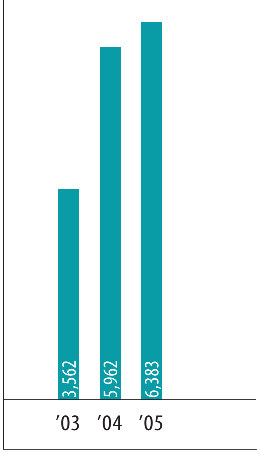
GROUP STRATEGIES

NIPPONKOA focuses on both life and non-life insurance in Japan in its efforts to ensure continued business expansion and greater earnings capacity for the entire NIPPONKOA Insurance Group. To this end, we are focusing on two strategic subsidiaries and are strengthening cooperation between them. NIPPONKOA Life Insurance Co., Ltd. handles the life insurance business, which stands alongside non-life as one of our core businesses, while Sonpo 24 Insurance Co., Ltd. sells voluntary automobile insurance through a new business model utilizing intermediary agencies.

NIPPONKOA Life Insurance Co., Ltd.

NIPPONKOA Life Insurance has continually increased the amount of business in force since its establishment in 1996 by strengthening its sales structure and developing new products. Cooperation between NIPPONKOA Life Insurance and the Company facilitates cross-selling of life and non-life insurance, while new product development and other product strategies contribute to further growth and a stable earnings model. In tandem with its efforts to improve customer satisfaction, NIPPONKOA Life Insurance is strengthening its efforts in compliance and risk management, earning the trust of customers.

Net premiums written
(Total voluntary and compulsory automobile liability insurance)
Millions of Yen



Sonpo 24 Insurance Co., Ltd.

NIPPONKOA acquired a majority of shares in Yasuda Direct Genaral Insurance Co., Ltd. in July 2004, renaming it Sonpo 24 Insurance Co., Ltd. and making it a subsidiary. Sonpo 24 employs a new business model utilizing independent intermediary agencies, mass media and the Internet to conduct direct sales of voluntary automobile insurance featuring straightforward coverage and a reasonable price. Its strength lies in the high-quality customer service it is able to offer through cooperation with our claims-handling department.

NIPPONKOA will continue to offer voluntary automobile insurance with full compensation, such as KURUMAX, while Sonpo 24 will specialize in voluntary automobile insurance with straightforward coverage and affordable prices, thereby allowing the NIPPONKOA Group to serve the diverse needs of all its customers.

自動車保険、かしこく選べば。
そんぽ24

Hanakoara is a trademark of Sonpo 24

RELATED BUSINESS OPERATIONS

NIPPONKOA also engages in businesses that supplement and strengthen the insurance business, such as defined contribution pension plans, investment trust fund sales and investment advising. Our initiatives in these complementary business fields allow for the creation of synergies and respond to the varied needs of customers.

Defined Contribution Pension Plans

A defined contribution pension plan system, similar to the 401(k) plans in the United States, was introduced in Japan in October 2001. NIPPONKOA took advantage of this development to begin offering a full service for clients that included consulting on introducing the new system, administration and management, as well as investment education for employees. In June 2003 we launched the "NIPPONKOA DC Economy Plan" as a backup to the introduction of the 401(k) system in small- and medium-sized enterprises. This plan offers a single set of pension terms available to numerous companies, reducing costs and simplifying administrative procedures. It has enjoyed a favorable reputation, mainly among small- and medium-sized enterprises. We have also been actively promoting business collaboration by encouraging joint implementation of administrative functions and product offerings with friendly financial institutions in order to promote outsourcing of 401(k) management and strengthen ties.

Investment Trust Fund Sales

NIPPONKOA began selling investment trust funds in April 2001 in anticipation of the changing needs of ever-diversifying financial institutions. In January 2003 the Company began selling a savings-type trust fund (in which an investment trust fund is purchased automatically through regular withdrawals of ¥10,000 or more directly from the customer's bank account). Introduced as a means of diversifying the sales methods for investment trusts, this service has been well received for the way it allows for lower purchase amounts, equalizes the price fluctuation risk, and lowers the transfer load cost for payments. We will continue to promote our trust fund sales, focusing on savings-type trust funds as the mainstay products.

ZEST Asset Management Limited

In March 2005 the NIPPONKOA Insurance Group acquired all shares of Sojitz Asset Management Ltd., an asset management company specializing in fund-of-funds and a pioneer in the use of hedge funds in Japan. The acquisition was made to develop a new asset management business and to strengthen our asset management capabilities, and the company was renamed ZEST Asset Management Limited.

ZEST Asset Management began operations in April 2005, responding to the needs of institutional investors seeking absolute return regardless of market fluctuations and increasing the added value of the NIPPONKOA Group by offering information on such alternative investments as hedge funds. Personnel exchanges with ZEST Asset Management, which has superior know-how in selecting hedge fund managers, will enhance the asset management capabilities at NIPPONKOA and will also allow it to play a key role in outsourcing operations for the NIPPONKOA Group.

ZEST Asset Management

MEASURES TO IMPROVE CUSTOMER SATISFACTION

NIPPONKOA considers the customer to be the center of all operations and implements a variety of measures to improve customer satisfaction in all aspects of its business. A few of these initiatives are introduced below.

Reforming the Claims-Handling Services

The true worth of insurance is demonstrated at the time of an accident, and in recognition of this fact NIPPONKOA has revised its claims-handling structure by introducing an industry-leading system to enhance customer response capabilities immediately following an accident and afterward. New claims-handling systems were introduced for fire and personal accident insurance and voluntary automobile insurance in July and December 2004, respectively, significantly improving customer service in response to accidents. The introduction of these systems was accompanied by a fundamental reform of the claims-handling structure, and we are pursuing further advancements through the introduction of an industry-leading operational process to ensure fast and accurate accident response and quick payment of claims.

Efforts to Improve Administration

Non-life insurance companies that offer a large number of insurance products need their agents and employees to have accurate knowledge of products to be able to recommend the product best suited to the customer's need and to handle administrative procedures accurately and quickly after the policy has been concluded. NIPPONKOA has undertaken a comprehensive project of administrative improvement aimed at ensuring operational quality of the highest standards in industry and earning the trust and support of customers. These efforts will help eliminate and prevent administrative errors and irregularities, as well as raise awareness regarding improving administrative quality and minimizing administrative risk among all members of the Company. Administrative training for agents is also being strengthened as a means of increasing response capabilities.

Improving Convenience in Policy Procedures

In its product development, NIPPONKOA seeks not only to improve coverage, but also to enhance customer convenience by improving the various forms and administrative systems. During fiscal 2004 we improved policy documentation in order to help customers better understand the content of the policies, and we simplified policy procedures by unifying forms and implementing an automatic application creation system linked to estimates.

Better Customer Satisfaction through Direct Feedback

NIPPONKOA conducts employee and regular agency surveys as a means of receiving direct feedback from the persons in daily contact with customers and makes the results available to the entire company. We have also placed a virtual "suggestion box" on our internal website for employees and agents to offer suggestions on any topic, and we received approximately 2,400 responses in 2004. The feedback and suggestions collected through these means are utilized in such diverse areas as product development and administrative improvement and contributes to the improvement of customer satisfaction.

INTERNATIONAL OPERATIONS

Worldwide Service Network

NIPPONKOA is expanding and strengthening its global network to support the international operations of customers. We operate 25 representative offices in 16 countries, with eight company affiliates and subsidiaries in selected countries, altogether providing a comprehensive range of expert insurance and related services. There are five overseas regions where we conduct insurance underwriting operations through our underwriting agencies, and nine countries where our subsidiaries and affiliates provide insurance services.

NIPPONKOA is also teaming up with leading insurance companies overseas, providing high-level services to customers worldwide.

Europe

In Europe, our wholly owned U.K. subsidiary, NIPPONKOA Insurance Co. (Europe) Ltd., offers a wide range of insurance services from its headquarters in London and branches in Belgium, France, Germany, Italy and the Netherlands. In other areas, such as Central and Eastern Europe, the Company has established strong alliances with predominant local insurance companies that serve as fronting companies for our operations. In addition, the Company utilizes leading local facilities to provide engineering and claims-settling services. This structure enables us to offer complete insurance services throughout Europe.

North America

Underwriting Agencies
United States: The Travelers Marine Corporation
Guam (United States): Nanbo Guam, Ltd.
Canada: Aviva Canada, Inc.

NIPPONKOA has served customers in the United States since opening its representative office in New York City 40 years ago. We continue to provide a wide range of insurance services, claim settlements and risk management in collaboration with leading insurance companies and agents in the United States, Canada and Guam. The Company also has offices in Los Angeles, Chicago and Toronto.

Asia and Oceania

Underwriting Agencies
Australia: CGU Insurance Limited
Singapore: NIPPONKOA Management Service (Singapore) Private Limited

The representative office in Hong Kong was our first overseas facility, established in 1961. We have steadily expanded our offices in Asia and Oceania and now have locations in Singapore, Kuala Lumpur, Jakarta, Taipei, Bangkok, Sydney, Melbourne, Manila, Hanoi, Ho Chi Minh City, Beijing, Shanghai and Shenzhen. In 2004, we opened offices in Dalian, Qingdao and Suzhou.

In Hong Kong and Indonesia, insurance services are provided directly by the Company's subsidiaries, while in Australia and Singapore we have obtained licenses to operate with the cooperation of local underwriting agencies.

Strengthening Sales Organizations in China

To take advantage of expanding economic growth and business potential in China, NIPPONKOA formed a business alliance in 2003 with AIU Greater China, a non-life insurance segment of AIG that has the largest network of any foreign-owned insurance company in China. We also established three new offices in China in 2004, in Dalian, Qingdao and Suzhou, increasing the total to six locations.

For 2006, we are preparing to obtain a sales license in Suzhou, which will enable us to provide our customers with more direct insurance services.

Reinsurance

Reinsurance is one of the essential parts of the Company's operations and is an important aspect of the business dealings with both domestic and overseas partners. NIPPONKOA has developed solid, long-term relationships with fellow insurance companies, allowing it to effectively diversify risks and provide reinsurance as needed. As for assumed business, we strive to be prudent and selective in our underwriting by focusing on the transparency of the risks involved.

Financial Review

This section outlines the operating results of the NIPPONKOA Insurance Group for fiscal 2004 (April 1, 2004–March 31, 2005), in terms of the financial results of the parent company as well as its life insurance subsidiary.

The translations of yen amounts into U.S. dollar amounts are included solely for convenience and have been made, as a matter of arithmetical computation only, at ¥107.89=US$1, the approximate rate prevailing at March 31, 2005.

1. KEY INDICATORS

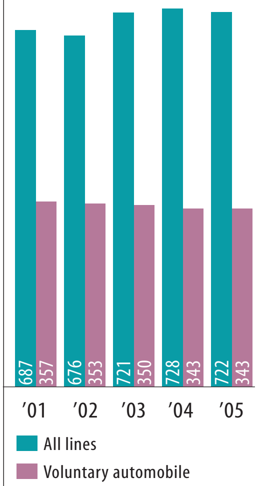
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Non-consolidated basis:			
Parent company			
Net premiums written	**¥722,858**	¥728,570	**$6,731,150**
Loss ratio*1	**64.5%**	53.4%	**64.5%**
Expense ratio*2	**34.4%**	35.5%	**34.4%**
Underwriting profit (loss)	**(35,962)**	11,744	**(334,881)**
Ordinary profit	**22,534**	45,797	**209,836**
Net income	**14,559**	15,885	**135,573**
Life insurance subsidiary			
Ordinary profit	**896**	1,263	**8,344**
Net income	**189**	25	**1,763**
Consolidated basis:			
Ordinary profit	**¥ 21,634**	¥ 49,390	**$ 201,456**
Net income	**13,467**	19,319	**125,407**

*1: Loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written x 100

*2: Expense ratio = (Operating and administrative expenses on underwriting + Net commissions and brokerage expenses) / Net premiums written x 100

2. NET PREMIUMS WRITTEN

Trend in net premiums written
(Parent company)
Billions of Yen



The following is a review of net premiums written in fiscal 2004:

Voluntary automobile insurance is the Company's main product line, and generates approximately 50% of total premium income. Although the average premium per vehicle fell in fiscal 2004 due to an expansion in premium discounts given to drivers with an excellent record, the number of insured vehicles increased 4.0% compared with fiscal 2003, resulting in a net gain for the year of 0.1%.

Further, premium income from the "Other" line rose 2.3% due to strong sales of general liability insurance and others. Net premiums from marine insurance also grew by 5.3% as the result of an increase in foreign trade.

On the other hand, personal accident insurance premiums fell 3.4%, continuing the trend from the previous fiscal year. This was mainly the result of a decline in sales of savings-type personal accident insurance products. Fire insurance premiums also decreased 4.2% as the result of an increase in reinsurance premiums ceded.

As a result, net premiums written for all lines fell 0.8%. On a consolidated basis, net premiums written declined 0.6%.

■ *Net Premiums Written*

	Millions of Yen				Thousands of U.S. Dollars
	2005			2004	2005
	Amount	**Change**	**% change**	Amount	**Amount**
Non-consolidated basis (Parent company):					
Fire	**¥109,010**	**¥ (4,791)**	**(4.2)%**	¥113,802	**$1,015,094**
Marine	**16,722**	**842**	**5.3 %**	15,880	**155,721**
Personal accident	**61,955**	**(2,207)**	**(3.4)%**	64,163	**576,920**
Voluntary automobile	**343,828**	**199**	**0.1 %**	343,629	**3,201,683**
Compulsory automobile liability	**112,674**	**(1,540)**	**(1.3)%**	114,214	**1,049,211**
Other	**78,665**	**1,784**	**2.3 %**	76,880	**732,518**
All lines	**¥722,858**	**¥ (5,712)**	**(0.8)%**	¥728,570	**$6,731,150**
Consolidated basis:					
All lines	**¥728,421**	**¥ (4,064)**	**(0.6)%**	¥732,486	**$6,782,950**

3. NET LOSSES PAID

Net losses paid in fiscal 2004 were strongly impacted by natural disasters. During the fiscal year under review, some ¥68.9 billion was paid out in claims because of the occurrence of a spate of natural disasters. As a result, our loss ratio deteriorated significantly.

On the other hand, the Company has been steadily working to lower its loss ratio by emphasizing appropriate underwriting, reinforcing its claims-handling capability, and implementing other loss control measures. Excluding the temporary influence of natural disasters, we maintained our underlying trend toward improvement in our loss ratio.

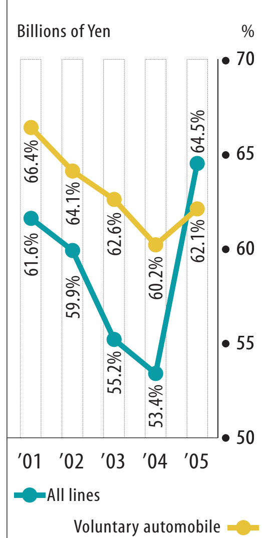
Losses paid for our mainstay product, voluntary automobile insurance, increased ¥4.6 billion compared with the previous year mainly due to natural disaster losses of ¥6.0 billion. This resulted in an increase in the loss ratio of 1.9 percentage points year on year. Fire insurance was most severely impacted by the rise in natural disaster losses, with its loss ratio increasing sharply by 50.9 percentage points.

As a result, the overall loss ratio increased 11.1 percentage points to 64.5%.

■ *Net Losses Paid*

	Millions of Yen					Thousands of U.S. Dollars
	2005			2004		2005
	Amount	**Change**	**Loss ratio**	Amount	Loss ratio	**Amount**
Non-consolidated basis (Parent company):						
Fire	**¥ 89,132**	**¥ 53,149**	**85.5%**	¥ 35,982	34.6%	**$ 829,988**
Marine	**6,665**	**(962)**	**41.2%**	7,628	49.5%	**62,070**
Personal accident	**23,575**	**(552)**	**42.7%**	24,128	42.3%	**219,535**
Voluntary automobile	**194,313**	**4,660**	**62.1%**	189,653	60.2%	**1,809,419**
Compulsory automobile liability	**66,007**	**16,873**	**64.6%**	49,134	48.5%	**614,650**
Other	**49,124**	**887**	**68.0%**	48,236	68.6%	**457,439**
All lines	**¥428,819**	**¥ 74,055**	**64.5%**	¥354,763	53.4%	**$3,993,103**
Consolidated basis:						
All lines	**¥432,404**	**¥ 75,736**		¥356,667		**$4,026,487**

Trend in loss ratio
(Parent company)



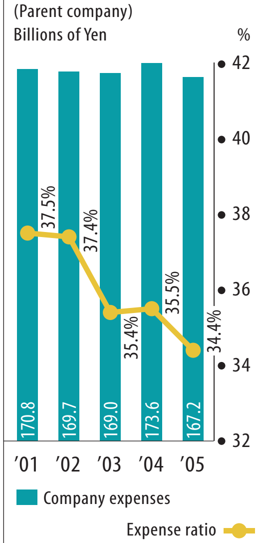
4. EXPENSES

The Company, in pursuit of its goal of low-cost operations, is making continuous efforts to reduce Company expenses.

Personnel expenses increased ¥0.8 billion in fiscal 2004 due to an increase in new hires to help promote product distribution through life insurance companies, and also due to higher personnel costs for claims-handling because of the many natural disasters that occurred in fiscal 2004. However, non-personnel expenses fell ¥7.2 billion. This was primarily the result of a ¥7.0 billion decline in large-scale strategic IT investment as compared with fiscal 2003.

As a result, the Company's expenses declined ¥6.4 billion compared with the previous fiscal year, lowering the expense ratio 1.1 percentage points to 34.4%. The expense ratio excluding the strategic IT investment was 34.0%.

Company expenses and expense ratio
(Parent company)



■ ***Expenses***

	2005			2004		2005
	Millions of Yen					Thousands of U.S. Dollars
	Amount	**Change**	**% of net premiums written**	Amount	% of net premiums written	**Amount**
Non-consolidated basis (Parent company):						
Underwriting costs and expenses:						
Net commissions and brokerage	**¥125,829**	**¥ (760)**	**17.4%**	¥126,589	17.4%	**$1,171,705**
Operating and administrative expenses on underwriting	**122,558**	**(9,210)**	**17.0%**	131,768	18.1%	**1,141,242**
Total	**¥248,387**	**¥ (9,970)**	**34.4%**	¥258,358	35.5%	**$2,312,948**
Company expenses:*1						
Personnel expenses	**¥ 88,293**	**¥824**	**12.2%**	¥ 87,468	12.0%	**$ 822,176**
Non-personnel expenses	**69,816**	**(7,214)**	**9.7%**	77,031	10.6%	**650,125**
Contributions	**516**	**(27)**	**0.1%**	544	0.1%	**4,807**
Taxes	**8,579**	**16**	**1.2%**	8,563	1.2%	**79,890**
Total	**¥167,206**	**¥ (6,401)**	**23.1%**	¥173,607	23.8%	**$1,557,000**
Consolidated basis:						
Company expenses*1(Total)	**¥178,029**	**¥ (2,398)**	**24.4%**	¥180,428	24.6%	**$1,657,786**

*1: Company expenses = Loss adjustment expenses + Operating and administrative expenses

5. UNDERWRITING PROFIT (PARENT COMPANY)

As a result of the foregoing, the underwriting balance (the amount of net premiums written minus net losses paid minus loss adjustment expenses minus expenses on underwriting) decreased ¥72.7 billion from the previous fiscal year to ¥8.0 billion, as shown below.

Underwriting profit fell by ¥47.7 billion, resulting in a net underwriting loss of ¥35.9 billion. The difference between underwriting profit in fiscal 2004 and that in fiscal 2003 remained less than the difference in underwriting balance because of a reversal from the catastrophe reserve.

Underwriting Balance/Profit

	2005 Amount	2005 % of net premiums written	2004 Amount	2004 % of net premiums written
			Millions of Yen	
Non-consolidated basis (Parent company):				
Net premiums written	**¥722,858**	**100.0 %**	¥728,570	100.0%
Less: Net losses paid & Loss adjustment expenses	**466,392**	**64.5 %**	389,374	53.4%
Less: Underwriting costs and expenses	**248,387**	**34.4 %**	258,358	35.5%
Underwriting balance	**¥ 8,077**	**1.1 %**	¥ 80,837	11.1%
Underwriting profit (loss)	**¥ (35,962)**	**(5.0)%**	¥ 11,744	1.6%

Underwriting Funds as of March 31, 2005

	Underwriting reserves Amount	Underwriting reserves Change	Of which premium reserve Amount	Of which premium reserve Change	Of which catastrophe reserve Amount	Of which catastrophe reserve Change	Reserve for outstanding claims Amount	Reserve for outstanding claims Change
					Millions of Yen		Millions of Yen	
Non-consolidated basis (Parent company):								
Fire	¥ 435,787	¥ 5,356	¥345,948	¥11,821	¥ 89,839	¥(6,465)	¥ 34,986	¥ 6,571
Marine	21,888	59	6,428	(662)	15,460	721	8,370	1,318
Personal accident	61,436	1,269	31,592	(519)	29,844	1,788	12,215	(267)
Voluntary automobile	166,703	843	99,926	(2,977)	66,777	3,820	111,606	7,098
Compulsory automobile liability	178,116	18,896	178,116	18,896	—	—	28,327	5,152
Other	117,159	(3,165)	80,200	(75)	36,959	(3,089)	43,633	4,757
All lines	¥ 981,092	¥ 23,259	¥742,211	¥26,483	¥238,880	¥(3,224)	¥239,141	¥24,631
Reserve for deposit premiums of savings-type policies	1,263,390	(75,413)						
Total	¥2,244,482	¥ (52,154)						

6. INVESTMENT INCOME

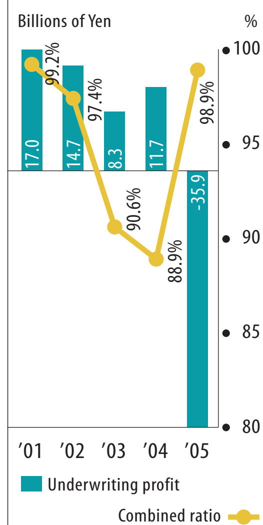
The parent company's interest and dividend income increased ¥0.3 billion in fiscal 2004.

Moreover, interest and dividend income for deposit premiums of savings-type policies (to be returned to the policyholders upon maturity), decreased ¥1.4 billion. As a result, net interest and dividend income grew by ¥1.8 billion.

Interest and Dividend Income

	2005 Amount	2005 Change	2005 % change	2004 Amount	2005 Amount (Thousands of U.S. Dollars)
				Millions of Yen	
Non-consolidated basis (Parent company):					
Interest and dividend income	**¥47,462**	**¥ 343**	**0.7 %**	¥47,118	**$441,961**
Less: Interest and dividend income on deposit premiums	**30,005**	**(1,486)**	**(4.7)%**	31,492	**279,406**
Net interest and dividend income	**¥17,456**	**¥1,829**	**11.7 %**	¥15,626	**$162,554**
Consolidated basis:					
Interest and dividend income	**¥51,278**	**¥ 993**	**2.0 %**	¥50,285	**$477,501**

Results of underwriting
(Parent company)



Breakdown of interest and dividend income
(Parent company)
Billions of Yen

7. REALIZED GAINS/LOSSES ON SECURITIES, AND REVALUATION LOSS ON SECURITIES

As can be seen from the figures below, net gain on the sale of securities (sales gain minus sales loss) increased substantially to ¥54.1 billion in fiscal 2004, and realized gains including redemption profit on securities were ¥54.7 billion. This is an even more significant improvement than that achieved in the previous fiscal year, which saw realized gains of ¥27.7 billion. (All figures referred to are for the parent company.)

The increase primarily reflects a markedly higher gain on the sale of securities as the Company sold relationship stocks with a book value of ¥59.9 billion. In fiscal 2003, the Company sold relationship stocks with a book value of ¥40.5 billion, and as a result the Company has achieved its goal of unwinding relationship stocks with a book value of ¥100 billion in the last two years.

Furthermore, the parent company's revaluation loss on securities was limited to ¥0.7 billion during the fiscal year under review.

■ *Realized Gains/Losses on Securities*

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Non-consolidated basis (Parent company):			
Net gain (loss) on sale of securities:			
Domestic bonds	**¥ (853)**	¥ 224	**$ (7,944)**
Domestic equities	**50,332**	22,882	**468,688**
Foreign securities, etc.	**4,674**	3,047	**43,526**
Total	**54,153**	26,154	**504,271**
Net redemption profit on securities	**621**	1,641	**5,788**
Realized gains	**¥54,775**	¥27,795	**$510,059**
Consolidated basis:			
Net gain on sale of securities	**55,284**	26,314	**514,803**
Net redemption profit on securities	**619**	1,592	**5,769**
Realized gains	**¥55,904**	¥27,906	**$520,572**

■ *Revaluation Loss on Securities*

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Non-consolidated basis (Parent company):			
Domestic bonds	**¥ —**	¥ —	**$ —**
Domestic equities	**673**	6,197	**6,273**
Foreign securities, etc.	**31**	97	**289**
Total	**¥704**	¥6,295	**$6,563**
Consolidated basis:			
Total	**¥704**	¥6,320	**$6,563**

8. PROFIT AND LOSSES

As a result of the foregoing, profit and losses for fiscal 2004 were recorded as shown below. Sonpo 24 was acquired in July 2004, and this is reflected in the consolidated accounts beginning in the second half of the fiscal year. For this reason, consolidated net income for the year was ¥13.4 billion, ¥1.0 billion less than the non-consolidated net income of ¥14.5 billion.

■ *Summary of Profit and Losses*

		Millions of Yen		Thousands of U.S. Dollars
		2005	2004	**2005**
		Amount	Amount	**Amount**
Non-consolidated basis (Parent company):				
Underwriting:				
Underwriting profit (loss)	(1)	**¥(35,962)**	¥11,744	**$(334,881)**
Miscellaneous income (expenses) related to underwriting	(2)	**139**	565	**1,299**
Total of underwriting	(1)+(2)=(A)	**(35,823)**	12,310	**(333,582)**
Investment, etc.:				
Investment profit (loss):				
Net interest and dividend income	(3a)	**17,456**	15,626	**162,554**
Net gain on sale of securities	(3b)	**54,153**	26,154	**504,271**
Less: Revaluation loss on securities	(3c)	**704**	6,295	**6,563**
Net redemption profit on securities	(3d)	**621**	1,641	**5,788**
Net gain on money held in trust	(3e)	**1,644**	175	**15,311**
Net gain (loss) on derivative financial instruments	(3f)	**(7,200)**	6,939	**(67,045)**
Other investment income (loss)*1	(3g)	**(134)**	(3,181)	**(1,251)**
Total of the above	(3)	**65,837**	41,060	**613,065**
Less: Investment expenses, etc.	(4)	**7,074**	7,228	**65,879**
Other ordinary income (loss)	(5)	**(404)**	(344)	**(3,768)**
Total of investments, etc.	(3)−(4)+(5)=(B)	**58,357**	33,487	**543,418**
Ordinary profit	(A)+(B)	**22,534**	45,797	**209,836**
Special income (loss)		**2,122**	(11,741)	**19,762**
Less: Income taxes, including deferred tax		**10,097**	18,169	**94,025**
Net income		**¥ 14,559**	¥15,885	**$ 135,573**
Consolidated basis:				
Ordinary profit		**21,634**	49,390	**201,456**
Net income		**¥ 13,467**	¥19,319	**$ 125,407**

*1: Other investment income (loss) is composed of the following items:
Gain (loss) on foreign exchange − Addition to reserve for investment losses + Other investment profit (loss)

9. FINANCIAL BASE

In terms of its financial base, the asset base of the parent company has remained sound, as evidenced by a ¥428.2 billion unrealized gain on domestic equities and an unrealized gain of ¥455.6 billion on all securities at the end of March 2005.

■ *Unrealized Gain on Available-for-Sale Securities as of March 31, 2005*

	Millions of Yen			Thousands of U.S. Dollars		
	Cost (a)	Value shown on balance sheet (b)	**Unrealized gain (before tax) (b – a)**	Cost (a)	Value shown on balance sheet (b)	**Unrealized gain (before tax) (b – a)**
Non-consolidated basis (Parent company):						
Domestic bonds	¥ 977,028	¥ 992,427	**¥ 15,398**	$ 9,097,951	$ 9,241,336	**$ 143,384**
Domestic equities	386,306	814,557	**428,250**	3,597,233	7,585,036	**3,987,802**
Foreign securities, etc.	415,326	427,375	**12,049**	3,867,458	3,979,662	**112,203**
Total of securities	¥1,778,662	¥2,234,360	**¥455,697**	$16,562,644	$20,806,035	**$4,243,391**
Consolidated basis:						
Total of securities	¥1,864,724	¥2,330,336	**¥465,611**	$17,364,045	$21,699,748	**$4,335,703**

In addition, the Financial Services Agency in Japan assesses the financial condition of insurance companies by monitoring their solvency margin ratio. A company is regarded as having adequate solvency if this ratio exceeds 200%. The parent company maintains a ratio of 1,015.9%, indicating that it is in excellent financial condition.

■ *Solvency Margin Ratio*

	Millions of Yen **2005**
Non-consolidated basis (Parent company):	
Solvency margin	
Total shareholders' equity*1	**¥ 282,327**
Reserve for price fluctuations	**12,795**
Catastrophe reserve	**278,312**
Reserve for doubtful accounts (general)	**1,227**
Unrealized gain or loss on available-for-sale securities (before tax effect deduction)	**408,778**
Unrealized gain or loss on land	**(3,773)**
Subordinated debts	**—**
Deduction items	**15,000**
Other items	**69,693**
A. Total amount of solvency margin	**¥1,034,361**
Risks	
Ordinary insurance risks (R_1)	**¥ 40,343**
Assumed interest rate risks (R_2)	**2,200**
Asset management risks (R_3)	**109,716**
Business management risks (R_4)	**4,645**
Major catastrophe risks (R_5)	**80,015**
B. Total amount of risks: $\sqrt{R_1^2+(R_2+R_3)^2} + R_4+R_5$	**¥ 203,627**
Solvency margin ratio: A / (B x 1/2) x 100	**1,015.9%**

*1: Excluding predetermined outflows from the Company, deferred assets and unrecognized gain or loss on other securities.

10. BALANCE SHEET, INVESTMENT ASSETS

Following is an overview of the parent company's balance sheet.

■ *Overview of Balance Sheet*

	Millions of Yen				Thousands of U.S. Dollars
	2005		2004		**2005**
	Amount	**Proportion**	Amount	Proportion	**Amount**
Non-consolidated basis (Parent company):					
Total assets:	**¥3,202,962**	**100.0%**	¥3,258,844	100.0%	**$29,825,516**
Liabilities					
Reserve for outstanding claims	**239,141**	**7.5%**	214,510	6.6%	**2,226,848**
Underwriting reserves:					
Premium reserve	**742,211**	**23.2%**	715,728	22.0%	**6,911,368**
Catastrophe reserve	**238,880**	**7.5%**	242,105	7.4%	**2,224,423**
Reserve for deposit premiums of savings-type policies	**1,263,390**	**39.4%**	1,338,803	41.1%	**11,764,503**
Total (Underwriting reserves)	**2,244,482**	**70.1%**	2,296,636	70.5%	**20,900,295**
Others	**140,678**	**4.4%**	154,790	4.7%	**1,309,980**
Total liabilities	**¥2,624,302**	**81.9%**	¥2,665,937	81.8%	**$24,437,123**
Shareholders' equity	**¥ 578,659**	**18.1%**	¥ 592,906	18.2%	**$ 5,388,393**

Investment asset balances, which represent a large portion of total assets, are shown on the next page. As described in the Asset Management Strategies part of the Strategies in Focus section of this annual report, the Company distinguishes three categories of assets: "Deposit Premium Account," "General Account (Pure Investment Assets)," and "General Account (Other Assets)."

Balance of Assets by Investment Category as of March 31, 2005

	Millions of Yen					Thousands of U.S. Dollars
	Deposit premium account	General account		Total		Total
		Pure investment	Other investment	Amount	Proportion	Amount
Non-consolidated basis (Parent company):						
Securities						
Domestic equities	¥ —	¥ 4,315	¥ 868,708	¥ 873,023	28.8%	$ 8,129,467
Yen denominated-securities, excluding equities:						
Public and corporate bonds	877,425	277,722	2,778	1,157,926	38.2%	10,782,444
Others	—	37,173	7,893	45,066	1.5%	419,656
Total	877,425	314,896	10,671	1,202,993	39.7%	11,202,101
Foreign currency denominated-securities:						
Public and corporate bonds	41,703	191,690	—	233,393	7.7%	2,173,329
Others	—	11,869	18,397	30,266	1.0%	281,835
Total	41,703	203,559	18,397	263,660	8.7%	2,455,164
Total of securities	919,129	522,771	897,776	2,339,677	77.2%	21,786,733
Monetary receivables bought	8,327	6,067	89	14,485	0.5%	134,883
Money in trust	—	45,044	50	45,094	1.5%	419,912
Loans	279,278	—	72,907	352,185	11.6%	3,279,500
Bank deposits	20,631	42,485	64,956	128,073	4.2%	1,192,600
Call loans	—	15,000	—	15,000	0.5%	139,677
Land and buildings	—	—	135,235	135,235	4.5%	1,259,291
Investment assets (total)	¥1,227,366	¥631,369	¥1,171,015	¥3,029,751	100.0%	$28,212,599
Total assets				¥3,202,962		$29,825,516

11. LIFE INSURANCE

This last section reviews our life insurance operations. Since we entered the life insurance business through a subsidiary in 1996, we have worked steadily to boost the amount of business in force. As a result, the amount of business in force for individual insurance at the end of March 2005 showed a continued, steady expansion to ¥2.91 trillion.

Ordinary profit reached only ¥0.8 billion, but this is because the life insurance subsidiary made significant contributions to its policy reserves, with the goal of raising these reserves to the level calculated by the standard method prescribed by the FSA*.

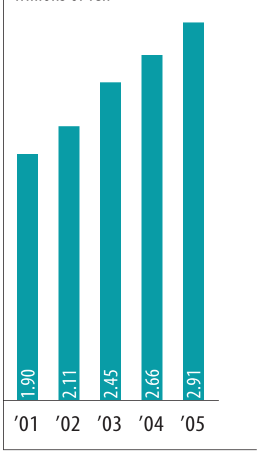
Ordinary profit and net income, before additional provisioning of policy reserves toward achievement of the FSA standard, were ¥5.6 billion and ¥3.2 billion, up ¥0.4 billion and ¥0.7 billion, respectively, from the previous fiscal year.

As explained above, the profitability of our life insurance business is climbing steadily. The Company is committed to further increasing profitability by expanding the amount of business in force, with the aim of being able to contribute to higher consolidated profits at an early date.

*Standard method for calculating policy reserve:

The Financial Services Agency in Japan requires insurance companies to set aside funds for standard policy reserves that are considered necessary from the standpoint of assuring the soundness of an insurance company's financial position and for the protection of policyholders.
The reserve is calculated based on the net level premium method using prescribed values for the expected mortality rate and assumed interest rate.

Amount of business in force
(Individual life insurance/annuity)
Trillions of Yen



■ *Life Insurance Business*

				Millions of Yen	Thousands of U.S. Dollars
			2005	2004	**2005**
	Amount	**Change**	**% change**	Amount	**Amount**
Life insurance subsidiary:					
Amount of business in force at term-end					
Individual insurance, individual annuity	**¥2,914,851**	**¥252,121**	**9.5 %**	¥2,662,729	**$27,142,674**
Premium and other receipts	**71,085**	**5,804**	**8.9 %**	65,280	**661,937**
Investment income	**4,976**	**1,804**	**56.9 %**	3,172	**46,341**
Ordinary profit	**896**	**(367)**	**(29.1)%**	1,263	**8,344**
Net income	**¥ 189**	**¥ 163**	**638.5%**	¥ 25	**$ 1,763**

INFORMATION ON RISKS AND UNCERTAINTIES RELATED TO OPERATIONS

This information is required by the amended Japanese disclosure rule to be mentioned in financial reports in Japan from the year ended March 31, 2004.
Matters relating to future developments in this section are based on the Company's best judgment as of June 29, 2005, when the financial report was submitted to the Ministry of Finance of Japan.

Of the items contained in this annual report pertaining to operating and financial conditions, those which are considered to have an important influence on investor decision-making are listed below.

(1) State of the Japanese economy
Most of the NIPPONKOA Insurance Group's insurance business is based in Japan, and with regard to asset management, the majority of Group assets is invested in Japanese equities, bonds, and loans. As a result, the financial condition and business performance of the Group will be strongly influenced by the state of the Japanese economy.

(2) Intensified competition in the non-life insurance industry
Competition has intensified in the non-life insurance industry in Japan due to significant relaxation of regulations and major mergers. In this business environment, the financial condition and business performance of the NIPPONKOA Insurance Group may be adversely affected if it is unable to remain competitive or loses a significant portion of its market share, etc.

(3) Downgrading of financial rating
Financial ratings play an important role as indicators of the financial stability of an insurance company. NIPPONKOA is presently rated "A+" by Standard & Poor's, "A+" by R&I, and "A" by A.M. Best; however, these rating agencies periodically review their findings, and there is no guarantee that the Company will continue to receive the same ratings. If the Company's financial rating should be downgraded, this could adversely affect the Company's marketing as well as a variety of its other business activities.

(4) Risk accompanying changes in relevant laws, regulations, accounting systems, etc.
The NIPPONKOA Insurance Group conducts its insurance business under the conditions and limitations imposed by the Insurance Business Law, regulations imposed by the relevant authorities and others, appropriate accounting systems, and so on. As a result, should these laws, regulations or systems change in the future, such changes could affect the Group's business operation, business performance, and so on.

(5) Natural disasters
The NIPPONKOA Insurance Group is exposed to a heavy potential loss should it incur large losses to settle insurance claims for damages caused by natural disasters such as earthquakes, typhoons, floods, etc. The Company maintains a catastrophe reserve for such eventualities, and also purchases reinsurance coverage to help cover such losses, but depending on the scale of the natural disaster, the Group's financial condition and business performance could be seriously affected by such an event.

(6) Risk of damages in excesses of normal predictions for insurance underwriting
NIPPONKOA maintains an insurance contract reserve to cover future liabilities, but should events occur that were not foreseeable at the time, and generate damages that exceed normal predictions, the Group's financial condition and business performance could be affected.

(7) Reinsurance market
The NIPPONKOA Insurance Group works to diversify its underwriting risk by means of reinsurance; however, rapid changes in the insurance and reinsurance markets could result in exposure to unexpected risk, and this could affect the Company's financial condition and business performance.

(8) Reinsurers' credit risk
In the event of the failure of a reinsurer, there is a possibility that the NIPPONKOA Insurance Group would be unable to collect all or part of the expected reinsurance, and this could result in an increase in net losses.

(9) Overseas operations
Overseas insurance markets include inherent insurance risks that do not exist in the Japanese market, so the business environment overseas differs from that in Japan. Moreover, the assets held by overseas offices are affected by the economic conditions of the country in which they are located. Further, in some countries and regions where business operations have been established there may be country risks that could hinder business operations, such as political or social disorder resulting from terrorism or riots, sudden changes in relevant laws and regulations, or other risks.

It is possible that the Company's overseas operations could suffer unforeseen damages as a result of such events, and these could affect the NIPPONKOA Insurance Group's financial condition and business performance.

(10) Life insurance and other businesses
The NIPPONKOA Insurance Group is investing substantially to establish subsidiaries for a life insurance business, mail-order non-life insurance, and other operations in Japan. The markets in which the Company is developing these businesses are extremely competitive, with companies that have already established solid business foundations. There is a possibility that the NIPPONKOA Insurance Group will be unable to gain earnings as expected.

(11) Risk of stock price volatility
The NIPPONKOA Insurance Group holds a large amount of marketable securities as assets. Stock markets are subject to considerable fluctuations, and in such cases changes in stock prices may have a major effect on the Group's financial condition and business performance.

(12) Interest rate risk
Part of the assets of the NIPPONKOA Insurance Group consists of bonds and loans. When interest rates rise, there is a risk that the price of bonds may fall, and when interest rates fall there is a risk of a decline in interest income.

Moreover, with regard to savings-type insurance and life insurance products (products which guarantee the customer a fixed yield), the Company is exposed to a possible loss if the actual yield is less than the originally guaranteed yield. In this way, changes in interest rates may have an effect on the Group's business performance.

(13) Liquidity risk
If it should become difficult to manage cash flow due to the occurrence of a major disaster, or if there is a sudden increase in payouts as the result of a sharp rise in insurance contract cancellations, or if the Company is forced to sell assets or raise funds when the markets are disrupted or under other adverse conditions, the NIPPONKOA Insurance Group's financial condition and business performance may be affected.

(14) Credit risk
The NIPPONKOA Insurance Group holds as assets equities, bonds, loans, etc. However, if the companies that have issued these securities and/or bonds, the parties responsible for repayment of those loans should go bankrupt, or other events occur, it is conceivable that the equities of such companies could fall in value, and that collection of principal and interest could prove impossible. Such losses could affect the Group's financial condition and business performance.

(15) Risk associated with exchange rate fluctuations
The NIPPONKOA Insurance Group conducts business transactions in foreign currencies such as U.S. dollars and euros. These transactions generate earnings and expenses, as well as assets and liabilities that are denominated in foreign currencies. These are all exposed to risks associated with exchange rate fluctuations that could affect the Group's financial condition and business performance.

(16) Retirement benefit liabilities
Regarding retirement benefit liabilities and expenses, the NIPPONKOA Insurance Group makes estimates of future liabilities over the long term, based on forecast values and other basic rates. Consequently, changes in the business environment or conditions underlying the assumptions for those forecast values could significantly affect future liabilities, and have a major impact on the financial position and/or performance of the NIPPONKOA Insurance Group.

(17) Legal risk
The NIPPONKOA Insurance Group, in the course of its business operations, is subject in Japan to general laws regulating corporate management, such as the commercial code and anti-trust laws, as well as to financial laws and regulations such as the Insurance Business Law. Overseas, the Company is subject to the relevant laws and regulations of each country or region. To ensure compliance with these laws and regulations, the Company conducts a thorough compliance program for employees and insurance solicitors, as well as undertakes legal risk management.

Nevertheless, in the even of a legal dispute arising from failure to comply with these laws and regulations, or from other causes, there is a possibility that lawsuits will be brought against the NIPPONKOA Insurance Group, and that depending on the extent of that lawsuit, the Group's operational management and/or performance may be adversely affected.

(18) Major disaster risk
There is a possibility that damage resulting from major disasters such as earthquakes, typhoons, floods or fire may damage the NIPPONKOA Insurance Group's offices and/or systems, impairing its ability to continue normal operations. Depending on the extent of such damage, the Group's operational management and/or performance may be adversely affected.

(19) Other risks
System breakdowns, clerical or operational errors, or the accidental or fraudulent leakage of customer information could become obstacles hindering business operations, and could cause customers to lose their trust and confidence in the Company, and there is a danger that this could produce financial losses. Moreover, such events could result in the imposition of administrative sanctions by the relevant authorities. The NIPPONKOA Insurance Group is making every effort to see that such incidents do not occur, but if such an event should happen, the Group's financial condition and business performance could be adversely affected.

FINANCIAL SECTION

CONSOLIDATED BALANCE SHEETS

NIPPONKOA INSURANCE CO., LTD. As of March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
ASSETS			
Cash and bank deposits (Note 8)	**¥ 149,470**	¥ 147,036	**$ 1,391,845**
Call loans	**15,000**	25,000	**139,677**
Monetary receivables bought	**14,485**	20,292	**134,883**
Money in trust (Note 3)	**69,905**	64,384	**650,945**
Investments in securities (Notes 1 (e), 3 and 8)	**2,494,131**	2,468,854	**23,224,989**
Loans (Note 5)	**357,918**	378,107	**3,332,888**
Property and equipment (Notes 1 (h), 7 and 8):	**284,258**	298,924	**2,646,971**
Less accumulated depreciation	**139,551**	145,285	**1,299,486**
Property and equipment, net	**144,706**	153,638	**1,347,485**
Other assets	**182,774**	183,726	**1,701,966**
Deferred tax assets (Notes 1 (n) and 11)	**25**	50	**240**
Reserve for doubtful accounts (Note 1 (k))	**(6,230)**	(9,020)	**(58,017)**
Total assets	**¥3,422,186**	¥3,432,069	**$31,866,905**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Underwriting fund:			
Outstanding claims (Note 1 (l))	**¥ 246,348**	¥ 220,960	**$ 2,293,962**
Underwriting reserves (Note 1 (m))	**2,444,115**	2,450,504	**22,759,246**
	2,690,464	2,671,464	**25,053,209**
Income taxes payable	**4,463**	7,662	**41,558**
Reserve for employees' retirement benefits (Notes 1 (o) and 12)	**38,576**	47,428	**359,215**
Reserve for price fluctuations (Note 1 (p))	**13,007**	7,913	**121,120**
Other liabilities (Note 8)	**76,975**	78,311	**716,783**
Deferred tax liabilities (Notes 1 (n) and 11)	**14,699**	20,664	**136,877**
Consolidation Adjustment (Note 1 (s))	**1,319**	—	**12,291**
Total liabilities	**2,839,504**	2,833,443	**26,441,055**
Minority interests	**273**	265	**2,548**
Shareholders' equity:			
Common stock:			
Authorized 1,479,966,089 shares as of March 31, 2005 and 2004; issued 833,743,118 shares as of March 31, 2005, 833,743,118 shares as of March 31, 2004	**91,249**	91,249	**849,698**
Capital surplus	**46,703**	46,702	**434,900**
Retained earnings	**163,187**	156,143	**1,519,573**
Net unrealized gain on available-for-sale securities (Note 1 (e))	**296,644**	313,151	**2,762,313**
Foreign currency translation adjustments (Note 1 (c) and 2))	**(3,393)**	(3,540)	**(31,603)**
Treasury stock:			
20,447,426 shares as of March 31, 2005 and 10,329,577 shares as of March 31, 2004	**(11,982)**	(5,345)	**(111,581)**
Total shareholders' equity	**582,408**	598,360	**5,423,301**
Total liabilities, minority interests and shareholders' equity	**¥3,422,186**	¥3,432,069	**$31,866,905**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

NIPPONKOA INSURANCE CO., LTD. For the years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2005	2004	2003	**2005**
Operating income:				
Net premiums written for non-life insurance	**¥ 728,421**	¥ 732,486	¥ 724,979	**$6,782,950**
Life insurance premiums	**58,124**	54,864	45,559	**541,245**
Reversal of underwriting reserves (Note 1 (m))	**9,894**	—	—	**92,136**
Deposit premiums from policyholders	**143,669**	182,603	230,886	**1,337,831**
Investment income (Note 6)	**51,278**	50,285	52,401	**477,501**
Net realized gains on securities	**55,904**	27,906	—	**520,572**
Other operating income, net	**—**	5,647	—	**—**
	1,047,293	1,053,793	1,053,827	**9,752,239**
Operating costs and expenses:				
Net losses paid for non-life insurance	**432,404**	356,667	366,087	**4,026,487**
Life insurance losses	**7,302**	6,920	6,765	**67,996**
Provision for outstanding claims (Note 1 (l))	**24,055**	7,889	10,069	**224,002**
Provision for underwriting reserves (Note 1 (m))	**—**	32,183	20,451	**—**
Loss adjustment expenses	**37,979**	34,660	33,908	**353,656**
Net commissions and brokerage expenses	**132,088**	132,942	133,050	**1,229,989**
Operating and administrative expenses	**140,050**	145,767	141,447	**1,304,129**
Maturity refunds and dividends to policyholders	**245,135**	281,051	319,457	**2,282,663**
Net realized losses on securities	**—**	—	2,068	**—**
Revaluation loss on securities	**704**	6,320	45,564	**6,563**
Other operating costs and expenses, net	**5,938**	—	9,164	**55,294**
	1,025,658	1,004,402	1,088,035	**9,550,783**
Ordinary profit (loss)	**21,634**	49,390	(34,208)	**201,456**
Special items:				
Reversal of (provision for) price fluctuation reserve (Note 1 (p))	**(5,089)**	(5,173)	4	**(47,389)**
Reversal of reserve for doubtful accounts (Note 1 (k))	**—**	2,178	1,566	**—**
Other special gains (losses), net (Note 12)	**7,159**	(8,780)	(7,131)	**66,665**
Income (loss) before income taxes and minority interests	**23,704**	37,615	(39,768)	**220,732**
Income taxes:				
Current	**6,820**	7,640	694	**63,515**
Deferred (Note 1 (n) and 11)	**3,386**	10,620	(14,609)	**31,530**
Minority interests	**30**	34	35	**279**
Net income (loss)	**¥ 13,467**	¥ 19,319	¥ (25,890)	**$ 125,407**

	Yen			U.S. Dollars (Note 2)
	2005	2004	2003	**2005**
Net income (loss) per share (Note 1 (q)):				
Basic	**¥16.35**	¥23.18	¥(30.72)	**$0.152**
Diluted*	**16.35**	—	—	**0.152**

*There were no common stock equivalents during the years ended March 31, 2004 and 2003.

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

NIPPONKOA INSURANCE CO., LTD. For the years ended March 31, 2005, 2004 and 2003

Millions of Yen

	Thousands of common shares	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance as of March 31, 2002	838,157	¥ 91,249	¥ 42,888	¥ 178,944	¥ 221,948	¥ (2,005)	¥ (4)
Adjustment for merger	5,586	—	3,813	—	—	—	—
Increase in retained earnings due to the merger	—	—	—	775	—	—	—
Net loss	—	—	—	(25,890)	—	—	—
Cash dividends	—	—	—	(5,867)	—	—	—
Other items	—	—	—	47	—	—	—
Change of unrealized gain on available-for-sale securities	—	—	—	—	(56,630)	—	—
Transfer to foreign currency translation adjustment	—	—	—	—	—	(670)	—
Increase in treasury stock, net	—	—	—	—	—	—	(4,454)
Balance as of March 31, 2003	843,743	91,249	46,702	148,010	165,318	(2,676)	(4,458)
Net income	—	—	—	19,319	—	—	—
Cash dividends	—	—	—	(5,834)	—	—	—
Cancellation of treasury stock (Note 14)	(10,000)	—	—	(5,174)	—	—	—
Other items	—	—	0	(176)	—	—	—
Change of unrealized gain on available-for-sale securities	—	—	—	—	147,833	—	—
Transfer to foreign currency translation adjustment	—	—	—	—	—	(863)	—
Increase in treasury stock, net	—	—	—	—	—	—	(886)
Balance as of March 31, 2004	833,743	91,249	46,702	156,143	313,151	(3,540)	(5,345)
Net income	**—**	**—**	**—**	**13,467**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(6,175)**	**—**	**—**	**—**
Bonus to directors	**—**	**—**	**—**	**(30)**	**—**	**—**	**—**
Other items	**—**	**—**	**1**	**(218)**	**—**	**—**	**—**
Change of unrealized gain on available-for-sale securities	**—**	**—**	**—**	**—**	**(16,506)**	**—**	**—**
Transfer to foreign currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**146**	**—**
Increase in treasury stock, net	**—**	**—**	**—**	**—**	**—**	**—**	**(6,637)**
Balance as of March 31, 2005	**833,743**	**¥91,249**	**¥46,703**	**¥163,187**	**¥296,644**	**¥(3,393)**	**¥(11,982)**

Thousands of U.S. Dollars (Note 2)

	Thousands of common shares	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance as of March 31, 2004	833,743	$ 849,698	$ 434,888	$ 1,453,984	$ 2,916,021	$ (32,968)	$ (49,776)
Net income	**—**	**—**	**—**	**125,407**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(57,506)**	**—**	**—**	**—**
Bonus to directors	**—**	**—**	**—**	**(279)**	**—**	**—**	**—**
Other items	**—**	**—**	**11**	**(2,032)**	**—**	**—**	**—**
Change of unrealized gain on available-for-sale securities	**—**	**—**	**—**	**—**	**(153,707)**	**—**	**—**
Transfer to foreign currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**1,364**	**—**
Increase in treasury stock, net	**—**	**—**	**—**	**—**	**—**	**—**	**(61,804)**
Balance as of March 31, 2005	**833,743**	**$849,698**	**$434,900**	**$1,519,573**	**$2,762,313**	**$(31,603)**	**$(111,581)**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NIPPONKOA INSURANCE CO., LTD. For the years ended March 31, 2005, 2004 and 2003

			Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2005	2004	2003	**2005**
Cash flows from operating activities:				
Income (loss) before income taxes	**¥ 23,704**	¥ 37,615	¥ (39,768)	**$ 220,732**
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:				
Depreciation	**7,773**	8,734	9,246	**72,384**
Increase (decrease) in reserve for employees' retirement benefits	**(8,877)**	5,937	928	**(82,664)**
Increase in reserve for outstanding claims	**23,913**	7,822	10,314	**222,682**
Increase (decrease) in underwriting reserves	**(10,411)**	31,688	20,091	**(96,946)**
Interest charges	**56**	56	72	**526**
Interest and dividend income	**(51,278)**	(50,285)	(52,401)	**(477,501)**
Net loss (gain) on investments and loans	**(55,630)**	(18,831)	59,584	**(518,027)**
Net loss on sale of property and equipment	**1,594**	4,680	575	**14,848**
Decrease (increase) in other current assets	**(2,117)**	4,914	(3,509)	**(19,720)**
Increase (decrease) in other current liabilities	**(2,706)**	(13,976)	11,528	**(25,206)**
Other, net	**6,307**	(8,423)	(7,894)	**58,737**
Sub-total	**(67,672)**	9,933	8,769	**(630,154)**
Interest and dividend received	**55,577**	54,629	55,164	**517,529**
Interest paid	**(56)**	(57)	(73)	**(528)**
Income taxes paid	**(10,132)**	1,140	(8,160)	**(94,348)**
Net cash provided by (used in) operating activities	**(22,283)**	65,645	55,698	**(207,502)**
Cash flows from investing activities:				
Purchases of monetary receivables bought	**(13,615)**	(17,331)	(30,065)	**(126,783)**
Proceeds from sales or maturity of monetary receivables bought	**9,418**	19,156	32,365	**87,707**
Increase in money in trust	**(14,151)**	(22,980)	(27,000)	**(131,773)**
Decrease in money in trust	**9,232**	27,346	4,000	**85,969**
Purchases of investments in securities	**(807,810)**	(719,865)	(506,166)	**(7,522,209)**
Proceeds from sales or maturity of investments in securities	**813,840**	547,922	425,017	**7,578,364**
Loans made	**(62,245)**	(57,110)	(66,441)	**(579,616)**
Collection of loans	**82,088**	120,485	154,968	**764,399**
Acquisition of property and equipment	**(6,519)**	(8,249)	(4,324)	**(60,707)**
Proceeds from sales of property and equipment	**6,408**	4,677	3,728	**59,671**
Net decrease in short-term investments	**5,664**	9,875	1,789	**52,749**
Acquisition of shares in a subsidiary that accompany changes in the scope of consolidation	**1,524**	—	—	**14,192**
Net cash provided by (used in) investing activities	**23,836**	(96,072)	(12,128)	**221,964**
Cash flows from financing activities:				
Repayment of long-term debt	**—**	—	(4,000)	**—**
Dividends paid	**(6,175)**	(5,834)	(5,867)	**(57,506)**
Treasury stock acquired	**(6,643)**	(6,065)	(4,454)	**(61,859)**
Sales of treasury stock	**7**	5	—	**66**
Delivered money due to merger	**—**	—	(44)	**—**
Dividends paid to minority interests	**(5)**	(4)	(4)	**(52)**
Other, net	**(170)**	(99)	(235)	**(1,585)**
Net cash used in financing activities	**(12,987)**	(11,998)	(14,604)	**(120,937)**
Effect of exchange rate changes on cash and cash equivalents	**(103)**	(863)	(318)	**(961)**
Net increase (decrease) in cash and cash equivalents	**(11,537)**	(43,290)	28,647	**(107,436)**
Cash and cash equivalents at beginning of year	**153,399**	196,689	155,114	**1,428,433**
Increase of cash and cash equivalents due to the merger	**—**	—	12,928	**—**
Cash and cash equivalents at end of year (Note 13)	**¥ 141,861**	¥ 153,399	¥ 196,689	**$ 1,320,997**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presenting Consolidated Financial Statements

NIPPONKOA Insurance Co., Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements on the basis of statutory accounting principles and practices generally accepted in Japan applicable to insurance companies. Its consolidated foreign subsidiaries maintain their books of account in conformity with those of their country of domicile. The accompanying consolidated financial statements have been prepared by the Company as required by the Securities Exchange Law, and accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

As permitted by the Securities Exchange Law in Japan, amounts of less than one million yen and one thousand dollars have been omitted. Accordingly, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

(b) Principles of Consolidation

The consolidated financial statements include accounts of the Company and its significant subsidiaries (collectively "the Companies"). Consolidated foreign subsidiaries are included on the basis of fiscal years ending on December 31, since the difference in the fiscal year ends does not exceed three months.

As for major transactions occurring between the fiscal year ends of the consolidated foreign subsidiaries and the Company, necessary adjustments are made upon consolidation.

The consolidated subsidiaries of the Company are NIPPONKOA Life Insurance Company Limited, Sonpo 24 Insurance Company Limited ("SONPO24"), Nippon Insurance Company of Europe Limited, NIPPONKOA Insurance Company (Europe) Limited, NIPPONKOA Insurance Company of America, NIPPONKOA Insurance Company (Asia) Limited and NIPPONKOA Management Services (Europe) Limited.

Commencing in the year ended March 31, 2005, Yasuda Direct General Insurance Company Limited became a consolidated subsidiary because the Company acquired its shares on July 20, 2004. In the consolidated balance sheet and consolidated statement of income, the acquisition date was regarded as September 30, 2004. The name of that company was changed to Sonpo 24 Insurance Company Limited on October 1, 2004.

All other subsidiaries of the Company are not consolidated as their total assets, sales, net income and retained earnings in the aggregate are considered immaterial.

The equity method of accounting for investments in common shares of unconsolidated subsidiaries and affiliates has also not been applied because the net income and retained earnings in the aggregate are considered immaterial.

(c) Foreign Currency Translation

1) Foreign currency accounts:
The Company and its consolidated domestic subsidiaries translate short-term and long-term receivables and payables denominated in foreign currencies into Japanese yen at the exchange rate as of each balance sheet date. The foreign exchange gains and losses from translation are charged to the statements of income to the extent that they are not hedged by forward foreign exchange contracts.

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions are made. The resulting exchange gains or losses are credited or charged to income.

2) Foreign currency financial statements of consolidated subsidiaries:
The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the year-end exchange rate except for shareholders' equity, which is translated at historical exchange rates. All revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the year-end exchange rate. Differences arising from such translation are shown in a separate component of shareholders' equity.

(d) Cash Equivalents

Cash equivalents in the consolidated statements of cash flows are short-term, highly liquid investments with an original maturity of three months or less, and subject to insignificant risk of changes in value.

(e) Investments in Securities

Accounting standards and methods for valuation of investments in securities held by the Company and its consolidated domestic subsidiaries are as follows:

i) Held-to-maturity bonds are carried at amortized cost.
ii) Stocks of subsidiaries and affiliates are carried at cost determined by the moving-average method.
iii) Marketable securities classified as available-for-sale are recorded according to their mark-to-market values based on the prices prevailing in the market on the balance sheet date. The unrealized gains/losses, net of tax, on the available-for-sale securities are recognized as a component of shareholders' equity. Cost for sale is calculated by the moving-average method.
iv) Non-marketable securities classified as available-for-sale are recorded at cost determined by the moving-average method or amortized cost method.

Valuations of securities held by the consolidated foreign subsidiaries are based on the market value method.

Securities included in money in trust that are designated for trading purposes are valued by the market value method, and the difference between carrying value and market value is charged or credited to net income. Securities included in money in trust designated as available-for-sale purpose or held-to-maturity purpose are accounted for as described above for these methods respectively.

(f) Derivatives

Based on the Company's accounting standard for derivatives, all derivatives that do not qualify for hedge accounting are recognized as either assets or liabilities and measured at fair value with unrealized gains and losses recognized in the consolidated statements of income.

(g) Hedge Accounting

In principle, deferral hedge accounting is applied to hedging transactions using an interest rate swap to hedge cash flow fluctuation risk of bonds and loans with variable interest rates, though for certain transactions fulfilling the required conditions for the application of the exceptional treatment for interest rate swaps, the treatment is applied to such transactions. Fair value hedge accounting is applied to foreign exchange forward contracts in order to hedge the risk of foreign exchange rate fluctuation on foreign currency denominated assets, and where certain transactions fulfill the required conditions for the application of assignment accounting, that accounting treatment is applied to such transactions. The deferral hedge accounting is applied to currency swaps used for the above purposes.

The effectiveness of hedge relationships is judged by comparing the accumulated fluctuation of the market value or cash flows between each hedged item and the related hedging instruments for the period from the commencement of the hedge relationship to the date of judgment.

If the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transactions, the judgement for the effectiveness is omitted.

(h) Property and Equipment

Property and equipment are primarily recorded at cost less accumulated depreciation. The Company and its consolidated domestic subsidiaries compute depreciation of property and equipment by the declining-balance method based on estimated useful lives. The Company adopted the straight-line method to depreciate buildings (except for their attached facilities) acquired on and after April 1, 1998. The foreign subsidiaries of the Company compute depreciation of equipment by the straight-line method.

(i) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. As a consequence, the Company and its consolidated domestic subsidiaries have not yet applied this new standard nor have they determined the effect of applying it on the Company's consolidated financial statements.

(j) Leases

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that used for ordinary operating leases.

(k) Reserve for Doubtful Accounts

A reserve for doubtful accounts is provided under the application of standards for asset self-assessment and standards for write-offs and provisions as follows:

For loans to borrowers that are bankrupt, under special liquidation procedures, barred from bill clearing transactions, or that are otherwise in a state of legal or virtual bankruptcy, a reserve is provided in the amount equivalent to such loans net of the expected realizable collateral value and the estimated recoverable guarantee value.

For loans to borrowers that are found to be facing a material risk of going into bankruptcy in the future, a reserve is provided in the amount equivalent to such loans net of the expected realizable collateral value and the estimated recoverable guarantee value, with further adjustments made as deemed necessary under consideration of such borrowers' overall repayment capabilities.

For all other loans, a reserve is provided based on the actual default ratios derived from the defaults observed during certain past periods.

(l) Reserve for Outstanding Claims

In accordance with the regulations of the Insurance Business Law in Japan, the Company and its domestic consolidated subsidiaries have established a reserve for outstanding claims in amounts estimated to be sufficient, in the opinion of management, to discharge claims incurred and reported. The Company and its domestic consolidated subsidiaries also have a provision for losses incurred but not reported at the balance sheet date.

(m) Underwriting Reserves

Non-life insurance

Pursuant to the provisions of the Insurance Business Law and related rules and regulations in Japan, the Company and SONPO24 are required to maintain underwriting reserves in amounts determined as follows:

1) Premium reserve

Insurance other than compulsory automobile insurance and earthquake insurance

The greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, for each line of insurance and type of policy.

Compulsory automobile insurance

Accumulated total sum of premiums written less claims incurred plus related net investment income less contributions to the Japan Red Cross Society and other Japanese institutions. Insurance companies are not permitted to recognize any profit or loss from underwriting compulsory automobile liability insurance.

Earthquake insurance

Accumulated total amounts of the underwriting balance and related net investment income.

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required to maintain a contingency reserve, at an amount determined based on net premiums written, that varies by line of business.

2) Deposits by policyholders

The Company maintains reserves for the deposit portion of premiums, and investment income on such portion, both of which are refundable to policyholders under the contract.

Life insurance

Pursuant to the provisions of the Insurance Business Law and related rules and regulations in Japan, NIPPONKOA Life Insurance Company Limited is required to maintain premium reserves in amounts determined on the basis that future policy benefits for life insurance contracts are calculated pursuant to the five-year zillmerized reserve method.

(n) Income Tax

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

(o) Reserve for Employees' Retirement Benefits

A reserve for employees' retirement benefits is provided on the basis of estimated amounts of retirement benefit obligation and plan assets at the balance sheet date.

Prior service cost is amortized by the straight-line method for certain periods which shall not exceed the average remaining period of employees' service.

Any actuarial difference incurred in each year is amortized by the straight-line method for periods which shall not exceed the average remaining period of employees' service.

The reserve for retirement benefits to directors and corporate auditors is booked based on the internal corporate policy and is included in the reserve for employee's retirement benefits. The amounts at March 31, 2005 and 2004 were ¥2,653 million ($24,709 thousand) and ¥3,898 million, respectively.

(p) Reserve for Price Fluctuations

In accordance with Article 115 of the Insurance Business Law in Japan, the Company and its domestic consolidated subsidiaries must set aside a reserve of an amount calculated at rates varying according to the kind of asset, unless permission is granted by the Commissioner of the Financial Services Agency, for possible loss from price fluctuation of certain assets. Additionally, the Company may reduce this reserve for net losses resulting from reappraisals and sales of designated assets or from other investment activities, and if permission is granted by the Commissioner of the Financial Services Agency, for any other reason.

(q) Amounts per Share of Common Stock

Basic and diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year.

Diluted net income per share reflects the potential dilution that could occur if outstanding stock options were exercised.

(r) Valuation of Assets and Liabilities of Consolidated Subsidiaries

Regardless of the Company's investment ratio, all of the consolidated subsidiaries' assets and liabilities were valued at fair value as of the respective acquisition dates.

(s) Amortization of Consolidation Adjustment

The difference between cost and fair value of net assets acquired for SONPO24 is being amortized over 5 years by the straight-line method and the difference for other subsidiaries is charged or credited to income in the year of acquisition.

2. U.S. DOLLAR AMOUNTS

The translations of Japanese Yen amounts into U.S. Dollar amounts are included solely for convenience and have been made, as a matter of arithmetical computation only, at ¥107.39=US$1, the approximate rate prevailing at March 31, 2005. The translations should not be construed as representations that the Japanese Yen have been or could be readily converted, realized or settled in U.S. Dollars at the rate or any other rates.

3. INVESTMENTS IN SECURITIES

1) The components of investments in securities as of March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Domestic securities:			
Bonds	**¥1,180,800**	¥1,057,031	**$10,995,441**
Equity securities	**845,424**	936,281	**7,872,470**
Foreign securities	**443,625**	457,188	**4,130,971**
Other securities	**24,281**	18,353	**226,106**
Total	**¥2,494,131**	¥2,468,854	**$23,224,989**

Securities carried at ¥61,112 million ($569,066 thousand) and ¥79,153 million as of March 31, 2005 and 2004, respectively, were on loan under securities lending agreements.

Securities held in non-consolidated subsidiaries and affiliates were ¥2,306 million ($21,477 thousand) and ¥1,632 million as of March 31, 2005 and 2004, respectively.

Information regarding each category of the securities classified as held-to-maturity and available-for-sale whose fair value is readily determinable as of March 31, 2005 and 2004 was as follows:

	Millions of Yen			
March 31, 2005	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	¥ 105,198	¥ 2,095	¥ 5,353	¥ 101,941
Foreign securities	200	20	—	220
Available-for-sale*:				
Bonds	1,053,133	22,035	2,266	1,072,902
Equity securities	389,706	434,571	819	823,458
Foreign securities	412,348	14,021	3,399	422,970
Other securities**	9,536	1,824	356	11,004
Total	¥1,970,123	¥474,569	¥12,194	¥2,432,497

	Millions of Yen			
March 31, 2004	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	¥ 72,059	¥ 777	¥ 5,417	¥ 67,419
Foreign securities	296	32	—	329
Available-for-sale*:				
Bonds	968,489	20,823	7,839	981,473
Equity securities	444,418	469,876	1,247	913,046
Foreign securities	430,064	14,578	7,000	437,642
Other securities**	7,887	1,523	41	9,369
Total	¥1,923,216	¥507,611	¥21,546	¥2,409,281

	Thousand of U.S. Dollars (Note 2)			
March 31, 2005	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	$ 979,594	$ 19,516	$ 49,848	$ 949,263
Foreign securities	1,862	189	—	2,051
Available-for-sale*:				
Bonds	9,806,626	205,190	21,105	9,990,711
Equity securities	3,628,885	4,046,664	7,628	7,667,921
Foreign securities	3,839,728	130,563	31,652	3,938,639
Other securities**	88,804	16,992	3,320	102,476
Total	$18,345,502	$4,419,117	$113,555	$22,651,064

* The Company and its domestic subsidiaries recognized impairment on securities classified as available-for-sale whose fair value is readily determinable as of the balance sheet date if the fair value declined by 30% or more from cost for the years ended March 31, 2005 and 2004. Impairments recognized in the consolidated statements of income for the years ended March 31, 2005, 2004 and 2003 were ¥62 million ($577 thousand), ¥378 million and ¥43,110 million, respectively.

** Commodity funds classified as monetary receivable bought on the consolidated balance sheets are included.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Available-for-sale:			
Bonds	**¥ 2,699**	¥ 3,498	**$ 25,135**
Equity securities	**20,921**	22,863	**194,820**
Foreign securities	**19,063**	17,987	**177,513**
Other securities*	**28,686**	43,346	**267,123**
Total	**¥71,370**	¥87,696	**$664,592**

*Certificates of deposits classified as cash and bank deposits on the consolidated balance sheets amounting to ¥15,320 million ($142,657 thousand) and ¥24,170 million as of March 31, 2005 and 2004, respectively, are included.

*Commercial paper classified as monetary receivable bought on the consolidated balance sheets amounting to ¥9,999 million as of March 31, 2004 is included.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005, 2004 and 2003 were ¥524,778 million ($4,886,656 thousand), ¥409,661 million and ¥235,836 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average-cost basis, were ¥61,372 million ($571,487 thousand) and ¥6,087 million ($56,684 thousand), respectively, for the year ended March 31, 2005. Those for the year ended March 31, 2004 were ¥35,525 million and ¥9,211 million, respectively. For the year ended March 31, 2003, they amounted to ¥14,019 million and ¥16,048 million, respectively.

The carrying value of debt securities by contractual maturity for securities classified as available-for-sale and held-to-maturity as of March 31, 2005 are 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Due in one year or less	**¥ 293,265**	¥ 298,252	**$ 2,730,848**
Due after one year through five years	**611,784**	658,723	**5,696,851**
Due after five years through ten years	**534,877**	436,151	**4,980,697**
Due after ten years	**188,870**	143,646	**1,758,735**
Total	**¥1,628,798**	¥1,536,774	**$15,167,133**

*Certificates of deposits classified as cash and bank deposits on the consolidated balance sheets amounting to ¥15,320 million ($142,657 thousand) and ¥24,170 million as of March 31, 2005 and 2004, respectively, are included.
*Commercial paper classified as monetary receivable bought on the consolidated balance sheets amounting to ¥9,999 million as of March 31, 2004 are included.
*Commodity funds classified as monetary receivable bought on the consolidated balance sheets are included.

2) The amount of money in trust for trading purposes as of March 31, 2005 and 2004 were ¥44,854 million ($417,679 thousand) and ¥47,883 million, respectively. Net unrealized gain credited to the income for the year ended March 31, 2005 was ¥520 million ($4,848 thousand). Net unrealized gain credited to the income for the year ended March 31, 2004 was ¥1,582 million and net unrealized loss charged to the income for the year ended March 31, 2003 was ¥1,790 million. The amount of money in trust held as neither trading nor held-to-maturity as of March 31, 2005 and 2004 was ¥24,600 million ($229,071 thousand) with net unrealized gain of ¥210 million ($1,961 thousand) and ¥16,507 million with net unrealized loss of ¥149 million, respectively.

4. DERIVATIVES AND HEDGE ACCOUNTING

The Company enters into forward foreign exchange contracts, currency option contracts, currency swaps, interest rate swaps, bond futures, stock index futures, independent stock options, weather derivatives and credit derivatives.

The consolidated domestic subsidiaries of the Company do not enter into derivative contracts. The consolidated foreign subsidiaries enter into forward foreign exchange contracts.

The Companies utilize derivative financial instruments to hedge their exposure to market risks arising from fluctuations in prices, foreign exchange rates and interest rates.

The Company also utilizes derivatives for trading purposes, for which transactions are strictly controlled from a risk management perspective.

The gross amounts of deferred gains and losses on hedging transactions were ¥106 million ($994 thousand) and ¥103 million ($965 thousand), respectively, as of March 31, 2005. Deferred gains and losses as of March 31, 2004 were ¥169 million and ¥322 million, respectively.

In the following schedules of derivative transactions, "Contracted amount" represents the notional principal amount, not the amount affected by market and/or credit risks.

(a) Forward Foreign Exchange Contracts and Currency Swap Agreements

Forward foreign exchange contracts and currency swap agreements outstanding as of March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
March 31, 2005	Contracted amount	Current value of contracted amount/ fair value	Net unrealized gain (loss)	Net unrealized gain (loss)
Forward foreign exchange contracts*:				
Short positions:				
US$	¥ 11,805	¥ 12,054	¥(249)	$(2,318)
Long positions:				
—				
Currency swap agreements:				
Receive fixed GBP, pay fixed Yen	870	12	12	114
			¥(236)	$(2,204)

March 31, 2004	Contracted amount	Current value of contracted amount/ fair value	Net unrealized gain (loss)
			Millions of Yen
Forward foreign exchange contracts*:			
Short positions:			
US$	¥73,888	¥72,066	¥1,821
EUR	87,567	84,913	2,654
Long positions:			
US$	2,728	2,640	(88)
EUR	8,000	7,725	(274)
Currency swap agreements:			
Receive fixed GBP, pay fixed Yen	870	11	11
			¥4,124

*Forward foreign exchange transactions and currency swap agreements that qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items are excluded from the above tables.

(b) Interest Rate Swap Agreements

Interest rate swap agreements outstanding as of March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
March 31, 2005	Contracted amount	Fair value	Net unrealized gain	Net unrealized gain
Interest rate swap agreements:				
Receive fixed rate, pay floating rate	¥105,000	¥77	¥77	$718
			¥77	$718

	Millions of Yen		
March 31, 2004	Contracted amount	Fair value	Net unrealized gain
Interest rate swap agreements:			
Receive fixed rate, pay floating rate	¥130,000	¥30	¥30
			¥30

*Interest rate swap agreements that qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items are excluded from the above tables.

(c) Bond Futures

There were no bond futures outstanding as of March 31, 2005.

Bond futures outstanding as of March 31, 2004 is summarized as follows:

	Millions of Yen		
March 31, 2004	Contracted amount	Current value of contracted amount	Net unrealized loss
Bond futures:			
Short positions	¥11,315	¥11,432	¥(116)
			¥(116)

(d) Weather Derivatives

There were no weather derivatives outstanding as of March 31, 2005.

Weather derivatives outstanding as of March 31, 2004 is summarized as follows:

	Millions of Yen		
March 31, 2004	Contracted amount	Fair value	Net unrealized gain (loss)
Weather Derivatives			
Short positions:	¥38		
Options premiums	5	¥6	¥(1)
			¥(1)

(e) Credit Derivatives

Credit derivatives outstanding as of March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
March 31, 2005	Contracted amount	Fair value	Net unrealized gain	Net unrealized gain
Credit Derivatives				
Short positions:	¥51,161	¥488	¥488	$4,550
			¥488	$4,550

	Millions of Yen		
March 31, 2004	Contracted amount	Fair value	Net unrealized gain
Credit derivatives			
Short positions:	¥62,461	¥429	¥429
			¥429

5. LOANS

Loans include "Loans to borrowers in bankruptcy or under legal restructuring procedures" and "Delinquent/overdue loans" on which accrued interest income has not been recognized. Loans also include "Delinquent/overdue loans for more than 3 months" in addition to the aforementioned loans.

Additionally, loans include "Restructured loans", which have been restructured to facilitate the restructuring of, or assist the borrowers, by reducing the interest or providing a grace period for the payment of principal/interest, etc. The balances of the loan categories described above as of March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Loans to borrowers in bankruptcy or under legal restructuring procedures	**¥ 128**	¥ 227	**$ 1,195**
Delinquent/overdue loans	**6,028**	7,149	**56,140**
Delinquent/overdue loans for more than 3 months	**2,179**	2,296	**20,299**
Restructured loans	**3,070**	4,024	**28,589**
Total	**¥11,407**	¥13,698	**$106,224**

6. INVESTMENT INCOME

Investment income for the years ended March 31, 2005, 2004 and 2003 is summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2005	2004	2003	**2005**
Investment income	**¥51,278**	¥50,285	¥52,401	**$477,501**
Less: Investment income on deposit premiums, etc.	**30,008**	31,492	32,963	**279,439**
Net investment income	**¥21,269**	¥18,793	¥19,438	**$198,062**

7. PROPERTY AND EQUIPMENT

Advanced depreciation of property and equipments at March 31, 2005 and 2004 amounted to ¥20,420 million ($190,151 thousand) and ¥21,669 million, respectively.

The components of property and equipment as of March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Land	**¥ 75,256**	¥ 76,894	**$ 700,776**
Buildings	**166,635**	178,675	**1,551,687**
Furniture and equipment	**42,304**	43,207	**393,930**
Construction in progress	**62**	146	**577**
	284,258	298,924	**2,646,971**
Less: accumulated depreciation	**139,551**	145,285	**1,299,486**
	¥144,706	¥153,638	**$1,347,485**

8. COLLATERAL

Assets pledged as collateral as of March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Cash and bank deposits	**¥ 425**	¥ 544	**$ 3,966**
Securities	**12,680**	11,278	**118,080**
Property and equipment	**4,991**	5,145	**46,482**
Total	**¥18,098**	¥16,967	**$168,529**

Part of the collateral serves to secure borrowings, which are included in "Other liabilities" in the consolidated balance sheets, of ¥2,304 million ($21,456 thousand) as of March 31, 2005 and ¥2,474 million as of March 31, 2004, respectively.

9. COMMITMENT LINE

There are no unutilized commitment balances as of March 31, 2005. A line of commitment existed for ¥1,400 million as of March 31, 2004, of which ¥800 million was utilized.

10. LEASES

Information on finance leases, other than those that are deemed to transfer the ownership of the leased assets to the lessees, for the years ended March 31, 2005 and 2004 is summarized as follows:

(a) Acquisition Cost, Accumulated Depreciation and Net Book Value of Movable Property

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Acquisition cost	**¥1,710**	¥1,740	**$15,930**
Accumulated depreciation	**1,054**	864	**9,818**
Net book value	**¥ 656**	¥ 876	**$ 6,111**

(b) Future Minimum Lease Payments

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Within one year	**¥294**	¥344	**$2,745**
Over one year	**361**	532	**3,366**
Total	**¥656**	¥876	**$6,111**

(c) Lease Expense

Lease expense (the amount corresponding to depreciation expense) for the years ended March 31, 2005, 2004 and 2003 amounted to ¥352 million ($3,286 thousand), ¥394 million and ¥441 million, respectively.

(d) Computation of Depreciation Expense

Depreciation expense is computed by the straight-line method over a period up to the length of the relevant lease contract with no residual value. The figures shown in this note include the portion of interest thereon.

11. INCOME TAXES

1) The components of the net deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

March 31, 2005	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Deferred tax assets:		
Underwriting reserves	¥ 97,004	$ 903,294
Reserve for outstanding losses and claims	13,380	124,593
Reserve for retirement allowance	13,258	123,461
Accruals not currently deductible for computer software development cost	12,971	120,787
Revaluation loss on securities	10,309	96,003
Loss from revaluation of property and equipment	5,832	54,315
Reserve for price fluctuations	4,697	43,738
Other	17,321	161,294
Sub-total	174,775	1,627,488
Valuation allowance	(20,449)	(190,427)
Total	154,326	1,437,061
Deferred tax liabilities:		
Net unrealized gain on available-for-sale securities	(167,674)	(1,561,363)
Other	(1,324)	(12,335)
Total	(168,999)	(1,573,698)
Deferred tax assets (liabilities), net	¥ (14,673)	$ (136,637)

March 31, 2004	Millions of Yen
Deferred tax assets:	
Underwriting reserves	¥ 88,298
Reserve for retirement allowance	15,777
Loss from revaluation of property and equipment	12,990
Accruals not currently deductible for computer software development cost	12,123
Revaluation loss on securities	11,740
Reserve for outstanding losses and claims	11,649
Bad debt reserves	2,356
Other	12,004
Sub-total	166,939
Valuation allowance	(9,464)
Total	157,474
Deferred tax liabilities:	
Net unrealized gain on available-for-sale securities	(176,979)
Deferred recognition of the profit from real estate	(840)
Other	(267)
Total	(178,088)
Deferred tax assets (liabilities), net	¥ (20,613)

2) The breakdown of the reconciliation between statutory tax rate and effective tax rate for the year ended March 31, 2005 and 2004 were as follows:

	2005
Statutory tax rate in Japan	**36.1%**
Adjustments:	
Increase of valuation allowance on deferred tax asset	**14.4**
Non-taxable revenue including dividends received	**(7.4)**
Others	**(0.1)**
Effective tax rate	**43.1%**

	2004
Statutory tax rate in Japan	36.1%
Adjustments:	
Increase of valuation allowance on deferred tax asset	18.8
Tax deduction based on IT Investment Promotion Tax Incentive	(4.5)
Non-taxable revenue including dividends received	(4.3)
Non-deductible expenses including entertainment expenses	1.6
Inhabitants' per capita taxes	1.2
Others	(0.4)
Effective tax rate	48.5%

12. RETIREMENT PLAN

(a) Overview

The Company provides a corporate pension plan and a defined benefit plan with a lump-sum payment for retiring employees. It also provides a tax-qualified pension plan and an in-house retirement pension plan, both limited to pensioners. The Company has set up trust funds for the retirement plans.

On April 1, 2004, the Company obtained approval from the Minister of Health, Labor and Welfare to transfer its obligation back to the government for benefits related to past service under the substitutional portion of the welfare pension plan under corporate pension law.

The Company paid to the government the amount of the restoration (minimum actuarial liability) on September 29, 2004. The profit realized by returning the substitutional portion of ¥8,753 million ($81,514 thousand) was reported as "Other special gains".

Because of the change in accounting procedure of retirement benefits for directors and corporate auditors, ¥4,120 million, which corresponds to the previous years cumulative effect, was recorded as a special loss during the year ended March 31, 2004. The new procedure also resulted in increasing ordinary profit by ¥222 million and reducing income before income taxes and minority interests decreased by ¥3,898 million when compared to the previous procedure which applied for the year ended March 31, 2003.

The consolidated domestic subsidiaries of the Company provide a defined benefit plan with lump-sum payments for retiring employees and one of them provides a tax-qualified pension plan. The consolidated foreign subsidiaries of the Company provide defined contribution pension plans.

(b) Reserve for Employees' Retirement Benefits

Reserve for employees' retirement benefits as of March 31, 2005 and 2004 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Retirement benefit obligation	**¥(129,582)**	¥(155,512)	**$(1,206,655)**
Plan assets	**69,486**	78,230	**647,046**
Unfunded portion of retirement benefit obligation	**(60,096)**	(77,281)	**(559,608)**
Unrecognized prior service cost	**(5,581)**	(8,992)	**(51,977)**
Unrecognized actuarial difference	**29,755**	42,744	**277,080**
	¥ (35,922)	¥ (43,530)	**$ (334,505)**

Figures shown in the above table include the substitutional portion of the welfare pension plan as of March 31, 2004.

Net service costs charged to the income for the years ended March 31, 2005 and 2004 consist of the followings:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Expenses for service	**¥5,300**	¥ 4,747	**$49,353**
Interest expense	**2,424**	3,381	**22,574**
Expected investment income	**(999)**	(926)	**(9,305)**
Amortization of prior service cost	**(932)**	(1,287)	**(8,682)**
Amortization of actuarial difference	**4,127**	4,494	**38,434**
	¥9,920	¥10,409	**$92,374**

(c) Basis for Calculation of Benefit Obligation as of March 31, 2005 and 2004

The estimated employees' retirement benefits are allocated equally to each service year based on the total service years and vested benefit points. The expected earnings ratio on investments is between 0.0% and 2.0%. The discount rates for the years ended March 31, 2005 and 2004 are 1.8%. Both prior service cost and actuarial difference are amortized over 10 years.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2005 and 2004 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	**2005**
Items on the consolidated balance sheets:			
Cash and bank deposits	**¥ 149,470**	¥ 147,036	**$ 1,391,845**
Call loans	**15,000**	25,000	**139,677**
Monetary receivables bought	**14,485**	20,292	**134,883**
Investments in securities	**2,494,131**	2,468,854	**23,224,989**
Less:			
Bank deposits with original maturity longer than 3 months	**(23,108)**	(28,636)	**(215,181)**
Monetary receivables bought other than cash equivalents	**(14,485)**	(10,292)	**(134,883)**
Securities other than cash equivalents	**(2,493,631)**	(2,468,854)	**(23,220,333)**
Cash and cash equivalents	**¥ 141,861**	¥ 153,399	**$ 1,320,997**

14. SHAREHOLDERS' EQUITY

Due to the acquisition and cancellation of 10,000 thousand shares on March 29, 2004, retained earnings decreased by ¥5,174 million.

15. SUBSEQUENT EVENTS

The appropriation of retained earnings of the Company including cash dividends in respect of the year ended March 31, 2005 was approved at the shareholders' meeting held on June 29, 2005 as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Retained earnings at March 31, 2005*	¥130,754	$1,217,567
Appropriations:		
Cash dividends (¥7.50–US$0.070)	6,099	$ 56,799
Transfer to legal reserve*	1,300	12,105
Bonus to directors	44	416
Retained earnings to be carried forward	¥123,310	$1,148,246

*The Company set aside a legal reserve of ¥31,747 million ($295,627 thousand) as of March 31, 2005, which is not shown in the consolidated balance sheets.

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

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To the Board of Directors and Shareholders of
NIPPONKOA Insurance Company, Limited

We have audited the accompanying consolidated balance sheets of NIPPONKOA Insurance Company, Limited and its consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIPPONKOA Insurance Company, Limited and its consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 12, effective for the year ended March 31, 2004, NIPPONKOA Insurance Company, Limited and its domestic subsidiary changed their accounting policy for retirement benefits to directors and corporate auditors.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2005

The following segment information indicates the figures before eliminating intercompany balances and transactions between "Non-life insurance" and "Life insurance."

1. Non-life insurance

(1) Underwriting

Direct premiums written	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars*1 2005
Fire and allied lines	**¥171,705**	¥176,493	**$1,598,892**
Marine	**20,781**	20,294	**193,512**
Personal accident	**157,115**	193,521	**1,463,036**
Voluntary automobile	**353,981**	351,294	**3,296,220**
Compulsory automobile liability	**111,258**	115,059	**1,036,019**
Other*2	**85,952**	86,751	**800,373**
Total	**¥900,793**	¥943,415	**$8,388,054**
Deposit premiums included in Total	**143,669**	182,603	**1,337,831**

Net premiums written	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars*1 2005
Fire and allied lines	**¥109,320**	¥114,300	**$1,017,973**
Marine	**18,311**	17,985	**170,517**
Personal accident	**61,984**	64,196	**577,186**
Voluntary automobile	**347,165**	343,844	**3,232,758**
Compulsory automobile liability	**112,736**	114,214	**1,049,786**
Other*2	**78,902**	77,944	**734,728**
Total	**¥728,421**	¥732,486	**$6,782,950**

Net losses paid	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars*1 2005
Fire and allied lines	**¥ 89,291**	¥ 36,087	**$ 831,468**
Marine	**7,613**	8,695	**70,895**
Personal accident	**23,598**	24,152	**219,745**
Voluntary automobile	**196,156**	189,722	**1,826,578**
Compulsory automobile liability	**66,070**	49,134	**615,240**
Other*2	**49,674**	48,874	**462,558**
Total	**¥432,404**	¥356,667	**$4,026,487**

*1: U.S. dollar amounts are translated from yen at the rate of ¥107.39 = US$1, the approximate rate prevailing at March 31, 2005.
*2: Of which, major lines of insurance are Liability, Transit, Movables all risks and Workers' compensation.

(2) Investments

Investment assets	Millions of Yen 2005	2004	Thousands of U.S. Dollars* 2005
Bank deposit	¥ 140,557	¥ 140,270	$ 1,308,846
Call loans	15,000	25,000	139,677
Monetary receivable bought	14,485	20,292	134,883
Money in trust	45,094	47,933	419,912
Securities	2,336,236	2,339,757	21,754,695
Loans	352,185	373,522	3,279,500
Land and buildings	135,297	143,067	1,259,869
Total	¥3,038,856	¥3,089,844	$28,297,385
Total assets	¥3,218,608	¥3,269,604	$29,971,215

Securities	Millions of Yen 2005	2004	Thousands of U.S. Dollars* 2005
Domestic securities:			
Government bonds	¥ 460,780	¥ 303,683	$ 4,290,716
Municipal bonds	109,769	114,825	1,022,162
Corporate bonds	438,296	498,676	4,081,355
Equity securities	861,523	949,044	8,022,381
Foreign securities	441,584	455,174	4,111,973
Other securities	24,281	18,353	226,106
Total	¥2,336,236	¥2,339,757	$21,754,695

	Millions of Yen						Thousands of U.S. Dollars*
	2005			2004			2005
Investment income	Earned income	Average invested amounts	Yield per annum	Earned income	Average invested amounts	Yield per annum	Earned income
Bank deposits	¥ 98	¥ 141,890	0.07%	¥ 195	¥ 182,541	0.11%	$ 920
Call loans	1	10,482	0.01	2	6,004	0.04	14
Interest on securities purchased under agreements to resell	—	—	—	0	1,846	0.01	—
Monetary receivable bought	139	19,610	0.71	114	65,321	0.18	1,295
Money in trust	137	48,458	0.28	618	50,038	1.24	1,284
Securities	38,057	1,903,682	2.00	36,375	1,778,217	2.05	354,386
Loans	6,933	354,011	1.96	8,069	405,969	1.99	64,566
Lands and buildings	2,245	143,168	1.57	2,411	150,422	1.60	20,905
Sub-total	47,613	2,621,304	1.82	47,786	2,640,361	1.81	443,372
Other	509	—	—	517	—	—	4,747
Total	¥48,123	—	—	¥48,304	—	—	$448,120

*U.S. dollar amounts are translated from yen at the rate of ¥107.39 = US$1, the approximate rate prevailing at March 31, 2005.

2. Life insurance

(1) Underwriting

	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars* 2005
Amount of business in force:			
Individual insurance	**¥2,698,102**	¥2,485,541	**$25,124,334**
Individual annuity insurance	**216,749**	177,188	**2,018,339**
Group insurance	**866,200**	788,979	**8,065,929**
Amount of new business:			
Individual insurance	**¥ 534,517**	¥ 461,536	**$ 4,977,347**
Individual annuity insurance	**53,630**	86,817	**499,403**
Group insurance	**105,380**	294,090	**981,287**

(2) Investments

Investment assets	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars* 2005
Bank deposit	**¥ 8,655**	¥ 6,607	**$ 80,601**
Money in trust	**24,810**	16,450	**231,033**
Securities	**182,894**	154,097	**1,703,090**
Loans	**5,733**	4,584	**53,387**
Total	**222,094**	181,740	**2,068,113**
Total assets	**¥228,698**	¥187,534	**$2,129,611**

Securities	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars* 2005
Domestic securities:			
Government bonds	**¥117,255**	¥ 90,179	**$1,091,868**
Municipal bonds	**7,885**	5,846	**$73,428**
Corporate bonds	**46,812**	43,819	**435,910**
Equity securities	**8,901**	12,236	**82,885**
Foreign securities	**2,040**	2,014	**18,998**
Total	**¥182,894**	¥154,097	**$1,703,090**

	Millions of Yen						Thousands of U.S. Dollars*
	2005			2004			2005
Investment income	**Earned income**	**Average invested amounts**	**Yield per annum**	Earned income	Average invested amounts	Yield per annum	**Earned income**
Bank deposits	**¥ 0**	**¥ 8,697**	**0.00%**	¥ 0	¥ 5,364	0.00%	**$ 0**
Money in trust	**360**	**21,268**	**1.70**	203	12,435	1.64	**3,359**
Securities	**3,244**	**159,204**	**2.04**	2,584	130,725	1.98	**30,212**
Loans	**157**	**5,074**	**3.11**	121	3,912	3.11	**1,470**
Total	**¥3,763**	**¥194,244**	**1.91%**	¥2,909	¥152,437	1.91%	**$35,042**

*U.S. dollar amounts are translated from yen at the rate of ¥107.39 = US$1, the approximate rate prevailing at March 31, 2005.

CORPORATE INFORMATION

As of August 1, 2005

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c/o Pioneer Insurance & Surety Corporation, 7th Floor, Pioneer House, 108 Paseo de Roxas, Makati City, Philippines
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Tel : 62-21-5237500
Fax: 62-21-5237506

ORGANIZATION CHART

As of April 1, 2005

- General Meeting of Shareholders
  - Board of Corporate Auditors
    - Auditors
    - Auditors' Office
- Board of Directors
  - Actuary
- Chief Executive Officer
- Corporate Officers in Charge of Head Office Functions
  - Management Committee
  - Internal Audit Dept.

Regional and account marketing units

- Hokkaido Regional Headquarters — 4 branches
- Tohoku Regional Headquarters — 6 branches
- Kanto Regional Headquarters — 6 branches
- Kanetsu Regional Headquarters — 4 branches
- Metropolitan Regional Headquarters — 10 branches
- Yokohama Bayside Branch
- Chubu Regional Headquarters — 11 branches
- Kansai Regional Headquarters — 14 branches
- Chugoku, Shikoku Regional Headquarters — 7 branches
- Kyushu Regional Headquarters — 7 branches
- Motors Account Marketing Headquarters — 5 branches
- 8 Commercial Account Marketing Dept. (I –VI /Cargo, Property & Casualty/ Hull, Property & Casualty)
- Government & Public Account Marketing Dept.
- Commercial Account Claims Dept.
- Mortgage Administration Dept.
- Tokyo Regional Management Dept.

Head office departments

- Investment Headquarters
  - Investment Dept.
  - Corporate Finance Dept.
- Chief Executive's Office
  - Affiliated Affairs Office
  - Corporate Research & Development Office
  - IR Office
  - CSR Office
- Assigned Business Control Dept.
- Risk Management Dept.
- Compliance Dept.
  - Research & Planning Office
  - Customers Counseling Office
- Public Relations Dept.
- General Affairs Dept.
- Human Resources Dept.
- Accounting Dept.
- Information Technology Planning Dept.
- Information Systems Dept.
- Customer Relationship Planning Dept.
- Sales Planning & Development Dept.
  - Financial Affairs Office
- Business Process Reengineering Dept.
- Agency Development Dept.
- Financial Channels Promotion Dept.
  - Agency Management Office
- Motors-Channels Promotion Dept.
- Logistics-Channels Promotion Dept.
  - Business Affairs Office
- Fire & Casualty Underwriting Dept.
  - Commercial Lines Office
- Automobile Underwriting Dept.
- Marine Underwriting Dept.
- Reinsurance Dept.
- Claims Management Dept.
- Marine Claims Management Dept.
- International Dept.
  - China Business Planning Office

DIRECTORS AND OFFICERS

As of June 29, 2005

Board of Directors

Ken Matsuzawa*
Yoshiaki Shinozaki*
Makoto Hyodo*
Tatsuhiro Ishikawa
Masahiko Okabe
Yukio Takeda
Atau Kadokawa
Kazuo Hashimoto
Masaya Futamiya
Kazuyoshi Tayoshi

*Representative Director

Corporate Auditors

Toshiyuki Sho
Ken Ishii
Kenji Shimoi

Independent Corporate Auditors

Masahiro Yoshiike
Kozue Shiga

Corporate Officers

President and Chief Executive Officer

Ken Matsuzawa

Executive Deputy President

Yoshiaki Shinozaki
Makoto Hyodo

Senior Managing Executive Officers

Yukio Takeda
Atau Kadokawa
Shunichi Arimura

Managing Executive Officers

Kazuhiro Hori
Morifumi Takaki
Ryoji Okada
Hiroyoshi Morimoto
Hideaki Hagiwara
Kazuo Hashimoto
Toshiaki Moritaka
Masaya Futamiya
Shuichi Kimoto
Tetsuo Shinohara
Yoshinori Ichihashi
Masashi Yamaguchi

Executive Officers

Kazuyoshi Tayoshi
Shinichi Furukawa
Teizou Suzuki
Akihisa Hashimoto
Kenichi Yoshikura
Yasuo Watabe
Akinobu Yoshimori
Tetsuya Yamada
Yasuhide Fujii
Isao Tsuchida
Atsushi Kumanomido
Yoshiaki Kadoya

CORPORATE DATA

As of April 1, 2005

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Marine Claims Management Dept. +81-3-3231-3526
Public Relations Dept. +81-3-3593-5388
IR Office +81-3-3593-5383
URL: http://www.nipponkoa.co.jp/

Established

1892

Capital

¥91,249 million

Offices

Domestic: 291
Overseas: 25

Claims Handling Offices

187

Employees

8,181

Agents (As of March 1, 2005)

Domestic: 40,371
Overseas: 6

Number of Shares of Common Stock

Authorized 1,479,966,089 shares
Issued 833,743,118 shares

Stock Exchange Listings

Tokyo, Osaka, Nagoya

General Meeting of Shareholders

The General Meeting of Shareholders is to be held within four months of April 1 each year. The latest Annual General Meeting of Shareholders was held on June 29, 2005

Transfer Agent

UFJ Trust Bank Limited
4-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-0005, Japan

NIPPONKOA INSURANCE CO., LTD.

NIPPONKOA INSURANCE

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