



NIPPONKOA  
INSURANCE

# **ANNUAL REPORT**

**NIPPONKOA INSURANCE CO., LTD.**

# 2003

# Corporate Profile

NIPPONKOA Insurance Co., Ltd. was created in April 2001 with the merger of The Nippon Fire & Marine Insurance Co., Ltd., a company founded in 1892, and The Koa Fire & Marine Insurance Co., Ltd., founded in 1918. This merger created a large-scale, comprehensive insurance group that has the third oldest insurance service history in Japan and commands a market share of more than 10% in the domestic non-life insurance industry, which is the second largest in the world following the United States.

The Company, an independent insurance corporation in the Japanese non-life insurance industry, bases its operations on the “Enhance customer satisfaction” philosophy that makes customers the starting point of all activities. With this fundamental philosophy and an independent spirit, the Company has succeeded in developing unique operations involving the insurance business with a wide range of customers that are unrestricted by keiretsu (corporate group frameworks), as well as in building strategic business alliances.

NIPPONKOA’s strength lies in its powerful sales network of highly capable professional sales agents and its extensive and close ties with financial institutions such as nationwide and regional banks. The Company also has distinguished itself as a creative force in the industry by developing new products that reflect a solid understanding of people’s changing lifestyles. This has made possible the timely introduction of attractive new products that meet emerging needs from the customers’ viewpoint.

Going forward, we will continue “synergizing” the unique features and competitive advantages of our two corporate predecessors to offer high-quality, comprehensive insurance services to a wide range of customers, extending from the retail market to the corporate sphere. At the same time, by continuing to adhere to a strict system of corporate ethics and promptly disclosing corporate information, we will strive to maintain the full trust of our customers and meet our shareholders’ highest expectations.

Information on  
The Company’s Credit Ratings  
NIPPONKOA has received the following  
ratings from credit rating agencies (as of  
July 31, 2003):

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.

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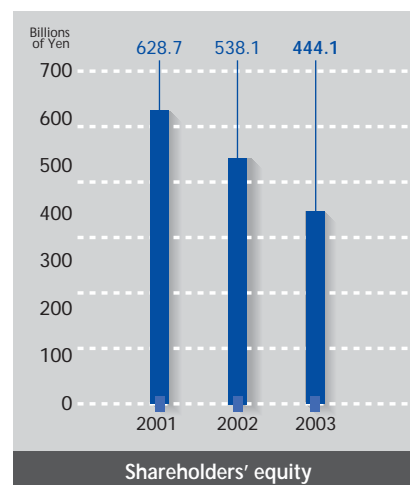
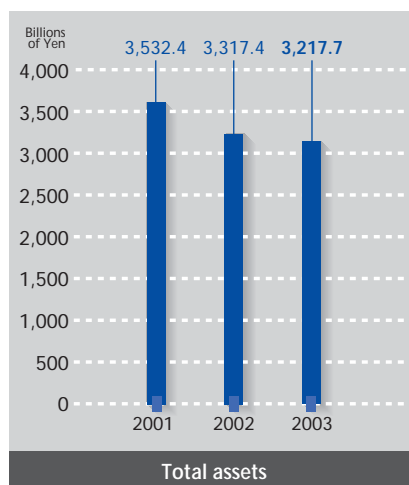
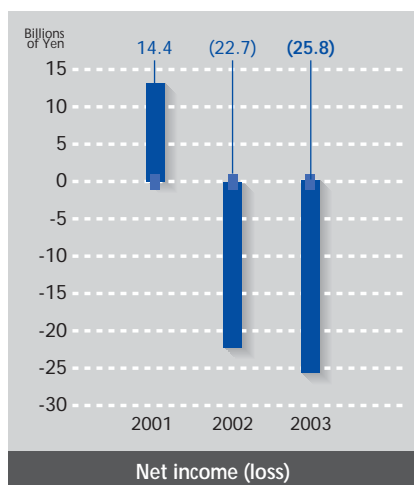
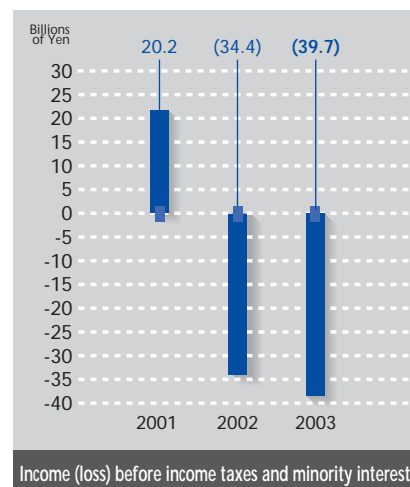
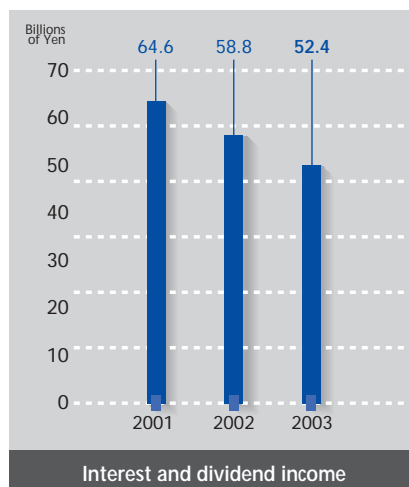
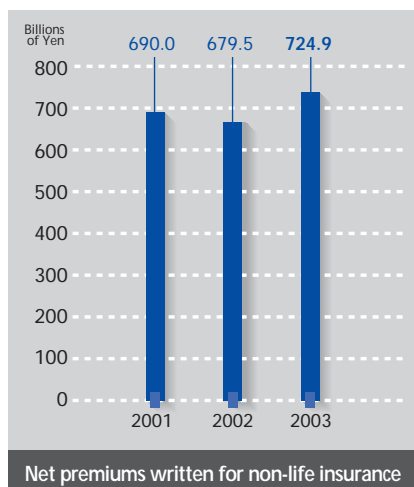
# Financial Highlights

Years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2003	2002 (Note 2)	2001 (Note 3)	2003
Net premiums written for non-life insurance	¥ 724,979	¥ 679,530	¥ 690,006	\$ 6,041,493
Interest and dividend income	52,401	58,827	64,612	436,680
Income (loss) before income taxes and minority interests	(39,768)	(34,441)	20,244	(331,405)
Net income (loss)	(25,890)	(22,722)	14,409	(215,751)
Total assets	3,217,703	3,317,464	3,532,484	26,814,192
Shareholders' equity	444,144	538,109	628,743	3,701,200

\*Notes:

1. U.S. dollar amounts are translated from yen at the rate of ¥120 = US\$1, the approximate rate prevailing at March 31, 2003
2. Figures for the year ended March 31, 2002 are the combined totals of NIPPONKOA Insurance Co., Ltd., and Taiyo Fire & Marine Insurance Co., Ltd.
3. Figures for the year ended March 31, 2001 are the combined totals of The Nippon Fire & Marine Insurance Co., Ltd., The Koa Fire & Marine Insurance Co., Ltd. and Taiyo Fire & Marine Insurance Co., Ltd.
4. The differences between the figures shown on this page and those of the Financial Section are due to the inclusion of the figures of Taiyo Fire & Marine Insurance Co., Ltd in the former for the years ended March 31, 2002 and 2001.





Mutsuharu Okamoto    Ken Matsuzawa  
Chairman & CEO    President & CEO

# To Our Shareholders

On April 1, 2001, NIPPONKOA Insurance Co., Ltd. was created through the merger of The Nippon Fire & Marine Insurance Co., Ltd. and The Koa Fire & Marine Insurance Co., Ltd. In fiscal 2002, the second year since the merger, we worked diligently with our “customer first” philosophy to produce results, building on the achievements of our first year in which we had focused on forming a solid foundation for the new company.

As a result, despite a severe economic climate, we were able to increase premium income with the support of our customers, agents and shareholders.

In terms of financial results, however, our relative good performance in insurance underwriting was met with a large amount of revaluation loss on securities, due to the stock market decline and the Company’s adoption of a stricter rule for write-down of securities. Although we consequently posted an ordinary loss of ¥36.7 billion and a net loss of ¥28.6 billion, the indicators of our financial soundness, such as our shareholders’ equity and solvency margin ratio, continue to show sufficient levels.

In fiscal 2003, the third year since the merger, and the final fiscal year of the current medium-term business plan, “TRY it!,” the management’s agenda will be to target further growth, making our customers the starting point of all our corporate activities. At the same time, we will further strive to reduce price fluctuation risk by improving our investment portfolio, and to strengthen our risk management, compliance and environmental activities.

With an independent spirit and task-oriented philosophy, we are committed to meet the expectations of our customers and shareholders, and the demands of the times, by driving forward our company-wide restructuring process and continuing our steady and proactive management strategies to further solidify our position as an independent comprehensive insurance group.

An explanation of our company’s management position and strategies follows.

## Operating Environment and Company Strategy

Although there were some signs of improvement in corporate earnings in fiscal 2002, the Japanese economy continued to stagnate due to a decrease in private-sector capital investment and a lag in consumer spending as a result of a prolonged deflationary economy and the stock market's downward trend.

In Japan's non-life insurance industry a new framework gradually became evident following the large-scale reorganization efforts through mergers and integrations that our company had pioneered. In addition to further intensified price competition,

our large exposure to stock price fluctuation risk became apparent as a result of the stock market decline.

Under these circumstances, the Company developed various strategic measures as part of the second year of our medium-term business plan "TRY it!," while also merging with Taiyo Fire & Marine Insurance Co., Ltd. on April 1, 2002 in a move to expand our market.

For more information about our fiscal 2002 results, please refer to the "Review of Operations" section of this annual report.

## Medium-Term Business Plan

In fiscal 2001, the Company initiated a medium-term business plan called "TRY it!." The plan specifies three principal objectives: (1) strengthening our ability to develop new products and provide outstanding service; (2) boosting our ability to address customer needs within our sales channels; and (3) enhancing our claims-handling services for customers.

Designed with both customers and shareholders in mind, the initiatives included in the plan are aimed at improving customer satisfaction and increasing our corporate and shareholder value.

A detailed discussion of these initiatives can be found in the "Strategies Currently In Focus" section that follows.





## Strategies for fiscal 2003

For fiscal 2003, the final fiscal year of the medium-term business plan, “TRY it!,” we have placed emphasis on significantly expanding the vigorous performance of fiscal 2002, in which we witnessed a positive turnaround in premium income.

In order to establish a business base that has outstanding earning capacity, we will further promote innovative ideas that transform old ways of thinking and structural reforms. We will also take positive steps towards developing effective strategies and policies.

Specific measures are described as follows. Please refer to the “Strategies Currently In Focus” section of this annual report for details.

### 1. Expansion of operations

This initiative focuses on improving our level of customer satisfaction, and adequately meeting the expectations of our customers. We expect to gain an increase in premium income by incorporating channel and product strategies, and strategic business alliances.

### 2. Strengthening of earning capacity

We are striving to strengthen earning capacity, by improving our loss ratio through diligence in proper underwriting and claim-payments, by improving our cost structure through advanced IT infrastructure and business process reform to promote operating efficiency, and by strengthen-

ing our income and expense management.

### 3. Expansion of asset management profits

While striving to reduce the risk of price fluctuation through the sale of relationship stocks, etc., we will also focus on improving our investment efficiency. This will enable us to improve our investment portfolio, as well as help us achieve the aim of a stable expansion of asset management profits.

### 4. Strengthening of life insurance operations

By promoting a strategy of expanding our life insurance sales, we aim to achieve ¥3 trillion in the amount of business in force for individual insurance policies, and establish a stable earnings base.

### 5. Thorough internal controls

Through further strengthening of risk management and ensuring we are completely compliant, we will strive to maintain and develop sound business practices to earn the trust of our stakeholders.

Additionally, with environmental issues becoming of concern to people all over the world, the NIPPONKOA Insurance Group has formulated an Environmental Policy, and is committed to adhering to the principles and procedures specified within that policy.



## Business Alliance Strategies

One of NIPPONKOA's major advantages is its independence from any particular financial group. We are taking advantage of this freedom from the framework of a group structure by forming strategic tie-ups with a wide variety of corporations. In planning these alliances, we emphasize making moves that will position us for future business growth. So far we have formed the following alliances and tie-ups.

Based on a strategic alliance with The Taiyo Mutual Life Insurance Company (now, Taiyo Life Insurance Company), our non-life insurance products have been sold through the Taiyo Life sales channel since March 2002.

Meiji Yasuda Life Insurance Company, which will be created from a merger between Meiji Life Insurance Company and The Yasuda Mutual Life Insurance Company in January 2004, is also planning to sell our non-life insurance products.

As part of a strategic alliance in individual fields, we now offer services related to nursing care and health & medical consultation in collaboration with Meiji Life Insurance Company in the regional financial institutions market.

"Financial One," an alliance of six companies, including NIPPONKOA, from five different financial sectors, also offers various services addressing personal financial needs.

## A Leap Forward to the Future

With these strategies to guide us, we will devote ourselves to developing and following sound, aggressive business strategies that secure the trust

we have earned from customers, and maximize corporate value for our shareholders. We greatly appreciate your continued support in our endeavors.

August 2003

Mutsuharu Okamoto  
Chairman & CEO

Ken Matsuzawa  
President & CEO

# Strategies Currently In Focus

An outline of our medium-term business plan, “TRY it!,” is described in the “To Our Shareholders” section in this annual report (please see page 3). From the next page, we introduce specific aspects of our business strategies.

We believe that one key to enhancing profitability is to expand the scale of our business. Here we look at some of the plans we have formulated to boost premium income.

### 1) Offering Attractive Products

To succeed amid the fierce competition, we must swiftly develop and bring to market products that meet customer needs and expectations.

Our product development capability is highly regarded in the industry. For many years we have been a leader in this area.

As an example, “FULL HOUSE” (launched in May 2000) is a value-added fire insurance product that provides wider coverage than conventional fire insurance products and eases the customer’s finan-

cial burden at the time of an accident. All of our offices have recorded steady sales of FULL HOUSE, despite its having higher prices than conventional products. Sales at banks have also remained strong. As a result, FULL HOUSE has become our mainstay personal fire insurance product.

The following table outlines some of our strategic products, including FULL HOUSE. As part of our efforts to increase premium income, we will continue to develop attractive products that keep pace with changing customer needs.

#### ■ Strategic Products

CATEGORY	NAME	FEATURES	DATE OF LAUNCH
Voluntary Automobile	KURUMAX	Offering quality insurance coverage, with a new risk classification system for premiums designed to attract customers	July 2001
	Get Back	First-ever savings-type automobile insurance	February 2000
Fire and allied lines	FULL HOUSE	Top level coverage on a replacement value basis (property damage and other expenses incurred)	May 2000
	Commercial Property Insurance	Covering all properties owned by a corporation with a single policy (property damage, loss of profit, etc.)	April 2001
Personal accident	MUST	Covering a wide range of risk in daily life (bodily injury, damage of property/personal possessions, personal/tenant’s liability)	April 1999
	Medico, MUST-Medico	“Third-sector” products that draw on our expertise in non-life insurance (medical, cancer)	July 2001
Other	Comprehensive General Liability	Comprehensive liability coverage for corporations	April 2001

### 2) Breakdown of Strategies by Sales Channel

To increase our premium income, we must find ways to attract new customers. This calls for development and implementation of effective strategies for each of our sales channels.

Here we describe our four sales channels and our strategies for strengthening them.

The first channel includes financial institutions and their affiliated agencies. This channel is gener-

ating a large and growing amount of premium income.

Our solid relationships with regional banks and other financial institutions nationwide are one of our major strengths. We are working to maintain and continue building on these relationships.

In April 2001, banks and other financial institutions started to sell our fire insurance products, including the FULL HOUSE group policy specifically designed for customers securing home mort-

## Strategies Currently In Focus

gage loans. These sales have remained robust, indicating that we have a competitive advantage in this area.

We expect that our collaborative efforts with financial institutions will lead to continued solid revenue from this channel.

The second channel is tie-ups with life insurance companies. In March 2002 we began sales of our automobile, personal accident and other insurance through the sales personnel of The Taiyo Mutual Life Insurance Company (now, Taiyo Life Insurance Company). Over time, we expect to see higher premium income from this channel through sales of our products to existing Taiyo Life customers, such as homemakers.

Furthermore, the new company that will emerge from the merger of Meiji Life Insurance Company and The Yasuda Mutual Life Insurance Company is also planning to offer our products through its sales personnel.

The third channel comprises more than 3,000 agencies across the nation that we specially designated as “Core Agencies,” based on criteria such as sales volume and operational capability.

Our Core Agencies actively market our products through consulting-type sales. We expect this sales force to reach an increasing number of customers nationwide.

The fourth channel includes other sales avenues, such as automobile dealerships and repair shops, and a sales network that targets the corporate and logistics markets. These channels tend to be strongly affected by the economic climate, such as trends in capital investment and personal consumption.

Our strategy for maximizing income from these channels is to stay abreast of changing customer needs and fine-tune our products and services to meet those needs.

SALES CHANNEL	MAIN TARGET CUSTOMERS	MAIN PRODUCTS
Financial institutions and their affiliated agencies	<ul style="list-style-type: none"> <li>• Bank customers applying for housing loans</li> <li>• Corporate customers of banks (including their employees), and others</li> </ul>	FULL HOUSE group policy, pension products, both specifically designed for over-the-counter sales
Tie-up with Taiyo Life (sales personnel)	<ul style="list-style-type: none"> <li>• Existing Taiyo Life customers, including homemakers</li> </ul>	KURUMAX, YUTORIX*1
“Core Agencies”	<ul style="list-style-type: none"> <li>• Retail markets (including high-net-worth customers)</li> <li>• Small and medium-sized corporations, stores, NPOs, and others</li> </ul>	KURUMAX, Get Back, FULL HOUSE, MUST-Medico, and others
Others (automobile dealers, automobile repair shops, agencies affiliated with corporations, and others)	<ul style="list-style-type: none"> <li>• Retail markets (e.g., automobile buyers/owners)</li> <li>• Large corporations</li> <li>• Transportation companies and others</li> </ul>	KURUMAX, New Commercial Property, Comprehensive General Liability, products customized for a corporation, and others

Note: 1. Special version of MUST personal accident insurance made suitable for sales through the Taiyo Life channel.

Along with expanding our business scale, a second key to maximizing profit is to strengthen our underwriting profitability. Here we explain our strategies for improving our combined ratio.

1) Continuous Effort to Improve the Loss Ratio

Loss ratio is largely dependent on external circumstances such as economic conditions, the social environment and natural disasters. Nevertheless, we will strive to improve our loss ratio by offering appropriate products and setting premium rates carefully, and by meticulous underwriting and thorough assessment of each claim.

The Company strives to make early payment of claims. We believe that shortening the payment time even further will not only improve customer satisfaction, it will also help reduce claim amounts by, for example, reducing the number of days for which we provide substitute automobiles.

2) Business Process Reform

To improve operating efficiency across the Company, we must create a business environment in which employees and agencies can perform their duties in a timely and effective manner.

Toward that end, the Company has formulated and is aggressively implementing a “Business Process Reform” plan. The aim is to boost efficiency by reviewing, and then reforming, each

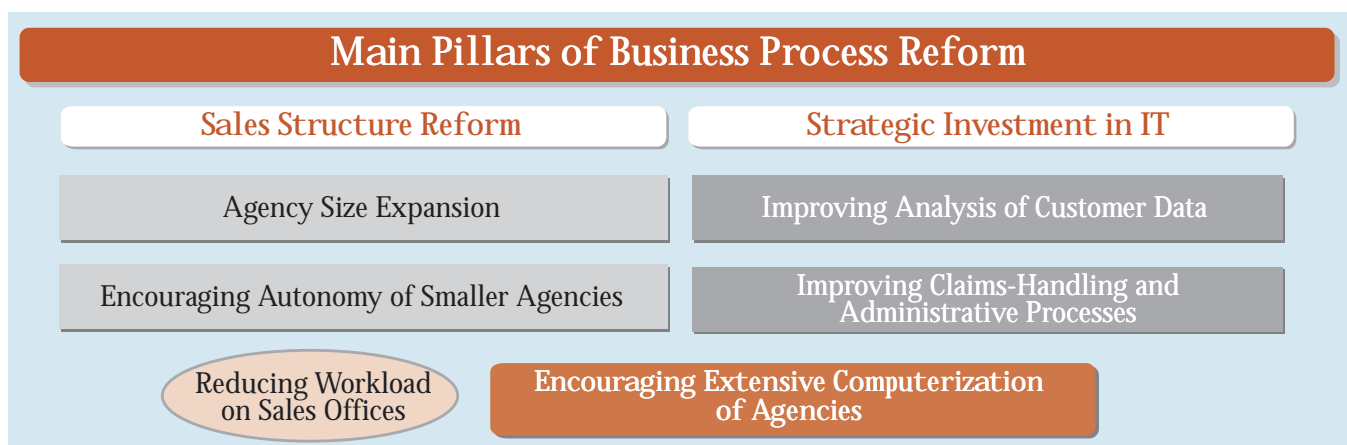
individual procedure and process related to tasks such as sales, claims-handling and other administrative duties.

The Company has identified “Sales Structure Reform” and “Strategic Investment in IT” as the twin pillars of our Business Process Reform efforts.

The key points in our Sales Structure Reform plans include encouraging agencies to expand in size and helping smaller agencies become more autonomous. Also, to improve both operating efficiency and sales performance of our agencies, we are promoting their use of more advanced information technology and equipment.

We expect these reforms to significantly lighten the workload on our sales offices. This will free up our sales managers to devote more time and energy to cultivating new sales channels and making proposals for new insurance plans.

Our plan for Strategic Investment in IT is motivated by the belief that strengthening our information technology infrastructure is a key to improving efficiency across the Company. Accordingly, we plan to make considerable investment in IT with the aim of creating a powerful, advanced IT infrastructure that will both enhance our operations today and serve as a solid foundation tomorrow.



### 3) Building an Efficient System for Sales Bases and Human Resources

At the time of the merger, we moved to streamline operations and improve efficiency by consolidating many sales offices and claims-handling offices. We have also limited the number of new recruits as part of finding the most appropriate allocation of human resources.

We will continue seeking to improve the efficiency of our sales bases and our allocation of human resources. We will place special emphasis on swiftly and aggressively implementing our Business Process Reform strategy, through which we can dramatically improve overall operational efficiency and reduce our human resource requirements.

	AS OF APRIL 1, 2000	AS OF APRIL 1, 2001 (MERGER)	AS OF APRIL 1, 2002	AS OF APRIL 1, 2003
SALES BASES <sup>*1</sup>	522	323	321	316
CLAIMS-HANDLING BASES <sup>*1</sup>	280	204	208	203

\*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
NUMBER OF EMPLOYEES <sup>*2</sup>	9,009	8,351	7,818	7,612

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

## 3. Strategies for Managing Assets

### 1) Three Asset Categories

In managing assets, we strive to continually improve our investment portfolio and increase our returns on investment. We classify investment assets into three categories, according to the investment characteristics described below.

#### ■ Deposit Premium Account

Yen-Denominated Bonds, Loans, Short-Term Financial Products, etc.

Assets in this category come from the deposit premiums of our savings-type policies, for which funds must be repaid upon maturity. Our priorities in managing assets in this category are to secure the expected yield promised to the policyholders and to ensure a stable spread. Based on a concept of ALM, we focus on minimizing risk, giving maxi-

imum attention to the matching of assets and liabilities.

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

In managing pure investment assets in general account, our aim is to maximize return on a marked-to-market basis within a specific range of risk. This approach allows more freedom in choosing investments and allocating assets than there is in managing assets in deposit premium account. We exercise caution in choosing which risks to assume, and we pursue higher returns by following a policy of flexibly allocating funds, placing appropriate hedges, and limiting our risks within a certain range.

We view pure investment assets as our cornerstone for expanding future investment income. We intend to increase fund allocation in this category by seeking to raise operational cash flow and by reducing the amount of funds allocated to “other assets” in general account (described below).

■ **“Other Assets” in General Account**  
**“Relationship Stocks,” Real Estate, etc.**

Japanese non-life insurance companies have traditionally owned the stocks of their corporate customers. In supporting their customers in this manner, insurance companies seek stable growth in insurance business with those customers while also sharing in their profits as shareholders.

The business environment has changed, however. With the stagnant economy and industry deregulation, a drastic expansion in insurance business with these customers cannot be expected. We must scrutinize the profitability of each corporate account and ensure that continued investment is justified by our receiving a sufficient return from insurance business.

Moreover, holding a large number of shares exposes us to a greater risk of price fluctuation. From the viewpoint of controlling risk, we believe that reducing investment in risk assets such as relationship stocks is a strategy we must consider.

Funds generated by selling off assets such as

relationship stocks and real estate will be allocated to our pure investment assets that offer an attractive risk-return ratio. Creating an efficient investment portfolio this way is a more effective use of the Company’s capital.

2) **Transforming Our Asset Management Structure**

We are continually striving to strengthen our asset management structure as part of efforts to generate maximum returns on our investments.

For example, in April 2002 we restructured our investment-related departments. The purpose of this restructuring was to create separate departments for handling “relationship investments” on the one hand and “pure investments” on the other, and to clarify the responsibilities of each. The department that now handles relationship investments focuses on monitoring the effectiveness of those investments and reducing their balance when considered to be inefficient. The department that now handles pure investments is focused on devising successful investment strategies.

In July 2002 we formed an Investment Committee to serve in an informal advisory capacity. The committee provides advice and recommendations on such matters as investment policies, outsourcing, and effective use of capital.

	Investment Committee		
	Outside members	In-house members	CIO
	The Respective Representatives of Southeastern Asset Management Inc. (USA) and The Cundill Group (Canada)		
	Deposit Premium Account	General account	
		Pure investment	Other
Major assets	Yen-denominated bonds, loans, 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	Maximizing total return over the long term	Reduce the balance of these investments, while monitoring investment efficiency
Marked-to-market balance (as of March 31)	¥1,369.9 billion	¥395.7 billion	¥1,070.2 billion

We have invited people outside the Company to serve as members of our Investment Committee, including Mr. Mason Hawkins, Chairman and CEO of Southeastern Asset Management Inc. in the United States, and Mr. Peter Cundill, Principal of the Cundill Group in Canada.

Moreover, in April 2003 we created the position of Chief Investment Officer (CIO) to head our Investment Headquarters. The CIO's responsibilities

include supervising all operations and activities of investment departments, from formulating and implementing strategies to controlling risks.

These efforts to strengthen our asset management structure will help improve performance in many aspects of our investment operations. Ultimately, these efforts will lead to our generating higher profits from the assets we manage.

### 4. Strengthening Risk Management

Non-life insurance companies must have sufficient capital to cover the risks retained. Accordingly, it is vital for these companies to ensure that their solvency margin is sufficiently large to maintain the soundness of their operations.

The Financial Services Agency in Japan monitors the solvency margin ratio of insurance companies to assess their financial conditions. As of March 2003, our solvency margin ratio was 840.5%. This figure greatly exceeds the 200% level that is considered to indicate adequate solvency.

However, we believe that in addition to calculating the solvency margin ratio, which is a common formula applied to all insurance companies, we need to analyze our risk level quantitatively using specific internal data related to our insurance policies and investment assets.

Based on these perceptions, we have continually worked to strengthen our risk management system. In 2002 we constructed an "integrated risk management system" that measures the total amount of risk related to insurance underwriting and asset management.

The system performs simulations related to changes in the Company's capital. Called "Dynamic Financial Analysis," this method involves changing variable parameters, such as occurrence of claims and results of asset management, to simulate different scenarios that can then be analyzed.

At the end of March 2003 the Company had a solvency margin of ¥810 billion. A simulation carried out using Dynamic Financial Analysis calculated our total amount of risk at between ¥390 billion and ¥440 billion. This amount reflects the

#### Estimate of Total Risk Using Dynamic Financial Analysis

Solvency margin (March 2003) – approximately ¥810 billion\*

\*Adjusted shareholders' equity including unrealized gain on available-for-sale securities, catastrophe reserve, and price fluctuation reserve (all before taxes)

**Amount of risk**  
- risk related to insurance underwriting  
and asset management, etc. -

(1) ¥390 - 440 billion

- Create various scenarios using fluctuations in profit/loss, asset values, etc.
- The figure above (1) is the amount of capital decrease (on a market value basis) that would occur in a once-in-a-century worst-case scenario.

**Residual capital in  
worst-case scenario**

(2) ¥370 - 420 billion

- Secure a minimum solvency margin ratio of 400%, even in a worst-case scenario.

reduction in capital we would incur in a once-in-a-century worst-case scenario.

Subtracting the amount of total risk from our ¥810 billion solvency margin shows that, even in a worst-case scenario, the Company's residual capital would be ¥370 billion to ¥420 billion. This amount of residual capital translates to a solvency margin ratio of more than 400%, according to the formula used by the Financial Services Agency to assess the financial soundness of an insurance company.

This is solid confirmation that our Company is

maintaining capital adequate to continue business operations with virtually no disruption, even in the event that we experience the type of worst-case circumstances that might occur once in a century.

That said, having an even greater amount of residual capital after a worst-case scenario would ensure that we could maintain a high degree of freedom in our capital policies and strategic investment. To this end, we will strive to increase our earning capacity and reduce inefficient risk assets such as relationship stocks.

## 5. Life Insurance

The Company regards life insurance, along with non-life insurance, as a core business. NIPPONKOA Life Insurance Co., Ltd., our subsidiary, has been working to attract new customers and expand business through our Company's agencies.

These efforts have helped NIPPONKOA Life gain a steady increase in the "amount of business in force," while also improving its earning capacity.

(For more details on NIPPONKOA Life's business performance, please see "Life Insurance Business" on page 24 in the "Review of Operations" section of this annual report.)

Even with these gains, however, the number of in-force contracts (individual policies) of NIPPONKOA Life is only about 3% of that of the

Company's non-life insurance policies sold to individual customers. This indicates that there are many more potential customers for NIPPONKOA Life to attract.

We believe that we can continuously grow the amount of business in force of our life insurance subsidiary by aggressively soliciting our current non-life insurance customers and urging them to consider our life insurance products.

To this end, we are working with our agencies, making sure that they fully understand our life insurance products, instructing them in sales techniques, and supporting their efforts to promote life insurance sales.

### 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, (1) general economic conditions in the Company's market, mainly Japan, (2) conditions in the insurance industry, especially increased competition, (3) fluctuation of exchange rates, and (4) changes in regulations.

# Review of Operations

This section outlines the financial position of the NIPPONKOA Insurance Group at the end of fiscal 2002 (March 31, 2003), mainly in terms of the financial results of the parent company (the “Company”) and its life insurance subsidiary whose operations materially affect the consolidated financial statements. Please note that financial figures prior to fiscal 2002 show the combined figures of NIPPONKOA Insurance Co., Ltd. and Taiyo Fire & Marine Insurance Co., Ltd.

## 1. Key Indicators

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Non-consolidated basis:</b>			
Parent company			
Net premiums written	¥ 721,234	¥ 676,065	\$ 6,010,286
Loss ratio <sup>1</sup>	55.2%	59.9%	55.2%
Expense ratio <sup>2</sup>	35.4%	37.4%	35.4%
Underwriting profit	8,378	14,767	69,821
Ordinary profit (loss)	(36,721)	(29,656)	(306,008)
Net income (loss)	(28,637)	(19,062)	(238,641)
Life insurance subsidiary			
Basic profit	¥ 3,912	¥ 1,625	\$ 32,600
Ordinary profit	2,818	133	23,483
Net income (loss)	1,340	(4,040)	11,167
<b>Consolidated basis:</b>			
Ordinary profit (loss)	¥ (34,208)	¥ (29,357)	\$ (285,068)
Net income (loss)	(25,890)	(22,722)	(215,751)

Notes: 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

The Company, understanding that premium income is the source of its profit, has been making a significant effort to increase premium income by, for instance, implementing sales strategies appropriate for each of its sales channels and developing attractive products that meet the needs of customers. Owing to these efforts, net premiums written for fiscal 2002 (April 1, 2002 through March 31, 2003) yielded the following results.

As one of the characteristics of fiscal 2002, the

Company recorded increased premium income in every line of insurance except for voluntary automobile, which is in stark contrast with the previous year (fiscal 2001), in which revenues decreased.

In particular, premium income from personal accident insurance has increased by 5.1% partly thanks to the good performance of the third sector products and to the sales through the Taiyo Life channel. Furthermore, long-term fire insurance and non-life insurance type pensions sold over the

### ■ Net Premiums Written

	2003			Millions of Yen		Thousands of U.S. Dollars
	Amount	Change	% change	2002	2003	2003
<b>Non-consolidated basis (Parent company):</b>						
Fire	¥113,823	¥ 1,954	1.7%	¥111,869		\$ 948,530
Marine	15,802	178	1.1%	15,624		131,690
Personal accident	67,044	3,235	5.1%	63,808		558,700
Voluntary automobile	350,608	(2,923)	(0.8)%	353,531		2,921,738
Compulsory automobile liability	97,745	42,436	76.7%	55,309		814,549
Other	76,209	288	0.4%	75,921		635,077
Total	¥721,234	¥45,169	6.7%	¥676,065		\$6,010,286
<b>Consolidated basis:</b>						
Total	¥724,979	¥45,449	6.7%	¥679,530		\$6,041,493

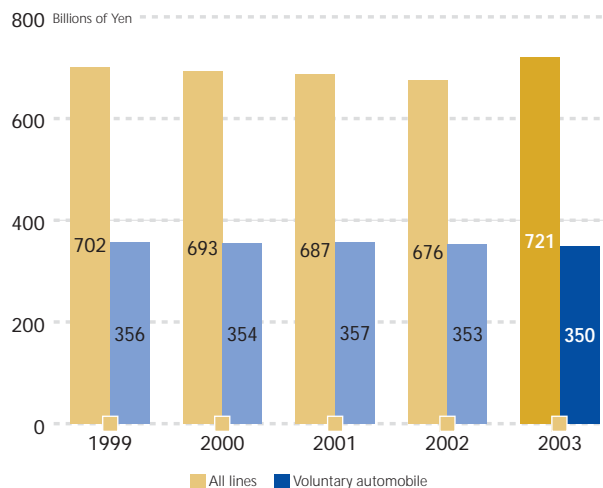
counter at financial institutions such as banks are performing extremely well and have contributed to the increased premium income from fire insurance and personal accident insurance.

In contrast, premium income from voluntary automobile insurance decreased by 0.8% due to the decline in premium rates for automobile fleet policies, although the number of contracted vehicles increased.

It should be noted that the significant increase in income from compulsory automobile liability insurance was brought about by the abolishment of the government reinsurance scheme, which eliminated the ceding of reinsurance premium to the government.

This significantly increased net premiums written, by 6.7%. Even excluding the impact of the revision in the reinsurance scheme for compulsory

automobile liability insurance, the increase in real terms stood at 0.9%, supported by increased premium income from personal accident insurance and fire insurance.



Trend in net premiums written  
(Parent company)

### 3. Net Losses Paid

The Company has continuously implemented measures for loss control such as appropriate underwriting and reinforcing its claims-handling capability to improve the loss ratio. This has resulted in the following loss ratio for fiscal 2002.

One of the characteristics of fiscal 2002 is that the loss ratio for voluntary automobile insurance, the Company's main product line, improved by 1.5 percentage points compared with the previous

year, driving the improvement in loss ratio for all lines. The improvement in the loss ratio for voluntary automobile insurance was realized primarily by the decrease in amount per payment for own vehicle damage claims and property damage third party liability claims.

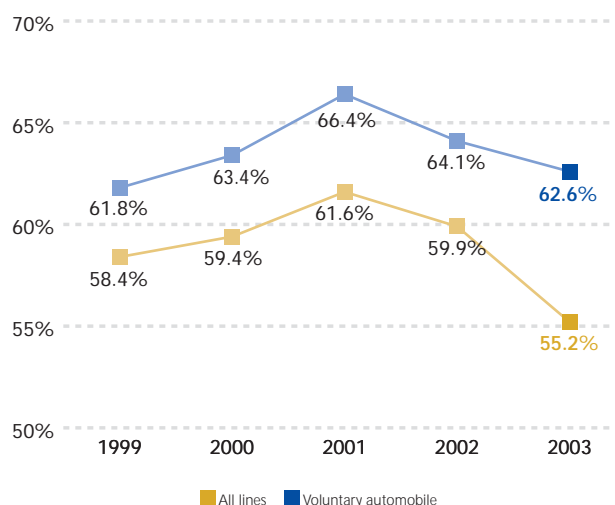
Furthermore, the loss ratio for fire insurance has also improved partly due to the decrease in the number of large-scale claims.

#### Net Losses Paid

	2003			2002		Thousands of U.S. Dollars
	Amount	Change	Loss ratio	Amount	Loss ratio	2003 Amount
<b>Non-consolidated basis (Parent company):</b>						
Fire	¥ 38,370	¥(1,566)	36.3%	¥ 39,936	38.1%	\$ 319,750
Marine	6,915	(1,119)	45.4%	8,035	53.3%	57,632
Personal accident	26,871	469	44.6%	26,401	45.6%	223,928
Voluntary automobile	202,249	(7,511)	62.6%	209,761	64.1%	1,685,416
Compulsory automobile liability	38,444	1,550	45.7%	36,894	78.5%	320,374
Other	51,272	(18)	72.6%	51,290	72.7%	427,270
<b>Total</b>	<b>¥364,124</b>	<b>¥(8,195)</b>	<b>55.2%</b>	<b>¥372,320</b>	<b>59.9%</b>	<b>\$3,034,371</b>
<b>Consolidated basis:</b>						
Total	¥366,087	¥(8,042)		¥374,129		\$3,050,729

The dramatic improvement in the loss ratio for compulsory automobile liability insurance was brought about by the significant increase in net premiums written following the abolishment of the government reinsurance scheme. This also drastically improved the loss ratio for all lines to 55.2%. Without the impact of the revision in the reinsurance scheme for compulsory automobile liability insurance, the ratio would be 58.2%, which is still an improvement of 1.7 percentage points compared with the previous year.

It should be noted that the total estimated amount of incurred losses due to the terrorist attacks in the United States on September 11, 2001 was approximately ¥1.5 billion, while payments (cumulative total) made through fiscal 2002 were approximately ¥0.8 billion.



## 4. Expenses

The Company, in pursuit of low-cost operation, has continuously made an effort to reduce its total operating expenses.

Personnel expenses, despite a decrease in employee

salaries, increased by ¥1.5 billion due to expenses related to retirement benefits. Conversely, non-personnel expenses have been reduced by approximately ¥2.0 billion due to effects of the merger. As

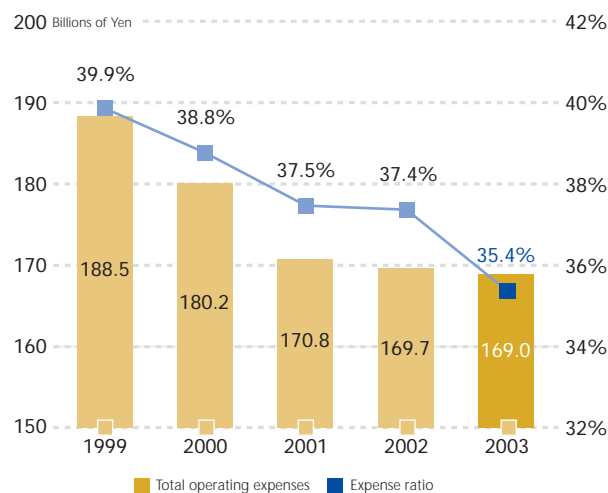
Expenses	2003			2002		Thousands of U.S. Dollars
	Amount	Change	% of net premiums written	Amount	% of net premiums written	2003
<b>Non-consolidated basis (Parent company):</b>						
Parent company						
Expenses on underwriting:						
Net commissions and brokerage	¥ 127,706	¥ 3,793	17.7%	¥ 123,912	18.3%	\$ 1,064,217
Operating and administrative expenses on underwriting	127,589	(1,495)	17.7%	129,085	19.1%	1,063,247
Total	¥ 255,295	¥ 2,298	35.4%	¥ 252,997	37.4%	\$ 2,127,464
Total operating expenses: <sup>1)</sup>						
Personnel expenses	¥ 93,591	¥ 1,575	13.0%	¥ 92,016	13.6%	\$ 779,928
Non-personnel expenses	65,875	(1,974)	9.1%	67,849	10.0%	548,960
Contributions	525	(187)	0.1%	713	0.1%	4,379
Taxes	9,028	(190)	1.3%	9,219	1.4%	75,237
Total	¥ 169,020	¥ (777)	23.4%	¥ 169,798	25.1%	\$ 1,408,505
<b>Consolidated basis:</b>						
Total operating expenses	¥ 175,355	¥ (904)	24.2%	¥ 176,260	25.9%	\$ 1,461,299

Note: 1) Total operating expenses = Loss adjustment expenses + Operating and administrative expenses

## Review of Operations

a result, total operating expenses were reduced by approximately ¥0.8 billion compared with the previous year.

Although the expense ratio stood at 35.4%, the ratio excluding the impact of the revision in the reinsurance scheme for compulsory automobile liability insurance was 37.4%.



Total operating expenses and Expense ratio  
(Parent company)

### 5. Underwriting Profitability (Parent Company)

As a result of the above-mentioned facts, the underwriting balance (the amount of net premiums written minus net losses paid, loss adjustment expenses and expenses on underwriting) significantly

increased compared with the previous year to ¥68 billion, as shown below.

In addition, figures excluding the impact of the abolishment of the government reinsurance scheme

#### Underwriting Balance/Profit

	Millions of Yen					
	2003				2002	
	New basis		Previous basis <sup>1)</sup>		Amount	% of net premiums written
Amount	% of net premiums written	Amount	% of net premiums written			
<b>Non-consolidated basis (Parent company):</b>						
Net premiums written	¥721,234	100.0%	¥682,480	100.0%	¥676,065	100.0%
Less: Net losses paid						
+ Loss adjustment expenses	397,924	55.2%	397,438	58.2%	405,211	59.9%
Less: Expenses on underwriting	255,295	35.4%	255,295	37.4%	252,997	37.4%
Underwriting balance	¥ 68,014	9.4%	¥ 29,746	4.4%	¥ 17,856	2.6%
Underwriting profit	¥ 8,378	1.2%	¥ 8,378	1.2%	¥ 14,767	2.2%

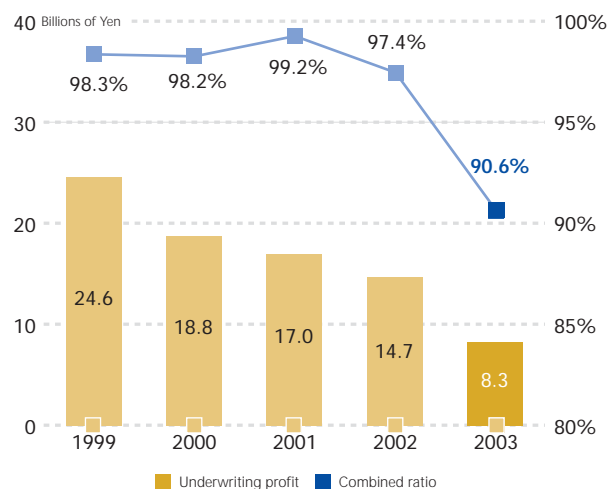
Note: 1) In calculating figures on "Previous basis," the impact of abolishment of the government reinsurance scheme for Compulsory Automobile Liability Insurance is excluded.

## ■ Underwriting Funds as of March 31, 2003

	Reserve for outstanding claims		Underwriting reserves (total)		Of which premium reserve		Of which catastrophe reserve	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
	Millions of Yen							
<b>Non-consolidated basis (Parent company):</b>								
Fire	¥ 27,403	¥ 4,038	¥ 834,452	¥(41,437)	¥320,361	¥ 9,989	¥ 89,969	¥ 4,140
Marine	6,170	744	21,841	2,078	6,753	1,507	15,088	570
Personal accident	12,759	(1,400)	968,204	3,851	32,126	(328)	26,187	-
Voluntary automobile	111,082	(3,340)	183,151	4,028	104,217	(2,283)	56,829	3,444
Compulsory automobile liability	16,012	2,178	124,930	32,509	124,930	32,509	-	-
Other	33,201	7,606	171,177	(8,552)	80,912	(1,442)	37,561	2,203
<b>Total</b>	<b>¥206,629</b>	<b>¥ 9,826</b>	<b>¥2,303,757</b>	<b>¥ (7,521)</b>	<b>¥669,301</b>	<b>¥39,952</b>	<b>¥225,635</b>	<b>¥10,360</b>

for compulsory automobile liability insurance are also shown here. Even based on these figures, both the underwriting balance and the underwriting balance ratio (against net premiums written) have recorded a considerable increase to ¥29.7 billion and 4.4% respectively.

The underwriting profit has decreased from ¥14.7 billion in the previous year to ¥8.3 billion. However, this was due to a significant increase in the balance of the catastrophe reserve and the reserve for outstanding claims (mainly for IBNR reserve) mostly for fire and other lines.



Results of underwriting (Parent company)

## 6. Interest and Dividend Income

Due to the prolonged low interest rates in Japan, interest and dividend income in fiscal 2002 decreased by ¥6.9 billion (parent company).

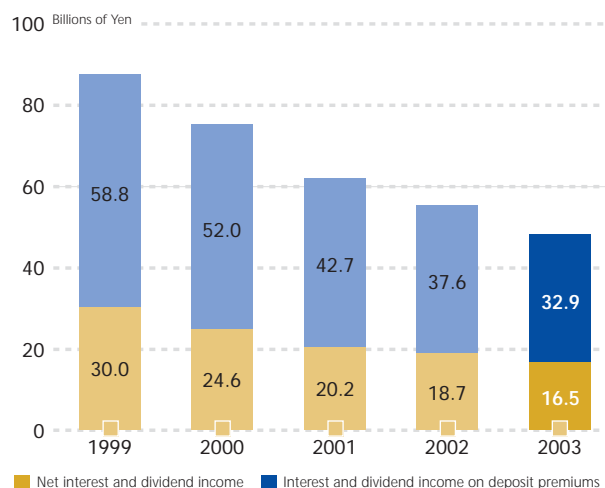
On the other hand, interest and dividend income on deposit premiums of savings-type policies (to be returned to the policyholders upon

### ■ Interest and Dividend Income

	2003			Millions of Yen		Thousands of U.S. Dollars
	Amount	Change	% change	2002	2003	Amount
<b>Non-consolidated basis (Parent company):</b>						
Interest and dividend income	¥49,523	¥(6,908)	(12.2)%	¥56,432		\$412,698
Less: Interest and dividend income on deposit premiums	32,963	(4,676)	(12.4)%	37,640		274,696
Net interest and dividend income	¥16,560	¥(2,232)	(11.9)%	¥18,792		\$138,001
<b>Consolidated basis:</b>						
Interest and dividend income	¥52,401	¥(6,425)	(10.9)%	¥58,827		\$436,680

## Review of Operations

maturity), decreased ¥4.6 billion. As a result, the decline in net interest and dividend income was ¥2.2 billion.



Breakdown of interest and dividend income  
(Parent company)

### 7. Realized Gains/Losses on Securities, Revaluation Loss on Securities

For fiscal 2002, as shown here, net gain and loss on sale of securities (= sales gain - sales loss) have been substantially reduced to a loss of ¥2.9 billion, while net realized gains and losses including redemption profit and loss on securities were recorded at a loss of ¥2.0 billion (both figures are for the parent company).

As the Company has been making continuous efforts to improve its investment portfolio by selling relationship stocks, the decline of the stock market in fiscal 2002 has been the main contributing factor behind the increased loss on sale of

domestic equities.

Furthermore, the revaluation loss on securities was ¥45.4 billion due to the decline of the stock market. It should also be noted that a large amount of the revaluation loss on securities was partly due to the Company's adoption of a stricter rule for write-down due to impairment. The Company, taking into consideration the recent economic conditions, has determined that more rigorous write-downs of securities is necessary. It has therefore decided, from fiscal 2002, to write down all securities whose fair value is lower than its book value

#### Realized Gains/Losses on Securities

	2003	Millions of Yen 2002	Thousands of U.S. Dollars 2003
<b>Non-consolidated basis (Parent company):</b>			
Net gain (loss) on sale of securities:			
Domestic bonds	¥ 1,145	¥ (681)	\$ 9,542
Domestic equities	(7,271)	12,398	(60,598)
Foreign securities, etc.	3,222	6,233	26,854
Total	(2,904)	17,950	(24,200)
Redemption profit (loss) on securities	884	728	7,368
Realized gains (losses)	¥(2,019)	¥18,678	\$(16,832)
<b>Consolidated basis:</b>			
Net gain (loss) on sale of securities	(2,904)	17,967	(24,203)
Redemption profit (loss) on securities	836	707	6,968
Realized gains (losses)	¥(2,068)	¥18,675	\$(17,234)

by 30% or more.

In the future, the Company plans on accelerating the sale of its relationship stocks in order to

establish a more stable earnings base that is less susceptible to the fluctuations of the stock market.

#### ■ Revaluation Loss on Securities

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Non-consolidated basis (Parent company):</b>			
Domestic bonds	¥ -	¥ 3,781	\$ -
Domestic equities	44,807	67,756	373,395
Foreign securities, etc.	613	2,580	5,113
Total	¥ 45,421	¥ 74,117	\$ 378,509
<b>Consolidated basis:</b>			
Total	¥ 45,564	¥ 74,269	\$ 379,703

## 8. Profit and Losses

Our profit and losses for fiscal 2002 have been recorded as follows.

#### ■ Summary of Profit and Losses

	Millions of Yen		Thousands of U.S. Dollars
	2003 Amount	2002 Amount	2003 Amount
<b>Non-consolidated basis (Parent company):</b>			
Underwriting:			
Underwriting profit (loss)	(1) ¥ 8,378	¥ 14,767	\$ 69,821
Miscellaneous income (expenses) related to underwriting	(2) 1,005	936	8,382
Investment, etc. :			
Net interest and dividend income	(3a) 16,560	18,792	138,001
Net gain (loss) on sale of securities	(3b) (2,904)	17,950	(24,200)
Less: Revaluation loss on securities	(3c) 45,421	74,117	378,509
Redemption profit (loss) on securities	(3d) 884	728	7,368
Less: Addition to reserve for investment losses	(3e) 600	-	5,000
Gain (loss) on foreign exchange	(3f) (258)	105	(2,154)
Other investment income (loss)	(3g) (4,785)	(88)	(39,877)
Investment profit (loss), above total	(3) (36,524)	(36,629)	(304,372)
Less: Investment expenses, etc.	(4) 7,631	7,822	63,595
Other ordinary income (loss)	(5) (1,949)	(908)	(16,245)
Ordinary profit (loss)	(1)+(2)+(3)-(4)+(5) (36,721)	(29,656)	(306,008)
Special income (loss)	(3,290)	(1,316)	(27,417)
Less: Income taxes, including deferred tax	(11,374)	(11,909)	(94,784)
Net income (loss)	¥ (28,637)	¥ (19,062)	\$ (238,641)
<b>Consolidated basis:</b>			
Ordinary profit (loss)	(34,208)	(29,357)	(285,068)
Net income (loss)	¥ (25,890)	¥ (22,722)	\$ (215,751)

Note: 1) Other investment income (loss) is composed of the following items:  
Investment income (loss) on money in trust + Investment income (loss) on trading securities + Revaluation profit (loss) on derivative financial instruments + Other investment income (loss)

## 9. Profitability and Financial Base

For fiscal 2002, similar to fiscal 2001, the Company recognized a large amount of revaluation loss on securities, resulting in the recording of an ordinary loss and net loss for the year. However, if the one-

off gains and losses, namely “net gain and loss on sale of securities” and “revaluation loss on securities” are excluded from the ordinary loss, the adjusted amount indicates a profit of ¥11.6 billion.

### ■ Adjustment of Ordinary Profit

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Non-consolidated basis (Parent company):</b>			
Ordinary profit (loss)	¥(36,721)	¥(29,656)	\$(306,008)
Less: Net gain (loss) on sale of securities	(2,904)	17,950	(24,200)
Revaluation loss on securities	45,421	74,117	378,509
Ordinary profit, adjusted	¥ 11,604	¥ 26,510	\$ 96,700

Furthermore, in terms of the financial base, the Company has recorded, as of the end of March 2003, an unrealized gain of ¥194.4 billion for

domestic equities and ¥246.4 billion for all securities, serving as an indication of the Company's highly sound financial condition.

### ■ Unrealized Gain on Available-for-sale Securities as of March 31, 2003

	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)
<b>Non-consolidated basis (Parent company):</b>						
Domestic bonds	¥ 699,810	¥ 726,064	¥ 26,254	\$ 5,831,752	\$ 6,050,539	\$ 218,787
Domestic equities	475,635	670,071	194,435	3,963,627	5,583,927	1,620,299
Foreign securities, etc.	440,745	466,520	25,775	3,672,878	3,887,672	214,794
Total	¥ 1,616,191	¥ 1,862,656	¥ 246,465	\$ 13,468,258	\$ 15,522,139	\$ 2,053,881
<b>Consolidated basis:</b>						
	¥ 1,704,467	¥ 1,963,140	¥ 258,672	\$ 14,203,898	\$ 16,359,506	\$ 2,155,607

In addition, the Financial Services Agency in Japan assesses the financial conditions of insurance companies by monitoring their solvency margin ratio. A company is regarded as having adequate sol-

veny if this ratio exceeds 200%. The Company is maintaining a ratio of 840.5%, indicating that it is in sound financial condition.

### ■ Solvency Margin Ratio

	Millions of Yen
	2003
<b>Non-consolidated basis (Parent company):</b>	
A. Solvency margin	¥ 831,245
B. Total amount of risk	197,789
Solvency margin ratio: A / (B x 1/2) x 100	840.5 %

## 10. Balance Sheet, Investment Assets

The overview of the balance sheet (parent company) is as follows.

### ■ Overview of Balance Sheet

	2003		2002		Thousands of U.S. Dollars
	Amount	Proportion	Amount	Proportion	2003
<b>Non-consolidated basis (Parent company):</b>					
Total assets:	¥ 3,082,778	100.0%	¥3,218,164	100.0%	\$25,689,818
Liabilities:					
Reserve for outstanding claims	206,629	6.7%	196,802	6.1%	1,721,909
Underwriting reserves:					
Premium reserve	669,301	21.7%	629,349	19.6%	5,577,514
Catastrophe reserve	225,635	7.3%	215,275	6.7%	1,880,298
Reserve for deposit premiums of savings-type policies	1,408,819	45.7%	1,466,653	45.6%	11,740,165
Total	2,303,757	74.7%	2,311,279	71.8%	19,197,978
Others	132,270	4.3%	170,292	5.3%	1,102,252
Total liabilities	¥ 2,642,656	85.7%	¥2,678,374	83.2%	\$22,022,140
Shareholders' equity	¥ 440,121	14.3%	¥ 539,790	16.8%	\$ 3,667,678

The breakdown of investment assets, which accounts for most of the total assets, is as follows. As stated in "Strategies for Managing Assets" in the "Strategies Currently In Focus" section of this

annual report, the Company distinguishes asset management in three categories: "Deposit Premium Account," "General Account (Pure Investment Assets)," and "General Account (Other Assets)."

### ■ Balance of Assets by Investment Category as of March 31, 2003

	Deposit premium account	General account		Total		Thousands of U.S. Dollars
		Pure Investment	Other Investment	Amount	Proportion	Total
<b>Non-consolidated basis (Parent company):</b>						
Securities:						
Domestic equities	¥ -	¥ 2,271	¥ 717,100	¥ 719,372	25.4%	\$ 5,994,772
Yen-denominated securities, excluding equities:						
Public and corporate bonds	878,506	59,683	2,915	941,105	33.2%	7,842,548
Others	6,373	18,796	7,607	32,778	1.2%	273,151
Total	884,880	78,480	10,522	973,884	34.3%	8,115,700
Foreign currency-denominated securities:						
Public and corporate bonds	63,945	147,981	19,253	231,181	8.2%	1,926,512
Others	908	6,331	18,199	25,439	0.9%	211,998
Total	64,854	154,313	37,453	256,621	9.0%	2,138,511
Total of securities	949,734	235,066	765,076	1,949,878	68.8%	16,248,984
Monetary receivables bought	28,924	11,499	196	40,620	1.4%	338,507
Money in trust	-	60,600	50	60,650	2.1%	505,424
Loans	368,716	-	70,406	439,123	15.5%	3,659,365
Bank deposits	22,613	88,570	81,653	192,838	6.8%	1,606,987
Land and buildings	-	-	152,866	152,866	5.4%	1,273,889
Investment assets (total)	¥ 1,369,990	¥ 395,737	¥ 1,070,251	¥ 2,835,979	100.0%	\$23,633,158
Total assets				¥ 3,082,778		\$25,689,818

## 11. Life Insurance

The Company began life insurance operations in 1996. As shown below, its efforts to boost the amount of business in force have paid off, and this operation has seen steady growth.

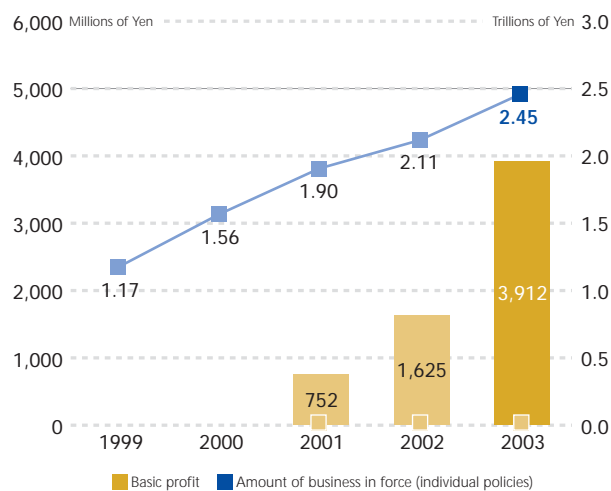
As a result, the amount of business in force for individual insurance at the end of fiscal 2002 reached approximately ¥2.5 trillion, while the basic profit was ¥3.9 billion. Both figures experienced a significant increase compared with the previous

year, which indicates that the Company's life insurance operations have been steadily growing. Fiscal 2001 produced a net loss of ¥4.0 billion due to the extraordinary loss incurred for the merger between The Nippon Fire Partner Life Insurance Co., Ltd. and The Koa Life Insurance Co., Ltd. However, the Company's true profitability was manifested in fiscal 2002, which produced a surplus of ¥1.3 billion.

### Life Insurance Business

	2003			Millions of Yen	Thousands of U.S. Dollars
	Amount	Change	% change	2002 Amount	2003 Amount
Life insurance subsidiary:					
Amount of business in force at term-end					
Individual insurance, individual annuity	¥ 2,452,948	¥340,552	16.1%	¥ 2,112,396	\$20,441,240
Premium and other receipts	54,023	9,372	21.0%	44,651	450,198
Investment income	2,396	345	16.9%	2,050	19,972
Basic profit	3,912	2,286	140.7%	1,625	32,600
Ordinary profit	2,818	2,684	2016.9%	133	23,483
Net income (loss)	¥ 1,340	¥ 5,380	-	¥ (4,040)	\$ 11,167

Note: Basic profit is an indicator for underlying profit of the life insurance business. It does not include one-off gains and losses such as gain and loss on sale of securities, revaluation loss on securities, and others. (This indicator was introduced at the term-end of fiscal 2000.)



Results of life insurance business

### Sales of Our Products through the Channel of Life Insurance Companies as Our Agents

In March 2002, Taiyo Life Insurance Company commenced sales of our non-life insurance products through its sales personnel. Our non-life products such as automobile, household fire and personal accident insurance have been delivered through the company's 11,000 sales personnel to a great number of new customers.



YUTORIX  
\*Personal Accident Insurance for  
the Taiyo Life Channel

We also expect that our non-life insurance products will be sold through Meiji Yasuda Life Insurance Company, which will be created with the merger of Meiji Life Insurance Company and The Yasuda Mutual Life Insurance Company.

Aiming to offer total satisfaction to customers who purchase our products through the above-mentioned life insurance companies, we are making a committed effort to provide timely, convenient, and expert services to those customers as well.

### Over-the-Counter Sales at Financial Institutions

Following the April 2001 deregulation in the financial industry, the ban on over-the-counter sales of insurance at these firms was lifted. In the non-life insurance area, the first phase of this deregulation included sales of housing loan-related long-term

fire insurance and overseas travel insurance. With the second phase of deregulation in October 2002, financial institutions were permitted to sell personal pension insurance. We now offer several products developed specifically for over-the-counter sales at financial institutions. These include a long-term fire insurance product named FULL HOUSE, a group policy specifically designed for the financial institution channel, and two fixed-income pension insurance products named DREAM PASS and RÊVE, the latter of which is underwritten by NIPPONKOA Life Insurance Co., Ltd.

These products have enjoyed outstanding over-the-counter sales at financial institutions because they offer wide coverage and are carefully designed to meet customer needs.



RÊVE



FULL HOUSE



DREAM PASS

### Treasury Stocks Acquired

As part of efforts to use capital in the most effective manner possible, the Company has been acquiring treasury stocks. In fiscal 2002, it repurchased 10 million shares (¥4.3 billion), while the ceiling of repurchase for one year was 80 million shares (¥40 billion).

In fiscal 2003, the Company has set a repurchase ceiling again of 80 million shares (¥35 billion) for the period from June 27, 2003 to the next Ordinary General Meeting of Shareholders.

The Company will continue to make efforts to improve capital efficiency to achieve increased shareholder profit.

### Products

*Drawing on careful market research and its advanced product development capabilities, the Company continues to launch products that cover the new risks and meet customer needs as society and the economy evolve.*

#### Revision of KURUMAX Automobile Insurance

Our KURUMAX, voluntary automobile insurance products, has been popular with customers ever since its launch. Now this product is even more closely aligned with customer needs, thanks to recent enhancements we made in July 2003.

In addition to the coverage of installment costs for anti-theft devices, we are now covering costs for other measures customers take to deter recurring theft, to replace door locks, and to track stolen vehicles. We also offer enhanced emergency services to customers who have had a breakdown or car accident.

We hope that these enhancements will convince even more new customers to purchase our KURUMAX.

#### Launch of Cost Insurance for Trust Recovery

Introduced in March 2003, this new insurance covers the costs a company incurs in efforts to rebuild customer trust and restore its reputation following certain kinds of incidents. These include a fire, explosion or other accident at a company facility, a products liability problem, or a product recall required due to a defect.

Our aim in creating this insurance was to offer companies the support they needed to establish accountability and restore their corporate reputation. It covers the costs associated with such matters as issuing public apologies, dealing with the media, and undertaking public relations efforts to rebuild customer trust.

We also offer optional coverage for the costs related to checking for land pollution following an industrial or other accident that resulted in a discharge of toxic substances.



KURUMAX

### Household Risk Management Book

In November 2002, the Company put together a handbook called *Wagaya-no Kikikanri (Household Risk Management)* and published it in paperback form through Shogakukan Inc. Using a number of illustrations and easy-to-understand terms, it explains what people should do in their daily lives to reduce the risk such as property damage, pecuniary loss, bodily injury and liability to the third party. This fun, user-friendly book is full of practical advice that can benefit anyone, regardless of age and gender. We hope this handbook will help people prevent accidents in their daily lives.

### Support for Companies Introducing 401(k) plan

In October 2001, a defined contribution pension plan system for employees was launched in Japan, similar to the 401(k) plans in the United States. In line with this move, the Company began offering a comprehensive range of services for companies introducing this type of plan, from assistance with plan implementation, to administrations including investment advice.



*Household Risk Management*



DC ECONOMY PLAN

In June 2003 we also launched the NIPPONKOA DC Economy Plan to support small and medium-sized corporations in implementing 401(k) plans. Using a system in which a number of companies participate together in a single pension agreement, our service greatly reduces the corporate customer's costs and effort involved in plan setup and administration.

The Company will market this product to small and medium-sized companies looking to introduce 401(k) pension plans for their employees.

### Seminars and Information Magazines

We host seminars and publish magazines with news and information that can prove useful in our corporate customers' businesses.



Logistics Seminar

#### <Seminars>

- ◆ “Essential Risk Management Measures and Risk Communication”
- ◆ Logistics Seminar:
  - “Changes in Corporate Needs and the Future of the Distribution Industry”
  - “Labor Management under Tighter Regulations”

### <Information magazines>

- ◆ *D&O NEWS: “Revised Commercial Law (enforced May 1, 2002) and How to Cope with It”*
- ◆ *D&O NEWS VOL. 2: “Revised Commercial Law (enforced April 1, 2003) and the Mechanism of Corporate Governance”*
- ◆ *PL Information No.18: “Latest Situations of Japanese Products Liability”*



Information Magazines

## International Operations

### WORLDWIDE SERVICE NETWORK

In a period of rapid globalization, many of our customers are looking to create new overseas operations or expand existing ones. Business is becoming increasingly borderless. NIPPONKOA is working hard to meet emerging customer needs in these changing times by further enhancing our services for overseas business operations. We are building close relationships with insurance companies in other countries and sharing information and expertise with them. This allows us to develop cutting-edge services in a more efficient and timely manner, strengthening our competitiveness in the Japanese market.

With regard to our international network (as later described in the Overseas Group Network of “Corporate Information” section of this annual

report), we now operate 23 representative offices in 16 countries, with 48 representatives and more than 200 international staff members on hand to provide a comprehensive range of insurance services. Eight additional Company affiliates and subsidiaries in some of these countries also offer expert insurance and related services. There are five overseas regions in which NIPPONKOA conducts insurance underwriting operations (through our underwriting agencies) and nine in which our overseas subsidiaries and affiliates conduct underwriting operations (please see our overseas subsidiaries listed in the next page). We are also teaming up with leading insurance companies overseas to provide high-level services to NIPPONKOA customers all around the world.

COUNTRY OR REGION	OVERSEAS INSURANCE SUBSIDIARIES
United States	NIPPONKOA Insurance Company of America*
United Kingdom Belgium** France** Germany** Italy** Netherlands**	NIPPONKOA Insurance Company (Europe) Limited* Nippon Insurance Company of Europe Limited*
Hong Kong	NIPPONKOA Insurance Company (Asia) Limited*
Indonesia	PT. Asuransi BancBali Nippon Fire*

COUNTRY OR REGION	UNDERWRITING AGENCY
United States	The Travelers Marine Corporation
Guam (United States)	Nanbo Guam, Ltd
Canada	Aviva Canada, Inc.
Australia	CGU Insurance Limited
Singapore	NIPPONKOA Management Service (Singapore) Private Limited

\*A Company subsidiary or affiliate

\*\*The subsidiaries' branches conduct underwriting operations in these countries.

## EUROPE

Our subsidiary in the United Kingdom offers a comprehensive range of insurance services through its headquarters in London and branches in Belgium, France, Germany, Italy and Netherlands. In areas of Europe where the subsidiary does not

have insurance operations, the Company has established strong partnerships with local insurance companies in which they serve as a fronting company for us. This allows us to offer complete insurance services throughout Europe.

## AMERICA

We have served customers in the United States ever since opening our representative office in New York nearly 40 years ago. Both the Company and a subsidiary now provide insurance services in the United States.

In Canada and Guam we are licensed to provide insurance. The Company now offers services in collaboration with leading local insurance companies and agents.

### ASIA AND OCEANIA

In 1961 the Company opened its first overseas facility, a representative office in Hong Kong. In the four decades since then, we have opened offices in Sydney, Singapore, Melbourne, Kuala Lumpur, Jakarta, Taipei, Bangkok, Shanghai, Hanoi, Manila, and Ho Chi Minh City.

The Company has identified Asia as a strategically vital region, with China particularly important. Accordingly, we have worked energetically to

expand sales operations throughout the region while also establishing a new representative office in Shenzhen, China.

In Hong Kong and Indonesia, our subsidiaries provide insurance services directly to customers. In Australia and Singapore, we have obtained licenses to serve customers with the cooperation of local underwriting agencies.

### REINSURANCE

Reinsurance is one of the essential parts of the Company's business operations, in which it conducts business with not only domestic but also overseas partners. NIPPONKOA has developed solid, long-term relationships with fellow insurance

companies, which allows us to effectively diversify risks and provide reinsurance as needed. As to assumed business, we strive to be prudent and selective in our underwriting by focusing on the transparency of the risks involved.

## Corporate Citizenship

### WORKING TO PROTECT THE ENVIRONMENT

In accordance with our guiding principles, we are striving to promote and follow environment-friendly practices in all of our operations and activities.

In June 2002 our head office buildings acquired ISO14001 certification, attesting that our environmental management systems meet the highest international standards. Since that time we have experienced steady improvement in areas such as recycling rates. We have also dramatically reduced

consumption of both paper and electricity at these facilities, thanks to the efforts of directors, officers, and employees who have fully embraced our company-wide commitment to protecting the environment.

The company also has launched several products that were developed with the environment in mind. For example, our COMPREHENSIVE BUILDING INSURANCE "e" promotes the planting of greenery on the rooftops of large buildings. And



our Eco-Energy Derivatives supports the growth of the eco-energy industry by reducing the risks involved in this emerging business field.

The Company continuously promotes ecological awareness in a number of other ways, too. We host environmental seminars for corporations, publish the serial environmental information magazine, *Environmental Risk Review*, offer environmental risk assessment services, and provide support for corporate customers seeking to obtain ISO14001 certification, to name some of our activities.

We at NIPPONKOA understand that the actions we take today will have a great impact on the global environment that our children will inherit tomorrow. Accordingly, we will continue making environmental preservation a foremost consideration in all of our operations and activities.



Environmental Risk Review



COMPREHENSIVE BUILDING INSURANCE "e"

## NIPPONKOA WELFARE FOUNDATION

The NIPPONKOA Welfare Foundation was established in 1991 to spearhead the Company's efforts to support activities and research programs related to providing care for the elderly. The Foundation is active in a variety of ways, including those outlined below.

### ■ Helping Families Care for Elders with Senile Dementia

The Foundation helps sponsor training and information exchange projects hosted by the Alzheimer's Association Japan, which helps families that are caring for relatives who suffer from senile dementia. To date, 6,311 family members have taken part in these activities.

### ■ Providing Scholarships for Home Nursing Care Specialists

Every year, the Foundation supplies annual financial assistance to 20 college students who plan to work in special-care homes for senior citizens, hospitals, and similar facilities throughout Japan after graduation. To date, 238 students have received such financial assistance.

### ■ Financial Support for Gerontology Research

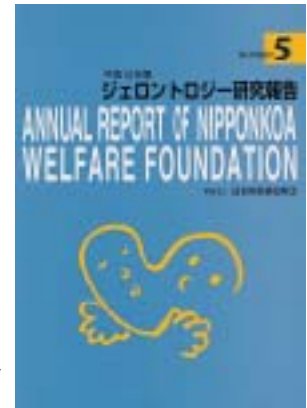
To promote advancement in gerontology and improve the health and welfare of senior citizens, NIPPONKOA awards a grant that provides financial support for a man or woman conducting research in gerontology. We select candidates by soliciting applications from universities, research

institutes, educational institutions, and senior citizen facilities across the nation. The results of our recipients' research studies are published in *Gerontology Research Report*, which is distributed free of charge to research institutes nationwide. So far, we have published volumes 1 to 5, containing a total of 95 studies.

### ■ Gerontology Research

In 1998, the Foundation established the Gerontology Research Institute to promote independent research in the field of gerontology deal-

ing with issues related to the elderly and the aging of society.



The Gerontology Research Report

## MATCHING GIFTS: NIPPONKOA OMOIYARI CLUB

The Omoiyari Club provides contributions to charitable organization, using funds donated by like-minded directors, officers and employees and matched by the Company. Club members contribute monthly compensation, and the Company donates a matching amount.

To date, the club has donated a total of ¥20 million to 202 organizations involved in areas from promoting social welfare to protecting the environment.

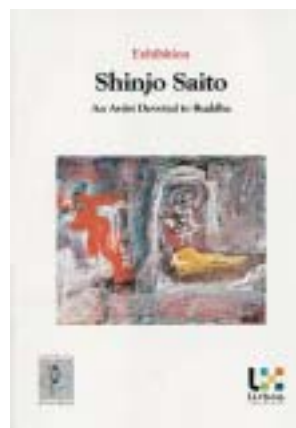


Omoiyari Club

## SUPPORTING ART ACTIVITIES

The Company supports a variety of art activities with the aim of contributing to the creation of a truly affluent society.

In 2002, we also cooperated in a number of events, including art exhibitions, concerts and ballets, which enabled people to experience art in a variety of entertaining forms.



Art Activities Sponsored by the Company

# Financial Section



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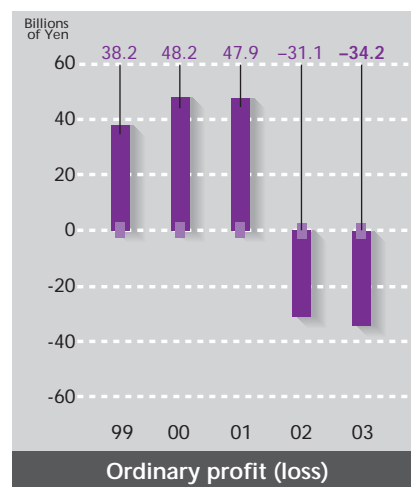
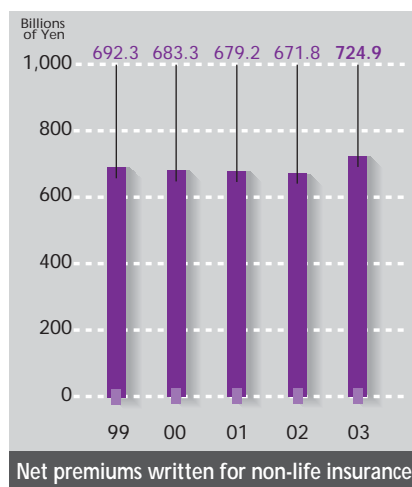
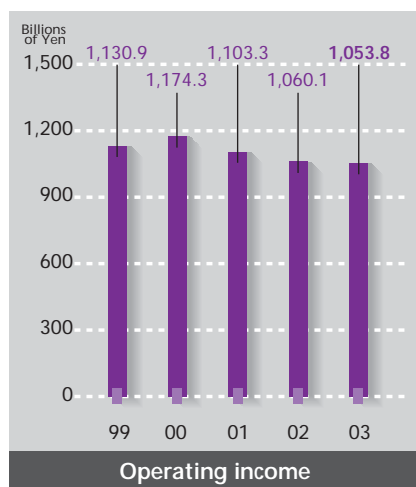
# Selected Consolidated Financial Data (Unaudited)

NIPPONKOA INSURANCE CO., LTD. Years ended March 31, 2003 and 2002  
 THE NIPPON FIRE & MARINE INSURANCE CO., LTD. Years ended March 31, 2001, 2000 and 1999  
 THE KOA FIRE & MARINE INSURANCE CO., LTD. Years ended March 31, 2001, 2000 and 1999

## 1. Five-Year Summary

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2003 NIPPONKOA	2002 NIPPONKOA	2001 NIPPON	2000 NIPPON	1999 NIPPON	2003 NIPPONKOA
Operating income	¥1,053,827	¥1,060,141	¥660,229	¥695,212	¥656,064	\$8,781,891
Net premiums written for non-life insurance	724,979	671,823	413,307	410,825	413,339	6,041,493
Life insurance premiums	45,559	38,862	17,364	12,205	8,150	379,660
Ordinary profit (loss)	(34,208)	(31,052)	27,533	28,182	26,846	(285,068)
Net income (loss)	(25,890)	(22,741)	7,561	7,302	6,257	(215,751)
Net income (loss) per share (in yen and U.S. dollars):						
Basic	(30.72)	(26.90)	13.47	12.61	10.77	(0.256)
Diluted (Note 2)	—	—	—	—	—	—
Total assets (Note 3)	3,217,703	3,240,237	2,100,668	1,906,585	1,883,204	26,814,192
Shareholders' equity	444,144	533,019	427,059	234,465	216,047	3,701,200
Shareholders' equity ratio (Note 3)	13.8%	16.4%	20.3%	12.3%	11.5%	
Return on equity (ROE)	-5.3%	-4.0%	2.3%	3.2%	2.9%	
Price-earnings ratio (PER)	—	—	31.18	20.06	34.91	
Net cash provided by (used in):						
operating activities (Note 4)	55,698	(40,374)	(47,340)	(39,072)	—	464,157
investing activities (Note 4)	(12,128)	78,336	50,571	54,975	—	(101,070)
financing activities (Note 4)	(14,604)	(32,430)	(7,124)	(7,063)	—	(121,704)
Cash and cash equivalents at end of year (Note 4)	196,689	155,114	79,248	82,926	—	1,639,082

- Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥120 = US\$1, the approximate rate prevailing at March 31, 2003.  
 2. There were no potential common shares to be issued from the year ended March 31, 1999 to the year ended March 31, 2003.  
 3. Total assets and shareholders' equity ratio for the year ended March 31, 1999 have been recalculated in accordance with the revised Insurance Business Law effective from March 30, 2000.  
 4. Consolidated statements of cash flows have been required since the year ended March 31, 2000 by the revision of the disclosure code of consolidated financial statements.

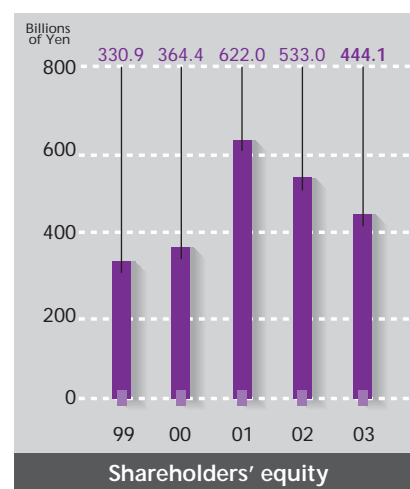
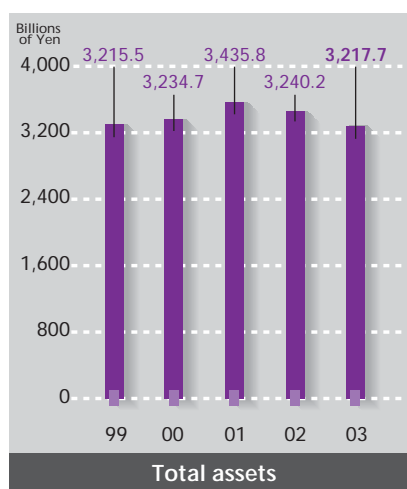
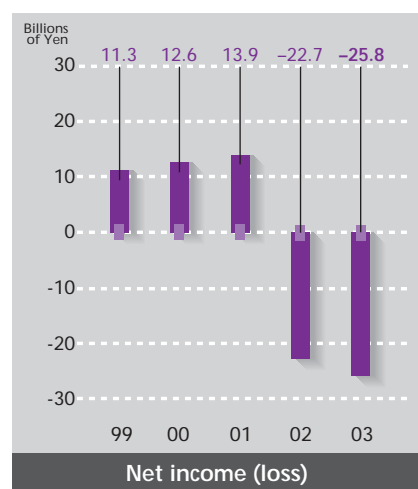


Figures for the years ended March 31, 2001, 2000 and 1999 in the above graphs are combined totals of The Nippon Fire & Marine Insurance Co., Ltd. and The Koa Fire & Marine Insurance Co., Ltd.

	Millions of Yen		
	2001 KOA	2000 KOA	1999 KOA
Operating income	¥ 443,109	¥ 479,045	¥ 474,817
Net premiums written for non-life insurance	265,904	272,515	278,976
Life insurance premiums	18,557	15,783	10,999
Ordinary profit	18,865	19,972	11,333
Net income	6,406	5,293	5,035
Net income per share (in yen):			
Basic	22.28	18.41	17.51
Diluted	22.20	18.36	15.60
Total assets (Note 1)	1,345,396	1,328,121	1,332,307
Shareholders' equity	194,978	129,948	114,859
Shareholders' equity ratio (Note 1)	14.5%	9.8%	8.6%
Return on equity (ROE)	3.9%	4.3%	4.4%
Price-earnings ratio (PER)	18.89	13.63	20.33
Net cash provided by (used in):			
operating activities (Note 2)	(37,026)	(44,675)	—
investing activities (Note 2)	(5,817)	70,130	—
financing activities (Note 2)	(8,712)	(2,683)	—
Cash and cash equivalents at end of year (Note 2)	68,043	119,332	—

Notes: 1. Total assets and shareholders' equity ratio for the year ended March 31, 1999 have been recalculated in accordance with the revised Insurance Business Law effective from March 30, 2000.

2. Consolidated statements of cash flows have been required since the year ended March 31, 2000 by the revision of the disclosure code of consolidated financial statements.



Figures for the years ended March 31, 2001, 2000 and 1999 in the above graphs are combined totals of The Nippon Fire & Marine Insurance Co., Ltd. and The Koa Fire & Marine Insurance Co., Ltd.

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

## 2. Non-Life Insurance

### (1) Underwriting

Direct premiums written	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Fire and allied lines	¥178,309	¥186,530	\$1,485,915
Marine	20,653	22,802	172,114
Personal accident	238,732	175,501	1,989,440
Voluntary automobile	359,090	360,771	2,992,418
Compulsory automobile liability	116,231	95,908	968,597
Other (Note 2)	85,417	82,704	711,809
Total	¥998,435	¥924,219	\$8,320,294
Deposit premiums included in Total	230,886	184,695	1,924,057

Net premiums written	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Fire and allied lines	¥114,271	¥111,163	\$ 952,258
Marine	18,093	17,737	150,777
Personal accident	67,092	61,859	559,105
Voluntary automobile	350,867	351,813	2,923,897
Compulsory automobile liability	97,745	54,782	814,549
Other (Note 2)	76,908	74,467	640,905
Total	¥724,979	¥671,823	\$6,041,493

Net losses paid	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Fire and allied lines	¥ 38,556	¥ 38,928	\$ 321,305
Marine	8,220	9,098	68,501
Personal accident	26,911	25,374	224,263
Voluntary automobile	202,307	208,250	1,685,899
Compulsory automobile liability	38,444	36,330	320,374
Other (Note 2)	51,646	50,678	430,385
Total	¥366,087	¥368,660	\$3,050,729

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥120=US\$1, the approximate rate prevailing at March 31, 2003.  
2. Of which, major lines of insurance are Liability, Movables all risks, Workers' compensation and Contractors' all risks.

## (2) Investments

Investment assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Bank deposits	¥ 200,109	¥ 162,589	\$ 1,667,580
Monetary receivables bought	40,620	43,415	338,507
Money in trust	60,650	47,150	505,424
Securities	1,947,650	1,939,609	16,230,418
Loans	439,123	532,430	3,659,365
Land and buildings	152,866	160,028	1,273,889
Total	¥ 2,841,022	¥ 2,885,223	\$ 23,675,186
Total assets	¥ 3,091,978	¥ 3,106,213	\$ 25,766,483

Securities	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Domestic securities:			
Government bonds	¥ 84,428	¥ 53,113	\$ 703,570
Municipal bonds	115,946	111,551	966,224
Corporate bonds	534,445	551,939	4,453,715
Equity securities	719,372	859,478	5,994,772
Foreign securities	481,445	352,647	4,012,045
Other securities	12,010	10,878	100,089
Total	¥ 1,947,650	¥ 1,939,609	\$ 16,230,418

Investment income	Millions of Yen						Thousands of U.S. Dollars (Note 1)
	2003			2002			2003
	Earned income	Average invested amounts	Yield per annum	Earned income	Average invested amounts	Yield per annum	Earned income
Bank deposits	¥ 217	¥ 167,584	0.13%	¥ 521	¥ 149,144	0.35%	\$ 1,812
Call loans	—	—	—	1	4,548	0.03	—
Interest on securities purchased under agreements to resell	1	8,294	0.01	1	4,900	0.04	10
Monetary receivables bought	111	31,610	0.35	73	12,611	0.58	927
Money in trust	706	53,325	1.32	895	48,343	1.85	5,885
Securities	36,351	1,728,250	2.10	39,460	1,741,370	2.27	302,928
Loans	10,416	483,107	2.16	12,477	560,694	2.23	86,801
Lands and buildings	2,651	159,631	1.66	2,913	166,067	1.75	22,093
Sub-total	50,454	2,631,805	1.92	56,346	2,687,680	2.10	420,457
Other	506	—	—	645	—	—	4,224
Total	¥ 50,961	—	—	¥ 56,992	—	—	\$ 424,682

Note: 1. U.S. dollar amounts are translated from yen at the rate of ¥120=US\$1, the approximate rate prevailing at March 31, 2003.

### 3. Life Insurance

#### (1) Underwriting

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
<b>Amount of business in force:</b>			
Individual insurance	¥ 2,351,671	¥ 2,066,237	\$ 19,597,262
Individual annuity insurance	101,277	46,158	843,978
Group insurance	457,797	431,749	3,814,975
<b>Amount of new business:</b>			
Individual insurance	¥ 591,880	¥ 483,144	\$ 4,932,333
Individual annuity insurance	60,296	6,952	502,472
Group insurance	41,430	61,746	345,256

#### (2) Investments

Investment assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Bank deposits	¥ 6,466	¥ 3,639	\$ 53,891
Money in trust	10,400	4,976	86,671
Securities	125,503	99,040	1,045,866
Loans	3,458	2,216	28,822
Total	145,830	109,872	1,215,251
Total assets	¥ 150,786	¥ 116,672	\$ 1,256,551

Securities	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Domestic securities:			
Government bonds	¥ 62,305	¥ 38,441	\$ 519,212
Municipal bonds	2,874	1,838	23,956
Corporate bonds	49,783	44,217	414,865
Equity securities	8,163	11,898	68,029
Foreign securities	2,376	2,386	19,802
Other securities	—	258	—
Total	¥ 125,503	¥ 99,040	\$ 1,045,866

Investment income	Millions of Yen						Thousands of U.S. Dollars (Note 1)
	2003			2002			2003
	Earned income	Average invested amounts	Yield per annum	Earned income	Average invested amounts	Yield per annum	Earned income
Bank deposits	¥ 0	¥ 5,570	0.00%	¥ 1	¥ 5,859	0.02%	\$ 1
Call loans	—	—	—	0	156	0.17	—
Monetary receivables bought	—	—	—	0	13	0.51	—
Money in trust	128	7,418	1.73	31	1,976	1.61	1,069
Securities	2,151	102,344	2.10	1,648	76,327	2.16	17,931
Loans	85	2,729	3.12	44	1,438	3.07	710
Total	¥ 2,365	¥ 118,063	2.00%	¥ 1,726	¥ 85,772	2.01%	\$ 19,713

# Consolidated Balance Sheets

NIPPONKOA INSURANCE CO., LTD. As of March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003 NIPPONKOA	2002 NIPPONKOA	2003 NIPPONKOA
<b>ASSETS</b>			
Cash and bank deposits	¥ 206,820	¥ 166,838	\$ 1,723,505
Monetary receivables bought	40,620	43,415	338,507
Money in trust	71,051	52,127	592,095
Investments in securities (Notes 1 (e) and 3)	2,048,154	2,052,612	17,067,951
Loans (Note 5)	442,582	534,646	3,688,187
Property and equipment (Notes 1 (f) and 6):	309,207	312,716	2,576,728
Less accumulated depreciation	145,722	140,890	1,214,351
Property and equipment, net	163,485	171,826	1,362,377
Other assets	185,383	179,806	1,544,864
Deferred tax asset (Notes 1 (k) and 8)	76,854	26,794	640,452
Customers' liability for acceptances and guarantees	—	37,500	—
Reserve for doubtful accounts (Note 1 (h))	(17,250)	(25,331)	(143,750)
<b>Total assets</b>	<b>¥3,217,703</b>	<b>¥3,240,237</b>	<b>\$26,814,192</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
Underwriting fund:			
Outstanding claims	¥ 213,484	¥ 201,114	\$ 1,779,041
Underwriting reserves	2,418,921	2,334,445	20,157,680
	2,632,406	2,535,560	21,936,722
Income taxes payable	2,081	6,359	17,346
Reserve for employees' retirement benefits (Note 9)	41,490	40,201	345,755
Reserve for price fluctuations (Note 1 (m))	2,740	2,702	22,833
Other liabilities	91,373	82,101	761,442
Deferred tax liabilities (Notes 1 (k) and 8)	3,232	2,589	26,937
Acceptances and guarantees	—	37,500	—
<b>Total liabilities</b>	<b>2,773,324</b>	<b>2,707,014</b>	<b>23,111,037</b>
<b>Minority interests</b>	<b>234</b>	<b>202</b>	<b>1,954</b>
<b>Shareholders' equity:</b>			
Common stock:			
Authorized 1,489,966,089 shares;			
issued 838,157,118 shares as of March 31, 2002,			
843,743,118 shares as of March 31, 2003			
	91,249	91,249	760,409
Capital surplus	46,702	42,888	389,183
Retained earnings	148,010	178,944	1,233,418
Net unrealized gain on available-for-sale securities (Note 1 (e))	165,318	221,948	1,377,651
Foreign currency translation adjustments (Note 1 (c) 2))	(2,676)	(2,005)	(22,305)
Treasury stock	(4,458)	(4)	(37,157)
<b>Total shareholders' equity</b>	<b>444,144</b>	<b>533,019</b>	<b>3,701,200</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥3,217,703</b>	<b>¥3,240,237</b>	<b>\$26,814,192</b>

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, 2003 and 2002  
 THE NIPPON FIRE & MARINE INSURANCE CO., LTD. For the year ended March 31, 2001  
 THE KOA FIRE & MARINE INSURANCE CO., LTD. For the year ended March 31, 2001

	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
<b>(NIPPON)</b>							
<b>Balance as of March 31, 2000</b>	<b>570,686</b>	<b>¥ 61,245</b>	<b>¥ 42,888</b>	<b>¥ 130,331</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ (0)</b>
Net income	—	—	—	7,561	—	—	—
Cash dividends	—	—	—	(3,994)	—	—	—
Bonus to directors	—	—	—	(15)	—	—	—
Recognition of unrealized gain on available-for-sale securities	—	—	—	—	194,583	—	—
Transfer to foreign currency translation adjustments	—	—	—	—	—	(2,411)	—
Cancellation of treasury stock	(10,000)	—	—	(3,130)	—	—	—
Increase in treasury stock, net	—	—	—	—	—	—	(0)
<b>(NIPPONKOA)</b>							
<b>Balance as of March 31, 2001</b>	<b>560,686</b>	<b>61,245</b>	<b>42,888</b>	<b>130,753</b>	<b>194,583</b>	<b>(2,411)</b>	<b>(0)</b>
Adjustment for merger	287,505	30,003	—	—	—	—	—
Increase in retained earnings due to the merger	—	—	—	80,414	—	—	—
Increase in retained earnings due to the merger of consolidated subsidiaries	—	—	—	1,663	—	—	—
Net loss	—	—	—	(22,741)	—	—	—
Cash dividends	—	—	—	(4,205)	—	—	—
Bonus to directors	—	—	—	(35)	—	—	—
Decrease in retained earnings due to the inclusion of a consolidated subsidiary	—	—	—	(2,448)	—	—	—
Other items	—	—	—	(44)	—	—	—
Recognition of unrealized gain on available-for-sale securities	—	—	—	—	27,364	—	—
Transfer to foreign currency translation adjustments	—	—	—	—	—	405	—
Cancellation of treasury stock (Note 11)	(10,033)	—	—	(4,411)	—	—	—
Increase in treasury stock, net	—	—	—	—	—	—	(4)
<b>Balance as of March 31, 2002</b>	<b>838,157</b>	<b>91,249</b>	<b>42,888</b>	<b>178,944</b>	<b>221,948</b>	<b>(2,005)</b>	<b>(4)</b>
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	—	—	—
Recognition of unrealized gain on available-for-sale securities	—	—	—	—	(56,630)	—	—
Transfer to foreign currency translation adjustments	—	—	—	—	—	(670)	—
Increase in treasury stock, net	—	—	—	—	—	—	(4,454)
<b>Balance as of March 31, 2003</b>	<b>843,743</b>	<b>¥ 91,249</b>	<b>¥ 46,702</b>	<b>¥ 148,010</b>	<b>¥ 165,318</b>	<b>¥ (2,676)</b>	<b>¥ (4,458)</b>

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
(NIPPONKOA)							
<b>Balance as of March 31, 2002</b>	<b>838,157</b>	<b>\$ 760,409</b>	<b>\$ 357,403</b>	<b>\$1,491,200</b>	<b>\$1,849,569</b>	<b>\$ (16,713)</b>	<b>\$ (38)</b>
Adjustment for merger	5,586	—	31,779	—	—	—	—
Increase in retained earnings due to the merger	—	—	—	6,463	—	—	—
Net loss	—	—	—	(215,751)	—	—	—
Cash dividends	—	—	—	(48,891)	—	—	—
Other items	—	—	—	398	—	—	—
Recognition of unrealized gain on available-for-sale securities	—	—	—	—	(471,917)	—	—
Transfer to foreign currency translation adjustments	—	—	—	—	—	(5,591)	—
Increase in treasury stock, net	—	—	—	—	—	—	(37,119)
<b>Balance as of March 31, 2003</b>	<b>843,743</b>	<b>\$ 760,409</b>	<b>\$ 389,183</b>	<b>\$1,233,418</b>	<b>\$1,377,651</b>	<b>\$ (22,305)</b>	<b>\$ (37,157)</b>

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
(KOA)							
<b>Balance as of March 31, 2000</b>	<b>287,505</b>	<b>¥30,004</b>	<b>¥ 19,282</b>	<b>¥ 80,663</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ (1)</b>
Net income	—	—	—	6,406	—	—	—
Cash dividends	—	—	—	(4,312)	—	—	—
Bonus to directors	—	—	—	(40)	—	—	—
Recognition of unrealized gain on available-for-sale securities	—	—	—	—	63,922	—	—
Transfer to foreign currency translation adjustments	—	—	—	—	—	(946)	—
Increase in treasury stock, net	—	—	—	—	—	—	—
<b>Balance as of March 31, 2001</b>	<b>287,505</b>	<b>¥30,004</b>	<b>¥ 19,282</b>	<b>¥ 82,717</b>	<b>¥ 63,922</b>	<b>¥ (946)</b>	<b>¥ (1)</b>

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, 2003 and 2002  
 THE NIPPON FIRE & MARINE INSURANCE CO., LTD. For the year ended March 31, 2001  
 THE KOA FIRE & MARINE INSURANCE CO., LTD. For the year ended March 31, 2001

	Millions of Yen				Thousands of U.S. Dollars (Note 2)
	2003 NIPPONKOA	2002 NIPPONKOA	2001 NIPPON	2001 KOA	2003 NIPPONKOA
<b>Cash flows from operating activities:</b>					
Income (loss) before income taxes	¥ (39,768)	¥ (35,306)	¥ 10,552	¥ 9,180	\$ (331,405)
Adjustments to reconcile income (loss) before income taxes to net cash used in operating activities:					
Depreciation	9,246	9,563	6,141	5,990	77,055
Increase (decrease) in reserve for employees' retirement benefits	928	(1,365)	5,135	1,133	7,735
Increase in reserve for outstanding claims	10,314	7,823	9,326	452	85,955
Increase (decrease) in underwriting reserves	20,091	(89,436)	(55,379)	(50,254)	167,432
Interest charges	72	133	107	351	606
Interest and dividends income	(52,401)	(57,688)	(37,255)	(25,668)	(436,680)
Net loss (gain) on investments and loans	59,584	63,455	(18,350)	2,434	496,535
Net loss (gain) on sale of property and equipment	575	10	665	(779)	4,794
Decrease (increase) in other current assets	(3,509)	4,222	747	(1,446)	(29,243)
Increase (decrease) in other current liabilities	11,528	(2,584)	4,622	(644)	96,074
Other, net	(7,894)	(4,905)	1,064	(1,032)	(65,784)
Sub-total	8,769	(106,079)	(72,621)	(60,284)	73,076
Interest and dividends received	55,164	61,946	39,292	27,098	459,702
Interest paid	(73)	(133)	(108)	(433)	(613)
Income taxes paid	(8,160)	3,891	(13,903)	(3,407)	(68,007)
Net cash provided by (used in) operating activities	55,698	(40,374)	(47,340)	(37,026)	464,157
<b>Cash flows from investing activities:</b>					
Purchases of monetary receivables bought	(30,065)	(36,426)	(18,185)	(2,882)	(250,545)
Proceeds from sales or maturity of monetary receivables bought	32,365	26,845	21,716	2,650	269,716
Increase in money in trust	(27,000)	(28,000)	(11,000)	(22,530)	(225,000)
Decrease in money in trust	4,000	21,622	4,954	2,518	33,338
Purchases of investments in securities	(506,166)	(352,968)	(184,192)	(183,741)	(4,218,050)
Proceeds from sales or maturity of investments in securities	425,017	362,260	196,678	167,035	3,541,815
Loans made	(66,441)	(102,094)	(98,938)	(50,412)	(553,682)
Collection of loans	154,968	168,088	139,475	83,595	1,291,400
Acquisition of property and equipment	(4,324)	(7,373)	(5,558)	(1,461)	(36,040)
Proceeds from sales of property and equipment	3,728	4,550	3,492	1,373	31,068
Net decrease in short-term investments	1,789	21,834	2,129	(1,962)	14,909
Net cash provided by (used in) investing activities	(12,128)	78,336	50,571	(5,817)	(101,070)
<b>Cash flows from financing activities:</b>					
Proceeds from short-term borrowings	—	—	20,000	60,000	—
Repayment of short-term borrowings	—	(20,000)	(20,000)	(60,000)	—
Repayment of convertible bond	—	(1,649)	—	(8)	—
Repayment of long-term debt	(4,000)	—	—	(6,543)	(33,333)
Dividends paid	(5,867)	(4,205)	(3,994)	(2,156)	(48,891)
Treasury stock acquired	(4,454)	(4,485)	(3,148)	(1)	(37,118)
Sales of treasury stock	—	69	18	—	—
Delivered money due to merger	(44)	(2,156)	—	—	(367)
Dividends paid to minority interests	(4)	(4)	—	(4)	(34)
Other, net	(235)	—	—	—	(1,958)
Net cash used in financing activities	(14,604)	(32,430)	(7,124)	(8,712)	(121,704)
Effect of exchange rate changes on cash and cash equivalents	(318)	483	216	266	(2,651)
Net decrease (increase) in cash and cash equivalents	28,647	6,015	(3,677)	(51,289)	238,731
Cash and cash equivalents at beginning of year	155,114	79,248	82,926	119,332	1,292,616
Increase of cash and cash equivalents due to the merger	12,928	68,043	—	—	107,734
Increase of cash and cash equivalents due to the addition of a consolidated subsidiary	—	1,806	—	—	—
Cash and cash equivalents at end of year (Note 10)	¥ 196,689	¥ 155,114	¥ 79,248	¥ 68,043	\$ 1,639,082

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

NIPPONKOA INSURANCE CO., LTD.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presenting Consolidated Financial Statements

NIPPONKOA Insurance Co., Ltd. (the “Company”) and its consolidated domestic subsidiary 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 Accounting Standards. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

On April 1, 2002, the Company merged with Taiyo Fire & Marine Insurance Co., Ltd. (“Taiyo”). The figures shown in the columns for the year ended March 31, 2002 in the accompanying consolidated financial statements of the Company do not contain those of Taiyo. Figures of The Nippon Fire & Marine Insurance Co., Ltd. (“Nippon”) and The Koa Fire & Marine Insurance Co., Ltd. (“Koa”) for the year ended March 31, 2001 are shown solely for the convenience of the readers. The original financial statements for the year ended March 31, 2001 along with the related notes, which the accompanying financial statements have been derived from, were previously audited by independent auditors of each of those entities.

Certain reclassifications have been made to the figures for the year ended March 31, 2001 of Nippon and Koa in order to align their account classifications to those of the accompanying consolidated financial statements of the Company.

As permitted by the Securities Exchange Law in Japan, amounts of less than one million yen and one thousand dollars have been omitted in the columns of NIPPONKOA and Nippon. Accordingly, the totals in yen and U.S.dollars shown in those columns do not necessarily agree with the sum of the individual amounts. Amounts of Koa are rounded to the nearest million yen.

The accompanying notes to these financial statements are only for the years ended March 31, 2003 and 2002, the first and the second years of operation of the Company.

### (b) Principles of Consolidation

The consolidated financial statements include accounts of the Company and its significant subsidiaries (collectively “the Companies”). All material intercompany balances and transactions are eliminated. Consolidated foreign subsidiaries are included on the basis of fiscal years ending on December 31.

The consolidated subsidiaries of the Company are NIPPONKOA Life Insurance Company Limited, 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.

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 subsidiary 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 income statement 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 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 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) Property and Equipment**

Property and equipment are primarily recorded at cost less accumulated depreciation. The Company and its consolidated domestic subsidiary 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.

#### **(g) 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.

#### **(h) 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.

#### **(i) Reserve for Outstanding Claims**

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

#### **(j) Underwriting Reserves**

Non-life insurance

Pursuant to the provisions of the Insurance Business Law and related rules and regulations in Japan, the Company is 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 businesses.

#### 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, the 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.

#### **(k) Income Tax**

The provision for income taxes is computed based on the 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 laws to the temporary differences.

#### **(l) Reserve for Employees' Retirement Benefits**

A reserve for employees' retirement benefits is provided on the basis of estimated amounts of service costs 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.

#### **(m) Reserve for Price Fluctuations**

In accordance with Article 115 of the Insurance Business Law in Japan, the Company and its domestic subsidiary 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 property and securities or from operations, and if permission is granted by the Commissioner of the Financial Services Agency, for any other reason.

#### **(n) Amounts per Share of Common Stock**

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

## **2. U.S. DOLLAR AMOUNTS**

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 ¥120=US\$1, the approximate rate prevailing at March 31, 2003. The translations should not be construed as representations that the 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, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Domestic securities:			
Bonds	¥ 849,785	¥ 801,103	\$ 7,081,545
Equity securities	702,536	871,376	5,854,468
Foreign securities	483,821	368,996	4,031,848
Other securities	12,010	11,136	100,089
Total	¥2,048,154	¥2,052,612	\$17,067,951

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, 2003 and 2002 was as follows:

March 31, 2003	Millions of Yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	¥ 41,791	¥ 5,869	¥ —	¥ 47,660
Foreign securities	307	50	—	358
Available-for-sale:				
Bonds	769,153	35,773	535	804,392
Equity securities	480,781	214,491	17,038	678,234
Foreign securities	446,140	30,359	3,643	472,856
Other securities*	8,392	48	783	7,657
<b>Total</b>	<b>¥1,746,566</b>	<b>¥286,594</b>	<b>¥22,000</b>	<b>¥2,011,159</b>

March 31, 2002	Millions of Yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	¥ 15,139	¥ 41	¥ 32	¥ 15,148
Foreign securities	318	55	—	373
Available-for-sale:				
Bonds	754,342	27,392	3,220	778,513
Equity securities	544,466	321,981	20,501	845,946
Foreign securities	341,236	25,499	3,542	363,194
Other securities*	10,441	92	41	10,492
<b>Total</b>	<b>¥1,665,944</b>	<b>¥375,063</b>	<b>¥27,338</b>	<b>¥2,013,669</b>

March 31, 2003	Thousand of U.S. Dollars (Note 2)			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	\$ 348,259	\$ 48,914	\$ —	\$ 397,173
Foreign securities	2,563	421	—	2,984
Available-for-sale:				
Bonds	6,409,612	298,114	4,459	6,703,268
Equity securities	4,006,515	1,787,431	141,990	5,651,956
Foreign securities	3,717,834	252,999	30,364	3,940,469
Other securities*	69,935	403	6,527	63,811
<b>Total</b>	<b>\$14,554,720</b>	<b>\$2,388,285</b>	<b>\$183,341</b>	<b>\$16,759,664</b>

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

Held-to-maturity securities and available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Held-to-maturity:			
Bonds	¥ —	¥ 6,449	\$ —
Available-for-sale:			
Bonds	3,602	1,000	30,017
Equity securities	23,930	24,956	199,422
Foreign securities	9,396	2,226	78,300
Other securities*	56,648	42,603	472,072
<b>Total</b>	<b>¥93,577</b>	<b>¥77,236</b>	<b>\$779,813</b>

\* Certificates of deposits classified as cash and cash equivalents and commercial paper classified as monetary receivables bought on the consolidated balance sheets are included.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥235,836 million (\$1,965,306 thousand) and ¥233,564 million respectively.

Gross realized gains and losses on these sales, computed on the moving-average-cost basis, were ¥14,019 million (\$116,826 thousand) and ¥16,048 million (\$133,739 thousand) respectively for the year ended March 31, 2003. Those for the year ended March 31, 2002 were ¥21,316 million and ¥4,343 million respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity as of March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Due in one year or less	¥ 175,511	¥ 198,329	\$ 1,462,599
Due after one year			
through five years	708,330	690,067	5,902,756
Due after five years			
through ten years	372,240	235,756	3,102,001
Due after ten years	113,713	70,177	947,610
<b>Total</b>	<b>¥1,369,796</b>	<b>¥1,194,329</b>	<b>\$11,414,967</b>

\* Certificates of deposits classified as cash and cash equivalents and commercial paper classified as monetary receivables bought on the consolidated balance sheets are included.

2) The amounts of money in trust for trading purposes as of March 31, 2003 and 2002 were ¥60,600 million (\$505,007 thousand) and ¥47,100 million, respectively. Net unrealized loss charged to the income for the year ended March 31, 2003 was ¥1,790 million (\$14,921 thousand) and net unrealized gain credited to the income for the year ended March 31, 2002 was ¥978 million. The amounts of money in trust for neither trading purpose nor held-to-maturity purpose as of March 31, 2003 and 2002 were ¥10,450 million (\$87,088 thousand) with net unrealized gain of ¥400 million (\$3,338 thousand) and ¥5,026 million with net unrealized loss of ¥23 million, respectively.

3) Investment income for the years ended March 31, 2003 and 2002 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Investment income	¥52,401	¥57,688	\$436,680
Less: Investment income on deposit premiums, etc.	32,963	36,617	274,696
<b>Net investment income</b>	<b>¥19,438</b>	<b>¥21,071</b>	<b>\$161,983</b>

#### 4. DERIVATIVES AND HEDGE ACCOUNTING

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.

Based on the Company's accounting standard for derivatives, all derivatives are recognized as either assets or liabilities and measured at fair value with unrealized gains and losses recognized in the income statement. However, if derivatives qualify for hedge accounting, because of high correlation and effectiveness between the hedging instruments and the hedged items, the effective portion of the gains or losses are deferred until disposition of the hedged transactions.

The effectiveness of the hedges is judged by the divisions in charge of risk management in accordance with "Practical Guidance for Accounting for Financial Instruments" issued by the Japanese Institute of Certified Public Accountants on January 31, 2000.

The gross amounts of deferred gains and losses on hedging transactions were ¥708 million (\$5,900 thousand) and ¥519 million (\$4,326 thousand) respectively as of March 31, 2003. Those as of March 31, 2002 were ¥533 million and ¥1,486 million respectively.

In the following schedules of derivative transactions, "Contracted amount" represents a 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, 2003 and 2002 are summarized as follows:

March 31, 2003	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	Contracted amount	Fair value	Net unrealized gain (loss)	Net unrealized gain (loss)
Forward foreign exchange*				
Short positions:				
US\$	¥36,645	¥37,166	¥ (521)	\$(4,342)
CAN\$	946	966	(20)	(168)
A\$	138	141	(3)	(28)
EUR	33,235	33,855	(619)	(5,166)
GBP	2,209	2,239	(30)	(251)
SKR	339	347	(7)	(64)
Currency swap:				
Receive fixed GBP, pay fixed Yen	870	12	12	103
			<u>¥(1,190)</u>	<u>\$(9,918)</u>

March 31, 2002	Millions of Yen		
	Contracted amount	Fair value	Net unrealized gain (loss)
Forward foreign exchange*			
Short positions:			
US\$	¥2,013	¥2,033	¥(20)
CAN\$	163	165	(1)
EUR	2,613	2,626	(13)
GBP	329	334	(5)
SKR	49	50	(0)
Currency swap:			
Receive fixed GBP, pay fixed Yen	870	8	8
			<u>¥(32)</u>

\* 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, 2003 are summarized as follows:

March 31, 2003	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	Contracted amount	Fair value	Net unrealized gain	Net unrealized gain
Interest rate swap agreements:				
Receive fixed rate, pay floating rate	¥50,000	¥ 893	¥893	\$7,442
			<u>¥893</u>	<u>\$7,442</u>

\* 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 table.

There were no interest rate swap agreements outstanding as of March 31, 2002.

#### (c) Bond Futures

Bond futures outstanding as of March 31, 2003 are summarized as follows:

March 31, 2003	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	Contracted amount	Fair value	Net unrealized loss	Net unrealized loss
Bond futures:				
Short positions	¥39,920	¥40,031	¥(110)	\$(920)
			<u>¥(110)</u>	<u>\$(920)</u>

There were no bond futures contracts outstanding as of March 31, 2002.

#### (d) Weather Derivatives

The amounts of weather derivatives outstanding as of March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	Contracted amount	Fair value	Net unrealized loss	Net unrealized loss
March 31, 2003				
Weather derivatives				
Short positions:	¥ 9			
options premiums	1	¥ 2	¥(0)	\$(4)
			¥(0)	\$(4)
March 31, 2002				
Weather derivatives				
Short positions:	¥28			
options premiums	2	¥6		¥(3)
Long positions:	10			
options premiums	0	2		1
				¥(1)

### (e) Credit Derivatives

The amounts of credit derivatives outstanding as of March 31, 2003 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	Contracted amount	Fair value	Net unrealized gain	Net unrealized gain
March 31, 2003				
Credit derivatives				
Short positions:	¥57,095	¥10	¥10	\$87
			¥10	\$87

There were no credit derivatives outstanding as of March 31, 2002.

## 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" other than the aforementioned loans.

Furthermore, loans include "Restructured loans", which has 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 loans described above as of March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Loans to borrowers in bankruptcy or under legal restructuring procedures	¥ 4,719	¥10,862	\$ 39,328
Delinquent/overdue loans	13,237	14,159	110,308
Delinquent/overdue loans for more than 3 months	2,105	2,514	17,545
Restructured loans	4,459	6,331	37,164
Total	¥24,521	¥33,868	\$204,347

## 6. PROPERTY AND EQUIPMENT

The components of property and equipment as of March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Land	¥ 77,699	¥ 78,798	\$ 647,499
Buildings	187,528	190,149	1,562,733
Furniture and equipment	43,867	43,768	365,560
Construction in progress	112	0	935
	309,207	312,716	2,576,728
Less: accumulated depreciation	145,722	140,890	1,214,351
	¥163,485	¥171,826	\$1,362,377

## 7. 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, 2003 and 2002 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)
	2003	2002	2003
Acquisition cost	¥2,006	¥2,509	\$16,723
Accumulated depreciation	1,113	1,352	9,281
Net book value	¥ 893	¥1,157	\$ 7,442

### (b) Future Minimum Lease Payments:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Within one year	¥345	¥ 440	\$2,876
Over one year	547	716	4,566
Total	¥893	¥1,157	\$7,442

### (c) Lease Expenses

Lease expenses (the amount corresponding to depreciation expense) for the years ended March 31, 2003 and 2002 amounted to ¥441 million (\$3,678 thousand) and ¥488 million respectively.

### (d) Computation of Depreciation Expenses

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

## 8. INCOME TAXES

1) The components of the net deferred tax assets and liabilities as of March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Deferred tax assets:			
Underwriting reserves	¥ 82,947	¥ 78,295	\$ 691,230
Tax loss carry forward	16,394	—	136,623
Revaluation loss on securities	14,628	22,463	121,900
Loss from revaluation of property and equipment	13,110	12,686	109,256
Reserve for retirement allowance	12,540	10,964	104,503
Accruals not currently deductible for computer software development cost	8,102	6,544	67,522
Reserve for outstanding losses and claims	7,737	4,868	64,477
Bad debt reserves	4,791	7,142	39,927
Other	9,821	9,508	81,849
Sub-total	170,074	152,473	1,417,290
Valuation allowance	(2,349)	(1,214)	(19,579)
Total	167,725	151,258	1,397,711
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	(93,507)	(125,469)	(779,230)
Goodwill	—	(804)	—
Deferred recognition of the profit from real estate	(451)	(498)	(3,761)
Deferred charges defined by Article 113 of the Insurance Business Law in Japan	—	(164)	—
Other	(144)	(116)	(1,204)
Total	(94,103)	(127,053)	(784,196)
Deferred tax assets (liabilities), net	¥ 73,621	¥ 24,205	\$ 613,514

2) The breakdown of the reconciliation between statutory tax rate and effective tax rate was not calculated, because the difference was less than 5% of the statutory tax rate for the years ended March 31, 2003 and 2002.

## 9. RETIREMENT PLAN

### (a) Overview

The Company provides a welfare 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 benefit and a pension plan.

On March 14, 2003, the Company obtained approval from the Minister of Health, Labor and Welfare to exempt the Company

from its obligation for benefits related to future employee service under the substitutional portion of the welfare pension plan.

In relation to this, the Company did not apply the transitional accounting treatment stipulated in the “Practical Guidance for Pension Accounting” issued by the Japanese Institute of Certified Public Accountants. If the transitional accounting treatment was applied, a gain amounting to ¥5,968 million (\$49,738 thousand) would have been recorded.

The consolidated domestic subsidiary of the Company provides defined benefit plan with lump-sum payment for retiring employees. 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, 2003 and 2002 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Retirement benefit obligation	¥(135,290)	¥(131,254)	\$(1,127,418)
Plan assets	63,629	70,400	530,242
Unfunded portion of retirement benefit obligation	(71,661)	(60,854)	(597,175)
Unrecognized prior service cost	(10,280)	(11,739)	(85,667)
Unrecognized actuarial difference	40,671	32,881	338,930
Prepaid pension cost	221	489	1,842
Reserve for employees' retirement benefits	¥ (41,490)	¥ (40,201)	\$ (345,755)

Net service costs charged to the income for the years ended March 31, 2003 and 2002 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Expenses for service	¥ 7,107	¥4,317	\$59,232
Interest expense	3,294	3,276	27,456
Expected investment income	(937)	(891)	(7,814)
Amortization of prior service cost	(1,287)	(1,304)	(10,726)
Amortization of actuarial difference	3,377	893	28,146
	¥11,555	¥6,292	\$96,295

### (c) Basis for Calculation of Benefit Obligation as of March 31, 2003 and 2002

The estimated employees' retirement benefits are allocated equally to each service year based on the total service years and vested benefit points. The discount rate is 2.5% and the expected earnings ratio on investments is between 0.0% and 2.0%. Both past service liability and actuarial difference are amortized over 10 years.

## 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2003 and 2002 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Items on the consolidated balance sheets:			
Cash and bank deposits	¥ 206,820	¥ 166,838	\$1,723,505
Monetary receivables bought	40,620	43,415	338,507
Less:			
Bank deposits with original maturity longer than 3 months	(38,629)	(40,723)	(321,911)
Monetary receivables bought other than cash equivalents	(12,122)	(14,417)	(101,019)
Cash and cash equivalents	¥ 196,689	¥ 155,114	\$1,639,082

## 11. SHAREHOLDERS' EQUITY

Acquisition and cancellation of 10,033 thousand shares was approved by the Company's Board of Directors' meeting on February 22, 2002. Due to the above resolution, retained earnings decreased by ¥4,411 million (\$33,108 thousand), and the number of outstanding common shares decreased by 10,033 thousand shares on March 1, 2002.

## 12. SUBSEQUENT EVENTS

### (a) Subsequent Events Following March 31, 2003

The appropriation of retained earnings of the Company including cash dividends in respect of the year ended March 31, 2003 was approved at the shareholders' meeting held on June 27, 2003 as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Retained earnings at March 31, 2003*	¥120,024	\$1,162,940
Appropriations:		
Cash dividends (¥7.00-US\$0.058)	5,834	44,030
Transfer to legal reserve*	1,200	9,005
Retained earnings to be carried forward	¥112,989	\$1,109,904

\* The Company set aside a legal reserve of ¥29,247 million (\$243,728 thousand) as of March 31, 2003, which is not shown in the consolidated balance sheets.

### (b) Subsequent Events Following March 31, 2002

1) In accordance with the terms of the merger agreement reached on November 30, 2001 between the Company and Taiyo Fire & Marine Insurance Co., Ltd., the two companies merged as of April 1, 2002.

Upon the merger, the Company issued 5,586,000 shares of common stock. 0.38 shares of the Company were allocated for each share of Taiyo Fire & Marine Insurance Co., Ltd.

The assets and liabilities of Taiyo Fire & Marine Insurance Co., Ltd. assumed by the Company consist of the following:

	Millions of Yen
Assets:	
Cash and bank deposits	¥12,928
Monetary receivables bought	10
Investment in securities	55,128
Loans	3,656
Property and equipment	886
Other assets	2,064
Deferred tax assets	2,812
Reserve for bad debts	(541)
Total	76,945
Liabilities:	
Underwriting fund	66,787
Other liabilities	5,148
Reserve for retirement allowance	361
Reserve for bonuses	17
Reserve for price fluctuations	41
Total liabilities	72,356
Net assets	¥ 4,589

2) The appropriation of retained earnings of the Company including cash dividends in respect of the year ended March 31, 2002 was approved at the shareholders' meeting held on June 27, 2002 as follows:

	Millions of Yen
Retained earnings at March 31, 2002*	¥154,961
Appropriations:	
Cash dividends (¥7.00)	5,867
Transfer to legal reserve*	1,200
Retained earnings to be carried forward	¥147,894

\* The Company set aside a legal reserve of ¥28,038 million as of March 31, 2002, which is not shown in the consolidated balance sheets.

# Report of Independent Auditors

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS 

Kasumigaseki Bldg. 32nd Floor  
3-2-5, Kasumigaseki, Chiyoda-ku,  
Tokyo 100-6088, Japan

## 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, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended March 31, 2003, 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 2003 in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

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 Audit Corporation*

ChuoAoyama Audit Corporation

Tokyo, Japan

June 27, 2003

# Corporate Information

**54** Overseas Group Network

**56** Organization Chart

**57** Directors and Officers

**57** Corporate Data

# Overseas Group Network

NIPPONKOA INSURANCE CO., LTD. As of August 1, 2003

## Europe

### REPRESENTATIVE OFFICES

#### London

2nd Floor, 50 Mark Lane,  
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Tel : 44-20-7709-7971  
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#### Frankfurt

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### SUBSIDIARIES & AFFILIATES

#### United Kingdom

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#### **Nippon Insurance Company of Europe Limited**

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Fax: 62-21-5237506

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G.P.O. Box 244, Sydney, N.S.W. 2001

Tel : 61-2-8224-4194

Fax: 61-2-9222-2981

#### Melbourne

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Fax: 65-6222-2557

#### Indonesia

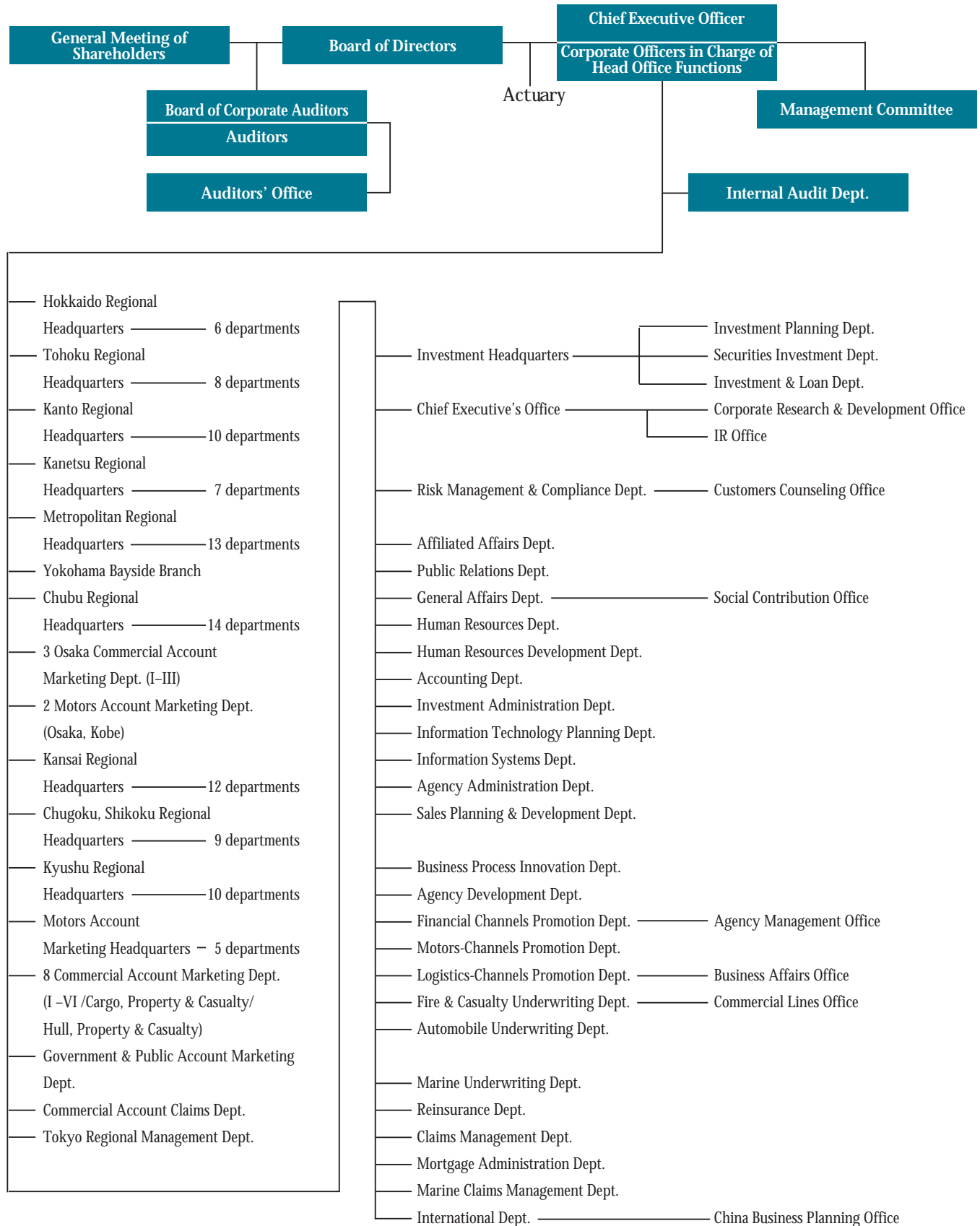
PT. Asuransi BancBali Nippon Fire Permata Bank Tower I, 8th Floor, Jl. Jend. Sudirman Kav. 27, Jakarta 12920, P.O. Box 3129, Indonesia

Tel : 62-21-5237500

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# Organization Chart

NIPPONKOA INSURANCE CO., LTD. As of August 1, 2003



# Directors and Officers

NIPPONKOA INSURANCE CO., LTD. As of September 1, 2003

## Board of Directors

Mutsuharu Okamoto\*  
Ken Matsuzawa\*  
Kenji Shimoi\*  
Shoichiro Hamanaka  
Tatsuhiko Ishikawa  
Minoru Monji  
Yoshiaki Shinozaki  
Yukio Takeda  
Atau Kadokawa

\*Representative Director

## Corporate Auditors

Zenshiro Nakazawa  
Toshiyuki Sho

## Independent Corporate Auditors

Yasuhiko Kō  
Toshiji Miyaji

## Corporate Officers

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mutsuharu Okamoto

### PRESIDENT AND CHIEF EXECUTIVE OFFICER

Ken Matsuzawa

### SENIOR MANAGING EXECUTIVE OFFICERS

Kenji Shimoi  
Minoru Monji  
Osamu Ito  
Yoshiaki Shinozaki  
Shinichi Suzuki

### MANAGING EXECUTIVE OFFICERS

Kazuhiro Hori  
Tatsuya Yasutake  
Makoto Hyodo  
Akira Matsuno  
Koshu Asahina  
Akio Okano

Yukio Takeda  
Atau Kadokawa  
Tadashi Mori  
Shunichi Arimura  
Morifumi Takaki

### EXECUTIVE OFFICERS

Satoshi Uematsu  
Ryoji Okada  
Masahiro Nakajima  
Hideaki Hagiwara  
Hisanori Shiga  
Hiroyoshi Morimoto  
Hisayoshi Udo  
Kazuo Hashimoto  
Kazuyoshi Tayoshi  
Shuichi Kimoto  
Kazuo Kume  
Toshiaki Moritaka  
Tetsuo Shinohara  
Masaya Futamiya

# Corporate Data

NIPPONKOA INSURANCE CO., LTD. As of April 1, 2003

## Head Office

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URL: <http://www.nipponkoa.co.jp/>

## Established

1892

## Capital

¥91,249 million

## Offices

Domestic: 316  
Overseas: 22\*

## Claims Handling Offices

203

## Employees

8,725

## Agents

Domestic: 52,172  
Overseas: 6

## Number of Shares of Common Stock

Authorized 1,489,966,089 shares  
Issued 843,743,118 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 27, 2003

## Transfer Agent

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

\*Including the newly established Shenzhen office in China, the number of overseas offices amounts to 23 as of August 1, 2003.



**NIPPONKOA INSURANCE CO.,LTD.**

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