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To Whom it May Concern

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Revised Loss Estimate in respect of overseas aviation reinsurance business with Fortress Re

Last year, Aioi Insurance Company Ltd issued a loss estimate in respect of overseas reinsurance business with Fortress Re (hereinafter 'FR'). A request was subsequently made to international audit office, KPMG, to review the matter, and a detailed investigation has been undertaken into this loss estimate ahead of our full-year results. On 9 February, a report was received from KPMG concerning their investigation, and having verified its contents, we can now confirm the total loss estimate in respect of FR to be as detailed below. This represents a revision to the estimate previously issued.

1 . Revised Loss Estimate

Event	Loss Estimate (US\$1 = Yen 120)		Difference (B) - (A)
	Previous (A)	KPMG investigation (B)	
US terrorism	32.2 – 45.1	44.0	- 1.1
American Airlines & Scandinavian Airlines	6.5 – 12.8	8.3	- 4.5
Previous year's losses	35.6 – 40.0	62.3	22.3
TOTAL	74.3 – 97.9	114.6	16.7

Unit: Yen Billion

Reasons for the Revision

Following the recent investigation, loss estimates have been revised down in respect of US terrorism (down Yen 1.1BN) and American Airlines / Scandinavian Airlines (down Yen 4.5BN). However, with regard to the previous year's losses, it became apparent that an additional provision was necessary in respect of an increase in IBNR losses (Yen 12.0BN) and in respect of reinsurance recoveries due accompanying termination of financial reinsurance contracts (Yen 10.3BN). Consequently, a sum totaling Yen 16.7BN has been added to the previous loss estimate.

The final loss estimate has been further revised to Yen 126.1BN (increase on previous amount: Yen 28.2BN), taking into account Yen 11.5BN exchange rate fluctuation (US\$1 : Yen 120 132). Moreover, we have implemented a defined level of exchange rate hedging, in view of which any loss expansion caused by a future weakening of the Yen should be limited.

Further, concerning the final loss estimate detailed above, since a draw-down profit will be made on extraordinary loss reserves in respect of claims to be paid up to the end of this fiscal year (31 March), there is no revision to the full-year results forecast.

2 . Measures adopted to prevent loss expansion

(1) Cessation of new and existing business

As of 29 November 2001, a decision was made to completely cease underwriting new and existing contracts, and we are also undertaking negotiations with a view to terminating long-term contracts wherever possible.

- 29 November 2001: notification was sent to FR with regard to the complete cessation of underwriting, and a formal request was made to commence immediate negotiations with a view to terminating existing contracts. FR agreement was obtained on the same day.

(2) Reinsurance cover for unexpired risks

This cover is designed to withstand approximately twice the sum of all global aviation losses normally occurring in any one year, and also offers cover for terrorism losses.

The cover arranged is standard reinsurance (so-called 'traditional reinsurance'). It is not financial reinsurance.

20 December 2001: agreement reached on scope of traditional reinsurance coverage

28 December 2001: conclusion of traditional reinsurance contract

(3) Withdrawal from Fortress Reinsurance Pool

Agreement has been reached to withdraw from this pool with effect from 30 June 2002.

- 29 December 2001: Request made to FR to terminate agency agreement.
FR agreement obtained on the same day.
- 12 December 2001: Notice of termination of agency agreement sent to FR

(4) Steps to maintain claim against Carolina Re

Following receipt of a provisional Winding Up Order on 3 December 2001, Carolina Re commenced liquidation proceedings.

Further to this, contact has been made with the provisional liquidator and external organizations (law offices etc.), and we are taking steps to guard against an outflow of assets and to ensure debt recovery.

- 3 December 2001: provisional Winding Up Order issued
- 9 January 2002: Meeting with provisional liquidator. Policy of maintaining claim confirmed.
- 11 January 2002: attendance at First Public Hearing

(5) Hedging against exchange rate fluctuation risk

In order to minimize the impact of exchange rate fluctuations, we have undertaken a defined level of exchange risk hedging. (fixed hedging at Yen 131 completed)

- 28 December 2001: Exchange rate risk hedged

Ends