

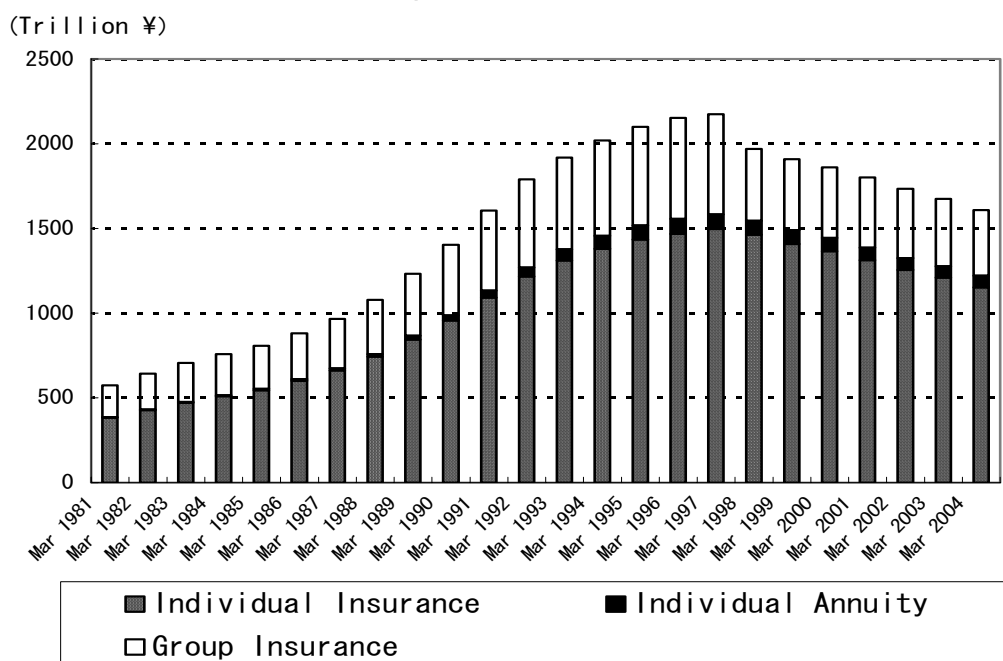
Related Information

1. Change in life insurance product in Japan

The value of life insurance policies in force (total value of policies in individual insurance, individual annuity, and group insurance) purchased from the private life insurance companies was ¥574 trillion in 1981, then gradually expanded. However, it fell to ¥1,609 trillion in 2004, which has become a continuing trend for seven consecutive years after peaking at ¥2,175 trillion in 1997 (see Graph 1).

<Graph 1>

Change in Life Insurance Business in Force in Japan (Face Amount)



As for the breakdown in ratio of these figures, in 1981 individual insurance accounted for 66.9%, individual annuity for 0.4%, group insurance for 32.7%. In 2004, individual insurance still occupies the largest share of total value, which is 71.6%, and individual annuity 4.3%.

The individual life insurance purchased in Japan by type has changed over time, which is explained below in chronological order (see Graph 2).

(1) From the beginning of the 60's through the first Oil Crisis (1973)

The trend of seeking larger protection with minimum premium payment became apparent, reflecting the accelerating inflation triggered by rapid economic growth and the increasing number of nuclear family type households. As a result, after the mid 60's, the core product of the insurance industry shifted from endowment insurance to endowment with term insurance.

(2) From the middle of the 70's through the beginning of the 80's

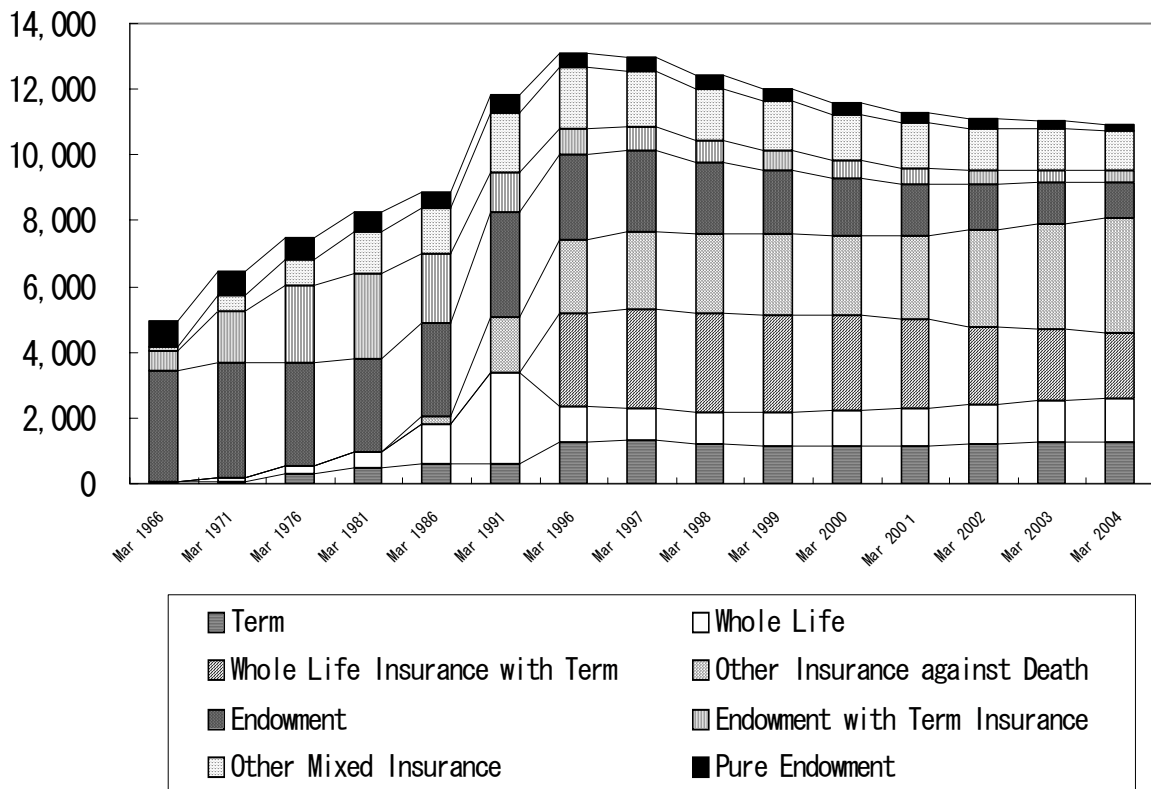
Endowment with term insurance with multiple rate protection (10 times, 15 times) appeared. Since such industrial movement timely matched the people's preference for larger protection with minimum premium payment, endowment with term insurance established a solid position as a primary insurance product in the Japanese market.

(3) 1980's

As average life expectancy went up, people became more interested in whole life insurance that provides life-time coverage with minimum premium payment, and rapidly shifted away from endowment with term insurance to whole life insurance, especially after the rate of premium payment was brought down in 1985.

<Graph 2>

Individual Life Insurance Purchased in Japan
by Type(Policies)



*Since around 1993, endowment with term insurance has been separated from whole life insurance.
 **"Other insurance against death" is the sum of variable life insurance (whole life type), joint life insurance, medical life insurance, nursing care insurance, overseas travel accident insurance and others.
 ***"Other mixed insurance" is the sum of variable life insurance (definite term type), term insurance with survival benefits, joint life insurance, juvenile insurance, and others.
 ****"Pure endowment" is the sum of juvenile insurance, savings insurance, and others.

(4) 1990's through present

After the so-called bursting of the bubble, the market for protection against death insurance became saturated. In addition, lower interest rates forced insurance companies to bring down the assumed interest rate, and as a result, savings type insurance became less appealing to consumers. This was effectively the beginning of the hard time for the life insurance industry.

The number of individual insurances in force peaked at the end of March 1997, but after that kept decreasing for seven consecutive years, and that is still the continuing trend as of the end of March 2004. Under this circumstance, each life insurance company is making a rigorous effort to develop an original and unique product as described below.

1) For responding to rate of premium:

Offer overall premium discount to each customer individually.

Offer insurance policy with low premium and low cash surrender value.

2) For upgrading the benefits for coverage:

Offer medical insurance that covers even short-time (e.g. one night two days) hospitalization.

Offer nursing care insurance.

Offer waiver of premium during disability in the event of sickness such as cancer.

Offer a rider for hospitalization to cover extended hospital stay.

3) For seeking flexibility:

Offer a life insurance product that requires no conversion of policy when renewing the content of coverage.

Offer a product that allows the changing of premium and suspension of payment.

4) For developing an investment type life insurance product:

Offer individual variable annuity.

5) For developing optional service:

Offer more comprehensive card service for the withdrawal of accumulated dividend, and loans to policyholder, repayment, usage of CD, ATM at the post office, bank, etc.,

Offer referral and agency service to nursing care providers, and provide health and nursing care counseling.

Provide information and sell insurance policies through the Internet.

2. Supervision and regulation system

Description of insurance related law

Insurance Business Law (1995)

This is the Commercial Special Law to be applied prior to the Commercial Law.

The objective of this law, with due consideration of the public responsibilities of the insurance business, is to protect policyholders' interests by ensuring the sound management of insurance companies and fairness of insurance soliciting activities, thereby contributing to the stability of people's lives and the sound development of the national economy.

All insurance companies (life and non-life insurers and foreign life and foreign non-life insurers, etc.) that run an insurance business should comply with this law.

Major content of the law

Regulations concerning supervision of insurance companies:

The law provides that no person shall carry on an insurance business without obtaining a license from the proper authorities, that management forms available for an insurance company are limited to stock, mutual, and branch of insurance company, etc. The law also sets the regulations concerning the scope of insurance business operation, accounting, examination of insurance product, measures taken for maintaining the soundness of insurance companies, and policyholder protection measures in the event that an insurance company fails.

The regulations for the supervision of insurance soliciting:

The law provides for issues concerning the registration of insurance solicitors, the prohibition of any unfair, unlawful act at the time of insurance soliciting, the examination to be conducted of insurance solicitors, the orders to be issued by the competent authorities, and a cooling-off system.

Consumer Contract Act (2000)

The purpose of this Act is to protect the interests of consumers by permitting the complete avoidance of the contract, in cases where customers are mistaken or distressed by certain acts of an insurance solicitor such as notification of untrue fact, inappropriate explanation, failure to leave a place where a consumer resides or does business in defiance of consumer's display of intention for them to leave. The law also aims at protecting the interests of consumers by invalidating certain clauses of the Act that limit the scope of responsibility borne by a solicitor for non-performance and unlawful acts.

The Law on Sales of Financial Product (2000)

The law mandates that a sales agent of a financial product should provide the customer with the essential information on the financial product at the time of solicitation, such as price fluctuation risk, credit risk, etc. Under the law, a sales agent who fails to do so and causes any damage to customers, should assume full responsibility for compensation for damage caused by such behavior. The law also has the purpose of promoting the protection of customers by forcing a sales agent to establish his or her policy on solicitations and to publish it.

Furthermore, an insurance company should comply with other laws such as the Commercial Law, the Bank Law, the Security and Exchange Law, the Act against Unjust Premiums and Misleading Representations, and the Antimonopoly Act.

Supervisory Agency

All insurance companies are under the supervision of the Financial Services Agency(FSA). The role of FSA is to secure the stability of domestic financial function by means of the inspection and oversight of banks, insurance companies, and securities companies, while protecting depositors, insurance policyholders, and securities investors, to ensure smooth operation of the financial system.

FSA is engaged in the following tasks concerning insurance business.

- (1) Plan and coordinate the system for domestic financial business.
- (2) Inspect and supervise persons who run insurance businesses and insurance holding companies.
- (3) Ensure the fair activities and operation of the Policyholders Protection Corporation.
- (4) Accredite the appropriateness of transfer of portfolio from an insolvent company in respect of the financial aid provided by the Policyholders Protection Corporation.

FSA shall take the following actions based on the Insurance Business Law.

- (1) Require an insurance company to submit an explanatory report which describes the condition of its operation and assets.
- (2) Conduct on-site inspection (the staff of the Agency visit the counters and branches of the insurance companies and inquire about the condition of business operation and its assets, or inspect documentation such as accounting books).
- (3) Order amendments to the statement of the Scheme of Operation declared by an insurance company.
- (4) Order an entity to submit a self-improvement plan.
- (5) Suspend business operation, cancel license, etc.

3. Deregulation and Liberalization of the Japanese Life Insurance Market

The fifty-six year history of regulatory reform since the enforcement of the Insurance Business Law, which was revised thoroughly in April 1996, is outlined below in chronological order.

April 1996	<p>The Revised Insurance Business Law was enforced.</p> <ul style="list-style-type: none">*Mutual entry into life and non-life insurance business by subsidiaries*Conversion of a mutual company into a stock company*Introduction of the brokerage system*Introduction of Solvency Margin Ratio, etc.
December 1997	<p>The Revised Insurance Business Law corresponding to the Maintenance Law for Insurance Holding Company, etc, was enforced.</p> <ul style="list-style-type: none">*Lifting of the ban on insurance holding companies
December 1998	<p>The Revised Insurance Business Law corresponding to the Financial System Reform was enforced.</p> <ul style="list-style-type: none">*Introduction of early warning measure*Establishment of the Policyholders Protection Corporation*Mutual entry beyond the firewall among banks, securities companies, insurance companies.
August 1999	<p>The Revised Enforcement Regulations of the Insurance Business Law were enforced.</p> <ul style="list-style-type: none">*The kind of insurance product to which the notification system applies was expanded
June 2000	<p>The Revised Insurance Business Law and the Special Law concerning Reorganization Proceedings of Financial Institutions were enforced.</p> <ul style="list-style-type: none">*Facilitation of the conversion of a mutual company to a stock company (improving the procedure for reorganizing a mutual company to a stock company)*Amended the Insolvency Law (created public fund allotment of ¥400 billion)
January 2001	<p>Lifting of the ban on mutual entry of life and non-life insurance companies into the third sector by their subsidiaries</p>
April 2001	<p>The Enforcement Regulations of the Insurance Business Law and other related Laws were revised</p>

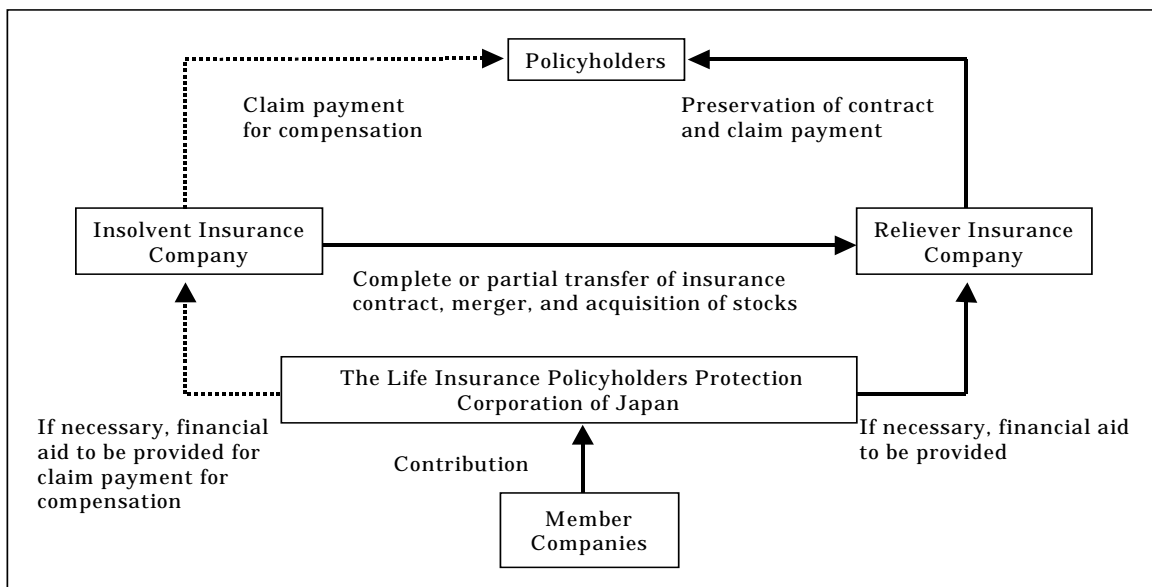
	<p>*Partial lifting of the ban on over-the-counter sales by banks of long-term fire insurance associated with housing loans, credit life insurance, and overseas travelers' personal accident insurance</p>
July 2001	<p>Lifting of the ban on mutual entry of life and non-life insurance companies into the third sector</p>
March 2002	<p>The Enforcement Regulations of the Insurance Business Law were revised.</p> <p>*The lower end of the dividend rate applied to the surplus of a mutual insurance company was brought down from 80% to 20%.</p>
October 2002	<p>The Enforcement Regulations of the Insurance Business Law and other related Laws were revised.</p> <p>*By this revision, the following insurance products were added to the products to be sold over-the-counter by banks:</p> <ul style="list-style-type: none"> -Individual annuity -Zaiki savings (i.e. asset formation) insurance -Individual annuity and accident insurance -Zaiki savings personal accident insurance
June 2003	<p>The Revised Insurance Business Law was enforced.</p> <p>*The life insurance safety net was rebuilt (¥400 billion public fund to be secured, which will be carried forward to March 2006, and ¥100 billion contribution by the insurance industry to be secured).</p> <p>*The scope of insurers' activities (subordinate activities) were partially expanded, thus making it possible for insurers to act as an agent or intermediary on behalf of other financial institutions.</p>
August 2003	<p>The Revised Insurance Business Law was enforced.</p> <p>*Streamlined the system for changing contract terms by a voluntary procedure between an insurance company and policyholders. The government ordinance determined that the assumed interest rate should not fall below 3%.</p>

4. The Life Insurance Policyholders Protection Corporation of Japan

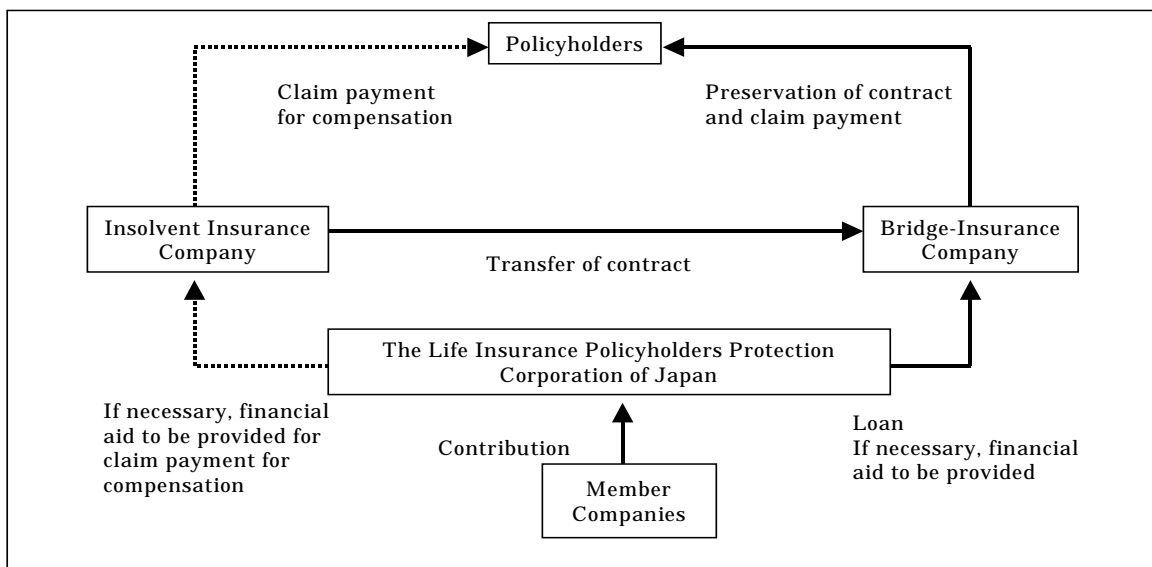
The Life Insurance Policyholders Protection Corporation of Japan(PPCJ) was established on December 1, 1998. All life insurers operating in Japan have joined the Corporation, excluding Kampo, which is the insurance operated under Japan Post, and Kyosais, which are cooperative societies that provide insurance services.

PPCJ is to protect consumers in the event that an insurance company becomes insolvent, by applying the one of the following measures.

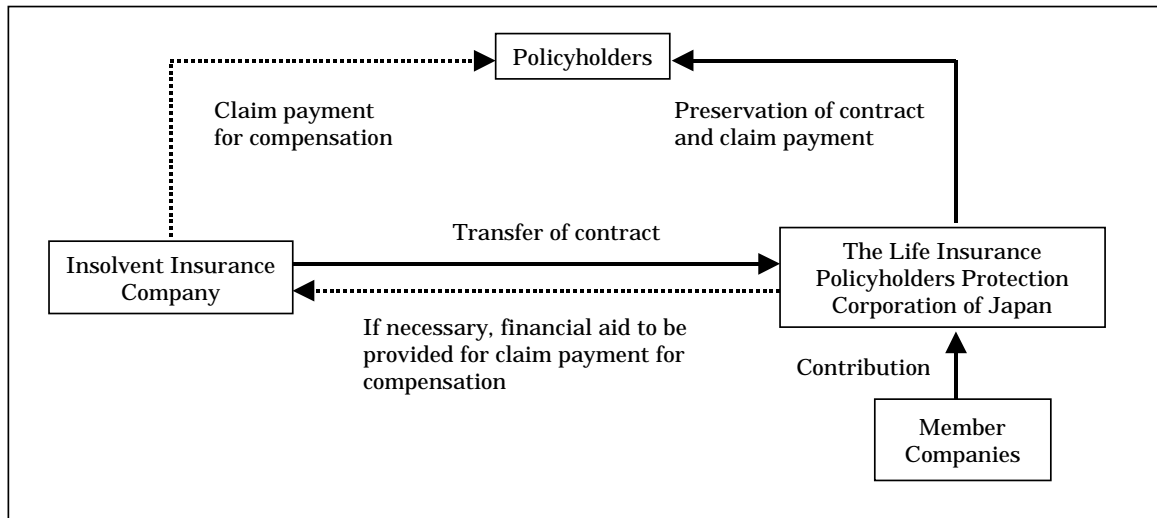
1. Provide financial aid to a reliver insurance company to which the insurance contracts of an insolvent insurance company are transferred.



2. Transfer the insurance contracts of an insolvent company to a “bridge-insurance company” established as a subsidiary of PPCJ, if no other reliver insurance company appears.



3. The Policyholders' Protection Fund itself undertakes the contracts of an insolvent insurance company.



In any case, PPCJ shall compensate up to 90% of the policy reserves of the insurance contract (except reinsurance contracts) that is valid when an insurance company becomes insolvent.

The Corporation is usually financed by contributions from the member insurance companies. Nevertheless, in the event that an insurance company fails and its insolvency cannot be covered solely by the contributions of the member companies, and if that occurs before the end of March 2006, the corporation would be financed by the subsidy of ¥400 billion yen from the government.

5. Topics in 2003

(1) Recent movement regarding unregulated Kyosais

In Japan, the number of unregulated Kyosais has increased dramatically during the past several years. It is considered that unregulated Kyosais are not against the Insurance Business Law (IBL) even if the business is run without adequate licenses. This is because a Kyosai is not categorized as an insurance business since it writes policies with reference to only specific groups of persons, simply paying compensation. Furthermore, they are not required to comply with any laws or regulations governing their activities, nor are they subject to any regulatory supervision.

However, among the unregulated Kyosais, there certainly are suspicious cases in which a Kyosai runs the business without reference to specific groups of persons. As ignoring such activities might cause a variety of problems from the viewpoint of policyholder protection, LIAJ is currently taking the following actions.

Conduct periodical survey of substantial facts since March 2002.

In response to increasing inquiries from consumers, in June 2003 LIAJ decided to carry a Q&A section on our website (<http://www.seiho.or.jp/>) (as of 31 March, 2004, the number of visits to our website hit 26,156 (93.7 average per day).

In November 2003, as our comments on the Regulatory Reform, LIAJ submitted a request to the Council for Regulatory Reform (reorganized to the Council for Promoting Regulatory Reform) to clarify the application standard of the Insurance Business Law for unregulated Kyosais. Concurrently, the members of the Second Subcommittee of the Financial System Council raised the issue regarding the necessity of regulation of unregulated Kyosais, and the possible appropriate measure to put it into effect. As a matter of fact, the Working Group of the Second Subcommittee has been discussing the matter since April 2004. In addition, the Administrative Evaluation Bureau of the Ministry of Public Management, Home Affairs, Post and Telecommunications published the interim survey report on unregulated Kyosais on June 8, 2004.

(2) The revision of the Insurance Business Law to streamline the procedures for changing terms and conditions of a policy

Reflecting the fundamental concept of streamlining the procedures for changing terms and conditions of a policy by voluntary agreement between the insurance companies and policyholders, and in order to safeguard against problems such as negative spread and to protect policyholders, the revision of the Insurance Business Law (Article 240, clause 2-13) was approved at the Diet on July 18, issued 25 July, and brought into effect 24 August, 2003.

The detailed procedure for changing terms and conditions of a policy is as follows,

Application filed by the insurance company to change the terms and conditions (in a case where it is highly probable that the company cannot continue to run its insurance business unless the change is made)

Approval by the administrative authorities

Preparation of the draft for the change of terms and conditions by the insurance company (for a mutual insurance company, a special resolution by the representative meeting and general meeting is required, and for a stock company one by a shareholders' meeting)

Approval of the draft for the change in terms and conditions by the administrative authorities

Representations by policyholders who will be affected by the change in terms and conditions (the proposed change would be denied if more than a tenth of policyholders made objections during a designated filing period, which lasts more than one month)
Announcement of the applicable change, and notice to the policyholders

Article 36, clause 3, of the Insurance Business Law provides that the assumed interest rate could be brought down as low as 3%.

Since this law was put into effect, no application for change in the terms and conditions of a policy has been submitted from the life insurance companies as of August 2004.