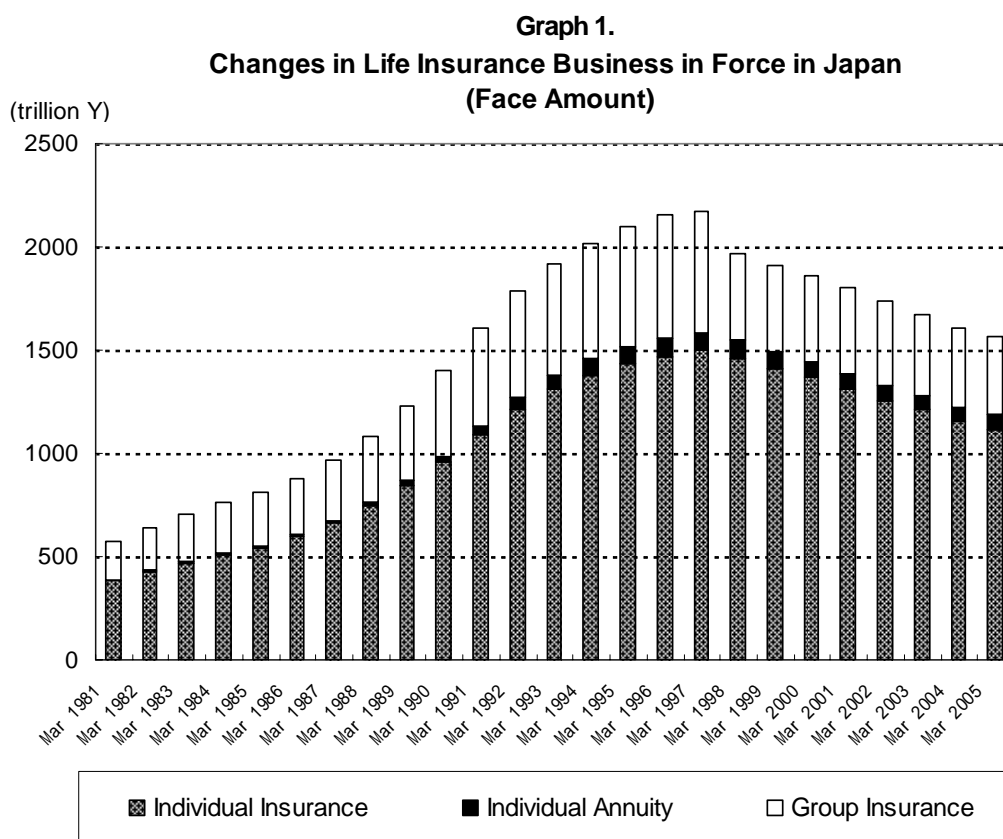


Related Information

A. Changes in Life Insurance Products 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 ¥1,568 trillion in 2005, which has been a continuing trend for eight consecutive years after peaking at ¥2,175 trillion in 1997 (see Graph 1).



Regarding the breakdown in ratio of these figures, in 1981 individual insurance accounted for 66.9 percent, individual annuity for 0.4 percent, group insurance for 32.7 percent. In 2005, individual insurance still occupies the largest share of total value, which is 70.9 percent, and individual annuity 4.7 percent.

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)

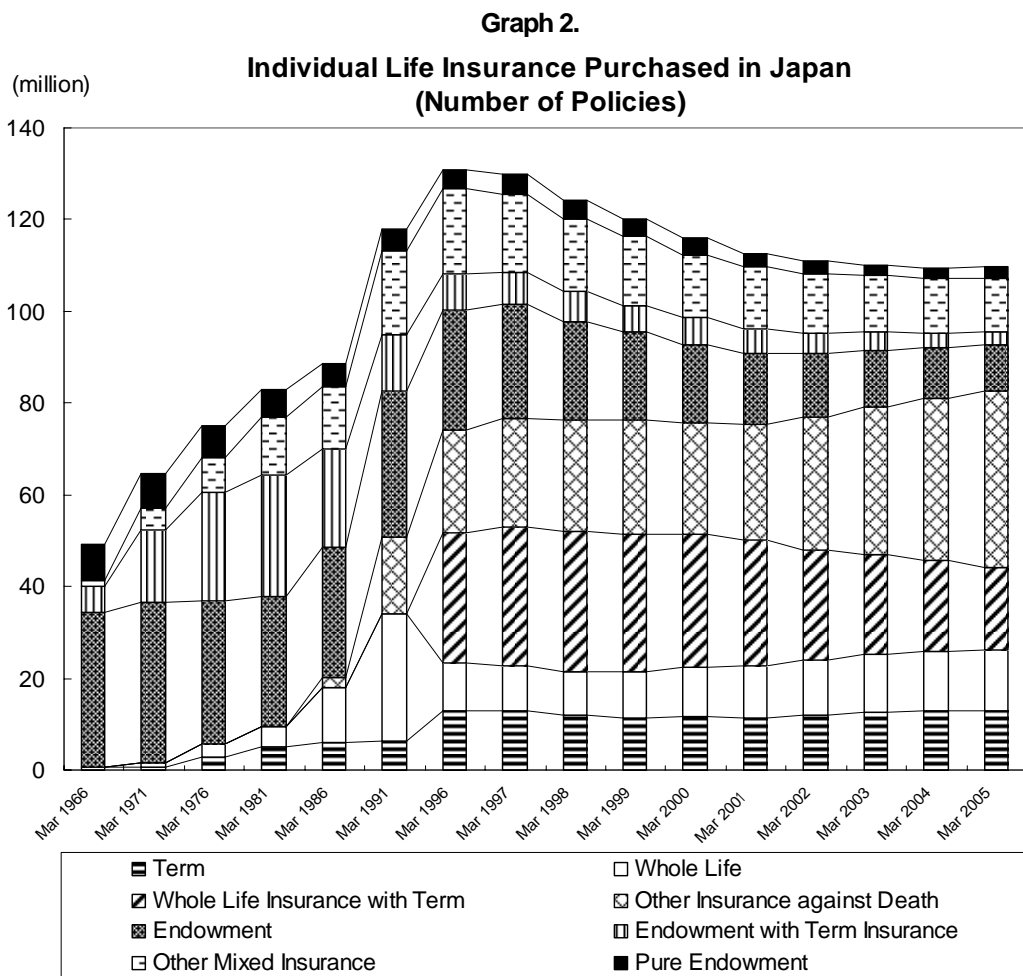
The trend of seeking larger protection with minimum premium payment became apparent, reflecting the accelerating inflation triggered by rapid economic growth and the increasing number of nuclear family type households. As a result, after the mid 60's, the core product of the insurance industry shifted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



- 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 eight consecutive years, and that is still the continuing trend as of the end of March 2005. Under this circumstance, each life insurance company is making a rigorous effort to develop original and unique products as described below.

a) For Responding to the Rate of Premium:

Offer overall premium discount to each customer individually.

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

b) 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.

c) 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.

d) For Developing an Investment Type Life Insurance Product:

Offer individual variable annuity.

e) 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.

B. Supervision and regulation system

1. Description of Insurance Related Law

a) 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 contents 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.

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.

b) 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.

c) 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.

2. 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.

- a) 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.
- b) 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.

C. Deregulation and Liberalization of the Japanese Life Insurance Market

The following outlines chronologically a series of regulatory reforms that have been carried out to date since the amendment to the Insurance Business Law was implemented in April 1996, which marked a drastic revision for the first time in 56 years in its history of more than 100 years.

April 1996	The Revised Insurance Business Law was enforced. <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	The Revised Insurance Business Law corresponding to the Maintenance Law for Insurance Holding Company, etc, was enforced. <ul style="list-style-type: none">- Lifting of the ban on insurance holding companies
December 1998	The Revised Insurance Business Law corresponding to the Financial System Reform was enforced. <ul style="list-style-type: none">- Introduction of early warning measures- Establishment of the Policyholders Protection Corporation- Mutual entry beyond the segmentation among banks, securities companies, and insurance companies.
August 1999	The Revised Enforcement Regulations of the Insurance Business Law were enforced. <ul style="list-style-type: none">- Expansion of the scope of insurance products to which the notification system applies
June 2000	The Revised Insurance Business Law and the Special Law concerning Reorganization Proceedings of Financial Institutions were enforced. <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)- Amendment to the Insolvency Law (created public fund allotment of ¥400 billion)
January 2001	Lifting of the ban on mutual entry of life and non-life insurance companies into the third sector by their subsidiaries
April 2001	The Enforcement Regulations of the Insurance Business Law and other related Laws were revised. <ul style="list-style-type: none">- 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
July 2001	Lifting of the ban on mutual entry of life and non-life insurance companies into the third sector

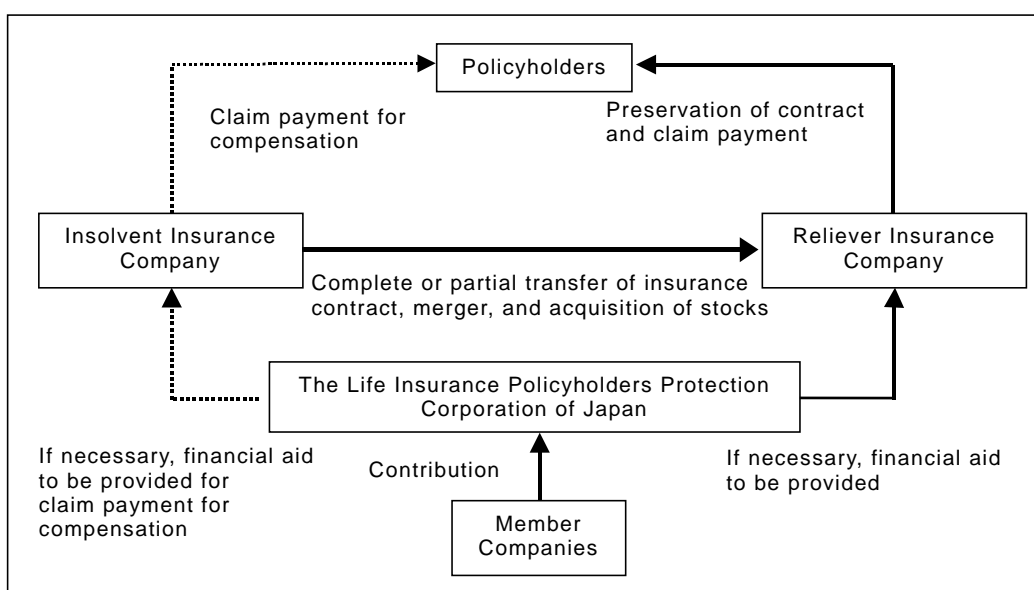
March 2002	<p>The Enforcement Regulations of the Insurance Business Law were revised.</p> <ul style="list-style-type: none"> - The lower end of the dividend rate applied to the surplus of a mutual insurance company was brought down from 80% to 20%.
October 2002	<p>The Enforcement Regulations of the Insurance Business Law and other related Laws were revised.</p> <ul style="list-style-type: none"> - By this revision, the following insurance products were added to the products to be sold over-the-counter by banks. <ul style="list-style-type: none"> * Individual annuity * Individual annuity and accident insurance * Zaikei savings personal accident insurance
June 2003	<p>The Revised Insurance Business Law was enforced.</p> <ul style="list-style-type: none"> - 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). - The scope of insurers' activities (subordinate activities) was partially expanded, thus making it possible for insurers to act as an agent or intermediary on behalf of other financial institutions.
August 2003	<p>The Revised Insurance Business Law was enforced.</p> <ul style="list-style-type: none"> - 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%.
May 2005	<p>The Revised Insurance Business Law was promulgated.</p> <p>With regard to the introduction of policyholders protection rules for unauthorized Kyosai:</p> <ul style="list-style-type: none"> - Review of the scope of Kyosai to which the Insurance Business Law applies from the viewpoint of policyholders' protection and application of the Insurance Business Law in principle to businesses that underwrite insurance "vis-à-vis specified persons" - Introduction and creation of the "small-amount short-term insurance providers" scheme as a new legal framework - Transitional measures to be provided for existing Kyosai to deal with the new law <p>With regard to the review of the life insurance safety net:</p> <ul style="list-style-type: none"> - Review of compensation rate upon the failure of an insurer considering the type, assumed interest rate, and contents of the contract - Prolongation of the validity period of government support provisions for another three years reviewing the way in which the insurers bear the financial burden to be used by the Life Insurance Policyholders Protection Corporation

D. The Life Insurance Policyholders Protection Corporation of Japan

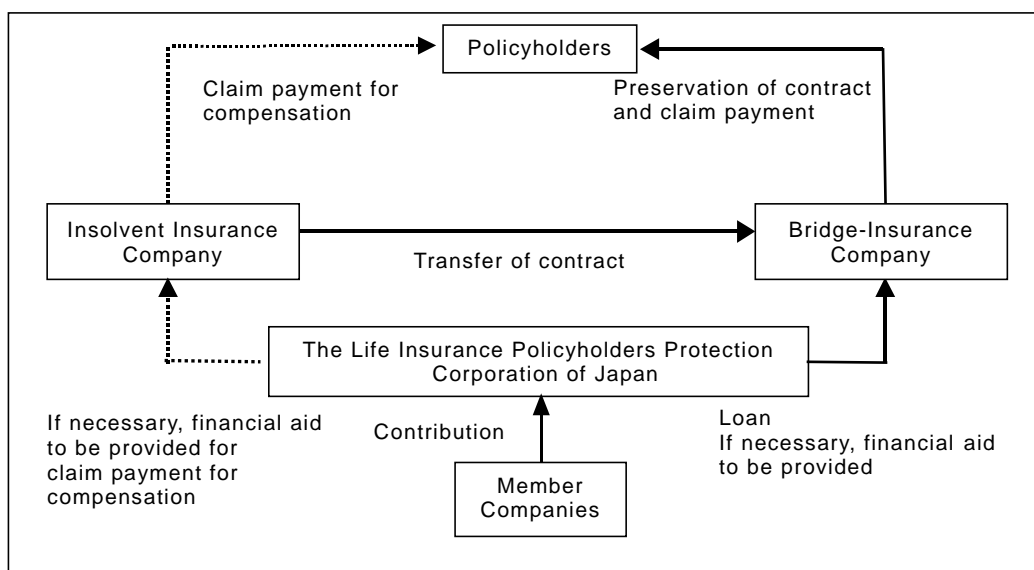
The Life Insurance Policyholders Protection Corporation of Japan (PPCJ) was established on 1 December 1998 aiming to provide policyholders with protection in case of failure of insurers. All life insurers operating in Japan have joined the Corporation excluding Kampo, the insurance operated under Japan Post, and Kyosai, cooperative societies that also provide insurance services.

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

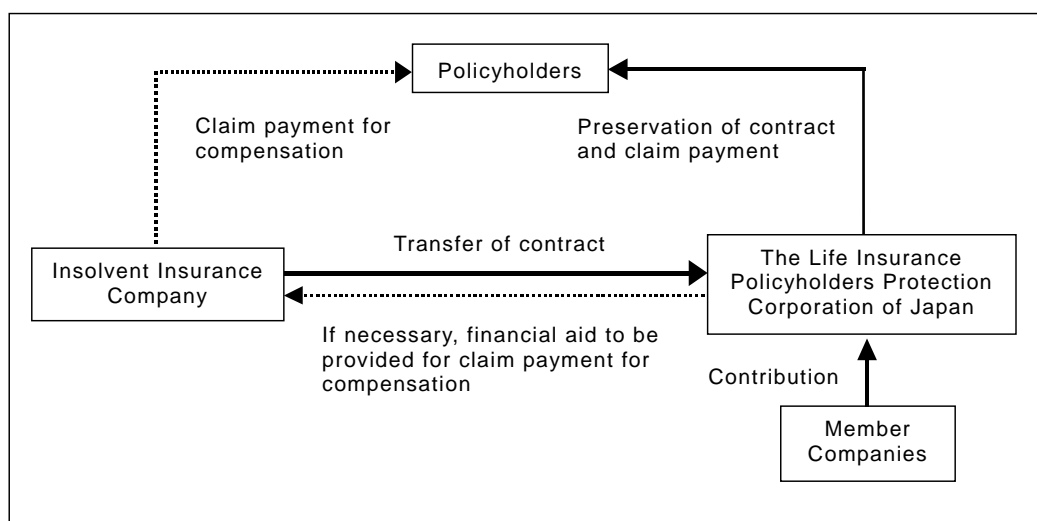
- a) Provide financial aid to a reliever insurance company to which the insurance contracts of an insolvent insurance company are transferred.



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



- c) 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 insurance contracts (except reinsurance contracts) that are valid when an insurance company becomes insolvent. When initiating bankruptcy proceedings in accordance with the court-guided rehabilitation law, PPCJ shall act fully on behalf of the affected policyholders.

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 a subsidy from the government to PPCJ within the amount specified by the budget.

The life insurance policyholder protection scheme is subject to the revision of the Insurance Business Law that will be established in April 2005 and will come into effect as of 1 April 2006.

Its two major changes are:

- The compensation rate will be subject to review taking into account the type, assumed interest rate or other contents of the contracts to be covered.
- The burden of life insurance companies to finance the Corporation shall be reviewed to a certain extent, then the period in which the government support would be provided shall be extended by three more years, and companies which might go bankrupt between April 2006 to the end of March 2009 shall be covered by this scheme.

E. Topics in Fiscal 2004

1. Measures to Protect Personal Information in the Life Insurance Business

a) Background

The LIAJ keeps striving to respond timely and appropriately to customers' data protection related problems, as part of its ongoing efforts to promote confidence-building of the life insurance industry. In this context, the LIAJ has been elaborating a set of common-to-industry guidelines for life insurers on personal data protection since 1987.

With an eye to the enactment of the "Act for Protection of Computer Processed Personal Data" (hereinafter referred to as "Personal Data Protection Law") in May 2003 and the enforcement of regulations to be imposed on the relevant businesses in April 2005, the LIAJ established a project team to deal with this matter in November 2003. One of the project team's immediate tasks was to draft up revised guidelines so as to make them conform to that law.

At its Board of Directors meeting held on 18 February 2005, the LIAJ approved two sets of guidelines: the "Guidelines for life insurers' personal data protection (Life Insurers' Guideline)" and the "Practical guidelines for life insurers' security control measures to secure personal data protection (Life Insurers' Practical Guideline)."

On 1 April 2005, the LIAJ was recognized as a duly-authorized organization in compliance with the Personal Data Protection Law by the Director-General of the Financial Services Agency (FSA).

b) Regarding the Life Insurers' Guideline on Personal Data Protection

In accordance with the Personal Data Protection Law and other guidelines developed by the FSA such as the Guidelines on personal data protection in the financial sector and the Practical guidelines on personal data protection and security control measures in the financial sector, the LIAJ revised drastically the contents and composition of the Life Insurers' Guideline.

(1) Objectives, etc.

The Life Insurers' Guideline aims to contribute to an improved personal data protection system in which life insurers can handle customers' information appropriately. In line with the provisions of the Personal Data Protection Law, the Guideline will present various suggestions regarding restrictions on the purposes of information usage, measures related to data protection, procedures to disclose information to an inquirer, and other matters.

(2) Main points and contents of the Life Insurers' Guideline

(a) Specifying purposes of information usage

In the handling of personal information, the purpose of using such information must be clarified to the extent that the person that the information concerns can predict generally and reasonably how the information about him or her will be used at a life insurance company or other relevant workplace.

(b) Limitation of information usage depending on purposes

Except as otherwise provided by laws or other arrangements, life insurers and other relevant parties must not handle information beyond the extent

necessary for their original purposes that would be only accomplished with the use of the information, without obtaining prior consent from the person that the information concerns.

(c) Sensitive information

Except as otherwise provided by laws or other arrangements, life insurers and other relevant parties shall not obtain, use or provide a third party with information about the political views, faith (referring to religion, thought and belief), membership of a labor union, status of one's human rights and racial background, family origin and legally registered address, healthcare and sexual life, as well as criminal record of an individual.

(d) Complaints

When life insurers and other relevant parties receive a complaint related to their handling of personal information, they must examine the complaint and try to process it promptly and appropriately within a reasonable period.

Also, life insurers and other relevant parties must strive to establish a system necessary to deal with complaints promptly and appropriately, for example by compiling complaint-handling manuals, setting up a department specialized in receiving customers' complaints, or providing adequate education or training programs for people in charge of processing complaints.

(e) Information leakage or related troubles

If personal information-related accidents such as leakage of information occur, life insurers and other relevant parties shall immediately report to the corresponding supervisory authorities about the occurrence. To prevent secondary disasters and the recurrence of similar accidents, life insurers and other relevant parties shall also swiftly make public facts relevant to the accident and non-recurrence measures.

(f) Declaration of protection of personal information

Life insurers and other relevant parties shall develop and publicize a declaration stating their views and policies regarding the protection of personal information.

c) LIAJ's Practical Guideline on Personal Information Security Measures

The LIAJ's Practical Guideline, which provides security control measures for personal data protection, was edited as a separate volume of the revised Life Insurers' Guideline.

Its main features are as follows:

(1) Objectives

It sets industry rules necessary and appropriate to safely manage personal data at life insurers or other relevant parties and urges them to establish a system to better implement such rules.

(2) Contents specified in the Life Insurers' Practical Guideline

In conformity with the provisions specified in the FSA's practical guideline, types of rules and implementation system to be established in life insurance companies or other relevant parties are specified. The Life Insurers' Practical Guideline also requires setting up safety handling instructions of data at different steps; acquisition and input, utilization and processing, saving and storage, transference and

transmission, deletion and disposal. Other points to be taken into consideration in setting up such rules (such as leakage prevention) were also included.

- (3) Examples of the other points to be taken into consideration
- (a) In using mobile devices during sales activities, necessary measures must be taken, such as authentication of the user, encryption of the personal data stored in computer systems, or prevention of data leakage and data destruction.

Examples:

- i) Insurers should apply a user authentication system which requires a private key specific to a single PC or a password to access the personal data on mobile devices.
- ii) Insurers should apply a protective system which will automatically lock the personal computer when it is left untouched for a certain period of time.
- iii) Insurers should apply encryption technology to retained registered personal data to render the data illegible so that unlawful attempts by someone who might try to remove the hard disk and read the information will fail.
- (b) Life insurers and other relevant parties must restrict access to personal data according to their usage purpose or significance of the data.

For example, access to individuals' medical or health information shall be exclusively limited to designated terminals or systems at specified locations.

d) Authorized Personal Data Protection Organization⁵

As an authorized Personal Data Protection Organization, the LIAJ will implement necessary measures such as providing member companies with advice that would contribute to ensuring appropriate handling of personal data and dealing with complaints related to the handling of personal information in the workplace.

2. Revision of the IBL (Unregulated Kyosai and Policyholder Protection)

Under the Second Subcommittee of the Financial System Council (an advisory body for FSA) a working group was set up to focus on basic issues concerning the insurance business. Since April 2004, the working group has been discussing: "How to deal with unregulated Kyosai" and "How to review the Insurance Policyholder Protection Scheme," and by December of the same year, it finished compiling a report on these subjects. Based on the working group's discussions, a bill for partial amendments to the Insurance Business Law and its enforcement regulations was submitted to the Diet on 11 March 2005, enacted at the Diet on 22 April 2005, and finally promulgated on 2 May 2005.

The outline of the amendments is as follows:

a) Unregulated Kyosai

- (1) Review of the definitions related to "Insurance Business" in Article 2 of the IBL
- (a) In the first paragraph of Article 2, the phrase "vis-à-vis *unspecified* persons"

⁵ About the "Authorized Personal Information Protection Organization":

This refers to an organization authorized by the corresponding minister under the Law for the Protection of Computer-Processed Personal Data Held by Administrative Organs. An authorized organization shall perform the following duties aiming to ensure the appropriate handling of personal information at the relevant entities:

- i. Dealing with complaints about the handling of personal information at the entity.
- ii. Providing information that would contribute to ensuring the appropriate handling of personal information by the entity.
- iii. Taking other measures deemed necessary in order to secure the appropriate handling of personal information.

shall be removed. In principle, with this removal the provisions of the IBL will become also applicable to businesses which will underwrite insurance “vis-à-vis *specified* persons.”

- (b) What will be exempted from the application of the above provisions will be enumerated. The main examples are as follows:
 - i) Regulated Kyosai like National Mutual Insurance Federation of Agricultural Cooperatives (Zenkyoren) and National Federation of Workers and Consumers Insurance Cooperatives (Zenrosai), etc.
 - ii) Labor unions, corporate cooperatives, etc.
 - iii) Those run by small businesses having fewer than a certain number of people
- (2) Creation of a scheme for “Small-amount Short-term Insurance Providers”
 - (a) For companies which deal only with small-amount and short-term insurance contracts within a limited business scale, a framework of new regulatory schemes will be introduced, for example, to enable such companies to start business on a registration basis.
 - (b) For existing entities, adequate provisional measures will be taken, for example, a two-year transitional period will be provided.
 - (c) This scheme shall be re-examined within five years from the enforcement of the law, and necessary measures shall be taken if needed.

b) Policyholders Protection Scheme

- (1) Reviewing the compensation scheme considering the characteristics of each insurance contract
 - (a) Compensation rate will be determined taking into account the type of contracts, assumed interest rate or other contract details. (Coverage of high assumed interest rate insurance contracts will range from around 85 percent to 90 percent.)
 - (b) Investment returns-indexed insurance contracts will be treated separately from other contracts. (Compensation rate will be 100 percent guaranteed.)
 - (c) Regarding general insurance including automobile insurance, a compensation system in which policy replacement to other insurance companies will be encouraged. (Insurance amount can be 100 percent compensated for three months since the failure of the insurance company occurred.)
- (2) Reviewing the measures related to financial resources of the Life Insurance Policyholders Protection Corporation of Japan
 - (a) The existing temporary measure which would allow as much as ¥500 billion (\$4.7 billion) of payment will be abolished and replaced with a new system in which compensation will be covered in principle by the contribution of insurance companies within the borrowing limit of the Life Insurance Policyholders Protection Corporation of Japan.
 - (b) The governmental support system will be kept as it is. (Failures that might occur during fiscal 2006 to 2008 will be subject to this system.)
 - (c) Within three years of this enforcement, a review should be made on how to share the financial burden to finance resources for compensation and whether the government regulated supplementary support needs to be continued.