

1. Overview of the Life Insurance Business in Japan in Fiscal 2006

a) New Business including Converted Contracts

The amount of new business written for individual insurance (including converted contracts) has been in a downtrend after peaking at Y215.8079 trillion in fiscal¹ 1991, falling to Y67.9919 trillion (84.2 percent year-on-year) this year and recording a decline for ten consecutive years. The number of contracts of new business for individual insurance (including converted contracts) has also diminished (90.7 percent y/y) successively, except for a brief upturn in fiscal 2001, which was supported by brisk sales of stand-alone medical insurance and cancer insurance following the complete removal of the ban on sales of the third sector products.

The new business written for individual annuity (including converted contracts), after reaching a record high at Y18.2501 trillion in fiscal 1993, had declined steeply in volume due to the cuts in assumed interest rates. However, the sales of individual annuity have been robust since the start of over-the-counter sales at banks in October 2002. The solid performance boosted both the number (101.9 percent y/y) and the amount (103.4 percent y/y) of the new business including converted contracts, although this year's growth rate was lower than that of the previous year.

b) Business in Force

The amount of individual insurance business in force has been decreasing after hitting Y1,495.6831 trillion in fiscal 1996 and it continued to slide this year to Y1,026.3359 trillion (95.9 percent y/y), which is a decline for ten straight years. The number in force returned to a downward trend (99.8 percent y/y) which had begun in fiscal 1996, after a short-lived recovery in fiscal 2004 and 2005. Surrender value, which amounted to its highest level Y104.8142 trillion in fiscal 2001, has been declining since then and further dropped to Y58.9242 trillion this year (92.2 percent y/y).

The individual annuity business in force (including converted contracts), after hitting a record high in 1995 (Y88.3314 trillion), had dwindled until it finally turned to rise in fiscal 2003. This year it continued to inch up to Y85.8636 trillion (106.8 percent y/y), reflecting an increase in the amount of new business including converted contracts, although the growth rate slowed down.

The group insurance business in force has been in a gradual downtrend since the traditional group term insurance was switched to general welfare group term insurance in fiscal 1997 and it fell slightly to Y372.7049 trillion (97.9 percent y/y).

The group annuity business in force maintained the same level as in the previous year, Y33.1173 trillion (101.1 percent y/y), in spite of cancellations and share erosion.

¹ Hereinafter, unless otherwise noted, years (including fiscal year/FY) refer to a fiscal year beginning on the 1st day of April and ending on the 31st day of March of the next year.

Rounding errors may be observed in this section because fractional figures are rounded down while percentages are rounded off.

Table-1 New Business

(Number: in thousands; Amount: Y billion)

Fiscal Year	New Business				
	Individual Insurance ^a		Individual Annuity ^a		Group Insurance
	Number	Amount	Number	Amount ^b	Amount
2001	14,109	128,098	511	1,910	16,603
2002	13,830	120,712	750	3,408	14,189
2003	13,166	101,381	1,113	5,199	13,797
2004	12,592	91,159	1,369	7,467	10,165
2005	12,208	80,753	1,547	8,621	7,796
2006	11,073	67,991	1,576	8,915	5,462
Y/Y (%)	90.7	84.2	101.9	103.4	70.1

a. The number of contracts of both individual insurance and individual annuity includes converted contracts. Accordingly, the amount of the contracts of individual insurance and individual annuity reflects the net increase arising from the conversion.

b. The amount of individual annuity shows the accumulated capital for annuity at the commencement of annuity payments.

Figure-1 Percentage Distribution of Individual Insurance by Type (Number of New Business)

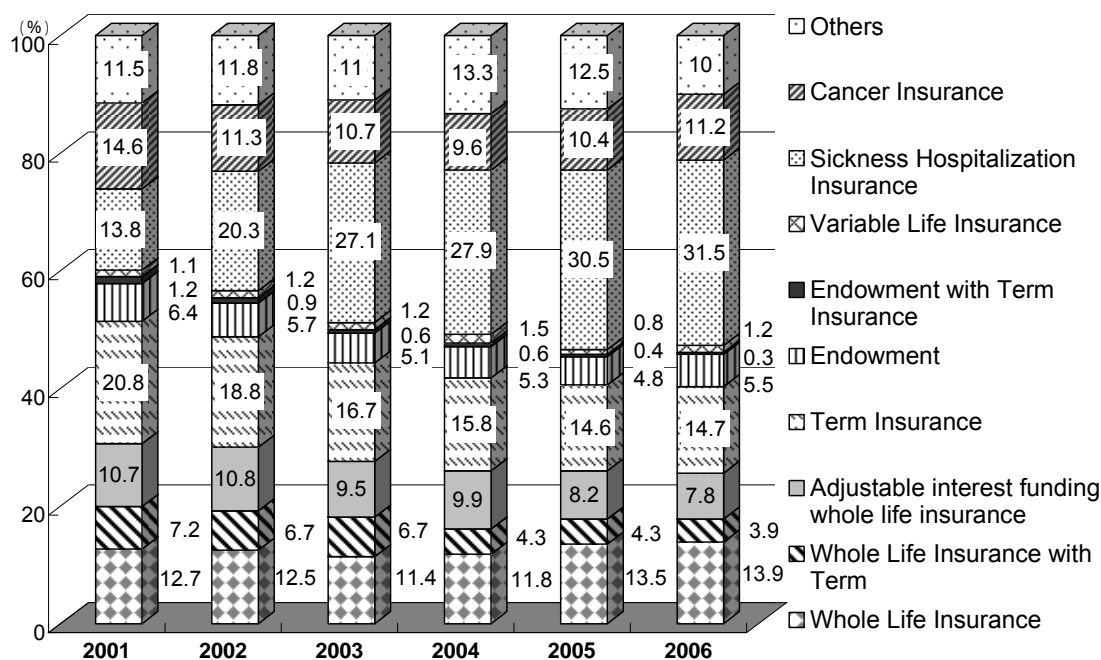


Table-2 Business in Force

(Amount: Y billion)

Fiscal Year	Individual Insurance	Individual Annuity	Group Insurance	Group Annuity
	Amount	Amount ^c	Amount	Amount
2001	1,255,623	69,593	408,995	40,395
2002	1,210,245	68,276	396,658	37,360
2003	1,152,648	69,563	387,060	34,937
2004	1,112,170	74,109	382,382	32,666
2005	1,070,570	80,416	380,595	32,744
2006	1,026,335	85,863	372,704	33,117
Y/Y (%)	95.9	106.8	97.9	101.1

c. The figures of the individual annuity represent the sum of the accumulated capital at the commencement of annuity payments and the amount of liability reserves after the commencement of annuity payments.

c) Revenues and Expenditures

(1) Premium Income

Premium income in fiscal year 2006 was Y27.7662 trillion (equivalent to \$ 235 billion: *hereinafter, dollar based-figures in parentheses represent approximate values converted by using the FY 2006 year-end rate USD/JPY 118.05*), down by 2 percent from the previous year. The amount decreased in all types of products such as individual insurance, individual annuity, group insurance, and group annuity (99.8 percent, 96.8 percent, 99.1 percent, and 93.5 percent year-on-year, respectively).

Table-3 Breakdown of Premium Income by Product (Amount: Y billion; %)

Fiscal Year	Total Premium Income ^a	Individual Insurance	Individual Annuity	Group Insurance	Group Annuity	Reinsurance
2001	26,185	15,671	2,135	1,356	6,631	31
2002	25,511	15,722	3,022	1,318	5,135	21
2003	25,960	14,867	4,638	1,296	4,870	16
2004	27,022	14,885	6,294	1,274	4,297	12
2005	28,332	15,072	7,584	1,264	4,151	14
2006	27,766	15,039	7,340	1,252	3,883	14
YY (%)	98.0	99.8	96.8	99.1	93.5	99.0

a. The amount of total premium income includes other premium income.

(2) Payments

The total amount paid by all member companies in connection with life insurance business under life insurance contracts in fiscal year 2006 was Y18.9720 trillion (\$160 billion), down by 7.6 percent from the previous year mainly due to a decline in the surrender value. Operating expenses, however, amounted to Y3.7146 trillion (\$31billion) owing to an increase in acquisition costs.

Table-4 Breakdown of Payments (Amount: Y billion; %)

Fiscal Year	Total Payments	Payments under Life Insurance Contracts				Provision for Reserves	Operating Expenses
		Insurance Money	Benefits	Annuity	Repayments		
2001	28,492	7,592	5,328	1,386	14,017	1,634	3,756
2002	23,648	7,766	4,712	1,470	9,339	2,297	3,595
2003	24,244	7,295	4,221	1,581	10,380	3,652	3,570
2004	21,336	6,341	3,846	1,659	8,605	5,756	3,567
2005	20,536	6,543	3,678	1,767	7,551	9,149	3,667
2006	18,972	5,727	3,742	1,914	6,612	8,663	3,714
YY (%)	92.4	87.5	101.7	108.3	87.5	94.7	101.3

d) Balance Sheet

The assets held by all member life insurers in Japan as of the end of fiscal 2006 amounted to Y220.2170 trillion (\$1,865 billion), an increase of 4.9 percent over the previous year. Liabilities increased by 4.3 percent as a result of the buildup of liability reserves and other reserves, with a slight increase of liability reserves by 4.8 percent. Net assets soared to Y17 trillion (\$147 billion), up by 12.4%.

Table-5 Balance Sheet of Member Companies as a Whole (Amount: Y billion)

Fiscal Year	Assets		Liabilities			Capital
	Total	Nominal GDP (%)	Total ^a	Liability Reserves	Price Fluctuation Reserves	Total
2001	184,370	36.6	177,299	161,221	603	7,071
2002	179,831	36.1	174,276	159,649	467	5,554
2003	184,329	36.7	175,326	160,714	770	9,003
2004	191,523	37.9	181,442	165,705	1,007	10,080
2005	209,879	41.5	194,387	175,388	1,211	15,491
2006	220,217	43.7	202,804	183,891	1,352	17,412 ^b
Growth	4.9%	2.2 percentage points	4.3%	4.8%	11.6%	12.4%

a. The total amount of liabilities includes other liabilities not shown in the above table.

b. Due to a change in accounting standards, the column for FY 2006 represents the amount of "net assets".

e) Ordinary Profits and Basic Profits

The ordinary profits of the member companies in fiscal 2006 shrank to Y1.7546 trillion due to decreases in net capital gain and net nonrecurring income. Despite the diminution of premium income and a lower return on asset management, the basic profits surpassed the previous year (108.4 percent, y/y) owing to decreases in insurance payments and provisions for liability reserves.

Table-6 Ordinary Profit and Basic Profit (Amount: Y Billion)

Fiscal Year	Ordinary Profit	Basic Profit
2001	631	2,259
2002	521	2,151
2003	1,509	2,191
2004	1,593	2,462
2005	1,822	2,668
2006	1,754	2,893
YY (%)	96.3	108.4

* Basic profit = ordinary profit - capital gain/loss - nonrecurring income/loss.

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f) Asset Distribution

At the end of fiscal 2006, total assets of the life insurers soared to Y220 trillion (\$1,865 billion). Securities constitute a large part of these assets, accounting for 73.7 percent or Y162.1972 trillion (\$1,373 billion). Loans come in second at Y35 trillion (\$297 billion), accounting for 15.9 percent.

Table-7 Breakdown of Assets

(Amount: Y Billion; %)

Fiscal Year	Total Assets ^a	Total ^a	Securities						
			Domestic Securities			Subtotal ^a	Foreign Securities		
			JGB ^b	Corporate Bonds	Stocks		GB ^b	Corporate Bonds	Stocks
2001	184,370	111,020	32,832	17,926	24,707	26,419	7,308	12,287	3,635
2002	179,831	110,494	34,809	19,217	17,228	28,965	8,609	14,317	2,682
2003	184,329	120,457	35,524	18,877	21,362	33,789	11,936	15,467	2,787
2004	191,523	131,834	41,931	18,275	22,070	36,534	10,736	18,156	2,930
2005	209,879	150,815	44,783	18,335	30,931	39,396	10,408	19,560	3,615
2006	220,217	162,197 <73.7> ^c	48,733 <22.1>	19,146 <8.7>	32,367 <14.7>	41,435 <18.8>	9,831 <4.4>	21,153 <9.6>	4,462 <2.0>

(Continued)

Fiscal Year	Sub Total	Loans		Cash Reserves + Call Loans	Real Estates
		Policy Loans	Financial Loans		
2001	47,056	4,691	42,364	6,303	8,081
2002	44,468	4,559	39,908	5,388	7,593
2003	41,720	4,356	37,364	4,926	7,598
2004	38,357	4,168	34,188	4,335	7,332
2005	36,728	4,027	32,700	5,484	6,834
2006	35,077 <15.9>	3,897 <1.8>	31,179 <14.2>	5,656 <2.6>	6,671 <3.0>

a. The amount of total assets, total securities and subtotal of the foreign securities include other assets, other securities and other foreign securities respectively.

b. "JGB" and "GB" stand for Japanese government bonds and government bonds respectively.

c. Figures in < angle brackets > are the percentage of each asset to the total assets.

Reference:

Fiscal Year	Loans Abroad
2001	4,220
2002	3,668
2003	3,331
2004	2,587
2005	2,670
2006	2,624

Fiscal Year	Investment Yield on Assets in General Accounts (%)
2001	1.31
2002	1.15
2003	1.94
2004	2.15
2005	2.42
2006	2.45

g) Number of Member Companies and Sales Force

The number of LIAJ member companies, all life insurers operating in Japan, stood at thirty-eight as of the end of fiscal 2006 (end of March 2007).

With regard to distribution channels, tied sales agents have long been the linchpin of life insurance sales activities in Japan. However, after peaking at approximately 440 thousand in 1990, the number of agents continued to decline, and in 2006 it fell to slightly below 250 thousand. Meanwhile, the number of sales representatives at agencies has been rising sharply since Japanese banks started selling individual annuity products subsequently to the partial lifting of the ban on bancassurance in October 2002.

The number of stock companies has been increasing significantly from the 1960s when only four stock companies were registered with the LIAJ. This surge can be mainly attributed to the drastic revision to the Insurance Business Law (IBL), which came into effect in April 1996. As the revised IBL included the introduction of a demutualization scheme which allows a mutual insurance company to be converted into a stock insurance company, it prompted several existing mutual companies to demutualize. In addition, the gradual penetration of foreign life insurance companies in the Japanese market was also another important factor for the increase in the number of stock companies.

Table-8 Number of Member Companies and Agents/Agencies

Fiscal Year	Member Companies ^a	Number of Sales Force (in thousands)		
		Tied Agents	Agencies	Sales Reps at Agencies
2001	44 (32)	302	145	296
2002	42 (34)	284	139	693
2003	40 (33)	268	130	713
2004	39 (33)	263	124	721
2005	38 (32)	259	122	747
2006	38 ^b (32)	248	115	776

a. Numbers in parentheses are those of stock companies.

b. As of the end of March 2007, the number of member companies with foreign participation was 15.

Crédit Agricole Life joined the LIAJ on 1 November 2007, and the number of foreign companies in November 2007 is 16 as shown below.

Reference: Member Companies with Foreign Participation (as of 1 November 2007)

Domestic Companies with Foreign Capital			Branch Offices of Foreign Companies
AIG Edison Life	Gibraltar Life	MassMutual Life	ALICO Japan
AIG STAR LIFE	Hartford Life	PCA Life	American Family Life
AXA Life	ING Life	Prudential Life	CARDIF Assurance Vie
Crédit Agricole Life	Manulife Life	Winterthur Swiss Life	Zurich Life