

2. Activities related to Tax Reform

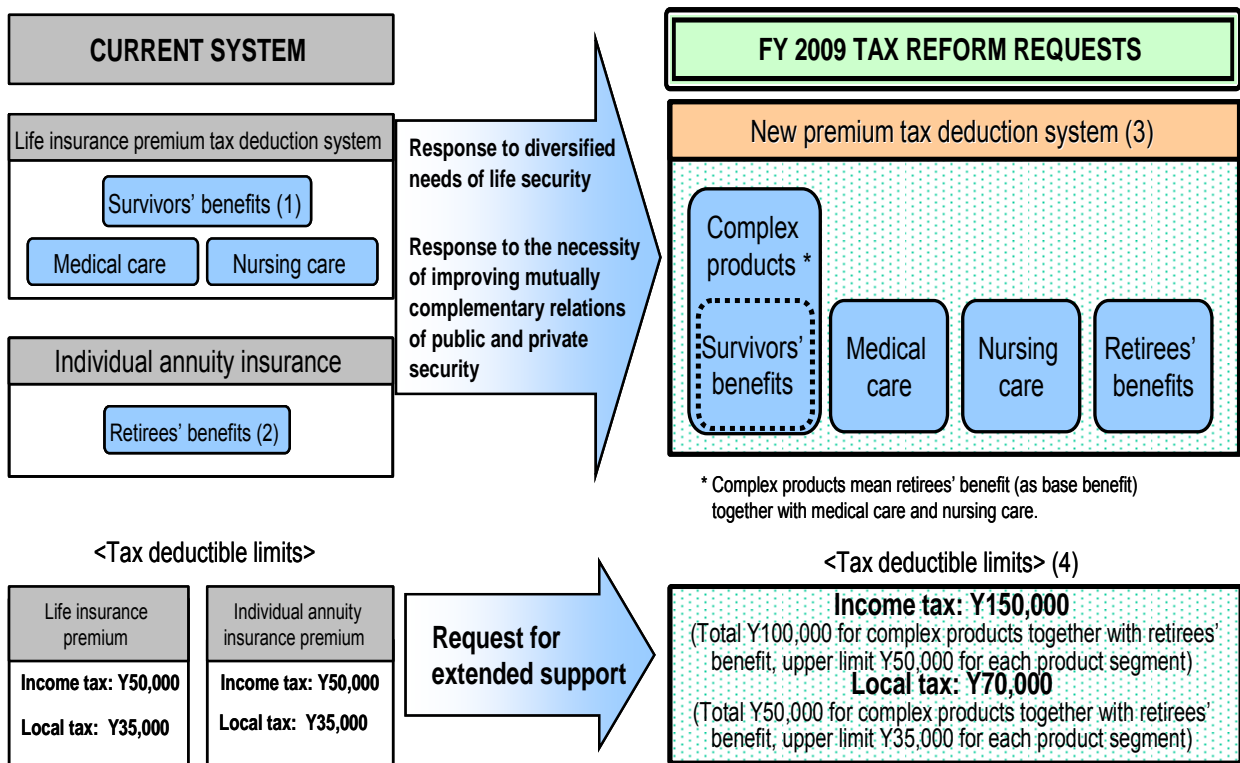
The LIAJ believes that private security measures for individuals will become more and more important in the context of an anticipated overhaul of the tax and social security system (burdens/benefits), and that we need a system which will respond to diversified personal needs.

Last year the LIAJ conducted a survey in the form of questionnaires on "life insurance premium tax deduction system." It found that most respondents wanted their self-help efforts to be actively supported and that, if the system were enlarged, they would consider more favorably contracting an insurance policy or increasing insurance amounts.

In view of these opinions, the LIAJ decided to request the unification of the current life insurance premium tax deduction system and the individual annuity insurance premium tax deduction system in order to improve a self-help support model (by creating a new premium tax deduction system) so that each person could prepare for a wide-range of life security measures including survivors' benefits, medical care, nursing care and retirees' benefits.

Key requests:

- Unification of the current life insurance premium tax deduction system and the individual annuity insurance premium deduction system for the purpose of creating a new self-help support model (a new premium tax deduction system) in which public and private security systems complement each other to meet individual needs, such as survivors' benefits, medical care, nursing care and retirees' benefits.
- Tax-deductible limits for a certain percentage of annual net paid-up premiums of life and annuity insurance should be raised to Y150, 000 for income tax and Y70, 000 for local tax.



(1) Including those not in the categories of medical care, nursing care and retirees' benefits.

(2) Only individual annuities that meet certain criteria are eligible for the individual annuity premium tax deduction. All other individual annuities are subject to the life insurance premium tax deduction.

(3) Product segmentation depends on its base contract.

(4) The amount of income tax deductible limit is calculated by adding the amount for each product segment, while the ceiling would be the tax deductible limit of the system as a whole.

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- In order to secure survivors' living funds, the exemption limit for inheritance tax applicable to death benefits should be as follows:

The sum of (¥ 5 million in death benefits received by the spouse) plus (¥ 5 million in death benefits received by an underage dependent legal heir) multiplied by (the number of such dependent heirs), together with the current limit (¥ 5 million multiplied by the number of legal heirs).

We further request that even in the case a new taxation formula is introduced, the revised tax exempt limit should be the current one plus the said additional amount.

- Some measures should be taken to make a transition as smooth as possible for the tax-qualified retirement pension.

Other requests:

a) Issues related to corporate pension

Special corporate tax imposed on reserve funds of corporate pension plans (defined benefit type corporate pension plans, employees' pension funds, qualified retirement pension plans) and of defined contribution pension plans should be abolished as these plans complement the public pension system.

b) Issues related to asset management

- Taxation related to real estate should be comprehensively reexamined.
- The applicable scope of taxation system against "tax-haven-related activities" should be reexamined.

c) Others

- For the corporate enterprise tax on life insurance companies, the current taxation formula should be maintained.
- To extend the accounting periods for companies to deduct losses carried forward from taxable income, implement refunding of losses carry-back and extend loss carry-back periods.
- Currently the real estate acquisition tax is exempted for banks acquiring real estate (land, etc.) from failed insurance companies. This measure should be made permanent, or at least extended during a longer period.
- To make the tax exemption a permanent measure in connection with private foreign bonds that nonresidents or foreign corporations receive.
- When a life insurance company reorganizes itself from a mutual company to a stock company, it should be made possible for its members (policyholders) to incorporate their newly allotted stocks into the specified account for withholding.

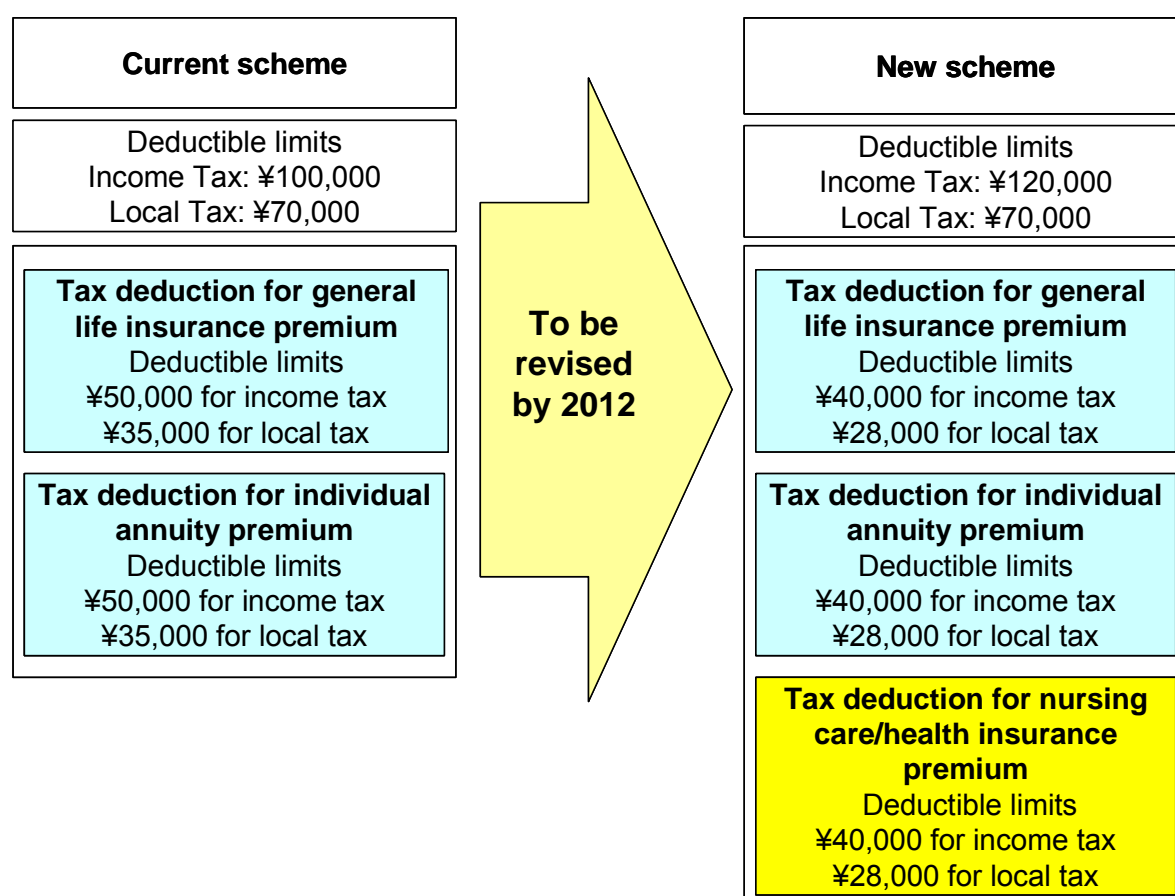
FY 2009 Tax Reform:

On 12 December 2008, the ruling parties drafted a “Fiscal 2009 Tax Reform Outline.”

The LIAJ conducted an internet-based opinion survey from 1 to 26 September 2008, and called for the new life insurance premium tax deduction system to be adopted.

As a result, the ruling parties inserted in its Tax Reform Outline the following clause: “Considering the importance of sectors complementing the social security system and the diversified insurance needs, a new category for ‘nursing and medical care insurance premium tax deduction’ should be added to the current tax deduction system.”

The “Outline” thus clearly expressed the ruling parties’ intention to change both, the life insurance premium tax deduction system, and the individual annuity insurance tax deduction system, and raise the tax-deductible limits for insurance premiums.

Summary of Tax Reform

The total of deductible limits for new and existing systems will be ¥120,000 for income tax and ¥70,000 for local tax.