

1. Overview of the Life Insurance Business in Japan in Fiscal 2008

a) New Business

The number of contracts of new business for individual insurance (including converted contracts) has been falling since peaking in fiscal 1993 due to a significant decrease in the amount of death benefit products and the shrinking market size stemming from the declining birth rate and ageing population. Nevertheless, it increased to 11.97 million from the previous year (111.8% y/y) due to the increase of the number of contracts of new business for whole life insurance, endowment insurance and cancer insurance. Meanwhile, the amount of new business declined for the twelfth successive year to Y53, 992 billion (92.3% y/y).

Including Japan Post Insurance, which started operations in October 2007, the number and amount of new business for individual insurance amounted to 13.88 million (122.7% y/y) and Y59,417 billion (98.6% y/y) respectively.

The number of contracts of new business for individual annuity had been rising until fiscal 2006; however, the number and amount have continued to decrease thereafter, to 1.4 million (96.6% y/y) and Y7, 314 billion (91.2% y/y) respectively. (Including Japan Post Insurance, the number and amount stood at 1.58 million (104.8% y/y) and Y7, 942 billion (96.4% y/y) respectively.)

The amount of new business for group insurance continued to slide to Y4, 471 billion (88.6 percent y/y).

Table 1 New Business

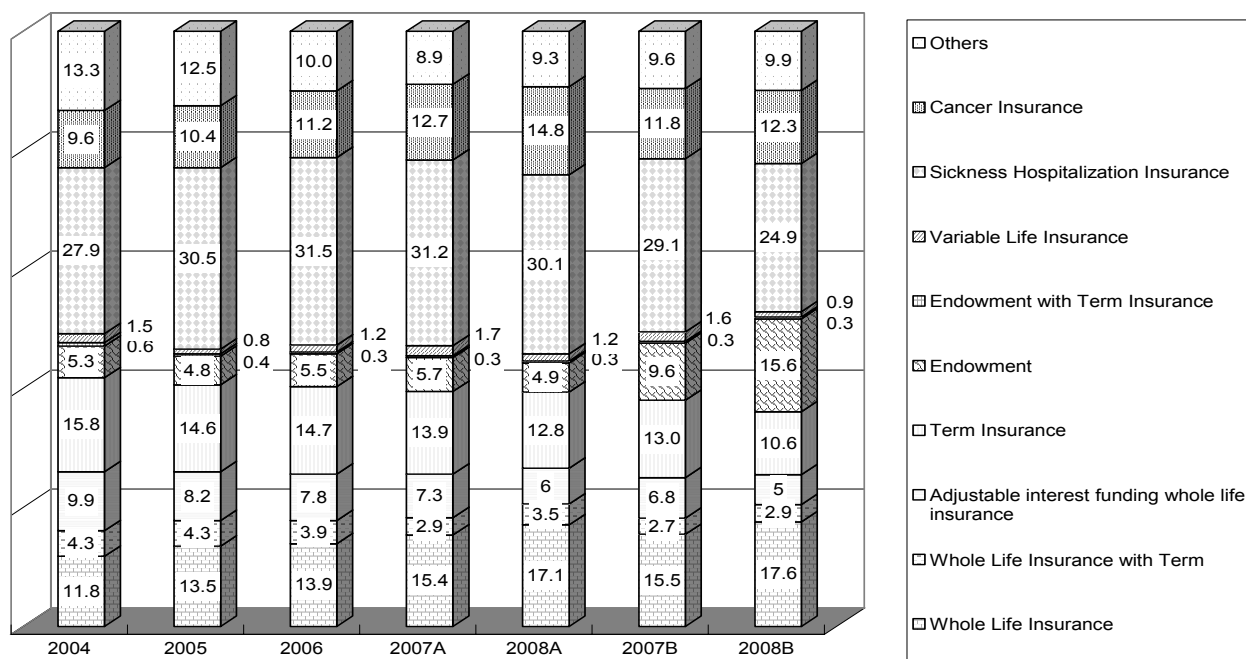
(Number: in ten thousands; Amount: Y billion)

Fiscal Year	New Business				
	Individual Insurance ^a		Individual Annuity ^a		Group Insurance
	Number	Amount	Number	Amount	Amount
2004	1,259	91,159	136	7,467	10,165
2005	1,220	80,753	154	8,621	7,796
2006	1,107	67,991	157	8,915	5,462
2007A	1,072	58,649	145	8,023	5,046
2008A	1,197	53,992	140	7,314	4,471
Y/Y(%)A	111.8	92.3	96.6	91.2	88.6
2007B	1,131	60,284	151	8,240	5,046
2008B	1,388	59,417	158	7,942	4,471
Y/Y(%)B	122.7	98.6	104.8	96.4	88.6

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

Hereinafter, unless otherwise noted, A indicates the figures excluding Japan Post Insurance; B indicates the figures including Japan Post Insurance, excluding Yamato Life in fiscal 2008.

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



b) Business in Force

The amount of individual insurance business in force has been falling since peaking in fiscal 1996, and it continued to decline for the twelfth successive year to Y932,971 billion (95.4% y/y). (Including Japan Post Insurance, the amount was Y939, 842 billion.)

The amount of individual annuity business in force had been falling since peaking in fiscal 1995 until it turned to increase in fiscal 2003 owing to a slight improvement in cancellation and lapsed policies, as well as the lifting of the ban on bancassurance. This year, it was almost the same level as in the previous year at Y88, 486 billion (100.7% y/y). (Including Japan Post Insurance, the amount was Y89, 310 billion.)

The amount of group insurance business in force had been falling since fiscal 1997, but rose slightly to Y375, 188 billion (100.3% y/y) from the previous year.

The amount of group annuity business in force declined to Y31, 173 billion (96.5% y/y) due to the increase in cancellations and decrease in share of the market.

Table 2 Business in Force

(Amount: Y billion)

Fiscal Year	Individual Insurance	Individual Annuity	Group Insurance	Group Annuity
	Amount	Amount	Amount	Amount
2004	1,112,170	74,109	382,382	32,666
2005	1,070,570	80,416	380,595	32,744
2006	1,026,336	85,863	372,704	33,117
2007A	979,436	87,927	374,216	32,314
2008A	932,971	88,486	375,188	31,173
Y/Y(%)A	95.4	100.7	100.3	96.5
2007B	981,064	88,143	374,216	32,314
2008B	939,842	89,310	375,188	31,173
Y/Y(%)B	95.8	101.3	100.3	96.5

c) Revenues and Expenditures

1) Premium Income

Total premium income declined to Y26, 182 billion (97.0% y/y) for the third successive year. (Including Japan Post Insurance, it was Y34, 063 billion.) As shown below, except individual insurance (Y14, 956 billion, 100.3% y/y), the amount decreased from the previous year in individual annuity (Y6, 099 billion, 92.7% y/y), group insurance (Y1, 128 billion, 94.5% y/y) and group annuity (Y3,737 billion, 92.1% y/y).

Table 3 Breakdown of Premium Income

(Amount: Y billion)

Fiscal Year	Total Premium Income ^a	Individual Insurance	Individual Annuity	Group Insurance	Group Annuity	Reinsurance
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
2007A	27,032	14,947	6,577	1,195	4,060	15
2008A	26,182	14,956	6,099	1,128	3,737	47
Y/Y (%)A	97.0	100.3	92.7	94.5	92.1	304.2
2007B	30,909	15,383	6,769	1,195	4,060	3,274
2008B	34,063	16,634	6,670	1,128	3,737	5,677
Y/Y (%)B	110.2	108.1	98.5	94.3	92.1	173.3

a. Including other premium income

2) Investment Results

Although profit on sales of securities increased to Y1, 038 billion (142.3% y/y) from the previous year, interest and dividends, which account for nearly 80% of total investment income, declined to Y4, 577 billion (93.7% y/y) from the previous year. Therefore, the total of investment income declined to Y5,834 billion (99.9% y/y). The breakdown of interest and dividends is interest income and dividends from securities Y3, 345 billion (92.4% y/y), interest income from loans Y741 billion (97.6% y/y), income from real estate for rent Y377 billion (102.3% y/y) and others Y112 billion (82.6% y/y).

Including Japan Post Insurance, interest and dividends was Y6, 223 billion (108.4% y/y) and its total is Y7, 548 billion (112.1% y/y).

The investment yield on assets in general accounts was ▲0.02%, decreasing from the previous year. Its breakdown was bonds 2.25%, domestic stocks ▲4.35% and foreign securities ▲2.98%. (Including Japan Post Insurance, the investment yield on assets in general accounts is 0.41 %.)

Table 4 Investment Income

(Y billion)

Fiscal Year	Total	Interest and Dividends				Profit on Sales of Securities	Total Investment Income ^a
		Securities	Loans	Real Estate	Others		
2004	4,005	2,667	922	357	57	736	5,441
2005	4,262	3,030	809	356	66	766	8,185
2006	4,617	3,379	776	357	103	833	6,664
2007A	4,901	3,633	760	370	136	736	5,861
2008A	4,577	3,345	741	377	112	1,038	5,834
Y/Y (%)A	93.7	92.4	97.6	102.3	82.6	142.3	99.9
2007B	5,740	4,180	1,046	370	143	767	6,732
2008B	6,223	4,451	1,265	377	129	1,104	7,548
Y/Y (%)B	108.4	106.4	120.9	101.8	90.2	143.9	112.1

a. Including other investment income

Table 5 Investment Yield on Assets

(%)

Fiscal Year	Total ^a	General Investment Yield on Assets in General Accounts		
		Bonds	Domestic Stocks	Foreign Securities
2004	2.15	1.56	3.75	3.03
2005	2.42	1.53	4.68	3.96
2006	2.45	1.42	5.30	4.03
2007A	1.90	1.77	3.26	2.18
2008A	▲0.02	2.25	▲4.35	▲2.98
2007B	1.30	1.12	3.26	1.85
2008B	0.41	1.72	▲4.35	▲3.01

a. Including other investment yields on assets

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3) Payments

The total amount paid by all member companies under life insurance contracts in fiscal 2008 was Y21,882 billion. (Including Japan Post Insurance, it was Y35,818 billion.)

Payment of insurance money decreased this year to Y6,098 billion (98.8% y/y). Meanwhile, payments of benefits and annuity were on an upward trend, with both of them rising again this year; payments of benefits was Y4,062 billion (103.5% y/y) and those of annuity was Y2,336 billion (111.0% y/y).

This year, operating expenses slightly increased from the previous year to Y3,776 billion (100.9% y/y). (Including Japan Post Insurance, the expenses were Y4,324 billion.)

Table 6 Breakdown of Payments

(Y billion)

Fiscal Year	Total Payments ^a	Payments under Life Insurance Contracts				Provision for Reserves	Operating Expenses
		Insurance Money	Benefits	Annuity	Repayments		
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
2007A	20,141	6,194	3,930	2,106	7,034	3,563	3,750
2008A	21,882	6,098	4,062	2,336	7,687	2,057	3,776
Y/Y (%)A	108.8	98.8	103.5	111.0	109.2	57.7	100.9
2007B	26,291	12,342	3,930	2,107	7,035	3,563	4,017
2008B	35,818	19,965	4,063	2,351	7,741	2,057	4,324
Y/Y (%)B	136.2	161.7	103.3	111.5	110.0	57.7	107.6

a. Including reinsurance premium

4) Ordinary Profit and Basic Profit

The ordinary profit (after subtraction of ordinary expenses from ordinary revenue) of member companies significantly shrank to ▲Y1,000 billion due to substantial net capital losses by expanding devaluation losses on securities.

The basic profit of member companies, which represents the profitability of the life insurance business for the fiscal year, significantly decreased to Y1,731 billion (67.7% y/y) from the previous year due to the decline of premium income and investment income and the increase in investment expenses and payments of insurance claims.

Table 7 Ordinary Profit and Basic Profit

(Y billion)

Fiscal Year	Ordinary Profit	Basic Profit*
2004	1,593	2,462
2005	1,822	2,668
2006	1,754	2,893
2007A	1,332	2,555
2008A	▲1,000	1,731
Y/Y (%)A		67.7
2007B	1,344	2,822
2008B	▲786	2,163
Y/Y (%)B	-	76.6

*Basic Profit = Ordinary Profit – Capital Gain/Loss – Nonrecurring income/loss

d) Assets

The total assets had been on an uptrend since fiscal 2003, but this year, it declined to Y205, 142 billion (96.0% y/y) from the previous year due to falling stock prices and exchange rate fluctuations. (Including Japan Post Insurance, it is Y311, 720 billion.)

Among securities items, JGBs ranked top with Y54, 217 billion, followed by foreign securities Y39, 152 billion, corporate bonds Y19, 243 billion and domestic stocks Y15, 631 billion.

Table 8 Breakdown of Assets

(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
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	48,733	19,146	32,367	41,435	9,831	21,153	4,462
2007A	213,899	155,300	49,727	19,462	23,921	41,585	9,118	22,157	4,385
2008A	205,142	146,882	54,217	19,243	15,631	39,152	9,226	20,378	4,459
Y/Y(%A)	96.0	94.7	109.1	99.1	65.5	94.3	101.3	92.1	101.7
2007B	326,423	240,869	118,687	29,849	23,921	44,095	11,322	22,461	4,385
2008B	311,720	230,208	123,890	27,456	15,631	40,036	9,955	20,531	4,459
Y/Y(%B)	95.4	95.5	104.3	91.9	65.5	90.7	87.9	91.4	101.7

(Continued)

Fiscal Year	Subtotal	Loans		Cash Reserves + Call Loans	Real Estate
		Policy Loans	Financial Loans		
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	3,897	31,179	5,656	6,671
2007A	34,179	3,787	30,391	4,759	6,592
2008A	32,776	3,699	29,076	5,068	6,602
Y/Y(%A)	96.0	98.0	95.7	106.4	100.4
2007B	54,101	3,787	50,313	7,628	6,594
2008B	51,118	3,700	47,417	10,038	6,718
Y/Y(%B)	94.4	97.7	94.2	131.5	101.8

a. Including others

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

e) Liabilities and Net Assets

Total liabilities this year stood at Y199, 570 billion (98.5% y/y). Meanwhile, total net assets significantly declined to Y5, 571 billion due to the substantial decrease of surplus/retained earnings and negative amount of total valuation/translation adjustment resulting from the falling market value of financial instruments holdings.

Table-9 Liabilities and Net Assets (Y billion)

Fiscal Year	Liabilities			Net Assets
	Total ^a	Insurance Reserves	Price Fluctuation Reserves	Total
2004	181,442	165,705	1,007	10,080 ^b
2005	194,387	175,388	1,211	15,491 ^b
2006	202,804	183,891	1,352	17,412
2007A	202,960	191,098	1,459	10,938
2008A	199,570	188,406	928	5,571
Y/Y(%)A	98.5	98.7	63.6	51.0
2007B	314,580	291,591	2,018	11,843
2008B	305,075	291,133	1,374	6,644
Y/Y(%)B	96.9	99.8	68.0	56.1

a. Including others

b. The figures represent the amount of capital.

f) Member Companies and Sales Force

The number of LIAJ member companies, which are all life insurers operating in Japan, stood at 46 as of the end of December 2009 including 6 mutual insurers and 40 stock insurers.

The number of tied sales agents had been falling, but it slightly increased to 248 thousand from the previous year. Meanwhile, the number of agencies has been decreasing since fiscal 1998. The number of sales representatives at agencies continued to increase since the lifting of the ban on bancassurance in fiscal 2002, and this year, it rose to 949 thousand from the previous year.

Table-10 Number of Member Companies and Agents/Agencies

Fiscal Year	Member Companies*	Number of Sales Force (in thousands)		
		Tied Agents	Agencies	Sales Reps at Agencies
2004	39 (33)	263	124	721
2005	38 (32)	259	122	747
2006	38 (32)	248	115	776
2007B	41 (34)	245	108	912
2008B	46 (40)	248	107	949

*Numbers in parentheses are those of stock companies

Reference: Member Companies with Foreign Participation (as of 31 December 2009)

Domestic Companies with Foreign Capital			Branch Offices of Foreign Companies
AEGON Sony Life	Crédit Agricole Life	MassMutual Life	ALICO Japan
AIG Edison Life	Gibraltar Life	PCA Life	Aflac Japan
AIG Star Life	Hartford Life	Prudential Life	Cardif Assurance Vie
AXA Life	ING Life	Prudential Financial Japan Life	Zurich Life
Allianz Life	Manulife Life		