(Appendix 1)

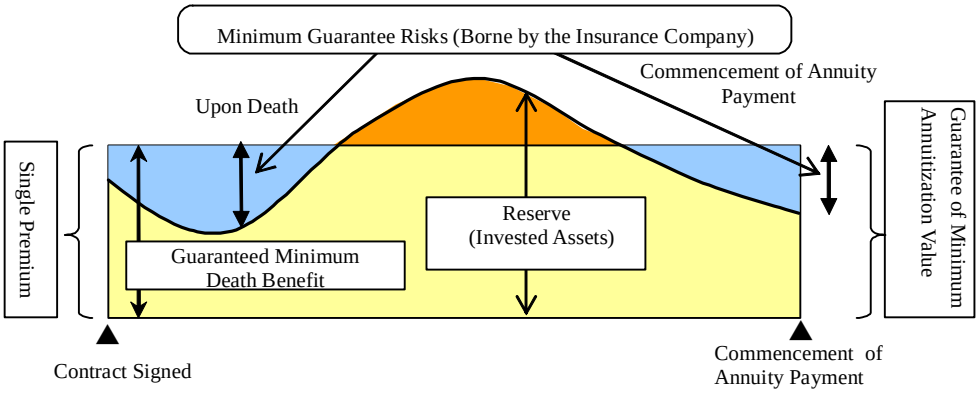
Summary of a Revision on Funding Rules of Policy Reserves Relating to Variable Annuities, Etc.

1.Product Features and Sales Trends of Variable Annuities, Etc.

Policyholders of variable annuities, etc. can both benefit from asset management and suffer loss, due to the fact that the results of asset management are directly reflected on the reserves for their insurance policies.

To make these policies attractive, insurance companies typically provide a minimum guarantee for the amount of premiums paid upon the death of a contract-holder or at the beginning of annuity payment. The corresponding risks associated with a minimum guarantee are borne by insurance companies (See Fig. 1).

[Fig 1] An Example of a Minimum Guarantee for a Variable Annuity Policy
(The case where an amount equal to the single premium is guaranteed as the minimum death benefit and the minimum annuitization value.)



- The guaranteed minimum death benefit is such that when the reserve at the time of death is less than the amount equal to the single premium (the guaranteed minimum amount), the difference between the reserve and the amount equal to the single premium is borne by the insurance company.
- The guaranteed minimum annuitization value is such that when the reserve on the day before the commencement of the annuity payment is smaller than the amount equal to a single premium (the guaranteed minimum amount), the difference between the reserve and the amount equal to the paid premium is borne by the insurance company.

Sales of Variable annuities began in 1999 and grew rapidly after the government permitted banks to sell annuity contracts in October 2002. By the end of March 2004, the total amount of in-force contracts reached ¥3,163.4 billion.

2. Identification of Issues and Countermeasures

Until now, reserves for minimum guarantee risks were set aside by insurance companies at their own discretion. This absence of standardized funding rules has fostered concerns that some plans are not funded adequately. In light of the stock market trends in the recent years, there probably is no need to worry about such issues as unrealized losses at this point. Nonetheless, establishment of funding rules, etc. is an urgently needed task, considering the long lives of insurance policies and the impact that the growth of the variable annuity market has on business operations.

Recognizing these issues, the following funding rules have been established to ensure that insurance companies properly control risks and adequately fund their reserves so as to be able to satisfy their future obligations. The results of a study conducted by the Institute of Actuaries of Japan and the opinions of industry experts were taken into consideration in creating these funding rules.

3. Summary of the Funding Rules, Etc. (Summary of the Revision to Articles 69 and 87, etc. of the Enforcement Regulations of the Insurance Business Law)

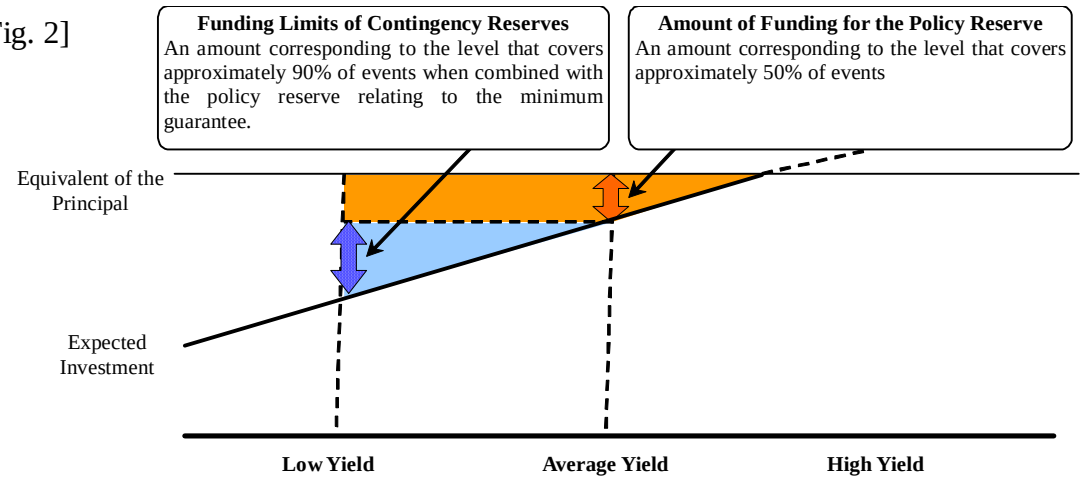
(1) Establishment of Rules for Computing the Policy Reserve and Solvency Margin Criteria Relating to the Value of the Minimum Guarantee Risks

➢ The value of the guarantee risks is computed, using either the standard method or the alternative method.

- Standard Method : In this method, standard parameters are used for the rate of expected returns and volatility to compute the minimum guarantee risk value. (Solvency margin criteria-related risk values are computed individually for each type of guarantee.)
- Alternative Method : In this method, non-standard parameters may be used for the rate of expected returns and volatility on conditions that the overall risk coverage ability is equivalent to that under the standard method.

➢ Policy reserves for the guarantee risks and the solvency margin criteria are viewed as follows (See Fig. 2):

[Fig. 2]



① Funding Rules for Policy Reserves

- The part of the guarantee risks that corresponds to normally projected risks (which corresponds to a level that covers approximately 50% of events) should be funded as a policy reserve.
- Premiums paid, as well as gains and losses from their investment, should continue to be funded as a policy reserve as they have been.
- The same concepts apply whether the standard or the alternative method is used.

② Funding Rules for Contingency Reserves

- An amount in excess of the total balance relating to the guarantees (premiums required for guarantees less insurance benefits paid for the guarantees) must be funded every year as a contingency reserve.
- The funding limit for a contingency reserve which corresponds to the risks that surpass normally projected risks is to be equal to 6% of the policy reserve. (These are expected to correspond to a level that covers approximately 90% of events when combined with the policy reserve pertaining to the guarantees).

③ Solvency Margin Criteria

- A risk equivalent value corresponding to the minimum guarantee risks should be established consistently with the funding rules for policy reserves.
- In other words, the additional amount that needs to be funded to cover the risks that arise due to potential price fluctuations in excess of what are currently projected as normal (to cover approximately 90% of events when combined with a policy reserve relating to minimum guarantees) should be set at 2% of the guaranteed value under the standard method; or computed by risk evaluations that are based on multiple scenarios, etc. under the alternative method.
- In addition, FSA shall schedule to permit inclusion of the policy reserve in excess of the surrender value in the calculation of the solvency margin, starting in the 2005 fiscal year.

(2) Disclosure

In connection with the evaluation of the guarantee risks, there should be disclosure with respect to the methodology of estimating the level of the reserves and risk equivalent values pursuant to the solvency margin criteria, the assumptions made for such estimations, and the results of verification performed to determine the accuracy of the risk evaluation model utilized.

4. Insurance Policies Affected

Rules that relate to policy reserves apply to insurance policies that are issued on or after April 1, 2005. Those that relate to contingency reserves and the solvency margin criteria apply to all insurance policies sold in the past, and take effect with business years that commence on or after April 1, 2005.

With respect to insurance policies that are issued during or before March 2005, an analysis of future cash flows shall be made at the end of each fiscal year starting with the 2005 fiscal year to

determine if an adequate policy reserve has been set aside. If the reserve is found to be insufficient, an additional reserve to cover this shortfall must be set aside.