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**PAINEWEBBER AND YASUDA FORM MUTUAL FUND  
JOINT VENTURE IN JAPAN**

NEW YORK, December 24, 1998 – Paine Webber Group Inc. and the Yasuda Mutual Life Insurance Company announced today the formation of a joint venture to develop, sponsor and manage mutual funds and other retail asset management products in Japan. The venture, called the Yasuda PaineWebber Mutual Fund Company, will be based in Tokyo.

The new company combines PaineWebber's expertise in mutual fund development and management with Yasuda's extensive distribution network. The company will offer a broad range of mutual fund products, including money market funds, reserved funds and capital guaranteed funds, 401(k) equivalent pension plans incorporating mutual funds, mutual fund wrap accounts and other retail asset management products.

The venture also marks a new stage of growth in the business relationship between PaineWebber and Yasuda, which includes several merchant banking and private placement transactions as well as asset management activities. Yasuda has been a shareholder of PaineWebber since 1987, and now holds about 8 percent of the firm's outstanding stock.

"We are pleased to build on our longstanding relationship with Yasuda to tap the growing demand for mutual funds and other financial products in the Japanese market," said Donald B. Marron, PaineWebber's chairman and chief executive officer. "This venture will extend and enhance PaineWebber's asset gathering strategy by exporting our investment management skills and brand name to a new group of global investors."

PaineWebber's president, Joseph J. Grano, Jr., said Yasuda's reputation and competitive position in the Japanese marketplace, as well as its membership in the influential Fuyo group of companies, represent the distribution capabilities necessary for the success of the venture.

"By combining our intellectual capital in mutual funds with Yasuda's sales force of more than 15,000 professionals, we are confident the new company will deliver the type of high quality products American investors have come to expect from PaineWebber," Mr. Grano said.

The ownership of the company is as follows: the Yasuda Mutual Life Insurance Company and its affiliate, Yasuda Capital Management Co. Ltd., together own 55 percent; and Paine Webber Group Inc. owns 45 percent.

The board of directors of the new company will consist of three senior executives from Yasuda and two from PaineWebber.

The Yasuda Mutual Life Insurance Company is Japan's oldest life insurance company and the seventh-largest in terms of assets. Founded in 1868, the company offers life and health insurance to international markets.

Paine Webber Group Inc., together with its subsidiaries, serves the investment and capital needs of worldwide client base. The firm employs 17,424 people in 299 offices.

## **PaineWebber/Yasuda Talking Points**

- The venture is an important extension and enhancement of PaineWebber's asset gathering strategy in that we are exporting our investment management skills and brand name to a new group of global investors.
- The new company combines PaineWebber's expertise in developing and managing mutual funds with Yasuda's distribution network of 15,000 professionals and its membership in the influential Fuyo group of companies. In essence, we are exporting our intellectual capital and Yasuda is delivering it to marketplace.
- The venture represents a new stage of growth in PaineWebber's longstanding relationship with Yasuda.
  - Yasuda has been a shareholder of PaineWebber since 1987. Yasuda holds about 8 percent of the firm's outstanding shares.
  - PaineWebber and Yasuda have participated in a number of partnership ventures, including merchant banking and private placement transactions and well as asset management activities.
- The company, based in Tokyo, will offer a broad range of mutual fund products, including money market funds, reserved funds and capital guaranteed funds, 401(k) equivalent pension plans incorporating mutual funds, mutual fund wrap accounts and other retail asset management products.
- The ownership of the company will be as follows: the Yasuda Mutual Life Insurance Company and its affiliate, Yasuda Capital Management Co. Ltd., together own 55 percent; and Paine Webber Group Inc. owns 45 percent.
- The initial capitalization will be 2 billion yen, or about \$16 million, and additional equity issuances will be subject to the consent of Yasuda and PaineWebber.
- The board of directors of the new company will consist of three senior executives from Yasuda and two from PaineWebber.

## **PaineWebber/Yasuda**

### **Q&A**

Q. What is the significance of the deal for PaineWebber? In other words, what will the firm get from the venture in terms of sales, fees, revenues? Any P&L projections?

A.

Q. Is there a fixed period of commitment by PaineWebber?

A.

Q. What is the timetable for inception of operations?

A.

Q. Based on the ownership breakdown, it appears that PaineWebber's part of the \$16 million in initial capital is roughly \$7 million. Is that correct? Will this be reflected as an investment by PaineWebber Group or PaineWebber Incorporated?

A.

Q. Will the new company sell current PaineWebber products in Japan or will it develop new products for the Japanese market? What about non-prop funds?

A.

Q. What role will Mitchell Hutchins have in the administration and operation of the new company?

A.

Q. Are Yasuda salespeople licensed to sell mutual funds and other financial products?

A.

Q. Will investment products be sold in Yasuda markets outside of Japan? If so, where?

A.

Q. What opportunities exist to market investment products to and through the Fuyo group of Japanese companies?

A.

Q. When you say PaineWebber is exporting "intellectual capital," what exactly does that mean?

A.

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Q. How big is the Japanese market for mutual funds and related products? What are the projections for growth?

A.

Q. Who are the leading mutual fund competitors in the markets targeted by the new venture?

A.

Q. Will there be any benefits to PaineWebber's U.S. clients in reverse flow investments or products?

A.

Q. Is this investment consistent with the stated strategy of being a domestically focused retail investment company targeting high net worth investors?

A.

Q. Which two senior PaineWebber executives will sit on the board of the new company?

A.

Q. Is this venture an indication that Yasuda will take a larger position as a shareholder in PaineWebber? Is it conceivable that this is a precursor to a broader business relationship between the two firms, i.e. merger or takeover?

A. No on both counts. This venture is the latest in a longstanding business relationship between PaineWebber and Yasuda, which includes several merchant banking private placement transactions and the formation of an asset management company in London.