

# A MESSAGE FROM THE MANAGEMENT

## Overview of Fiscal 2000

Despite signs of a gradual recovery in the first half of fiscal 2000, the Japanese economy began to decelerate in tandem with economic slowdown overseas in the second half of the year ended March 31, 2001.

Along with this trend, the life insurance industry was confronted with three challenges: a rapidly changing market, continued deregulation and extremely low interest rates dictated by anemic economic growth. Meiji Life believes that presenting clear solutions for overcoming these challenges will provide the impetus for growth in the new century. Consequently, Meiji Life has exhaustively conducted insurance product reviews from the perspective of our customers. As a result of these reviews, Meiji Life developed the landmark life insurance product, "Life Account L.A.," in April 2000. Life Account L.A. is the first insurance product in Japan incorporating the concept in which the insurance product is unbundled into protection and saving. This transparent and flexible product enables customers to change their coverage or their premiums annually.

This new product immediately eliminated the discontent consumers have felt about life insurance up to now. This change in consumer attitudes enabled the product to become a stunning success. Since Meiji Life began offering Life Account L.A., we are pleased to see that one million policies have been issued in a very short period. As a result, the amount of new business (adjusted for conversion) for our individual life insurance and annuities has grown an unprecedented 55.2% from the year before.

Life Account L.A. has won wide acclaim from many sectors, receiving the grand prize in Nihon Keizai Shimbun's Nikkei Superior Products & Services Awards.

Development of this new product is in keeping with our tradition as an industry pioneer. In Japan, Life Account L.A. is beginning to be known as an unbundled life insurance product with an account feature. Meiji Life is confident that Life Account L.A. created an "Account Insurance" category and become the de facto standard for life insurance products.

The initial strength of sales of Life Account L.A. demonstrates our customer's satisfaction with the solutions we offer. Meiji Life firmly believes that our customers view us as No. 1 in Customer Trust and as the most reliable company among all insurers.

Meiji Life has continued our diligent efforts to bring greater efficiency to our operations. These efforts have borne fruit, as our surplus for the year totaled ¥118.4 billion, soaring 42.2% from the year before. In addition, our total assets stood at ¥17,469.4 billion, a 3.7% year-on-year increase.

## Maintaining Financial Strength

As one of the industry's most reliable companies, Meiji Life is committed to maintaining high standards for financial soundness.

Meiji Life attaches the greatest importance to the foundation fund that is the equivalent of the equity capital of a corporation. This fund exclusively used by mutual companies gives us the financial muscle to offset the risk and to improve our ability to execute our customer's policies. As a result from the raising of 40.0 billion yen for the foundation fund in fiscal 2000, the combined total of the foundation fund and the amortization of foundation fund reserves has reached 160.0 billion yen.

Looking at our assets, the balance sheet entry showing the equivalent of unrealized gain on assets at the end of fiscal 2000 exceeded 1 trillion yen. Our percentage of non-performing loans has always been among the lowest in the industry, and it declined even further in fiscal 2000. At the end of March, the percentage of non-performing loans versus the total loan balance was a minuscule 0.78 percent.

As a result of maintaining this high level of financial soundness, our solvency margin ratio—the factor defining the ability to pay insurance benefits—was 667% as of the end of March. This is well over the 200% minimum target level set by the relevant government agency. Meiji Life also continues to receive high ratings from ratings agen-



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cies worldwide. As of July 2001, Meiji Life had an A+ rating from Standard & Poor's, an A+ rating from AM Best, and an AA- rating from the Japan Credit Rating Agency, Ltd.

### Solutions for Customer Needs

Meiji Life Group's policy is to put its customers first and to do so we provide solutions to meet the needs of all our customers. To achieve these solutions, Meiji Life not only develops new products, but also seeks to form business alliances along business lines so as to provide tangible benefits and convenience to them.

Among our newly developed products Meiji Life has offered for sale the new Nursing Care rider for Life Account L.A. The Nursing Care rider is the industry's first rider that is linked to the public long-term care insurance system, and it represents a further stage of evolution in the development of Life Account L.A. Meiji Life will continue to develop riders for our products to meet customer needs.

Turning our attention to our business alliances, MEIJI Dresdner Asset Management Co., Ltd. (MEIJI Dresdner) now has more than 1 trillion yen of group annuities under management. In April 2000, MEIJI Dresdner began offering investment advice to our group annuity separate accounts and is continuously providing better and more comprehensive asset management services. Meiji General Insurance Co., Ltd. created a business alliance with QBE Insurance (International) Ltd. and QBE Trade Indemnity Ltd., members of the major Australian insurer QBE Insurance Group Ltd., to offer new trade credit insurance that minimizes the risk resulting from corporations unable to pay their debts. Concern with regard to the long-term care sector is rising with the introduction of the public long-term care insurance system. Meiji Life Group has created the largest long-term care network in the industry, of which each member entity is sensitive to the individual needs of its host community. In addition, Meiji Life began a partnership with Matsushita Electric Industrial Co., Ltd. in February 2001 to further enhance our services related to long-term care.

Meiji Life will continue to utilize external as well as internal resources to provide solutions that satisfy our customers.

### Looking to the Future: Earning the Highest Level of Customer Trust and Confidence

Fiscal 2001 marks the 120<sup>th</sup> year since our founding. After the completion of the reform of the financial system, this fiscal year ushers in a new era of free market competition. Thus, Meiji Life has chosen this year as the one in which we re-define our corporate mission so as to commit to enhanced free competition and all that entails. Meiji Life has adopted a three-year corporate plan to manage our strategy regarding the reform of the life insurance industry. Our plan is based on the premise of creating an approach to internal management that is second to none. The objective of this corporate plan is to; while focusing on the core businesses of life insurance and non-life insurance plus annuities, asset management, and medical and long-term care services, utilize the strength of our products and information technology to achieve superior competitiveness in profitability and growth, soundness of operations and human resources.

By achieving these objectives, Meiji Life will meet the increasingly diverse needs of our customers in the comprehensive life planning and insurance service industry in the 21<sup>st</sup> century. Meiji Life will be able to provide our customers with new services of the highest quality such as attentive consulting sales service and excellent products as typified by Life Account L.A.

In conclusion, we at Meiji Life sincerely thank our customers and business associates for their unceasing support and patronage. Meiji Life will continue to conduct our business activities in a manner worthy of the high level of trust granted us by our customers.

波多健治郎

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