

A Message from the Management

In Japan, the growing expectations and demands of the public with regard to the life insurance industry include that it can provide customers with diversified and comprehensive services that ensure quality of life as well as function to complement the social welfare program. This is mainly attributable to the fact that the rapidly declining birth rate and aging population have given rise to the importance of people's self-help and self-reliance efforts. On the other hand, the operating environment surrounding the life insurance industry is also changing at an accelerated pace with such factors as economic and financial globalization, cross-industry entry among financial service sectors and advances in information technology. In order for life insurers to satisfy their customers' expectations, against the backdrop of this business climate, a high level of expertise and a stable business foundation, to consistently provide optimum products and services, have become absolutely imperative. In light of this shared awareness, Meiji Life Insurance Company (Meiji Life) and The Yasuda Mutual Life Insurance Company (Yasuda Life) have agreed to consolidate their operations on January 1, 2004 subject to approval from regulatory authorities. The two companies will take decisive actions to combine and leverage their solid financial strength and strong customer base, efficiently reallocating the expanded management resources. The merged company will pursue a higher level of growth, profitability and financial soundness based on the newly established business models in which life insurance plays a core role.

OVERVIEW OF FISCAL 2002

Toward the birth of the planned Meiji Yasuda Life Insurance Company, Meiji Life strove during fiscal 2002 to strengthen marketing and service capabilities, enhance profitability, bolster investment competency and maintain a highly sound management base. The following are the major activities and achievements for the period under review.

- Meiji Life developed riders that include industry-first benefit packages, introduced new products by blending the competitive features of insurance products of Meiji Life and Yasuda Life, and began supplying individual annuity products specifically designed for the bank distribution channel.
- Meiji Life has successfully changed its asset allocation to maintain a high level of financial soundness. Domestic equity exposures were reduced by ¥492.1 billion mainly through composing ETF (Exchange Traded Funds). This initiative, combined with the increased government and corporate bonds, contributed to form more solid portfolios.
- Ordinary profits climbed a considerable 480.1%, to ¥129.9 billion. Base profit, an indicator of annual earnings from mainstay insurance operations, stood at ¥259.2 billion, a year-on-year rise of 0.2%. Actual net assets stood at ¥1.36 trillion (8.4% as a percent of total assets), as Meiji Life preserved its leading position in the industry.
- Meiji Life maintained a competitively high solvency margin ratio, a measurement of claim paying ability, with a total of 532.0% at year-end. As of the end of May 2003, Meiji Life had a "BBB+" rating from Standard & Poor's, an "A" rating from AM Best and an "A+" from the Japan Credit Rating Agency, Ltd.

CORPORATE OPERATING PHILOSOPHY OF THE NEW COMPANY AND THE CHALLENGES FOR FISCAL 2003

The corporate operating philosophy of Meiji Yasuda Life, which is scheduled to be inaugurated on January 1, 2004, has a renewed focus stating that "As a pioneering company in the Japanese life insurance industry, we will adhere to the spirit of mutual aid and our fundamental principle on being customer-oriented to provide high quality comprehensive insurance services in which life insurance plays a core role, and deliver assured ease of mind and wealth to our customers." The new company will endeavor wholeheartedly to fulfill its designated mission as a life insurance company.

In a continuation of its efforts in 2003, up until the merger on January 1, 2004, Meiji Life will work hard on strengthening its marketing and service capabilities, reinforcing its investment operations and financial soundness and refining its internal controls, to establish a business foundation that assures increase in the total amount of life insurance in force. On a similar note, Meiji Life will promote parallel operations with Yasuda Life across the organization to pave the path for the coming merger, by raising profitability and growth potential, and improving financial soundness. Through these efforts, both Meiji Life and Yasuda Life will strive towards a successful merger that will create a distinguished company that earns an unparalleled level of customers' trust.

I, together with directors, employees and field forces at Meiji life, wish to express our heartiest thanks to Mr. Kenjiro Hata for his invaluable efforts for Meiji Life over the years. He retired from the post of chairman of the board of directors and assumed the position of senior corporate advisor as of July 2, 2003.

We would like to express our sincere gratitude for the continued support and patronage of all stakeholders, and reaffirm our commitment to fulfill the trust of our customers by implementing this business strategy in the times ahead.

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Ryotaro Kaneko
President



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