A Message from the Management

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Overview of Fiscal 2008

In fiscal 2008, amid a worldwide financial crisis and economic recession triggered by the sub-prime loan problem in the U.S., business conditions in Japan worsened owing to continuation of stock price decline and yen appreciation, a sharp decline in exports, and plummeting equipment investment. These changes in the economic environment affected the business operation of life insurance companies.

At Meiji Yasuda Life, although the sales results were favorable, thanks to growth from savings-type insurance and bancassurance, in the area of asset management we recorded substantial amount of investment losses, derived from increased impairment losses and losses on securities sold. For this reason, we reversed a portion of the reserves. However, owing to further enhancement of the risk management and reinforcement of the capital base implemented heretofore, in fiscal 2008 we continued to maintain high financial soundness: the solvency margin ratio, which indicates the ability to pay insurance claims, was 1,098.7%, and real net assets were ¥2,903.5 billion (12.4% of general account assets).

The "Meiji Yasuda Challenge Plan," which started in April 2008, is a three-year initiative that consists of the “Medium-Term Business Plan” and the “MOT Project for Creating a New Corporate Culture—Phase II.” As a “Company that values its customers,” we make it our basic policy to achieve a stable growth through the exhaustive pursuit of greater customer satisfaction on the premise of CSR management, including rigorous compliance.

In fiscal 2008 we implemented drastic reform of sales personnel channel, our key distribution channel, as a pivotal initiative in the "Medium-Term Business Plan." Specifically, we qualitatively and quantitatively enhanced communication with customers through "Ease of Mind Service Activities" to standardize the services provided to policyholders and the frequency of customer visits, and "Company Training Authorization System" by which we periodically confirm the degree of achievement of the standard knowledge, skills, and manners that Meiji Yasuda Life expects of sales personnel. Also, in November we undertook the stabilization of treatment of sales personnel and promoted to build up sales personnel channel that will earn customer trust through improvement of the sales personnel retention rate. As a result of exhaustive pursuit of customer satisfaction, we improved the policy persistency ratio and the lapse and surrender ratio, and increased premium income for the second consecutive year.

In the “MOT Project for Creating a New Corporate Culture—Phase II,” we fostered a corporate culture of valuing our customers, practiced such behaviors, and engaged in problem solving at each department based on a theme of hospitality.

In the area of marketing, we enhanced channel diversification. By providing meticulous sales support tailored to each bank, we sharply increased bancassurance sales, principally sales of fixed-rate products such as whole life insurance. Premium income from bancassurance in fiscal 2008 increased by 718% year on year to ¥222.1 billion.

To further reinforce the business foundation, we continue to engage in the prioritized personnel and budget allocation to the underwriting, policyholder services, and claim payment operations and are putting in place accurate and reliable operations. We revised the procedures documents so that customers would find them easier to understand and use, and strove to provide better services that meet with customer satisfaction.

To strengthen the financial base, we promoted stabilization of the surplus level through the prolongation of asset duration (the average residual maturity of bondholdings, etc.) and reduction of equity exposure. Furthermore, we sophisticated risk measurement and assessment techniques, anticipating the revision of international accounting standards and solvency margin standards. We also made an additional provision for policy reserves to reduce negative spreads.

As a result of these initiatives, base profit, which indicates an insurance company's earnings from business operations, was ¥329.3 billion. Insurance premium income increased for the second consecutive year to ¥2,686.5 billion. Annualized new business premiums for individual life insurance and annuities were ¥113.7 billion, and annualized premiums in force at the end of the business year amounted to ¥1,695.0 billion. Of this, third sector insurance such as medical coverage and living benefits accounted for ¥26.8 billion of annualized new business premiums and ¥338.8 billion of annualized premiums in force at the end of the business year.

As of July 2, 2009, Standard & Poor's gave Meiji Yasuda Life an "A-" rating, Fitch Ratings an "A" rating, AM Best an "A" (Excellent) rating, and Japan Credit Rating Agency (JCR) an "A+" rating.

Challenges for Fiscal 2009

In fiscal 2009, the second year of the "Meiji Yasuda Challenge Plan," we will focus on completely getting two systems instituted last year off the ground: the "Company Training Authorization System" to enhance the quality of the sales personnel, and the "Ease of Mind Service Activities," which promote periodic customer visits.

With regard to products, we started to offer a new medical insurance product in May 2009 to satisfy the wide-ranging customer needs. The concept of this product, which is new to Japan, is to cover the self-pay portion of expenses during hospitalization not covered by public health insurance. This product enables customers to prepare for the increased self-pay portion resulting from recent healthcare system reform, and the advancement and diversification of medical technology. It also offers enhanced simplicity of claim payments.

With respect to sales channel diversification, in May 2009 we established two types of sales shops to satisfy various customer needs: directly-operated shops offering only Meiji Yasuda Life products and independent shops providing other companies' products as well. Furthermore we entered into a sales-agency agreement with Japan Post Network Co., Ltd. and began sales of products for corporate customers at 55 post offices nationwide in July 2009.

With regard to financial management, we will further implement what we call "surplus management-type ALM" and endeavor to hedge interest rate risk and reduce risk assets. At the same time, we will undertake to secure stable base profit, increase various reserves, and maintain and increase financial soundness capable of withstanding changes in the market environment.

In the coming years we will continue to ascertain new growth markets and sectors in light of circumstances in the domestic life insurance market, such as the graying of society. We will proceed with our strategy for future growth through enhancement of the product line and sales force for middle-aged and elderly people, and the development of new sales channels including the Internet.