

European Embedded Value

European Embedded Value (EEV)* is one type of embedded value (EV) used to show the corporate value of life insurance companies. EEV is a market value based indicator that shows comprehensive aspects of the profit structure of in-force business and the current financial situation.

As we believe this provides more beneficial information to our customers and various other stakeholders under the current trends in the international regulatory framework and in accounting standards, Meiji Yasuda Life began disclosing EEV in fiscal 2010.

As of the end of fiscal 2010, our EEV was ¥2,238.2 billion, a ¥171.0 billion decrease from the

previous fiscal year. However, looking at variation factor analysis, operating EEV earnings, which exclude the impact of economic variances, show a ¥452.9 billion increase from the previous fiscal year EEV.

The value of in-force business, one of the two EEV components, decreased by ¥53.2 billion from a year earlier, to ¥616.9 billion, mainly due to a decline in long-term interest rates. Adjusted net worth, the other EEV component, fell by ¥117.7 billion to ¥1,621.2 billion because of a decline in stock markets and other factors.

*Meiji Yasuda Life set EEV as one of its management performance targets. EEV is a more advanced and consistent method of calculating EV and broadly adopted by European insurance companies.

■ EEV	As of March 31, 2011 and 2010 (Billions of Yen)		
	FY2010	FY2009	Change
EEV	¥ 2,238	¥ 2,409	¥ (171)
Value of in-force business	616	670	(53)
Adjusted net worth	1,621	1,739	(117)
Value of new business	134	97	36

■ Variation Factor Analysis of EEV	Value of in-force business			Adjusted net worth			EEV		
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EEV as of March 31, 2010	¥ 670			¥ 1,739			¥ 2,409		
(1) Value of new business in fiscal 2010	134			—			134		
(2) Expected existing business contribution (risk-free rate)	3			4			8		
(3) Expected existing business contribution (in excess of risk-free rate)	206			17			224		
(4) Transfer from value of in-force business to adjusted net worth	(90)			90			—		
On in-force business as of March 31, 2010	(195)			195			—		
On new business value in fiscal 2010	105			(105)			—		
(5) Non-economic experience variances	8			(18)			(9)		
(6) Non-economic assumption changes	95			—			95		
Subtotal of (1) to (6) equals operating EEV earnings	358			94			452		
(7) Economic variances	(411)			(212)			(624)		
Total	(53)			(117)			(171)		
EEV as of March 31, 2011	616			1,621			2,238		

■ Independent Review

Meiji Yasuda Life requested an independent specialist (an actuarial firm) to review EEV and received an opinion letter.