

# Governance and Compliance

## Operation of Mutual Company

### Framework of the Mutual Company System

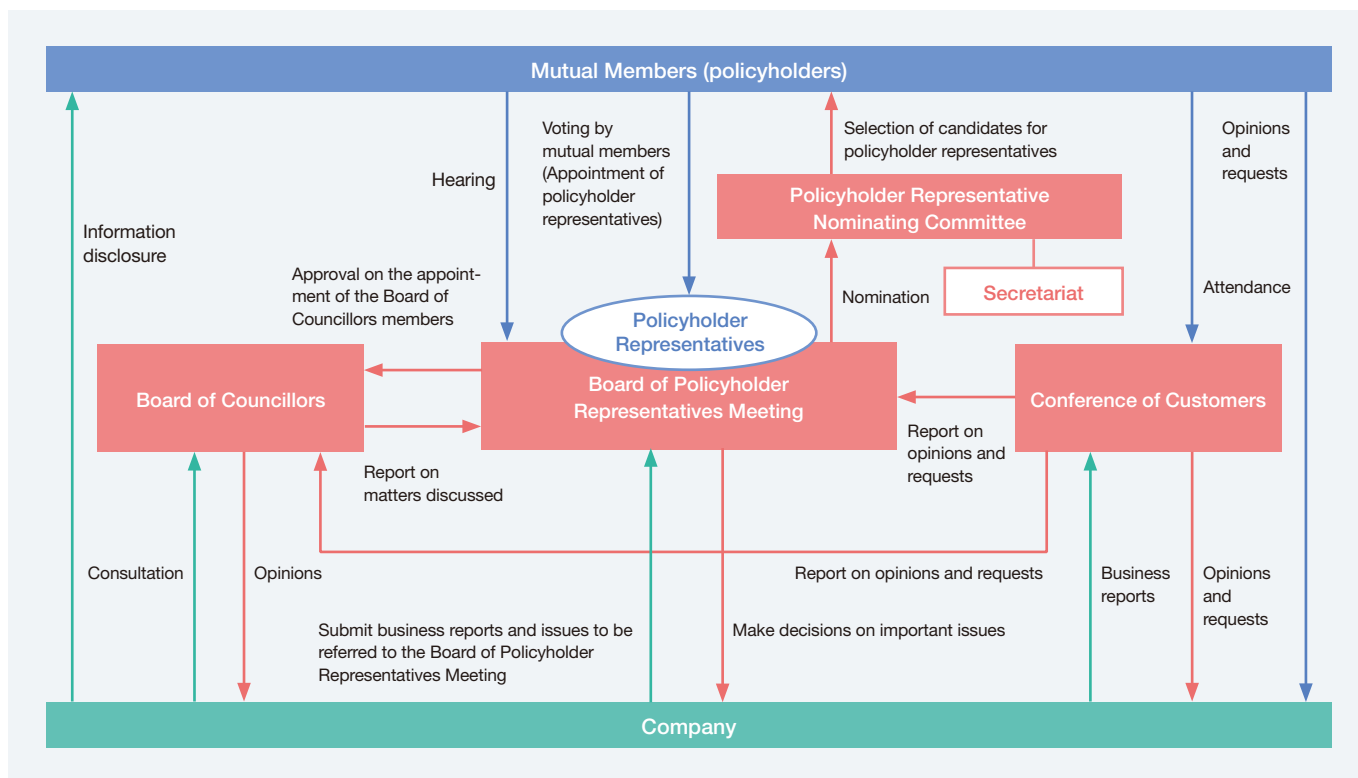
Although a life insurance company can be established as either a “stock company” or a “mutual company,” Meiji Yasuda Life was founded as a mutual company in accordance with Japan’s Insurance Business Law.

A mutual insurance company is an incorporated body in which those who enroll in its insurance policies also become “mutual members” (excluding those who enroll only in policies without dividends). These members own the mutual company, just as shareholders own a stock company.

Since Meiji Yasuda Life operates in the form of a mutual company, it is committed to placing the utmost emphasis on the interests of its policyholders. In addition to the Board of Policyholder Representatives Meeting, Meiji Yasuda Life maintains the Policyholder Representative Nominating Committee and the Board of Councillors, as well as the Conference of Customers to enhance the operation of its governance system to ensure that policyholders’ opinions and requests are better reflected in the Company’s management.

As of the end of fiscal 2013, Meiji Yasuda Life’s mutual members numbered approximately 6.6 million.

### Framework of the Mutual Company System



### Board of Policyholder Representatives Meeting

In order to operate the Company in the way that directly reflects every member’s opinion, it is necessary to hold a “General Meeting of Policyholders.” In reality, however, inviting roughly 6.6 million policyholders nationwide to attend a single meeting is simply impossible.

Meiji Yasuda Life therefore has the Board of Policyholder Representatives Meeting, which consists of representatives selected from policyholders in accordance with the Insurance

Business Law. As the highest decision making body of the Company, the Board of Policyholder Representatives Meeting reviews reports on financial results and deliberates on the appropriation of surplus and the appointment of directors, before making decisions on these and other important management issues.

#### • Policyholder Representatives

In line with its Articles of Incorporation, Meiji Yasuda Life has set the number of policyholder representatives at 222. Of these, 120 representatives are selected from all 47 prefectures

throughout Japan. While using a proportional representation system based on the number of policyholders residing in each prefecture, the Company selects a minimum of one representative from every prefecture. An additional 80 representatives are selected irrespective of where they reside. These measures are designed to ensure that representatives reflect the diverse demographic base of our mutual members, including people from every region and age group, as well as various occupations. Furthermore, the Company appoints 22 representatives from policyholders who voluntarily apply to become candidates. As such, Meiji Yasuda Life maintains robust and transparent processes for the selection of its policyholder representatives.

We believe the size of this body is appropriate to reflect the consensus of all policyholders, supervise management from diverse perspectives and support practical discussions at the Board of Policyholder Representatives Meeting that involve question and answer sessions.

## Policyholder Representative Nominating Committee

The Policyholder Representative Nominating Committee consists of members selected from policyholders and appointed by the Board of Policyholder Representatives Meeting. The number of committee members is limited to 10 or less.

In addition, Meiji Yasuda Life maintains a secretariat team to assist the Policyholder Representative Nominating Committee. With the aim of securing a transparent selection process that is independent of management, the Company consigns supervision of this team to an outside individual who is not an employee of the Company.

## Board of Councillors

The Board of Councillors serves as an advisory body to management and is in charge of addressing policyholders' opinions and requests that are deemed important management issues, as well as other significant matters of concern. The board meets three times a year, and matters discussed at these meetings are reported to the Board of Policyholder Representatives Meeting.

The members of the Board of Councillors are appointed from policyholders or academic experts upon the approval of the Board of Policyholder Representatives Meeting. The number of such members is limited to 20 or less.

## Conference of Customers

Ahead of other insurers in Japan, in 1973 Meiji Yasuda Life began holding an annual Conference of Customers on a nationwide basis. In fiscal 2013, some 75 regional offices across Japan held these meetings from January to February 2014, with a total of 1,709 policyholders attending.

The fiscal 2013 conference provided briefings on the operating results for the first half of fiscal 2013, Meiji Yasuda Life's initiatives aimed at enhancing after-sales services with MY life plan advisors, and the Company's social contribution activities. In addition, a total of 3,758 opinions and requests were submitted by attendees, including many helpful suggestions.

These opinions and requests are reported to the Board of Policyholder Representatives Meeting and the Board of Councillors. In addition, whenever we receive opinions identifying issues in need of improvement, the department in charge of addressing the particular issue considers options and implements improvement measures, while the Customer Satisfaction Promotion Committee, an advisory body to the Management Council, follows up to verify the status of implementation.

Policyholder representatives who attend the Conference of Customers are asked to make suggestions at the Board of Policyholder Representatives Meeting to reflect the policyholders' opinions and requests submitted at the conference. Moreover, we select a certain number of policyholder representatives from the attendees of the conference. These are some of the ways the Board of Policyholder Representatives Meeting and the Conference of Customers complement each other.

To notify our members of the application procedures to attend the upcoming fiscal 2014 Conference of Customers, we will display posters at regional offices and other business bases, as well as making this information available via our website, prior to holding the conference. Related information is also available to policyholders upon inquiry at the nearest Meiji Yasuda Life regional office or business base.



Conference of Customers

# Governance and Compliance

## Risk Management Structure

### Basic Policy and Risk Management Structure

#### • Basic Recognition, Risk Management Policies and Rules

Meiji Yasuda Life recognizes the importance of ensuring sound management and faithfully fulfilling contractual obligations over the long term to achieving its goal of being “a company placing utmost value on our customers.” Accordingly, we view risk management as one of the most crucial elements of business management. Our Board of Directors, Management Council and various risk management-related committees set risk management policies and rules.

### Risk Management Structure

The department in charge of overall risk management (the Risk Management Control Department) develops and promotes the overall risk management system, integrating our risk management structure. It monitors and supervises risk management at each of the individual departments in charge of risk control and provides them with expert advice.

Aiming to ensure regular monitoring and appropriate control of various risks, we have also established the Risk Management Committee, which advises the Management Council and works to advance our risk management structure.

To enhance the effectiveness of our risk management, the Internal Audit Department undertakes internal audits, while the Audit Committee and the External Auditor carry out inspections. In these ways, we examine the appropriateness and efficacy of risk management functions, as well as the risk management system.

### Management Structure for Enterprise Risk and Category-Specific Risk

As for enterprise risk, we aim to perceive and manage various risks arising in our business in a comprehensive and integrated manner. In category-specific risk, we identify, categorize, aggregate and examine individual risks on a quantitative or qualitative basis, addressing each in the manner best suited to the characteristics of the particular risk, with results reported regularly to the Risk Management Committee and other risk management bodies.

Anticipating changes in our business environment and regulatory trends, we are introducing more precise and sophisticated risk measurement methods and examining capital allocation based on the risk weighting, thereby progressively enhancing the enterprise risk management system.

We also adopt Asset Liability Management (ALM), a method used for enterprise risk management with the aim of appropriately allocating assets and liabilities. Category-specific risk associated with ALM is managed in a comprehensive manner and is regularly reported to the ALM Sub-committee. Moreover, we are developing an ALM structure aimed at securing the effectiveness of risk management processes.

As for category-specific risk, the Risk Management Control Department is in charge of overall risk management and the body placed above three tiers of risk management departments. The Risk Management Control Department oversees and supervises each of the individual departments in charge of risk control to ensure that such risk is appropriately controlled. The individual departments in charge of risk control suggest measures for improvement and provide specialized advice to the departments in charge of risk management through monitoring and analysis of risk management conditions in these departments. The departments in charge of risk management are responsible for identifying potential risks for the business unit or category they supervise and developing appropriate risk management systems. The Risk Management Sub-committees, placed under the Risk Management Committee, conduct specialized risk management responding to the characteristics of each category of risk.

### Management Structure for Unit-Specific Risk

Besides category-specific risk management, our structure manages business unit-specific risk.

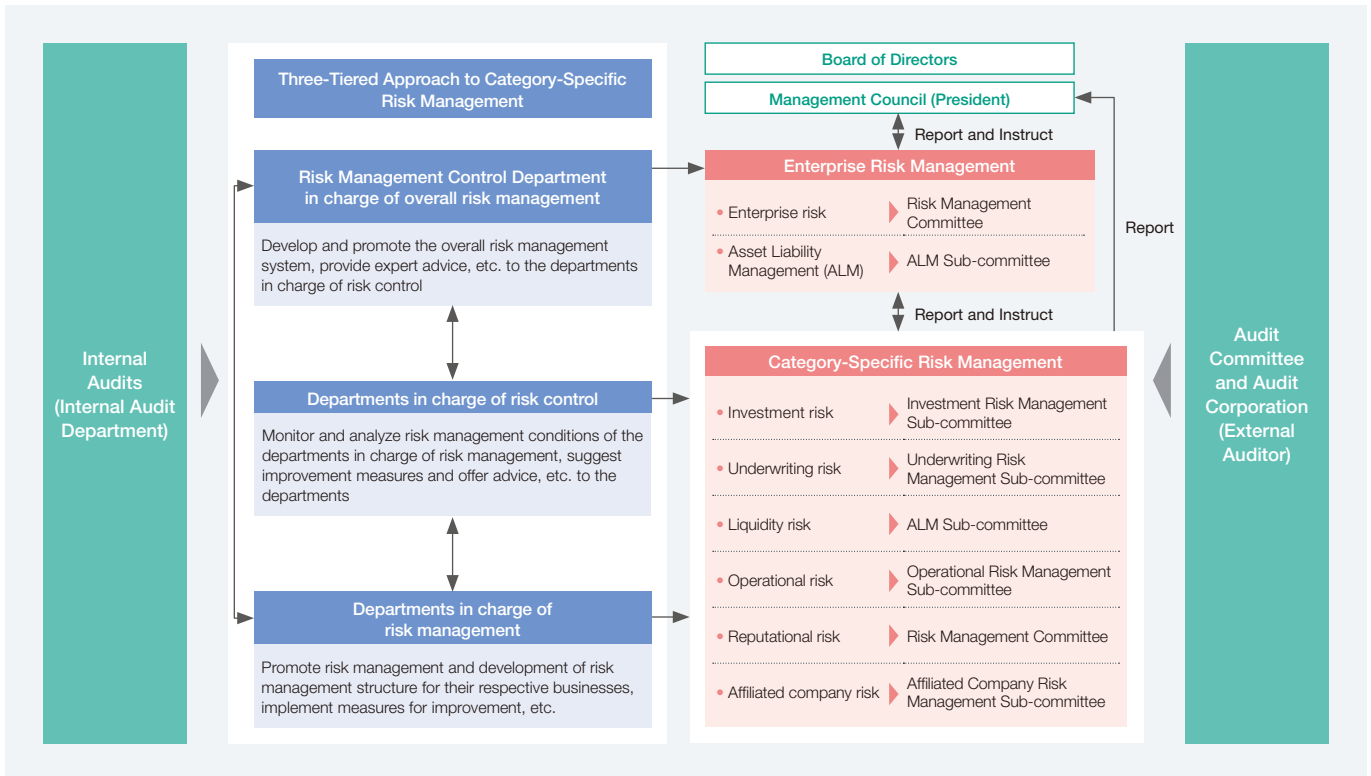
While the department in charge of overall risk management (the Risk Management Control Department) oversees overall business unit-specific risk management, risk management managers and staff are appointed in each business unit of our head office departments, group marketing departments and regional offices to check and confirm the status of operational risk management, consider ways to mitigate risks, prevent potential risk, and to avoid recurrences of past issues.

Especially, each head office department formulates a risk management action plan upon recognition of the fundamental risks involved. These departments document every business process, comprehensively identify risks related to operations, develop measures against the risks and implement systems for such measures. Moreover, upon careful examination of the overall magnitude of risk, these departments constantly monitor the status of countermeasures being implemented to control risks related to critical operations. In these and other ways, we are striving to enhance the effectiveness of our risk management.

• **Stress Test**

Although the Value at Risk (VaR) method is used to measure the maximum foreseeable loss due to enterprise risk, stress tests are regularly performed to simulate conditions that exceed normal forecasts and cannot be assessed with Value at Risk. These stress tests extend to events such as drastic economic deterioration and major disasters including earthquake. Through stress tests, we multilaterally analyze such factors as assumed impact on assets and liabilities and level of increase in insurance payments. Test results are regularly reported to the Risk Management Committee, Management Council and Board of Directors. The results are utilized to discuss management strategies and measures for strengthening the financial foundation.

**Overview of the Risk Management Structure**



# Governance and Compliance

## Promoting Compliance

In line with its Basic Code of Compliance, Meiji Yasuda Life defines compliance as “acting with fairness and integrity, not only by complying with laws and internal rules, but also through the exercise of common sense.” We recognize that every officer and employee of the Group must practice compliance to achieve management’s goal of becoming a life insurer capable of providing each customer with inspiring experience that makes an impression. With this in mind, we are implementing the following initiatives to promote compliance.

### Thoroughly Disseminating Our Philosophy on Compliance

Our “Code of Conduct” defines our basic compliance policies and standards, setting forth rules governing the behavior and actions of each member of the Meiji Yasuda Life Group to ensure we fulfill our customers’ expectations and gain their trust.

The “Meiji Yasuda Sales and Service Policy” lays out our motto of enhancing after-sales service, the rule of providing detailed product explanations, especially for the elderly, and other matters such as responding appropriately to antisocial forces. By doing so, it aims to ensure compliance throughout our business operations, including the solicitation of insurance, with the aim of maintaining the trust of customers.

Moreover, to ensure that every officer and employee practices compliance to build closer relationships with customers, “Our Pledge” sets out commitments to maintain proper bearing and a strong moral compass, as well as to act appropriately with sincerity in fulfilling work responsibilities.

To ensure that we never lose sight of the significance of compliance, every member of the Group carries a card bearing the “Code of Conduct,” “Meiji Yasuda Sales and Service Policy,” and “Our Pledge” so that each of us will always remain faithful to our customers. In these ways, we are striving to instill deep-seated awareness toward compliance.

### Compliance Promotion Structure

To develop a sophisticated compliance promotion structure, we have put the Compliance Control Department in place to carry out integrated management of compliance issues throughout the Meiji Yasuda Life Group, including subsidiaries and affiliates.

In April 2014, we established the Financial Crime Prevention Office under the Compliance Control Department, with the aim of building an enhanced structure to counter financial crimes and antisocial forces through the integration of related functions. In this way, we are ensuring that appropriate countermeasures are in place against money laundering, insider trading and other financial crimes as well as the threat of antisocial forces.

In cooperation with compliance managers and team leaders assigned to each business section, the Compliance Control Department also implements preemptive measures such as compliance education while dealing with compliance issues when improprieties are identified. If fraudulent behavior occurs, it is reported to the Compliance Control Department through

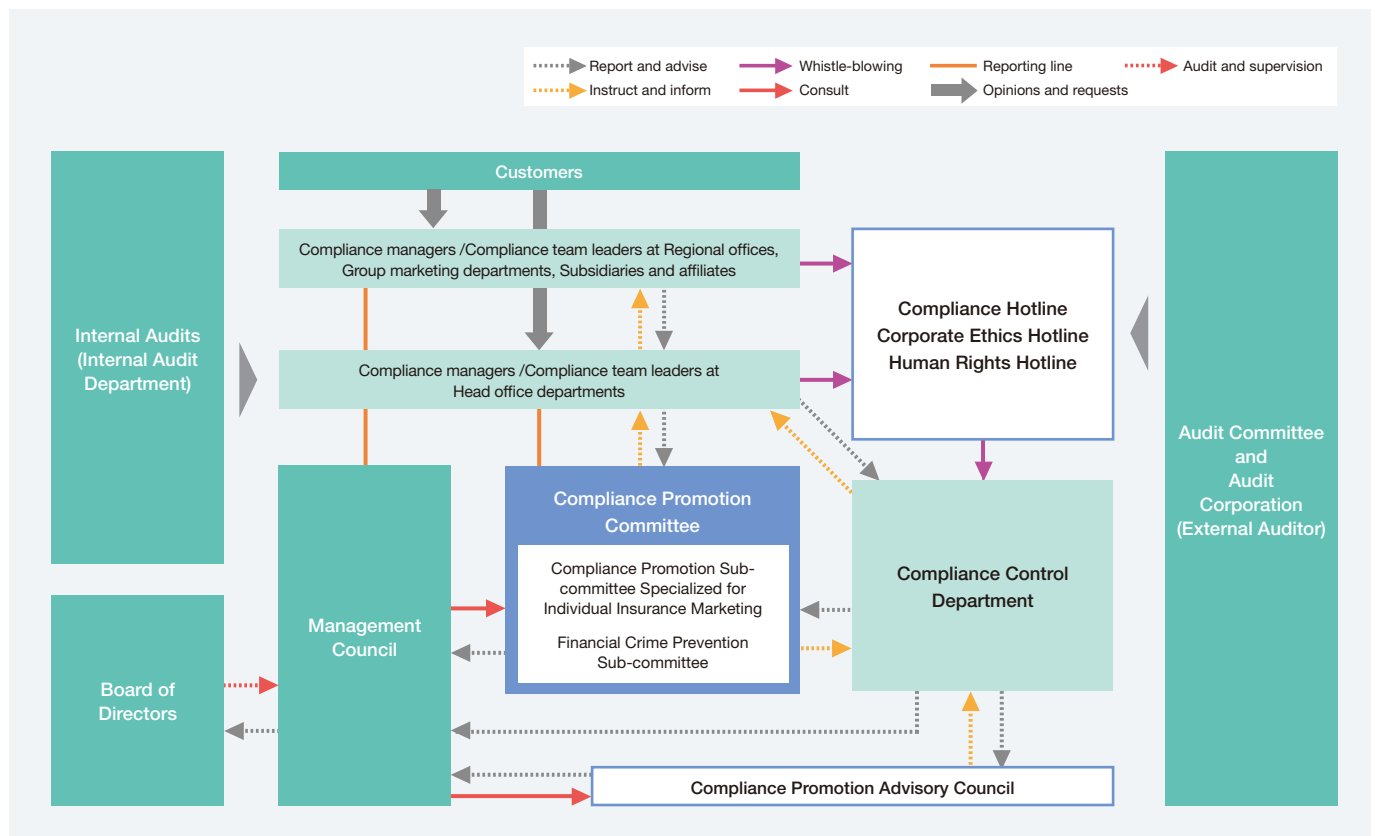
the compliance managers and team leaders of the departments in question. We also have a “Compliance Hotline,” a “Human Rights Hotline” and a “Corporate Ethics Hotline” to enable people discovering such behavior to report it directly.

The “Compliance Promotion Committee” pursues compliance on a comprehensive basis. It plans and develops compliance systems throughout the Meiji Yasuda Life Group. Moreover, we have established the “Compliance Promotion Advisory Council,” which includes external members and acts as an advisory body to the Management Council. It was set up to discuss important matters concerning compliance promotion and reflect the opinions of external experts.

### “Compliance Program” Guides Compliance Efforts

Every fiscal year, we draw up a “Compliance Program” setting forth concrete action plans aimed at promoting compliance. In line with the Companywide action plan, the head office and regional offices, as well as group marketing departments, each formulate their own specific action plans to address individual issues confronting them and thereby work to ensure compliance in a proactive manner. The Compliance Promotion Advisory Council and other bodies report the status of these action plans to the Board of Directors.

### Overview of Compliance Promotion Structure



# Governance and Compliance

## Management Structure

Meiji Yasuda Life has adopted the “Company-with-Committees” system to strengthen its corporate governance and increase transparency. The Board of Directors consists of 11 elected directors, including six outside directors who make up the majority. The Company also maintains Nominating, Audit, and Compensation committees, with the majority of each committee comprised of outside directors. Moreover, Meiji Yasuda Life has designated executive officers in charge of business execution, thereby ensuring clear institutional separation between management supervision and executive functions. In these ways, the Company secures a transparent management structure capable of ensuring solid oversight.

## Board of Directors

The Board of Directors reaches decisions on important management issues while supervising business execution undertaken by directors and executive officers. It also monitors the status of insurance claim payments, customer complaints, legal compliance and risk management by periodically reviewing reports on these matters at board meetings.

### Nominating Committee

The Nominating Committee determines proposals related to the election and dismissal of directors. These are submitted to the Board of Policyholder Representatives Meeting.

○ Yuko Tashima\*  
Seiichi Ochiai\*  
Teruo Kise\*  
Nobuya Suzuki  
Akio Negishi

### Audit Committee

The Audit Committee audits the business execution of directors and executive officers, and prepares audit reports. It also submits recommendations to the Board of Policyholder Representatives Meeting on the election and dismissal of accounting auditors.

○ Seiichi Ochiai\*  
Yoshihide Munekuni\*  
Teruo Kise\*  
Miyako Suda\*  
Kenji Kojo

### Compensation Committee

The Compensation Committee formulates the overall policy on remuneration for individual directors and executive officers, and thereby determines the content of remuneration for individual directors and executive officers.

○ Shigehiko Hattori\*  
Yuko Tashima\*  
Miyako Suda\*  
Nobuya Suzuki  
Akio Negishi

○ Chairman of the Committee  
\* Outside Director