

May 28, 2015

Meiji Yasuda Life Insurance Company

Disclosure of European Embedded Value as of 31 March 2015

Meiji Yasuda Life Insurance Company (“Meiji Yasuda Life”, President Akio Negishi) is disclosing its European Embedded Value (EEV) results as of 31 March 2015, calculated on the basis of the European Embedded Value Principles (EEV Principles) applying a market-consistent approach, as an indicator of enterprise value.

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1. Introduction

a. Embedded Value

An Embedded Value (EV) is the sum of the present value of expected future after-tax profits from the business in-force at the valuation date and the adjusted net worth as at the valuation date. The adjusted net worth consists of the net asset on the balance sheet with adjustments such as the addition of unrealized gains and losses on assets, and for liability items which may be considered to represent retained earnings.

An indicator of the long-term profit and loss from life insurance business

The profit and loss pattern of life insurance policies is typically such that a loss arises at the time of issue due to acquisition costs, followed by profits over the remaining term of the business which are more than sufficient to offset the initial losses. Profits under current statutory accounting practice represent the performance of a life insurance policy for a single accounting period. As EV includes the present value of expected future profits from the full term of in-force business, we consider that it is a useful supplementary measure to the statutory accounting statements.

A market-consistent measure comprehensively represents the current financial position

The EV is produced by valuing both assets and liabilities at a fair value, and therefore may be considered a representation of the net asset value on a market-consistent basis. For this reason, we believe that the EV is a useful indicator of the comprehensive current financial position of the enterprise.

Compatibility with developments in solvency regulation and accounting standards

Currently, the introduction of economic value basis solvency regulation for insurers is being investigated in Japan, and IFRS accounting rules are developing in the direction of reflecting some aspects of a market-consistent policy liability concept. Considering such trends in regulations and accounting standards, Meiji Yasuda Life is making efforts to promote an asset-liability management investment strategy with surplus management based on the market value of assets and liabilities, to implement more sophisticated risk management, and to strengthen its financial position and capital base. We believe in the importance of the disclosure of a market-consistent EV, as it is compatible with these trends in regulation, accounting standards, and integrated risk management.

Although EV is typically considered to be applicable to public insurance companies, we believe that, considering the points above, it is a valuable metric for mutual insurance companies as it provides useful information to policyholders and other stakeholders.

b. European Embedded Value using a market-consistent approach

Meiji Yasuda Life discloses its embedded value in accordance with EEV Principles using a market-consistent approach.

By valuing projected future asset and liability cash flows in a manner consistent with the valuation of market-traded financial instruments, the calculation of EEV using a market-consistent approach avoids issues with traditional EV calculations such as subjectivity of the valuation of risk, and promotes the transparency and comparability of EV reporting.

The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group representing the chief financial officers of leading European life insurers. The CFO Forum published further guidance regarding disclosures and sensitivities in October 2005.

We consider that the market-consistent approach we have adopted for EEV calculation parallels global trends in the development of solvency regulation, and the International Accounting Standards Board's development of accounting standards.

c. Third party review

Meiji Yasuda Life requested Towers Watson, an external actuarial firm, to review Meiji Yasuda Life's EEV results and obtained the opinion set out in Appendix C.

2. Results

a. EEV results

The EEV of Meiji Yasuda Life as of March 31, 2015 was 5,490.5 billion yen, an increase of 1,271.9 billion yen from the EEV as of March 31, 2014. Over the same period, the adjusted net worth (ANW) increased by 1,795.7 billion yen, to 5,595.7 billion yen, as a result of increases in unrealized gains on securities primarily due to the increase in market value of equities. The value of in-force business decreased over the same period by 523.7 billion yen, to negative 105.2 billion yen, primarily due to a decrease in the risk-free rates.

(Units: billion yen)

	March 31, 2014	March 31, 2015	Change
EEV	4,218.5	5,490.5	1,271.9
Adjusted net worth (ANW)	3,799.9	5,595.7	1,795.7
Value of in-force business (VIF)	418.5	(105.2)	(523.7)
Value of new business (VNB)	181.1	166.0	(15.0)

b. Adjusted net worth

The ANW represents the market value of assets (including loans, real estate, securities and other assets) in excess of policyholder liabilities, comprising statutory reserves and other liabilities such as policyholder dividend reserves, of the covered business. The ANW applies market valuation to assets and liabilities more broadly than the regulatory “net asset value” measure used to represent the financial strength of insurance companies.

The ANW consists of net assets on the balance sheet, retained earnings in liabilities which have been accumulated from past profits, unrealized gains and losses for assets and liabilities not valued at market on the statutory balance sheet, unfunded retirement benefit obligations, and other adjustments, such as the tax effects of the items described above. The components of the ANW are shown in the table below.

(Units: billion yen)

	March 31, 2014	March 31, 2015	Change
ANW	3,799.9	5,595.7	1,795.7
Total net asset on the consolidated balance sheet (*1)	692.0	785.3	93.3
Retained earnings in liabilities (after tax) (*2)	796.7	829.8	33.1
Unrealized gains/losses on securities (after tax) (*3)	2,198.1	3,727.2	1,529.1
Unrealized gains/losses on loans (after tax)	132.1	201.0	68.8
Unrealized gains/losses on real estate (after tax) (*4)	109.4	137.0	27.5
Unrealized gains/losses on liabilities (after tax) (*5)	(4.7)	(4.4)	0.3
Unrealized gains/losses on retirement benefit obligations (after tax) (*6)	(65.6)	(21.7)	43.8
Net assets not allocated to life insurance business (*7)	(58.2)	(58.6)	(0.4)

(*1) Excluding foundation funds, unrealized gains/losses on securities categorized as “available for sale,” unrealized gains/losses on of real estate, and expected disbursements from capital.

(*2) Including contingency reserves, price fluctuation reserves and the unallocated portion of policyholder dividend reserves.

(*3) For listed domestic equities, the average market values in the month before the reporting date are used on the statutory balance sheet. For the EEV calculations, the market values at the end of March 2014 and March 2015 are used.

(*4) The difference between the market value and the book value before revaluation.

(*5) Unrealized gains/losses for foundation funds and subordinated loans.

(*6) Unrecognized past service liability and unrecognized actuarial gains/losses.

(*7) The net asset value of Meiji Yasuda General Insurance Company is excluded as it is not part of the covered business. For a description of covered business, please refer to section 1 of Appendix A.

c. Reconciliation between adjusted net worth and consolidated net assets

The table below reconciles the total net assets on the consolidated balance sheet and the ANW.

(Units: billion yen)

	March 31, 2014	March 31, 2015	Change
Total net assets ^(*1)	628.2	780.6	152.3
Addition of retained earnings in liabilities (after tax) ^(*2)	796.7	829.8	33.1
Addition of unrealized gains/losses (after tax) ^(*3)	2,433.2	4,043.9	1,610.7
Deduction of net assets not allocated to life insurance business ^(*4)	(58.2)	(58.6)	(0.4)
ANW	3,799.9	5,595.7	1,795.7

(*1) Excluding foundation funds, unrealized gains/losses on securities categorized as “available for sale,” and expected disbursements from capital.

(*2) Including contingency reserves, price fluctuation reserves and the unallocated portion of policyholder dividend reserves.

(*3) Unrealized gains/losses for securities, loans, and real estate, and retained earnings for liabilities.

(*4) The net asset value of Meiji Yasuda General Insurance Company is excluded as it is not part of the covered business. For a description of covered business, please refer to section 1 of Appendix A.

d. Value of in-force business

The value of in-force business (VIF) is the present value of the future profits which are expected to emerge from the in-force business at valuation date.

The VIF is the certainty equivalent present value of future profits, net of deductions for the time value of financial options and guarantees, the cost of holding required capital, and the allowance for non-financial risks. The table below shows the breakdown of the VIF among these components.

(Units: billion yen)

	March 31, 2014	March 31, 2015	Change
VIF	418.5	(105.2)	(523.7)
Certainty equivalent present value of future profits	760.7	138.0	(622.6)
Time value of financial options and guarantees	(267.4)	(172.0)	95.4
Cost of holding required capital	(55.6)	(47.5)	8.1
Allowance for non-financial risks	(19.0)	(23.6)	(4.6)

e. Value of new business

The value of new business (VNB) is the value at the point of sale of new policies acquired during the current reporting period (including net increases due to coverage revision and conversion). The same assumptions applied to the calculation of the VIF are applied to the calculation of the VNB, except that economic assumptions as at the time policy acquisition are applied in calculating the VNB for single premium whole life products.

The breakdown of the VNB is as shown in the table below.

(Units: billion yen)

	Fiscal year 2013	Fiscal year 2014	Change
VNB	181.1	166.0	(15.0)
Certainty equivalent present value of future profits	203.9	184.7	(19.1)
Time value of financial options and guarantees	(16.7)	(13.6)	3.1
Cost of holding required capital	(4.5)	(3.6)	0.9
Allowance for non-financial risks	(1.4)	(1.3)	0.0

The table below shows the new business margin, which is the ratio of the VNB to the present value of premium income.

(Units: billion yen)

	Fiscal year 2013	Fiscal year 2014	Change
VNB (a)	181.1	166.0	(15.0)
Present value of future premiums (b) ^(*)	2,846.1	2,555.2	(290.8)
New business margin (a) / (b)	6.37%	6.50%	0.13 points

(*) The present value of future premiums is discounted at the risk-free rate which is applied in the calculation of the VNB.

3. Movement analysis

(Units: billion yen)

	ANW	VIF	EEV
EEV as of March 31, 2014	3,799.9	418.5	4,218.5
(1) Opening adjustments	2.7	-	2.7
EEV as of March 31, 2014, after opening adjustments	3,802.7	418.5	4,221.3
(2) VNB in the fiscal year 2014	-	166.0	166.0
(3) Expected existing business contribution at the risk-free rate	1.5	0.5	2.0
(4) Expected existing business contribution in excess of the risk-free rate	41.6	256.3	298.0
(5) Transfers from the VIF to the ANW	62.6	(62.6)	-
Due to in-force business as of March 31, 2014	186.4	(186.4)	-
Due to new business during fiscal year 2014	(123.8)	123.8	-
(6) Non-economic experience variances	26.0	12.1	38.1
(7) Non-economic assumption changes	-	86.1	86.1
Total of (2) to (7)	131.8	458.6	590.4
(8) Economic experience variances	1,704.0	(1,105.7)	598.2
(9) Other variances	(42.8)	123.3	80.4
Total change	1,793.0	(523.7)	1,269.2
EEV as of March 31, 2015	5,595.7	(105.2)	5,490.5

(1) Opening adjustments

This represents the impact from the change made during the fiscal year 2014 in service period attribution methodology for projected retirement benefit obligations from a fixed attribution basis to a payment calculation basis, based on the “Accounting standards for retirement benefits” and “Implementation guidelines for accounting standards for retirement benefits”.

(2) VNB in the fiscal year 2014

This represents the value of new business at the point of sale for the fiscal year 2014, net of the expenses incurred to acquire the new business.

(3) Expected existing business contribution at the risk-free rate

As future profits are discounted at risk-free rates in the calculation of the EEV, the unwinding of the discounted value at the risk-free rate contributes to the change in the EEV in each period. This item includes the release for the fiscal year 2014 of the time value of financial options and guarantees, the cost of required capital, and the allowance for non-financial risks, and investment earnings at the risk-free rate from assets backing the ANW.

(4) Expected existing business contribution in excess of the risk-free rate

Risk-free rates are applied to calculate the present value of future profits in the EEV. However life insurance companies normally hold assets such as equities and therefore expect to earn investment returns above the risk-free rate. This item represents the expected existing business contribution in excess of the risk-free rate.

Appendix B, section 1c, "Expected investment return" shows the investment returns applied in the calculation of the expected existing business contribution in excess of the risk-free rate.

(5) Transfers from the VIF to the ANW

The expected profit arising from the in-force business arising during the fiscal year 2014 is transferred to the ANW. This item includes the profits expected to arise from the in-force business at 31 March 2014 as well as the profits from the new business acquired during the fiscal year 2014. These transfers occur between components of the EEV and this does not impact the total EEV.

(6) Non-economic experience variances

This item represents the impact of variances between non-economic assumptions, which are applied in the calculation of the VIF as of March 31, 2014, and actual experience for the fiscal year 2014.

(7) Non-economic assumptions changes

This item represents the impact of changes in non-economic assumptions from the previous year to the current year, as these assumptions changes result in changes to the projected profits after the valuation date of March 31, 2015. The main reason for the increase in the value of in-force business is due to the lowering of mortality assumptions.

(8) Economic variances

This item represents the impact of differences between actual investment returns in the period and the expected investment returns and the impact of the changes to the economic assumptions at March 31, 2015, such as changes in risk-free rates and implied volatilities.

(9) Other variances

This item includes the impact of factors other than those stated above.

The impact from changes in the Japanese corporate tax system is included here. For details of the changes in the corporate tax, please refer to section 2 of Appendix B.

In addition, for variable life and single premium endowment insurance products, additional reserves were set aside at the end of March 2015 with immediate effect. This led to a decrease in the ANW by 134.4 billion yen and an increase in the VIF by the same amount.

4. Sensitivity analysis

The table below shows the results of recalculating EEV with changed assumptions. Each sensitivity shown in the table indicates the results of a single assumption change while holding other assumptions fixed. It should be noted that the sum of two or more impacts in the table may not produce the same impact as would result from the simultaneous application of the corresponding assumption changes.

a. Sensitivity of the EEV as of March 31, 2015

(Units: billion yen)

	EEV	Change in EEV from base case
Base case: EEV as of March 31, 2015	5,490.5	-
Sensitivity 1: 50 bps increase in the risk-free rate	5,698.8	208.3
Sensitivity 2: 50 bps decrease in the risk-free rate	5,183.8	(306.6)
Sensitivity 3: 10% immediate decline in equity and real estate values	5,137.1	(353.4)
Sensitivity 4: 10% decrease in maintenance expenses	5,595.0	104.5
Sensitivity 5: 10% decrease in lapse rates	5,625.4	134.8
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	5,624.1	133.6
Sensitivity 7: 5% decrease in mortality for annuity products	5,465.3	(25.1)
Sensitivity 8: Required capital set to the statutory minimum level	5,514.3	23.8
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate	5,449.9	(40.5)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	5,447.1	(43.4)

[Unofficial translation]

The table below shows the impact on the ANW of sensitivities 1 to 3 above. For the remaining sensitivities above, there is no impact on the ANW.

(Units: billion yen)

	Change
Sensitivity 1: 50 bps increase in the risk-free rate	(1,024.3)
Sensitivity 2: 50 bps decrease in the risk-free rate	752.5
Sensitivity 3: 10% immediate decline in equity and real estate values	(359.2)

b. Sensitivity of the value of new business for the fiscal year ending March 31, 2015

(Units: billion yen)

	VNB	Change
Base case: VNB for the fiscal year 2014	166.0	-
Sensitivity 1: 50 bps increase in the risk-free rate	222.3	56.2
Sensitivity 2: 50 bps decrease in the risk-free rate	110.9	(55.1)
Sensitivity 3: 10% immediate decline in equity and real estate values	166.1	0.0
Sensitivity 4: 10% decrease in maintenance expenses	171.8	5.8
Sensitivity 5: 10% decrease in lapse rates	181.0	15.0
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	170.8	4.8
Sensitivity 7: 5% decrease in mortality for annuity products	166.1	0.0
Sensitivity 8: Required capital set to the statutory minimum level	168.1	2.0
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate	164.2	(1.8)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	162.6	(3.4)

Sensitivity 1

Sensitivity 1 is the effect on EEV of an upward parallel shift of 50 bps to risk-free forward rates.

The EEV Principles require the disclosure of the sensitivity of the EEV to a 100 bps upward shift in the yield curve, however, considering the low interest rate environment in Japan, we disclose instead the sensitivity to a 50 bps upward shift in the yield curve.

Sensitivity 2

Sensitivity 2 is the effect on EEV of a downward parallel shift of 50 bps to risk-free forward rates, subject to a minimum forward rate of zero.

Similarly to Sensitivity 1, the EEV Principles require the disclosure of the sensitivity of the EEV to a 100 bps downward shift in the yield curve, however, considering the low interest rate environment in Japan, we disclose instead the sensitivity to a 50 bps downward shift.

Sensitivity 3

Sensitivity 3 is the effect on EEV of a 10% immediate decline in equity and real estate values.

Sensitivity 4

Sensitivity 4 is the effect on EEV of a 10% decrease in the assumed expenses associated with maintaining the business.

Sensitivity 5

Sensitivity 5 is the effect on EEV of a 10% decrease in the assumed surrender and lapse rates.

Sensitivity 6

Sensitivity 6 is the effect on EEV of a 5% decrease in the assumed mortality and morbidity rates for life and medical insurance products.

Sensitivity 7

Sensitivity 7 is the effect on EEV of a 5% decrease in the assumed mortality rates for annuities.

Sensitivity 8

Sensitivity 8 is the effect on EEV of a change in the required capital level to the statutory minimum solvency margin ratio of 200%.

Sensitivity 9

Sensitivity 9 is the effect on EEV of a 25% increase in the implied volatilities of equity and real estate. The VIF changes in this sensitivity as a result of the change in the time value of financial options and guarantees due to the change in implied volatilities.

Sensitivity 10

Sensitivity 10 is the effect on EEV of a 25% increase in the implied volatilities of swaptions. The VIF changes in this sensitivity as a result of the change in the time value of financial options and guarantees changes due to the change in implied volatilities.

5. Note on the use of results

The calculation of the results in this report involves the use of assumptions regarding the future which are uncertain. It should be recognized that actual future experience may differ significantly from the assumptions employed, and therefore caution is recommended in the use of the results in this report.

Appendix A: Methodology

The methodology and assumptions adopted by Meiji Yasuda Life to calculate the EEV of its life insurance business at the end of March 2015 are in accordance with the EEV Principles and Guidance issued by the European Insurance CFO Forum.

The EEV metric is typically supposed applicable to public companies. While Meiji Yasuda Life is a mutual company, we have applied similar assumptions to those which would be applied by a public company. In particular, the after-tax surplus after paying policyholder dividends calculated in a manner consistent with current practice is treated as belonging to the company. Further, although statutory financial reporting for mutual companies classifies foundation funds as net assets, we treat foundation funds as liabilities for the purpose of EEV calculation because these funds must ultimately be repaid to contributors.

1. Covered business

The covered business is all of the life insurance business of Meiji Yasuda Life.

Meiji Yasuda General Insurance Co., Ltd., a subsidiary operating non-life business, is not included in the EEV calculation.

The balance sheet value of Pacific Guardian Life Insurance Company (U.S.), a wholly-owned life insurance subsidiary, together with the balance sheet values of affiliated companies operating life insurance business, have been included in the ANW as a proxy for their market values, and these businesses have not been included in the calculation of VIF or VNB, as their contribution to the total EEV is limited.

A look-through adjustment for subsidiaries and affiliated companies is applied in all respects material to the total EEV, such that profits and losses incurred in transactions by subsidiaries and affiliated companies are reflected in the EEV calculation to the extent that these transactions are related to the covered business.

2. Adjusted net worth

The ANW is calculated by making the adjustments described below to the total net assets on the balance sheet. Free surplus is defined as the ANW less required capital.

Expected disbursements outside the company from surplus and foundation funds to be repaid to contributors are excluded from the ANW. Liability items which are treated as retained earnings for the EEV calculation (contingency reserves, price fluctuation reserves, the unallocated portion of policyholders' dividend reserves and general reserves for bad debts) have been added to the ANW on an after-tax basis. Assets and liabilities which are not held at market value on the balance sheet, such as bonds categorized as "held to maturity" and "bonds for reserve matching", loans, real estate, and debt, are valued at market for the purpose of the EEV calculation, and differences between the market and book values of these assets and liabilities have been included in the ANW on an after-tax basis. Unrecognized past service liability and unrecognized actuarial gains and losses for retirement benefit obligations are deducted from the ANW on an after-tax basis.

3. Value of in-force business

The VIF is calculated as the certainty equivalent present value of future after-tax profits net of deductions for the time value of financial options and guarantees, the cost of holding required capital and the allowance for non-financial risks.

4. Certainty equivalent present value of future profits

The certainty equivalent present value of future profits is the present value of projected future after-tax profits without consideration of elements which are asymmetric with respect to changes in economic assumptions. It is calculated using risk-free rates for the investment yields of all assets and for the discount rates.

The certainty equivalent present value of future profits reflects the intrinsic value of financial options and guarantees, such as policyholders' dividends, but does not include the time value of financial options and guarantees which is calculated separately.

5. Time value of financial options and guarantees

A variety of financial options and guarantees embedded in insurance contracts may have asymmetric impacts on future profits depending on underlying economic assumptions. The value of financial options and guarantees is calculated using a stochastic approach based on economic assumptions consistent with the market value of traded options.

The time value of financial options and guarantees is calculated as the difference between the certainty equivalent present value of the future profits and the average of the present value of the future profits calculated using the stochastic approach.

Meiji Yasuda Life considered the options and guarantees listed below in calculating the time value of financial options and guarantees. The future asset mix is assumed to be the same as the asset mix at the valuation date, and no changes in investment strategy and management actions in the future are assumed.

Participating policy dividends

For participating business, policyholders receive dividends should surplus emerge. However, if losses emerge, the policyholders' liabilities are limited to paying premiums and no additional costs are charged to the policyholders.

Variable product minimum guarantees

For variable products with minimum guarantees, the benefits of investment performance on the underlying fund above the minimum guarantee level belong to the policyholder. The company is responsible for the cost of the difference between the minimum guarantee benefits and the fund value if fund performance is unfavorable.

Interest-rate-sensitive-product minimum guaranteed crediting rates

For interest-rate-sensitive products, the crediting rate changes depending on the underlying market environment, and the company is responsible for the cost of maintaining the minimum guaranteed crediting rate if market interest rates decline below the level of the minimum guarantee.

Policyholder behavior

Policyholders have the right to surrender their life insurance policies voluntarily. Lapse behavior which depends dynamically on economic assumptions such as interest rates is assumed for the EEV calculation.

6. Cost of holding required capital

A life insurance company is required to hold capital above the level of statutory liabilities in order to maintain its financial soundness. The cost of holding required capital is defined as the present value of the sum of taxes on the investment income on assets backing the required capital, and the costs of management of the assets backing the required capital.

The EEV Principles stipulate that the required capital must be at least the level of the statutory minimum capital requirement and may include amounts required to meet internal objectives. Meiji Yasuda Life defines required capital for calculation of the cost of holding required capital as the level of capital needed to maintain a 350% regulatory solvency margin ratio. The required capital as of the end of March 2014 was 871.8 billion yen, and the required capital as of the end of March 31, 2015 was 1,090.4 billion yen.

7. Allowance for non-financial risks

The EEV Principles require that sufficient allowance be made for aggregate risks in the covered business for calculations of EEV. We consider that the majority of non-financial risks to profits are diversifiable. For example, for a non-financial risk such as fluctuation in mortality experience for which the best estimate assumptions employed for the calculations of the certainty equivalent present value of future profits produce the expected average value of profit, no additional adjustments should be required.

On the other hand, some non-financial risks, such as operational risk and pandemic risk, are not reflected in the best estimate assumptions applied and are not captured in the calculation of the certainty equivalent present value of future profits.

Further, tax is paid when profits arise, while tax is not paid when losses occur in a certain reporting period. Tax-basis losses can be carried forward and utilized to offset future profits. However, as the period over which losses can be carried forward is limited, there is a risk that the company will not be able to fully utilize benefits from losses carried forward.

Meiji Yasuda Life quantifies the non-financial risks described above using simplified models.

8. Value of new business

The VNB represents the present value of the future after-tax profits for the new business at the point of acquisition during the fiscal year 2014 (the fiscal year ending March 31, 2015). Acquisition costs and commission are reflected in the VNB.

The same assumptions applied to the calculation of the VIF are applied to the calculation of the VNB, except that economic assumptions as at policy acquisition are applied in calculating the VNB for single premium whole life products.

For individual business, new policies (including future renewals) and net increases of policies due to coverage revision and conversion are included in the VNB, while renewals of existing policies and rider additions after issue are not included. For group business, new business and net increases in the company's share of co-managed policies are included in the VNB.

Appendix B: Principal Assumptions

1. Economic assumptions

a. Risk-free rate

The risk-free rates used in the calculation of the certainty equivalent present value of future profits are based on Japanese government bond (JGB) yields at the valuation date.

The table below shows the risk-free rates (converted to zero-coupon spot rates) applied in the calculations. Forward rates beyond 30 years are extrapolated based on the shape of the market swap yield curve, as the market JGB rates beyond 30 years are considered not sufficiently liquid.

Term	March 31, 2014	March 31, 2015
1 year	0.058%	0.030%
2 year	0.072%	0.037%
3 year	0.112%	0.057%
4 year	0.150%	0.093%
5 year	0.174%	0.131%
10 year	0.641%	0.402%
15 year	1.129%	0.817%
20 year	1.679%	1.198%
25 year	1.811%	1.406%
30 year	1.849%	1.450%
40 year	1.946%	1.453%
50 year	2.038%	1.456%

Sources: Analysis of Bloomberg data (March 31, 2014); analysis of Bloomberg data and Ministry of Finance data (March 31, 2015)

b. Principal stochastic assumptions

(1) Interest rate model

The interest rate model projects interest rates for the Japanese yen (JPY), the US dollar

(USD), the euro (EUR), and the pound sterling (GBP). The model uses a risk-neutral approach with the Japanese yen as the base currency, and correlations between interest rate processes of different currencies have been taken into account. The interest rate model has been calibrated according to the market environment at each reporting date, and the parameters used are estimated from the market yield curve and the implied volatilities of interest rate swaptions with various maturities and underlying swap terms. A set of 5,000 scenarios is produced for the stochastic calculation of the time value of financial options and guarantees. The scenario set has been generated by Towers Watson.

The table below summarizes the implied volatilities of interest rate swaptions used to calibrate scenarios.

Swaption implied volatility

		Implied volatility							
		March 31, 2014				March 31, 2015			
Option Term	Swap Term	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 year	5 year	36.8%	23.6%	30.9%	23.2%	47.0%	37.3%	84.6%	42.9%
5 year	7 year	32.2%	22.4%	28.7%	21.8%	43.3%	35.8%	82.3%	41.3%
5 year	10 year	27.8%	21.0%	26.8%	20.4%	38.5%	34.6%	83.6%	39.2%
7 year	5 year	29.1%	21.4%	26.1%	20.5%	38.7%	34.6%	83.5%	39.5%
7 year	7 year	26.7%	20.7%	25.2%	19.9%	35.9%	33.7%	82.5%	38.2%
7 year	10 year	24.6%	19.8%	24.7%	19.2%	33.7%	32.8%	84.3%	36.6%
10 year	5 year	23.9%	19.2%	23.4%	18.6%	32.8%	31.9%	95.0%	34.8%
10 year	7 year	22.9%	18.8%	23.4%	18.3%	30.9%	31.3%	95.7%	33.9%
10 year	10 year	22.5%	18.3%	23.7%	17.8%	29.8%	30.1%	101.0%	32.8%

Source: Bloomberg

(2) Implied volatilities of equities and currencies

Volatilities of major equity indices and currencies are calibrated based on the implied volatilities of options traded in the market. The table below summarizes the implied volatilities used to calibrate the scenarios.

Equity option implied volatility

Currency	Underlying Index	Option Term	Volatility	
			March 31, 2014	March 31, 2015
JPY	Nikkei 225	3 year	20.7%	20.3%
		4 year	20.6%	20.4%
		5 year	20.6%	20.6%
USD	S&P 500	3 year	17.2%	19.6%
		4 year	18.1%	21.0%
		5 year	19.1%	22.2%
EUR	EuroStoxx 50	3 year	18.4%	21.1%
		4 year	18.6%	21.5%
		5 year	18.8%	21.7%
GBP	FTSE 100	3 year	15.8%	17.9%
		4 year	16.6%	18.7%
		5 year	17.4%	19.4%

Source: Analysis of Markit data

Currency Options

Currency	Option Term	Volatility	
		March 31, 2014	March 31, 2015
USD	10 year	16.5%	14.2%
EUR	10 year	17.4%	14.7%
GBP	10 year	16.2%	15.8%

Source: Bloomberg

(3) Correlations

In addition to the calibration of volatilities described above, Meiji Yasuda Life has calculated certain volatilities reflecting the mix of assets in its asset portfolio and correlations between asset classes. The asset mix is assumed not to change over the projection period.

There are insufficient market data for exotic options with adequate liquidity to calibrate correlations. Therefore correlation factors are estimated based on monthly historical market data from end-March 2005 to end-March 2015. The table below shows the derived correlation factors between major variables.

	JPY 10 year interest rate	GBP 10 year interest rate	USD 10 year interest rate	EUR 10 year interest rate	GBP-JPY	USD-JPY	EUR-JPY	Nikkei 225	FTSE 100	S&P 500	EuroStoxx 50
JPY 10 year Interest rate	1.00	0.54	0.58	0.50	0.29	0.31	0.15	0.25	0.16	0.14	0.16
GBP 10 year Interest rate	0.54	1.00	0.86	0.82	0.46	0.31	0.28	0.22	0.15	0.21	0.19
USD 10 year Interest rate	0.58	0.86	1.00	0.80	0.48	0.44	0.32	0.32	0.25	0.30	0.30
EUR 10 year Interest rate	0.50	0.82	0.80	1.00	0.45	0.31	0.44	0.31	0.33	0.37	0.36
GBP-JPY	0.29	0.46	0.48	0.45	1.00	0.72	0.79	0.66	0.31	0.47	0.42
USD-JPY	0.31	0.31	0.44	0.31	0.72	1.00	0.61	0.60	0.22	0.25	0.29
EUR-JPY	0.15	0.28	0.32	0.44	0.79	0.61	1.00	0.67	0.48	0.59	0.49
Nikkei 225	0.25	0.22	0.32	0.31	0.66	0.60	0.67	1.00	0.66	0.69	0.69
FTSE 100	0.16	0.15	0.25	0.33	0.31	0.22	0.48	0.66	1.00	0.85	0.87
S&P 500	0.14	0.21	0.30	0.37	0.47	0.25	0.59	0.69	0.85	1.00	0.84
EuroStoxx 50	0.16	0.19	0.30	0.36	0.42	0.29	0.49	0.69	0.87	0.84	1.00

Source: Analysis of Bloomberg data and Ministry of Finance data

c. Expected investment return

A total assumed annualized investment return of 1.6% (total of risk-free rates and excess return over the risk-free rate) is used for the calculation of the expected existing business contribution in section “3. Movement Analysis.”

The table below shows the assumed investment return on major asset classes.

Asset class	Assumed investment return
Cash	0.0%
Fixed income	1.0%
Domestic equity	6.5%
Foreign bonds	2.4%
Total	1.6%

2. Non-economic assumptions

Premiums, operating expenses, insurance benefits and claims, surrender benefits, tax, and other cash flows are projected based on best estimate assumptions set for each product type, considering past and recent experience and expected future experience.

Operating expenses

- Operating expense assumptions are derived based on Meiji Yasuda Life's experience, and assumed future expense improvement is not reflected. The future inflation rate is assumed to be zero.
- The consumption tax rate is set in accordance with revisions to consumption tax law. The current rate of 8% is assumed to increase to 10% in April 2017.
- A look-through adjustment for subsidiaries and affiliated companies is applied in all respects material to the total EEV.

Policyholder dividends

Policyholder dividend rates are set based on current dividend policy, and the projected dividend rate is dynamically linked to each market-consistent risk neutral scenario.

Effective tax rate

In accordance to the changes to the tax legislations, the effective corporate tax rate on profit is set to 30.73% for the fiscal year 2014 and 28.80% for the fiscal year 2015 onward.

Appendix C: Third party opinion

Towers Watson has reviewed the methodology and assumptions used to determine the embedded value results as at 31 March 2015 for Meiji Yasuda Life Insurance Company (“Meiji Yasuda Life”). The review covered the embedded value as at 31 March 2015, the value of new business issued in fiscal year (“FY”) 2014, the analysis of movement in the embedded value during the FY 2014 and the sensitivities of the embedded value and new business value to changes in assumptions.

Meiji Yasuda Life is a mutual company, and the embedded value has been calculated as if Meiji Yasuda Life were a proprietary company, based on the current policyholder dividend practice.

Towers Watson has concluded that the methodology and assumptions used comply with the EEV Principles. In particular:

- The methodology makes allowance for the aggregate risks in the covered business through Meiji Yasuda Life’s bottom-up methodology as described in Appendix A of this document, which includes a stochastic allowance for financial options and guarantees, and deductions to allow for the frictional cost of required capital and the impact of non-financial risks;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions used are internally consistent and consistent with observable market data; and
- For participating business, the assumed policyholders’ dividend rates, and the allocation of profit between policyholders and assumed shareholders, are consistent with the projection assumptions, established company practice and local market practice.

The methodology and assumptions also comply with the EEV Guidance, with the disclosed exception of showing the sensitivity of a 0.5% change in interest rates (rather than 1%).

Towers Watson has also reviewed the results of the calculations, without however undertaking detailed checks of all the models, processes and calculations involved. On the basis of this review, Towers Watson is satisfied that the disclosed results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in this disclosure document.

[Unofficial translation]

In arriving at these conclusions, Towers Watson has relied on data and information provided by Meiji Yasuda Life, including estimates for the market value of assets for which no market prices exist. This opinion is made solely to Meiji Yasuda Life in accordance with the terms of Towers Watson's engagement letter. To the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than Meiji Yasuda Life for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

Appendix D: Glossary

Terminology	Contents
European Embedded Value using a market-consistent approach	An embedded value calculated in accordance with the European Embedded Value Principles, for which the cash flows arising from both assets and liabilities are valued in a manner consistent with traded financial instruments.
European Embedded Value Principles	European Embedded Value (EEV) Principles were published by the CFO Forum in May 2004 with the intention of improving the consistency and transparency of embedded value reporting, including sensitivities. Additional guidance on disclosures was published by the CFO Forum in October 2005.
CFO Forum	The European Insurance CFO Forum is a discussion group formed and attended by the Chief Financial Officers of major European insurance companies. Its aim is to influence the development of financial reporting, including value based reporting and related regulatory developments, for insurance enterprises on behalf of its members. One of its interests is to improve transparency of the financial reporting to investors.

Adjusted net worth (ANW)	The ANW represents the market value of assets (including loans and real estate, securities and other assets) in excess of policyholder liabilities of the covered business, comprising statutory reserves and other liabilities such as policyholder dividend reserves. Specifically, the ANW includes the net assets on the statutory balance sheet, retained earnings in liabilities, general reserves for bad debts, unrealized gains and losses for assets and liabilities not valued at market on the statutory balance sheet, unfunded retirement benefit obligations, and other adjustments, such as the tax effect of the adjustments described above.
Value of in-force business (VIF)	The present value of certainty equivalent future profits emerging from the in-force business at the valuation date, net of deductions for the associated time value of financial options and guarantees,

	the cost of holding required capital, and the allowance for non-financial risk.
Value of new business (VNB)	The present value of certainty equivalent future profits expected to emerge at point of sale from the business written in the reporting period, net of deductions for the associated time value of financial options and guarantees, the cost of holding required capital, and the allowance for non-financial risk.
Present value of certainty equivalent future profits	The present value of after-tax profit discounted at risk-free rates, based on the future cash flows generated from the business, without consideration of elements which are asymmetric with respect to changes in economic assumptions. The assumed investment yields of all assets are equal to the risk-free rate.
Value of financial options and guarantees	The value of financial options and guarantees is the sum of the intrinsic value of financial options and guarantees and time value of the value of financial options and guarantees. The intrinsic value corresponds to the value of financial options and guarantees in the certainty equivalent scenario. The time value is calculated as the difference between the average value obtained using a set of stochastic market-consistent risk-neutral scenarios and the intrinsic value.
Cost of holding required capital	Cost of holding required capital, also called frictional cost, is the cost to maintain required capital, which is capital held by the company in excess of its statutory liabilities in order to maintain financial soundness. Specifically, the cost of holding required capital is the present value of the sum of taxes on the investment income on assets backing required capital, and the costs of management of the assets backing the required capital.

Allowance for non-financial risks	Allowance for asymmetric non-financial risks, such as operational risk and risk of recoverability of the tax value of losses carried forward.
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Risk-free rate	Yields on securities without default or credit risk.
Implied volatility	Volatility implied by the market price of an option. This represents expectation of the market for price fluctuation.
Interest rate swaption	An option giving the holder the right, but not the obligation, to enter into an interest rate swap in the future.
Look through adjustment	An adjustment such that profits and losses incurred in transactions by subsidiaries and affiliated companies are reflected in the EEV calculation to the extent that these transactions are related to the covered business.
Dynamic assumptions	Assumptions which can change depending on the underlying economic scenario. For example, assumptions linking policyholders' dividends with investment performance, or lapse assumptions linked to the difference between yields and the guaranteed rate.
Calibration of market-consistent risk-neutral economic scenarios	The derivation of parameters to be used in the generation of risk-neutral scenarios such that the pricing of financial instruments using the scenarios results in prices close to the market prices of the instruments.