Response to New Economic Value-based Regulation

February 28, 2024

Dai-ichi Life Holdings, Inc.

Indicators aligned with the new economic value-based regulation

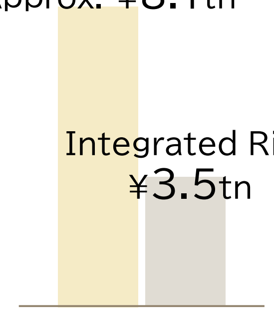
- In preparation for the introduction of new economic value-based regulations (J-ICS) at the end of FY2025, the measurement methods for EV and ESR indicators will be changed based on new standards in line with the new regulations for the three domestic companies [1] ahead of the entire Group from the end of FY2023. (ESR, EV, and VNB based on the new standards are hereinafter referred to as “new ESR,” “new EV,” and “new VNB,” respectively.)
- Economic value capital (eligible capital for the new ESR calculation) will be used as the new EV, and EV measurement in accordance with the current EV Principles will be converged.

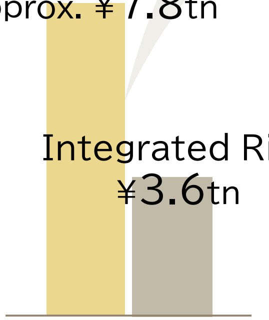
ESR

(End of FY2022)

(Current Standard)
226%

(New Standard)
212%





EV

(End of FY2022)

(Current Standard)
¥7.3tn

(New Standard)
¥7.0tn

Value of New Business(VNB)

(FY2022)

(Current Standard)
¥71.2bn

(New Standard)
¥77.7bn

(1) DL･DFL･NFL

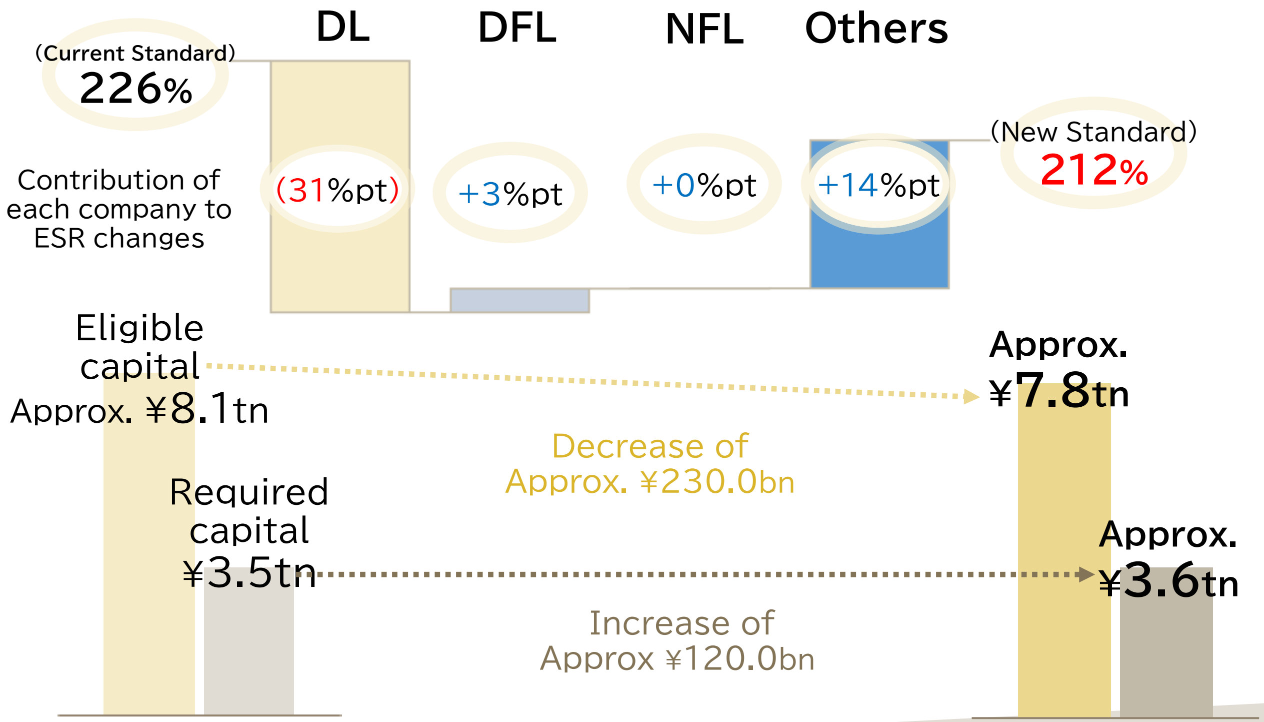
New ESR – Factors for increase/decrease from the current standard (1)

Dai-ichi Life Holdings

- For the new ESR will be based on J-ICS measurement standards, while an in-house model that reflects criteria that allow for rigorous risk management will be applied, considering the characteristics of our business (e.g., UFR (Unlimited Forward Rate) and LOT (Last Observed Term) ,etc.).
- As a result, the new ESR will be approximately (14%pt) lower than the current ESR, but remains high.

ESR (Economic Solvency Ratio)

March 2023 (New Standard) **212%** (vs Current Standard) (14%pt)



Differences between J-ICS and In-House Model in measuring eligible capital

Discount rate(RFR)

- For the yen interest rate, UFR 2.5% and LOT of 40 years will be applied.
- Conforms to J-ICS standards except as noted above.

Discount rate(Spread)

- Expected default deduction rate is set for each period.
- Conforms to J-ICS standards except as noted above.

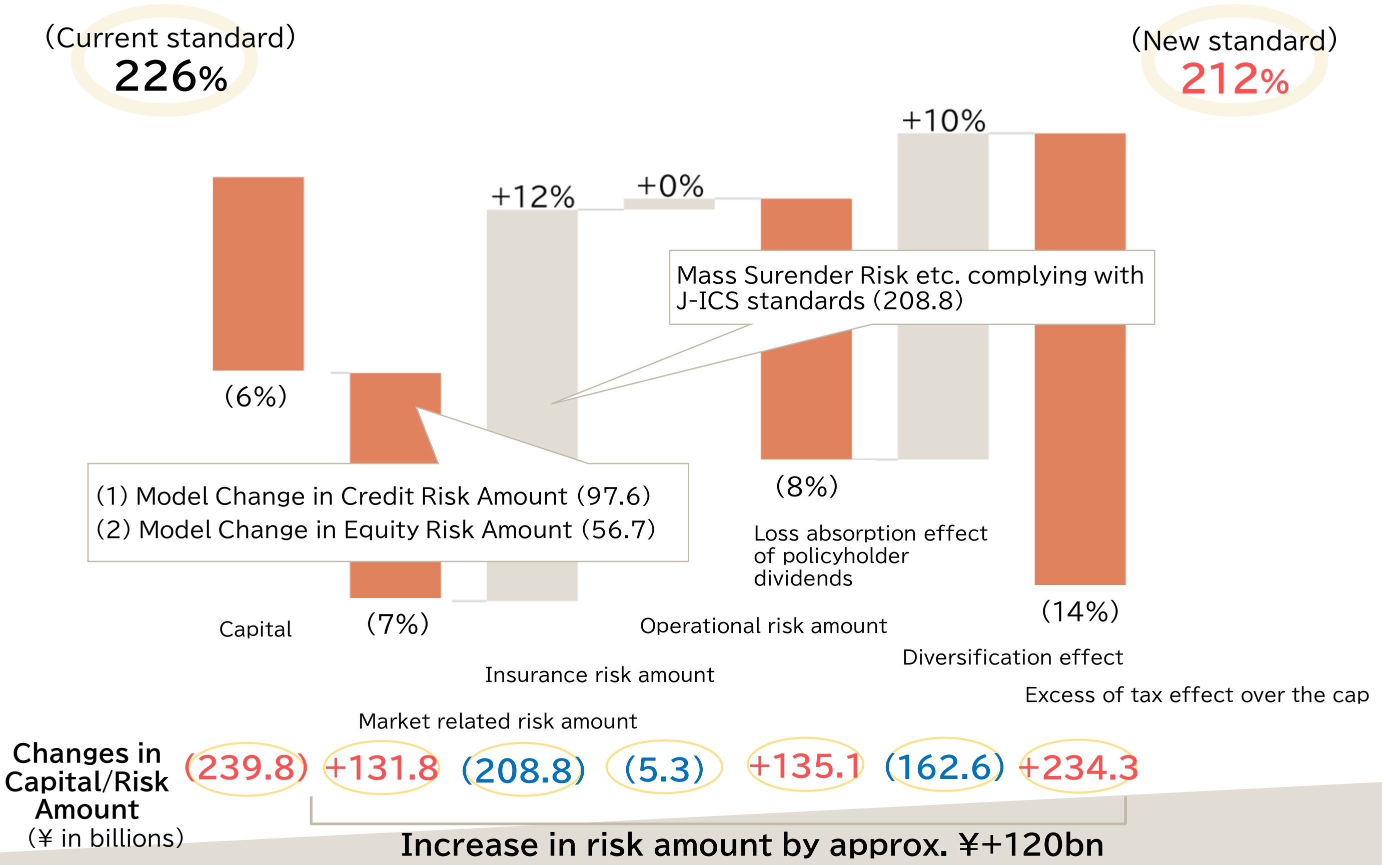
Risk margin

- Object of calculation conforms to J-ICS standards

New ESR – Factors for increase/decrease from the current standard (2)

- In light of the consistency between the new regulation and internal monitoring, and consistency among group companies, the new ESR will be set taking into account actual economy and market-adjusted valuation perspectives that cannot be captured by J-ICS standards while complying with it.
- New ESR will be decreased by 14%pt compared with the current standard, mainly due to an increase in required capital of approx. ¥120 bn, caused by the loss absorption effect of policyholder dividends and a change in the method of reflecting tax effects on required capital.

Increase/Decrease by ESR Factors



Differences between J-ICS and In-House Model in measuring required capital

Interest rate risk

- Discount rate is the same as for eligible capital
- Historical data is used to reflect correlations observed in the market

Equity risk and Foreign exchange risk

- Historical data is used to reflect volatility and correlation coefficients observed in the market

Insurance risk

- Internal model (proprietary model and coefficients) is used for DL's insurance risk (excl. mass surrender risk and business expense risk) as in the current ESR
- Compliant with J-ICS standards, except as noted above

New ESR – Required Capital (Risk Amount) and Sensitivies

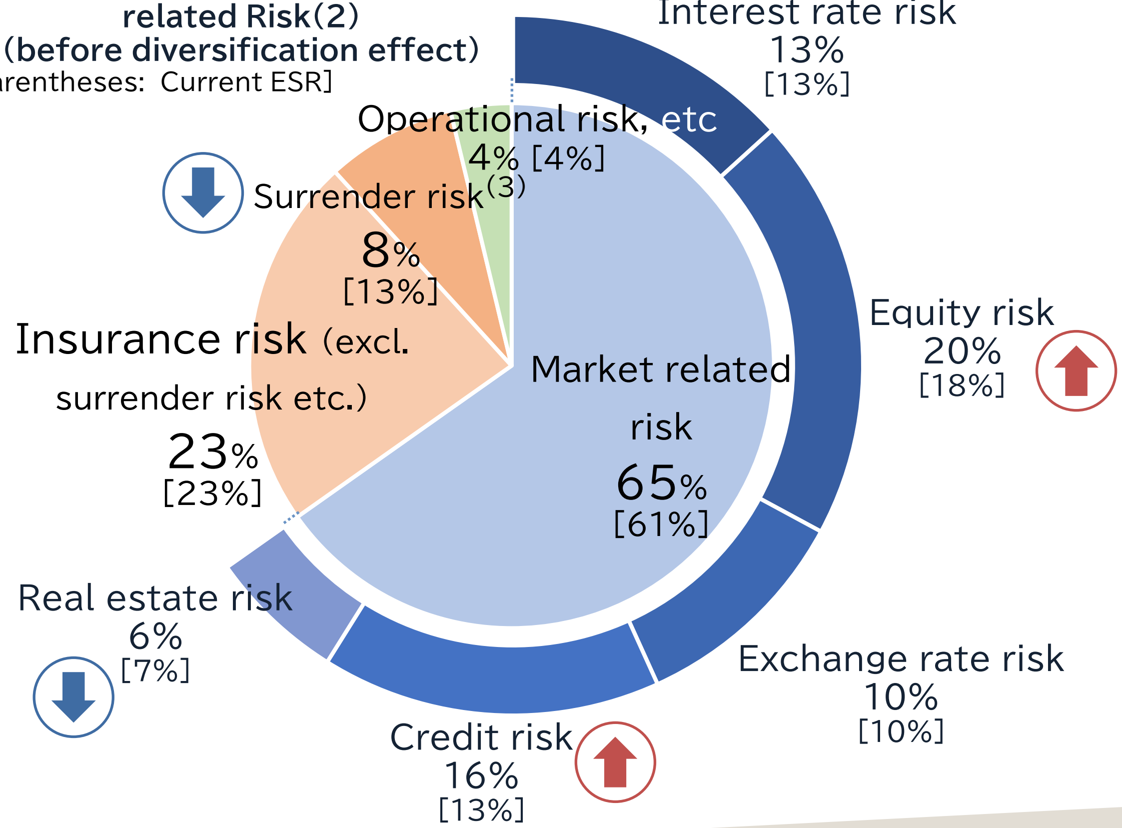
- Market-related risk will be increased compared to the current model, mainly due to an increase in equity risk and credit risk.
- Sensitivities under rising interest rate will be decreased compared to the current model because new ESR recognizes increasing surrender risk when Japanese interest rates rise.

Required Capital (Risk Amount) Breakdown(1)

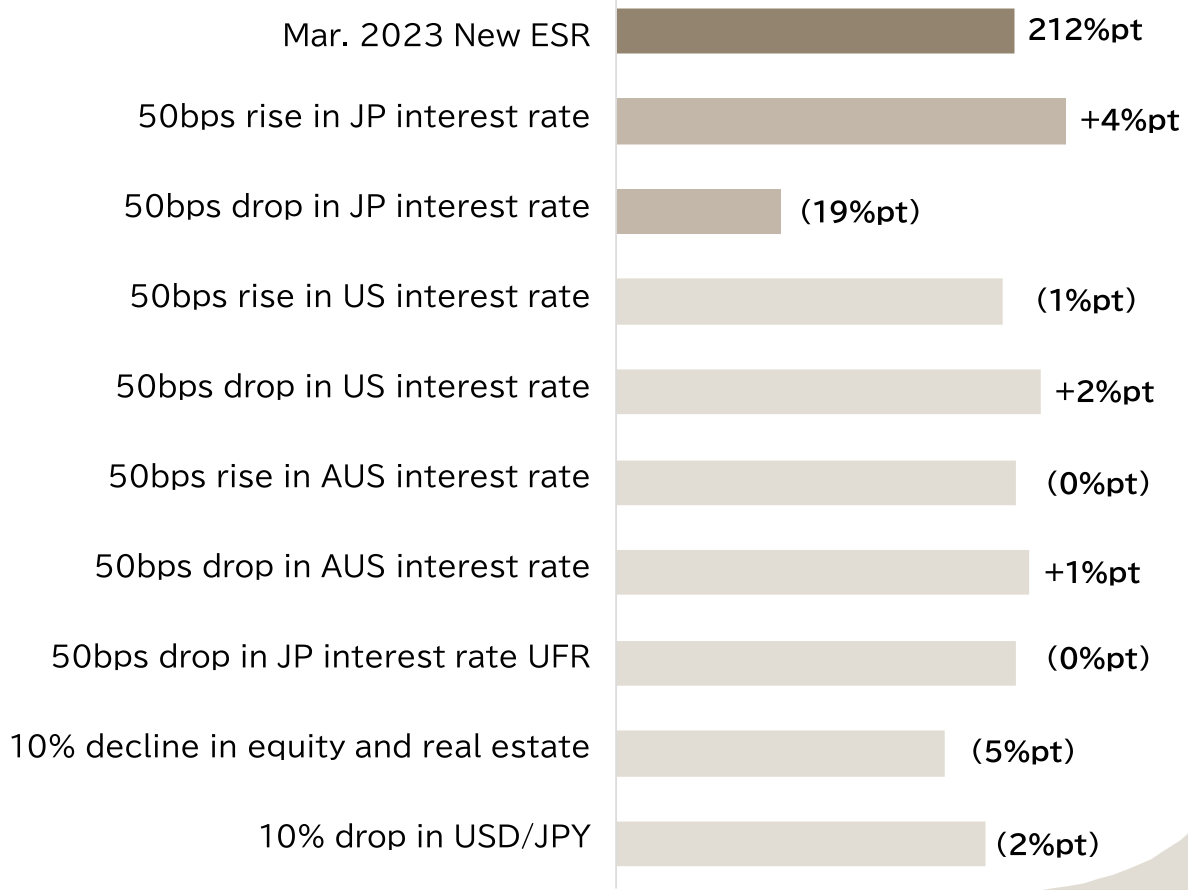
(as of end of Mar 2023, before diversification effect b/w insurance and market-related risk)

Group New ESR Details of Market-related Risk(2) (before diversification effect)

[In parentheses: Current ESR]



Financial market sensitivities with new ESR



(1) Breakdown excludes the exchange rate risk against JPY, associated with the group consolidation. (2) Percentage of each risk in the details are proportional to the amount of each risk in market risk, before taking into account the diversification effect. (3) Surrender, lapse and renewal risk. The amount of risk before taking into account diversification effects within the insurance risk.

New EV and VNB – Factors for Increase/Decrease from the Current Standard

Dai-ichi Life Holdings

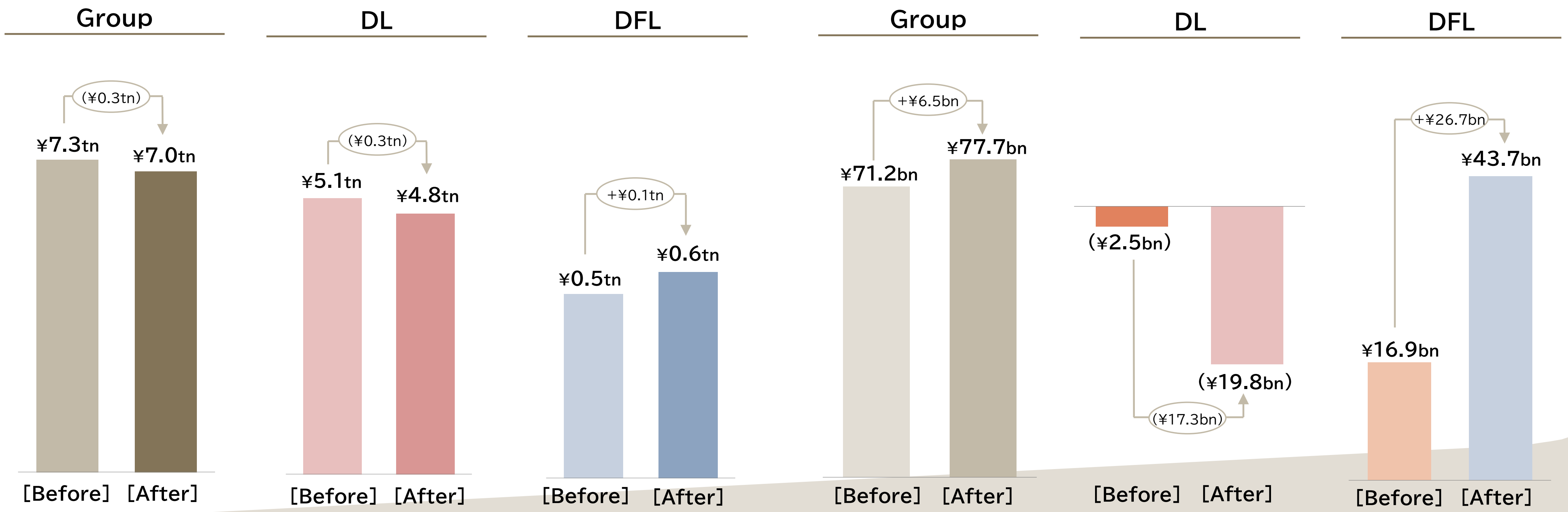
- Based on J-ICS standards, adjustments which seem to be appropriate in terms of measurement of values attributable to shareholders will be added to the net assets of the economic value-based balance sheet, and the corporate value attributable to shareholders will be measured as EV.
- New VNB will be also redefined in accordance with the new EV measurement as an indicator of contribution to increase in corporate value.

Group EV

Mar 2023 (New Standard) ¥7.0tn (vs Current Standard) (4%)

Group VNB

Mar 2023 (New Standard) ¥77.7bn (vs Current Standard) +9%

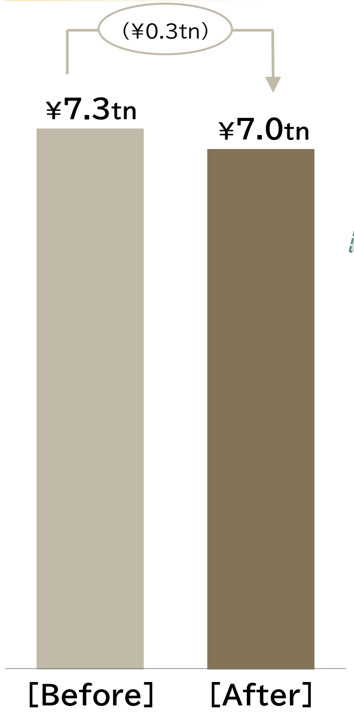


New EV and VNB – Differences in Measurement Methods from Current Standards

- Based on J-ICS standards, adjustments which seem to be appropriate in terms of measurement of values attributable to shareholders will be added to the net assets of the economic value-based balance sheet, and the corporate value attributable to shareholders will be measured as EV.
- New VNB will be also redefined in accordance with the new EV measurement as an indicator of contribution to increase in corporate value.

Major Changes Related to EV Measurement

✓ New EV: Intangible assets which is collected by future profits will be deducted from the net assets in the new ESR measurement.



Approximate economic value-based balance sheet

DL

(+) Effect of introducing spreads

(−) Impact of introduction of insurance risk margin (MOCE [1])

Change in asset valuation methods

DFL

(+) Impact of changing spreads to J-ICS compliant (excluding default deductions)

Major Changes Related to VNB Measurement

✓ VNB, which was defined in the current standard as "future profits generated by new business acquired in each fiscal year," in the current standard will be redefined in the new standard as "the contribution of new business acquired in each fiscal year to EV growth.

New standard: Calculated on economic value-based balance sheet

DL

(+) Effect of introducing spreads

(−) Impact of introduction of MOCE [1]

Shortening of recognized future CF (group insurance)

DFL

(+) Impact of changing the spread to J-ICS compliant (excluding default deductions)

(1) Recognize the cost of capital based on the amount of insurance risk instead of the cost of capital related to regulatory capital retention

[Reference] Response to New Economic Value-based Solvency Regulation

Dai-ichi Life Holdings

- In preparation for the new economic value-based solvency regulation (J-ICS), ESR and EV will be measured in accordance with the new standards for the Group and three domestic companies[1] from the end of FY2023.
- Although the change to the new standards is expected to lower the figures to a certain degree, ESR is expected to be in the range of 170%-200%. There will be no impact on the direction of capital policy.

Environmental awareness

The Japanese economic value-based solvency regulation (J-ICS) is scheduled to be introduced in FY2025 to assess economic value-based soundness that is not captured by the current regulation, promote ERM of insurers, and harmonize with international regulatory trends.

Major impact of the introduction of the new standard

- ✓ Elimination of differences between current SMR regulations and economic value-based soundness
- ✓ Improved reliability due to strengthened internal controls and ongoing third-party reviews
- ✓ The following factors are expected to lower the figure after the introduction of the new regulation
  - Impact of changing the calculation standard to a method compliant with J-ICS standards in principle
  - Impact of changing to a bottom-up method for some subsidiaries that have adopted a top-down method for EV calculation

◆ New ESR is expected to decline but to **remain within the 170%-200% range**

◆ **No change in current group capital policy direction**

Our response

- ✓ Termination of ESR and EV measurement under current standards for the Group and three domestic companies
- ✓ **In principle, measurement standards will be revised to comply with the J-ICS standard method and eligible capital from the end of FY2023**, ahead of schedule, without waiting for the application of regulations.
- ✓ **Overseas companies are planned to start measurement from the end of FY2024 at the earliest**, as they are required to measure based on two standards with the capital requirements of each country.

Schedule for the future (planned)

Feb. 2024	(Domestic) Disclosure of figures for FY2022
May 2024	(Domestic) Disclosure of figures for FY2023
May 2025	(Overseas included) FY2024 figures disclosed
Mar. 2026	Start of adoption of the new regulation

(1) DL·DFL·NFL

Contact for inquiries of this material

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