

Response to the Introduction of Economic Value-based Solvency Regulation

Tuesday, March 24, 2026

 **JAPAN POST INSURANCE**

Agenda

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1 Overview of the Economic Value-based Solvency Regulation and Our Response Policy

- Effective March 31, 2026, economic value-based solvency regulations consisting of the following three pillars will be introduced in Japan for the purpose of enhancing policyholder protection, sophistication of risk management, and enhancing information disclosure intended for market participants, etc.
- We will also measure and disclose ESR in accordance with these regulations, and conduct business management in accordance with the ESR standards stipulated under the new standards.

Supervision and business management under the economic value-based solvency regulations (three pillars)

Pillar 1

✓ Solvency Regulations

Common standards for ESR will be established, and a framework for supervisory intervention as a backstop for policyholder protection will be defined as shown below.

ESR standards	Supervision	Notes
100% and above	-	Continuous supervisory response within Pillar 2
70% to 100%	Order to submit and implement an improvement plan	In principle, recovery up to 100% is required within one year
35% to 70%	Order concerning various measures to enhance the ability to pay insurance claims, etc.	In principle, recovery up to 70% is required within six months
35% and below	Order to suspend all or part of business operations for a limited period of time	In principle, recovery up to 35% is required within three months

Pillar 2

✓ Internal Control and Supervisory Review

Capture risks that cannot be fully covered under Pillar 1, review insurers' internal control and promote its enhancement.

Pillar 3

✓ Disclosure

Promote appropriate dialogue between insurers and external stakeholders and, ultimately, exert appropriate discipline on insurers.

Response policy

- ✓ **Business management in a model adhering to the regulations**
 - We will change our ESR¹ measurement method to comply with the new regulations and conduct business management in accordance with the ESR standards stipulated under the new standards. P. 3
 - We will also change our measurement methods for EV and the value of new business to be consistent with the regulations (adjusting from economic value-based net assets to those attributable to shareholders). P. 5

[Schedule for upcoming key disclosures (planned)]

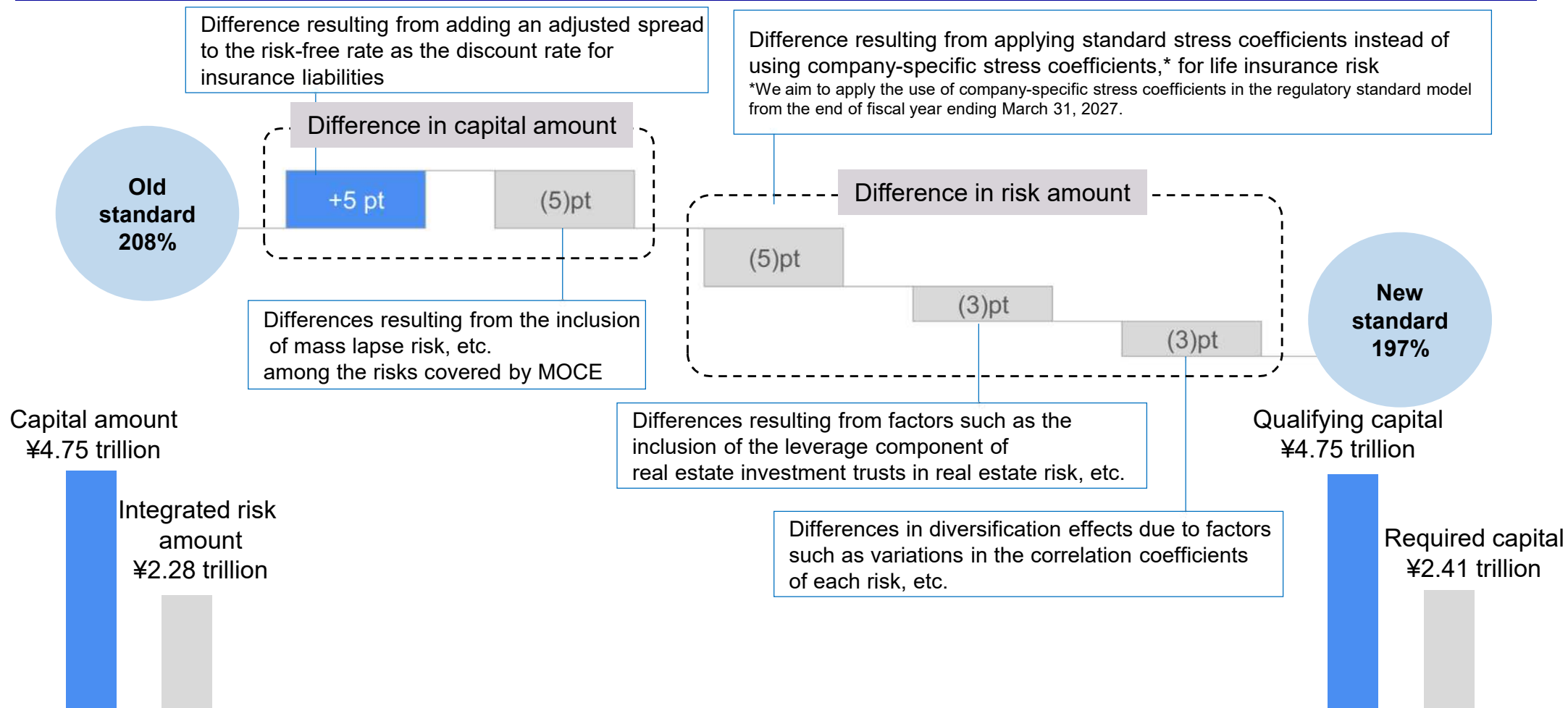
- ✓ **Mid-May financial results announcement date**
: Disclosure of new EV figures
- ✓ **Late May**
: Disclosure of new EV report
- ✓ **Late May financial results & corporate strategy meeting**
: Disclosure of new ESR figures²
- ✓ **Late July**
: Disclosure of new ESR figures (full disclosure required by law) in the Annual Report

1. From the end of the fiscal year ending March 31, 2026 onward, this will be referred to as the "solvency margin ratio" or "consolidated solvency margin ratio."
2. The figures will be calculated based on a pre-audit economic value-based balance sheet.

2 ESR Indicators After the Introduction of New Regulations

- Following the change in our ESR measurement method to one that aligns with economic value-based solvency regulations, ESR as of September 30, 2025, came to 197% (roughly 11pt down compared to the old standards)
- The variance is attributable to factors such as the inclusion of mass lapse risk among the risks covered by the risk margin (MOCE) and the use of standard coefficients, rather than company-specific stress coefficients, for life insurance risk. However, it remains within an appropriate range.

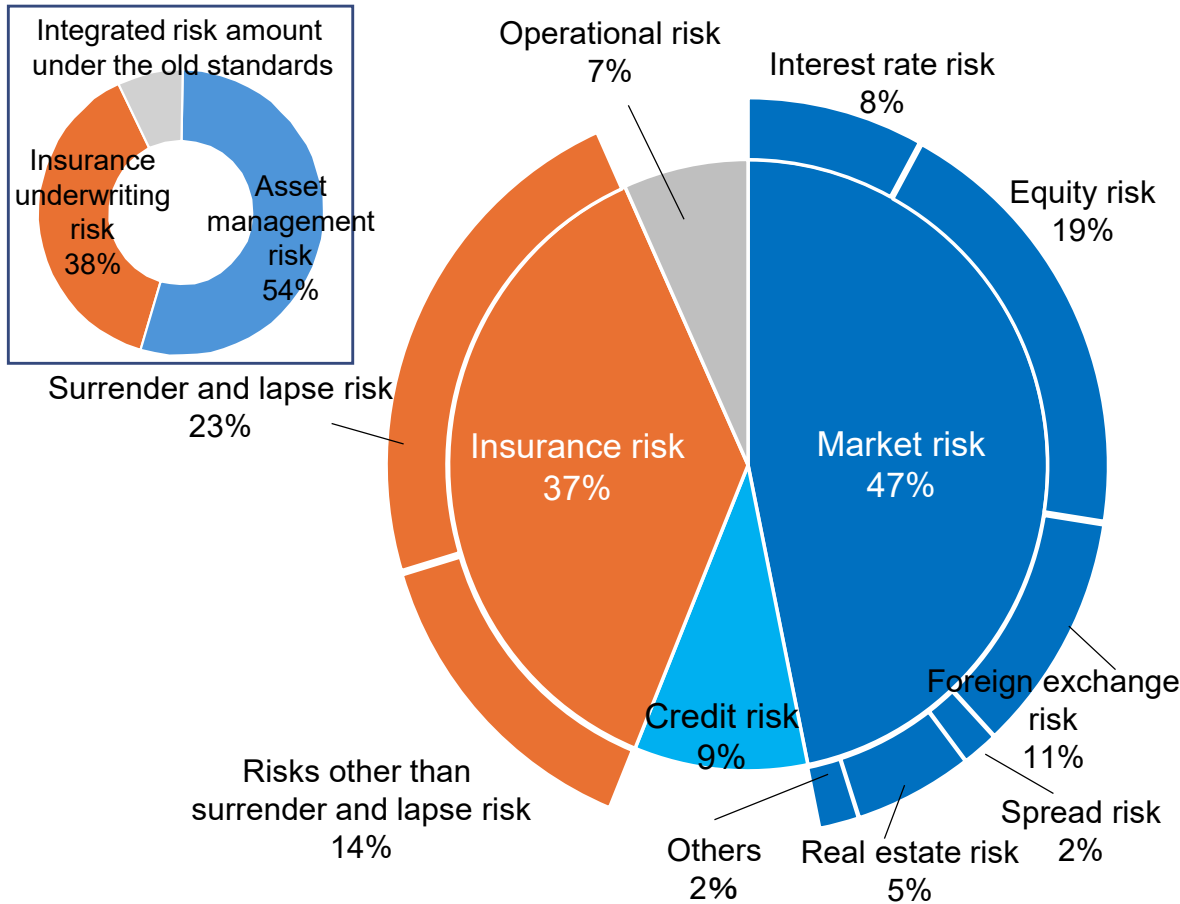
ESR as of September 2025 (comparison between old and new standards)



3 Breakdown and Sensitivity of Required Capital After the Introduction of New Regulations

- Even with changes to the measurement method, the proportion of surrender and lapse risk remains high due to the impact of mass lapse risk, and asset management-related risks still account for the majority of required capital.
- The increased sensitivity to rising and falling yen interest rates is due to the increased mass lapse risk fluctuations caused by interest rate fluctuations.

Breakdown of required capital (as of September 2025)¹



Sensitivity analysis (as of September 2025)

Assumptions	Old standard		New standard	
	ESR	Differences from the base scenario	ESR	Differences from the base scenario
Base scenario	208%	—	197%	—
50bp increase in yen interest rate	198%	(10)pt	185%	(12)pt
50bp decrease in yen interest rate	219%	+11pt	209%	+12pt
50bp increase in USD interest rate ²	204%	(4)pt	196%	(1)pt
50bp decrease in USD interest rate ²	212%	+4pt	198%	+1pt
10% decrease in equity and real estate	205%	(3)pt	192%	(5)pt
10% appreciation of the yen	207%	(1)pt	198%	+1pt

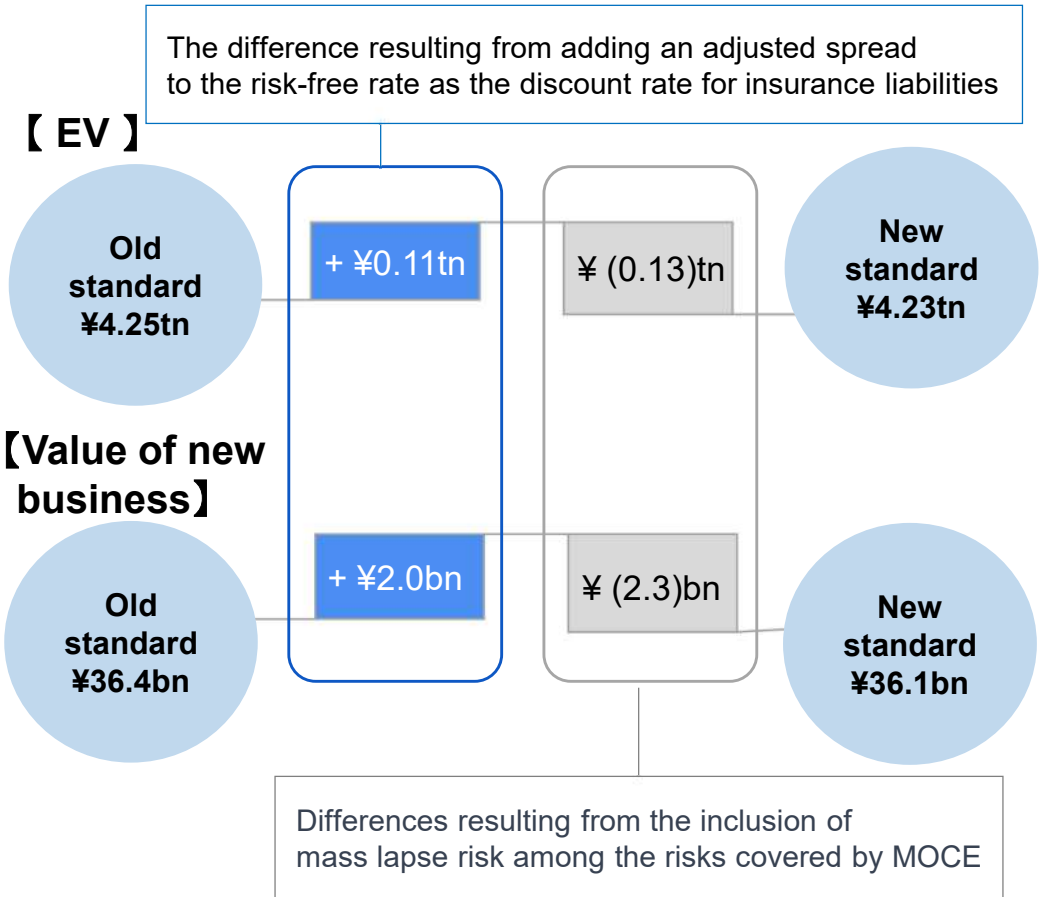
1. The percentage is calculated without considering diversification effects across risks, etc. In addition, the share under the old standard is calculated by reflecting the dividend absorption effects in a manner consistent with the new standard.

2. Under the old standard, these are measured as the sensitivity to foreign interest rate.

4 EV, Value of New Business and their Sensitivities After the Introduction of New Regulations

- Due to the change in measurement method, EV now stands at ¥4.23 trillion (down 0.4% compared to the old standards), and the value of new business is ¥36.1 billion (down 0.7% compared to the old standards), remaining at the same levels as under the old standards.
- There is no significant difference in sensitivities, and the sensitivity of EV shows only minor fluctuations, indicating that interest rate risk is generally under control.

ESR and the value of new business as of September 2025 (comparison between old and new standards)



Sensitivity analysis (as of September 2025)

(¥bn, %)

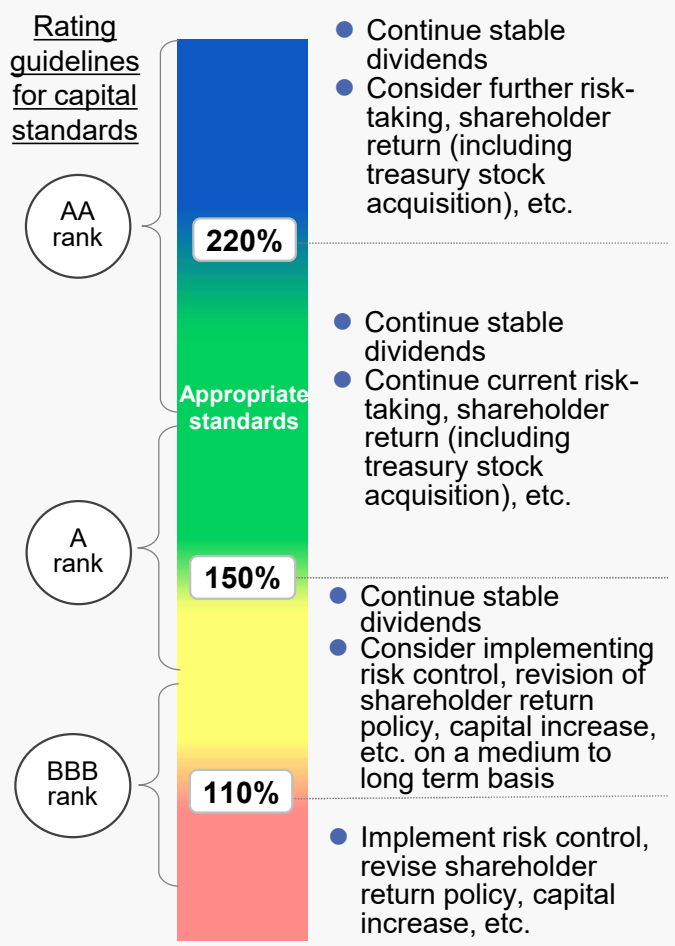
		Old standard		New standard	
	Assumptions	EV/ Value of new business	Differences from the base scenario	EV/ Value of new business	Differences from the base scenario
EV	Base scenario	4,255.1	—	4,238.6	—
	50bp increase in yen interest rate	4,199.3	(55.8) ((1.3)%)	4,122.8	(115.8) ((2.7)%)
	50bp decrease in yen interest rate	4,297.5	+42.3 (+1.0%)	4,349.5	+110.8 (+2.6%)
Value of new business	Base scenario	36.4	—	36.1	—
	50bp increase in yen interest rate ¹	48.1	+11.6 (+32.1%)	46.3	+10.1 (+28.1%)
	50bp decrease in yen interest rate ¹	22.8	(13.5) ((37.3)%)	24.4	(11.7) ((32.3)%)

1. Under the old standard, the sensitivity of value of new business to interest rates is measured as the sensitivity to changes in overall interest rates including foreign interest rates.

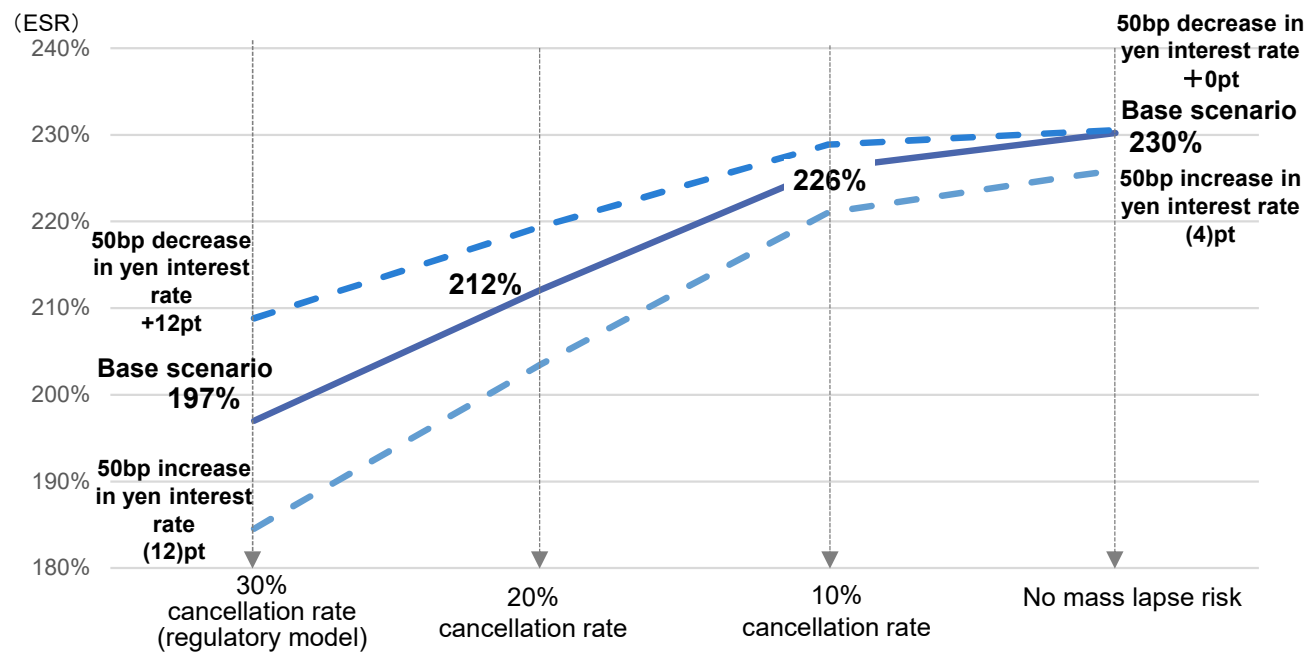
5 Management Behavior Corresponding to the ESR Standards After the Introduction of New Regulations

- The currently applied management behavior corresponding to our ESR target range and level will also be applied under the new ESR standards, implementing a disciplined capital policy.
- We will continue to maintain an appropriate level of 150-220% but will pay close attention to the impact on ESR stemming from mass lapse risk, especially during periods of rising interest rates, and will take appropriate measures while carefully assessing the actual risks.

ESR target range and management behavior corresponding to the standards



Impact of the assumption of mass lapse risk on ESR (as of September 30, 2025)

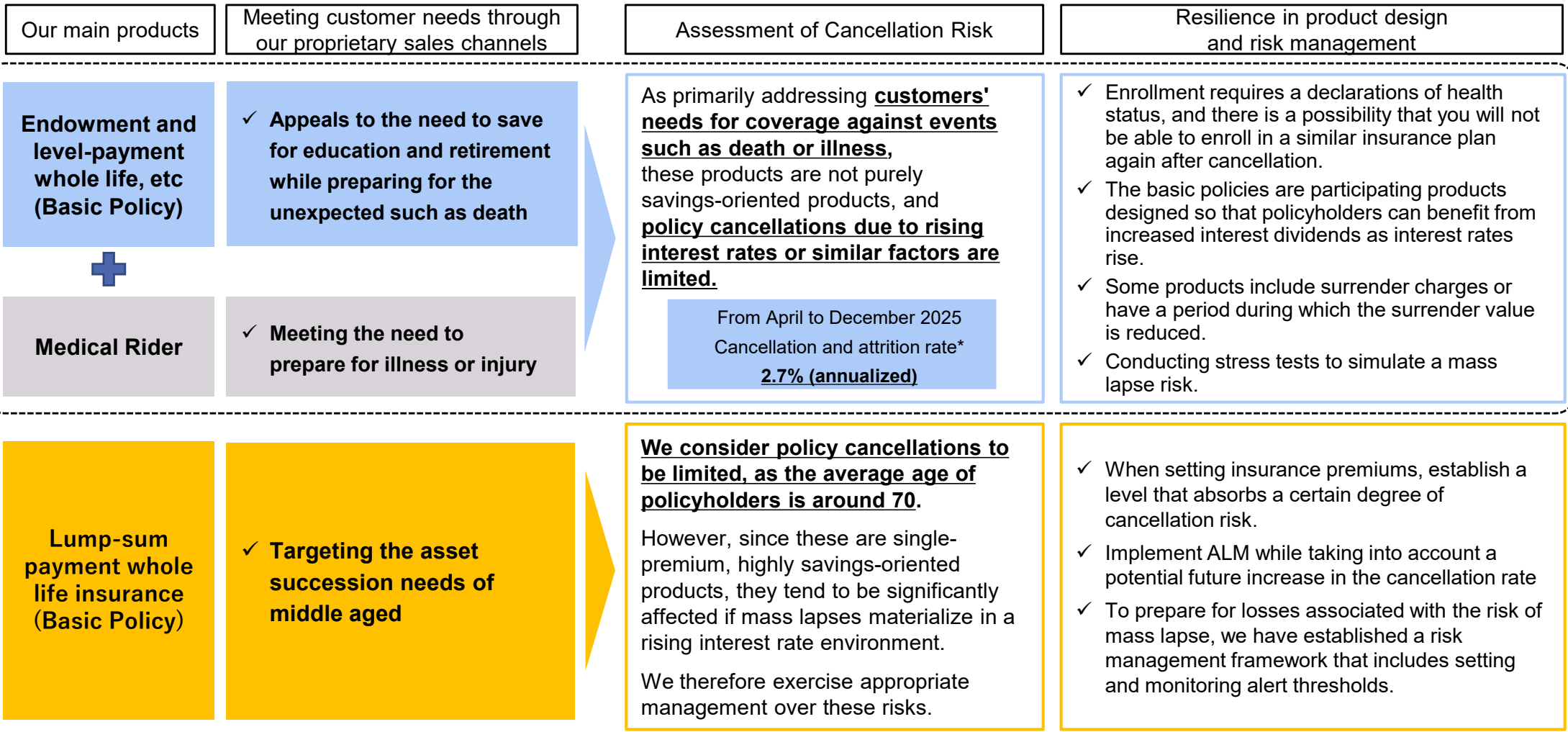


Assessing the degree of contribution and likelihood of mass lapse risk

- When ESR plummets due to a sharp rise in interest rates, etc., we will examine the degree of contribution from mass lapse risk.
- If the contribution from mass lapse risk is significant, conduct a detailed analysis of current cancellation rate trends by product and other dimensions, assess the likelihood of such a risk, and then evaluate the ESR.
- Through the process described above, we will examine the appropriateness of management behavior corresponding to ESR standards.

6 Our View on Surrender Risk and Risk Management

- Our main products, such as whole life insurance with level premiums and endowment insurance*, have an overall medical rider attachment rate exceeding 70%, and are meeting our customers' coverage needs.
- We also view Lump-Sum Payment Whole Life insurance as a product designed to meet the asset succession needs of middle-aged and older individuals. Rather than being viewed as a simple savings product, customers are drawn to its appeal as an insurance product; furthermore, given that it is sold through our proprietary sales channels, we believe the risk of policy cancellations is limited.
- In addition, we will establish a risk management framework that ensures product design resilience and enables a flexible response should risks materialize.



*For individual insurance policies under the new category.

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The economic value-based balance sheet, which forms the basis for calculating the ESR presented in this document, has not been audited by an external auditor.

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