Tokio Marine Holdings

Inspiring Confidence.
Accelerating Progress.

Tokio Marine *Insights:*

Overview of Economic Value-Based Solvency Regulation and Internal ESR

October 29, 2026

Key Messages

Internal ESR and Regulatory ESR

- **At March 31, 2026, internal ESR was 268% and regulatory ESR* was 208%.**
- **Internal ESR appropriately reflects each insurer's economic reality using methods suited to its risk profile. Regulatory ESR is a supervisory metric using standardized, uniform assumptions and methods common to all insurers.**
- **Economic value-based solvency regulation emphasizes internal management (Pillar 2) using metrics reflecting each insurer's specific risk profile (internal ESR), alongside supervisory intervention (Pillar 1) under common standards (regulatory ESR).**
- **Our internal ESR is consistent and comparable with that of peers using internal models under European Solvency II.**

*: Economic value-based solvency ratio (group consolidated)

Capital Policy Unchanged

- **Capital policy decisions, including growth investment and shareholder returns, will continue to use internal ESR, which appropriately reflects our economic risk profile.**

Maintaining Regulatory ESR

- **Maintain regulatory ESR well above 100%.**

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Roles of the ESR Metrics

- **At March 31, 2026, regulatory ESR (group consolidated) was 208% (internal ESR: 268%).**
- **Both regulatory and internal ESR are economic value-based and measure risk using 99.5% VaR.**
- **Internal ESR appropriately reflects each insurer's economic reality using methods suited to its risk profile. Regulatory ESR is a supervisory metric using standardized, uniform assumptions and methods common to all insurers.**
- **Economic value-based solvency regulation stresses internal management (Pillar 2) using insurer-specific risk metrics (internal ESR), alongside supervisory intervention (Pillar 1) under common standards (regulatory ESR)*.**

	Level March 31, 2026	**Role**
Regulatory ESR	**208%** Capital (numerator) JPY8.3tn Risk (denominator) JPY4.0tn	• ESR for insurance supervision in Japan. • Aims to assess capital adequacy on an economic value basis. • Uses standardized, uniform methods for all insurers in Japan. Unlike European Solvency II, Japan's regulatory ESR allows limited use of internal models.
Internal ESR	**268%** Net Assets (numerator) JPY7.9tn Risk (denominator) JPY3.0tn	• ESR underlying our capital policy decisions. • Aims to assess capital adequacy on an economic value basis. • Uses risk measurement methods that appropriately reflect our risk portfolio and diversification benefits. • Consistent with European Solvency II peers using internal models.

*: (Source) Financial Services Agency, July 2026, "Overview of Economic Value-Based Solvency Regulation"

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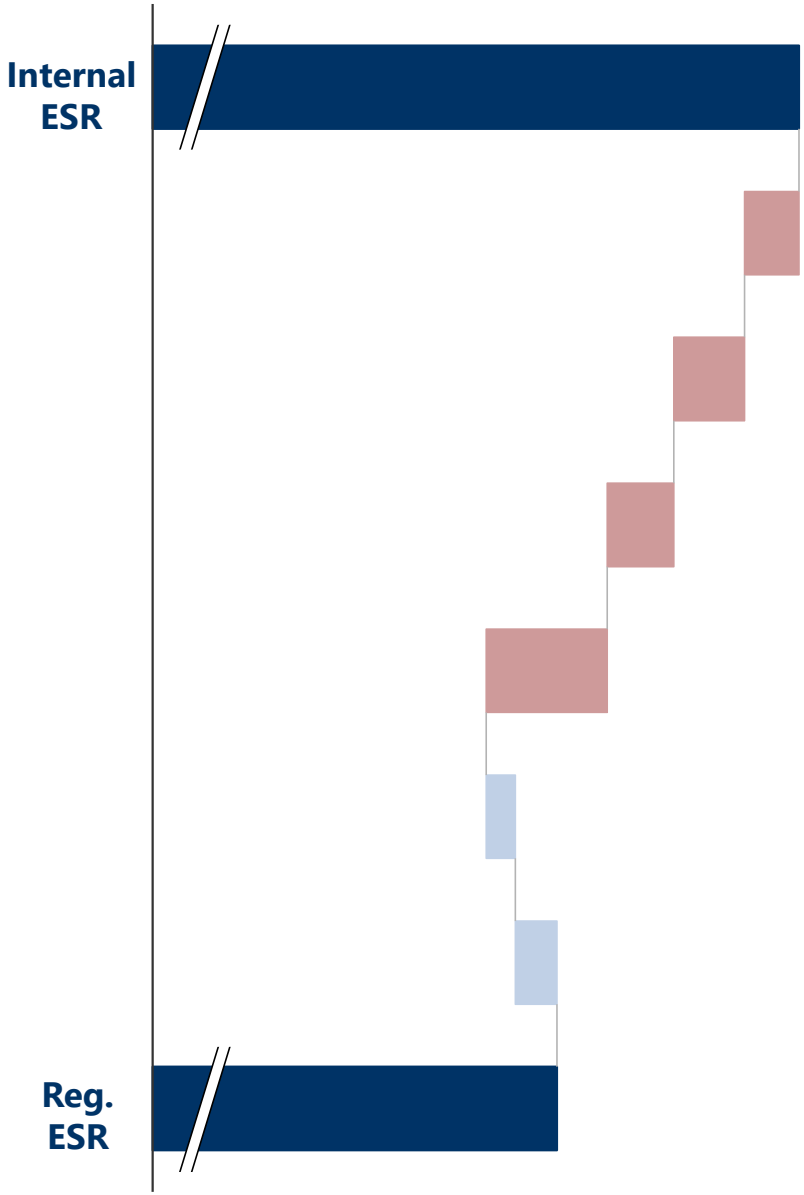
Regulatory vs. Internal ESR

- **The 60pt ESR gap mainly reflects differences in risk measurement methods.**
- **For our Group, risk amounts generally tend to be higher under the regulatory ESR framework.**



(billions of JPY)

		(Net assets)	(Risk)	
Underwriting risk	-13pt	–	+190	Regulatory calculations use industry-wide risk factors, which may not fully reflect the specific characteristics of our underwriting portfolio.
Catastrophe risk	-20pt	–	+290	The regulatory assumptions do not fully reflect our underwriting portfolio characteristics, mainly for international Nat Cat exposures.
Investment risk	-16pt	–	+240	Regulatory calculations assess the risks of certain securitized products we hold on a conservative basis.
Diversification	-28pt	–	+420	Our diversification is not fully reflected due to simple regulatory risk categories and aggregation methods.
Net assets	+8pt	+330	–	Regulation does not deduct year-end dividends from net assets.
Tax and other	+9pt	–	-130	Our model does not recognize tax effects for some risks.

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Regulatory vs. Internal ESR: Details (1)

- **For underwriting risk, the regulatory calculations use industry-wide risk factors, which may not fully reflect the specific characteristics of our underwriting portfolio.**
- **For catastrophe risk, the regulatory assumptions based on industry averages do not fully reflect the characteristics of our underwriting portfolio, mainly for international Nat Cat exposures.**

Underwriting Risk

Regulatory Impact: (vs. internal) **Risk +JPY190bn**

Regulatory

- To calculate non-life risk, applicable **Industry-wide risk factors** are multiplied by exposures (earned premiums and claims reserves).
- Our specific risk profile, historical loss ratios and underwriting practices are not reflected.

Internal

- Risk uses a loss probability distribution based on our portfolio mix, historical loss ratios, reserve experience, etc.
- Risk assessment reflects our specific risk profile, historical loss ratios and underwriting practices.
  - European Solvency II internal models also commonly calculate risk using probability distributions based on insurers' own loss experience, etc.*.

Catastrophe Risk

Regulatory impact: (vs. internal) **Risk +JPY290bn**

Regulatory

- International Nat Cat risk uses a simple method: **all-line premiums (including casualty) × risk factors**.
- Our specific mix and risk controls are not fully reflected.

International Nat Cat Risk (Reg.)

= **All-line earned premiums by region** × **Risk factor: 50%** (N. America) (Europe: 40%, others: 30%)

Internal

- Peril simulations reflect insured locations, attributes, etc., via vendor engineering models common to US/European peers.
  - Portfolio-based engineering model/stochastic simulations are common in European Solvency II internal models too*.
  - International Nat Cat risk: our model, 12% of all-region premiums. Regulatory model: 35% (reflecting regional mix and diversification)

*: See Allianz, AXA, Generali and Munich Re examples (also below).

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Regulatory vs. Internal ESR: Details (2)

- **For investment risk, the regulatory calculations assess the risks of certain securitized products we hold on a conservative basis.**
- **Our specific risk profile is not fully reflected in diversification benefits due to simple regulatory risk categories and aggregation.**

Investment Risk

Regulatory impact: (vs. internal) **Risk +JPY240bn**

Regulatory

- Securitized products without ratings from eligible rating agencies (ERA) are treated as unrated, with a 100% risk factor.
- Individual risk characteristics are not reflected, as the assessment is based solely on eligible ratings.

Internal

- Risk is assessed using economic scenarios generated stochastically by vendor models widely adopted by US/European peers, reflecting the risk characteristics of each asset.
- For securitized products without external ratings, credit risk is internally assessed and quantified based on their risk characteristics.
  - European Solvency II internal models also commonly use stochastic economic-scenario risk assessment with external ratings or internal credit assessments.

Securitized products without external ratings(balance: JPY340bn[*1])

	Category	Risk factor[*2]	Risk Amount
Internal	IG (BBB or above)	3～8%[*3]	JPY18bn
Regulatory	Unrated	100%	JPY340bn

Diversification

Regulatory impact: (vs. internal) **Risk +JPY420bn**

Regulatory

- Broad risk categories use simple variance-covariance aggregation with inter-group correlations.
- Variance-covariance ignores risk distribution shapes. Diversification tends to be understated (risk overstated).

Internal

- Risk categories reflect risk characteristics, with assumed correlations and dependencies between them.
- Risks are aggregated using Monte Carlo simulation with 100,000 scenarios.
  Diversification benefits also reflect risk distribution shapes.
  - European Solvency II internal models also commonly reflect insurer-specific diversification via stochastic simulations, etc., considering individual loss distributions and risk dependencies.

*1: Balance of securitized products internally assessed as investment grade (BBB or above).
*2: Represents credit risk other than spread risk.
*3: Internal model risk divided by the asset balance for comparison with regulatory risk factors.

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Our Capital Policy

- **Capital policy decisions, including growth investment and shareholder returns, will continue to use internal ESR, which appropriately reflects our economic risk profile.**
- **Maintain regulatory ESR well above 100%.**

Internal ESR

Basis for Capital Policy Decisions

Growth Investment | **Shareholder Returns**

- Capital policy decisions use internal ESR, which appropriately reflects our risk portfolio and diversification. Our internal ESR is comparable with European peers.
- Capital remains strong. Our policy on deploying capital for growth investment, shareholder returns, etc., remains unchanged.

268% > **Target 190% or above**

- ✓ If ESR is 190% or above, deploy capital for business investment, increased risk-taking and enhanced shareholder returns to further grow profit and raise ROE.
- ✓ If ESR falls below 190%, seek to raise ESR through retained earnings and risk-conscious business operations.

Regulatory ESR

Maintain ESR well above 100%

Regulatory Compliance

- Manage appropriately for supervisory solvency, keeping ESR well above the requirement (>100%).

208%

Maintain ample headroom above the required level.
Not a rigid constraint.

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Appendix

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ESR Sensitivities

Mar. 31, 2026		Internal ESR		Regulatory ESR		Drivers of Differences
		268 %		208 %		
Equity Prices	+30%	267 %	**-1 pt**	211 %	**+3 pt**	Limited ESR impact under both measures, as net assets and risk move together.
	-30%	270 %	**+2 pt**	204 %	**-4 pt**	
FX	Yen +10%	270 %	**+2 pt**	210 %	**+2 pt**	Limited ESR impact under both measures, as net assets and risk move together.
	Yen -10%	267 %	**-1 pt**	206 %	**-2 pt**	
Interest Rates	+50bp	266 %	**-2 pt**	205 %	**-3 pt**	Low sensitivity under both measures, as ALM controls interest rate risk.
	-50bp	269 %	**+1 pt**	211 %	**+3 pt**	
Credit Spreads	+50bp	253 %	**-15 pt**	203 %	**-5 pt**	High internal sensitivity, as limited use of spreads in liability valuation leads to larger net asset changes.
	-50bp	284 %	**+16 pt**	213 %	**+5 pt**	

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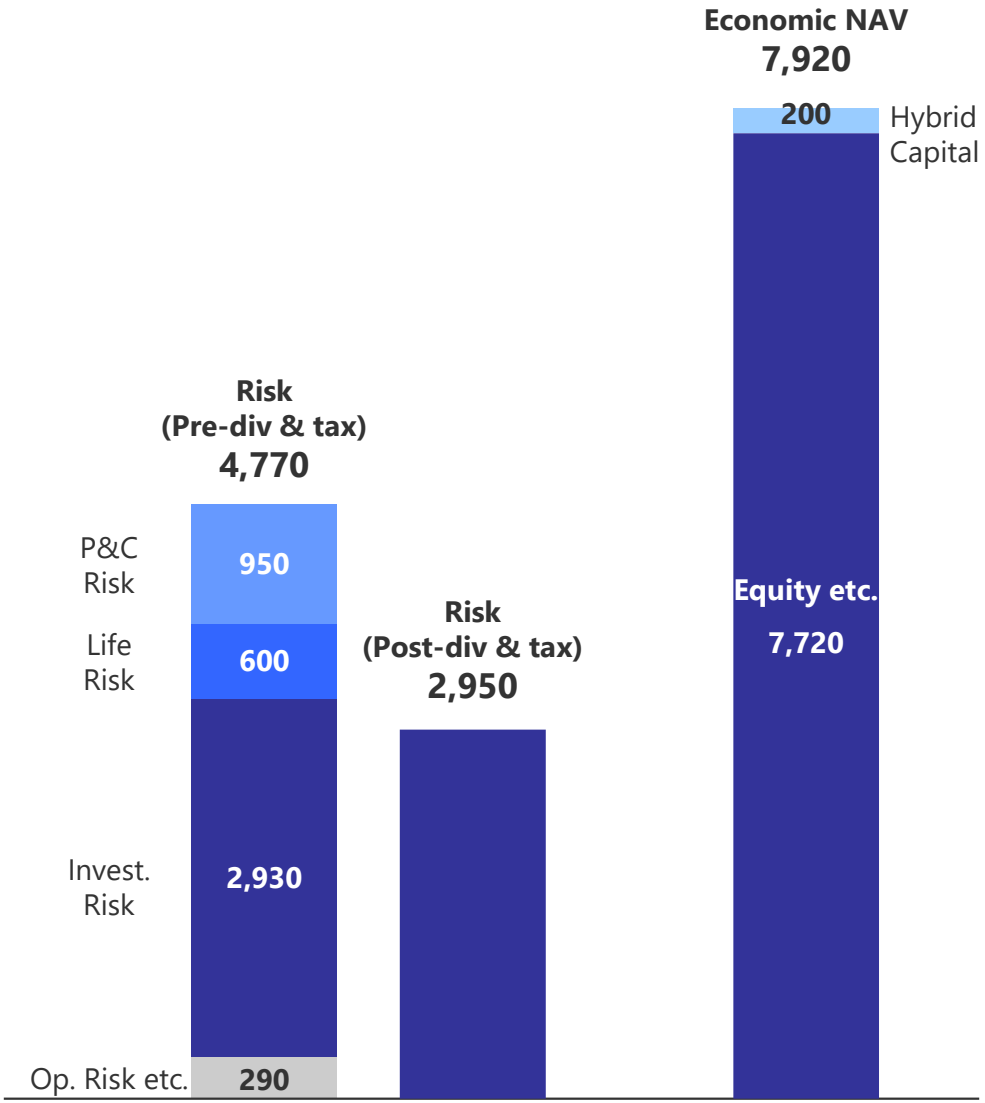
Comparison of Risk and Capital Composition

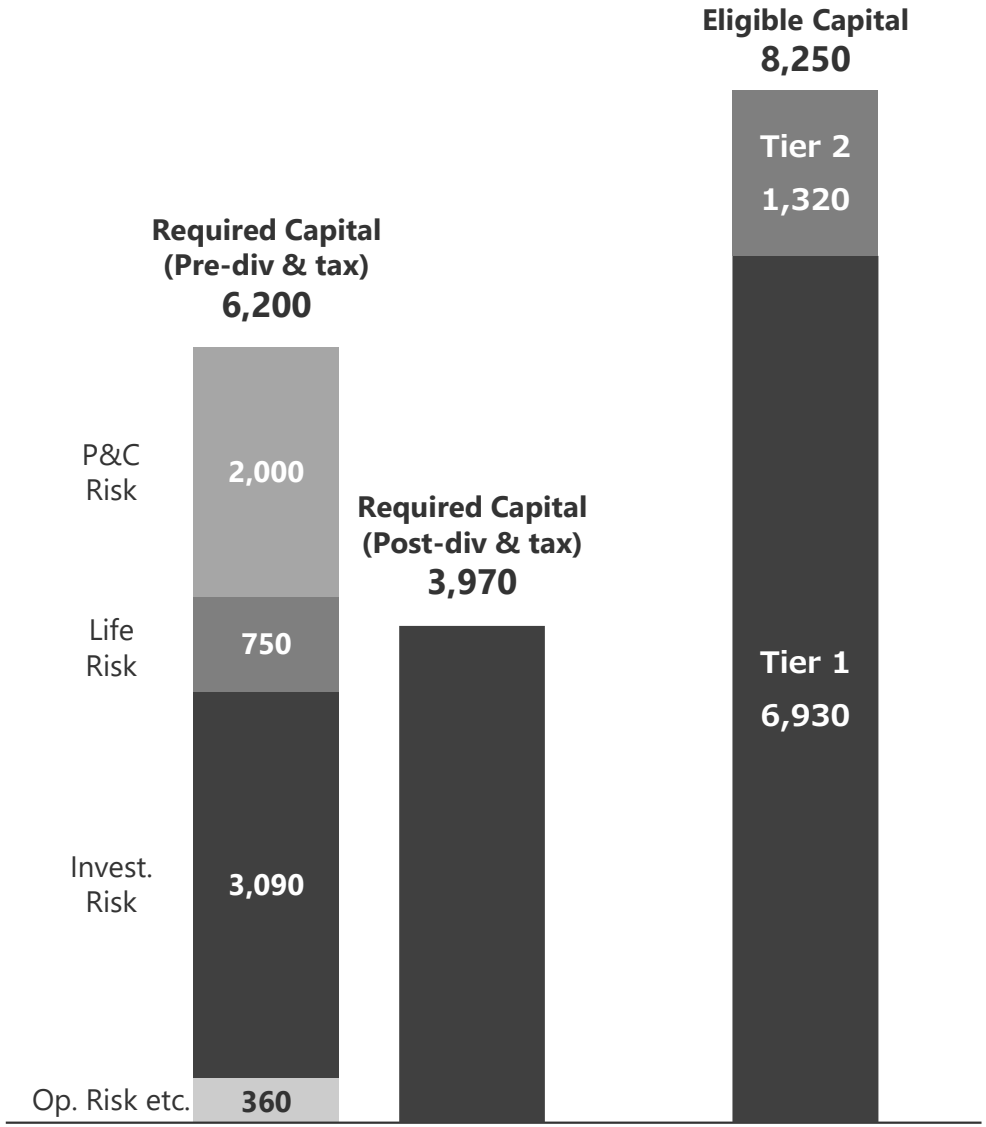
Internal ESR

(billions of JPY)



Regulatory ESR

(billions of JPY)



- For each risk category, P4 calculates differences after diversification, while the above amounts are before diversification. Thus, internal and regulatory differences do not match P4.
- P4 also isolates diversification benefits after adjusting risk-category differences. These effects therefore differ from the pre-/post-diversification gaps above.

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Standalone Regulatory ESR of Domestic Subsidiaries

(billions of JPY)	Eligible Cap.	Req. Cap.	Reg. ESR	Notes
Tokio Marine & Nichido Fire Insurance (standalone)	5,875.7	3,251.5	**181%**	Conservative TMNF valuation: international units count as equities, limiting recognition of cross-business diversification. DFG-managed investment trusts also count as subsidiary equities, a conservative valuation that does not reflect actual assets.
Nisshin Fire	127.2	49.3	**258%**	–
Tokio Marine Direct	14.8	7.3	**202%**	–
Tokio Marine & Nichido Anshin Life	1,355.1	576.3	**235%**	–

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