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Tokio Marine Holdings, Inc.
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TSE code number: 8766

Tokio Marine & Nichido Life
Disclosure of Embedded Value as at March 31, 2026

Tokio Marine & Nichido Life Insurance Co., Ltd. ("TMNL", President: Shuji Asano) has reported its Market Consistent Embedded Value (MCEV) since the end of March, 2015 in compliance with the European Insurance CFO Forum Market Consistent Embedded Value Principles©[1] (referred to as "MCEV Principles" hereinafter) as one of various indices used to assess the value of the domestic life insurance business of Tokio Marine Group.
In light of the Tokio Marine Group's adoption of IFRS (International Financial Reporting Standards) as at March 31, 2026, TMNL herein reports its economic-value based Embedded Value (referred to as "EV" hereinafter).
The approach to assumptions and calculation methods used for EV remains unchanged from those applied under MCEV Principles except for frictional costs[2].

[1] Copyright © Stichting CFO Forum Foundation 2008
[2] Frictional costs (the present values of taxes projected on investment income from assets backing the required capital at each future point in time) are assumed to be zero for simplicity.

*This report is a reference translation of the Japanese version. This translation may be used only for reference purposes.

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1. Introduction

1.1. About EV

The current Japanese financial accounting standards focus on conservativeness and have the limitation that the profits generated from life insurance business are often undervalued, especially shortly after acquisition of the business, leading to challenges in terms of the valuation and assessment of performance of life insurance business.
The Embedded Value (EV) reported here is calculated as the total of the “corporate net asset value” and the “value of existing business”, consistent with the MCEV calculation method. EV is designed to address the limitations of the financial accounting standards in order to facilitate an appropriate evaluation of value and improve performance assessment, considering the actual situation of the business performance.

2. EV Results

2.1. EV results

The EV of TMNL as at March 31, 2026 is 1,268.4 billion yen, which consists of (816.0) billion yen of adjusted net worth and 2,084.4 billion yen of value of in-force. New business value for FY2025 is 35.4 billion yen.

EV as at March 31, 2026 decreased by 30.0 billion yen from the last fiscal year end (March 2025) primarily due to economic variances.

In this report, the EV as at March 31, 2025 refers to the results of MCEV since the approach to assumptions and calculation methods used for EV remains unchanged from those applied under MCEV Principles.

(in Billions of Yen)

	As at March 31, 2025	As at March 31, 2026	Change
EV	1,298.4	1,268.4	(30.0)
Adjusted net worth	(695.8)	(816.0)	(120.1)
Value of in-force	1,994.3	2,084.4	90.1

	As at March 31, 2025	As at March 31, 2026	Change
New business value	48.5	35.4	(13.1)

2.2. Adjusted net worth

Adjusted net worth is defined as the market value of assets allocated to the covered business in excess of statutory policy reserves and other liabilities as at the valuation date. More specifically, adjusted net worth is the net asset value on the statutory balance sheet (*1) plus the price fluctuation reserve, contingency reserves, general provision for loan losses, unallocated amount within policyholders' dividend reserves, unrealized gains or losses on securities (*2), unrealized gains or losses on loans, minus unfunded pension liabilities, intangible fixed assets, and tax adjustments on the preceding eight items. It is made up of required capital and free surplus.

As interest rates rose during the fiscal year, the value of in-force business increased, while adjusted net worth decreased due to increased unrealized losses on bonds. While adjusted net worth became more negative, we appropriately control interest rate risk on an economic value basis. Accordingly, the increase in the value of in-force largely offset the decrease in the adjusted net worth, causing no problem with our financial soundness.

(*1) Valuation and translation adjustments are excluded.

(*2) It includes off-balance unrealized gains or losses on securities such as held-to-maturity securities and bonds backing policy reserves, as well as valuation and translation adjustments including unrealized foreign exchange gains or losses on investments in affiliates.

2.3. Value of in-force

The value of in-force reflects the value of distributable earnings to shareholders generated in the future from the existing business, expressed as a present value as at the valuation date. Its breakdown is shown below.

(in Billions of Yen)

	As at March 31, 2025	As at March 31, 2026	Change
Value of in-force	1,994.3	2,084.4	90.1
Certainty equivalent present value of future profits	2,346.3	2,372.8	26.4
Time value of options and guarantees	(125.7)	(91.7)	33.9
Cost of non-hedgeable risks and others	(226.3)	(196.6)	29.6

(1) Certainty equivalent present value of future profits

The certainty equivalent present value of future profits is the present value of future profits calculated deterministically under a single scenario, where the risk free rate is used for both the asset investment yield and the discount rate. In this calculation, the intrinsic value of options and guarantees embedded in insurance contracts is included in the certainty equivalent present value of future profits.

(2) Time value of options and guarantees

Options and guarantees refer to policyholders' rights and guarantees which can have asymmetric impacts on present value of future profits due to increase or decrease of interest rates, equity prices, etc. Specifically, the time value of options and guarantees is calculated as the difference between the average present value of future profits calculated over each of 1,000 risk neutral scenarios, and the certainty equivalent present value of future profits.

(3) Cost of non-hedgeable risks

In the cost of non-hedgeable risks, we have reflected an allowance for the uncertainty of non-economic assumptions and the portion of economic assumptions considered to be non-hedgeable. In calculating this cost, we have assumed a risk volume calculated based on the cost of capital approach using an internal model.

(4) Cost of capital rate

6% (risk free rates inclusive) is the cost of capital rate required by Tokio Marine Holdings on TMNL's capital at risk calibrated at 99.95% value at risk. This equates to 5.75% if applied to the risk volume at 99.5% value at risk and adjusted for the portion equivalent to the risk free rate.

2.4. New business value

New business value shows the value of business acquired during the Japanese fiscal year starting April 1, 2025 and ending March 31, 2026 (referred to as “the fiscal year” hereinafter), consistent with the financial information we have disclosed. Policies expected to be acquired in the future are not considered in the calculation of the new business value.

(in Billions of Yen)

	As at March 31, 2025	As at March 31, 2026	Change
Value of new business	48.5	35.4	(13.1)
New business margin	8.9%	7.1%	(1.9%)

2.5. Reconciliation analysis of EV from the end of the prior year

The table below shows the reconciliation analysis of the EV as at March 31, 2026 with the MCEV as at March 31, 2025.

(in Billions of Yen)

	EV
Opening EV (EV as at March 31, 2025)	1,298.4
(1) Opening adjustments	-
Adjusted opening EV	1,298.4
(2) New business value	35.4
(3) Expected existing business contribution	29.8
(4) Actuarial experience variances	(15.8)
(5) Actuarial assumption changes	(47.9)
(6) Economic variances	(134.6)
(7) Other variances	103.1
Total EV earnings	(30.0)
(8) Closing adjustments on EV	-
Closing EV (EV as at March 31, 2026)	1,268.4

(1) Opening adjustments
This item shows the amount of decrease due to payment of shareholders' dividends.

(2) New business value
This item reflects the value of new business acquired during the fiscal year as at the valuation date.

(3) Expected existing business contribution
This represents the expected contribution from existing business, including profits from risk assets such as foreign securities and the allowance for non-hedgeable risks.

(4) Actuarial experience variances
These variances reflect the difference between actual and expected profits during this fiscal year caused by actuarial assumptions.

(5) Actuarial assumption changes
This item shows the impact of changes in the non-financial assumptions, mainly mortality and morbidity rates, surrender and lapse rates and operating expenses. In fiscal year 2025, EV decreased primarily due to higher lapse rate assumptions, reflecting the latest experience.

(6) Economic variances
This reflects (i) the impact of changes in economic assumptions such as risk free rates, equity prices, implied volatilities, and inflation rates between March 31, 2025 and March 31, 2026, (ii) the impact of the difference between actual and expected investment income for this fiscal year, and (iii) the release during the fiscal year of the time value of options and guarantees.

In fiscal year 2025, EV decreased primarily due to a rise in JPY interest rates, as well as increase in inflation rates and interest rate volatilities.

(7) Other variances

This item reflects the impact of other activities that are not included in the above (2) through (6). In fiscal year 2025, coinsurance-type reinsurance transactions have been executed for the purpose of diversification of risk control measures, increasing EV.

(8) Closing adjustments on EV

There are no closing adjustments this year.

2.6. Sensitivity analysis

The impacts of changing specified assumptions underlying the EV and new business value calculations are as follows.

Sensitivity analysis of change in EV

Assumption	Change in assumption	Change in amount
Base case: EV at the end of March 2026	No change	1,268.4
(1) Interest rates	50bp decrease	31.7
	50bp increase	(44.1)
(2) Stock / Real estate market values	10% decrease	(5.2)
(3) Interest swaption implied volatility	25% increase	(28.6)
(4) Maintenance expenses	10% decrease	26.0
(5) Surrender and lapse rates	x 1.1	(40.0)
(6) Mortality rates	Death protection products: x 0.95	13.9
	A&H products and annuity products: x 0.95	(5.1)
(7) Morbidity rates	x 0.95	36.4
(8) Foreign exchange rates	10% appreciation of JPY	0.1

(1) Interest rates
These sensitivities show the impact of immediate parallel shifts of the risk free rates in each currency. The adjusted net worth would change due to the change in market values of bonds and other assets. The value of in-force would also change as the discount rate and the future asset investment yields change. Negative interest rates are not floored at zero.

(2) Stock and real estate market value
This sensitivity shows the impact of an immediate drop in the market values of stock and real estate as at March 31, 2026. The decrease in the market values of stock and real estate decreases the adjusted net worth, as well as the value of in-force due to a resulting change in the value of liabilities on variable business.

(3) Interest swaption implied volatility
This sensitivity shows the impact of an immediate increase in the implied volatility of interest swaptions used in calculating the time value of options and guarantees. Changes in implied volatility affect the market value of interest rate swaptions held and therefore affect the adjusted net worth, as well as the time value of options and guarantees.

(4) Maintenance expenses
This sensitivity shows the change in value due to a decrease in maintenance expenses. It should be noted that maintenance expenses subject to this sensitivity do not include commissions for agents and Life Partner employees payable on policies projected to be in-force in future periods.

(5) Surrender and lapse rates
This sensitivity shows the change in value due to increases in surrender and lapse rates.

(6) Mortality rates
This sensitivity shows the change in value due to a decrease in mortality rates. We have shown the impact on death protection products and the impact on A&H insurance and annuity products separately, as they behave differently under this sensitivity. Within the A&H insurance and annuity product segment, we have included base policies and riders for which the primary benefits are accidental death, sickness and cancer, and individual annuities. No management actions are reflected.

(7) Morbidity rates
This sensitivity shows the change in value due to a decrease in the morbidity rates on A&H products. No management actions are taken into account.

(8) Foreign exchange rates
This sensitivity shows the change in value due to an immediate appreciation of Japanese Yen. The change in the market values of foreign currency denominated securities and other assets affects the adjusted net worth, as well as the value of in-force due to a resulting change in the value of liabilities denominated in foreign currencies or those on variable business.

(9) Others
Other items to note are as follows:

- Each of the sensitivity analyses above shows only the impact of changing one assumption. The impact of changing multiple assumptions at one time would not be equal to the sum of the impacts for each assumption.

3. Assumptions

3.1. Economic assumptions

(1) Risk-free rates

We have used government bond yields as of the end of March 2026 as risk free rates for the calculation of the certainty equivalent present value of future profits. JPY forward rates in the 41st year and thereafter are set to the 40-year spot rate adjusted based on historical interest rate movements. We have adjusted and used Bloomberg's government bond yields as our data source. The government bond yields (spot rates) for key terms are shown below.

	JPY	
Term (in years)	End of March 2025	End of March 2026
1	0.65%	1.15%
5	1.11%	1.83%
10	1.52%	2.43%
20	2.29%	3.44%
30	2.62%	3.92%
40	2.79%	3.83%
50	2.87%	3.91%

We have not included a liquidity premium in the risk free rates.

(2) Interest-rate model

We have calibrated the interest rate model to the market at the end of March 2026. We have estimated parameters for the interest rate model from the yield curve and the implied volatilities of interest swaptions with different terms. In calculating the time value of options and guarantees, we have used the Hull-White model. The scenarios used were developed by TMNL.

(3) Foreign exchange and stock price modeling

We have calibrated the log-normal model for foreign exchange and stock prices to the market as at the end of March 2026. Parameters are estimated from implied volatilities of options with different terms.

(4) Correlation factor

As there is no market consistent data for correlation factors, we have calculated correlation factors from the monthly return of each index during the last 10 years.

(5) Foreign exchange

Assets denominated in foreign currencies are converted to Japanese yen using the TTM (telegraphic transfer middle exchange rate) as at March 31, 2026. Exchange rates of major currencies are shown below.

Currency	As of March 31, 2025	As of March 31, 2026
USD	JPY 149.52	JPY 159.88

3.2. Other assumptions

The table below shows major assumptions such as mortality and morbidity rates, surrender and lapse rates and operating expense rates.

Assumptions	Development methods
Mortality and morbidity rates	Mortality and morbidity rates are developed based on claim experience of the latest 3 years, in principle by type of protection, policy year, attained age and other attributes. The temporary effects of the spread of the new coronavirus infection are excluded from the morbidity rates. We have reflected improvement trends for mortality rates and improvement trends or deteriorating trends for A&H morbidity rates of some benefits. The projection period for which these trends are reflected is limited to 5 years.
Surrender & lapse rates	Surrender & lapse rates are developed based on experience of the latest 1-3 years, in principle by line of business, premium mode and policy year.
Renewal rates	Renewal rates are developed based on past experience. Here, policies for which renewals are projected are A&H products, whose impact is large due to a large number of limited term in-force policies. For the sake of simplicity, we have not reflected future renewals for some riders.
Operating expense rates	Operating expense rates are developed from the expense forecast of latest fiscal year based on the ratio (unit cost) of overall operating expenditures to the policy count or the premium separately for acquisition and maintenance expenses. Some of the operating expense rates were adjusted by removing one-off costs which are not ordinarily expected to be incurred in future periods.
Effective tax rate	It is set as follows: 28.9%
Consumption tax rate	It is set as follows: 10%
Inflation rate	With reference to the break-even inflation rate from the most recently issued inflation index-linked government bond, inflation rates are set as follows: Projection year 1 - 10: 1.792% Projection year 11 - 20: linear interpolation of year 10 and year 21 Projection year 21 and onwards: 1.810%
Policyholder dividend	For products with interest dividends paid in every 5 years, interest dividends are set based on the interest rate level in future periods, using the method consistent with the one applied to determine the most recent dividend rates.
Reinsurance	We have designated reinsurance premium as an expense and reinsurance benefits and others as income in the projections, because we cede mortality risks on death protection insurance products, A&H risks on A&H products and part of the minimum guarantee risks of the variable products. The reinsurance premium and the level of reinsurance benefits are set based on reinsurance treaty provisions. The same applies to the coinsurance-type reinsurance transactions that have been executed for the purpose of diversification of risk control measures.

4. Caveats

Embedded values are calculated using various assumptions about the drivers of future results and the risks and uncertainties inherent in those results; future experience may deviate, possibly materially, from that underlying the forecasts used in the EV calculation. Also, the actual market value is determined as a result of informed judgments of investors and may differ materially from an embedded value. As such, embedded values should be used with sufficient caution.

5. Disclaimer

These presentation materials include business projections and forecasts relating to expected financial and operating results of Tokio Marine Holdings and certain of its affiliates in current and future periods. All such forward looking information is based on information and assumptions available to Tokio Marine Holdings when the materials were prepared and is subject to a range of inherent risks and uncertainties. Actual results may vary materially from those estimated, anticipated, expected or projected in the accompanying materials and no assurances can be given that any such forward looking information will prove to have been accurate. Investors are cautioned not to place undue reliance on forward looking statements in these materials. Tokio Marine Holdings undertakes no obligation to update or revise any of this forward looking information, whether as a result of new information, recent or future developments, or otherwise.

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