CFO Dialogue: Regulatory ESR
Presentation Script

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- Please turn to page 24.
- As an update from me, I would like to explain the Group Regulatory ESR, which we are disclosing for the first time.
- As shown in the presentation materials, the Group Regulatory ESR as of March 31, 2026 was 198% on a preliminary basis. This was slightly below the Group Internal ESR disclosed in May, while remaining at a sound level from a regulatory perspective.
- The difference between the two ratios is mainly attributable to differences in measurement methodologies and regulatory treatment.
- The table on the slide shows the respective differences in eligible capital and required capital between the Group Internal ESR and the Group Regulatory ESR.
- Under the Group Internal ESR, the entire Group, including PLC, is measured on an economic value basis. In contrast, under the Group Regulatory ESR, the deduction and aggregation method is applied to PLC. As a result, PLC is excluded from the economic value-based consolidated calculation, and instead its eligible capital and required capital calculated based on U.S. RBC requirements are aggregated.
- Accordingly, the Group Internal ESR and the Group Regulatory ESR differ in how they assess PLC's capital and risks, and the impact is reflected in both eligible capital and required capital.
- The Group Regulatory ESR is measured using the regulatory standard methodology. By contrast, for certain measurements under the Group Internal ESR, we use internal models and methodologies that differ from the regulatory standard methodology in order to better reflect the Group's risk profile and actual business conditions.
- The main differences in the measurement of market and credit risks relate to the use of internal ratings, the discount rates applied, and the models used to measure equity risk, among other factors.
- In addition, as previously explained, mass lapse risk is treated differently under the Group Internal ESR, including the deduction of a portion of MOCE. These differences in measurement methodologies and regulatory treatment are reflected in both eligible capital and required capital, resulting in the difference from the Group Internal ESR.
- The Group Regulatory ESR is an indicator used to assess financial soundness under laws and regulations. The Group Internal ESR, meanwhile, is an indicator used in capital management decisions based on the Group's risk profile and actual business conditions.

- As before, the Group’s capital policy, including shareholder returns, will continue to be managed based on the Group Internal ESR.
- This concludes my remarks.

Note: Some of the above content has been added or modified to make it easier to understand.
[Company name abbreviation] DL: Daiichi Life, PLC: Protective