News Release

Japan Credit Rating Agency, Ltd.

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JCR's Rating Review of Major Life Insurance Groups

Japan Credit Rating Agency, Ltd. (JCR) has reviewed ratings for major domestic life insurance groups from the following rating viewpoints. Please refer to JCR’s press releases (from 23-D-1417 to 23-D-1420) for the rating rationales for the individual companies.

Rating Viewpoints

(1) JCR reviewed ratings for core companies and an insurance holding company of major life insurance groups, and has affirmed its ratings on all groups with a "Stable" outlook. Although the business environment is under considerable stress, each group has secured a strong business performance of policies. Their financial soundness has also been maintained. With the impending introduction of economic value-based solvency regulations, they have made steady progress in reducing interest rate risk, thanks to the penetration of ERM-oriented management and their achievements in their efforts to reduce market-related risks, particularly those in lengthening asset durations and reviewing liability structures. The sensitivity of economic value-based indicators has been controlled through the reduction of risk amount, as JCR had expected.

(2) The impact of the COVID-19 pandemic has been resolved both in terms of restrictions on sales promotion and payment of claims and benefits. Rather, the promotion of a sales style that combines face-to-face and non-face-to-face sales has in some aspects led to increased efficiency and productivity in terms of sales. The diversification of sales channels and the shift to specialized companies in response to the diversification of consumer needs have been firmly established, and product lineup has expanded. The domestic interest rate environment has reached a turning point, and it may increase the flexibility of product design going forward.

(3) In terms of asset management, they have been securing a certain level of income by increasing ratio of foreign currency denominated public and corporate bonds, including foreign bonds without currency hedge, and that of alternative investments, in their investment assets. There have been no significant changes to their portfolios for a short period of time, and they keep a relatively high ratio of yen-interest assets in the general account assets, and there has been a further shift to yen bonds in response to rising domestic interest rates. Hedging costs on hedged foreign bonds have put downward pressure on gains due to a rise in foreign interest rates. Valuation gains on bonds held by life insurers have been on a declining trend due to deteriorating valuation gains/losses on foreign securities and the rising trend in domestic long-term interest rates.

(4) Major life insurance groups continue to accelerate its overseas expansion, such as acquisition of foreign life insurers and increase in their stakes in them. Dai-ichi Life Group has the largest contribution from overseas business to the Group's consolidated profit among the major life insurance groups, and the Group has well diversified its earnings sources. On the other hand, JCR sees that there is room for expansion of contributions from overseas business for other groups. In Japan, there are also moves to strengthen the closely related areas that have high affinity with the life insurance business, such as nursing care and welfare-related services, through M&A and other measures, and JCR believes that these efforts will contribute to diversification of business base and revenue sources and expansion of customer contacts. Although it is expected to take a reasonable amount of time to create group synergies, JCR will keep a close eye on it from a medium-term perspective.

(5) In assessing capital adequacy, JCR considers not only the sufficiency of regulatory capital but also the sufficiency of capital in terms of economic value, and the higher the rating range, the higher the weighting. Each group has implemented an internally managed economic value-based assessment, and JCR believes that the capital adequacy is generally adequate as ratings in AA range. Although the solvency margin ratio based on the current regulations has changed due to a decrease in valuation gains on securities due to a rise in overseas interest rates, ESR has remained generally unchanged, and JCR believes that there has been no change in their financial soundness.

(6) In order to realize improvement in corporate value amidst a changing business environment, it is important to manage the risk-return balance based on an economic value-based approach. As overseas business expands, promotion of global and group-wide ERM is required. Each group has established a risk-based management system that integrates risk with earnings and capital, and is promoting initiatives that closely link ERM and management, such as linking risk appetite to business planning and capital policy, and utilizing economic value-based evaluation in product and asset

management strategies. JCR incorporates ERM into the rating in consideration of qualitative aspect, and believes that major life insurance groups are taking flexible and appropriate measures.

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<Reference>

Issuer: Nippon Life Insurance Company

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: Dai-ichi Life Holdings, Inc.

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: The Dai-ichi Life Insurance Company, Limited

Long-term Issuer Rating: AA Outlook: Stable

Issuer: Meiji Yasuda Life Insurance Company

Long-term Issuer Rating: AA Outlook: Stable

Issuer: SUMITOMO LIFE INSURANCE COMPANY

Long-term Issuer Rating: AA Outlook: Stable

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