

CFO Message

Enhancing ERM to steer the Group on a course that balances growth and discipline

Shigeo Kudo

Representative Director,
Executive Vice President and
CFO

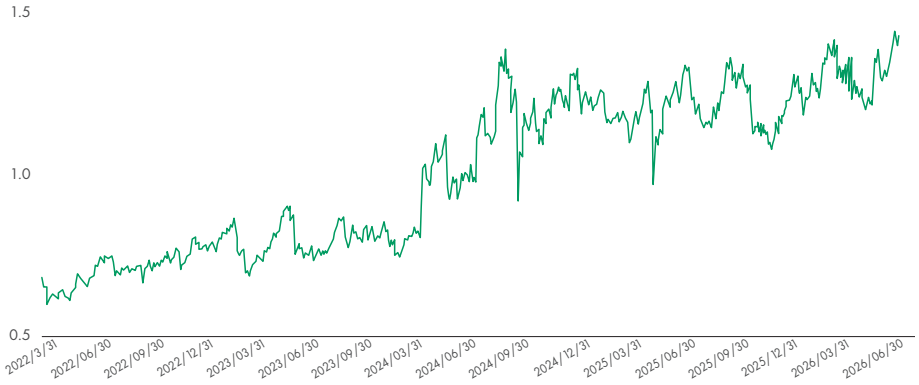
Reflections on my first year as CFO

One year has passed since I assumed the position of CFO. Looking back, it was a year filled with insights, as I received a wide range of opinions and observations through dialogue with investors.

Meanwhile, our PBR rose above 1.0x around the time we announced the accelerated reduction of strategic equity holdings. It has subsequently risen gradually following each information meeting and series of individual meetings with investors.

A PBR of 1.0x is merely a milestone. We will continue steadily implementing measures to raise it further.

PBR since the launch of the Medium-Term Management Plan (2022–2025) (Japanese GAAP)



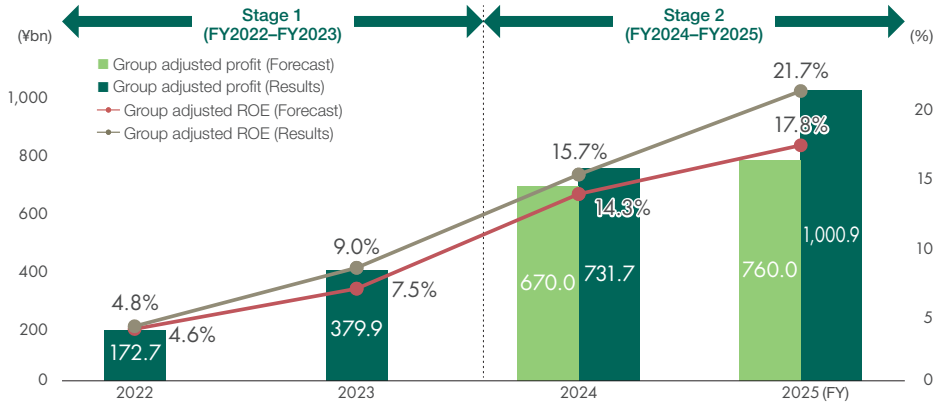
(Source) Compiled by MS&AD Holdings based on data provided by Bloomberg.

Review of the Medium-Term Management Plan (2022–2025)

Although results were affected by factors such as increases in insurance payments due to inflation, the accelerated sale of strategic equity holdings and higher profits in the international business enabled us to outperform our FY2025 targets. Group adjusted profit amounted to ¥1,000.9 billion, compared with the target of ¥760.0 billion, while Group adjusted ROE reached 21.7%, compared with the target of 16%.

What matters is not only achieving numerical targets but also the substance of those achievements. By enhancing the ERM cycle, we laid the groundwork for achieving the Group Vision for FY2030 through the benefits of our investments in WRB and Barings and the merger of our domestic non-life insurance companies. I regard these as significant achievements in strengthening our underlying businesses, excluding one-off factors.

Group adjusted profit and Group adjusted ROE under the Medium-Term Management Plan (2022–2025)



ERM cycle

To improve profitability relative to risk and capital, we worked to enhance the ERM cycle by strengthening business management and effectively utilizing Group capital. Through initiatives on both the asset and liability sides, ROR in the domestic non-life insurance business, our core business, is improving. At the same time, the international business has developed into a principal business domain in terms of both profit and ROR.

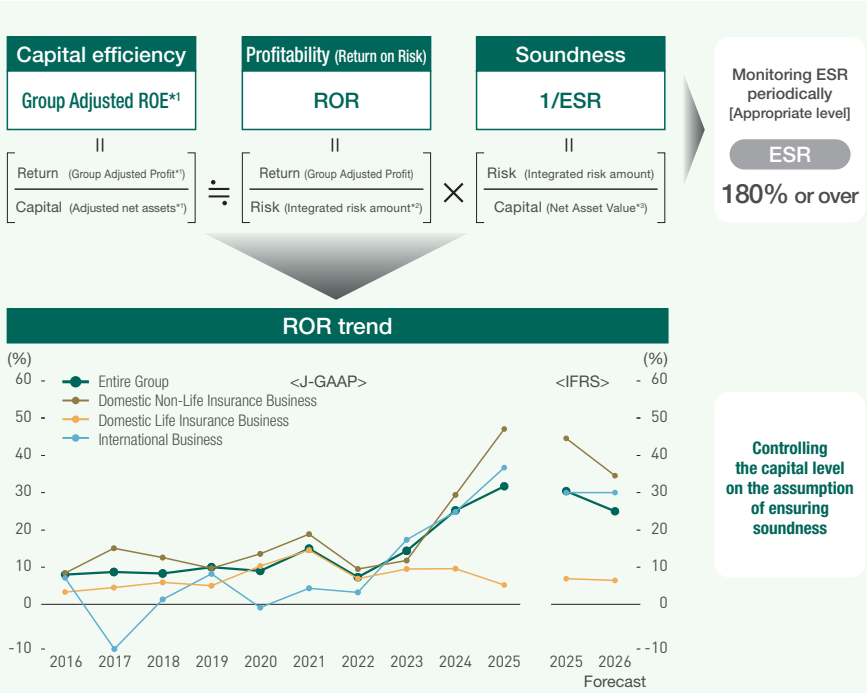
Transformation of the business and risk portfolio (asset-side)

By strengthening business management, we worked to improve profitability relative to risk and capital and pursued a disciplined reallocation of our business portfolio from less profitable businesses to more profitable ones. Specifically, while making business investments in MS Transverse and WRB, we sold the nursing care businesses, withdrew from local operations in Hawaii and Guam, and sold our shares in Challenger.

We also accelerated the sale of strategic equity holdings while allocating funds to foreign bonds and private assets. Through these initiatives, we sought to increase diversification benefits by diversifying risk while maintaining and improving profitability.

Transformation of the business and risk portfolio (liability-side)

In the domestic non-life insurance business, we revised premium rates for automobile and fire insurance, shortened policy terms, and expanded the disciplined underwriting of casualty insurance. Through these measures, we sought to improve both the quantity and quality of our insurance liabilities. In the international business, as part of the turnaround of MS Amlin and MS Reinsurance, we reduced exposure to natural catastrophe risks, withdrew from unprofitable lines, and raised premium rates. We also worked to acquire high-quality insurance liabilities and increase diversification benefits by underwriting relatively low-risk, highly profitable lines and diversifying our portfolio across regions and lines of business. In addition, progress was made in acquiring specialty risks through WRB's captive reinsurance company and MSIG USA, further increasing diversification benefits across the Group. In the domestic life insurance business, we are also making steady progress in shifting our portfolio toward highly profitable products (such as income protection and medical insurance), and expanding sales through collaboration between MSA Life and MSP Life.



*1 Calculation methods for Group adjusted ROE, Group adjusted profit, and adjusted net assets: See P.32 for J-GAAP.
*2 Integrated risk amount represents the maximum amount of losses that are likely to be encountered once in 200 years. It is marked to market value.
*3 Adjusted net assets + unrealized insurance liabilities + other equity liabilities, etc.

Effective utilization of Group capital

I believe there remains considerable room for improvement in the effective utilization of Group capital—in other words, in capital allocation and our ability to generate cash.

Under the Medium-Term Management Plan (2022–2025), our balance sheet expanded and our earnings power improved. In the period leading up to FY2030, I want to establish an environment in which capital can flow flexibly throughout the Group, thereby accelerating the pace of growth. Working together as a unified Group, we will allocate capital to areas that offer high returns relative to risk and capital, greater diversification benefits, and strong cash-generating capabilities. By reinforcing the cycle that connects such capital allocation to growth investments and shareholder returns, we will achieve disciplined risk-taking and accelerate growth.

FY2026 Group Management Plan and the Group Vision for FY2030

FY2026 Group Management Plan

Target

Adjusted profit*1	EPS growth rate*2
FY2026 ¥530.0 billion (Including gains on sales of strategic equity holdings: ¥800.0 billion)	FY2025–FY2026 4% (Annual rate) (FY2025–FY2030 annual average 11%)
Adjusted ROE*3	**ESR**
FY2026 10% (Including gains from the sale of strategic equity holdings: 13%)	FY2026 180% or higher

*1 Profit calculated by applying cash-based adjustments to IFRS net income.
*2 Excluding gains from sale of strategic equity holdings
*3 Adjusted profit / Adjusted net assets (IFRS net assets – AOCI – Goodwill balance, etc.)

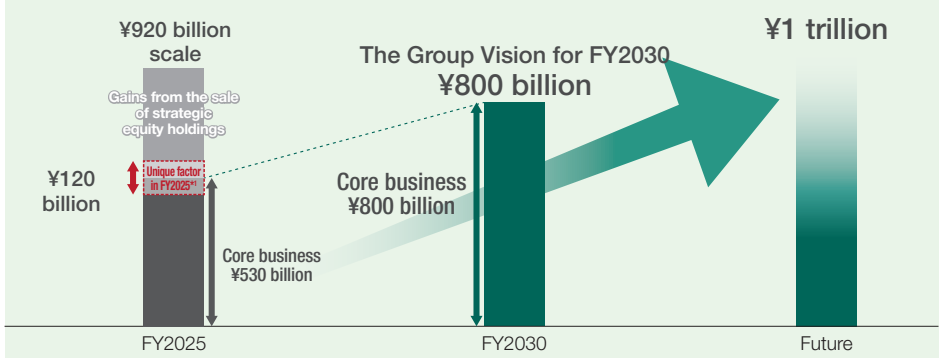
We set our targets by working backward from our objective of achieving adjusted profit of ¥800.0 billion through our underlying earnings capacity in FY2030, even after eliminating strategic equity holdings. Until now, we have formulated four-year medium-term management plans. However, given the significant changes occurring both within and outside the Group, we

have adopted a single-year plan beginning this year. The domestic non-life insurance market is facing major changes in its competitive environment, and the merger of our domestic non-life insurance companies is also approaching. The overseas non-life insurance market and capital market cycles are also approaching turning points. Under these circumstances, we concluded that it was necessary to formulate and execute a single-year plan so that we can respond appropriately to an environment that changes from year to year.

To realize the Group Vision for FY2030, we have put several key building blocks in place: the business investment in WRB in FY2025 and in Barings in FY2026, and the merger of our domestic non-life insurance companies in FY2027.

Each of these business investments and synergy initiatives represents an extension of measures we have already been pursuing, and they have already begun contributing to our performance. We therefore believe that we can realize our aspirations for FY2030 without undertaking any further large-scale business investments.

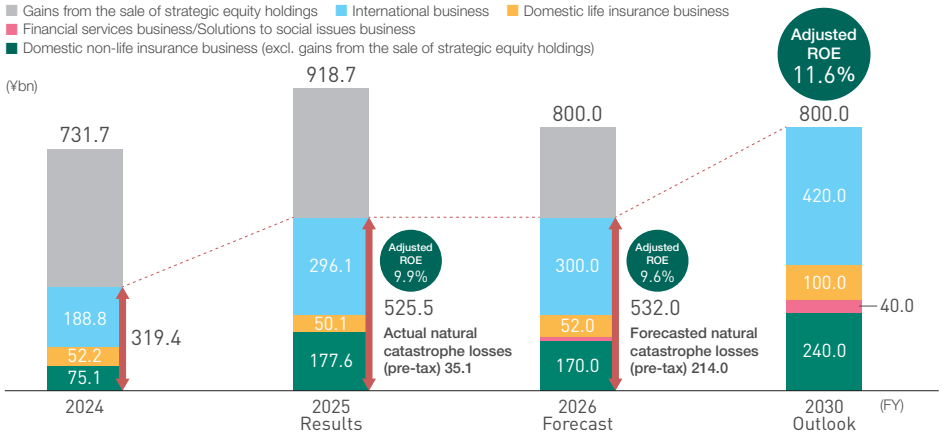
The Group Vision for FY2030



Target	
Adjusted profit*2	EPS growth rate*3
FY2030 ¥800 billion	FY2025–FY2030 11% (Annual rate)
Adjusted ROE*4	ESR
FY2030 11% or higher	FY2030 180% or higher

*1 Greater than expected losses from natural catastrophes, etc.
*2 Profit calculated by applying cash-based adjustments to IFRS net income.
*3 Excluding gains from the sale of strategic equity holdings
*4 Adjusted profit / Adjusted net assets (IFRS net assets – AOCI – Goodwill balance, etc.)

Adjusted profit*1 and Adjusted ROE*2



*1 Group adjusted profit (J-GAAP) for FY2024 only. Group adjusted profit (J-GAAP) for FY2025 is ¥1,000.9 billion (excluding gains from the sale of strategic equity holdings: ¥607.6 billion)
*2 Excluding gains from the sale of strategic equity holdings

Looking ahead to adjusted profit of ¥1 trillion and adjusted ROE of 15%

The MS&AD Group Management Plan announced in May calls for the optimization of our business structure. We will transform the Group into an organization capable of generating stable earnings and use the capital created to drive further growth. In other words, we will acquire risks that increase ROR and diversification benefits, thereby building an optimal risk portfolio.

To achieve this, I will work with the CRO and other CxOs to further enhance the ERM framework so that the Group can achieve both growth and discipline. By continuing to pursue these initiatives in a disciplined manner, we should naturally move closer to adjusted profit of ¥1 trillion and adjusted ROE of 15%.

Risk portfolio optimization (asset-side)

We are accelerating the sale of strategic equity holdings with the aim of reducing them to zero by the end of FY2029, and these sales are progressing steadily. As previously announced, we will allocate the proceeds from these sales to growth investments, transforming our risk portfolio to offer higher returns and greater diversification.

Risk portfolio optimization (liability-side)

Investors can build portfolios suited to their individual needs by diversifying their investments across equities, bonds, and other assets. Accordingly, I believe that what those who invest in the Group expect from us is the ability to acquire stable and highly profitable insurance liabilities.

In the domestic non-life insurance business, we have been working to build a high-quality risk portfolio through measures including premium rate revisions and shorter policy terms for automobile and fire insurance, expanded underwriting of casualty insurance, appropriate rate-setting and disciplined underwriting for fire and casualty insurance, and reinsurance procurement that emphasizes periodic earnings and financial soundness. We will continue these initiatives going forward. In the international business, we will build a highly profitable portfolio diversified across regions and lines of business by expanding the underwriting of specialty lines through MSIG USA and WRB and increasing underwriting through collaboration with WRB in Asia, where the Group has particular strengths. In the domestic life insurance business, we will also continue acquiring insurance liabilities with low capital requirements by providing products that meet customer needs through transparent processes.

Strengthening cash generation capability

As CFO, I intend to focus not only on improving returns relative to risk and capital but also on the quality of earnings. This is because capital that cannot be distributed to the holding company due to local capital regulations and non-cash accounting profits (such as unrealized gains and losses on financial assets), cannot be freely allocated. From this perspective, in addition to building portfolios with high returns relative to risk and capital and rigorously implementing cycle management, we intend to strengthen our fee-based businesses.

MS Transverse, the only fronting carrier in the industry with an A+ rating, will provide a foundation for the Group's cash generation. The Group's domestic life insurance business is also the largest among life insurers affiliated with non-life insurance groups, while our steadily growing international life insurance business is another of the Group's strengths. These life insurance businesses are highly compatible with asset management. By combining them with Barings through reinsurance and asset management mandates, we believe they can contribute to cash generation. We also intend to pursue opportunities in international life insurance markets that can be expected to generate stable and substantial cash flows, including the corporate pension market.

I am confident that by generating cash that can be freely used for shareholder returns and investments and allocating it swiftly, we can enhance both growth and profitability.

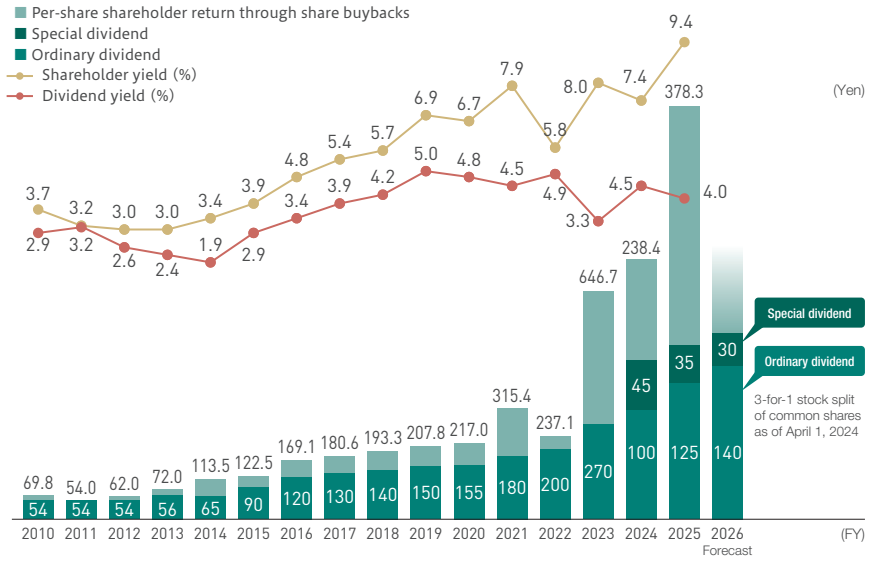
Shareholder return

Our shareholder return policy provides for returning 50% of Group adjusted profit through dividends and share buybacks as basic returns. We will also implement additional returns flexibly and proactively, taking into consideration factors such as the business environment, ESR levels, liquidity, and stock price trends.

For FY2025, we decided to provide an annual dividend of ¥160 per share as basic returns (an increase of ¥15 year on year) and to repurchase up to ¥325.0 billion of our own shares (of this amount, ¥265.0 billion constitutes basic returns and ¥60.0 billion constitutes additional returns).

We will continue aiming for progressive dividends and strive to maintain attractive shareholder returns.

Trends in per-share total shareholder return, total shareholder return yield, and dividend yield



Enhancing Capital Efficiency and Achieving Sustainable Profit Growth

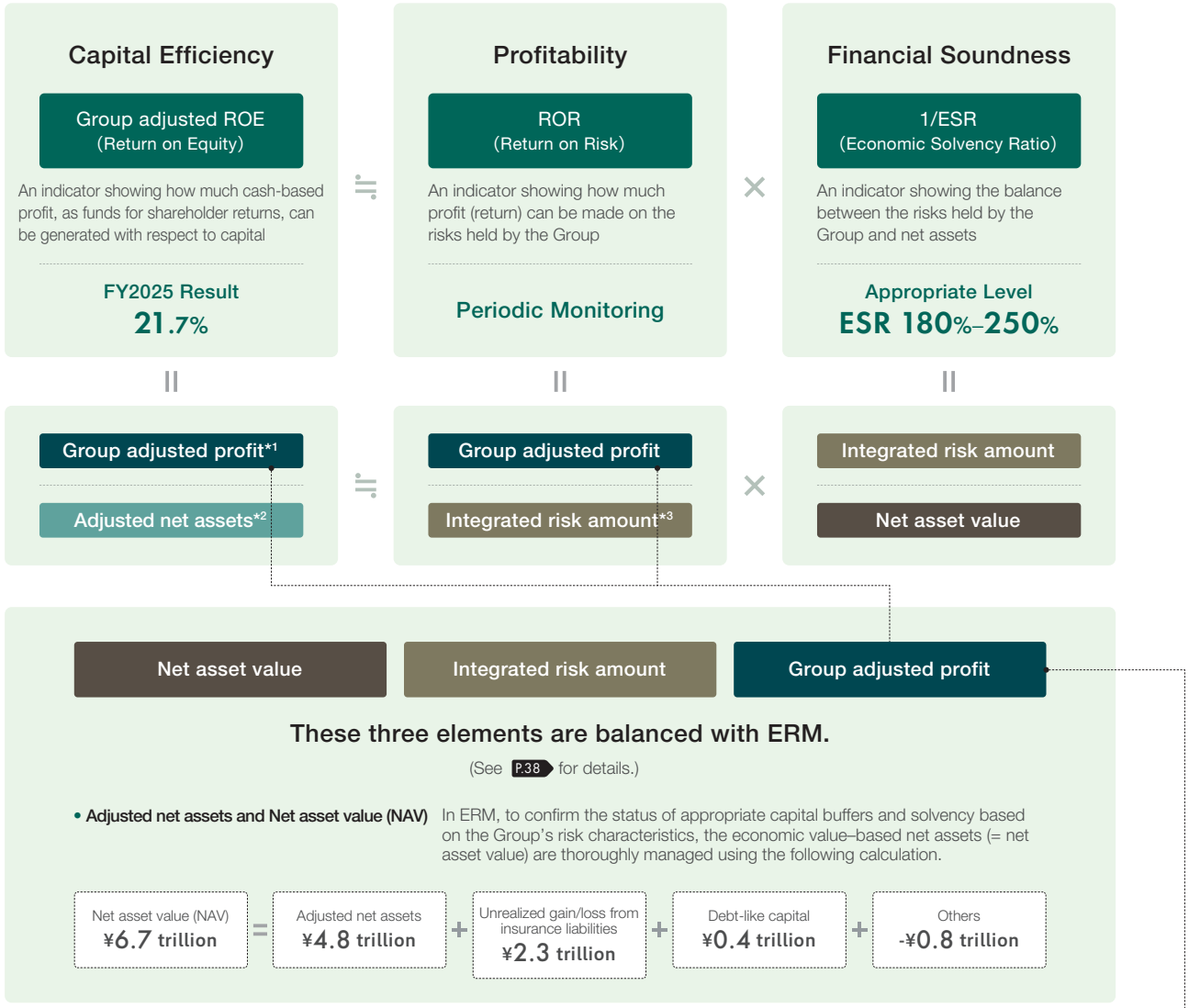
Group adjusted ROE

MS&AD Insurance Group regards Group adjusted ROE as the most important indicator among the numerical management targets set out in the Medium-Term Management Plan (2022–2025).

Group adjusted ROE can be broken down into return on risk (ROR), which shows the balance between the risk the Group faces and return (profit), and ESR, which shows the Group's financial soundness. These indicators can be further broken down into three elements: Group adjusted profit, integrated risk amount, and net asset value.

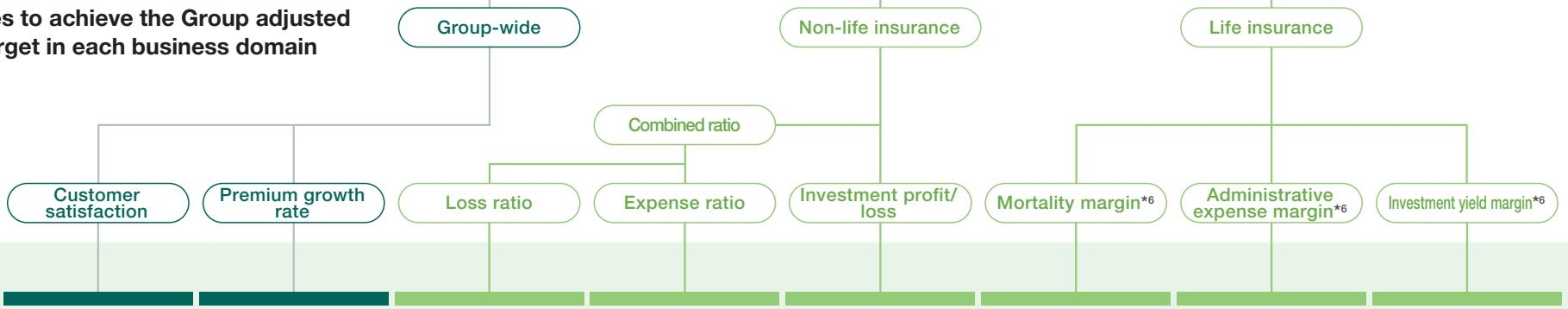
The Group manages to balance these three elements through its ERM. (See P.38 for details.)

Furthermore, in activities in each business domain, we are promoting various initiatives by setting performance indicators for divisions to expand Group adjusted profit.



*1 Group adjusted profit = Consolidated net income + provision for catastrophe reserve and others – other incidental factors (e.g., amortization of goodwill and other intangible fixed assets) + equity in earnings of the non-consolidated Group companies
*2 Adjusted net assets = Consolidated net assets + Catastrophe loss reserves and others – Goodwill and other intangible fixed assets
*3 The integrated risk amount represents insurance underwriting risk, asset management risk, and operational risk, etc., quantified through stochastic methods.

Initiatives to achieve the Group adjusted profit target in each business domain



	Customer satisfaction	Premium growth rate	Loss ratio	Expense ratio	Investment profit/ loss	Mortality margin*6	Administrative expense margin*6	Investment yield margin*6
Examples of Specific Initiatives	•Providing products and services that rapidly and flexibly address the increasingly diverse needs of customers, and handling claims that closely reflect customers' expectations •Enhancing the ability to serve customers during all points of contact, etc.	•New product development based on an understanding of changing customer needs •Maintaining a robust sales base, and acquiring and developing diverse new sales channels •Maintaining and expanding existing contracts and efforts to acquire new contracts, etc.	•Appropriate product design •Eliminating fraud claims, appropriate and prompt payment of claims •Providing advice designed to prevent accidents and reduce the loss ratio •Sustainable use of natural resources, etc.	•Business operational reforms •Promoting paperless operations •Demonstrating Group synergies, etc.	•Integrated asset/liability management based on consideration of the characteristics of insurance liabilities •Improving ROR •Appropriate risk control, etc.	•Appropriate pricing based on the coverage offered •Reform of the product portfolio, etc.	•Control of acquisition cost due to increased sales •Reducing business expenses through efficient business operations, etc.	•Setting reasonable assumed interest rates to ensure profits •Sophisticated ALM operations and risk management based on the characteristics of liabilities •Improving returns and diversifying risks through a broader range of investment approaches, etc.
Reference Indices	•Group-wide: **Customer satisfaction, ratio of female managers, and ratio of global employees** •Non-Life Insurance: Customer satisfaction with claims handling, agents' recommendation rate, and number of improvements based on customer feedback •Life Insurance: Number of registrations for Family Eye (notification system for relatives)*4, number of days to provide assurance*5, etc.	•Group-wide: Sales target achievement rate, contract continuation rate, **number and ratio of global employees, and employee satisfaction** •Non-Life Insurance: Percentage of revenue indicators achieved •Life Insurance: Amount of increased EV, in-force policy indicators (amount and number of policies, and annualized premium), and ratio of non-life insurance agents that also sell life insurance, etc.	•Number of risk surveys, risk management seminars, and training sessions •**Utilization rate of recycled parts,** etc.	•Ratio of personnel expenses to sales •Selection rate of web policy clauses •GHG emissions, and total energy consumption, etc.	•Asset management yields, diversifying effect among assets, and reductions in strategic equity holdings, etc.	•Annualized premiums of policies in force •Amount of increase in death insurance and other claims, etc.	•Acquisition cost •Business expenses (e.g., GHG emissions, and total energy consumption,) etc.	•Asset management yields and rating distribution for investment bonds, etc.

See PP.89-90 Financial and Non-financial Highlights

*4 Family Eye (notification system for relatives) is a service under which pre-registered family members, even if they are not the policyholder, can receive information about the insurance policy to the same extent as the policyholder.

*5 Number of days to provide assurance is an indicator of how long it takes for the company to complete administrative tasks for customers, such as applications for new insurance contracts, applications to cancel policies, claims for insurance payments, and claims for other benefits. It is broken down into 1) the average number of days to conclude a new policy, 2) the average number of days required to pay an insurance claim, and 3) the average number of days required to pay a cancellation refund.

*6 Mortality margin, administrative expense margin, and investment yield margin are indicators for core profit, which represents the fundamental profitability of life insurance companies. Together, these terms are referred to as the "three surplus factors." Mortality margin is the gain or loss on the difference between projected insurance benefits payments, based on assumed mortality rates, and actual insurance benefits payments. Administrative expense margin is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income.



CRO Message

Confronting uncertainty to enable sustainable growth and enhance corporate value

Kazuaki Asai Risk Management

Senior Executive Officer
Group CRO

The CRO's mission and the evolution of ERM

I believe that my mission as CRO is to contribute to enhancing corporate value over the medium to long term by supporting appropriate risk-taking while ensuring the unwavering financial soundness of the Group as a whole.

The social responsibility of our Group is to continue providing customers with optimal security, regardless of the scale of any natural disaster or financial crisis that might occur. In addition to properly paying insurance claims, we recognize that our important roles include advance risk analysis, disaster prevention and mitigation, and business continuity support. To fulfill these roles, we will thoroughly implement economic value-based risk management and steadfastly maintain our financial soundness. Maintaining a sufficient capital buffer is not simply a matter of managing numbers. It demonstrates our determination to continue providing the underwriting capacity society needs in a stable manner under all market conditions. Our starting point is to ensure that we protect what must be protected.

Building on that foundation, rather than simply avoiding risk, we will clearly define the risks we should take and maximize capital efficiency. In doing so, I want risk management to serve as a foundation supporting the sustainable enhancement of corporate value.

To achieve this, it is essential for the first line—the business operations themselves—the second line, which is responsible for risk management, and the third line, which is responsible for internal audits, to examine, consider, and address the same risks together while respecting their respective roles. Leadership by the holding company is not limited to managing the affiliated operating companies. I believe it means maintaining close communication with each Group company, supporting challenges undertaken on the front lines, and enabling better decision-making across the Group.

It is also important to further embed ERM, not merely as a risk management framework, but as a process that supports management decisions.

Accurately assessing a variety of risks requires the use of cutting-edge expertise, risk data, modeling technologies, and quantitative methodologies. The foundation of this process is to consider risk, return, and capital in an integrated manner and make more rational and strategic decisions about how much capital to allocate to what business, which risks to hedge through reinsurance and other means, and which risks the Group should retain. By firmly establishing this ERM framework, we intend to utilize capital within the Group more effectively and translate this into earnings growth and improved capital efficiency.

The same concept applies to individual underwriting decisions. For example, even when two types of events have the same expected loss, an event that occurs infrequently but causes a large loss when it does occur requires a different risk premium and amount of capital from an event that occurs frequently but results in only a small loss each time. It is therefore vital to assess risks while considering returns commensurate with those risks, instill disciplined and appropriate underwriting and risk control throughout the Group, and ensure appropriate risk-taking across the organization.

Growth-oriented risk management supporting portfolio reform

In accordance with the Group Risk Appetite Statement, the Group is working to reduce the balance of strategic equity holdings to zero by the end of FY2029. While risk associated with strategic equity holdings is declining, we are allocating the proceeds from their sale to international business investments—including investments in WRB and Barings—and to higher return assets. As a result, risks associated with the international business and asset management are trending upward.

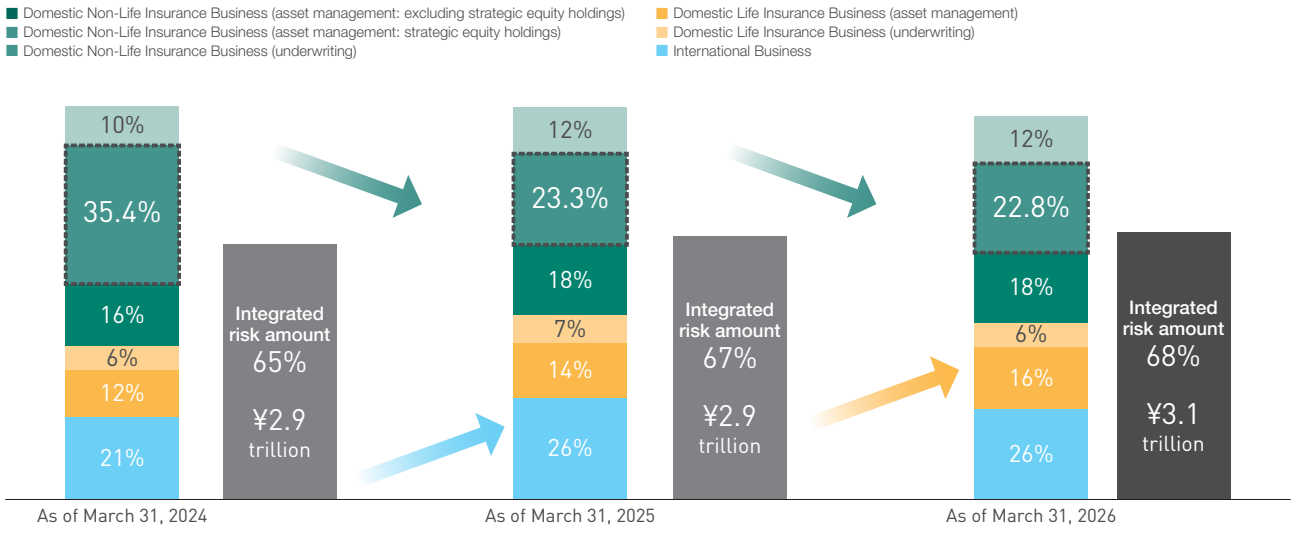
The international business is a key pillar of the Group's growth strategy and plays an important role in driving profit growth. In addition to natural catastrophe risks such as hurricanes and wildfires in North America and floods in Asia, it is necessary to manage cyber risk, litigation risk, geopolitical risk, and other risks in light of the particular characteristics of each region and market.

As a member of the International Executive Committee (IEC), I will work closely with the CGO, who oversees the international business as a whole, and the CxOs responsible for international operations, drawing on the expertise of our operations in each country to maintain an appropriate balance in the Group-wide risk portfolio.

In our domestic life insurance business, we are working to provide products and services that address social issues such as asset formation, health, medical care, and nursing care, while pursuing synergies with our asset management business. We are also striving to expand sales and enhance profitability through cross-selling between our domestic non-life and life insurance businesses. In the asset management business, we will further strengthen our capabilities to manage assets with high expected returns.

The importance of risk management is increasing as the structure of our portfolio undergoes these changes. Looking toward FY2030, while maintaining financial

Risk portfolio status



soundness, we will analyze ROR and VA and their respective contributions based on the risks, returns, and correlations associated with each business characteristic, working together with the CFO to implement a “growth-oriented risk management and capital strategy.” Through these efforts, we aim to construct a well-diversified risk portfolio that improves capital efficiency and return on risk, thereby creating an environment in which we can confidently invest in new growth areas. It is essential that these efforts support not only management decisions but also day-to-day decisions involving insurance underwriting and business investments, thereby improving the quality of the Group’s risk portfolio.

Strengthening our ability to address increasingly complex risks

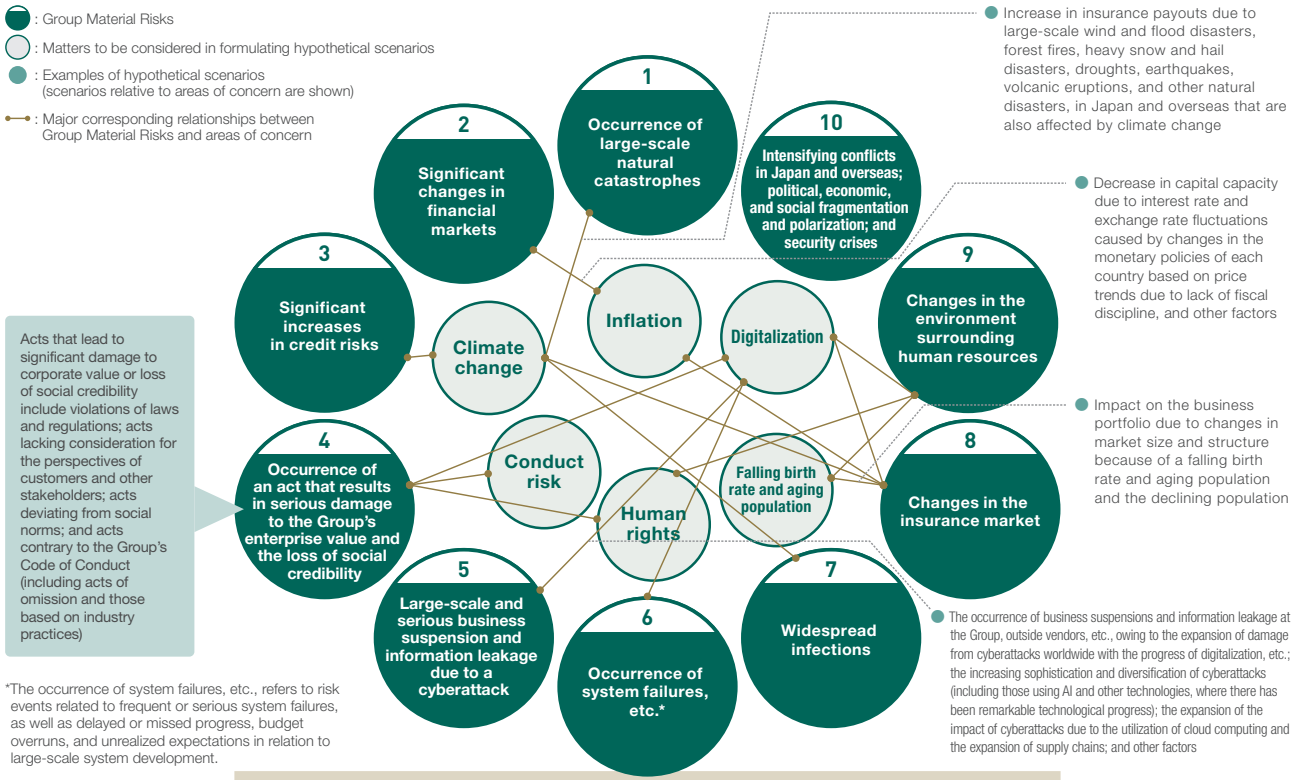
The environment surrounding us is changing at an unprecedented pace.

Today’s risk environment is characterized by complex chains of interrelated risks. Geopolitical tensions affect energy prices and financial markets, with repercussions for economic conditions and people’s behavior. Advances in AI create significant growth opportunities while also generating cyber risks and governance challenges. Climate change affects not only natural catastrophe risk but also society and corporate activities more broadly. The Group has selected 10 risks with the potential to have a major impact on management and is working to strengthen their management. Managing each risk individually, however, is no longer sufficient. We are strengthening forward-looking risk management and our response capabilities so that we can identify signs of change at an early stage and analyze their potential impact from multiple perspectives. In addition to enhancing our internal expertise, we actively incorporate a diverse range of external knowledge from academic institutions, external vendors, reinsurers, brokers, and modeling companies.

Enhancing our ability to detect early warning signs and measure risks delivers true value only when it provides a logical basis for management and frontline personnel to determine their next course of action.

By promptly incorporating cutting-edge knowledge in rapidly changing areas—including the use of new technologies such as AI and big-data analytics and the monitoring of trends in climate change and the reinsurance market—we will further advance our ERM.

We recognize that advances in AI present both major opportunities and significant risks. AI has the potential to improve operational efficiency, enhance customer service, and create new value. Its potential applications in risk management are also expanding, including the analysis of vast quantities of data, the early detection of risks, and more sophisticated scenario analysis. At the same time, AI introduces new risks, including algorithmic bias and cybersecurity concerns. Working together with the CDO, I intend to establish governance and



Establish a management action plan and monitor the status of each risk on a regular basis

risk management appropriate for the digital age—maximizing the benefits of technological innovation while rigorously controlling the associated risks.

Cultivating a "bad news thanks" risk culture

One of the themes to which I most want to devote my attention is cultivating a risk culture. As the environment changes significantly, it is essential that every Group employee become sensitive to early warning signs of risk, share them candidly, and use them to support better decision-making. The starting point is to create an environment in which people can proactively share observations from the front lines without hesitation. Before a major risk materializes, there are often some advance warning signs or seemingly minor observations. I believe that what is needed now is to build relationships in which people feel that, by consulting with others about such signs, they will be able to think through issues together and support one another. Alongside the concept of "Bad News First," I want to firmly establish a culture in which people feel encouraged to share unfavorable information openly, and one in which we express our gratitude—what could be called a "Bad News Thanks" culture—when such information is shared. Throughout my career, in addition to experience in the risk management division as a second line I have worked in international operations, accounting, reinsurance, and other areas in roles relatively close to the first line. From that experience, I have come to appreciate that first-line personnel have the best understanding of what is actually happening on the front lines, and are the ones most likely to notice risks at the earliest stage. That is precisely why I want to lower the barriers between the first and second lines as much as possible, build relationships through which frontline perspectives naturally reach the risk management function, and transform each individual's insights into strengths for the Group.

Our Group operates a diverse range of businesses around the world. Even where countries or companies differ, they might face common risks and issues. Events that initially appear unrelated could also prove to be interconnected. We must not overlook early warning signs. Someone recognizes an issue and shares it; the recipient expresses appreciation; and they consider it together while respecting each other. Accumulating such actions will strengthen the Group's overall ability to respond to risk and, I believe, help us navigate an age of uncertainty.

In addition to understanding conditions on the front lines, it is essential to pursue broad-ranging expertise in actuarial and quantitative analysis, data analytics, cybersecurity, natural catastrophes, meteorology, and other fields. Creating a culture in which people continually learn and enhance their expertise in their respective fields will, I believe, strengthen the Group's overall ability to respond to risk.

Risk control directly linked to the sustainable creation of value for customers, shareholders, and the company

Risk control is not merely a means of maintaining the stability of the Group. It is an extremely important initiative that directly contributes to delivering peace of mind and value to our customers and shareholders.

Generally, businesses with high volatility—meaning large fluctuations in earnings—are required to bear a correspondingly high cost of capital. Once we have identified and assessed the risks that should be taken, appropriately managing the volatility of our insurance operations through risk control can reduce the required risk premium. This will ultimately enable us to provide customers with protection (coverage) at more stable and competitive premiums.

Appropriate risk control also contributes to improving ESR. The resulting surplus capital can be used to expand shareholder returns or to invest in growth, thereby contributing to enhanced corporate value and ROE over the medium to long term.

As an insurance group, we achieve this risk control through the strategic use of portfolio diversification and reinsurance. The reinsurance market naturally has cycles (of softening and hardening). We will nevertheless pursue optimal risk control by comparing the Group's cost of capital with the cost of reinsurance, taking such market conditions into account.

Supporting sustainable growth and enhanced corporate value

Five or 10 years from now, society will likely face even greater uncertainty than it does today. The essence of risk management is not to fear uncertainty and become overly cautious. It is to assume that unexpected events will occur, diversify and control risks, and transform unknown risks into sources of earnings.

What we aim for is not simply a device that detects risks and sounds warnings. It is a clear and dependable guide that enables management and frontline personnel to confidently steer toward new growth areas through effective ERM that integrates both offense and defense—in other words, by improving capital efficiency while ensuring soundness. This will enable us to provide customers with unwavering security under all circumstances and to respond to our shareholders by enhancing corporate value and ROE over the medium to long term.

The foundations of this effort are, ultimately, our people, communication, and risk culture. Every employee must take personal ownership of risk, share observations, think together, and translate that process into better action. By firmly embedding such a culture throughout the Group, we will anticipate change and resolve society's risks in an age of uncertainty, thereby becoming an organization that is truly "Taking on Risk, Leading the World."

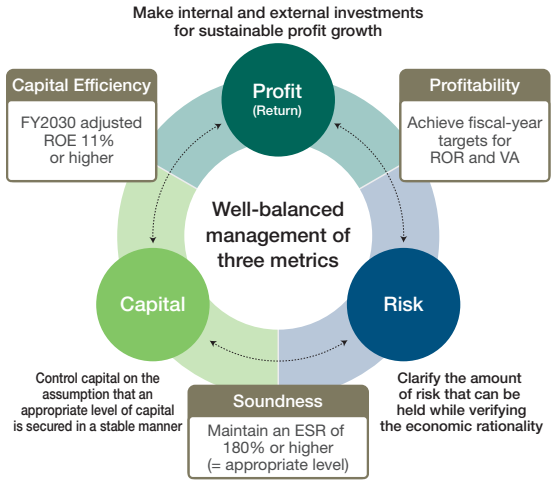
ERM

ERM-based Group management

In the Group, we position the Enterprise Risk Management (ERM) cycle as the base of Group management and work to improve profitability and capital efficiency under the precondition of ensuring soundness. We allocate capital to each business based on our Risk Appetite Statement and other factors, and take risks utilizing allocated capital, while appropriately controlling risk through monitoring Return on Risk (ROR) and other measures. The ERM Committee plays a central role in the Group's efforts to improve the assessment and management of each Group business based on risk, return, and capital, while also reducing strategic equity holdings and flexibly allocating capital to business opportunities with higher capital efficiency, including investing in growth businesses, as part of the Group's measures to enhance capital efficiency.

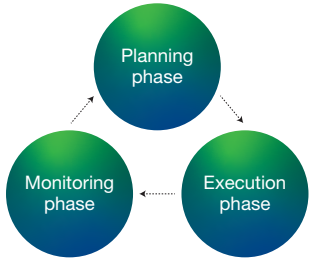
Integrated management of risk, returns, and capital

To realize its management vision, the Group holistically manages risk (integrated risk amount), returns (adjusted profit), and capital (NAV) through the ERM cycle, based on the Group Management Plan in accord with its Group Risk Appetite Statement, with the aim of maintaining financial soundness and boosting capital efficiency and risk/return.



ERM cycle

Planning phase	❶ Formulate strategies based on the Group Risk Appetite Statement and establish capital allocation amounts after confirming the amount of risk that can be taken.
Execution phase	❷ Take risks within the risk limits based on the capital allocation amounts and other considerations.
Monitoring phase	❸ Conduct regular monitoring of financial soundness, profitability, and capital efficiency, etc.* ❹ Based on the outcome of monitoring, examine and implement any necessary measures.



*During the monitoring phase, we check the Group adjusted ROE, ROR, ESR, compliance relative to risk limits, etc., on a quarterly basis.

Initiatives to boost profitability

To enhance capital efficiency while maintaining financial soundness, our Group works to secure appropriate risk and return by implementing the following initiatives in each of its business domains.

Product development/sales/ initiative management	P/L management by product/line Domestic non-life insurance: Improved earnings through rate revisions for voluntary automobile insurance and fire insurance, strengthened underwriting, and expanded earnings from casualty insurance MSA Life*: Confirming the profitability of products sold (new business CSM and ROR) MSP Life*: Assessing profitability after the launch of new products and by product *MSA Life: Mitsui Sumitomo Aioi Life Insurance; MSP Life: Mitsui Sumitomo Primary Life Insurance
International business strategy	Promoting initiatives under the new business management framework centered on the IEC to raise profit levels, control earnings volatility, and improve capital efficiency
Retention/reinsurance policy	Establishing a retention and outward reinsurance scheme that maintains the financial soundness and stability of periodic profit and loss and contributes to improving profitability Controlling the net retained risk amount associated with overseas natural catastrophes
Asset management strategy	Strengthening the global asset management framework and reinforcing the platform by consolidating the functions of Group companies within the holding company, while pursuing high-quality risk-taking based on monitoring warning signs of crises, diversification, and in-depth analysis

ROR trend See P.29

Strengthen the risk management framework

Strengthen the risk management framework	Define conduct risk, integrate it into the existing risk management framework, and strengthen the framework for broadly identifying potential risks by leveraging collaboration within the Group and insights from external experts
Strengthen forward-looking risk detection and response capabilities	Monitor changes in the external and internal environments, promptly detect warning signs of risk and compound risks, share them across the Group, and strengthen the framework for responding swiftly
Cultivate a risk culture	Further foster a sound risk culture as the foundation of governance that supports enhanced corporate value and sustainable business operations

Zero strategic equity holdings

Efforts to further reduce strategic equity holdings*1
We will accelerate the reduction of strategic equity holdings to achieve zero by the end of March 2030. This will contribute to the reduction of risk and the improvement of capital efficiency. While maintaining our shareholder return policy, returning 50% of Group adjusted profit, we will utilize the funds remaining from the sale of strategic equity holdings for growth investments (e.g., business investments, AIDX*2, system investments, higher return assets).

*1 Excluding business investments, such as the development of insurance products and services or stocks that are deemed reasonable to hold as portfolio investments
*2 AI Digital Transformation



CHRO Message

Advancing the talent strategy as one Group, starting with employee well-being

Satoru Tamura Talent Strategy

Vice President
Executive Officer
CHRO

To realize the Group Vision for FY2030, the MS&AD Group is advancing a talent strategy built on three pillars: “skill utilization,” “human resources portfolio,” and “well-being.” By creating a virtuous cycle between employee happiness and enhanced corporate value, we aim to become a world-leading group.

Evolving the talent strategy through three pillars

The Group is undertaking a major evolution of its talent strategy to realize the Group Vision for FY2030. At its core are three pillars: employee growth through “skill utilization” and “career development,” building a “human resources portfolio” aligned with management strategy, and enhanced “well-being.”

These are not independent initiatives but are closely interconnected. A talent strategy is not something that the Company presents unilaterally to employees. It must be realized jointly by the Company and its employees, based on a shared understanding. Employees chart their own careers and grow by acquiring and demonstrating the necessary skills. This growth raises the overall capabilities of our human assets and enables the right people to be placed in the right positions, ultimately supporting the Company’s growth strategy. Combined with an environment in which employees can experience a sense of purpose and ease at work, physical and mental health, and improved compensation, this process enhances employee well-being. Creating this cycle is the foundation of our talent strategy.

Of these elements, I place particular importance on employee well-being. Greater well-being leads to higher engagement and productivity. Employees are consequently able to create greater added value, leading to improved business performance, better compensation, and expanded opportunities for growth. Enhanced corporate value lies at the end of this virtuous cycle.

Well-being encompasses many elements, including health, personal relationships, and financial stability. In the workplace, however, one particularly important element is the ability to make one's own career choices. Naturally, employees' aspirations cannot always be realized exactly as they wish. Nevertheless, if the skills required for each type of work and position are clearly defined and employees understand, acquire, and demonstrate those skills, their career options will undoubtedly expand. The Company will also seek to understand employees' aspirations and career plans and conduct personnel management in a manner that prevents mismatches with the Company's needs.

Visualizing the human asset portfolio is essential to implementing this approach throughout the Group. What kinds of specialized human assets will be required, in which fields, and in what number to realize our medium- to long-term vision? What skills will be required for key positions? By clarifying and sharing this information across the Group, we will connect employees' opportunities for growth with the Company's growth strategy.

Discussing the talent strategy at the heart of management

To make the talent strategy effective, it is no longer sufficient to follow the conventional process in which the human resources division designs systems independently and then submits them to management for consideration. We need a forum in which the divisions responsible for business strategy and the human resources division share an understanding of the issues from an early stage and discuss management strategy and the talent strategy as an integrated whole. For this purpose, we began operating the Talent Strategy Council and the Human Capital Investment Council in FY2026.

The Talent Strategy Council provides a forum in which management members engage in candid discussions about the human assets needed for the growth of the Group as a whole, extending beyond their individual areas of responsibility. Its purpose is to share concerns that might be difficult for the human resources division to identify and issues recognized by the respective business units, thereby strengthening the link between management strategy and the talent strategy.

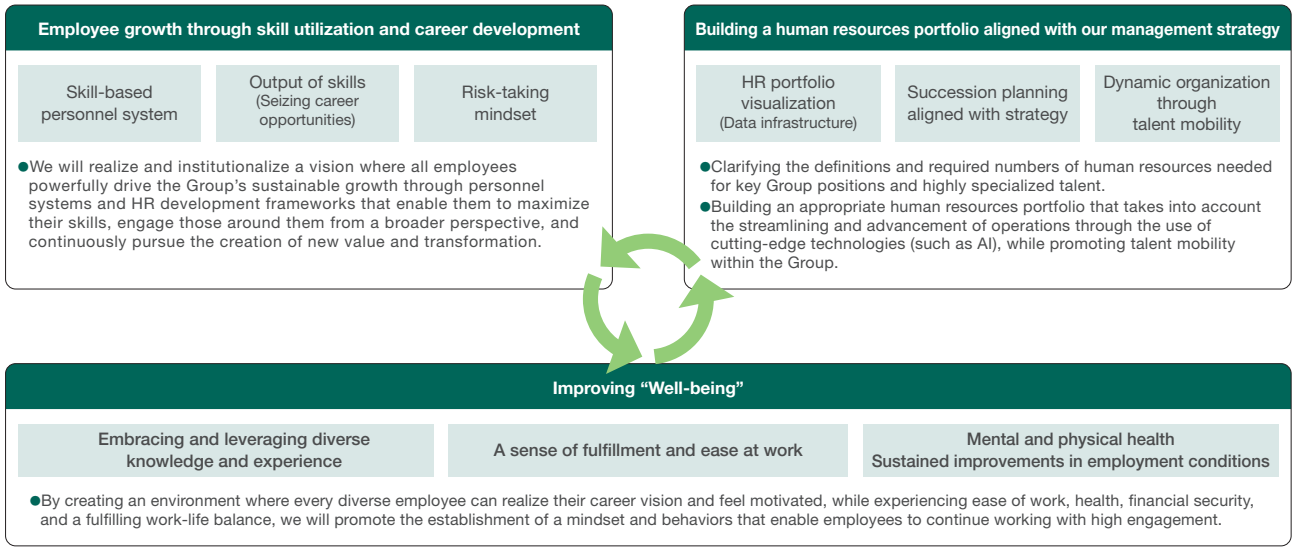
Going forward, it will be important to enable all employees across the Group to perform at a higher level. Even when an employee has been hired by a particular operating company, there might be another position elsewhere in the Group in which that employee's expertise and experience could be utilized more effectively. If some companies have sufficient human assets while others are unable to secure enough of the talent they require, we will need to consider Group-optimized assignments while taking the circumstances of each company into account. This will enhance both management efficiency and the Group's capacity for growth.

Rapid technological advances, including AI, are also transforming the work performed by people and the skills required of them. Although we cannot predict the future with complete accuracy, we must formulate reasonable hypotheses and continually reassess the types of human assets and skills we will require. The human resources portfolio must be continually updated in response to changes in the business environment and business strategies.

We will also establish a transparent decision-making process for human capital investments. To realize the business

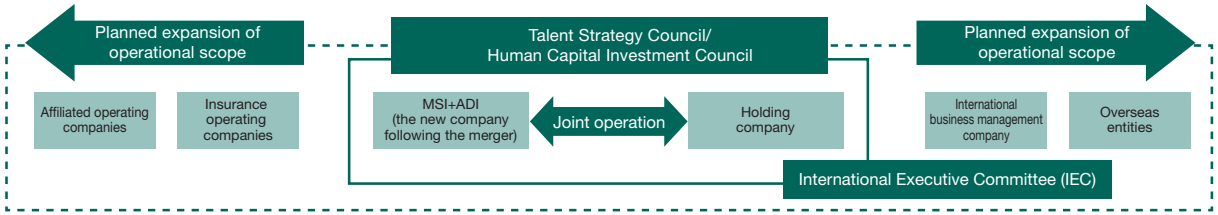
Three pillars in talent strategy

Introducing HR systems and development programs that enable employees to proactively build their own careers, in order to develop a talent portfolio capable of executing business strategies both in Japan and overseas.



Establishment of strategy execution frameworks

Structure	Overview
Talent Strategy Council	●Establishes a framework under which both the divisions responsible for business strategy and the human resources division take responsibility for proactively examining the talent strategy and communicating relevant information in an appropriate and timely manner.
Human Capital Investment Council	●Supports ambitious business model transformations proposed by individual business units through various forms of human capital investment, while establishing a transparent decision-making process for such investments.



Note: The operational scope will be gradually expanded beyond the new company created through the MSI and ADI merger. The relationship with the IEC and other bodies will also be further clarified.

model transformations proposed by each business unit, we will clarify the human resources and skills required and the expected effects of the investment, enabling management to make informed decisions. It is important to position investment in human capital not only as a cost but also as an investment required to execute the growth strategy.

Confronting challenges and strengthening unity across the Group

At the same time, challenges remain. The Group comprises a diverse range of operating companies, each with its own history, personnel systems, and corporate culture. With the merger of our core domestic non-life insurance companies approaching, strengthening unity across the Group is a major issue from a human resources perspective.

Until now, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance have operated alongside one another. Differences in their personnel systems and personnel management practices made it difficult to establish a common approach across both companies. The establishment of the new company following the merger should significantly strengthen this sense of unity. We must, however, go beyond this and develop a Group-wide philosophy that serves as the foundation for personnel management.

At its core will be an approach to personnel management based on skills. Our objective is not to standardize every system into an identical form. Although each company has different business characteristics, they should be able to share the fundamental approach of remaining closely attuned to each employee, evaluating employees appropriately, and supporting their career development. We will clearly establish the Group's common foundation for personnel management and develop it in a manner suited to the circumstances of each company.

To improve engagement, it is not sufficient merely to review the results of employee awareness surveys and engagement surveys. We must examine the underlying issues in greater depth and translate our findings into improvements. In the domestic non-life insurance business in particular, we will thoroughly reinforce our commitment to competing based on the inherent value of insurance through the execution of our business improvement plans. Some younger employees may have joined the Company with the desire to contribute to society through non-life insurance, only to feel uncomfortable when assigned work that seemed removed from delivering the inherent value of insurance. Eliminating unnecessary work and enabling employees to recognize the significance of what they do are essential to improving engagement.

Employees should develop the skills required to deliver value as an insurance company and engage directly with customers and society. That experience should strengthen their sense of mission and positively influence the culture of the entire Group. Turning challenges into opportunities for improvement is essential to building a better corporate culture.

Centering employee growth on skills to enhance their sense of growth

A skills-based personnel system provides an important foundation for enabling employees to experience a greater sense of personal growth. Job-based personnel systems, which are common in Europe and the United States, clearly define individual duties. If introduced into a Japanese organization without adaptation, however, they might lead employees to conclude that anything not written in their job description is not their responsibility. The Group does not intend simply to transplant such a system.

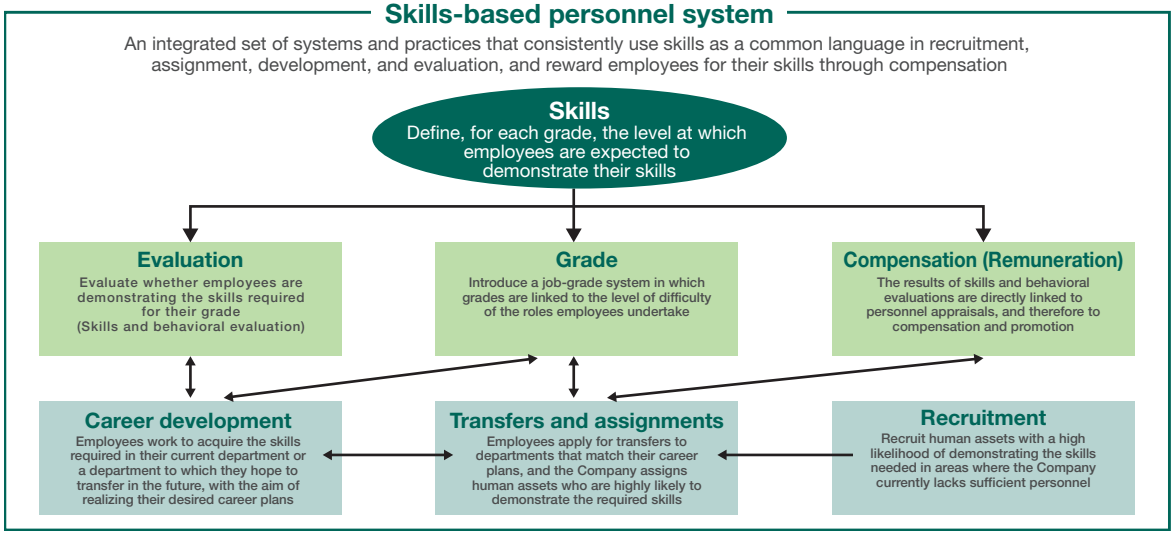
What we emphasize is defining the skills required for each role in sufficient detail so that employees can understand where they currently stand and the direction in which they need to grow. Rather than vaguely feeling that they are "gaining experience," employees should be able to recognize specifically that they have "acquired this skill" or "reached this level." For younger employees in particular, being able to see their own growth helps enhance both their sense of motivation at work and their engagement.

Clearly documenting skills also clarifies the talent requirements for each position. Employees can understand the skills needed for their desired careers and work to acquire them. The Company can assess how effectively those skills are demonstrated and provide feedback. Through this framework, we will achieve both self-directed career development by employees and optimal placement by the Company.

Some operating companies have already begun implementing such systems. When deploying them across the

Overview of the “skills-based personnel system”

The “skills-based personnel system” refers to an integrated set of systems and practices that use skills as a common language.



Types of skills

There are three types of skills: common skills, management skills, and job skills

Skill category	Definition	Examples of skills
Common skills	●Skills expected of all employees ●A clearly articulated “foundation for behavior” that all employees should demonstrate as professionals, based on the Group’s Mission, Vision, Values, and Code of Conduct	●Ability to think deeply ●Ability to communicate and listen ●Ability to work as a team ●Ability to drive and embrace change ●Ability to see things through
Management skills	●Skills expected of all managers ●A clearly articulated set of “operational and team management capabilities” needed to deliver results as an organization	●Ability to set and achieve targets ●Ability to bring out the best in individuals ●Ability to mobilize the organization
Job skills	●Skills required to perform each department’s work ●A clearly articulated “foundation of specialized capabilities and behavior” specific to each department, needed to deepen its expertise and deliver results in its area of responsibility	●Underwriting capabilities ●Risk management proposal capabilities ●Ability to identify social issues and propose solutions ●Ability to develop growth markets ●Global capabilities

Group, however, we must take each company’s history and business characteristics into account. For example, companies with many mid-career hires that have long operated in a manner similar to a job-based system must carefully consider how to integrate such practices with a skills-based approach. Rather than applying the same system uniformly, it is important to maintain a common philosophy while tailoring the system to each company.

In our international business as well, establishing global personnel systems and a talent management framework is an urgent priority. As our international business grows, there is an increasing need to secure a stable supply of human assets capable of competing on an equal footing with major global peers.

Going forward, we will clarify the human assets required for key overseas positions and develop broad-based succession plans covering candidates both in Japan and overseas. Japanese employees will also be expected to incorporate global growth opportunities into their career plans and acquire the skills they need to succeed in key overseas positions. It is important to develop human assets in terms of quality, not merely numbers.

Developing human assets who chart their own careers and take on transformation

To realize the Group’s Vision for FY2030, we need human assets who chart their own careers, acquire and demonstrate the necessary skills, and continue taking on the creation of new value and transformation. We need people who do more than simply carry out instructions from the Company: people who determine the direction of their own growth, take on risks, involve those around them, and forge a path to the future.

Of course, the Company also has responsibilities. It is the Company’s role to clarify the skills required, provide growth opportunities, evaluate employees fairly, and create an environment that supports them in taking on challenges. At the same time, employees are expected to think independently about their careers and take the initiative to seize opportunities. Rather than waiting for the Company to provide everything, employees must learn independently, volunteer for opportunities, and expand their own possibilities. This sense of personal responsibility will become increasingly important in the years ahead.

The MS&AD Group has adopted the tagline, “Taking on Risk, Leading the World.” Each and every employee is responsible for bringing this to life. Employees hone their skills, forge their own career paths, take on transformation, and through these efforts experience their own growth and well-being. My mission as CHRO is to connect this strength to the growth of the entire Group.

The talent strategy must be closely aligned with the management strategy. Employee growth enhances corporate value, and higher corporate value in turn expands opportunities for further growth. To firmly establish this virtuous cycle, we will advance the talent strategy with the Group working as one.

CGO Message

Leading the international business into its next stage of growth through Group-optimized management

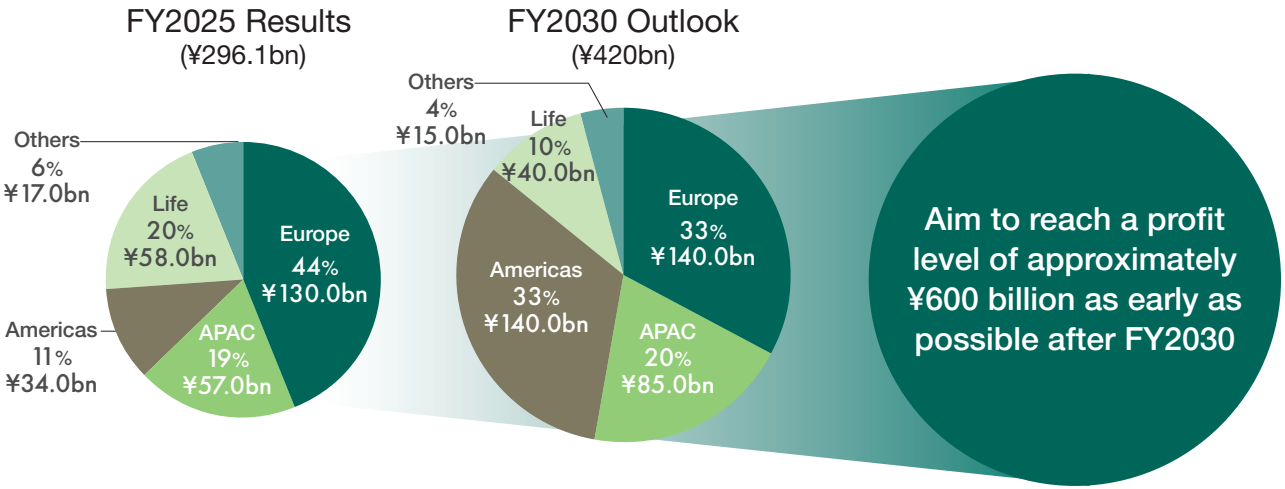
Hironori Morimoto International Business Strategy
Senior Executive Officer
CGO

Transforming now in preparation for the next leap forward

The Group's international businesses have grown steadily, reflecting many years of efforts to build their business foundations and the success of earnings structure reforms, particularly in Europe and the Americas. In recent years, we have made significant progress in rebuilding MS Amlin and MS Reinsurance and expanding their business platforms, and making a full-scale entry into the U.S. local market. As a result, adjusted profit reached approximately ¥300 billion in FY2025. The international business has substantially elevated its position within the Group and is now a core business driving growth across the Group.

At the same time, because of this growth, certain challenges have come to light. Each region and company has pursued management optimized at the individual company level by leveraging its own strengths. As a result, there are now instances in markets such as the United States where Group companies target overlapping customer segments and lines of insurance. Similarly, with respect to underwriting standards and risk concentration management, there are situations in which the conventional management model—under which each company's individual approach is respected—cannot fully maximize the Group's overall earnings capacity and capital efficiency.

International business adjusted profit distribution (IFRS estimate)



These are challenges that we anticipated would emerge during the process of growth. Now that the earnings foundation of the international business has stabilized and each operation has developed its own capabilities, I believe that we are in a position to implement the transformation required for the next stage of growth. To become a top-tier global player, it is essential, in my view, to transition from our conventional federated management model to "group-optimized management," under which management resources are allocated optimally from a cross-Group perspective to further enhance earnings capacity.

We aim to generate adjusted profit of ¥420 billion from the international business in FY2030 and approximately ¥600 billion beyond that. These targets are not simply about pursuing greater business scale. We will evolve into an organization capable of generating sustainable profits by achieving more sophisticated diversification across regions, lines of insurance, and customer segments; strengthening underwriting discipline; and utilizing capital efficiently. We are now moving ahead in earnest with the transformation required to achieve this.

Launching the IEC and international business CxO structure

As the first stage of this transformation, we established the International Executive Committee, or IEC, in April 2026. The IEC is a body that discusses and advances management issues relating to the international business from a professional, Group-optimized perspective. Previously, management discussions concerning the international business were conducted through the Group Management Committee and Board of Directors. Now that our international business accounts for the majority of the Group's scale and influence (excluding gains from sales of strategic equity holdings), we believe a new structure is necessary. Under this new structure, talent who are regularly exposed to global markets and possess a deep understanding of frontline operations will be able to engage in more in-depth discussions and take responsibility all the way through to the realization of specific initiatives.

The IEC consists of 14 members, eight of whom are non-Japanese. In addition to myself as CGO, the Group's CFO, CRO, and the AD executive responsible for the international business participate in the IEC and perform governance functions from the holding company's perspective. We have also appointed experienced management talent with extensive backgrounds in Lloyd's, reinsurance, the U.S. business, and other fields as advisors to support the advancement of initiatives in their respective areas. In addition, we have appointed seven International Business CxOs by function. These CxOs are responsible for advancing business management across the Group in their respective areas of expertise: strategy, finance and investment, underwriting, risk management, human resources, and IT and operations.

We selected individuals for these positions not simply because they possess experience, but because they have proven track records and the ability to execute transformation. Many have delivered results as CxOs at the Group's international operating companies and understand our corporate culture and approach to conducting business. At the same time, they have extensive practical knowledge of global markets and are capable of leading highly specialized discussions. To make this transformation a success, I believe we have brought together not people who "might be able to do it," but people who "will get it done."

The IEC discusses subjects directly connected to the growth of the international business, including distribution channels, Group synergies, business investments, underwriting policies, risk accumulation management, and brand strategy. For example, major brokers wield considerable influence in European and U.S. markets, and it is not sufficient for each of our operations to engage with them individually. It is important for the Group to present "One face, one message" and build strategic partnerships with these brokers. We will also enhance the competitiveness of the Group as a whole by sharing outstanding underwriting

expertise and leading examples of digital utilization among Group companies and, where appropriate, standardizing and deploying them across the organization.

Our objective, however, is not to make everything uniform. Each region and company has its own market characteristics and strengths. What matters is the principle of “Common as Possible, Different as Necessary.” We will standardize what can be standardized to the greatest possible extent while respecting differences where they are necessary. This will enable us to pursue the best possible results for the Group as a whole while capitalizing on the strengths of each company.

Further enhancing expertise and organizational cohesion through the establishment of an international business management company

As the next stage, we plan to establish MSIG International, a management company specializing in the international business, in April 2027. This will be an important step in further developing the IEC and International Business CxO structure and establishing a global-standard business management framework.

As an organization dedicated to managing and advancing the international business, MSIG International will have clearly defined authority and responsibilities. We will establish our headquarters in Tokyo and open additional offices in cities such as London, New York, and Singapore, building a structure that enables us to flexibly appoint outstanding talent from each region. To attract top-tier talent in global markets, it is essential that individuals’ expertise be properly recognized and that their roles, authority, and responsibilities be clearly defined. By establishing a management company dedicated to the international business and introducing compensation and human resources systems aligned with international market standards, we will create an environment in which highly specialized, multinational talent from both inside and outside the Group can come together and thrive.

IEC members (14 members, including 8 non-Japanese talent)

Group CxO/Officer of ADI for International Business
4 members

- **Group CGO** — Hironori Morimoto
  In charge of the Group’s international business since 2024
  30+ years of experience in International Business at MSI
- **Group CFO** — Shigeo Kudo
  Previously served as CUO and GM for Corporate Planning at MSI
- **Group CRO** — Kazuaki Asai
  Previously served as Head of Reinsurance and International Supervision of ADI
- **Managing Executive Officer of ADI** — Hisashige Doisaki
  Previously served as Head of Telematics Mobility and Motor Insurance of ADI

MS&AD Executive Officers responsible for Group Initiatives
3 members

- **Andrew Carrier**
  (Advisor to Chair/Planned to assume WRB Directorship)
  40+ years of experience at Kiln, Argo and Everest Re
  Former MS Amlin CEO
- **Peter McKenna**
  (Responsible for Primary Insurance Transformation)
  30+ years of experience at AIG, Ryan Specialty
  MSIG USA CEO
- **Robert Wiest**
  (Responsible for GRV Establishment/Management)
  30+ years of experience including serving as COO of the Reinsurance Division at Swiss Re
  MS Re CEO

International Business CxOs
7 members
(belong to IBPD at MS&AD)

- **Co-CSO** — Keisuke Ema
  Head of IBPD at MS&AD
  25+ years of experience in International Business
- **Co-CSO** — Clemens Philippi
  25 years of experience at Allianz, AON
- **CHRO** — Takashi Sato
  Executive Officer and GM of HR at MS&AD
  Previously served as GM of HR at MSI and Co-Head of VC in the US
- **CFO/CIO** — Lise Lombard-Dumont
  20+ years of experience including serving as CFO for AXA’s Asia region
- **CUO** — Brian Botkin
  30+ years of experience including underwriting department at AIG
- **CRO** — Vishal Desai
  20+ years of experience including risk management at the PRA
- **CITO** — Alberto Verga
  Led PMI after Amlin acquisition and served as COO of MS Amlin

At the same time, MSIG International will also have considerable significance for the development of human assets at the Group’s headquarters in Japan. The business environment has changed so significantly that fostering so-called Japanese-style generalists alone is no longer sufficient to meet the level of expertise required in the global insurance market. Going forward, headquarters talent will be incorporated into the international business framework and undertake practical responsibilities under the International Business CxOs, enabling them to develop both specialized expertise and management acumen through hands-on experience. Day-to-day operations will be conducted in English, and performance will be assessed against global standards. By placing members in this environment, we intend to systematically develop the future leaders of the international business and expand the pool of talent capable of becoming the next generation of CxOs.

The establishment of MSIG International is not simply an organizational restructuring. It will create the foundation for strengthening our brand, organizational cohesion, and decision-making capabilities, thereby enabling the international business to evolve into a single business entity. The Group’s international business consists of a diverse collection of operations spanning Asia, Europe, the Americas, Lloyd’s, and reinsurance. Although this diversity is a significant strength, its full potential cannot be realized unless the Group is aligned around a common direction. With MSIG International at the center, we will bring together the capabilities of our overseas subsidiaries and increase the presence of the Group as a whole.

Creating a virtuous cycle of greater profitability and capital efficiency

The new business management structure will create value in three principal ways. First, it will raise the overall level of

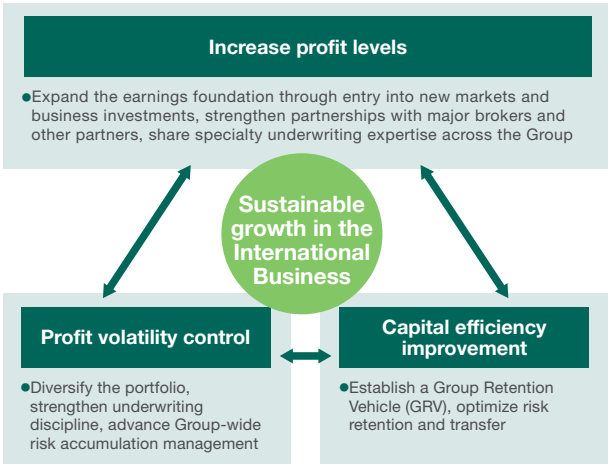


profit. By taking a comprehensive view of the international business portfolio, we will strengthen our earnings foundation by entering markets with significant growth potential and capturing business investment opportunities. We will also increase access to highly profitable business by strengthening collaboration with global brokers and global peers. In particular, we will promote our alliance with WRB and actively share the specialty underwriting know-how possessed by each overseas subsidiary throughout the Group, thereby further enhancing our ability to carefully select business opportunities.

Second, the structure will help control earnings volatility. By further diversifying the portfolio across regions and lines of insurance, we will limit the effects of natural catastrophes and market cycles and establish a stable earnings foundation. We will appropriately standardize underwriting standards that previously differed between individual companies and strengthen underwriting discipline, thereby limiting unprofitable business and the risk of large losses. We will also enhance Group-wide risk accumulation management to assess and control risk amounts with greater precision.

Third, it will enable more effective use of capital. We will optimize risk retention and transfer by utilizing Group retention and reinsurance frameworks. The Group Retention Vehicle scheduled to be established in Bermuda will be a key pillar of this initiative. By appropriately retaining highly profitable risks within the Group and designing an optimal retention structure—including the use of external reinsurance and third-party capital—we will be able to utilize capital more effectively.

Under the new business management structure, we will manage capital allocation and business operations in an integrated manner, creating a virtuous cycle that enhances both profitability and capital efficiency.



A global management model unique to MS&AD

The international business management structure we seek to establish differs from those of both our global peers in Europe and the United States and other Japanese companies. For major European and U.S. insurers, the characteristics of their home markets and international markets have much in common. Consequently, there is relatively little need to manage the international business independently. Japan's non-life insurance market, by contrast, differs from European and U.S. markets in areas such as agent networks, the voluntary automobile insurance–centered retail sector, product lineups, and the degree of penetration of specialty insurance. This is precisely why we require a specialized structure capable of formulating and implementing strategies suited to international markets.

Moreover, the Group's international businesses in Asia, Europe, and the Americas have each developed their own distinct histories and strengths. At the same time, there are areas where the markets served by our local companies overlap. For this reason, I believe the most effective way to maximize the Group's capabilities is to appoint dedicated International Business CxOs who are independent of the interests of any particular operating company and to pursue a headquarters-led, Group-optimized management model as One Team.

This transformation embodies the aspirations expressed in the Group's tagline: "Taking on Risk, Leading the World." We will confront change and challenges head-on and provide high-quality solutions through our global business platform. This initiative also embodies "Embrace the Change," a value that has long been central to our international business.

Non-life insurance traces its origins back to marine insurance, which was first established in the 14th century. It assumed the risks associated with cargo and vessels engaged in complex international transportation and expanded markets around the world through innovative thinking. In addition to this inherently international character, Japan's non-life insurance industry has a long history, a broad product lineup, and strong financial soundness. I believe that our industry has strong potential to become a leading player in the global market. By transforming the management structure of our international business, further enhancing its earnings power and global presence, and becoming an insurance group chosen by customers around the world, we aim to contribute to society by further expanding the value and creation of non-life insurance itself.



The evolution of our underwriting organization

Our international business has entered a new phase of maturity, where sustained growth must now be supported by stronger alignment, greater transparency, and a more disciplined approach to underwriting. This evolution closely supports our establishment of an International CUO Office as part of our larger international structure that has been designed to optimize portfolio performance across all regions, while coming together to bring together our Group's insurance assets to help our clients manage risk. The role of the International CUO function is to ensure that this growth is not only sustained but also scalable, consistent, and aligned with the Group's strategic objectives.

Unifying our underwriting platform

Historically, our international operations have benefited from strong local capabilities and entrepreneurial execution. Building on this success, our transformation is focused on moving decisively toward an integrated operating model—one that enables common underwriting principles and governance, clear and consistent underwriting authority, enhanced Group-wide portfolio visibility, and disciplined portfolio steering to reduce overlap and unmanaged accumulation.

Embedding discipline to enable profitable growth

Our primary objective is to support the Group's next stage of growth by embedding a consistent and disciplined underwriting culture. This includes strengthening risk selection, limit management, and pricing discipline, supported by common KPIs, audit frameworks, and enhanced risk transparency. By reinforcing these fundamentals, we enable disciplined, proactive risk-taking and improved profitability and capital efficiency.

Leveraging collective strengths to create scalable value

The International CUO function also plays a central role in scaling expertise through the Centers of Excellence, improving data and actuarial insight, and enabling cross-regional collaboration. These initiatives convert local strengths into Group-wide capabilities.

Supporting the next stage of international growth

As the Group advances its international aspirations, underwriting discipline and alignment will remain a central pillar supporting sustained, high-quality growth. By strengthening underwriting discipline, enhancing transparency, and enabling coordinated global decision-making, we are building a more integrated and resilient international platform—one designed to deliver consistent, efficient, and sustainable long-term value.



Enhance capital productivity across international operations

Converting scale into shareholder value

As the Group's international business grows, value creation increasingly depends on disciplined capital allocation, efficient balance sheet management, and consistent financial execution. The International CFO/CIO function unifies finance, investments, and capital management to maximize capital productivity, improve returns, and support sustainable earnings growth.

Driving capital discipline and efficiency

The international business contributes significantly to the Group's growth. To realize its potential, consistent capital allocation, performance management, and investment oversight are required. The function serves as a catalyst for value creation by

- Enhancing capital allocation across markets
- Strengthening the balance sheet and integrating investments and capital management
- Improving performance transparency and decision-making
- Optimizing dividends, liquidity, and FX management

We support a shift from local to global value optimization by combining local expertise with Group-wide discipline.

Building a high-performance financial platform

We are creating the foundations for a globally integrated finance and investment platform by

- Strengthening governance, capital, and performance frameworks
- Embedding consistent financial and investment standards
- Leveraging data and AI to enhance decision-making
- Developing global financial and investment talent

These capabilities support faster decisions, more efficient capital use, and stronger execution.

Supporting Long-Term Value Creation

The International CFO/CIO function is a key enabler of the Group's strategic ambitions, helping to

- Improve return on equity
- Strengthen earnings quality and resilience
- Increase capital efficiency and financial flexibility
- Support sustainable growth

Our objective is not only to manage capital but also to ensure every unit of deployed capital maximizes shareholder value while supporting sustained growth and financial resilience.



CIvO Message

Supporting corporate value enhancement through high-quality risk-taking

Takuma Hayakawa Asset Management Strategy
Managing Executive Officer
CIvO

Aiming to maintain financial soundness and increase net asset value

The environment surrounding asset management is changing significantly. We face a wide range of challenges, including initiatives to reduce strategic equity holdings to zero, rising domestic interest rates, new accounting standards such as IFRS, and economic value-based capital regulations. However, these changes in the environment do not alter the purpose of the Group's asset management or its basic approach.

The objectives of our asset management are to maintain financial soundness and increase net asset value over the long term. Our basic approach of managing assets in line with these objectives and contributing to sustainable corporate value enhancement has not changed and will not change. Under the new accounting standards, accounting profit for a single fiscal year might be more volatile. We will therefore give due consideration to the impact on periodic profit and loss, but economic rationality will remain our top priority.

The same applies to capital regulations. We do not focus on capital efficiency simply because regulations have changed; as a joint-stock company, capital efficiency is always a priority issue that we must address. We will continue working to improve capital efficiency by refining ALM, emphasizing returns after deducting the cost of capital, and selectively utilizing reinsurance schemes in the life insurance business.

Turning rising interest rates into an opportunity

Rising domestic interest rates represent a significant change in the operating environment for institutional investors, particularly insurance companies. Compared with the era of negative or zero interest rates, the environment has become more favorable for investing in yen-denominated assets. We view this as a major opportunity.

Of course, rising interest rates could temporarily result in valuation losses on existing securities. However, asset management at an insurance company must be considered not only from the asset side but also in relation to its insurance liabilities. If ALM is managed appropriately based on the characteristics of liabilities, there is no need for pessimism from the perspective of net asset value after netting assets and liabilities.

Rising interest rates also create new possibilities for the domestic life insurance business. In an environment of extremely low yen interest rates, foreign currency-denominated products have played an important role in providing customers with an attractive level of yield. As it becomes easier to secure yields on yen-denominated assets, yen-denominated products will likely become increasingly important not only for their protection functions but also as asset-building products. The asset management division is committed to supporting the development of such products and the growth of the business.

Three asset management priorities toward FY2030

Looking ahead to FY2030, the role that asset management must play will become even more important. The Group aims to grow as a comprehensive insurance company that provides non-life and life insurance globally. In this context, asset management is not merely a function for generating returns from assets held; it is an important foundation supporting the expansion of insurance underwriting, improved capital efficiency, and profit growth across the Group.

Our asset management strategy for FY2030 has three main priorities. First, we will expand high-quality risk-taking based on unified standards across the Group. Second, we will strengthen the investment platform that supports this risk-taking. Third, we will contribute to improving capital efficiency across the Group.

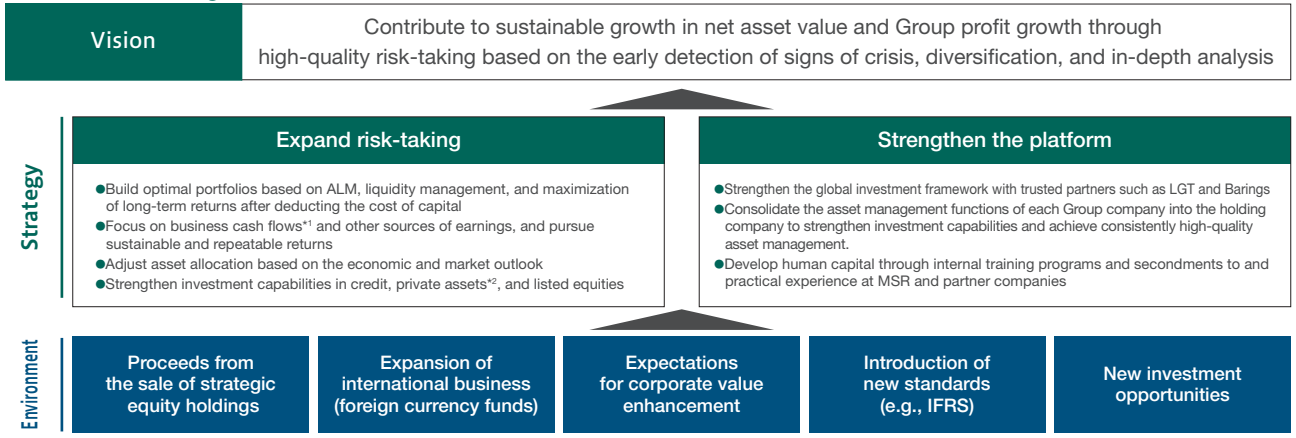
In the life insurance business in particular, the expansion of underwriting will increase asset management needs in both quantitative and qualitative terms. What will be important is to choose flexibly according to the environment between pursuing higher absolute returns and reducing the capital burden through the use of reinsurance. An asset-light approach is an effective tool, but it is not the only answer. We must consider whether to hold risks ourselves to earn investment returns, or to combine risk transfer with asset management mandates to generate fee income. With our strategic partners, Massachusetts Mutual Life Insurance Company ("MassMutual") and Barings, we now have the strength of being able to choose the optimal method to enhance capital efficiency from among multiple options.

Assessing business cash flows

To achieve high-quality risk-taking, we adhere to a clear investment philosophy. First, we take a long-term view of macroeconomic structures and market conditions. Second, we maintain rigorous ALM. Third, we pursue diversified investments in areas where we can conduct analysis consistently using our own resources and expertise. Fourth, we build portfolios designed to maximize expected returns after deducting the cost of capital.

Among these principles, the third—investing in areas where we can apply our own analytical capabilities with consistency—is particularly important as a source of excess returns. In particular, we place strong emphasis on the ability to assess the business cash flows*1 of our investment targets. When markets are hit by shocks, the prices of many assets decline simultaneously. However, not all companies fail. Even when prices fall, some companies are able to

Vision and strategies for FY2030



maintain their business cash flows and continue paying dividends or meeting obligations for principal and interest. We believe that the ability to distinguish between the two lies at the heart of investing.

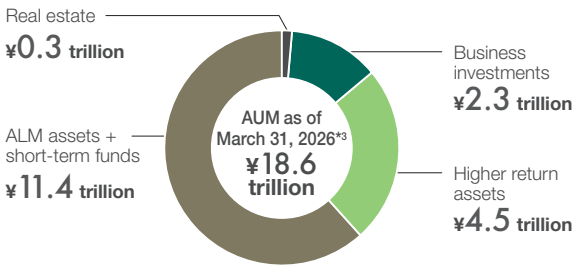
Over many years, the Group has built up stable returns by conducting deep analysis of each investment target through PE investing and other investments, while at the same time maintaining diversification. Bottom-up analysis—developing a deep understanding of a company's business model, the strengths and characteristics of its management, and its ability to generate cash flow—is painstaking work, but it leads to consistent return generation. We believe this approach can be applied not only to credit and private assets*2 but also to listed equities held as pure investments after reducing strategic equity holdings, and we are steadily advancing these initiatives.

Toward FY2030, after reducing strategic equity holdings to zero, we will prudently expand allocations to credit, private assets, and listed equities. In credit investment, rather than relying on ratings, we independently conduct detailed assessments of repayment capacity. In private assets, we will diversify investments across private debt, real estate, infrastructure, and other areas in addition to PE. For listed equities, we select companies expected to sustain and grow their cash flow generation capacity over the long term. What is important is to earn returns commensurate with risk through in-depth analysis and diversification.

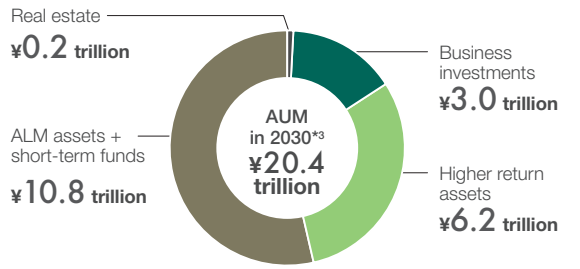
*1 Cash flows generated by individual companies, businesses, and real assets
*2 Private assets such as unlisted equities (PE) and loans to small and medium-sized enterprises (private debt)

Asset management portfolio

Assets under management (March 31, 2026)



Assets under management (image for 2030)



ALM assets (including short-term funds)

- MSI, ADI, and MSA Life invest mainly in yen-denominated bonds and loans, whereas MSP Life invests mainly in foreign bonds, etc., in line with its foreign currency-denominated liabilities
- Partial credit risk-taking in ALM asset management
- In principle, interest rate and foreign exchange risks are offset against liabilities

Higher return assets ¥4.5 trillion ➡ ¥6.2 trillion*4

- Prudently expand allocations to credit, private assets, and listed equities
  - ·Credit: Select securities based on rigorous assessments of issuers' repayment capacity
  - ·Private assets: Continue PE investments with strong return track records and promote diversified investment in private debt and other assets
  - ·Listed equities: Invest for the long term in companies expected to achieve profit growth

*3 Simple sum of 5 domestic Group companies on a non-consolidated basis (excluding strategic equity holdings)
*4 For MSP Life, only the portion where assets exceed liabilities is counted.

Consolidating investment functions to strengthen investment capabilities

A stronger investment platform is essential to support this approach to risk-taking. In the past, each Group company managed its assets independently. Going forward, we will effectively utilize resources across the Group by consolidating investment functions within the holding company, and the holding company will lead the standardization of asset class categorization, risk management frameworks, asset allocation methodologies, and other areas.

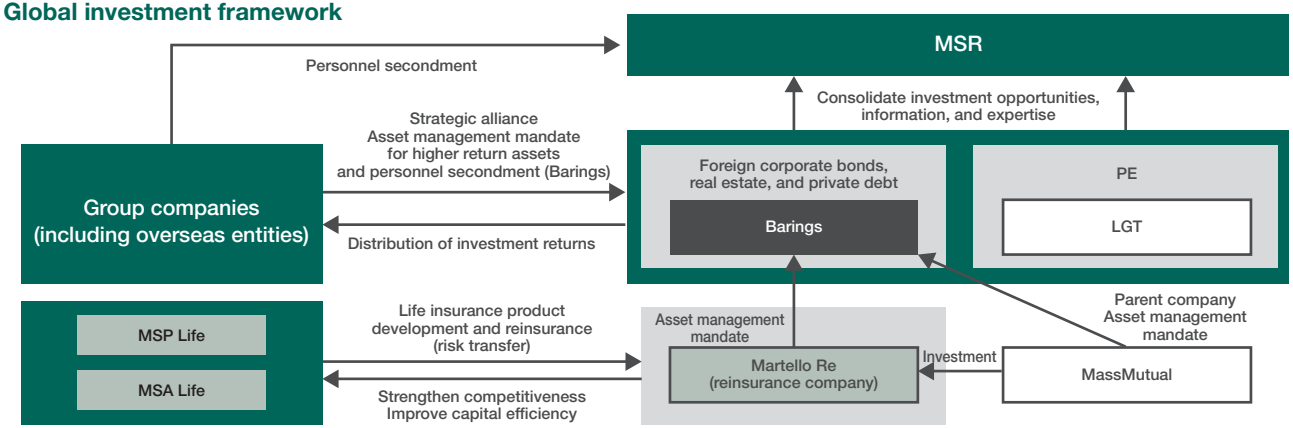
The aim of consolidating functions is not merely to improve efficiency. Balancing deep security-level analysis with broad diversification requires significant effort and a high degree of expertise. Rather than having each company maintain similar functions separately, we will consolidate specialized talent and deepen expertise in areas such as bonds, pure-investment equities, corporate lending, and fund management, thereby enhancing investment capabilities across the Group.

It is also important for specialists to discuss issues within the same organization and stimulate one another. Regardless of age or title, the person with the greatest expertise leads the discussion and shares the necessary knowledge. Such an environment—where colleagues are also constructive rivals—helps foster a high-quality investment culture.

Strengthening the global investment framework is another important element of reinforcing the platform. In overseas investing, we place great importance on local insight. During the global financial crisis, we experienced firsthand that it was difficult to fully grasp the severity of conditions in local markets from Tokyo alone, particularly when transactions among financial institutions were coming to a standstill. Drawing on that lesson, we have established a framework in which the investment teams of overseas entities and the head office investment team collaborate, with our U.S.-based asset management subsidiary, MSR Capital Partners (hereinafter, "MSR"), serving as the hub.

We are also advancing collaboration with LGT Capital Partners (hereinafter, "LGT") in PE investment and with Barings in credit investment. Our investment in Barings is significant not only as a source of additional earnings

Global investment framework



but also in terms of access to investment opportunities, market information, investment expertise, and talent development. In global credit markets, it is important to use local networks to identify at an early stage warning signs of crises and investment opportunities that cannot be seen from surface-level data alone. By deepening collaboration at various levels, from executives to frontline professionals, and sharing the resulting knowledge across the Group, we will further enhance the quality of asset management.

Turning human capital into returns

Ultimately, human capital is what determines competitiveness in asset management. This is especially true in bottom-up investing, where the professional responsible for an investment becomes the foremost expert on that investment target. Accordingly, each individual's analytical ability and insight are directly linked to the Group's returns. A major strength of bottom-up investing is that personal growth and the Group's performance move in the same direction.

For this reason, the Group places great importance on developing human capital through a combination of education and practical experience. In our proprietary training program, known internally as "Alpha," everyone from new employees to general managers and executives studies the same curriculum. Learning at the individual level alone is not enough; if decision-makers continue to rely on outdated knowledge, the organization cannot fully put that learning to use. When everyone shares common experiences and a common language, the quality of discussion and the speed of decision-making both improve.

Instructors are not determined by title. Whoever has the deepest expertise in a particular area takes on that role, and executives themselves learn from junior colleagues. Such a flat culture of mutual respect is essential to strengthening professional expertise. We are also expanding opportunities to gain practical experience locally through secondments to MSR, Barings, and other organizations. The knowledge acquired through the "Alpha" program is sharpened in practice, and the insights gained overseas are then fed back into the organization. By keeping this cycle in motion, we aim to build an asset management organization in which people can continue to grow, no matter when they join.



Harnessing asset management capabilities for the Group's sustainable growth

Looking toward FY2030 and beyond, the Group aims to become a world-leading insurance and financial services group. Achieving this requires both insurance underwriting and asset management to function at a high level and generate profit sustainably while improving capital efficiency.

The asset management division will monitor early warning signs of crises, thoroughly diversify investments, and undertake high-quality risk-taking based on in-depth analysis. Rather than being swayed by short-term market fluctuations, we will closely assess structural changes in the economy, carefully assess the intrinsic value of our investments, and pursue the optimal use of capital for the Group as a whole.

We will thereby contribute to increasing net asset value over the long term while maintaining financial soundness. We will harness asset management capabilities to drive the Group's growth. This is my mission as CIvO.

Initiatives as an Asset Owner

Asset Owner Principles

The Group's domestic insurance companies* have endorsed the Asset Owner Principles announced by the Cabinet Secretariat on August 28, 2024, as part of the government's "Policy Plan for Promoting Japan as a Leading Asset Management Center," and have expressed their acceptance to the Financial Services Agency.

*MSI, ADI, MD, MSA Life, and MSP Life

The Group will fulfill its asset owner responsibilities by developing an appropriate organizational structure and risk management framework and by making sound investments that ensure safety, profitability, and liquidity in line with investment targets and policies that take into account the economic and financial environment, with the aim of ensuring the disbursement of insurance payments and benefits to policyholders and the performance of all other liabilities, as well as contributing to business continuity and the sustainable growth of enterprise value.

Related link: Acceptance of the Asset Owner Principles Website

Stewardship activities

In 2014, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance announced their acceptance of Japan's Stewardship Code. Through constructive dialogue with investee companies and the exercise of voting rights based on an ESG perspective, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance are promoting the enhancement of corporate value and sustainable growth of investee companies from a medium- to long-term perspective.

Related link: Japan's Stewardship Code Website

Dialogue results (July 2024–June 2025)

	MSI	ADI	Total (simple sum)
Number of companies engaged in dialogue	198 companies	190 companies	388 companies

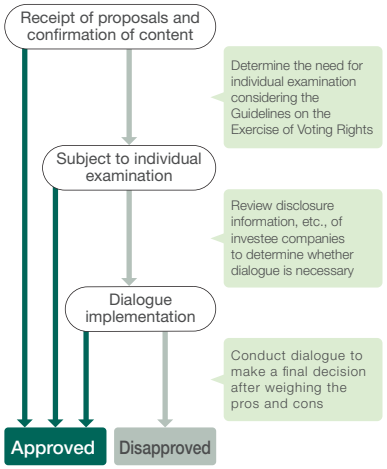
Results of the exercise of voting rights (July 2024–June 2025)

	MSI	ADI	Total (simple sum)
Proposals for which voting rights were exercised (Company proposals)	1,385 companies	1,264 companies	2,649 companies

Number of disapproved proposals (July 2024–June 2025)

	MSI	ADI	Total (simple sum)
Number of disapproved proposals (Company proposals)	24 companies	35 companies	59 companies

Process for exercising voting rights



Investments and loans considering ESG issues

As a signatory of the Principles for Responsible Investment (PRI), our Group invests and lends considering ESG issues. Specifically, we collect and evaluate ESG information in accordance with asset characteristics and investment methods and make investment and loan decisions in conjunction with conventional analysis such as financial analysis. We are working on investments and loans with themes that lead to solutions to sustainability-related issues on the premise of securing profits. In addition, we will engage in constructive "purposeful dialogue" with investee companies based on ESG factors to raise awareness of ESG among investee companies and to enhance corporate value over the medium term.

Our Group's ESG investment and loan initiatives

		Target asset classes	Investment and loan balance
Integration			
Reflection of the response to the Group's "business activities considering sustainability"	Screening specific uses of funds and industries without investments and loans, and making prudent decisions on whether to engage in transactions from the perspectives of responding to climate change, improving the sustainability of natural capital, and respecting human rights	All asset classes	¥15.8 trillion*
Incorporation of the Group's priority issues into the research	Focusing on "CO_2 emissions," "deforestation," "water risk," and "human rights violations," evaluations by ESG evaluation companies and international initiatives (such as CDP), etc., are used for investment decisions and monitoring	Corporate bonds, stocks, and loans	¥7.9 trillion
Constructive Engagement			
Engagement	Conduct dialogue centered on stewardship activities	Stocks	¥1.1 trillion
Positive Impact			
Sustainable/thematic investing	ESG issues, investments, and loans in themes such as renewable energy (e.g., solar, wind, hydrogen), green transition finance (greenhouse gas reduction), and regional revitalization	Bonds, stocks, loans, and private equity	¥836.8 billion
Impact investing	Investment in themes such as healthcare and education, focusing on climate change	Private equity	

*The scope of coverage excludes cash and cash equivalents, real estate holdings, and funds that also have funds invested by other investors

Related link: ESG Integration and Sustainability Approach Website