CSuO Message

Embedding sustainability strategy in our core business

Sachiko Hori Sustainability Strategy

Managing Executive Officer
CSuO



Growing together with society

In Japanese, sustainability is translated as “jizoku kanosei” (“sustainability” or “viability”). In other words, sustainability fundamentally aims to maintain and improve society and the environment for future generations. At the same time, because the term is used in a variety of contexts, including climate change, biodiversity, and the circular economy, I feel that sustainability is sometimes perceived too narrowly as a difficult concept.

The insurance business, the Group’s core business, is fundamentally about enabling safety and peace of mind. We underwrite risk and support customers, society, and economic activity when the unexpected occurs. This very role of insurance is deeply intertwined with the sustainability of society. Accordingly, for our Group, sustainability is something to be realized through our business. It is therefore a theme that every Group employee should keep in mind and put into practice in their daily work. Thinking about how one’s work is connected to the issues facing customers, local communities, and society, and acting accordingly, helps enhance environmental and social sustainability and, ultimately, the Group’s corporate value.

Not every sustainability initiative leads to profit immediately. The first priority is to sincerely engage with the issues facing customers, local communities, and other stakeholders and work toward solutions. By working together to resolve a wide range of issues, we want customers and other stakeholders to see us not simply as an insurance provider, but as a partner that helps them continue growing into the future. The trust built through these efforts will broaden the community of people who support the Group and help us become the company most chosen by customers.

Building on the foundation we have established

Under the Medium-Term Management Plan (2022–2025), we positioned sustainability as a foundation of management and advanced initiatives as a unified Group. With respect to decarbonization, we established KPIs for reducing greenhouse gas emissions and promoting the use of renewable energy and implemented initiatives accordingly. We also supported customers' sustainability initiatives through sustainability dialogues with corporate clients and investee companies in connection with insurance underwriting, investment, and financing. Furthermore, initiatives that leverage the Group's expertise to help resolve issues are expanding, including the provision of services and solutions for disaster prevention and mitigation and collaboration with local governments. Through the accumulation of these initiatives, we have built a foundation for viewing sustainability not as an activity separate from our core business, but as a perspective for creating value within it.

At the same time, the challenges have also become clear. We need to transform employee awareness and behavior so that each employee understands the issues facing local communities and customers through their own work and takes the initiative in acting to resolve them. A major theme going forward is to embed sustainability naturally into daily operations rather than treating it as a special activity.

Realizing the Group Vision for FY2030

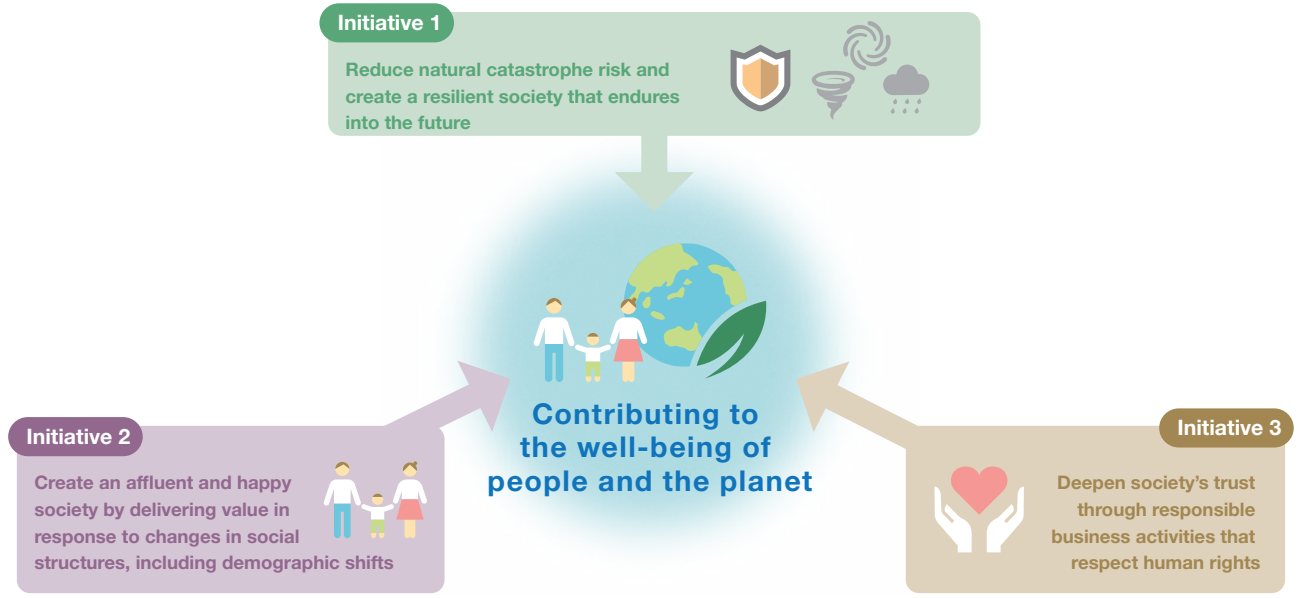
To realize the Group Vision for FY2030, we have positioned sustainability as one of the strategies to be pursued across the Group. Sustainability is not merely part of CSR or social contribution activities; it is management itself. This positioning conveys a strong message. Going forward, with a firm commitment to link the resolution of social issues to the Group's growth, we must make sustainability a guiding principle for all business activities and decision-making and be more conscious than ever of its importance.

By 2030, we aim to make it the norm for every employee to identify the priority issues facing customers and local communities and work to resolve them through daily business activities.* All Group employees will take action toward realizing the Group Vision for FY2030 and contribute to the well-being of people and the planet as the insurance and financial group most trusted and most chosen by customers and society.

*For specific initiatives toward this goal,
see P.57 "Initiatives for every employee to think and act."

Creating value by resolving social issues

Specifically, to realize the Group Vision for FY2030, we will advance three initiatives: addressing natural catastrophes, addressing demographic changes, and respecting human rights in business.



Addressing natural catastrophes

Natural catastrophes have a major impact on our business. We will advance initiatives from both perspectives: reducing natural catastrophe risk itself and mitigating damage and losses after a disaster occurs. In recent years, natural catastrophes such as torrential rains, typhoons, and floods have become more severe and frequent around the world due to climate change, significantly affecting not only people's lives and property but also business activities and local economies. In addition to climate change, this situation reflects the degradation and loss of natural capital, including forests and wetlands, which has reduced nature's inherent disaster prevention and mitigation functions. Economic losses from natural catastrophes continue to grow, while the protection gap (the difference between total losses and those covered by insurance) is also widening, making it more important than ever to enhance the resilience of society as a whole.

If the resilience of customers and local communities declines, it will become difficult for insurance to fully play its role in supporting the sustainable development of society. Protecting the health of people and nature is therefore an important initiative that safeguards both the sustainability of society and the Group's business foundation.

The Group is expanding the role of insurance beyond providing compensation after a disaster to encompass disaster prevention and mitigation initiatives that reduce disasters themselves and minimize damage.* We contribute to building a disaster-resilient society by providing solutions that draw on our longstanding expertise in risk analysis and data utilization and by collaborating with municipalities and companies. We will also help mitigate climate change by providing insurance and financial services that support the transition to a decarbonized society.

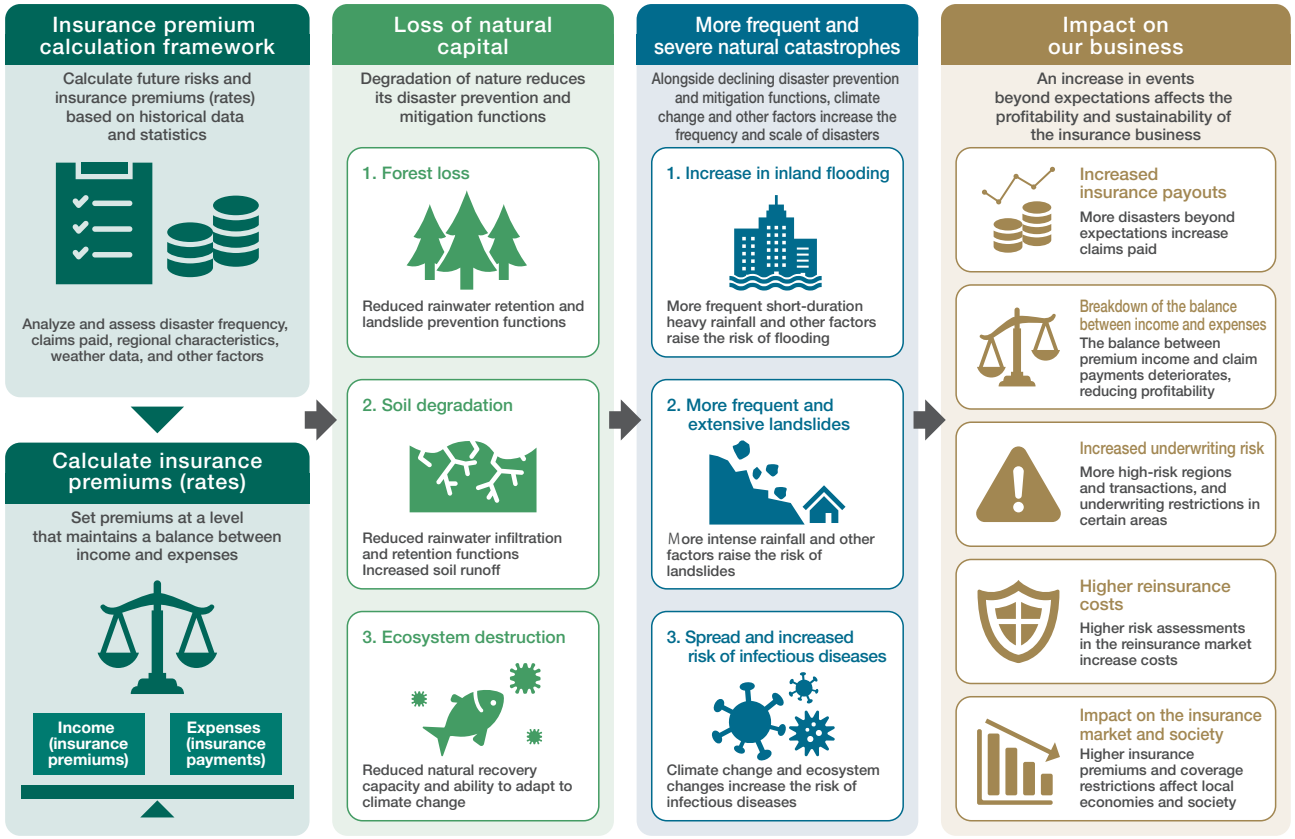
*For specific initiatives toward this goal, see P.57 "Initiatives to reduce natural catastrophe risk."

Addressing demographic changes

Amid anticipated major changes in social structures, including the falling birth rate and aging population, population decline, and diversification of working styles, the risks and needs facing customers are becoming more complex and diverse. We recognize that conventional insurance alone cannot fully address them. By responding appropriately to these changes and contributing to an affluent and happy society in which everyone can continue to live with peace of mind, we will fulfill our role as an insurance group that supports customer peace of mind.

The Group views changes in social structures not as risks, but as opportunities to create new value. Beyond insurance payments, we will provide solutions that help resolve the issues facing customers and local communities, including services for an aging society, health promotion, disaster prevention, and mobility, thereby both resolving social issues and enhancing corporate value.

Examples of how loss of the natural environment affects the Group's business





Respect for human rights in business

In our business activities, we will remain conscious of respect for human rights as a trusted company and work to realize a sustainable society through responsible business activities. As globalization advances and supply chains become more complex, respect for human rights has become not only a matter of corporate social responsibility but also a key management issue that affects corporate value. Human rights abuses and inappropriate business activities can seriously undermine the trust of customers, investors, local communities, and other various stakeholders, posing risks of reputational damage and disruption to business continuity.

As an insurance and financial group whose business is founded on trust, the Group will respect human rights and promote fair and transparent business activities* across the entire value chain, including not only its own operations but also supply chains, investment and financing, and insurance underwriting. We will also continue meeting society's expectations by creating workplaces where diverse people can thrive with confidence and maintaining integrity and sound governance.

*For specific initiatives toward this goal, see P.58 "Responsible business activities that respect human rights."

Harnessing global expertise

Because history, culture, social issues, and regulatory environments differ by country and region, advancing sustainability initiatives requires consideration of perspectives from regions around the world, not only from Japan. As the international business accounts for a growing share of the Group, it is increasingly important to maintain common Group policies while taking the circumstances of each region into account.

Accordingly, in FY2025, we launched the Global Sustainability Leadership Forum (GSLF), which brings together key overseas operations and sustainability-related departments in Japan. The GSLF has established subcommittees for themes such as insurance underwriting, investment and financing, and information disclosure, and discusses issues and future directions from a global perspective.

In June 2026, we held a joint event in London with MS Amlin, our U.K. subsidiary operating in the Lloyd's market. With a focus on climate change, participants discussed a broad range of social issues from a global perspective, including geopolitical risks and widening wealth inequality. To help close the protection gap created by the growing frequency of climate change-related natural catastrophes, we also announced MS Amlin's participation in the Natural Disaster Fund, a public-private partnership supported by the U.K. and German governments and managed by Global Parametrics. Insurance has supported economic growth as essential social infrastructure. As risks grow more complex, we believe that collaboration among the public, private, and academic sectors can help create a unified approach that goes beyond existing initiatives. We have also identified human rights as an important theme and are studying principles and standards that can be shared across Japan and other countries. We will also enhance the Group's capabilities in sustainability information disclosure while taking account of the systems and calculation standards in each region.

Collaboration with international organizations is also important. We will participate in discussions informed by global trends through the United Nations Environment Programme, the United Nations Office for Disaster Risk Reduction, the Taskforce on Nature-related Financial Disclosures, and other organizations, and communicate the Group's insights externally. For example, at a July 2026 international conference on "Insurance and Nature Positive" co-hosted with the United Nations Environment Programme, experts from Japan and overseas discussed the role insurance can play in relation to nature and other topics. We will continue to proactively organize and participate in such international conferences and advocate for the insurance industry's voice to be reflected in global rule-making forums.

In closing

Our Mission—"To contribute to the development of a vibrant society and help secure a sound future for the planet by enabling safety and peace of mind through the global insurance and financial services business"—is the very embodiment of sustainability. To realize the Group Vision for FY2030, we have newly positioned sustainability as a management strategy, and every employee will take ownership and put it into practice in their daily work. Many of these steady initiatives take time. As CSuO, I will fulfill my responsibilities with pride in our social mission, knowing that each step we take today helps shape the future of our customers, society, and the planet.

Sustainability Initiatives

The MS&AD Insurance Group is advancing a wide range of initiatives to enhance environmental and social sustainability and the Group's corporate value through the provision of insurance and financial services. Here, we highlight selected initiatives, including those aimed natural catastrophe risk.

Initiatives to reduce natural catastrophe risk

Establishment of the Kumamoto Water Positive Design Center

The Kumamoto Water Positive Design Center (KuWP) was established to create a platform for regional implementation that simultaneously conserves groundwater resources and reduces flood risk—two challenges facing the Kumamoto region. Kumamoto City relies entirely on groundwater for its water supply, but the concentration of the semiconductor industry and the progress of urbanization have increased water extraction and expanded impermeable areas, resulting in a decline in groundwater recharge capacity and an increase in stormwater runoff. Conventional conservation and flood control measures remain important, but their ability to offset the effects of land-use conversion is limited. Through collaboration among industry, academia, and finance, the KuWP will promote the area-wide installation of rain gardens and other green infrastructure in urban areas. It aims to deliver the dual benefits of groundwater recharge and reduced rainwater runoff, quantify some of these effects, and create a framework through which regional stakeholders can work together to implement their value in society.

The significance of an insurance company participating in this framework lies not only in reducing the risk of flood damage caused by torrential rains but also in mitigating the impact on the local economy when businesses are forced to suspend operations. Achieving this requires a community-wide framework rather than action by a single company and will ultimately help reduce insurance underwriting risks. Initiatives of this kind are also important for enhancing the sustainability of both insurance and local communities.



MACHI to GREEN—Web content visualizing the effects of installing green infrastructure





MACHI to GREEN is disaster prevention and environmental learning content that enables users to experience and learn about the movement of water across an entire river basin and the rainwater infiltration, storage, and runoff reduction effects of green infrastructure. Users can simulate approximately 3,000 combinations to see how measures such as forest thinning in mountainous areas and the installation of rain gardens in urban areas affect river flow and inland flooding during heavy rainfall. A key feature is that it visualizes connections across administrative boundaries—between upstream and downstream areas, nature and cities, and municipalities, businesses, and individuals—making basin-wide flood management easier to understand as a personal concern.

For an insurance company, the significance of creating and promoting this content lies in going beyond post-disaster compensation to prevention and awareness activities that reduce the damage itself. As climate change increases the risk of torrential rains, raising disaster preparedness across entire river basins and encouraging behavioral change contribute to risk reduction, which lies at the heart of insurance. Use of the content in school education and community events can also contribute to disaster prevention and environmental education for future generations. By supporting the resolution of social issues based on scientific expertise, insurance companies can provide new value that goes beyond compensation.

Initiatives for every employee to think and act

Project for Creating the MS&AD Group's Future Together

In FY2025, to strengthen initiatives that enhance the sustainability of the Group's businesses, we launched the "Project for Creating the MS&AD Group's Future Together" ("MS&AD Miracle"). The project centers on two initiatives addressing themes considered particularly important to enhancing the sustainability of the Group's businesses while confronting social issues: "Building a society resilient to water-related disasters," focused on water-related disasters, and "Building a society where people can expect to live happily for 100 years," focused on demographic changes such as the falling birth rate, population aging, and increasing longevity. Volunteers from Group companies meet every month, with each employee taking the initiative to think and engage in discussion.

On November 21, 2025, Group executives, including President Funabiki, and project members held the "MS&AD Miracle Super Discussion 2025." Participants considered across organizational boundaries the future the Group should pursue as a new leading company for the coming era, unconstrained by precedent or existing values. The event drew a total of 1,700 participants, including online attendees.



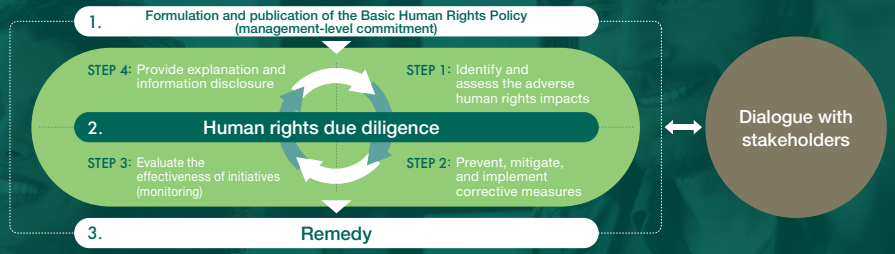
Advancing sustainability as a management strategy requires not only top-down policies but also ideas and actions originating in the workplace. We will embed sustainability in our core business through an employee-driven, team-based process that creates new value while having fun.

Responsible business activities that respect human rights

In accordance with international frameworks such as the UN Guiding Principles on Business and Human Rights, we respect the human rights of diverse stakeholders, including employees, customers, business partners, and local communities, to the fullest extent possible throughout all our business activities.

We consider the entire value chain and work with business partners and partner companies to prevent and resolve human rights abuses, including discrimination and harassment.

Prepared with reference to the "Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains" by the Ministry of Economy, Trade and Industry



Implementation of human rights due diligence

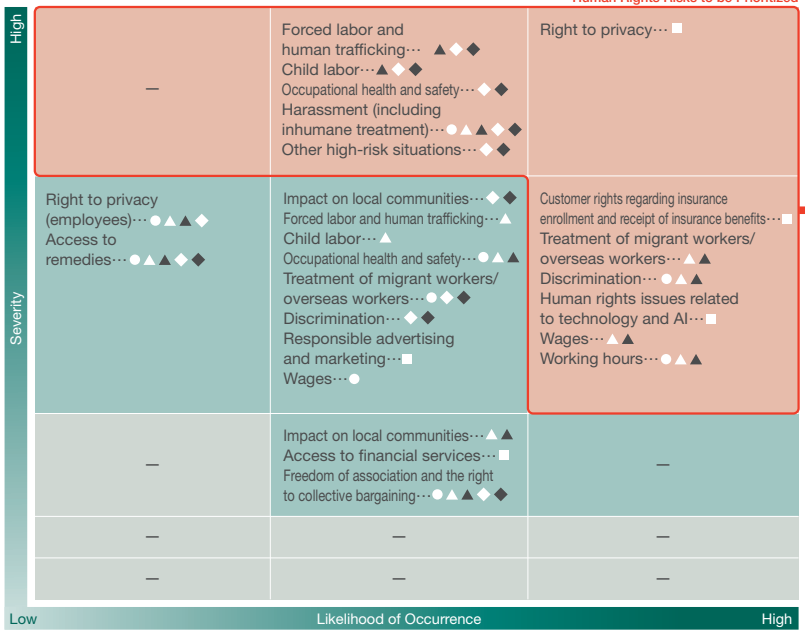
Based on the UN Guiding Principles on Business and Human Rights, the Group conducts human rights due diligence for all stakeholders involved in its business activities. We operate an integrated process encompassing the identification and assessment of risks; prevention and mitigation initiatives; regular monitoring; communication and information disclosure; and access to remedy, while continually working to improve the effectiveness of this process.

STEP 1: Identification and assessment of adverse human rights impacts

The Group identifies and assesses adverse human rights impacts in its business activities, has designated the following human rights risks as priorities, and is advancing initiatives to address them.

Human Rights Impact Assessment Results and Human Rights Risk Map

Within the red frame: Human Rights Risks to be Prioritized



Priority Issues for Respecting Human Rights

- Fair and impartial customer service
- Consideration of human rights measures at insurance agencies, external contractors, corporate clients, and investee companies
- Consideration for employees' mental and physical health and the realization of a safe and secure workplace environment

[Legend]
- ● Our Group Employees
- ■ Customers (Individuals)
- ▲ Insurance Agencies
- ▲ External Contractors
- ◆ Corporate Clients
- ◆ Investee Companies

STEP 2–3: Implementation of prevention, mitigation, and corrective measures, and monitoring

The Group implements prevention, mitigation, and corrective measures in each of the three areas identified as priorities for respecting human rights. We regularly monitor initiatives to respect human rights at agents, external contractors, and overseas entities. For agents, when issues were identified in high-severity items, we supported corrective action through the distribution of follow-up educational materials and dialogue.

For employees, we revised the Malicious Complaint Response Manual, conducted harassment prevention and surveys, and measured the effectiveness of behavioral changes and organizational measures.

Human rights study sessions for agents

The Group regards agents as important partners and conducts business with them on the basis of mutual trust.

We expect agents to advance initiatives to respect human rights together with the Group. In FY2025, we conducted human rights training for agents on the theme "From Risk Response to Value Creation—Building Strong Agencies through Initiatives to Respect Human Rights." The training was intended to encourage participants to view respect for human rights not merely as a compliance obligation, but as a foundation for strengthening organizational sustainability, and to reaffirm the importance of such initiatives. Approximately 110 agents of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance participated in the training.

Access to remedy

To enhance the effectiveness of its grievance mechanisms, the Group has established multiple internal and external reporting channels (hotlines) and operates a third-party channel that agents and external contractors can use directly. We will promptly ascertain the facts and take necessary measures in the event of any violation of laws, internal policies, or inappropriate conduct.



CDO Message

Leveraging digital technology to deliver customer-oriented insurance value

Tomoyuki Motoyama AI, Data Strategy
Senior Executive Officer
CDO

Making products and procedures simpler

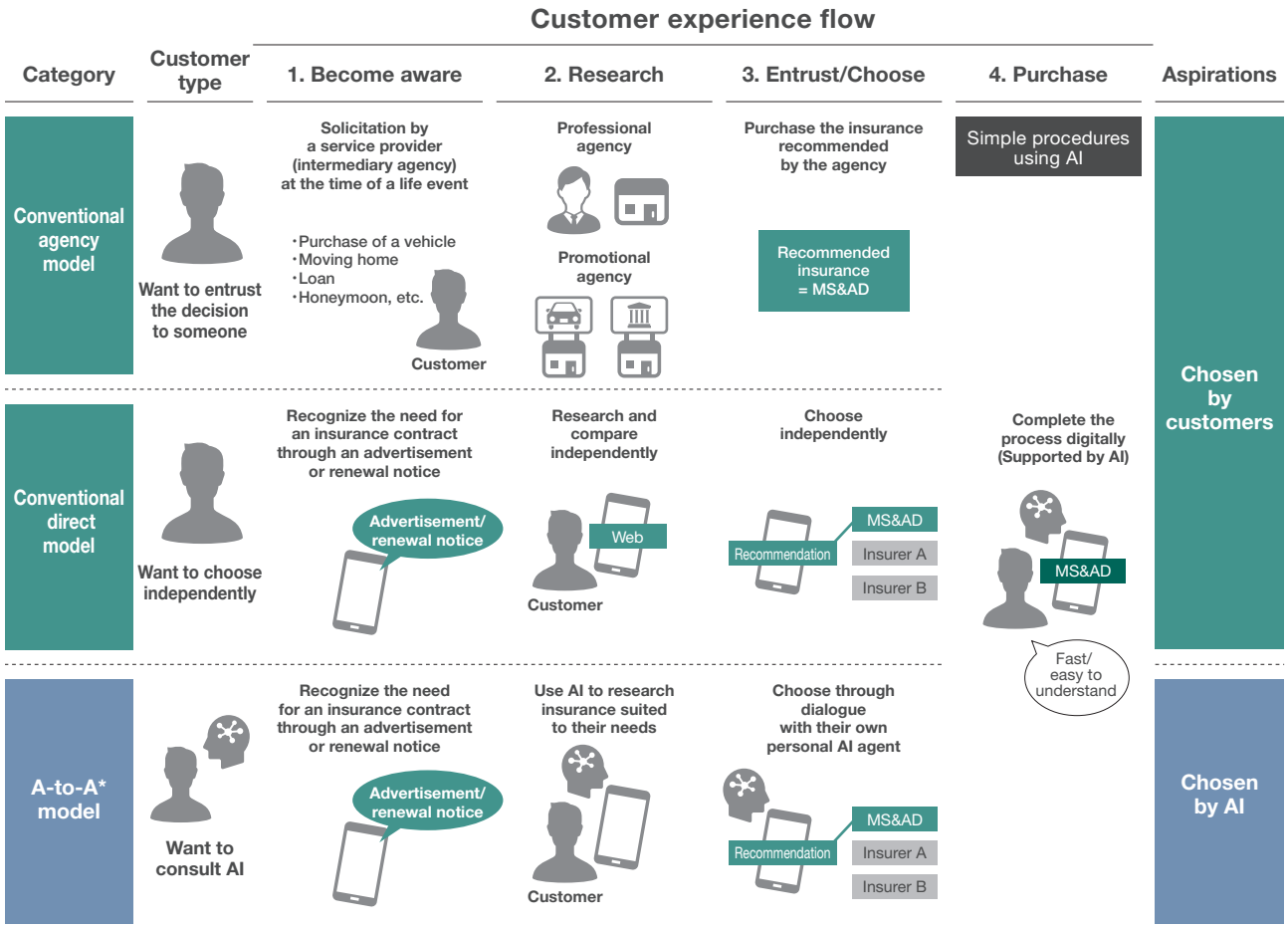
What I value as CDO is treating digital technologies and AI as tools rather than as business objectives in themselves. Our starting point must be to provide products and services that are easy for customers to understand and to be an insurance company they can choose with confidence. With products such as voluntary automobile insurance and fire insurance, which are reviewed only once a year or every few years, customers may reach their next renewal without fully understanding their coverage. However, that would be inconsistent with our customer-oriented philosophy. To be an insurance company chosen by customers, the most important thing is to ensure that customers correctly understand their coverage and the meaning of the procedures and can purchase insurance with peace of mind. Digital technologies and AI are tools for making things better. I believe they should be used as tools to achieve the objective of delivering products that are easy for customers to understand and suited to their needs at more affordable prices.

One of the challenges facing the insurance industry is that insurance products and procedures have become complex. Even when considering only the voluntary automobile insurance offered by the Group, the combination of coverage options

and contract procedures creates an enormous number of choices. While this breadth of choice is a strength because it enables each customer to select a suitable product, it can also make insurance difficult to understand. Whether customers purchase insurance through an agent or online, we must continually reassess whether we have fully explained the coverage and whether customers have understood it correctly. Moreover, in light of the various incidents arising from industry practices in recent years, simultaneously advancing business improvement and business model transformation is our most important challenge.

To address these challenges in the digital domain, we must simplify products and procedures as much as possible and enable customers to choose the method that best suits them. We will provide more detailed explanations for customers who want to speak with someone face to face before deciding, and user-friendly digital procedures for those who want to complete their contracts online. The same applies to accident reporting and insurance claims. Digital technologies serve not only to improve operational efficiency but also to create touchpoints that give customers assurance. From contract procedures through the payment of insurance claims, it is important to offer options suited to each customer's circumstances and needs and thereby give customers greater confidence in their choices.

In transforming the business model to enhance customers' sense of security and convenience at the same time, we will also focus on new forms of insurance distribution. For example, by combining insurance with trusted existing digital platforms, customers will be able to complete contract procedures easily within a familiar and reassuring environment they use in their daily lives. Through these initiatives, we will reduce the psychological burden associated with digital procedures and realize more accessible insurance services.



*Agent to Agent (A-to-A) refers to a mechanism in which AI agents engage in direct communication, data exchange, and transactions without the involvement of humans.

Becoming an insurance company of choice for both customers and AI

Our fundamental approach is the same for international operations. The central principle should be common worldwide: delivering value to customers and helping resolve social issues through underwriting, which determines whether a risk can be accepted when an insurance contract is entered into; loss prevention, which prevents accidents and minimizes damage; and recovery, which supports rapid recovery after an accident.

However, the path to achieving this differs by country and region. This is because attitudes toward AI and digital technologies, price sensitivity to insurance premiums, and views of insurance itself vary widely. It is therefore important to share the Group's values while establishing a framework that allows each overseas subsidiary to independently devise methods suited to its own market.

The same thinking applies to using AI to optimize product recommendations and selection. Customers have long compared insurance online, and they are now increasingly choosing from options presented by AI. As a result, we must be not only an insurance company chosen by customers but also one chosen by each customer's AI. However, this does not mean that we simply want to take technical measures to appear higher in search results. The essential point is to accurately communicate, in a form that AI can understand, whether what customers are seeking truly matches our products and services. Information that is easy for customers to understand should also be easy for AI to understand. That is why, as a comprehensive insurance company, we want to enable the presentation of optimal choices to each individual customer.

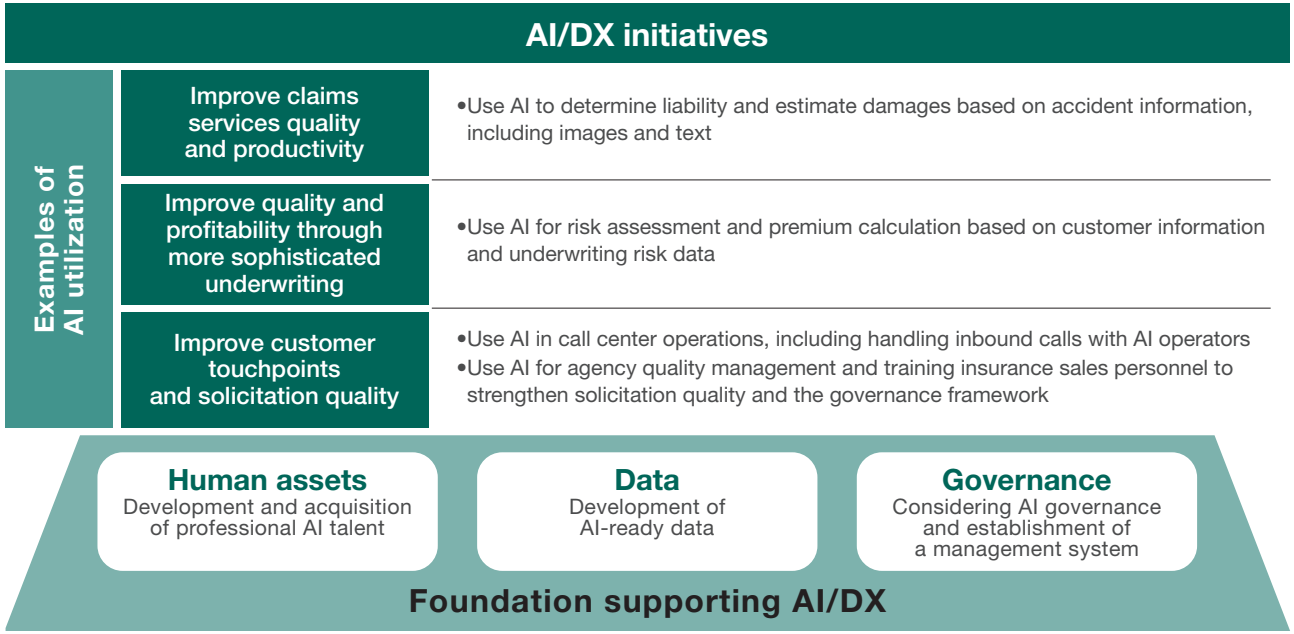
The areas in which digital technologies and AI can contribute are not limited to improving convenience in the personal lines business. I believe the true power of AI is demonstrated in areas that only AI can address. For example, in commercial insurance, we must determine whether to underwrite a risk and set an appropriate premium based on the risks faced by the customer and events occurring around the world. Using AI in underwriting operations could make it possible to analyze large volumes of data quickly and gain a deeper understanding of the nature of the risk, the appropriate premium, and risks that should be anticipated in the future. This can also support loss prevention and recovery. Rather than simply analyzing the relationship between river levels and rainfall, predicting how rainfall in distant mountains will flow downstream and which areas it will affect several hours later is precisely the kind of task suited to AI. If insurance companies develop these capabilities, they should be able not only to pay insurance claims but also to reduce damage from accidents and disasters and help resolve social issues. Even if this does not generate profit in the short term, reducing damage will enhance the sustainability of the insurance business over the long term.

Human asset development to promote AX (AI Transformation)

As AI advances, we must also substantially reconsider how we develop human assets. For example, in insurance payouts, AI will increasingly automate and enhance routine tasks and straightforward decisions. At the same time, sophisticated work such as making decisions in difficult cases, responding to major risks, negotiating, and coordinating interests will remain an important area in which people should continue to play the central role. For this reason, what we need is not merely to broaden our knowledge of how to use AI. It is important to cultivate the ability to collaborate with AI, appropriately define objectives and constraints, evaluate AI output, and translate it into the best decisions and responses for customers. Furthermore, as AI takes over simpler work, younger employees will have fewer opportunities under conventional OJT to build experience gradually through routine tasks and straightforward cases. Simply extending conventional approaches to development will not be sufficient. We need to evolve toward a development framework that combines practical training, AI-enabled role-playing, and OJT so that employees can acquire the necessary knowledge, judgment, and interpersonal skills in a shorter period of time. Enhancing both the ability to utilize AI and the value that only people can provide will form the foundation of future competitiveness.



MS&AD AX, established as a joint venture with ExaWizards, is a key initiative for enhancing operations through the use of AI. The purpose of establishing MS&AD AX is to create an environment where Group employees can collaborate with AI specialists and gain experience introducing AI into and further enhancing a wide range of business processes, principally in the insurance business. AI is not something we simply outsource and consider finished; it is something we must build, develop, and continue using ourselves.



We intend to enhance AI capabilities across the Group by examining AI use cases in a wide range of areas, including underwriting, insurance payouts, sales support, contact centers, and administrative processing, and by consistently advancing initiatives from PoC (proof of concept) through development and operation to human asset development.

It is also important that we do not depend entirely on any particular company or technology. There are many different AI service providers. We will incorporate advanced technologies through investment and collaboration via Corporate Venture Capital (CVC), as well as advice from security and governance specialists, and determine which technologies best suit our needs. We believe that this process is itself a form of organizational learning and also contributes to talent development.

We do not believe that developing AI talent can be achieved simply by recruiting large numbers of external specialists under special employment terms and other arrangements. What is important is to develop human assets who not only possess skills and experience but also share our aspiration to create value and impact for society through AI and can continue taking on challenges in the workplace with a commitment to transformation. We will focus on building teams capable of expanding the possibilities for AI utilization on their own initiative. By 2030, we aim to develop at least 150 highly skilled professionals capable of building AI-enabled systems. These initiatives cannot be confined to a limited number of departments. Employees supporting product design, sales, claims services, administrative operations, and systems must continually consider what is best for customers in their respective workplaces. We believe digital technologies and AI will become a common platform that connects frontline knowledge and supports better decisions.

Our aspiration is not to be regarded by society as a company that uses the latest technologies, but to remain an organization that gives customers the confidence to say, “I feel secure with this insurance company.” As technology advances, customer concerns also increase. As scenarios such as AI breaching cybersecurity defenses and automatically launching attacks become increasingly realistic, those introducing new technologies bear greater responsibility than ever before. For this reason, we must assess technologies objectively and determine whether they should be used from the perspectives of governance, security, and ethics. My role as CDO in achieving the Group Vision for FY2030 is not merely to digitize and streamline existing work, but to determine how much new value we can create beyond that. “Provide customers with products that are easy to understand and choose through simple procedures, and achieve the Group’s sustainable growth and improved corporate quality. Use digital technologies and AI as the means to accomplish this.” By always preserving this order of priorities, I intend to build a future in which we are trusted as an insurance company.

The MS&AD Group positions the implementation of information security management as a key issue (materiality) for stakeholders and the Company in creating the insurance and financial group most chosen by customers. We are also striving to strengthen our response to cyber risks and threats by complying with laws and guidelines and promoting collaboration between the public and private sectors.

Related link: Information Security Website

Message from the Chairman of the Board of Directors



Evolving into a Board of Directors that supports growth in an era of change

Translating governance reform into effectiveness

FY2025 was a year in which we evolved the operation of the Board of Directors under a new governance framework, including our transition to a Company with an Audit and Supervisory Committee and the establishment of a majority of Outside Directors on the Board. In FY2024, a major theme was setting out the direction of our governance reforms. In FY2025, we focused on ensuring that those reforms function effectively in practice. One of our particular priorities in this process was returning to the role that the Board of Directors should fulfill.

The Board of Directors of a holding company is not a forum for deliberating individual matters in exhaustive detail. Its role is to discuss significant management issues that contribute to enhancing corporate value from diverse perspectives and to supervise business execution. Based on this approach, we have reviewed the matters submitted to the Board and its agenda items. By reorganizing and consolidating matters of lower importance, we have established a framework that allows more time to be devoted to strategic discussions.

Another major change was the placement of the Internal Audit Department directly under the Audit and Supervisory Committee. When an issue arises at an operating company, a mechanism is now beginning to function whereby the issue is examined not only by the executive side but also from an independent, third-party perspective, leading to improvements. I also feel that transparency and objectivity are steadily improving in large-scale projects, including business investments and systems integration.

In the evaluation of the Board of Directors' effectiveness, we also received high marks for enhancing discussions of important matters and improving Board operations. Outside Directors have commented that the changes have enabled the Board to focus its discussions more closely on important themes. However, I believe that the pursuit of governance has no end. Precisely because we have been able to confirm the results of our reforms, we must now advance to the next stage.

Reexamining the role and responsibilities of the holding company

One of the matters that we currently consider most important is redefining the respective roles of the holding company and the operating companies. Following the merger of our two core non-life insurance companies, the Group is preparing to transition to a new management structure. Going forward, we must more clearly establish a structure under which the holding company formulates strategies for the entire Group and the operating companies are responsible for executing them.

Against this backdrop, we have also redefined the role that the holding company's Board of Directors should fulfill. Its main areas of focus as a holding company are approving Group strategies and monitoring their progress, allocating management resources, evaluating the execution of operations by operating companies, and monitoring the soundness and appropriateness of business operations. The importance of our international business will increase further going forward. We have therefore established the International Executive Committee (IEC), creating a framework centered on multinational personnel for discussing international strategies and risk management.

To accelerate growth, we must increase the speed of decision-making. At the same time, the greater the emphasis placed on speed, the more important governance becomes. For this reason, we must continually review what the holding company should be responsible for and what should be entrusted to the operating companies. I believe that the Board of Directors will increasingly be expected to support growth while maintaining a comprehensive view of the entire Group.

Moreover, simply implementing our plans will not be sufficient to steadily realize our growth strategy toward FY2030. The business environment is changing faster than anticipated. The Board of Directors also has an important role in continually examining how such changes will affect the Group's businesses and strategies and revising strategies and resource allocation as necessary. I believe that establishing a management foundation capable of responding flexibly to change will lead to sustainable growth.

Becoming an organization that detects early warning signs of risk

Looking at the business environment in recent years, the very nature of risk has changed significantly. Themes that were not fully recognized only a few years ago—such as geopolitical risks, economic security, and the rapid proliferation of generative AI—now have a major impact on corporate management. We have entered an era in which emerging risks can develop into key risks within a short period. For this reason, one of the Board of Directors' priorities is determining how to detect early warning signs of risk.

Monitoring by the corporate risk management and internal audit departments is, of course, important, but it is not sufficient on its own. We must foster a culture in which every employee on the front lines of our businesses remains alert to changes in society and considers risks independently.

We have positioned our Mission, Vision, and Values as the foundation of management. Our Values serve as guidelines for conduct, and one of the principles we particularly emphasize is integrity. Complying with rules is a matter of course, but integrity requires more than that. It is important for each person to make judgments while asking how their actions would be perceived by society. Only when these values take root throughout the organization will we be able to detect early warning signs of risk.

Transforming our corporate culture also remains an ongoing priority. I believe that lowering organizational barriers and creating an environment in which employees can readily seek advice and express their opinions will ultimately lead to the early detection of risks and the enhancement of corporate value.

Growth and governance go hand in hand

I expect our Outside Directors to continue offering frank and substantive opinions.

Many of our internal Directors, including myself, have spent their careers in the insurance industry. This makes it particularly important for our Outside Directors to raise questions and point out matters that might appear unusual from an external perspective. During discussions concerning the merger of our two core non-life insurance companies, for example, we received comments such as, "Shouldn't the Company present not only the efficiencies to be achieved but also a clearer growth strategy beyond that?" and "We need to think about how to make one plus one equal three or four, rather than merely two." Such perspectives have made our discussions more substantive.

The Group aspires to become a "world-leading insurance and financial services group." This target will require us to take risks in pursuit of growth, including by taking on the challenge of new businesses and expanding internationally.

At the same time, new technologies, businesses, and markets inevitably bring new risks. We must achieve growth while appropriately identifying and managing these risks. I believe that growth and governance are not opposed to each other. Rather, they serve as two wheels driving the sustainable enhancement of corporate value.

As changes in the business environment become more rapid than ever, the Board of Directors must continue to evolve as well. By developing our governance reforms into an even more effective framework, we intend to contribute to enhancing corporate value through a Board of Directors that supports the Group's growth.

Roundtable Discussion among Outside Directors



Dialogue

Looking to the future and making increased corporate value more certain

—The functions and roles of the holding company from the perspective of Outside Directors—

In FY2025, the Board of Directors held extensive discussions on important themes that will shape the Group's future, including the formulation of the Group Vision for FY2030 and the merger of operating companies. Three Outside Directors exchanged views, each from their respective areas of expertise, on the roles expected of the holding company's Board of Directors, approaches to enhancing its effectiveness, their assessment of the Group's growth strategy, and future challenges.

The holding company's role in increasing corporate value

In anticipation of the merger of operating companies, we revisited the role of the holding company's Board of Directors. As Outside Directors, what perspectives do you prioritize?

Suzuki I believe the most important perspective for the holding company's Board of Directors is how to increase corporate value across the Group. The Board reviews and approves Group strategy and monitors its execution. Another major role is to confirm how limited management resources are being allocated and revisit those allocations as necessary. In FY2025 in particular, we discussed the aspirations for FY2030 and the merger of operating companies throughout the year. I believe the Outside Directors, who bring diverse areas of expertise, expressed views based on their individual perspectives and engaged in high-quality discussions. At the same time, to deepen discussions further, I feel it is important for growth strategies and similar matters to be presented in a form that enables us to compare multiple options.

Ishiwata I agree that the perspective of increasing corporate value is extremely important. Having spent

my career in manufacturing, I also believe it is necessary to consider matters from a somewhat different perspective. That perspective is how we engage with customers. Manufacturing involves tangible products and customers who purchase them, making it easy to receive direct feedback. Although insurance is also a product, individual customers do not purchase it every day. Compared with manufacturing, this can make customers less visible. I therefore want to focus on whether we are truly realizing the principles of putting customers first and becoming the company most chosen by customers. I believe the Board of Directors must continue to monitor KPIs linked to customer satisfaction and how customer service is changing on the front lines.

Okajima I agree with both of you. In addition, I believe the holding company's Board of Directors is expected to monitor whether strategies are properly cascaded to and executed by each operating company, and to make course corrections when necessary. Having worked from a public administration perspective, I place particular emphasis on governance, compliance, risk management, accountability, and transparency. As a Group operating in Japan and overseas, it is also important to strike the right balance between what the holding company should oversee and what should be entrusted to the operating companies. I believe an important role of the Board of Directors is not only to set the strategic direction but also to continually ensure soundness and propriety.

Suzuki That is precisely what makes managing a holding company difficult. While respecting the autonomy of each operating company, the Group as a whole must move in a single direction. Going forward, in particular, how to grow the domestic business amid population decline and changes in the market environment will be a major theme.

Ishiwata In that regard, it is also important to ensure that decisions made by the Board of Directors reach the front lines. The distance from the holding company to the



operating companies, agents, and ultimately customers is by no means short. I believe we must confirm how the corporate philosophy and strategy are being received on the front lines, not only through figures but also through direct communication.

Okajima Indeed. Ensuring that the corporate philosophy and awareness of issues permeate the entire Group is an extremely difficult challenge. That is why it is important to consciously increase contact with the heads and front-line personnel of operating companies in Japan and overseas, including the multinational members of the newly established IEC*, so that the Board of Directors can discuss matters with a tangible understanding of actual conditions.

IEC: International Executive Committee. One of the task-specific committees

Enhancing the effectiveness of the Board of Directors

What are your expectations regarding Board operations and opportunities such as study sessions for Outside Officers, with a view to enriching Board discussions?

Ishiwata The secretariat provides exceptionally attentive support for Board operations. I find the content of the materials, advance briefings, and responses to questions to be thorough. When I first took office, I sometimes felt a little nervous at Board meetings. However, through the Chairperson's consideration and repeated communication with those around me, there is now an atmosphere in which I feel comfortable expressing my views. To make it easier to speak up, it is important to have opportunities outside formal meetings where top management and Outside Directors can talk candidly. Once you get to know people personally, it becomes easier to express your views at Board meetings.

Suzuki That is an important perspective. I believe enhancing not only Board meetings themselves but also advance briefings, study sessions, business site visits, and discussions at each committee will increase the Board's effectiveness. The Governance Committee, Nomination Committee, Remuneration Committee, and sustainability-related forums provide valuable opportunities for Outside Directors and executives to engage in in-depth dialogue. It is also important to have a mechanism for reviewing past discussions and the background to previous decisions. For newly appointed Directors, understanding the history and background of past decisions is extremely useful in improving the quality of discussions.

Okajima I also believe a mechanism for accessing past materials and minutes would be useful. For example, if we could review what was discussed when past investments were considered and what was learned during the subsequent process, those lessons could inform current decisions. At the same time, information must be managed with great care.

Suzuki That is an important point. M&A and large-scale investment projects in particular involve confidential information shared only with those involved in Board deliberations, making it necessary to further strengthen information management. Using AI and other technologies to improve convenience is beneficial, but because the information concerns the very foundations of the Company, the system must be designed with these considerations in mind.

Ishiwata If we are able to draw on past discussions, it will also become easier to make better use of the Outside Directors' expertise. For someone like me who comes from a different industry, understanding the historical background is particularly helpful.

Okajima Now that Outside Directors constitute a majority, hearing the views of people with diverse backgrounds has increased the opportunities for new insights and learning. Internal Directors also provide specific explanations of issues on the front lines, further deepening my understanding of the Company. Understanding one another's positions, exchanging views from a broad range of perspectives, and devoting the necessary time to discussion are themselves ways of enhancing the Board's effectiveness.

Realizing our Vision for FY2030

How do each of you view the discussions concerning the Vision for FY2030?

Okajima When I first received an explanation, I felt it was an extremely ambitious vision, including the goal of reducing strategic equity holdings to zero and the high target levels. At the same time, I also sensed the



Company's strong resolve. Precisely because we live in a highly uncertain era, I believe it is effective to first envision the future we aspire to, rather than simply extending the past, and then work backward to determine what must be done now. I believe the current approach of proceeding flexibly toward the FY2030 targets by reviewing the plan each year, rather than operating a medium-term management plan rigidly, is appropriate. As an Outside Director, I intend to closely monitor progress.

Suzuki Clarifying the aspirations for FY2030 has made it easier for the Board of Directors to discuss what needs to be done now. At the same time, it is important to ensure that these aspirations do not remain merely a plan on paper. The question is how the Group will achieve profit growth in its core businesses beyond the gains from selling strategic equity holdings. We must steadily build up results, one by one, by improving the profitability of the domestic business, growing the international business, and realizing the benefits of large-scale investments. I believe identifying the next areas of growth will also be a major challenge going forward.

Ishiwata I view quite positively the inclusion of the principle of increasing both economic value and social value in the Vision for FY2030. Increasing corporate value is not only about increasing profit. I believe it also means increasing trust in and affinity with the Company and expanding the number of people who want to support it. No matter how sound the principles may be, they are meaningless without execution. It is important to enable every employee to recognize the connection between their own work and the Group Vision for FY2030.

Okajima That is where the holding company's leadership will be tested. Each operating company is very robust in both financial and human resources terms. However, to translate their respective capabilities



into growth and increased corporate value for the Group as a whole, the holding company must clearly set the direction and monitor progress.

Ishiwata I believe the same applies to sustainability. Carbon neutrality and natural capital are, of course, important. However, if the focus is placed too heavily on these areas, employees might feel that sustainability is disconnected from their own work. I believe the area in which the Company can make the greatest contribution is the "S" in ESG—in other words, the social dimension. The insurance business itself supports society. If employees can recognize this value for themselves, it will help foster a positive corporate culture and ultimately contribute to increasing our corporate value.

Suzuki Increasing social value ultimately contributes to increased corporate value as well. Toward FY2030, it will be important to consider not only quantitative results but also qualitative value, including how the Group is viewed by employees, customers, and society.

The merger of the operating companies and expectations for the new company

One of the important themes in FY2025 was the merger of the operating companies. How do you assess the discussions held by the Board of Directors?

Okajima I was appointed as a Director after the decision to merge had been made, so I was not involved in the discussions leading up to that decision. However, looking at the subsequent progress, I feel that planning and progress management have been carried out quite thoroughly. For employees in particular, a merger brings considerable anxiety as well as expectations. I have followed the process from the employees' perspective, believing that disclosing information on the human resources system, compensation, and other matters at an early stage and increasing employees' sense of understanding and acceptance will be important to increasing corporate value going forward. The merger is not the goal, but the starting point. I expect that challenges will continue to arise, but at present I believe preparations are progressing steadily.

Ishiwata I also strongly agree that the merger is a starting point. The two companies each have distinct cultures, and I can sense those differences directly when interacting with employees. It is important to maximize the strengths of each company. This is a major opportunity to integrate and embed a unified corporate philosophy and culture for the new company. Whether employees feel that they themselves are creating the new company could determine the success of the integration.

Suzuki I agree on that point as well. It is extremely important to conduct deliberations with the new company as the central focus so that it can fully demonstrate its strengths. Difficult issues will likely arise on the front lines, including systems integration. However, it is essential to continue considering what will be best for the new company, rather than whether an approach comes from MSI or ADI.

Okajima How to engage with agents will also be a major challenge. Some agents have been in competition with one another, and they will likely view the merger in different ways. Discussions must proceed without losing sight of the perspectives of all stakeholders, including not only customers but also employees and agents.

Ishiwata To create a sense of unity as the new company, it is essential to repeatedly communicate why the companies are merging and what they seek to achieve. Only when employees and agents on the front lines deeply understand the significance of the merger will they be able to deliver new value to customers.

Suzuki I sense that many younger employees view the merger positively. At the same time, some employees, including those in the middle ranks, are likely to feel anxious. I believe it is important to shape the new company while incorporating the voices of the younger employees who will lead it in the future.

The role of Outside Directors in sustainably increasing corporate value

What role will you fulfill as Outside Directors in realizing the Vision for FY2030?

Suzuki We have now articulated the aspirations. From this point onward, I believe the role of Outside Directors is to monitor progress toward their realization and make course corrections when necessary. When making important management decisions on matters such as the next growth investments and M&A, I also want to ensure that sufficient comparisons are made and determine whether the decisions will truly increase corporate value.

Okajima I agree. I believe the holding company's monitoring function will be important in this process. The holding company must continually confirm whether the operating companies are proceeding in line with the strategy and where challenges exist, and encourage course corrections when necessary. I also intend to continue closely monitoring the balance between the financial base supporting growth investment and risk management.

Ishiwata Listening to both of you has reminded me that even the best strategy has meaning only when it is executed on the front lines and ultimately reaches customers as value. Whether employees and agents can take ownership of the corporate philosophy and strategy and feel that they are helping create the new company is something that should be considered. I believe that is what will foster corporate culture and lead to becoming the company most chosen by customers.

Suzuki In other words, both corporate value and social value are ultimately realized through the accumulation of such initiatives.

Okajima Indeed. The holding company sets the direction, the operating companies execute it, and the Board of Directors confirms the results. I believe steadily maintaining this cycle will become increasingly important going forward.

Ishiwata As an Outside Director, I will participate in discussions from diverse perspectives and continue to ascertain whether this cycle is functioning effectively to sustainably increase corporate value.

