Present and Future of the MS&AD Group

The liberalization of insurance and cross-sector entry between life and non-life insurers began in 1996 with Japan's financial big bang. The industry realignment that occurred in the 2000s had a profound impact on our business. The Japanese non-life insurance industry now stands at the most significant crossroads since that time. We must address the rapid changes in the business environment, including the increasing severity and frequency of natural catastrophes and climate change, as well as the rapid diffusion of AI.

Even in such circumstances, our continued focus on sales and market share in business activities resulted in a series of misconduct. Since the discovery of misconduct, we have been advancing "business model transformation" by analyzing the root causes with the assistance of external experts and implementing business improvement plans based on those findings. The planned merger of two subsidiary insurance companies in 2027 is also part of this transformation. Through these initiatives, we will work to regain the trust of our stakeholders and strive for further growth.

Changes in the external environment

- Climate change
- Increasing severity and frequency of natural catastrophes
- Rapid diffusion of AI
- Falling birth rate and aging population
- Widespread use of advanced safety vehicles
- Cyber risks, etc.

Occurrence of misconduct

- Price-fixing with other insurance companies in corporate insurance
- Information leaks by agents and seconded employees
- Fraudulent insurance claims by agents

Formulated and implemented business improvement plans

Insurance Business Act and supervisory guideline amendments

Eliminating the outdated business model, the root cause of misconduct

- Business practices specific to the non-life insurance industry
  - Cross-shareholdings
  - Excessive core business support for agents and business partners
- Corporate culture focused on sales and market share

Transformation of the business model

- Zero strategic equity holdings
- Eliminating excessive core business support and secondment to agents and business partners
- Revising relationships with agents
- Competing on the inherent value of insurance offerings and risk solution capabilities
- Strengthening the governance framework

To become the company chosen by customers

Merger of MSI and ADI

MS&AD Mitsui Sumitomo Insurance | MS&AD Aioi Nissay Dowa Insurance

- Pricing based on the largest customer base in Japan
- Efficient business management with economies of scale
- Strengthen underwriting and risk solution capabilities by leveraging the customer base and data
- Transformation of the sales network and creation of new markets
- Securing underwriting capacity by leveraging top-level capital in Japan

Strengthening cash generation capability

Capital circulation

Aiming for the global top tier

Achieving ¥1 trillion in profit / ¥10 trillion in market capitalization

Changes in Market Capitalization

CEO Message

Rebuilding trust and entering a new stage of growth

Transformation aiming for the global top tier

To our shareholders, investors, and all stakeholders, I extend my heartfelt gratitude for your continued tremendous support of the MS&AD Group. In recent years, a series of inappropriate incidents have occurred at our affiliated insurance companies, including fraudulent insurance claims by agents, improper premium adjustments, and the leakage of customer information. I sincerely apologize again for the significant inconvenience and concern this might have caused.
I would like to earnestly confront the structural issues behind the series of incidents and convey, in my own words, a concrete path toward restoring trust and our sustainable growth strategy for the future.

Shinichiro Funabiki
Representative Director
President & Group CEO

TOP Message

■ Governance is the wellspring of competitiveness: An unwavering resolve to prevent recurrence

I take seriously that this series of misconduct stems from complex and structural issues rooted in longstanding industry practices, management attitudes, and corporate culture. For any industry, it is an extremely difficult challenge for a company to eliminate conduct risk. However, I believe that the issues likely to arise in the insurance industry going forward will no longer be uniform across the sector. Instead, they will be highly individualized, testing each company's management stance and the quality of its governance. In my view, the next company to cause a major problem will lose the market's trust and be forced to withdraw. With that level of resolve, I am committed to preventing any recurrence.

Governance is not merely a defensive measure. Thoroughly preventing recurrence is the greatest weapon for winning against our competitors. I firmly believe that in the insurance industry going forward, the competitiveness of a company will hinge on the soundness of its governance framework.

That is precisely why I take the Financial Services Agency's business improvement order seriously and am committed not only to formulating a plan but also to executing it with absolute resolve. I am fully confident that the business improvement plan we have formulated represents best practices, and I believe that its implementation will serve as the foundation for restoring trust in the Group and enhancing our corporate value.

To make this transformation effective, we transitioned our corporate structure from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee. This will strengthen the supervisory and checks-and-balances functions of the Board of Directors. By establishing a board structure where Outside Directors constitute a majority, it will dramatically enhance the objectivity and transparency of management decision-making. The key is to ensure that this mechanism functions effectively, rather than merely serving as a formality. The Board of Directors shall correctly understand social demands and establish and operate internal controls to ensure sound business operations. To that end, top management, including myself as CEO, will spare no effort to carefully explain the background of management decisions to our Outside Directors and gain their understanding. Only when Outside Directors, who represent the interests of external stakeholders, understand our intentions can we truly fulfill our accountability to society.

■ Major transformation in our business model: Becoming the company most chosen by customers

The background to the misconduct involved long-standing industry practices. The insurance industry, for better or worse, has traditionally been built on a business model where being chosen by agents was paramount. However, rule changes such as stricter regulations on comparative recommendation sales and revisions to regulations concerning specified insurance contracts will be a game changer for the industry. The era when long-standing relationships and vested interests were considered acceptable has ended. The time has come for the industry to be evaluated based on the fundamental value of insurance itself: the ability to underwrite risk, the ability to analyze risk and set appropriate prices, and the ability to provide high-quality services.

We will fundamentally transform our business model to respond to this major shift in trends. It is a complete shift from "agent-focused" to "customer-focused" operations. From now on, we cannot survive unless we become the insurance company most chosen by our customers, rather than by agents. We will review the role of agents and establish a new competitive axis on the intrinsic value of insurance.

This transformation is in no way meant to belittle agents. While respecting them as business partners, we will thoroughly review practices such as excessive core business support and inappropriate secondments while rebuilding sound and transparent partnerships. We are also committed to providing products and services of true value to our customers, at appropriate prices, in a speedy manner. This path of transformation might not be smooth. However, we intend to lead an industry-wide transformation through a meticulous process where every employee deeply understands the intent behind each individual measure and carefully explains it to our agents.

■ Merger of two core non-life insurance companies: Establishing true Group management and competitive advantage

What should we do to achieve our goal of becoming the "company most chosen by our customers" in the most reliable and swiftest manner? After thorough consideration, we have determined that the merger of our core non-life insurance companies, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, is optimal. Until now, the two-company structure has had its merits in terms of top-line growth by maintaining numerous touchpoints with agents. However, MS&AD Holdings, the holding company, had been allocating significant resources to coordinating functions between the two companies and failed to adequately fulfill its role as the central command center driving the Group's overall growth strategy.

Three elements are essential to succeed in the competitive environment ahead: strengthening governance, reducing the underwriting expense ratio, and enhancing underwriting capabilities. We believe that the most effective way to achieve these goals is to merge the two companies into one. We will leverage the merger as an opportunity to establish a true Group management structure.

The new company formed through the merger will become Japan's largest non-life insurance company. However, our goal is not simply to be No. 1 in scale. We must not be satisfied with merely becoming the largest insurance company in the country. We aim to become a leading company that is truly trusted and chosen by our customers, both in name and substance, by fulfilling our social responsibilities commensurate with our scale, and by delivering high-quality services at competitive prices.

This merger is only the "starting point" of the transformation of the domestic non-life insurance business. With this decision, the holding company will move beyond its coordination function and demonstrate strong leadership to drive the growth of the entire Group. We will expand the transformation model established in our domestic non-life insurance business to our domestic life insurance business and international businesses to achieve sustainable growth for the entire Group. This is the strong resolve we have embodied with this merger.

■ Taking on the challenge of a sub-30% business expense ratio and growth beyond that

One of the key factors in being chosen by customers is price competitiveness. To achieve this, we must fundamentally transform our business structure and elevate our cost efficiency to the world's highest level. We have set a very ambitious target of maximizing synergies from the merger and reducing our business expense ratio to below 30%, the global benchmark.

This target is by no means just a pipe dream. This merger will facilitate further efficiency improvements in our middle- and back-office departments in addition to system integration and site optimization. We are thus aiming for overall cost reductions on the order of approximately ¥150 billion. What is even more important is the utilization of human resources.

We will move away from the seniority-based employment system and fully implement a "skill-based personnel system" that fairly evaluates the skills and expertise of each employee. This will enable us to make progress in personnel placement that puts the right people in the right roles, dramatically boosting organizational productivity.

In addition, to support our employees' diverse career paths, we offer early retirement options such as the "Career Challenge Support Program." This is not one-sided downsizing. In fact, many employees who were proactively reevaluating their own careers expressed a desire for such a program. This is a forward-thinking measure where each employee proactively considers their own career path, and the Group supports employees who are ready to move to the next stage of their career.

By combining these initiatives, I believe the goal of achieving a business expense ratio below 30% is entirely achievable. We will create a virtuous cycle that channels the resources generated by this structural transformation into further growth investment and shareholder returns.

Specified insurance contract
An insurance contract where the policyholder is a person with whom the agent itself has a close personal or capital relationship.

Incorporating the world's most advanced knowledge to accelerate global growth

Our focus extends beyond the domestic market. In today's world, where risks are increasingly global and complex, achieving sustainable growth requires incorporating the world's most advanced information and technology and converting it into strengths for the entire Group.

An emblematic initiative in this regard is our strategic partnership with the founding family of W. R. Berkley Corporation (hereinafter "WRB"), a leading U.S. specialty insurance company, and our investment in the company. WRB is a world-leading company in niche and highly specialized insurance lines, boasting exceptional risk analysis capabilities and underwriting expertise. For its part, the MS&AD Group has established a solid business foundation in the Japanese and Asian markets. This partnership is an ideal complementary relationship that leverages each other's strengths.

Through this partnership, we will expand profits originating from the United States, the world's largest insurance market, while taking advantage of WRB's advanced expertise to create new synergies through collaboration in domestic and Asian insurance operations. We are going far beyond mere investment, dispatching a director under a cooperative relationship with the founding family to build deep ties at the leadership level. By breaking away from traditional business models and providing world-class insurance solutions, we will be on par with the true top-tier companies in Japan, Asia, and Europe and America. We will advance our global strategy with this strong resolve.

In addition, to strengthen the asset management capabilities of the entire Group, we are considering strategic investments in the overseas asset management business. Through initiatives in alternative assets, particularly in the United States and Europe, and through collaboration with local asset management companies, we are expanding our global asset management platform and enhancing our investment income.

After implementing these measures, we will proceed with rebuilding our global management structure. International businesses have been managed under the auspices of operating companies up to now, but going forward, we will transition to a structure where the holding company will be more involved. This will enable the Group to manage its domestic and international businesses in a cross-functional manner, further strengthening risk management, compliance, and the optimal allocation of management resources. We will establish a framework capable of executing management decisions agilely and accurately from a global perspective, thereby enhancing our competitiveness in the global market.

Furthermore, the Group will strengthen its think tank capabilities, centered on MS&AD InterRisk Research & Consulting, and build a framework capable of actively offering opinions and proposals to society, government, and the world. This is a pivotal initiative aimed at fulfilling our social responsibilities as an insurance company and becoming a leading company that contributes to solving social issues. We will leverage the Group's expertise and experience to the fullest extent to drive the creation of social value.

Cash generation and shareholder returns through capital circulation

Capital circulation plays a key role in our business strategies. This approach aims to maximize corporate cash flow and promote the efficient circulation of capital. Specifically, we aim to invest in highly profitable businesses and swiftly channel the generated cash into growth investment and shareholder returns.

This will enable us to provide stable dividends to our investors while enhancing shareholder value through share buybacks and other measures. We will also endeavor to implement sustainable resource allocation to support long-term growth and strengthen our competitiveness. We will consistently manage our business with transparency through capital circulation to meet the expectations of our shareholders and to achieve continuous growth and improved profitability.

The world's top-tier insurers, especially in Europe, are leading in terms of capital efficiency. They possess high underwriting capabilities backed by this foundation, which in turn leads to creditworthiness and ultimately brand value. Our aim is to stand shoulder to shoulder with the world's top tier and then surpass them. To that end, we will steadily advance the transformations outlined thus far while also laying the groundwork to achieve our medium- to long-term targets of profit of "¥1 trillion and market capitalization of ¥10 trillion" at an early juncture. That is precisely what I consider to be my mission.

People driving transformation are our greatest asset: A future created together with our employees

I have discussed numerous transformations thus far, but the driving force behind achieving them is each of our approximately 40,000 employees working in Japan and overseas. As I mentioned in my 2024 CEO message, it is "people" who will implement reforms. It is essential that employees understand their roles and act with high ethical standards and a strong sense of responsibility.

This merger and personnel system reform will bring significant changes for our employees as well. However, this also means that individuals will be fairly evaluated based on their abilities and skills, regardless of their career background—such as "being from former Company XX"—and will have opportunities to excel in broader fields within the Group. I want to build a company where employees can choose their own career paths and demonstrate their potential to the fullest.

As part of our personnel system reform, we will promote a new evaluation and placement system based on ability and performance, creating an environment where diverse human assets can thrive. I believe creating an environment where employees can work with high motivation and trust in the Company is the most critical role of senior management.

An open workplace is not just about getting along well with each other; it's a culture where people speak up when they need to and call out what looks wrong. In my opinion, the ability to share insights and concerns from the front lines is the very foundation that nurtures a sound organization. I will continue to visit sites nationwide and hold town hall meetings where I can engage directly with employees.

Through dialogue with stakeholders, I will match words with action to enhance corporate value.

Since becoming CEO, I have placed the highest priority on dialogue with our stakeholders. As Group CEO, I will continue to actively seek opportunities to engage directly in dialogue with investors. I sincerely appreciate your opinions and suggestions, and I am committed to incorporating them into our management practices to enhance corporate value.

My creed is to match words with action, and I do not engage in management that tries to satisfy everyone. I will personally spearhead the governance and business model transformation, the merger, and the other initiatives that I have mentioned. Through this transformation, we will establish a virtuous cycle of trust and growth, and I am confident that we will achieve top-tier corporate value globally in the form of profits of ¥1 trillion and market capitalization of ¥10 trillion.

We will share this journey of transformation with you openly and transparently, and we earnestly request your rigorous evaluation of our progress. And we sincerely hope that those who share our vision for the future and are willing to accompany us with a long-term perspective will become our shareholders.

Our challenge has only just begun. Please look forward to the future transformation and growth of the MS&AD Group. We sincerely ask for your continued understanding and support.

Capital circulation
A virtuous cycle management approach that transfers capital and funds from unprofitable businesses to profitable ones to generate profits, returning those profits to shareholders while also utilizing them for new profit generation.

CFO Message

Shigeo Kudo
Representative Director
Executive Vice President
Group CFO

CFO Message

In a rapidly changing business landscape, deepen capital management to build the foundation for future growth

Enhancing ERM to continuously improve corporate value

Natural catastrophes are becoming more severe worldwide due to climate change, while geopolitical risks such as trade friction, sanctions, and military conflicts are increasingly prevalent. On the other hand, technological advances such as generative AI and autonomous driving are beginning to significantly transform business and daily life. These changes are intermingling, heightening uncertainty in energy prices, interest rates, and stock markets, creating an environment where it is difficult for both companies and individuals to predict the future. In a society where risks are increasing and changing, we aim to achieve growth by meeting customer expectations and becoming the most chosen insurance and financial group.

To become the world's leading insurance and financial group amid such uncertain circumstances, we believe it is essential to further enhance our Enterprise Risk Management (ERM) across a wide range of areas, including our business domains. To date, we have consistently worked to enhance profitability relative to capital and risk through advanced business management, including disciplined portfolio reallocation such as withdrawing from businesses expected not to surpass the cost of capital. As a result, the international business is increasingly becoming the primary business domain for both profits and ROR*1, replacing the domestic non-life insurance business, and our past aspirations are now showing in tangible results.

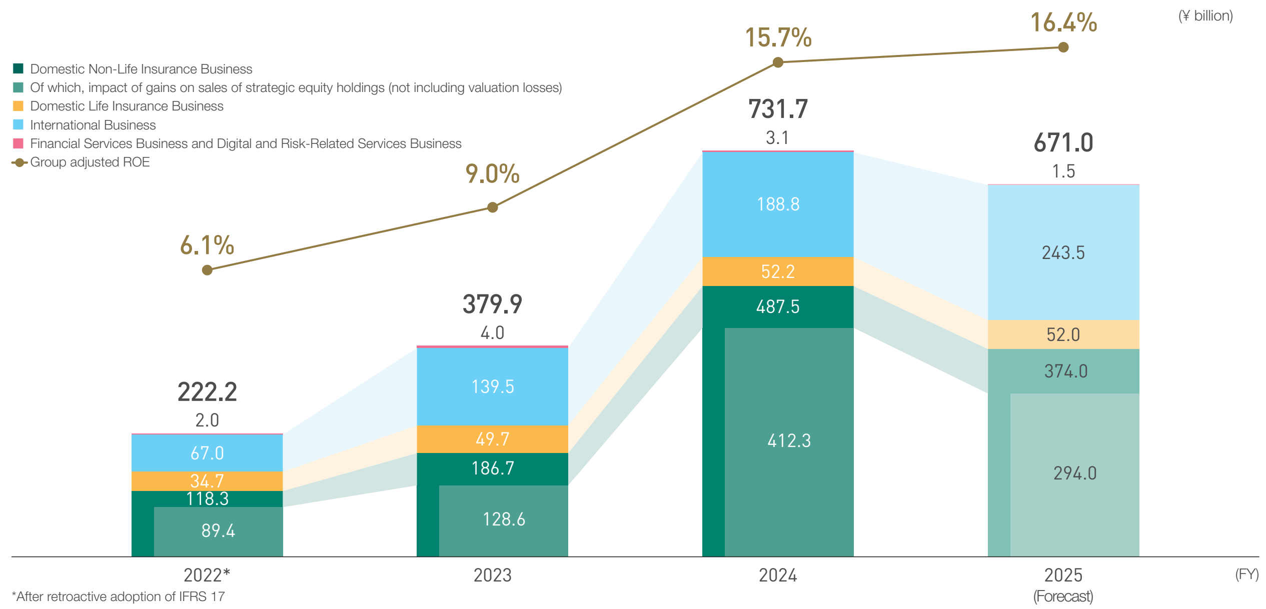
Going forward, we will enhance not only profitability relative to capital and risk but also our ability to generate cash and accelerate its turnover. I am confident we can accelerate growth in a rapidly changing business environment by strengthening capital cycle management. This means starting with the cost of capital, strengthening the monitoring of returns (e.g., ROI*2, ROR) on businesses and products, consistently allocating capital to areas with high expected returns, and channeling the cash generated toward growth investment and shareholder returns. To achieve this, we will consider organizational simplification, including the merger of our two core non-life insurance companies, and an optimal organizational structure led by the holding company.

*1 Return On Risk. An indicator that shows how much profit is secured in relation to the amount of risk.
*2 Return On Investment. An indicator that shows how much profit return is made from investment.

FY2024 results and FY2025 forecast

Consolidated net premiums written (non-life) for FY2024 increased by ¥412.5 billion (up 9.7% year on year) to ¥4,674.3 billion. This growth was driven primarily by increased premiums from automobile insurance and fire insurance in the domestic non-life insurance business along with a significant increase in premiums from overseas subsidiaries. In addition, Group adjusted profit reached a record high of ¥731.7 billion (up ¥351.8 billion year on year), driven by a significant increase in gains from the sale of strategic equity holdings in the domestic non-life insurance business and expanded profits in the international business.

The full-year Group adjusted profit forecast for FY2025 is ¥671.0 billion (down ¥60.7 billion), mainly due to a decrease in gains on sales of strategic equity holdings in the domestic non-life insurance business. Excluding gains on sales of strategic equity holdings, the domestic non-life insurance business is expected to see an increase in gross adjusted profit owing to an improvement in profitability, and the international business is expected to see a significant increase due to higher underwriting profits in each region.



*After retroactive adoption of IFRS 17

Reduction of strategic equity holdings and achieving an optimal risk portfolio

[Reduce strategic equity holdings]

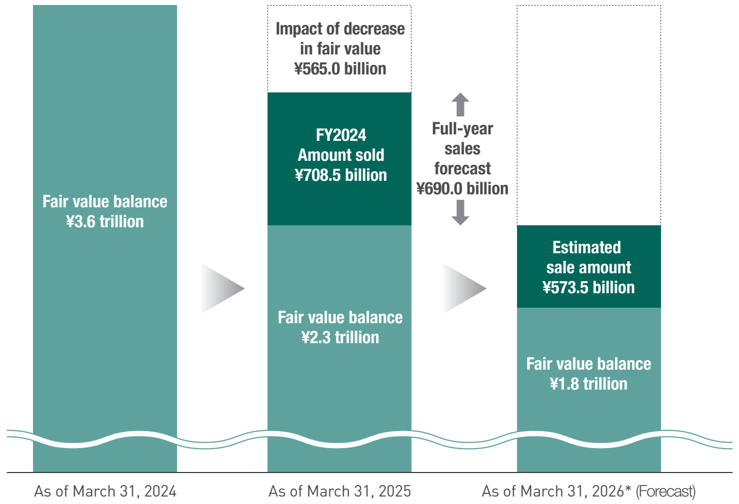
We are selling our strategic equity holdings ahead of schedule and reallocating the proceeds toward growth investments. In FY2024, we sold ¥708.5 billion and are on track to achieve a zero balance at the end of FY2029.

We have decided to allocate approximately ¥600 billion of the roughly ¥2 trillion in growth investments to a business investment in W. R. Berkley Corporation (hereinafter “WRB”) of the United States.

Regarding additional business investments, we will conduct disciplined reviews based on our accumulated experience, considering not only profitability relative to capital and risk but also multiple perspectives such as diversification effects and Group synergies.

Growth Investment Status and Business Investment P.76

Sales of strategic equity holdings and current fiscal year forecast



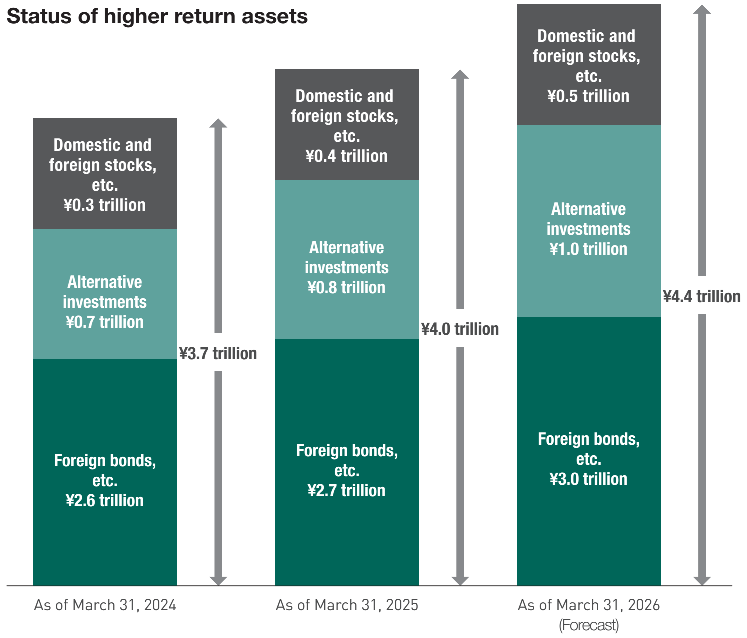
*Calculations are based on the stock prices at the end of April 2025 (Nikkei average: ¥36,045)

[Build an optimal risk portfolio]

We see the sale of strategic equity holdings as an opportunity to reduce domestic equity risk—a longstanding challenge and the greatest risk for our Group—and build an optimal asset management portfolio, while expanding our international business portfolio through strategic investments. We thus view this as an opportunity to increase profits and improve capital efficiency. We believe that by advancing these initiatives, we can maintain our current profit levels even after the sales are completed.

In asset management, in addition to liquid foreign bonds, we are accumulating higher return assets, mainly private assets that are expected to offer risk diversification, high yield, and low volatility, to secure a stable source of income while controlling market risk sensitivity and improving ROR.

Status of higher return assets



Furthermore, we have decided to invest in WRB, a leading U.S. specialty insurance company, and are working toward completing the transaction. In addition to accelerating the growth of our international business, we believe this will contribute to both profit expansion and risk diversification by acquiring risks with low correlation to natural catastrophes and diversifying revenue sources.

In preparing for this business investment, we have steadily prepared by mobilizing our accumulated expertise. This includes underwriting U.S. risks and achieving profitability through the Lloyd’s and reinsurance business; initiating underwriting of specialty lines and securing profits at MSIG USA, which had primarily focused on underwriting for Japanese companies; and generating profits and gaining visibility into retained risks through investment in WRB’s captive reinsurance company.

Going forward, while expanding the quantity and quality of higher return assets, we will consider investing in overseas asset management businesses to meet the asset management needs arising from the expansion of our international business. In making business investments, we will comprehensively consider factors such as ROR, risk diversification effects, shared values, and Group synergies to execute disciplined business investments.

Adjusted ROE and equity spreads

The Group is committed to achieving stable profit growth and improving capital efficiency. We have set a target to maintain stable Group adjusted ROE of 10% or higher, aiming for 16% in FY2025, the final year of our Medium-Term Management Plan.

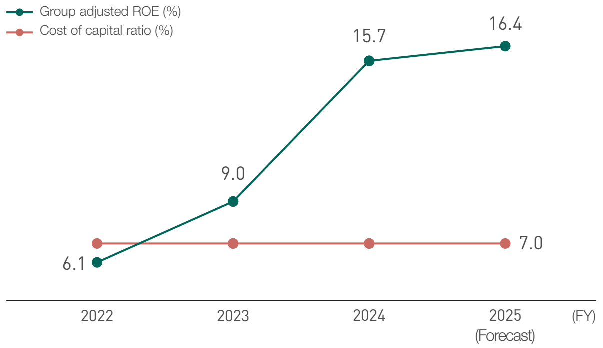
This target is expected to be achieved through the recovery of insurance underwriting profit in the domestic non-life insurance business, the reduction of strategic equity holdings, and the expansion of profits in the international business.

[Enhance the quality of assets and liabilities]

As CFO, I intend to rigorously control what we can control and enhance our ROR and ROE.

As I mentioned earlier, on the asset side we are reducing strategic equity holdings and focusing on business investments in WRB, a company with low correlation to natural catastrophes and high growth potential, as well as acquiring insurance risks in the U.S. specialty sector. On the liability side, we are working to shorten fire insurance policy terms, set appropriate rates for fire insurance and casualty insurance while tightening underwriting standards, and procure reinsurance with a focus on periodic earnings and financial soundness. Among other measures, we will consider options such as utilizing reinsurance and pursuing strategic alliances and reorganizations within our domestic life insurance business. Through such initiatives, we will enhance the quality of our assets and liabilities, and generate high-quality profits and cash, thereby improving capital efficiency.

Group adjusted ROE and cost of capital ratio



Cost of capital ratio

Risk free rate	+	beta sensitivity	×	market risk premium	=	cost of capital ratio
Based on the 10-year JGB interest rate		Risks inherent in the Company’s stock		Set from historical stock market returns		7%

Main initiatives

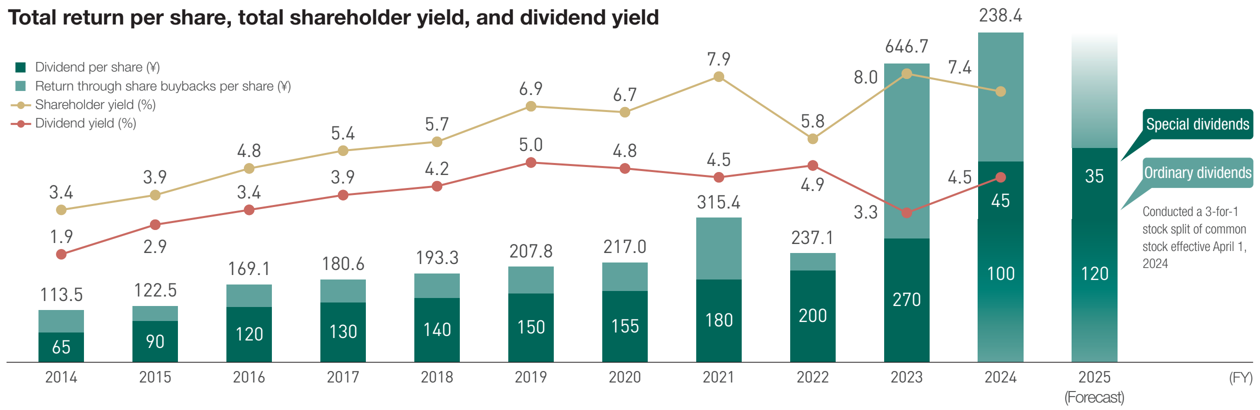
Increase ROE	• Improve the profitability of the domestic non-life insurance business – Achieved profitability in fire insurance in FY2024 ahead of schedule – Further streamlining of business expenses through the merger of MSI and ADI • Achieve stable profit growth in the international business – Expand the highly profitable underwriting portfolio of the Lloyd’s and reinsurance business – Expand underwriting for local companies at MS Transverse and MSIG USA – Withdraw from unprofitable businesses and areas • Maintain appropriate capital levels – Flexibly implement additional shareholder returns • Disciplined review of the business portfolio – Improved capital efficiency through the sale of Challenger shares
Reduction in the cost of capital	• Control of market sensitivity Accelerate the reduction of strategic equity holdings, and build a portfolio with high ROR Increase sophistication of duration matching of assets and liabilities • Controlling natural catastrophe risk Enhance secondary peril support

Shareholder return

The shareholder return policy stipulates that 50% of Group adjusted profit will be returned as dividends and share buybacks as basic returns. Additional returns will be implemented flexibly and proactively based on factors such as the business environment, ESR levels, liquidity, and stock price trends.

For FY2024, shareholder returns will include an annual dividend of ¥145 per share (an increase of ¥55 year on year) as the basic returns along with a decision to repurchase up to ¥145 billion of our own shares. We will strive to continue delivering attractive shareholder returns.

Total return per share, total shareholder yield, and dividend yield



Enhancing Capital Efficiency and Achieving Sustainable Profit Growth

Group Adjusted ROE

The 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 "ERM-Based Group Management" on pp. 67–68 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.

Capital Efficiency		Profitability		Soundness
Group adjusted ROE (Return on Equity)	≒	**ROR** (Return on Risk)	×	**1/ESR** (Economic Solvency Ratio)
An indicator showing how much cash-based profit, as funds for shareholder returns, can be generated with respect to capital		An indicator showing how much profit (return) can be made on the risks held by the Group		An indicator showing the balance between the risks held by the Group and net assets
[FY2024 Result] 15.7%		Periodic Monitoring		[Appropriate level] ESR 180%–250%
‖		‖		‖
Group adjusted profit*1 / Adjusted net assets*2	≒	Group adjusted profit / Integrated risk amount*3	×	Integrated risk amount / Net asset value

Net asset value | Integrated risk amount | Group adjusted profit

These three elements are balanced with ERM.
(See "ERM-Based Group Management" on pp. 67–68 for details.)

Adjusted net assets and Net asset value (NAV)

In ERM, to confirm the status of appropriate capital buffers and solvency based on the Group's risk characteristics, the economic value–based net assets (= net asset value) are thoroughly managed using the following calculation.

Net asset value (NAV)		Adjusted net assets		Unrealized gain/loss from insurance liabilities		Debt capital		Other
¥6.5 trillion	=	¥4.4 trillion	+	¥2.0 trillion	+	¥0.4 trillion	+	-¥0.3 trillion

*1 Group adjusted profit = Consolidated net income + Provision for catastrophe loss reserve and others – Other incidental factors (amortization of goodwill and other intangible fixed assets)
*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

PP.81-82 See Financial and Nonfinancial Highlights

Growth / Profitability	Domain	Indicator	Examples of Specific Initiatives	Reference Indices
Growth	Group-wide	Customer satisfaction	• 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.	• Group-wide: Customer satisfaction, ratio of female managers, and ratio of global employees • Non-Life Insurance: Number of improvements based on customer feedback, agents' recommendation rate, and claims handling satisfaction • Life Insurance: Number of registrations for Family Eye (notification system for relatives)*4, number of days to provide assurance*5, etc.
Growth	Group-wide	Premium growth rate	• 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.	• 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: Increased EV amount, 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.
Profitability	Non-life insurance	Combined ratio – Loss ratio	• Appropriate product design • Elimination of 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.	• Number of risk surveys, risk management seminars, and training sessions • Utilization rate of recycled parts, etc.
Profitability	Non-life insurance	Combined ratio – Expense ratio	• Business operational reforms • Move to paperless office • Demonstrating Group synergies, etc.	• Ratio of personnel expenses to sales • Selection rate of web policy clauses • Paper consumption, GHG emissions, and total energy consumption, etc.
Profitability	Non-life insurance	Investment profit/loss	• Integrated asset/liability management based on consideration of the characteristics of insurance liabilities • Improving ROR • Appropriate risk control, etc.	• Asset management yields, diversifying effect among assets, and reductions in strategic equity holdings, etc.
Profitability	Life insurance	Mortality margin*6	• Appropriate pricing based on the coverage offered • Reform of the product portfolio, etc.	• Annualized premiums of policies in force • Amount of increase in death insurance and other claims, etc.
Profitability	Life insurance	Administrative expense margin*6	• Control of acquisition cost due to increased sales • Reduction of business expenses through efficient business operations, etc.	• Acquisition cost • Business expenses (e.g., paper consumption, GHG emissions, and total energy consumption)
Profitability	Life insurance	Investment yield margin*6	• 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 by diversifying investment methods, etc.	• Asset management yields and rating distribution for investment bonds, etc.

*4 Family Eye (notification system for relatives) allows pre-registered family members, in addition to the policyholder, to receive information about the insurance policy.
*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 profit 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.

Naomi Motojima
Managing Executive Officer
Group Chief Sustainability Officer (CSuO)

CSuO Message

Taking on new challenges to create the future of MS&AD

■Sustainability to date

To date, our Group has consistently placed sustainability at the core of our management, focusing its initiatives on ensuring every employee understands and practices it. We have positioned the "MS&AD Sustainability Contest" as a forum to review the results of our efforts to incorporate sustainability into organizational and individual plans and targets, and to work with customers to resolve issues. The 2,500 initiatives submitted to this annual contest since 2018 represent the very essence of our Group's accumulated sustainability achievements.

On the other hand, drawing lessons from multiple scandals within our domestic non-life insurance business, we are now required to transform the value we provide to our customers. Furthermore, the increasing frequency and severity of natural catastrophes have led to a series of withdrawals by home insurance providers in some regions of the United States, highlighting our need to face up to concerns about the sustainability of the non-life insurance business.

Therefore, we have decided to shift our approach to sustainability and focus our efforts on three key points.

■ Point 1 : Involvement of employees in Japan and overseas

The most important factors are to enhance the sustainability of the Group's business, identify themes that genuinely resonate with our employees, and implement them into our businesses.

We focused on "flood disasters" and "demographic trends," which are considered to have a significant impact on the Group's businesses, and selected two themes: "Building a Flood-Resilient Society" and "Building a Society Where a 100-Year Life Brings Happiness." Given that these are both challenging themes, we are taking a cross-group approach with the goal of creating unprecedented new services.

We also create opportunities for employees to share ideas and work on them together, guided by the catchphrase "employee-driven and team-based, while having fun."

Furthermore, to strengthen collaboration with our overseas entities, we have established the Global Sustainability Leadership Forum, composed of employees from sustainability departments both domestically and internationally, and are advancing strategy formulation and regulatory disclosures globally.

A scene from the Global Sustainability Leadership Forum web conference

■ Point 2 : Partnerships

Major social challenges cannot be solved by a single company alone. That's why partnerships with stakeholders are essential.

Our approach of "Green Resilience" involves making the most of nature's bounty to mitigate damage from natural catastrophes and create a virtuous cycle that revitalizes local communities. For example, through the Kumamoto Water Positive Action initiative, we are collaborating with the Prefectural University of Kumamoto, Kumamoto University, The Higo Bank, Ltd., Suntory Holdings Limited, and Development Bank of Japan Inc. to create a flow of funds that promotes the introduction of green infrastructure in the Kuma River basin, aiming to preserve the water cycle. (See p. 60)

Furthermore, in collaboration with the UN Global Compact, we are leading collective action to create a society where everyone can feel well-being and where everyone's strengths and unique qualities can be fully realized. This is achieved through fair work styles that address both working hours and gender roles. At the GCNJ* Summit 2025 (held in January 2025), the heads of 17 companies expressed their support for this initiative. We seek to have a greater impact on society and to redefine its conventions.

*Global Compact Network Japan (GCNJ), the official Japanese network of the United Nations Global Compact

■ Point 3 : Fair work styles

The foundation for implementation in our business is fair work styles that allow all employees to demonstrate their strengths to the fullest. Our Group has designated two initiatives as collective actions: "work styles that do not assume overtime" and "one month of male childcare leave."

The concept of "work styles that do not assume overtime" is about not only accommodating employees who need to leave the office on time but also creating an environment where no one feels guilty for doing so. It is also essential to create an environment where men are directly involved in housework, childcare, and family care. "One month of male childcare leave" is emblematic of this. Creating such an environment also supports women's career continuity.

■In closing

Taking a step back from our established path, which has earned us a certain level of recognition, and starting afresh by incorporating new elements is itself a major challenge for us. The themes we are tackling are not ones where answers can be easily found, and we are prepared for the case when results are not immediate. However, I am confident that the true joy and fulfillment of work lie in sharing the process of tackling what is necessary without shying away from it.

Introduction
Governance
Strategy and risk management
Metrics and targets (performance)
Data Section

Chairman of the Board of Directors

Noriyuki Hara

Chairman & Director
Chairman Executive Officer

Unceasing governance reforms for restoring trust and sustainable growth

▪Resolve to restore trust

As Chairman of the Board of Directors, I deeply apologize for the significant damage to the trust placed in the MS&AD Group by our shareholders, customers, and society because of the recent series of misconduct. I solemnly accept the critical feedback from all stakeholders and assure them we will work as one Group to fundamentally strengthen our governance framework, aiming for the swift restoration of lost trust.

▪Organizational design aiming for enhanced supervisory functions and rapid decision-making

In my opinion, the series of misconduct, including fraudulent insurance claims by agents, price fixing in corporate insurance, and information leakage, stemmed from multiple factors, such as governance systems and corporate culture. At its root lies the fact that the organization as a whole failed to fully recognize the various risks inherent in traditional business models. Based on this reflection, we will fundamentally reassess our approach to Group governance.

A crucial step in this process is the transition from a company with an Audit & Supervisory Board to one with an Audit and Supervisory Committee. This change was not decided hastily in response to the misconduct, but rather represents the conclusion reached after long discussions within the Governance Committee regarding the optimal organizational design. The primary objective of this transition is to strengthen the supervisory function of the Board of Directors. Directors who are Audit and Supervisory Committee Members hold voting rights, enabling more effective oversight. In addition to conventional compliance audits, we will exercise supervisory functions that extend to the appropriateness of business execution.

Furthermore, by placing the Internal Audit Department directly under the Audit and Supervisory Committee, we will establish a system whereby audit information is communicated promptly and directly to the Board of Directors. In addition, the Board of Directors will consist of a majority of Outside Directors, incorporating diverse perspectives and external norms to further enhance management transparency and objectivity.

▪Enhancing sensitivity to risks inherent in business models

The greatest issue facing our governance to date has been the low sensitivity to risks inherent in traditional business models and industry practices. Having become too accustomed to the internal logic, we failed to accurately grasp the discrepancy with societal norms. To overcome this shortcoming, we will fundamentally enhance the entire organization's risk sensitivity and early detection capabilities.

The key to this lies in strengthening the functions of the second line of defense, which is in charge of risk management, and the third line, in charge of internal auditing. In particular, we will clarify the division of responsibilities between the internal audit departments of the holding company and the operating companies. The holding company formulates audit policies for the entire Group and provides guidance to the internal audit departments of operating companies. It also takes the lead in conducting audits in specialized areas such as international business, IT, and cybersecurity. Meanwhile, the internal audit department of an operating company is responsible for auditing day-to-day business execution. This will enable us to comprehensively understand risks across the entire Group and establish a system for providing timely and appropriate recommendations to management. This is a significant step toward deepening our Group governance.

▪Group governance supporting both growth and discipline

Governance does not only refer to "defensive" aspects such as strict compliance and risk management. "Offensive" governance that encourages appropriate risk-taking is equally critical for a sustained increase in corporate value. I expect the Board of Directors, particularly our Outside Directors, to actively provide input not only from a risk management perspective but also from the perspective of whether the Company is taking appropriate risks in the pursuit of growth.

Business investments and new product development are always accompanied by risk. In addition, new business risks could emerge due to changes in the social environment, such as human rights issues. The lifeline of corporate management is how quickly these risks can be detected, assessed, and countermeasures implemented. We aim to embed habitual behavior within our organizational culture where everyone, from top management to each employee on the front lines, constantly evaluates events in society against our Company and reexamines the presence of risk. I firmly believe that true governance lies in powerfully driving both the pursuit of growth and the maintenance of discipline.

▪Toward a highly effective Board of Directors that fulfils stakeholder expectations

By transitioning to a Company with an Audit and Supervisory Committee, we can delegate decisions on important task execution to Directors. As a result, we can allocate time to essential themes such as growth strategies, enabling more in-depth discussions. In fact, during the merger discussions between the two core non-life insurance companies, the Board of Directors conducted thorough deliberations from multiple perspectives over a period of six months. It is my responsibility as Chairman to make these high-quality discussions the norm.

To achieve this, it is essential that our Outside Directors, who come from diverse backgrounds, make the most of their knowledge and experience. As Chairman, I will enhance the overall effectiveness of the Board of Directors by encouraging lively and constructive exchanges of opinions and eliciting the views of each Director. We will also increase opportunities for dialogue with the executive side to further deepen Outside Directors' comprehension of our businesses.

The pursuit of governance has no end. I believe that the only way to meet the expectations of our stakeholders is to adapt to changes in society and the business environment, while continually transforming ourselves in search of optimal solutions. As Chairman of the Board of Directors, I am fully committed to ensuring governance reform and establishing unwavering trust.

Roundtable Discussion between the Second and Third Lines of Defense

Motoshi Ohmatsu
General Manager,
Compliance Dept.

Sachiko Hori
Executive Officer
General Manager,
Corporate Risk Management Dept.

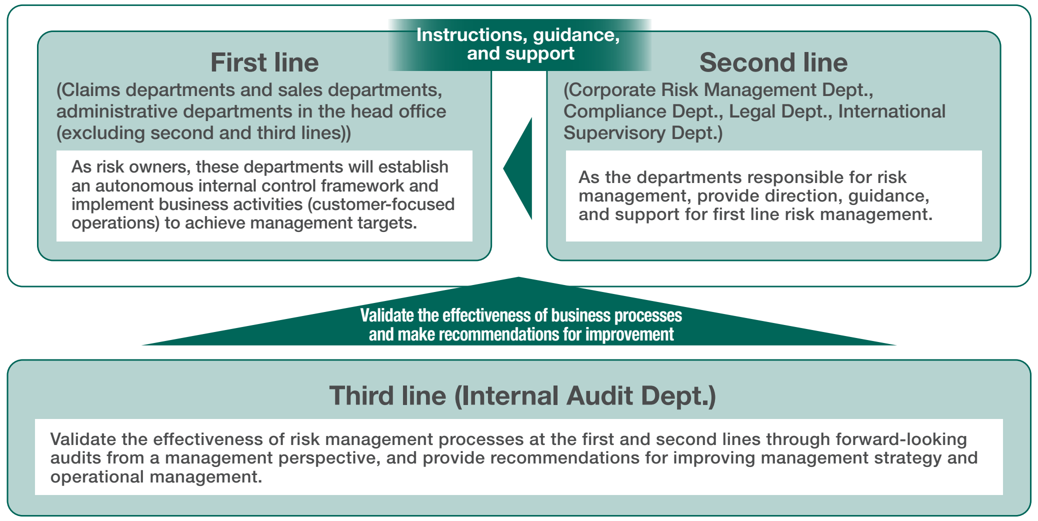
Satoshi Iino
General Manager,
Internal Audit Dept.

Enhancing corporate value through the advancement of governance

The Group has positioned the fundamental strengthening of governance as one of its top priorities considering the recent environment surrounding the insurance industry and the demands of society. What must we do now to foster a sound corporate culture and solidify the trust of all our stakeholders? And how can we translate these initiatives into sustainable growth in corporate value? Leaders responsible for compliance, risk management, and internal audit in the second and third lines of defense shared their outlooks and commitments from their respective perspectives.

▶ Three Lines Model

The Three Lines Model is a framework designed to support the enhancement of long-term corporate value through risk management and internal controls. This model classifies organizational units and functions within an enterprise into the first, second, and third lines of defense, clarifying the role each takes in internal control. This model and its underlying concepts have been incorporated into the internal controls of numerous companies worldwide, not just within the MS&AD Group.



Functions and roles of the second and third lines

■ Building resilient and robust governance through full participation

Iino When people hear "strengthening governance," they often imagine a specific department tightening rules, but that's not really what it's supposed to be about. I believe that the fundamental basis of everything is for all officers and employees of the Group to understand and act upon what roles they should fulfill in their respective positions. Whether in sales or administrative departments, the shared awareness that everyone is a steward of governance forms the foundation of the Company we aspire to become.

Hori The Three Lines Model is meaningful only when all three lines are functioning. It is essential that the first line, which is the front line of business, take the initiative in risk ownership rather than being driven unilaterally by the second and third lines. The roles of the second and third lines are ensuring that the first line correctly identifies risks and implements appropriate countermeasures, with the second line providing support and the third line independently validating and making recommendations, thereby guiding the entire Company toward improvement. I want to clearly convey the message that all officers and employees are owners of this process.

Ohmatsu It is crucial to embed the concept of risk ownership as part of our corporate culture, rather than limiting it to specific initiatives. Both the sales and administrative departments always consider risks when implementing new measures. The same applies to the second and third lines. In particular, it is exceptionally important for administrative departments at the head office to have a mindset of risk ownership on their own. I believe that as this mindset becomes the norm, it will foster the corporate culture throughout the entire Company. Therefore, in the compliance area, we established a process where the first line is clearly designated as the risk owner as a basic assumption for the compliance program, or annual plan, and then specific plans are cascaded from that. We expect that this will gradually change the awareness of the first line as well.

Iino We have also started taking initiatives to devise measures to foster first line risk ownership within the third line internal audit area. One of these is the introduction of the Control Self-Assessment (CSA) method. Rather than just having the third line conduct audits and evaluations on its own initiative, we initially have the first line perform self-assessments and then engage in repeated discussions based on those assessments. This allows them to compare their own perceptions with objective evaluations, enabling them to recognize differences in their own understanding. It is crucial to establish a system that enables self-directed PDCA cycles within daily operations, not just during audits, and to use audits as an opportunity to gain further insights.

Sachiko Hori

The proper role of coordination between the second and third lines

Expand the relay zone and follow up with each other

Hori Within the second line, the Corporate Risk Management Dept. does not have a clearly defined area of specialization like legal affairs or compliance. In my view, the Corporate Risk Management Dept.'s raison d'être lies not only in performing quantitative risk assessments but also in aggregating information provided by specialized departments, incorporating external perspectives, and critically examining internal assumptions across the organization. What I have come to realize given recent misconduct is that some of the norms within companies and industries are far removed from those of society at large. In a rapidly changing world, drawing overly defined lines between departmental responsibilities allows risks to slip through the gaps. To avoid issues slipping through the cracks, I believe it's best to have a degree of overlap in roles. By allowing each department to extend slightly beyond its designated scope, I feel we can achieve more robust governance across the entire Group. I believe such overlaps ultimately lead to growth potential for the organization.

Motoshi Ohmatsu

Ohmatsu By taking an overall perspective, the Corporate Risk Management Dept. enables specialized departments to focus on their respective areas. In my opinion, it is crucial for the Compliance Dept. to maintain a constant awareness of potential compliance risks, including in areas where who is responsible tends to be vague. Each department leverages its own expertise while maintaining overall balance. This collaboration is precisely the key to effective governance, isn't it?

Iino To further strengthen governance frameworks, the role of the Internal Audit Dept. as the third line will also undergo significant changes with the transition to a company with an Audit and Supervisory Committee. Traditionally, there has been an emphasis on efficiently and effectively conducting Group audit work while sharing human resources. The holding company has assumed responsibility for organizational audits since transitioning to a company with an Audit and Supervisory Committee. It is now focusing on monitoring from a more top management-oriented perspective, identifying current conditions and challenges from the standpoint of the sustainability of the Group's overall business model. Furthermore, audits in highly specialized areas will be centralized at the holding company. Governance of the international business is particularly challenging, requiring the broader perspective of a holding company. By clearly defining roles and responsibilities, we are focusing on a "growth oriented governance" approach that enables us to view the entire Group more effectively than before and enhance corporate value through the effective functioning of our operations.

Hori Historically, there might have been a psychological distance between the second and third lines due to their respective roles in execution and auditing. However, the ultimate goal of enhancing corporate value remains the same. While respecting the differences in our roles, I believe it is essential to collaborate to achieve our objectives. In recent years, we have established various committees and working groups, inviting the Audit Dept. to participate as observers, thereby increasing opportunities to freely exchange views. In such forums, we share our insights and link them to needed countermeasures. This steady collaboration is beginning to produce results.

Ohmatsu Collaboration between the second and third lines is essential for uncovering the true state of the first line, which cannot be seen through reports alone, and the fundamental issues underlying it. For example, there are issues that can only be revealed by comparing the actual on-site situation obtained from firsthand experience through audits by the third line to the information obtained via monitoring by the second line. By connecting each other's information, including qualitative information such as the mindset of the officers and employees and the atmosphere of the organization, it should be possible to get to the heart of issues. I consider the key to collaboration to lie not only in formal meetings but also in increasing opportunities for more informal discussions, allowing us to get to the heart of issues through dialogue.

Toward strengthening collaboration with the first line

To enable each department to reach its full potential

Ohmatsu Since receiving the business improvement order, I have seen an increase in information from the first line and am sensing a shift in awareness. This represents significant progress, but it has not yet reached the level of a "good catch" where the seeds of a problem were detected early and prevented before they escalated. Reports from the first line tend to be neatly packaged in a superficial manner. I feel that how second and third lines grasp fundamental issues will be a major challenge going forward. To that end, we must continue striving to gather information from various departments, including the third line, and piece it together to gain an understanding of the actual situation from multiple perspectives.

Satoshi Iino

Hori Each operating company has established channels where employees can freely post their concerns or dissatisfaction. Many of the comments collected there might seem trivial at first glance. Yet, if concerns arise such as "this wording in the policy terms could be misleading," the second and third lines will share this information across the entire Group via a network and conduct a lateral review to determine if similar issues exist in other operating companies, such as domestic life insurance subsidiaries. Rather than letting each insight end as an individual case, we work to turn it into improvement across the entire Group. I believe that through repetition, we can restore trust and foster a sound corporate culture. The number of such interactions has clearly increased in recent years.

Iino I can sense changes even on the front lines of agent audits. Previously, when we pointed out deficiencies in management systems to agents, our sales representatives covering them would sometimes respond passively, expressing concern about damaging the relationship. However, there is now a growing recognition that establishing an agency structure for the benefit of customers is a shared responsibility between insurance companies and their agents. I've also seen an increase in positive feedback from agents during audits, receiving comments like, "I'm glad you pointed that out now." I feel this is evidence that both employees and agents are changing their mindset, which is fostering a growing awareness that we must strengthen governance for the sake of our customers.

Hori I think the role of risk management is to be a "guardrail." The first line steps on the gas pedal to accomplish the mission, while our job is to establish frameworks, in other words, guardrails and speed limits, to keep the first line from going off course and running with peace of mind. The first line is the source of the Company's vitality. Our role in the second and third lines is not to sap that energy but rather demonstrate it clearly to the first line. I would like to persistently sustain the dialogue so that this sentiment is conveyed. Our mission is to create an environment where our people can run with peace of mind.

Iino Self-correction is not an easy task. Given that we are an organization, it is somewhat natural for self-preservation instincts to kick in. We as the third line are driven by ambition to serve as advisors who can help solve issues on the front lines and by the responsibility to speak up when necessary. I'm constantly torn between these two facets, but there are no shortcuts. I believe it is important to build relationships that lead to problem-solving by accumulating daily, steady communication, speaking frankly with each other, and understanding one another.

Governance as a driving force of growth

■ To be the Group most chosen by customers

Ohmatsu Enhanced governance isn't a brake on business. Rather, I view it as an accelerator for enhancing trust from all stakeholders, including customers and investors, and ultimately improving the Company's competitiveness. Until now, the balance with the mindset of growth might not have been optimal. Having a robust governance framework is inherently brand value that makes us a company chosen by our customers. In other words, governance is a crucial element for enhancing corporate value and a source of competitive strength. Since its establishment in 2010, the MS&AD Group believes that its initiatives toward reorganization by function, not seen in other corporate groups, has deepened mutual understanding of each Group company's business and strengthened risk detection capabilities. I believe that our mission is to leverage these strengths and support the solid governance structure that forms the foundation of our Company.

Hori At the core of the direction we are heading is the Group's MVV (Mission, Vision, and Values). If every employee can see this MVV as a personal matter and work toward the same direction, it will become a competitive edge for the entire Group. To maximize that competitiveness, it is vital that all three lines engage in an iterative process of MVV implementation from their respective positions, with the second and third lines appropriately acting as brakes when necessary. I believe that our governance system, in which we, the second and third lines, listen sincerely to the opinions of each employee, detect various risks, and continue to partner with top management to resolve them, is the driving force for our becoming the Group most chosen by our customers.

Iino The essence of governance is not just about following the rules. It is crucial that all employees seriously consider how they should conduct themselves to truly engage with our customers, become the Company most chosen by them, and achieve sustainable growth. It is of the utmost importance that every employee, whether part of the first, second, or third line, return to this starting point and put it into practice in their respective roles. Through this experience, we realized that these fundamental behaviors had not been thoroughly implemented. In reviewing our past, it comes down to faithfully and sincerely doing the basics, as they should be done. I am certain that only by doing so will we earn the trust of our customers and sustainably increase our corporate value. We as the second and third lines will continue to demonstrate this belief in our words and deeds, so that all Group employees believe and practice this belief that "governance is a driving force of growth" on a daily basis, and all Group members are committed to this.

Message from an Outside Director

Jun Suzuki
Outside Director

Held prominent positions including as the Chief Representative in Europe of the TEIJIN Group and CEO of TEIJIN LIMITED. He has extensive knowledge of international business and perspective as a manager.

Outlining the ideal state as a top-tier global company and presenting it to stakeholders

Q What are your thoughts on the recent misconduct and the related discussions within the Board of Directors meetings?

Looking back at the insurance industry as a whole since the deregulation of the late 1990s, the transformation of business models within the industry has not progressed as much as expected. As a result, the principle of competition has not functioned adequately, and service differentiation has advanced in an unnatural manner. The occurrence of this price fixing might also have been influenced by Japan's unique co-insurance system, which has tended to restrict free competition and blur the definition of customer-focused service.

Discussions by the Board of Directors began with the question of whether the traditional business model should remain the same. Under such circumstances, I feel that the opportunity to exchange opinions on the direction of the merger of the two domestic non-life insurance companies outside of but in parallel with the Board of Directors meetings stimulated discussions that were both higher quality and more substantive, ultimately resulting in swift decision-making.

In addition, we decided to transition from a company with an Audit & Supervisory Board to one with an Audit and Supervisory Committee, with the aim of strengthening our governance structure. The proportion of Outside Directors has increased, and I believe the monitoring function has been steadily strengthened. That said, to adapt to future environmental changes, we must continue to deepen discussions on the necessity of further structural changes and comparative analysis with other organizational designs.

Q Please provide your assessment of the Group's initiatives to accelerate the growth of its international business.

Based on my own experience, I believe that when strengthening international businesses, the holding company should lead the Group's overall strategy and play a role in driving growth overseas. Amid the various transformations triggered by the merger of the two core domestic non-life insurance companies, I anticipate significant changes in the relationship between the holding company and the operating companies.

Furthermore, recruiting and developing talented human resources is also crucial. Within our Group, I feel that a particular challenge is the shortage of personnel with international business experience as well as the difficulty in facilitating human resources exchange between operating companies—including overseas entities—and the holding company. Simply dispatching personnel adept in foreign languages won't suffice. We must clarify their roles and responsibilities and ensure an appropriate governance structure. It is also essential to develop and recruit executives who possess a sense of balance and a willingness to take on challenges. To become a true global top-tier company, we must design a flexible system that encourages diverse human assets, including talented people from overseas.

Q What do you believe is necessary for the future of the MS&AD Group given the upcoming merger of two domestic non-life insurance companies?

One of the most important things in a merger is maintaining employee motivation. It is important to clearly communicate the benefits of the merger to employees, especially those on the front lines of customer service, and have them understand its benefits, such as the reorganization of regional offices and the review of relationships with agents.

At the same time, it is necessary to convey positive messages to the market. Although the current stock price exceeds a PBR of 1x, I believe expectations for the merger have not been fully priced in, and investors' confidence in future growth remains insufficient. In the short term, expectations for a dividend hike, primarily driven by high dividend levels and gains from sales of strategic equity holdings, will likely provide support for the stock price. However, it is essential to demonstrate to the market the ability to deliver on our medium- to long-term growth strategies. As the newly merged company will have the No. 1 share of the domestic market, I think it will be expected to take a more industry-leading stance than before.

Given that investor interest is shifting from the ongoing sale of strategic equity holdings to the "post-sale" phase, it will be crucial to strengthen cash generation capabilities and place greater emphasis on balancing shareholder returns with growth investment. Investors have short-term dividend expectations and long-term growth expectations, and management must respond to both. I believe we should earn trust through the dividend increase plan while forging ahead with strategic investments for sustainable growth.

To tackle such issues, the Board of Directors and top management must possess a sense of balance that allows them to appropriately apply both the accelerator and the brakes while maintaining a sense of urgency for transformation. To achieve sustained growth in corporate value, we Outside Directors will continue to serve as members of the Board of Directors, diligently monitoring and supporting the entire Group to ensure it is guided in the right direction.

Administrative Action and Business Improvement Plan

In response to the administrative action taken against Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, the MS&AD Group is working to make improvements and prevent recurrence, aiming to restore the trust of stakeholders.

Overview of the incidents

Price fixing in corporate insurance

MSI and ADI received business improvement orders from the Financial Services Agency of Japan under the Insurance Business Act for price fixing activities in corporate insurance, and in February 2024, they formulated business improvement plans. In addition, in October 2024, they received a cease-and-desist order, an administrative monetary penalty payment order, in accordance with the Antimonopoly Act from the Japan Fair Trade Commission.

Details of the incidents

- In transactions involving co-insurance, where a single insurance contract is underwritten jointly by multiple insurers, there were cases in which information such as the insurance premiums presented to customers was communicated among insurers in advance, etc.

Please refer to https://www.ms-ad-hd.com/ja/important_notice/notice-02.html for the status of the Group's response (in Japanese).

Information leakage between agents and insurance companies

Multiple insurance companies within the Group have discovered leaks of customer information attributable to agents and employees seconded to agents. MSI and ADI received business improvement orders from the Financial Services Agency of Japan under the Insurance Business Act for information leakage, and in May 2025, they formulated improvement plans.

Details of the incidents

- A case where agents that had concluded consignment agreements with multiple insurance companies leaked customer information belonging to the MS&AD Group to other insurance companies.
- A case where MS&AD Group employees, seconded to agents, leaked customer information pertaining to other insurance companies handled by agents to their dispatching employers.

Please refer to https://www.ms-ad-hd.com/ja/important_notice/notice-03.htm for the status of the Group's response (in Japanese).

Reexamination of root causes

Based on the lessons learned from the price fixing case, etc., the Group has been striving to thoroughly ensure customer-focused business operations and compliance with laws and regulations through the steady implementation of the business improvement plan submitted to the Financial Services Agency in February 2024. However, in this process, we have recognized cases of information leakage. Therefore, in addition to the root cause analysis of the information leakage incident, we have comprehensively analyzed the root cause of the series of inappropriate incidents.

Root causes of inappropriate incidents

- Outdated industry practices and excessive provision of conveniences to agents
- A corporate culture that prioritizes the Company's convenience despite recognizing illegal or inappropriate actions
- Insufficient management control (governance) and three lines of defense, etc.

Formulated and implemented a new business improvement plan

Based on the results of root cause analysis and incorporating the perspectives of external experts, we fundamentally revised measures to prevent recurrence of incidents such as price fixing. We also formulated measures to prevent recurrence of information leakage incidents and consolidated them into a new business improvement plan.

For more information on the business improvement plan, please refer to https://www.ms-ad-hd.com/en/news/irnews/auto_20250530574933.html

New initiatives of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

Note: This section focuses on new measures.

Established an appropriate legal compliance framework to ensure compliance with the Act on the Protection of Personal Information, the Unfair Competition Prevention Act, and other relevant laws and regulations

- Conducted training on the Act on the Protection of Personal Information and the Unfair Competition Prevention Act by external instructors
- Established a framework for information management training for seconded employees and employees of the dispatching department
- Reinforced agent training on relevant laws and regulations other than the Insurance Business Act

Established appropriate customer information management systems at MSI, ADI, and insurance agents

- Implemented comprehensive inspection of operations handling personal information at the first line of defense of the head office
- Enhanced support tools to improve the effectiveness of customer information management
- Clarified the agents' responsibility to respond in the event of a leakage incident

Established a management control system to examine risks arising from the attributes of the business model and the implementation of management strategies as well as to implement appropriate countermeasures in a timely manner

- Clarified the risks that are likely to occur due to the attributes and features of the agent channel and business model, and detection of signs of risks
- Set up a submission box for employees to post their observations and concerns
- Compliance Department's monitoring of sales departments' phone call recordings, enhanced collaboration with the Corporate Risk Management Department, and anticipation and early detection of risks through digital technology-based legal and conducting risk analysis

Fundamentally reviewed the current business improvement plan formulated in February 2024

- Initiatives aimed at achieving sound competition centered on the advancement and differentiation of insurance products and services
- Initiatives to reduce and streamline internal processes

Main initiatives of MS&AD Holdings

Increased sophistication of the business improvement plan

In anticipation of the merger of its two subsidiary non-life insurance companies, the Company established the Structural Transformation and Corporate Innovation Subcommittee under the Merger Preparation Committee to ensure alignment with the new plan. Through merger discussions, the Company will advance revisions toward a more sophisticated business improvement plan, including the mutual adoption of each other's effective initiatives and measures.

Enhancing supervisory functions through changes to the institutional design of the holding company

The transition to a company with an Audit and Supervisory Committee within a holding company, along with the appointment of Outside Directors to constitute a majority of the Board of Directors, will enhance the supervisory and checks-and-balances functions of the holding company board and strengthen Group governance.

Verification of appropriateness of secondment policies, etc., at the Group's domestic insurance companies

Following the occurrence of information leakages, MSI and ADI have shared their stricter Secondment Policy (including rules for secondment employee education and management) with domestic Group insurance companies, instructed them on response measures, and will verify the appropriateness of their responses.

Our Management Team

[Directors] (As of July 1, 2025, and the number of Company shares owned is the number after the April 1, 2024, stock split)

Noriyuki Hara

Chairman & Director
Chairman Executive Officer

Date of birth: July 21, 1955
Number of Company shares owned: 196,385
Important concurrent positions:
Chairman & Director, Chairman Executive Officer, Mitsui Sumitomo Insurance Co., Ltd. (MSI)
Biography:
April 1978 Entered Taisho Marine and Fire Insurance Co., Ltd. Has business experience in market development, sales, product operations, corporate planning, etc. Present position since June 2024

Yasuzo Kanasugi

Representative Director
Vice Chairman & Director
Vice Chairman Executive Officer

Date of birth: May 29, 1956
Number of Company shares owned: 204,954
Important concurrent positions:
Chairman & Director, Aioi Nissay Dowa Insurance Co., Ltd. (ADI)
Biography:
April 1979 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Has business experience in human resources, sales, corporate planning, merger preparation, etc. Present position since June 2020

Shinichiro Funabiki

Representative Director
President & CEO

Date of birth: May 11, 1960
Number of Company shares owned: 161,875
Important concurrent positions:
President & CEO, MSI
Biography:
April 1983 Entered Sumitomo Marine and Fire Insurance Co., Ltd. Has business experience in corporate planning, sales, administration and information systems, DX implementation, etc. Present position since June 2024

Shigeo Kudo Newly appointed

Representative Director
Executive Vice President

Date of birth: August 11, 1964
Number of Company shares owned: 52,985
Important concurrent positions:
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Biography:
April 1987 Entered Taisho Marine and Fire Insurance Co., Ltd. Has business experience in corporate planning, sales, product and services operations, etc. Present position since June 2025

Keisuke Niiro Newly appointed

Director
Executive Officer

Date of birth: July 5, 1965
Number of Company shares owned: 58,785
Important concurrent positions:
President & CEO, ADI
Biography:
April 1988 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Has business experience in corporate planning, reinsurance, human resources, sales, etc. Present position since June 2025

Junichi Tobimatsu

Outside Director
Chairperson of the Governance Committee

Date of birth: August 15, 1972
Number of Company shares owned: 0
Attendance record: Board of Directors' meetings 14/14 (100%)
Important concurrent positions:
Attorney-at-law, GAIEN PARTNERS
Director, CANDEAL Co., Ltd.
(Outside Director (Audit and Supervisory Committee Member))

April 1998	Registered as Attorney-at-Law Attorney-at-Law, Mori Sogo (currently, Mori Hamada & Matsumoto)
June 2004	Registered as Attorney-at-law in New York
April 2010	Associate Professor, Graduate School of Law and Political Science, the University of Tokyo
July 2016	Attorney-at-law, Tobimatsu Law (currently, GAIEN PARTNERS) (present)
June 2018	Director, the Company (present)

Rochelle Kopp

Outside Director
Chairperson of the Nomination Committee

Date of birth: June 29, 1964
Number of Company shares owned: 0
Attendance record: Board of Directors' meetings 14/14 (100%)
Important concurrent positions:
Managing Principal, Japan Intercultural Consulting

June 1986	Business analyst, ZS Associates International, Inc.
June 1987	Senior business analyst, ZS Associates International, Inc.
Aug. 1988	Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.) International Public Relations Specialist
Oct. 1992	Consultant, IPC Group, Inc.
July 1994	Managing Principal, Japan Intercultural Consulting (present)
Jan. 2015	Professor of Global Leadership Course, Business Break Through University
April 2019	Professor of Faculty of Foreign Studies, The University of Kitakyushu
June 2020	Director, the Company (present)

Akemi Ishiwata

Outside Director
Chairperson of the Remuneration Committee

Date of birth: August. 23, 1960
Number of Company shares owned: 1,600
Attendance record: Board of Directors' meetings 14/14 (100%)
Important concurrent positions:
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April 1983	Entered Bristol-Myers Company
Dec. 1985	Entered Kao Corporation ("Kao") Assigned to Kao Life Science Laboratory
March 2003	Product Development Manager, Household Business Division, Kao
Dec. 2005	Section Chief, Consumer Research Center, Kao
March 2010	General Manager, Consumer Research Center, Kao
March 2015	Executive Officer, Supervisor of Corporate Communications Division, Kao
Jan. 2021	Executive Fellow, Kao
Jan. 2022	Special Mission Fellow, Kao
June 2022	Director, the Company (present)

Jun Suzuki

Outside Director

Date of birth: February 19, 1958
Number of Company shares owned: 7,500
Attendance record: Board of Directors' meetings 14/14 (100%)
Important concurrent positions:
Director (Outside Director), Idemitsu Kosan Co., Ltd.

April 1983	Entered Teijin Limited
April 2011	Teijin Group Chief Representative in Europe, Teijin Limited President, Teijin Holdings Netherlands B.V.
April 2012	Teijin Group Corporate Officer, Teijin Limited
April 2013	Teijin Group Managing Executive Officer
June 2013	Director, Managing Executive Officer, Teijin Limited
April 2014	Representative Director, President & CEO, Teijin Limited
April 2022	Director, Chairperson, Teijin Limited
April 2023	Director, Senior Advisor, Teijin Limited
June 2023	Senior Advisor, Teijin Limited (present)
June 2023	Director, the Company (present)

Atsuko Okajima Newly appointed

Outside Director

Date of birth: October 15, 1954
Number of Company shares owned: 0
Important concurrent positions:
Executive Director, Saitama Prefectural University
Director (Outside Director (Audit and Supervisory Committee Member)), House Foods Group Inc.
Director (Outside Director), DAITO KOUN CO., LTD.

April 1977	Entered the Ministry of Agriculture and Forestry (now the Ministry of Agriculture, Forestry and Fisheries)
July 2003	Councillor, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries
July 2004	Councillor, Minister's Secretariat, Ministry of Health, Labour and Welfare
July 2006	Vice-Governor of Saitama Prefecture
July 2009	Director General of Gender Equality Bureau, Cabinet Office
April 2013	Member, Information Disclosure and Personal Information Protection Review Board, Cabinet Office
April 2016	Member, Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications
April 2022	Executive Director, Saitama Prefectural University (present)
June 2025	Director, the Company (present)

[Directors who are Audit and Supervisory Committee Members]

Hideki Kawatsu Newly appointed

Director
Audit and Supervisory Committee Member

Date of birth: November 2, 1968
Number of Company shares owned: 19,547
Important concurrent positions:
Director, MSI

April 1991	Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
April 2023	Executive Officer, General Manager of Corporate Planning Dept., MSI
August 2024	Managing Executive Officer, MSI
April 2025	Director, Managing Executive Officer, MSI
June 2025	Director, MSI (present) Director, the Company (present)

Taisei Kunii Newly appointed

Outside Director
Chairperson of the Audit and Supervisory Committee
Audit and Supervisory Committee Member

Date of birth: June 12, 1959
Number of Company shares owned: 200
Attendance record: Board of Directors' meetings 10/12 (83.3%)
Audit & Supervisory Board meetings 8/9 meetings (88.9%)
Important concurrent positions:
Certified Public Accountant, Taisei Kunii Certified Public Accountant Office
Outside Audit & Supervisory Board Member, Sumitomo Corporation

Oct. 1985	Entered Tohmatsu, Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
Aug. 1989	Registered as Certified Public Accountant
Oct. 2013	Executive Officer, General Manager of Tokyo Audit Division, Deloitte Touche Tohmatsu LLC
June 2018	CEO, Deloitte Touche Tohmatsu LLC
Feb. 2023	Certified Public Accountant, Taisei Kunii Certified Public Accountant Office (present)
June 2024	Audit & Supervisory Board Member, the Company
June 2025	Director, Audit and Supervisory Committee Member, the Company (present)

Yukari Murayama Newly appointed

Outside Director,
Audit and Supervisory Committee Member

Date of birth: August 4, 1972
Number of Company shares owned: 0
Important concurrent positions:
Attorney-at-Law, Anderson Mori & Tomotsune–Foreign Law Joint Enterprise
Director (Outside Director (Audit and Supervisory Committee Member)), DENTSU SOKEN, INC.
Director (Outside Director), Carlit Co., Ltd.

April 2000	Registered as Attorney-at-Law Attorney-at-Law, Hideyuki Sakai Law Office*
Jan. 2010	Seconded to the Supervisory Bureau of the Financial Services Agency (Nonbank Financial Companies Office and Financial System Stabilization Management Office)
April 2012	Counsel, Bingham Sakai Mimura Aizawa–Foreign Law Joint Enterprise*
Jan. 2013	Partner, Bingham Sakai Mimura Aizawa–Foreign Law Joint Enterprise
April 2015	Partner, Anderson Mori & Tomotsune* (present)
June 2025	Director, the Company (present)

*Currently Anderson Mori & Tomotsune–Foreign Law Joint Enterprise

For more information, see the Group's official website. ●**Corporate Governance (https://www.ms-ad-hd.com/en/group/value/corporate.html)**

●Basic Policies on Corporate Governance ●Corporate Governance System ●Supervision System (Board of Directors) ●Support Systems for Outside Directors ●Auditing ●Nomination and Remuneration ●Remuneration Committee ●Criteria for the Selection of Board Members and for the Independence of Outside Directors ●Appointment of Outside Directors and Related Matters

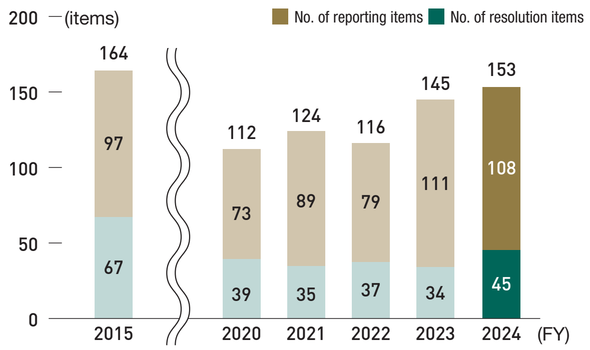
Content of Discussions of Meetings of the Board of Directors

By enhancing corporate governance and ensuring its effectiveness, we are continuing to improve the operation of the Board of Directors. At meetings of the Board of Directors, top management engage in lively discussions on management issues.

Efforts aimed at improving the operation of the Board of Directors

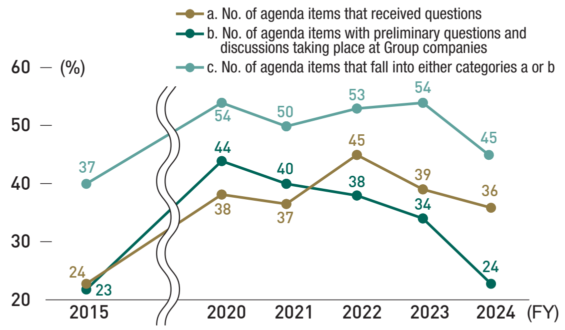
Number of agenda items

- In FY2024, the total number of agenda items was 153 (145 in the previous fiscal year), consisting of 45 resolution items (34 in the previous fiscal year) and 108 reporting items (111 in the previous fiscal year). Regarding the merger of MSI and ADI, from the perspective of information management, the matter was separated from the Board of Directors agendas and discussed extensively.
- The increase in the number of resolution items was mainly due to an increase in resolution items (3) related to governance enhancement, including business improvement plans and changes in institutional design, considering the business improvement orders related to the price fixing cases, etc., and an increase in resolution items (4) related to business investments. As for reporting items, the number of agenda items related to price fixing cases, etc., increased to 24 items (13 in the previous fiscal year).



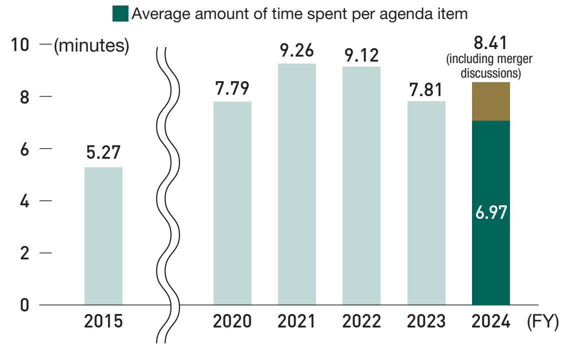
Status of advance questions and Q&A

- For Outside Directors, we assign a dedicated support staff member to each director, provide thorough advance explanations of meeting agendas, and thus maintain a robust support system.
- Due to the increase in the number of agenda items, advance questions and Q&A have been on the rise since FY2015. We will continue to expedite decision-making and business execution through the delegation of authority to Directors following changes in institutional design, while deepening discussions within the Board of Directors.



Average amount of time spent per agenda item

- Important agenda items such as business improvement plans, governance enhancements, and business investments are deliberated with sufficient time secured. Furthermore, when discussions on the merger are included, the average deliberation time increases to 8.41 minutes (7.81 minutes in the previous fiscal year).
- To secure sufficient deliberation time for important agenda items, for regular reporting items we introduced prepared summaries of the agenda materials and operated meetings such that explanations were provided as necessary, etc.



Topics and content of discussion at Board of Directors meetings

Theme	Content of the discussion
Status of response to business improvement orders, etc., by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance	• Confirmation of the progress and improvement status of initiatives outlined in the business improvement plan submitted to the Financial Services Agency (creating an appropriate competitive environment, establishing appropriate sales promotion and underwriting management systems, creating appropriate legal compliance systems, fostering a healthy corporate culture, and fundamentally strengthening governance systems). • Confirmation of the status of compliance with the Financial Services Agency's request for a report regarding the information leakage incident between the insurance agents and the insurance company. • Confirmation of the status of the Group's response to fraudulent insurance claims and its policy for handling such claims. • Through changes in the institutional design, the Company confirmed that we will implement measures to achieve our Aspiration while strengthening the governance framework of the Group as a whole.
Progress of the Group's Medium-Term Management Plan (2022–2025) Stage 2	• Confirmation of the direction of the Group's international business, business investment strategy, and the status of deliberations. • Progress and improvement status of initiatives to promote "major reforms of business style," namely, "reforms to value provided," "transformation of the business structure," and "reforms to productivity and profitability" as well as "establishment of customer-focused business operations." • We confirmed that we will focus on improving Group ROE and lowering the cost of capital, achieving sustainable growth and expanding corporate value through measures such as achieving zero strategic equity holdings and controlling catastrophe risk.
Merger of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance	• We confirmed the merger of MSI and ADI to establish a stronger domestic non-life insurance business structure to support the development of a resilient and sustainable economy and society.

Group Governance

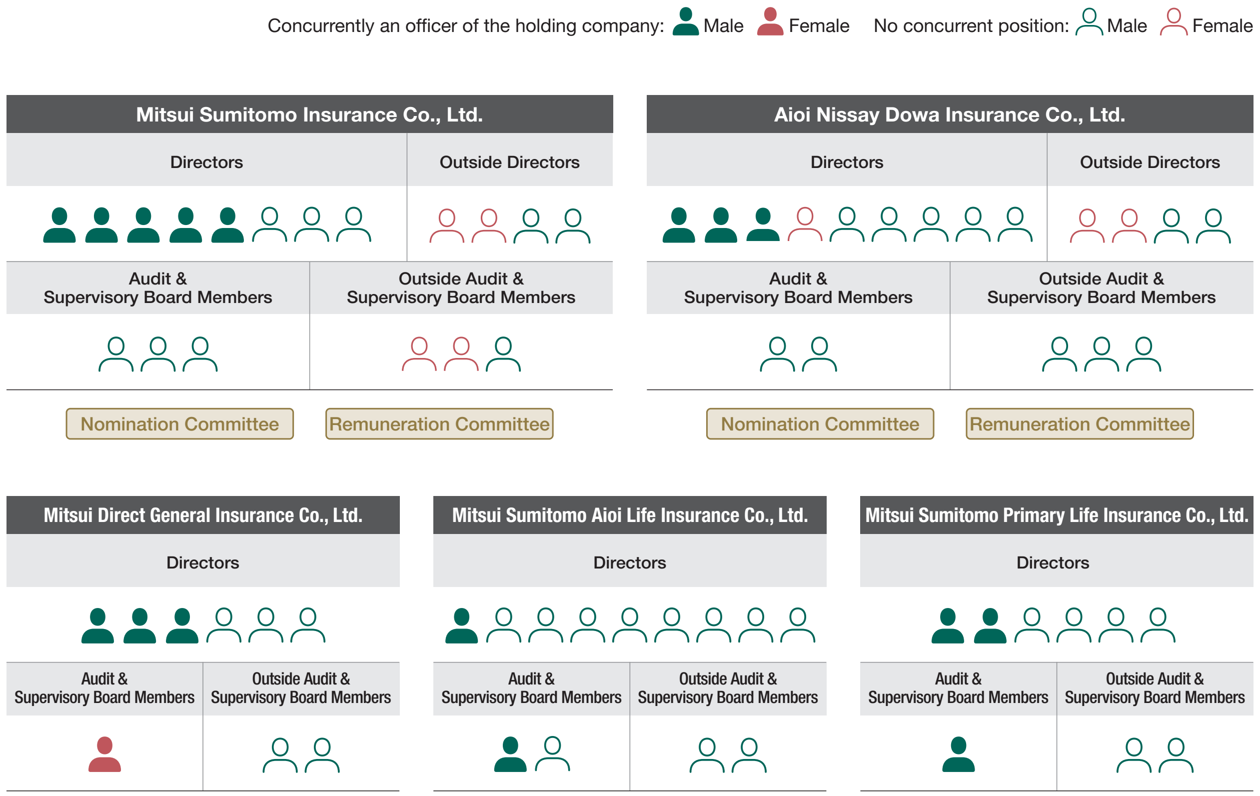
To achieve sustainable growth with the Group working in unison, we are leveraging our functions as a holding company and working to strengthen Group governance.

Group management administration structure

The Company (the holding company) enters into Group management supervision contracts with directly invested operating companies and conducts management administration of each Group company, the main points of which are as follows:

Role of the holding company in the Group	• Formulate and implement Group management strategies • Consider and implement effective capital allocation to Group companies to strengthen our earnings foundation • Enhance the Group's comprehensive strength and implement initiatives to further strengthen governance
Matters to be approved by and reported to the holding company	The approval of the holding company or reports to the holding company are required for important matters at directly invested companies, based on management supervision contracts. [Examples of prior approval items] 1) Management plans, Risk Appetite Statement, and income and expenditure plans; 2) Election and dismissal of Directors and Audit & Supervisory Board Members; 3) Issuance of new shares, stock splits, etc.
Compliance with the Basic Policy on Group Management and Administration	The holding company has established basic Group policies, including the Basic Policy on the Group Internal Control System, the Risk Management Basic Policy, the Compliance Basic Policy, the Basic Policy for Internal Audits, the Group Risk Appetite Statement, and the Basic Policy on Information and Technology Governance, and requires compliance by all Group companies.
Conducting internal audits	In accordance with the "Group Basic Policy for Internal Audits," the holding company and the Group's domestic insurance companies have established independent specialized organizations as internal audit departments, which conduct internal audits of the Group as a whole in cooperation with each company.

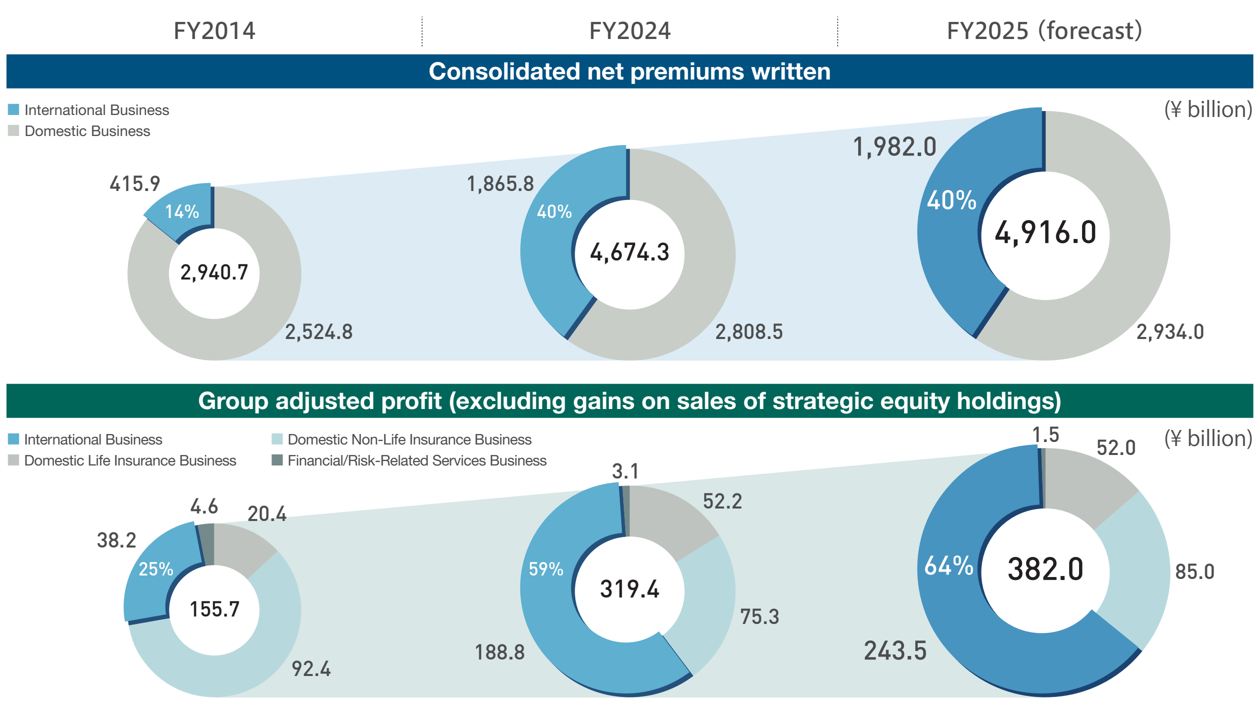
Management structure of operating companies



Notes:
1. More than half the members, as well as the committee chairperson, are Outside Directors.
2. Concurrent Directors of the holding company refer to executives and employees of the holding company who also serve as Directors and Audit & Supervisory Board Members of the operating companies.

Hironori Morimoto

Executive Officer
In charge of International Business Planning Dept.



The international business has grown significantly, and now generates more than 60% of Group adjusted profit

Embrace distinct management policies and strategies striving for global top-tier recognition

Special Feature Strengthening Our International Business

The MS&AD Group has been continuously working to strengthen its international business, and by FY2024, it expanded to account for nearly 60% of Group adjusted profit. We will continue to position our international business as the core of our growth strategy, focusing primarily on strengthening our North American operations, while expanding our business foundation through ongoing investment.

■ Evolution of international business enhancement

Entering the third stage, where the international business takes the next leap forward

The progress of our Group's international business can be broadly divided into three stages. Until the 1990s, we established bases around the world in advance of our Japanese corporate customers' overseas expansion. This was the first stage that laid the foundation for our international business. In the second stage beginning in the 2000s, we shifted our focus to full-scale local business operations that captured regional economic growth, leveraging acquisitions of non-life insurance businesses in Asia and entry into the Lloyd's market in the United Kingdom. And following the acquisition of MS Amlin in 2016, we have entered a stage where we aim to become a global top-tier insurance group through large-scale investments.

The restructuring of MS Amlin was by no means a smooth path. We faced a persistently challenging earnings environment following the acquisition. However, we implemented fundamental reforms, such as enforcing strict underwriting discipline, executing data-driven portfolio transformation, and most importantly, overhauling our management structure. We were able to restore it to its rightful growth trajectory by believing in the business's potential, appointing a new top management team with advanced skills and execution capabilities, and enhancing business transparency. The lessons learned from this experience will serve as valuable assets for future international business expansion. In addition to our stable growth foundation in Asia, the Lloyd's and reinsurance business has become a key driver of Group profits, enabling us to achieve an environment where we can take strategic steps toward further growth.

We have strengthened our earnings foundation and achieved record-high profits for our international business for two consecutive years in FY2023 and FY2024. The percentage of Group adjusted profit accounted for by the international business is also expected to increase from the 20% level of 10 years ago to more than 60% in FY2025 (excluding gains on sales of strategic equity holdings). This is the result of years of steady effort and overcoming numerous difficulties. With a stable earnings foundation now established, we are shifting our focus from defense to an aggressive growth strategy and embarking on new challenges to compete alongside top-tier companies in the global market.

■ Top priorities for strengthening the international business

Unwavering business philosophy and management foundation

When expanding our international business, we place importance on more than fundamentals such as market size and regulatory environments. For instance, in business investments, we emphasize whether the top management of investee candidates has a proven track record and, above all, whether they share our business philosophy. We are not swayed by near-term gains but instead take a long view and collaborate across national and regional boundaries for the advancement of the entire Group. We are confident that such alignment of values holds the key to sustainable growth.

Furthermore, a solid financial base is essential for competing in the global market. The "A+" financial rating maintained by the MS&AD Group serves as a testament to the trust placed in us by our international customers and business partners, providing us with a significant competitive advantage.

In many cases, especially in markets where a company is a late entrant, it is not uncommon for a company to be denied the opportunity to conduct business without this rating. This solid financial base, combined with the business philosophies cultivated over many years by the Sumitomo & Mitsui Group, namely "long-term management" and "contributing to society," is highly regarded across countries and cultures, and we recognize this as a significant strength. We are pursuing a clear strategy to maximize these foundations and diversify the entire Group's portfolio, which carries a high proportion of natural catastrophe risk in Japan, through our international business.

An extremely powerful tool for this purpose is the Lloyd's and reinsurance business. Lloyd's secures underwriting licenses (advantages) that grant access to global risks through its London base, enabling efficient diversified investment. Furthermore, reinsurance entails a business model with high capital efficiency that enables the underwriting of global risks without requiring business licenses or capital investment in each country. In fact, the MS&AD Group conducts reinsurance business worth approximately ¥80 billion even in South America (excluding Brazil), where we have no direct underwriting operations. By advancing both strategic business expansion and disciplined scrap-and-build initiatives, as exemplified by the sale of our stake in Australia's Challenger in the spring of 2025, we are achieving sustainable growth while enhancing the stability and capital efficiency of the entire Group.

■ Priority markets and strategies

Taking on the challenge of the U.S. market and steady growth in Asia

In allocating future management resources, our top priority is the United States, the world's largest insurance market. For the MS&AD Group, the U.S. market has long centered on providing services to Japanese corporate clients, with limited expansion into full-scale local business operations. However, we cannot ignore this huge market as we aim to become a global top-tier company. We developed a well-laid strategy after conducting thorough market research over approximately eight months.

Based on the lessons learned from the restructuring of MS Amlin, we are not blindly entering the U.S. market. Instead, we are focusing our efforts on the profitable specialty insurance segment where we can leverage our strength as a latecomer, namely our "A+" financial rating. This marks the first time in about 30 years that an insurer with a high financial rating like ours has made a full-scale entry into the U.S. local market, and we are receiving a warm welcome from major brokers seeking new underwriting capacity. We are recruiting outstanding underwriters highly regarded in the market for areas such as political risk and financial lines, advancing the development of our IT infrastructure, and fundamentally rebuilding our partnerships with major brokers. As a result of these initiatives, our U.S. business has begun to make solid progress, achieving record profits exceeding ¥20 billion in FY2024.

Furthermore, the investment of approximately ¥600 billion in W. R. Berkley Corporation (hereinafter "WRB") announced in 2025 is an important step to accelerate our U.S. strategy. The advanced underwriting technology of WRB, a leading specialty insurance company, and the Group's network, which has strengths in Asia and Europe, are ideally complementary. Through this partnership, we aim to not only secure stable revenue but also create new revenue opportunities through global collaboration, thereby developing our U.S. operations into a new core business for our future international business.

Meanwhile, we will not slow our growth momentum in Asia, where the Company has a strong foundation. We are continually seeking bolt-on investment opportunities, primarily in countries like Vietnam, Indonesia, and Malaysia. Although large-scale business investment projects are limited in the Asian market, we will seize opportunities such as deregulation and leverage our robust local networks to make agile investment decisions. At the same time, rather than sticking to having our own operations in every country, we will continue to pursue a thorough and uncompromising review, constantly focusing on capital efficiency and redefining the purpose of each business.

■ Renewal of management structure and human resource strategy

Strengthening human capital and linking it to competitiveness

With the international business now serving as the engine driving the Group's growth, transitioning to a management administration structure that ensures the implementation and sustainability of our bold strategy is a top priority. Following the business reforms in our domestic non-life insurance business triggered by the merger of core insurers Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, we are advancing the renewal of our management and promotion framework for the international business. We are focusing on deploying and developing diverse human assets to spearhead these efforts. As one facet of this effort, we are building a multinational leadership team to manage our overseas subsidiaries, enhancing our competitiveness in the global market by placing highly specialized talent in the right roles. To cultivate overseas human assets, we implement systematic educational programs such as overseas dispatch training and global trainee programs, aiming to enhance management administration capabilities and specialized skills.

The traditional Japanese model for cultivating generalists is no longer effective in the highly specialized global competitive environment. World-class human resources seek to work in environments where their skills are fairly valued, where they understand the company's clear strategy and their own role, and where they can fully demonstrate their abilities. We cannot compete unless we are an organization that attracts such talent. With an awareness of this issue, I would like to fundamentally change the nature of our organization. In overseas operating companies, the "CxO structure" is the mainstream approach, where functional leaders such as the Chief Underwriting Officer (CUO) or Chief Financial Officer (CFO) lead specialized staff to drive business operations. We will transform our head office organization, which has been managed primarily by Japanese personnel on a regional basis, into a functional group of experts where multinational human resources, regardless of nationality, will exercise leadership. This will invigorate talent exchange between the head office and local subsidiaries, opening global career paths for outstanding local talent and boosting motivation. I am hopeful that placing human resources in an environment where they can engage in friendly competition with colleagues from diverse backgrounds will accelerate their individual growth.

Building an organization where working at the MS&AD Group becomes an attractive option for top-tier professionals worldwide is a prerequisite for our evolution into a truly global enterprise. The long-term perspective and philosophy of social contribution that companies of the Mitsui Group and the Sumitomo Group have developed over their more than 350-year history have universal values that attract outstanding human resources regardless of nationality. By building upon this unwavering DNA and providing clear strategies and challenging fields, we will create an organization where people around the world genuinely desire to "exercise their full potential within the MS&AD Group."

The transformation of our international business has only just begun, but the path forward is clear. With the experience gained at MS Amlin, we will establish the U.S. business as a new growth engine and implement global-tier management through a multinational team. Through this dynamic challenge, we are determined to meet the expectations of our shareholders, customers, and society, and propel the MS&AD Group to become a truly globally recognized top-tier global company.

Direction of our growth strategy in the next Medium-Term Management Plan

International Business

Enhancing the growth potential and profitability of existing businesses

- In the Lloyd's and reinsurance business, ensure high-level profitability even in a softening market cycle by employing rigorous cycle management
- Expand earnings by capturing the growth of the MGA and specialty market in the Americas, and the Asian retail market

New Growth Strategy Led by the Holding Company

- Establish a new management model for the international business led by the holding company, focusing on effective business management that utilizes multinational talents and considers the characteristics of each local subsidiary
- Continue to carefully monitor opportunities for business investment under a softening market cycle

Representatives from four overseas Group companies explain their local strategies.

Delivering Consistent Performance in a Highly Uncertain World

Andrew Carrier

MS Amlin Underwriting Limited CEO
Executive Officer,
Mitsui Sumitomo Insurance

In 2024, MS Amlin Underwriting Limited made significant progress, fulfilling its strategic goals of financial resilience, stability, and purposeful growth, as we continued our pursuit of being one of the top performing Lloyd's syndicates. We were also able to support a diverse set of customers all around the globe through our wide range of products and broad appetite, while maintaining a prudent underwriting and well-diversified underwriting portfolio.

We recognize that the insurance market is facing headwinds, such as the increasing risk volatility and intensifying competition in specialty lines, driven by global uncertainty. Going forward, maintaining underwriting discipline through flexible cycle management will be critical. Our 2024 performance reflects a strategic balance between stakeholder interests and commercial discipline. With strong foundations, we remain well-positioned to navigate future uncertainties and deliver consistent profitability.

Additionally, we continued to demonstrate our customer commitment through collaboration across our Underwriting and Claims teams and joint proposition with MSIG UK. With the launch of our new Partnerships division in January 2025, we aim to further strengthen collaboration across the MS&AD Group, unlocking new synergies and delivering greater value to customers worldwide.

Growth Strategy in the United States Based on Business Transformation Initiatives

Peter McKenna

MSIG USA CEO

The United States is the world's largest non-life insurance market, with annual premium volume exceeding US$1 trillion (¥140 trillion) and more than 2,500 active carriers. While the market presents business opportunities, it is a challenging market with various risks such as natural catastrophes, social inflation, and expensive lawsuits. In this competitive environment, MSIG USA, a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Ltd., is fully licensed in all 50 states and has historically focused on supporting Japanese businesses operating in the United States. However, MSIG USA has undertaken a strategic shift in its operating model to expand its presence and relevance in the broader U.S. market guided by three core pillars: enhancing underwriting excellence, system modernization, and a strengthened sales channel strategy. Specifically, we have established and implemented underwriting discipline under the strong leadership of the Head of Underwriting, enhanced operational efficiency and accelerated decision-making speed through seamless data connectivity across among major lines, and advanced strategic partnerships with major U.S. brokers as well as commencing full-scale underwriting of specialty lines leveraging its high A+ rating.

As a result of these efforts, MSIG USA achieved record profit in FY2024. In FY2025, the company will systematically expand its scale by deepening market penetration based on disciplined underwriting and an enhanced specialty line facility.

In addition, MSIG USA, in close alignment with MS Transverse, will continue to serve as the Group's flagship platform in the United States. With a clear strategic mandate, strong executional focus, and enduring commitment to the U.S. market, the company will contribute to the MS&AD Group's international growth ambitions.

Establishing a Strong Presence in the Reinsurance Market

Robert Wiest

MS Amlin AG CEO
Executive Officer, Mitsui Sumitomo Insurance

As the only reinsurance company in the Group, MS Amlin AG (hereinafter "MS Reinsurance") provides global reinsurance solutions worldwide through underwriting offices in Zurich, Bermuda, New York, and Miami. The MS Reinsurance brand, which has been in use since 2022, is steadily gaining ground as a trusted, go-to partner for clients and brokers. The brand is supported by top credit ratings: A+ by both AM Best and S&P Global.

Over the past three years, MS Reinsurance has secured profitability through portfolio diversification and disciplined underwriting. We nearly doubled the size of our business by expanding in 2024 when market conditions were favorable for reinsurers. Operational efficiency and the integration of new systems have further strengthened its position as one of the most insightful partners in the market.

Looking ahead, while some market softening is expected, we expect that the market environment will continue to enable us to secure our planned level of underwriting profits for the next 2 to 3 years. We are already working to diversify and expand our portfolio by expanding current lines and regions and entering new lines of business. At the same time, we are putting in place initiatives in major client segments and strengthening cycle management to secure stable earnings. In addition to our contribution to the international business through sustainable profitability, we will continue to use our reinsurance underwriting expertise to support the MS&AD Group in raising the level of its reinsurance business and contribute to the MS&AD Group by creating synergies in the Group.

Capturing Growth in the MGA Market and Leading a Sustainable Growth Strategy

Dave Paulsson

MS Transverse CEO

In the U.S. non-life insurance market, MGAs (Managing General Agents), which have delegated underwriting authority from insurance companies, are experiencing significant growth. This expansion is driven by the rapid growth of the E&S market*1, which is the primary market MGAs operate in, as well as specialized human assets joining or establishing their own MGAs. Within this market environment, MS Transverse operates as a hybrid fronting carrier*2 whose main source of revenue is from fronting commissions by selecting highly profitable business and ceding most of the risk to reinsurers.

By implementing strategies that ensure profitability and growth while adhering to underwriting discipline, we have achieved a loss ratio of around 40% for both FY2023 and FY2024 and secured stable profits. Furthermore, this has led to high trust from reinsurers, ensuring stable capacity for MGA programs, building a win-win relationship with our business partners. These initiatives are being recognition, and we have been awarded "Fronting Carrier of the Year" (an industry award) for 2022, 2024, and 2025.

Having become the lone fronting carrier in the market with an AM Best A+ rating, and along with our capability to identify and evaluate prospective MGA programs, we aim to establish our position as a top brand and strengthen trust with MGAs and reinsurers.

We acknowledge the significant role of our international business in achieving Group adjusted profit of ¥1 trillion. Together with MSIG USA, we aim to enhance our Group's presence in the U.S. market such that the Americas business becomes the most significant contributor to the international business.

*1 Excess & Surplus market, a market that provides flexible and specialized insurance products for unique risks not covered by the standard insurance market
*2 A unique business model where underwriting authority is delegated to MGAs and most of the underwritten risks are ceded to reinsurers, enabling MS Transverse, the MGA, and the reinsurers to share in the resulting profits