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Believing in Human Potential, Determined to Forge the Future

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Looking Back on My First Year in Office

A Year Spent Pondering the Future of the T&D Insurance Group

One year has passed since I became President in April 2024. I feel that this past year has been the most intense and varied period of my entire life.

My new standpoint as President has dramatically changed my view of the business landscape. I guess I would not be fulfilling my responsibilities as president if I assumed a never-changing landscape. Accordingly, I have made a conscious effort this past year to understand issues from multiple perspectives.

Above all, I have pondered the T&D Insurance Group's future growth and maximization of the Group's corporate value.

The T&D Insurance Group's greatest strength is its life insurance business in specialty markets. I now recognize that the core of this strength is people driving growth by overcoming a myriad of challenges through repeated implementation of the Try & Discover cycle. I came to the conclusion that, to build this strength further, we needed to break from the past, including the systems and practices that prevent officers and employees from making rational decisions and the conventional wisdom and culture that has become entrenched within the Group through these systems and customs. This conclusion was reached in light of the T&D Insurance Group's purpose and corporate value.

Over the past year, I have sensed through ongoing dialogue with the Group's officers and employees that their way of thinking is gradually changing and the Try & Discover spirit, which is our Group's DNA, is coming back to life.

However, vestiges of the past in some areas risk inducing homogenous groupthink and dampening the Try & Discover spirit. In a discontinuously changing environment, an inward mindset means failing to notice changes, noticing changes but being incapable of responding to them, potentially stopping thinking about issues altogether, and being unable to adapt to the changing times. The T&D Insurance Group will not be able to achieve sustainable growth unless the Group itself changes through the acceptance of heterogeneity and diversity.

To shake things up and put us on track for sustainable growth, I once again sought to grasp the Group's current status, including our capabilities, the value we provide, and the management resources we lack to adapt to our changing environment. This endeavor reminded me of the importance of using objective outside opinions and analysis, including feedback from shareholders and other stakeholders, as a basis for making management decisions, and holding discussions.

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Fulfilling my Responsibilities as President

I have often been asked whether I feel lonely since becoming President. It may be that I have yet to experience the loneliness of being president partly because I have just passed the one year mark.

That said, the president carries a wide range of heavy responsibilities, including being responsible for steering the Company, being entrusted by all stakeholders and playing an important role in supporting the livelihoods of employees. The president is required to make decisions and take action in a calm and collected manner. Meanwhile, these challenging circumstances are expected to persist. All this involves responsibilities that I must face up to personally. I feel the pressure that comes from this sense of responsibility is enormous.

There are times during ongoing dialogue with officers and employees when I experience something akin to distress at not being able to get them to understand the Group's vision and policies. I know that not everyone is going to completely understand and share the vision. However, our vision shows the Group we aim to be and the direction we aim to move in and, to increase our corporate value, it is more important than anything that everyone has an in-depth understanding of the vision and reflects this in their own behavior. As president, I must keep trying to explain the importance of our vision and getting everyone onboard.

I am acutely aware of and resolved to the fact that I must inescapably make decisions that will affect the future of the Company in high pressure situations and that despite the hardship of not being able to get my thoughts and ideas across, I have to just keep on trying like “Tansetsumaisei”^{*} and face up to the loneliness that comes with this.

Back when I was an elementary school student, some 50 years ago, I heard someone say “We are kept alive by others.” At the time, I failed to understand the true meaning of the words; however, they left a strong impression on me and I

came to understand the meaning with each passing year of my working life. Though obvious to me, the meaning is in fact not obvious. We are not living by ourselves—we are kept alive by others. In the year since becoming president, I have come to feel the loneliness of the job, but at the same time it has been a strong reminder of the significance of these words.

Looking back over the past year, I feel I have been supported by many people. These include not only shareholders but also customers, business partners, financial institutions, family, friends, acquaintances, and local communities. Above all, I have been supported by employees who believe in the future of the Group and I believe this is why we can undertake sweeping initiatives that would be impossible alone and create value that exceeds the sum of our individual capabilities.

I intend to fulfil my responsibilities as president out of determination and also a sense of gratitude to those around me.

Tansetsumaisei: Literally meaning “carrying snow to fill a well,” signifying the importance of making continuous efforts without neglect, even in acts that seem useless.

Achievements in My First Year

The Group's current long-term vision Try & Discover 2025 was formulated in 2021. Our business environment has changed dramatically, partly due to the COVID-19 pandemic; however, in their respective specialist markets, each domestic life insurance company has maintained a solid performance by demonstrating their uniqueness. As a result, policy in force has also increased, and this is a major strength of the T&D Insurance Group.

Through the steady profit growth of the Group's core domestic life insurance business, we achieved the initial target under the Group's long-term vision of 130 billion yen in Group adjusted profit by FY2025 one year ahead of schedule.

Furthermore, the efforts we have made since the days of



former President Uehara to improve capital efficiency by reducing risk and strengthening shareholder returns resulted in an increase in adjusted ROE to 10.4% in FY2024, compared with 5.9% in FY2020 before the start of the Group's current long-term vision.

Since becoming president last year, I have made it my most important duty to maximize the Group's corporate value and have implemented initiatives accordingly. Through steady profit growth as well as the realization of growth investments and the enhancement of shareholder returns, I have notched up some major achievements over the past year in terms of diversifying sources of revenue and improving capital efficiency.

Looking first at growth investments, I decided to invest 116 billion yen in the German life insurance holding company Viridium. With the closed book business positioned as a growth business, this investment will be our next strategic pillar in this area after our investment in the US-based reinsurance company Fortitude.

Fortitude acquires closed books (portfolios of existing policies for insurance products where new underwriting has ceased) from insurance companies, and then optimizes the asset management portfolio by replacing these with illiquid credit assets and other investments expected to generate excess returns, thereby increasing value.

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Meanwhile, Germany, where Viridium is based, is home to approximately 80 life insurance companies, most of which are small-to-medium-sized life insurance companies with a market share less than 1%. Regardless of company size, systems and management structures of a certain level are required to operate in the life insurance industry, and inherited legacy policy administration systems have become a management issue among German life insurance companies, especially small-to-medium-sized insurers. Viridium has established an efficient and low cost operation platform to solve this problem, with a particular strength in improving efficiency by integrating the IT and operational infrastructure of acquired run-off life insurance companies (which have stopped underwriting new policies).

Though the companies are in the same closed-book business domain, investment in both Fortitude and Viridium, two with different operating regions and business models, has huge significance for us as a company. I believe this is a very important step for further diversification and optimization of our business portfolio.

These investments are underpinned by the stable and steady growth of our domestic life insurance business, which accounts for the majority of the Group's earnings. This business is supported by a large number of policyholders. Accordingly, we need to make cautious and accurate

investment judgments and decisions, and it is important to consider multifaceted perspectives, including shareholder capital costs, and to exercise discipline in investment decisions.

The investment in Viridium, for example, was discussed at more than 10 Board meetings over a period of more than one year. For overseas investments in particular, we set a hurdle rate that took into consideration shareholder capital costs and other factors such as the interest rate differential between Japan and other countries, and we considered potential risks and held in-depth discussions to determine whether the expected return outweighed the risk. In a large overseas investment, the presence of a trustworthy partner is also an important factor. In our latest investment, we had been holding discussions with Allianz from the initial stages of consideration, and we have built up a good partnership with Allianz.

Moving on to my achievements in terms of capital policy.

I recently decided to implement our largest ever share buyback of 100 billion yen. Since last fiscal year, dialogue with stock markets as a president has reminded me of the importance of disciplined capital policy. Taking into consideration my decision to invest in Viridium and the results of initiatives under the Group's long-term vision, I made the share buyback decision on the basis that it was necessary to clearly signal management's intention to keep the economic value-based solvency ratio (ESR) at around 225%. Additionally, this share buyback is expected to reduce the number of shares to the level prior to the capital increase implemented during the global financial crisis, thereby eliminating the dilution caused by that capital increase.

I also changed our shareholder returns policy to clarify our commitment to strengthening cash dividends from our periodic profits. The life insurance companies under T&D Holdings' umbrella will demonstrate their strengths in their

respective specialist markets and as a result the value of the Group's in-force policies is expected to continue increasing in the future. Since this value of in-force policies will lead to the stable generation of profit in the future, the stable return of profit through cash dividends is in line with our business model. Last fiscal year, we achieved the Group's long-term vision target of 130 billion yen in Group adjusted profit one year ahead of schedule. With solid insurance performance together with rising domestic interest rates and improvement in the asset management portfolio further increasing confidence in profit growth, I decided that now was the time to strengthen cash dividends and to ensure we can return profit growth directly to shareholders.

More specifically, we have set a payout ratio of 60% based on the 5-year average of Group adjusted profit, clearly committing to the stable return of more than half our profit and demonstrating the value we place on shareholder returns.

Under our previous shareholder return policy, we had increased the total payout ratio, while aiming for a dividend on equity ratio (DOE) of approximately 4%; however, we had also received feedback to the effect that the timing and amount of returns was difficult to understand. I think that these latest changes have increased the stability and predictability of shareholder returns.

Policies Going Forward Further Improvement of Profitability

Our stock price at the end of March 2025 was more than double the level at the end of March 2021 before the launch of Try & Discover 2025, and our PBR also rose from 0.54x to 1.25x.

I recognize that these results reflect a certain appreciation of the Group's initiatives among shareholders and investors.



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I have just explained about the increased value of in-force policies as a result of our solid performance on the policies front and the diversification of sources of revenue resulting from our investments in Fortitude and Viridium. We have also accelerated the reduction of asset management risk, especially in relation to domestic and foreign equity, and improved our asset management portfolio, creating a structure that allows the stable expansion of positive spread.

Through these achievements, the Group's profitability has definitely increased, and in March 2025, ahead of the next long-term vision, we announced that we would aim for Group adjusted profit of more than 200 billion yen by FY2030. To achieve further sustainable improvement in the Group's corporate value in the future, improving EPS (earnings per share) despite the discontinuously changing environment is an important mission for the T&D Insurance Group as a listed corporate entity.

As return on embedded value (EV) expands, our stock price valuation on an economic value basis (P/EV ratio) will exceed our current target of 0.5x, and continue to improve.

Three Themes for Achieving Sustainable Management

FY2025 is the final fiscal year of Try & Discover 2025; however, given that we have already achieved the main KPIs of adjusted profit and ROE, it will be a year of steady preparation

for the next long-term vision, which will start from FY2026.

We are currently in the middle of formulating strategies in each business area for the next long-term vision, but are thinking of three overarching themes for maximization of corporate value and the realization of sustainable management. These are (i) building Group resilience, (ii) strengthening the existing business model, and (iii) investing for growth.

Starting with the first theme, one issue that has become apparent over my first year in office is that there is insufficient synergy across the Group as a whole. The domestic life insurance companies under our umbrella specialize in different markets, and synergies on the sales front, especially in terms of top line sales, are limited; however, even though the products they sell are different, the basic mechanism of life insurance is the same. We can, therefore, create further synergy by fully utilizing the Group's management resources and realizing efficient corporate functions through reforms such as the standardization of administrative processes. Going forward, the extent to which we can demonstrate synergy in indirect operations will be key.

Especially with Japan's population clearly shrinking and its workforce in decline, it will undoubtedly become even more difficult to secure human resources. To ensure our corporate survival in a challenging environment, we need not only to increase our top line but also to improve productivity and be a resilient group that can efficiently create added value. We must, therefore, transform ourselves into a group capable of adapting to a discontinuously changing society through the promotion of integrated group management and the creation of group synergy.

The second theme is to strengthen the existing business model. Over the five-year period of the next long-term vision, the domestic life insurance business will still be a pillar of earnings. There is scope to increase performance from policies in the insurance business by focusing on helping customers solve the social issues they face, and we expect to

achieve further expansion in specialist markets. The return to a world where interest rates exist will also work in our favor. The T&D Insurance Group's policy in force consists mainly of protection products, which are characteristically long term and stable. In addition to the sustainable buildup of such in-force business, underpinned by solid earnings from policies, continuous improvement in the asset management portfolio through the implementation of ALM (Asset Liability Management) is expected to result in further widening of the positive spread. Under the next long-term vision, top-line growth and securing a positive spread will remain the main drivers of earnings and continue to be a pillar.

The third theme is to invest for growth. Looking at Japan first, we will consider insurance-related businesses where we can solve societal issues and non-insurance businesses such as nursing care and health-related businesses where we can offer high added value. The Group has a holding company structure and can incorporate even an operating company whose ownership by an insurance company alone would be difficult for regulatory reasons. By fully using this mechanism and incorporating heterogeneity and diversity, we will encourage further change as a group and aim to create new value.

For example, All Right, established in 2022, is a subsidiary with a venture-type role engaged in new business and experimental innovation. All Right uses digital tools to create new customer contact points. In Japan, there is potential for the rollout of services that create added value with free thinking and we will spread our wings from this perspective and think up new growth strategies.

Meanwhile, overseas, we will continue leveraging our knowledge of the insurance business in M&A and investment activities. With our investments in Fortitude and Viridium, our foray into the closed book business is finished for now. Going forward, we will also consider expanding our insurance business globally.

Looking beyond the next long-term vision, we assume that

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the business risks surrounding the Group may materialize. For example, there is potentially a risk of decline in the profitability of the life insurance business, given market contraction as a result of a shrinking population and declining workforce, reduction of the risk margin due to revision of the standard life table, and narrowing of the positive spread due to an increase in the assumed investment yield (as a result of a rising standard yield rate). We think we can continue to grow sustainably in Japan even beyond the next long-term vision; however, we will pursue management that also envisages such a decline in profitability. The foundations for such management will be the three overarching themes I have just explained. We will build a solid management base by increasing group resilience; we will stabilize management by continuing to further strengthen the existing business model; and we will create new value through discontinuous growth investment following the closed book business. Through these initiatives, we aim to maximize corporate value.

Responsibilities of the Insurance Business that Are Directly Linked to the Resolution of Societal Issues

I see the insurance business as a business of a highly public nature that is directly linked to the resolution of societal issues. We will use the strength and knowledge we have built up in the life insurance industry as a basis for implementing initiatives aimed at resolving societal issues.

We have realized improvement in customer satisfaction and steady expansion of in-force policies through products and services that meet customer needs, and we will continue to contribute in businesses that have a high level of affinity with insurance. From the perspective of the SME market, which is Daido Life's main focus, the workforce of SMEs accounts for around 70% of Japan's total workforce and SMEs support the Japanese economy and employment; however, the executives who control the fate of these

enterprises are also aging. These executives are facing a range of issues such as the issue of business succession and the risk of health problems while in office, and we will expand our provision of products and services to help solve the issues faced by SMEs, including offering a wide range of solutions through FPs and inheritance consultants.

Also in the household market, which is Taiyo Life's main focus, we will work to address the societal issue of extension of healthy life expectancy through the provision of new protection products such as dementia prevention insurance for elderly customers and cancer/critical illness prevention insurance, as well as the provision of services for the prevention, early detection and care of dementia and the promotion of good health.

Moving forward, we will continue being there for customers, helping them address the issues they cannot solve alone.

In addition, the Group believes it has a significant role to play as a responsible institutional investor toward achieving economic development while shaping a sustainable society. For example, support for addressing social issues such as Japan's aging infrastructure is also crucial. In this way, we intend to concentrate on investments that will help solve societal issues arising from megatrends.

Meanwhile, on the asset management front, we have been consolidating our life insurance assets using T&D Asset Management as a platform, and we expect development of the structure to be mostly complete before the end of 2025. By fully using the Group's asset management resources, we will increase our expertise in areas such as equity and alternative investment, and also seek to improve efficiency and further strengthen asset management capabilities across the Group as a whole.

Development of the T&D Insurance Group's Brand

Brand power is an important factor that impacts many aspects of corporate activities including finance, market

competitiveness, relationships with customers, and the inner workings of a company. Businesses that keep increasing their corporate value in the long term regardless of changes in the environment almost invariably have strong brand power.

Within the Group, Taiyo Life and Daido Life each have considerable brand power in their respective core markets as life insurance companies engaged in specialized business; however, it is fair to say that the T&D Insurance Group's brand power is wanting.

To further expand each company's specialist business and to create new shared value and sustainably improve corporate value altogether, it will be important to build a solid brand as a group.

So far, the officers of the holding company, with myself at the center, have actively conducted townhall meetings to exchange opinions with the officers and employees of each company about Group management (internal IR). I feel that officers and employees now have a greater, more in-depth understanding of belonging to a group, partly due to the various events held to commemorate the Group's 20th anniversary last fiscal year and introduction of the stock compensation system.

Under the next long-term vision, we will organically link the corporate philosophy: "With our "Try & Discover" motto for creating value, we aim to be a group that contributes to all people and societies" to the concrete strategies of each company and each division, and all officers and employees will fully understand and practice this philosophy in their day-to-day duties and convey to society the Group's initiatives and provided value based on its corporate philosophy and vision. Through this, we will further increase stakeholders' confidence in and expectations for the T&D Insurance Group.

Brand power cannot be built overnight; however, it is essential for sustainable improvement in corporate value, and we will systematically focus on building brand power from a medium- and long-term perspective.

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“People” Centric Management with an Eye on the Use of AI

The T&D Insurance Group’s biggest driving force is the people who work for us. I have also made a point of valuing people in my management approach. Because we are an organization made up of people with different values, I want us to value communication. As a Group, we use the employee engagement score to deliver human resource strategies that reflect feedback from employees.

I believe that another important development for people-centric management in the future will be the use of AI. The T&D Insurance Group is also increasing its use of AI in sales activities, policy procedures and suchlike; however, AI will evolve further in the future and the time will no doubt come when AI agents that learn and act autonomously are much more widespread and AI becomes an important partner as a digital workforce.

This will bring about a massive change in the skills people are required to have, with AI completing work for us even in areas that previously required specialist knowledge. I think people will need not only AI literacy but also training in the knowledge and skills required to use AI effectively in business, including the skill to properly make decisions based on an understanding of data.

As the T&D Insurance Group, we will further strengthen the human capital foundations underpinning sustainable growth through the development of an environment where diverse human resources can thrive and through continuous investment in skills development with an eye to the future.

Further Strengthening of Governance

We will also further strengthen governance to increase the resilience of the Group. The current composition of the

Board of Directors is extremely well balanced, taking into consideration past experience and expected skills based on the skills matrix. Also from the viewpoint of diversity, lively discussions are held at board meetings. However, we are not complacent and, to continue practicing sustainable management while also responding to the discontinuously changing environment, we will ensure diversity, including the gender balance, review the composition each year from the viewpoint of the ratio of outside directors, and develop a more effective governance structure.

As part of these efforts, we have also begun to review our compensation structure and plan to make changes to the compensation system that will lead to improvement in corporate value in the medium and long term.

Through such initiatives, we will develop a stronger governance structure that will help improve our corporate value.

To Meet the Expectations of Our Stakeholders

The T&D Insurance Group’s corporate philosophy is “With our “Try & Discover” motto for creating value, we aim to be a group that contributes to all people and societies.” The Try & Discover DNA lies at the core of the Group.

In a discontinuously changing society and environment, the T&D Insurance Group must also implement further reforms in preparation for the new era. Given this situation, we need to go back to the Group’s corporate philosophy again and make unrelenting efforts based on the Try & Discover cycle.

The T&D Insurance Group has different forms of capital which it has built up over many years of implementing the Try & Discover cycle and which serve as the source of the Group’s value. Under our never-changing philosophy, we will make full use of these forms of capital as a unified



Group while at the same time accepting diversity and heterogeneity. Through this, we will break from the past and realize reforms for sustainable growth.

The future of the T&D Insurance Group and the concrete plan for achieving this, which I have been constantly pondering since I became President, and the various strategies I am currently considering will be organically linked to and reflected in the next long-term vision, which will start from FY2026.

We will develop a next long-term vision that will inspire people, who drive growth and are the Group’s greatest strength, to think “Ok, let’s give it a try” or “Maybe if I give it a try, I will discover something new.” As President, I am determined to take the lead in rallying the Group together to maximize corporate value. By contributing to society through our growth as the Group, we will meet the expectations of our stakeholders.

Finally, I would like to express my heartfelt appreciation to all our stakeholders for their unwavering support of the T&D Insurance Group. Your understanding and support give us the strength to “Try & Discover.” We kindly ask for your continued support and guidance.