Business Portfolio Strategy

Message from the Head of Corporate Planning

Evolving the Business Portfolio from a Future-Oriented Perspective

We will strengthen the competitiveness of our core business while strategically allocating capital to new growth areas.

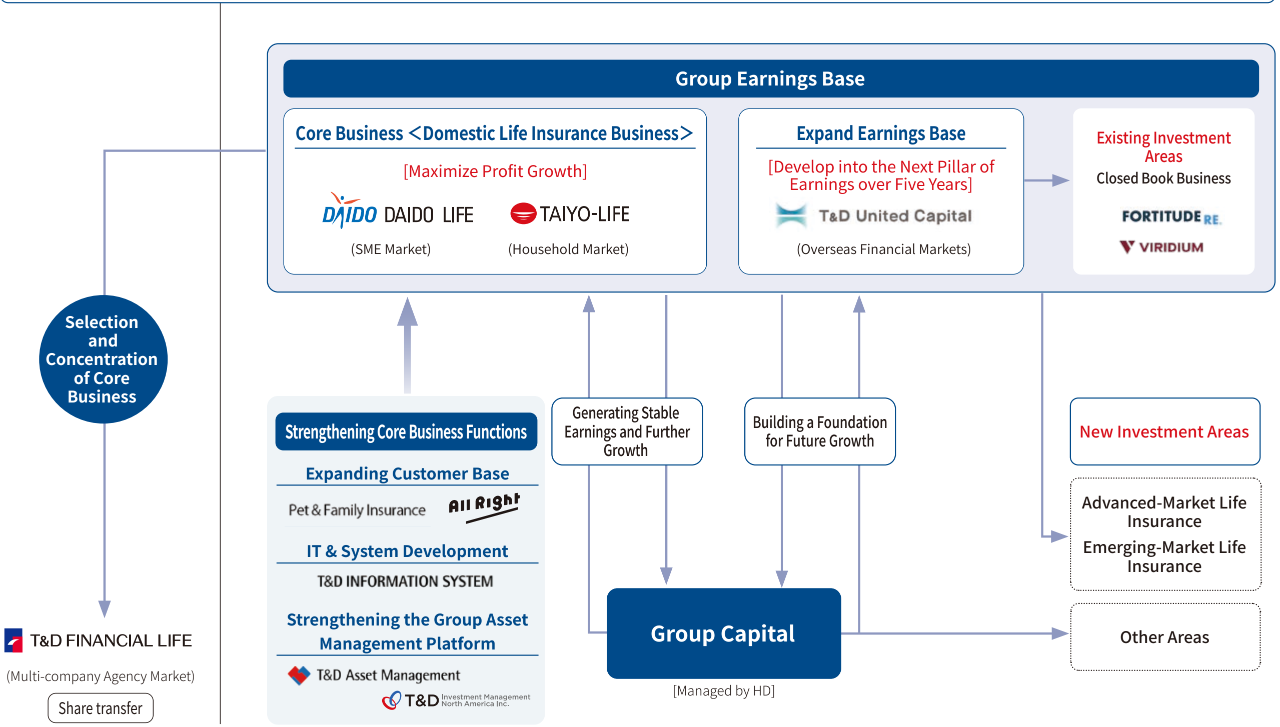
Yoshitaka Moriya
Managing Executive Officer

Basic Approach to Business Portfolio Strategy

In formulating the Group Long-Term Vision, "Try & Discover 2030 - Breaking Beyond -," the Group revisited and held extensive discussions on the composition of its business portfolio. Under the Long-Term Vision, we have established three basic principles: "Further Strengthening of Our Core Business," "Growth through New Value Creation," and "Enhancing Group Resilience." Business portfolio strategy underpins these principles by specifying the future composition of the business portfolio and policies for existing businesses from the perspective of optimizing capital allocation. It is an important management framework for achieving the sustainable enhancement of corporate value.

In formulating the Long-Term Vision, the Board of Directors discussed fundamental questions such as "What strengths will drive the Group's growth?" and "What value should we provide to society?" At the same time, amid major changes in the business environment, including population decline, a declining birthrate and aging population, and technological innovation such as AI, we also discussed how to assess the businesses of Taiyo Life and Daido Life, our core business, from a long-term perspective, where their competitive advantages lie, whether sustainable growth can continue to be expected, and whether the current business composition will remain optimal in the future. Through these discussions, we revisited our approach to the business portfolio and clarified the direction of capital allocation toward the long-term enhancement of corporate value.

Strategic Map After the Transfer of T&D Financial Life Shares



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Redefining the Domestic Life Insurance Business as a "Growth Business"

Following multifaceted discussions on Taiyo Life's household market and Daido Life's SME market, taking into account factors such as market growth potential, the competitive environment, and changes in customer needs, we concluded that significant business opportunities remain in both markets. By leveraging the customer bases, sales channels, brands, and other strengths cultivated in their respective markets, we believe sustainable growth can continue to be achieved.

The shift to an economy with positive interest rates is also bringing major changes to the earnings structure of the life insurance business. Alongside stronger policy performance, profitability is also expected to improve as positive spread increases. As a result, the environment surrounding the domestic life insurance business has changed significantly compared with the past.

Based on these discussions, the Group has positioned the domestic life insurance business not merely as a stable earnings business but as a "growth business" during the period of the Group Long-Term Vision. Going forward, by further honing the respective strengths of Taiyo Life and Daido Life, we will drive the Group's profit growth. We recognize that initiatives to improve profitability at Taiyo Life remain an important management priority.

As part of our review of the business portfolio, we have decided to transfer T&D Financial Life shares. In the domestic life insurance business, we will focus on Taiyo Life and Daido Life, while using a portion of the proceeds from the share transfer to enhance Group resilience. Through these initiatives, we will achieve sustainable growth in our core business and improve capital efficiency.

Turning Current Strengths into Future Growth

Our perspective, however, extends beyond 2030.

Given the declining population and labor shortages, advances in technology including AI, and diversifying customer needs, we do not assume that our current competitive advantages will naturally be sustained into the future. Moreover, the challenges facing customers in the household and SME markets are increasingly difficult to solve through insurance alone.

That is why we believe it is important to prepare now, while the domestic life insurance business is performing well, for the growth that lies beyond.

Under the Group Long-Term Vision, we have clearly set out a policy of using the profits and capital capacity generated by the domestic life insurance business both as a source of stable shareholder returns in line with profit growth and for growth investments aimed at building new earnings sources. Specifically, we have established a ¥500.0 billion growth investment budget for the period of the Group Long-Term Vision and will diversify our earnings sources, focusing on T&D United Capital.

This ¥500.0 billion is more than simply an investment budget. It is a capital circulation mechanism that connects the results generated by our current core business to future growth, and is an important strategy for achieving the sustainable enhancement of corporate value.

Strengthening Core Business Functions through Group Companies

In addition to Taiyo Life and Daido Life, which operate the life insurance business, the Group has companies engaged in a diverse range of businesses.

These companies also play a role in strengthening the capabilities of our core life insurance business in their respective areas: T&D Asset Management and T&D Investment Management North America enhance the Group's asset management capabilities; Pet & Family and All Right expand the Group's customer base; and T&D Information Systems enhances the DX/IT infrastructure.

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Toward Enhancing Corporate Value

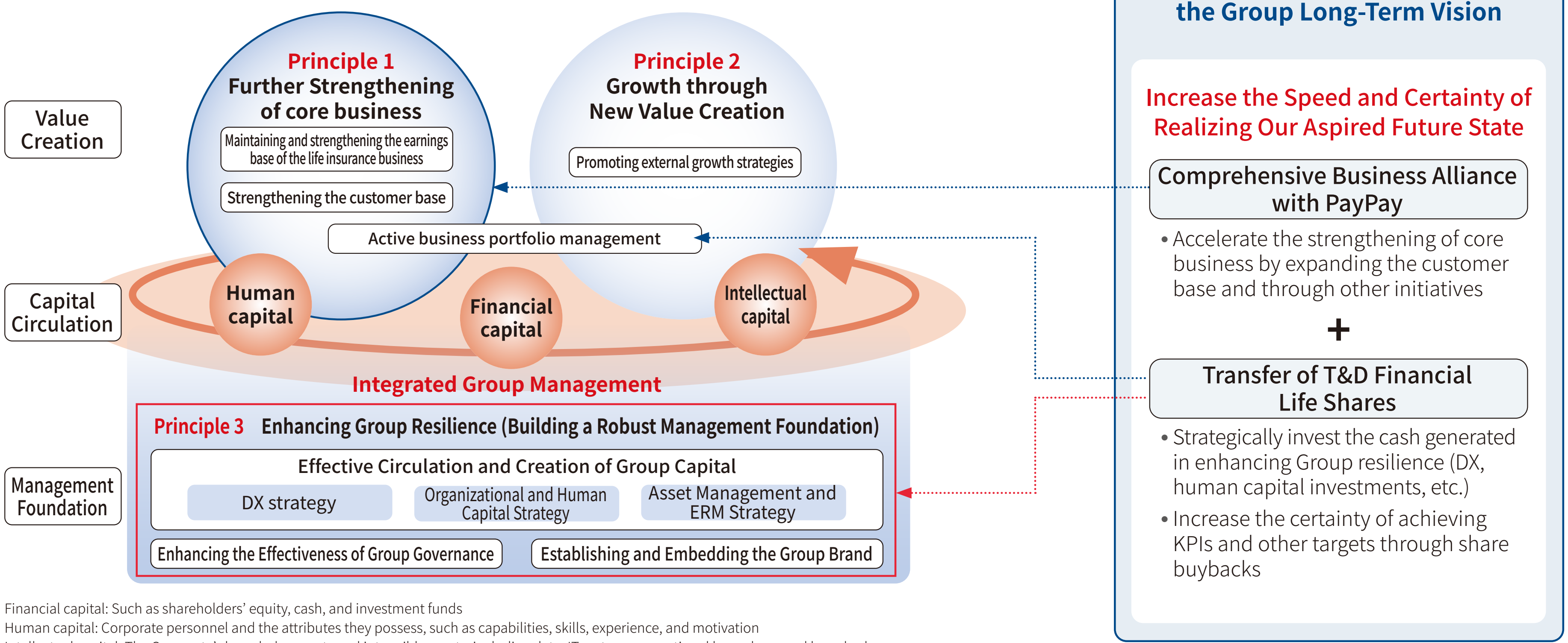
Our aim is not to expand the scale of our business for its own sake, but to sustainably enhance corporate value.

Under the Group Long-Term Vision, we have set financial KPIs of ¥230.0 billion in Group adjusted profit, ¥200.0 billion in value of new business, and adjusted ROE of 15%, as well as five-year targets of EPS growth of 10% or more and ROEV of 8% or more. Business portfolio management is an important management tool for achieving both profit growth and improved capital efficiency.

A business portfolio is not static. What matters is to review it continuously from the perspective of enhancing corporate value in the future, rather than evaluating businesses as an extension of the past.

Going forward, taking into account changes in market conditions and society, we will assess every business without exception and consider new investments, business expansion, business restructuring, and capital reallocation as necessary. Through further growth of our core business, the creation of new earnings sources, and enhanced Group resilience, we will achieve sustainable profit growth and improved capital efficiency, thereby meeting the targets set under the Group Long-Term Vision and enhancing corporate value beyond them.

Try & Discover 2030 - Breaking Beyond -: The Whole Picture



Financial capital: Such as shareholders' equity, cash, and investment funds
Human capital: Corporate personnel and the attributes they possess, such as capabilities, skills, experience, and motivation
Intellectual capital: The Corporate's knowledge assets and intangible assets, including data, IT systems, operational know-how, and brand value