

## Capital Policy and the Mid-Term Business Plan | CFO Message



Continue to achieve top-tier EPS growth and aim to raise ROE further to a level of global peers through implementing a disciplined capital policy.

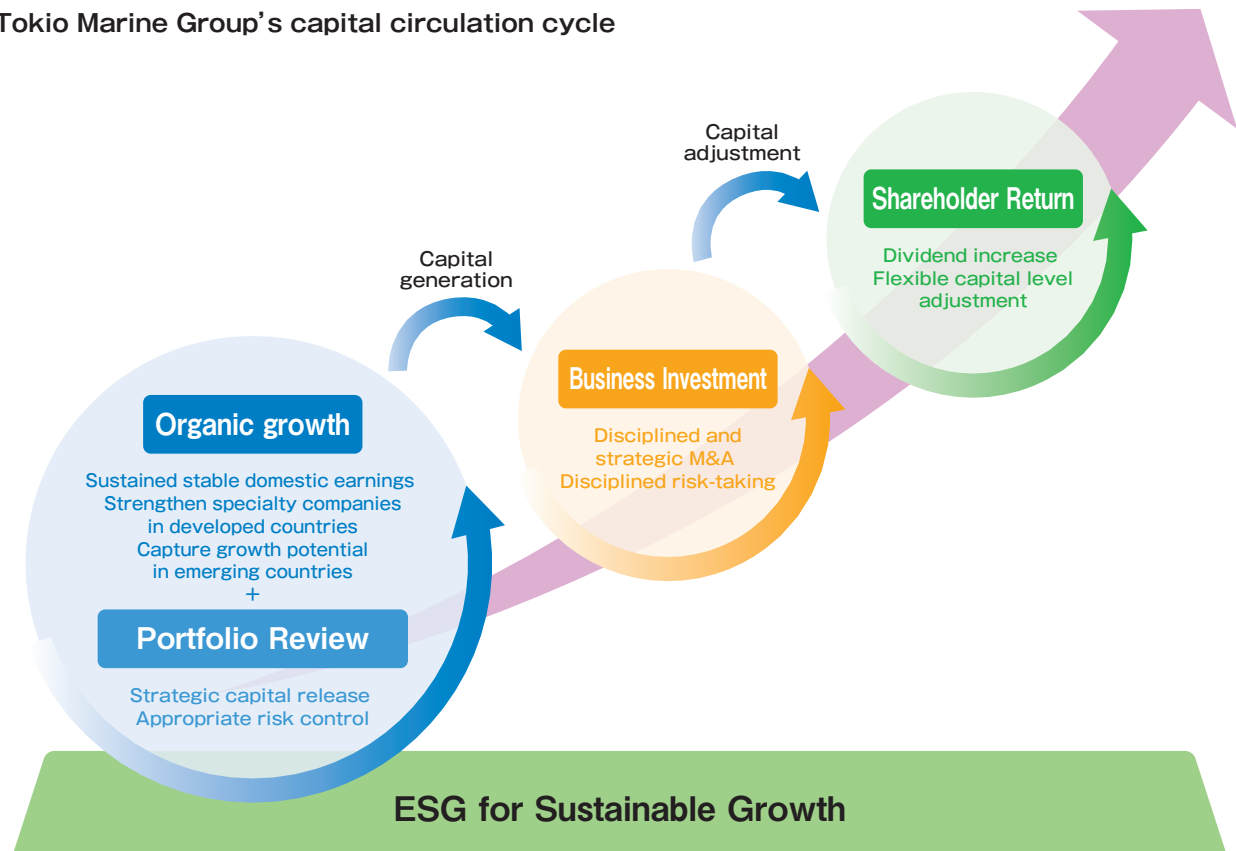
**Kenji Okada**

Vice President Director  
Group Chief Financial Officer (CFO)

We have consistently achieved “top-tier EPS growth” through sustained strong profit expansion in both insurance underwriting and asset management, while managing volatility. In addition, with a clear aspiration to raise ROE to the level of global peers through disciplined capital policy, we have been steadily executing this policy. As Group CFO, I am deeply involved in management decision-making, particularly from the perspective of capital policy, to enhance the Company’s corporate value.

In particular, the capital circulation cycle that we emphasize is implemented through a three-pronged approach. First, based on internal growth and strategic review of the portfolio, we generate capital and funds. Second, the capital and funds generated are allocated to strong business investments. Third, if suitable investment opportunities are not available, capital is returned to shareholders. By continuously executing this cycle, we aim to enhance ROE. This approach goes beyond simply pursuing capital efficiency; it provides a foundation for achieving both prudent risk-taking and medium- to long-term profit growth. In the following sections, I will provide an explanation of our capital policy and its outlook.

### ► Tokio Marine Group’s capital circulation cycle



## CFO Message: Capital Policy

### Organic Growth

First, regarding organic growth, we are not pursuing a so-called shrink-to-balance approach. The primary driver of ROE improvement is expanding the numerator—that is, achieving top-tier EPS growth based on organic growth.

In fact, we have consistently achieved “top-tier EPS growth” through sustained strong profit expansion in both insurance underwriting and asset management, while managing volatility, achieving results that are comparable to—or even exceed—those of global peers. The EPS growth target in the Mid-Term Business Plan is set at a CAGR of 8% or more\*<sup>1</sup>, which is expected to be achieved through profit growth of 7% or more and the impact of share buybacks of 1%–2%.

Our portfolio is well-diversified across (i) stable revenue sources, such as the Japanese non-life insurance business; (ii) the broad and high-potential North American specialty sector; and (iii) emerging markets, including Brazil and Asia, with strong growth prospects. This diversification underpins the continuity and sustainability of EPS growth across the Group.

\*<sup>1</sup> On a basis excluding gains from the sale of business-related equities.

### Portfolio Review and Business Investment

We continuously review our business portfolio and allocate capital based on considerations such as which risks to take, to what extent, and whether the expected returns are sufficient. As Group CFO, I engage in ongoing discussions with the heads of each business to evaluate strategies that form the basis for capital allocation, supporting growth across the company and directing resources according to future growth expectations. Most recently, TMHCC has steadily captured opportunities in high-growth areas, acquiring GGEBS in July 2023 and Lasso in April 2025.

We pursue appropriate capital allocation by executing bolt-on M&A and growth investments (Entry), such as establishing a local subsidiary in Canada in 2022 where we anticipate country- or region-level growth, while divesting (Exit) local subsidiaries in Guam and Saudi Arabia where we judged that we are not the best owner. Regarding large-scale M&A deals, we recognize that current valuations are still relatively high, so we will remain patient while seizing opportunities in a timely manner with disciplined acquisition practices.

### (Reference)

#### ► Entry strategy (Acquisitions & establishments)

- The ROI\*<sup>2</sup> of our large-scale M&A is 21.2%, significantly exceeding our cost of capital (7%).
- Small to medium-sized bolt-on M&As are being steadily executed.

#### ► Exit strategy (Divestitures & run-offs)

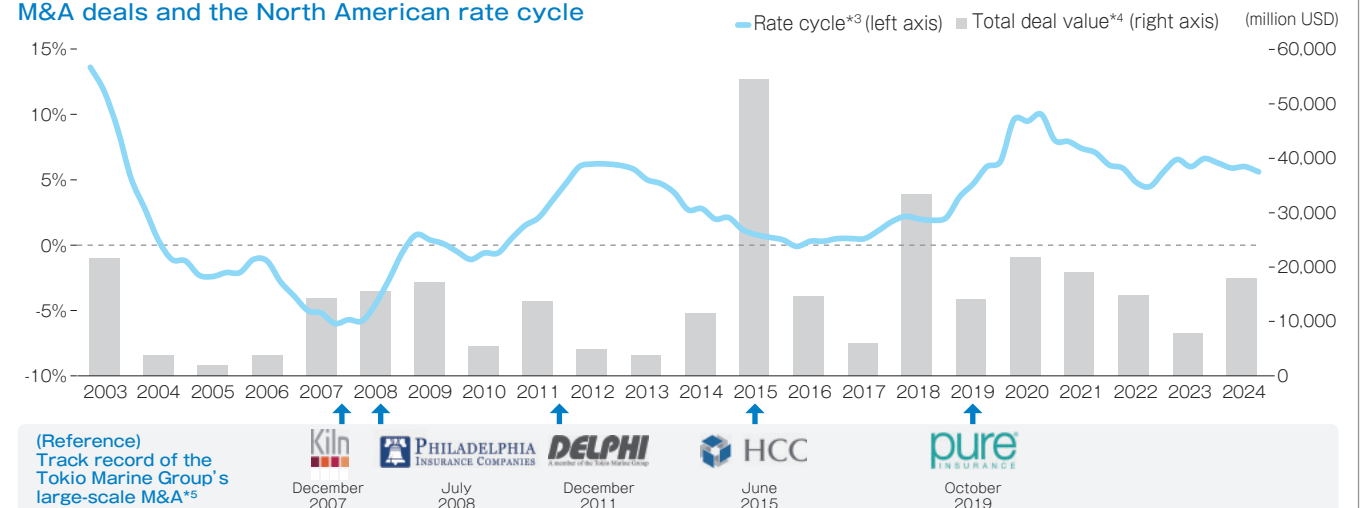
- For our exit strategy, we evaluate the future potential of businesses in a forward-looking manner and execute divestments with discipline.

### (Reference)

#### ► Rate cycle and M&A opportunities

Current valuations in M&A remain elevated, reflecting the underwriting “rate cycle.” Specifically, during a “hard market”—when insurance demand exceeds available capacity—premium increases support organic growth, leading to higher valuations. Conversely, in a “soft market,” valuations tend to decline, making it easier to execute high-quality M&A deals at appropriate prices. We have consistently executed M&A with discipline while closely monitoring these market shifts. Even as we accelerate the sale of business-related equities and generate excess capital, we will not change the principles or discipline of our entry and exit strategies. Going forward, we will continue to steadily pursue growth investments that enhance Group-wide ROE, while seizing M&A opportunities in line with the rate cycle to further improve capital efficiency.

#### Total value of non-life sector M&A deals and the North American rate cycle



\*<sup>2</sup> ROI is calculated using the simple sum of projected 2025 business-level profits as the numerator and the simple sum of acquisition amounts as the denominator.

\*<sup>3</sup> U.S. commercial market (Source: WTW, Commercial Lines Insurance Pricing Survey)

\*<sup>4</sup> Aggregated global deals in the non-life insurance sector with project amounts of USD100 million or more announced between 2003 and 2024. (Source: Dealogic).

\*<sup>5</sup> Dates refer to announcement dates.

## CFO Message: Capital Policy

### Raising ROE to Global Peer Levels

Alongside EPS growth, we are committed to the market on another key KPI: raising ROE to global peer levels.

Our ROE for fiscal 2024 was 19.8%. On a basis excluding gains from the sale of business-related equities, which reflects our core insurance operations, ROE was 12.6%. Although these figures are among the top in Japan's financial sector, we recognize that there remains a gap compared to global peers.

As explained on page 24, the main driver of our ROE improvement is the expansion of the numerator—that is, top-tier EPS growth based on organic growth. This is a goal that global peers are also striving to achieve ("0" on the chart at right).

In addition, we have two unique drivers for raising ROE that global peers do not have ("1" and "2" on the chart at right).

The first is the transformation of the business portfolio ("1" on the chart at right), in which surplus capital generated from the sale of business-related equities is reinvested into core businesses with higher Return on Risk (ROR).

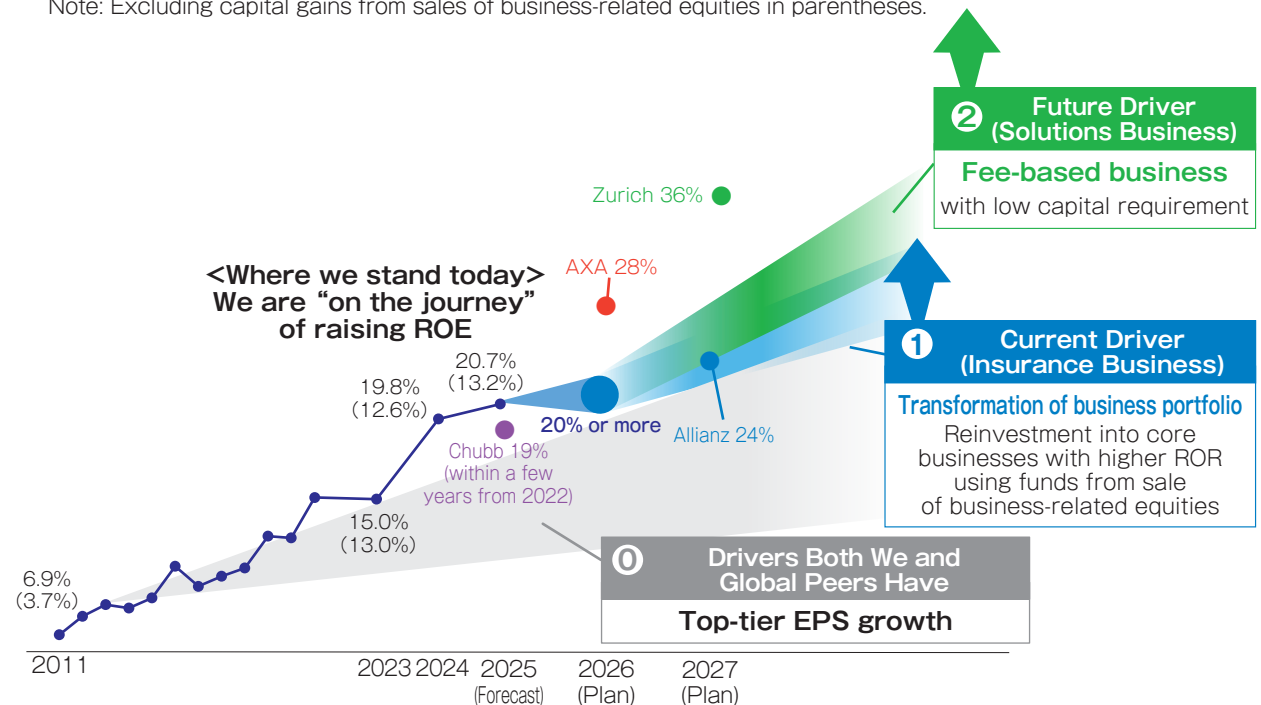
Approximately 0.7 trillion yen of risk previously tied up in business-related equities can now be released. This represents a driver for ROE improvement that global peers do not have (see page 26 for details).

The second driver is the expansion of the solutions business, which we have positioned as a new pillar of our future growth strategy. This business primarily consists of the low-capital fee business, such as the disaster prevention and mitigation consulting provided by ID&E. Although our global peers already operate fee businesses at a considerable scale, we are only now beginning full-scale development in this area and this represents significant opportunity for ROE improvement ("2" on the chart at right).

By fully leveraging these drivers, we will achieve our goal of raising ROE to the level of global peers.

#### Adjusted ROE\*1, \*2

Note: Excluding capital gains from sales of business-related equities in parentheses.



\*1 Normalized natural catastrophes to an average annual level and excluding capital gains/losses in North America, etc. (for part of change from the initial plan). For the FY2024 calculation, the amount of the capital losses budget in North America has been revised from -USD265 million (before tax), which was the original plan for FY2024, to -USD440 million (before tax).

\*2 For peers, disclosed ROEs as their KPIs are adjusted to the tangible basis to align them with TMHD's adjusted ROE (Source: Estimated by TMHD using company data).

## CFO Message: Capital Policy

### Progress on Reducing Business-Related Equities and Transformation of the Business Portfolio

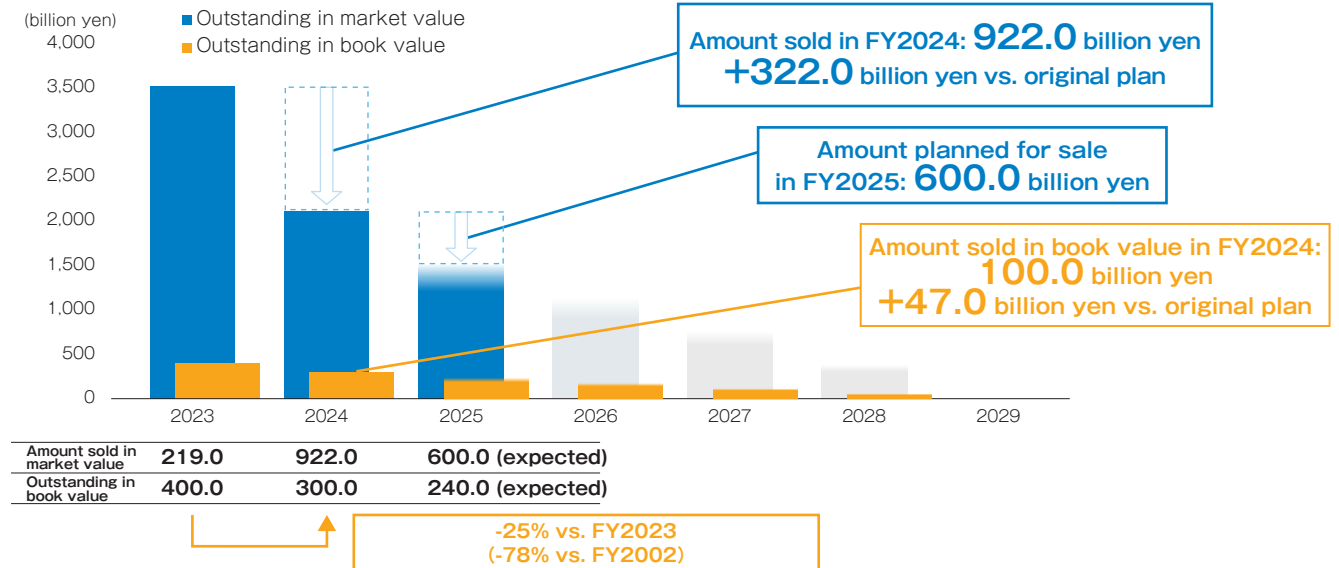
The steady execution of business-related equity sales forms the foundation for the first driver of ROE improvement: the transformation of the business portfolio. In May 2024, the Company announced its target of reducing business-related equities to zero by the end of fiscal 2029, with an interim milestone of halving the balance over the three years of the current Mid-Term Business Plan. In fiscal 2024, actual sales exceeded 900 billion yen versus the initial plan of 600 billion yen, and for fiscal 2025, 600 billion yen in sales are planned, reflecting an accelerated divestment pace.

On the other hand, unrealized gains on business-related equities are already included in capital, so their sale does not create new capital. A key challenge is how effectively the risk released through these sales can be deployed into growth-oriented, value-enhancing business investments.

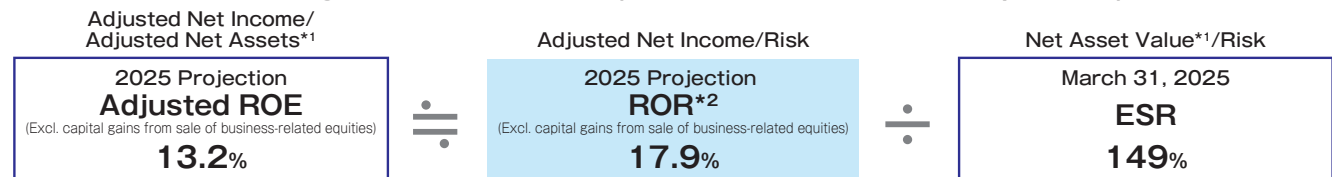
The effective way to deploy this risk—namely, a lever to raise the Company's ROE—is the transformation of the business portfolio.

As shown in the chart at right, ROE can be decomposed into Return on Risk (ROR) multiplied by the Economic Solvency Ratio (ESR), meaning that improving ROR directly drives ROE enhancement. Currently, the Group's overall ROR stands at 17.9%, which can be further broken down into 20.4% for the core insurance business and 6.0% for holdings of business-related equities. From this perspective, it is evident that holding business-related equities acts as a drag on our ROR. By reallocating the risk released through these sales to core businesses with higher ROR, we can naturally increase overall ROR. Specifically, this could involve selectively increasing underwriting risk in North American operations, where we already have a strong business foundation, or expanding asset management. Through such new capital deployment into core businesses, we aim to raise ROE.

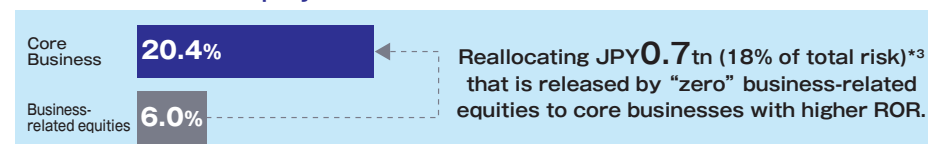
### ► Sales of business-related equities



### ► Reinvestment into higher-ROR businesses (Transformation of business portfolio)



### Breakdown of 2025 projection for ROR\*2 of 17.9%



\*1 Adjusted net assets are calculated as the average balance of consolidated net assets on a financial accounting basis, adjusted for catastrophe loss reserves, goodwill, etc. In contrast, net asset value (after deducting restricted capital) represents the end-of-period balance on an economic value basis, with assets and liabilities measured at market value. As the definitions differ, figures on each side of the equation do not match.

\*2 After distribution; after tax.

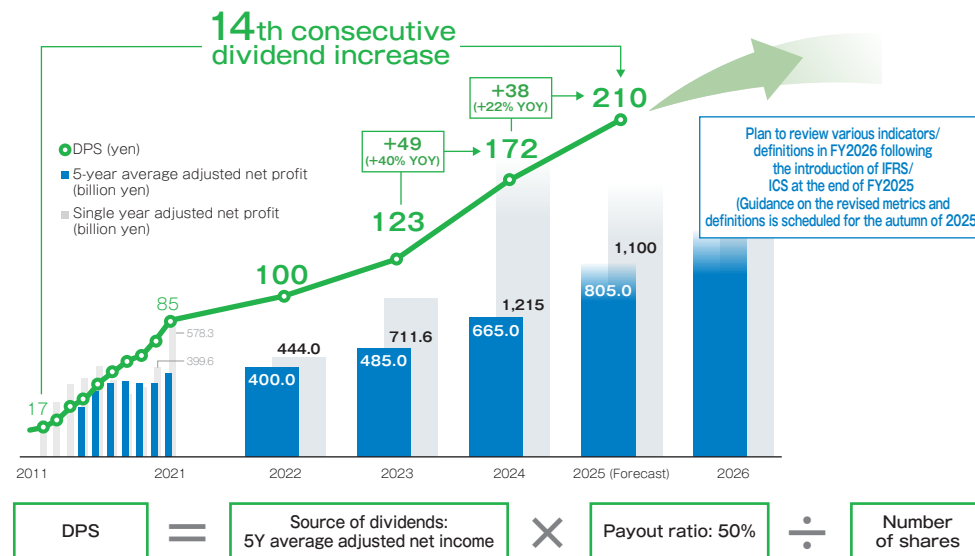
\*3 As of March 31, 2025.

## CFO Message: Capital Policy

### Shareholder Return

We attach great importance to delivering shareholder returns consistent with sustainable profit growth, and our policy in this regard remains unchanged. Specifically, our approach is to position ordinary dividends as the foundation of shareholder returns, with the goal of steadily increasing the Dividend per Share (DPS) in line with profit growth. In practice, the basis for dividends is defined as the five-year average adjusted net income, which helps smooth volatility, and we set the ordinary dividend at 50% of that amount. In fiscal 2024, in addition to steady profit growth, we recorded significant gains from the sale of business-related equities, which lifted the five-year average adjusted net income—the basis for dividends—to a record-high level. As a result, DPS for fiscal 2025 is expected to mark the 14th consecutive year of increase, up 22% year on year to 210 yen.

With respect to share repurchases, we take a flexible approach, considering a comprehensive set of factors, including the level of our Economic Solvency Ratio (ESR), market conditions, opportunities for additional risk-taking, and a scale that would lift EPS growth by approximately 1%–2%. For fiscal 2025, we plan total share repurchases of 220 billion yen, and in May, we approved the first-half execution of 110 billion yen.



(In principle, we do not reduce dividends.)

### Changes to KPI Definitions due to the IFRS Transition

We plan to transition to International Financial Reporting Standards (IFRS) at the end of fiscal 2025. The introduction of International Capital Standards (ICS) for Japanese insurers is also scheduled around the same time.

We plan to review the definitions of various KPIs, including profit metrics, and the approach to determining the dividend base. However, our policy of delivering DPS growth in a manner consistent with world-class EPS growth will remain unchanged. This will improve comparability with global peers. The new definitions, taking into account dialogue with the capital markets, are scheduled to be provided by the autumn of 2025 at the latest.

#### <Current KPIs/Definition>

Profit indicators	Adjusted Net Income/Business Unit Profits
ROE	Adjusted ROE
Dividend policy	Adjusted net income (5Y average) x Dividend payout ratio (currently 50%)
ESR	Current ESR (confidence level: 99.95% VaR)
Target	100%–140%

#### <From FY2026>

Based on new definitions

#### Concept of capital management based on the Economic Solvency Ratio (ESR)

ESR	Implement:	<ul style="list-style-type: none"> <li>Business investment, and/or</li> <li>Additional risk-taking, and/or</li> <li>Shareholder return</li> </ul>
140%	Target Range	Strategically consider:
100%		<ul style="list-style-type: none"> <li>Business investment, and/or</li> <li>Additional risk-taking, and/or</li> <li>Shareholder return</li> </ul>
		<ul style="list-style-type: none"> <li>Aim to recover the capital level through the accumulation of profit</li> <li>Control the risk level by reducing risk-taking activities</li> </ul>
		<ul style="list-style-type: none"> <li>De-risking</li> <li>Consider capital increase</li> <li>Review of the shareholder return policy</li> </ul>



## TOKIO MARINE HOLDINGS INTEGRATED ANNUAL REPORT 2025

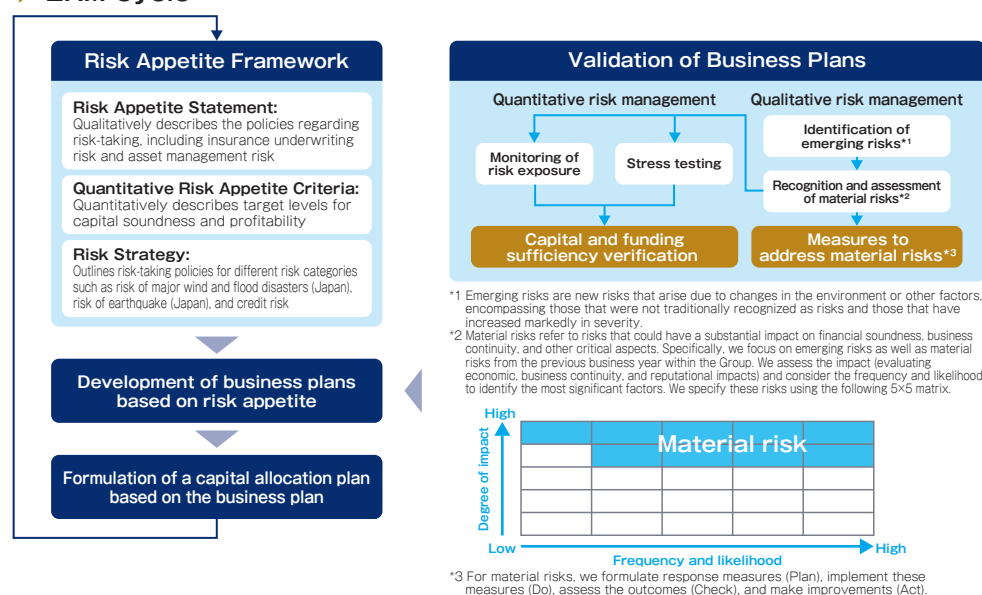
## Risk-Based Management - ERM -

Here, we explain our Enterprise Risk Management (ERM), which underpins our management foundation. Specifically, the Group continually manages the relationship among risk, capital, and profit, and by ensuring both sufficient capital relative to risk and strong profitability, we aim to achieve sustainable growth in corporate value.

## Tokio Marine Group's ERM Framework and Initiatives for Enhancement

The risks surrounding the Tokio Marine Group are becoming more diversified and complex due to our global expansion and changes in the business environment. In today's uncertain and rapidly changing political, economic, and social climate, we must proactively anticipate the emergence of new risks and their warning signs and take appropriate action. From this perspective, we are not limited to conventional risk management aimed at risk mitigation and avoidance, but are comprehensively assessing risks through both qualitative and quantitative approaches, including risks not previously recognized. In addition, we are continuing our efforts to further strengthen the ERM framework. For instance, we are enhancing risk assessments to include risks that are difficult to quantify, such as cyber risks, and improving natural catastrophe risk management, including through reviews of our reinsurance schemes.

## ► ERM Cycle



## Qualitative Risk Management

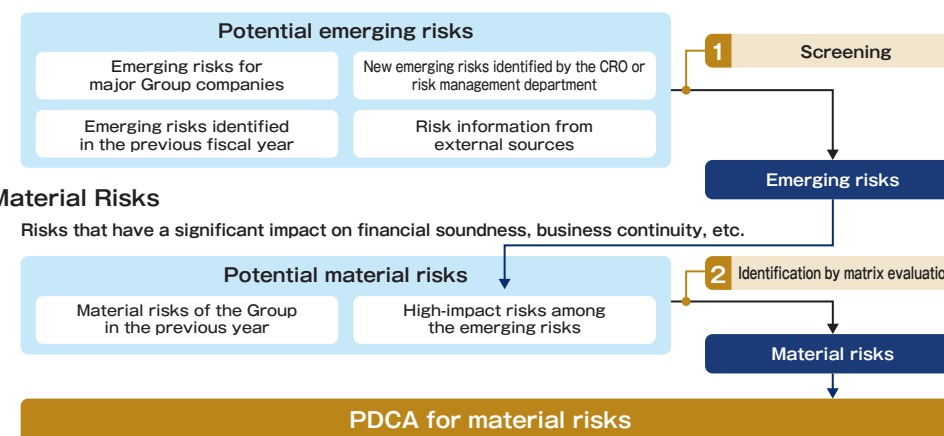
In qualitative risk management, all risks, including risks that emerge due to changes in the environment and risks not previously recognized, are identified and reported to management, while risks to the Group are discussed at the management level as needed. Risks identified in this manner are evaluated not only in terms of the economic loss or frequency of occurrence but also in terms of business continuity and reputation. Risks that have a large impact on the financial soundness and business continuity of the Group or of individual Group companies are identified as “material risks.” For identified material risks, we assess the sufficiency of capital through the quantitative risk management process described in the subsequent pages, formulate control measures before the risks emerge and countermeasures\*4 to be taken if the risks do emerge, and conduct PDCA management. In addition, while we have been implementing such risk management practices, in light of the series of irregularities that occurred at TMNF, we have strengthened measures addressing “legal and regulatory compliance/conduct risk,” one of our key risks, and newly included “leakage of critical information” to our risk response measures.

\*4 Pre-event risk controls include monitoring and aggregated risk management that consider market conditions and regulatory trends. Post-event measures include preparing manuals (including business continuity plans) and conducting simulation exercises.

► Detection of emerging risks and the process of identifying material risks

## Emerging Risks

New risks that emerge due to changes in the environment or other factors, and that have not been previously recognized as risks, or risks that have increased markedly in severity



## CFO Message: Enterprise Risk Management (ERM)

### Examples of emerging risks

Note: For details, refer to the Annual Securities Report for the fiscal year ended March 31, 2025 (p. 31).

Emerging risks	Examples of responses
① Inadequate response to decarbonization and a nature-compatible society (climate change and nature-related transition risk)	<ul style="list-style-type: none"> <li>Announced the Tokio Marine Group Policy to Address Environmental and Social Risks, etc.</li> </ul>
② Global warming, loss of natural capital and biodiversity (climate change and nature-related physical risks)	<ul style="list-style-type: none"> <li>Advancing natural catastrophe risk assessment methods and analyzing/disclosing information on natural capital and biodiversity</li> </ul>
③ Business partner risk	<ul style="list-style-type: none"> <li>Raising awareness of and requesting cooperation with the Guidelines for Responsible Procurement</li> </ul>
④ Management risks arising from the expansion and evolution of the business portfolio	<ul style="list-style-type: none"> <li>Gradual establishment and development of governance and internal control frameworks in new business areas</li> </ul>
⑤ Delay in adhering to global human rights standards	<ul style="list-style-type: none"> <li>Formulation and implementation of the Tokio Marine Group Basic Policy on Human Rights and establishment of a hotline</li> </ul>

### Material risks for fiscal 2025

Note: For details, refer to the Annual Securities Report for the fiscal year ended March 31, 2025 (pp. 29 and 30).

Material risks	Examples of responses
① Economic and financial crises	<ul style="list-style-type: none"> <li>Analyze the impact of geopolitical risks, etc.</li> <li>Implement stress testing and credit risk management</li> </ul>
② Major earthquakes	<ul style="list-style-type: none"> <li>Conduct risk assessment and risk management</li> <li>Verify capital adequacy and liquidity through stress testing</li> <li>Establish crisis management and business continuity plans, and conduct drills</li> <li>Implement security measures and manage third-party vendors</li> </ul> <p>etc.</p>
③ Major wind and flooding disasters and secondary perils (including climate-related physical risks)	
④ Volcanic eruptions	
⑤ Pandemics	
⑥ Cyber risk	
⑦ Leakage of critical information	<ul style="list-style-type: none"> <li>Strengthen information security measures and thoroughly educate employees</li> </ul>
⑧ Violation of laws and regulations and conduct risk	<ul style="list-style-type: none"> <li>Monitor compliance systems and enhance responses in line with social and regulatory trends</li> <li>Improve Group-wide initiatives through employee awareness surveys and sharing of best practices</li> </ul>
⑨ Geopolitical risk	<ul style="list-style-type: none"> <li>Establish and strengthen crisis management and business continuity plans</li> <li>Appropriately assess situations and forecast future developments using external expertise</li> </ul>
⑩ Inflation	<ul style="list-style-type: none"> <li>Analyze the impact of inflation and implement product revisions or underwriting adjustments in line with the risk</li> </ul>
⑪ Disruption in our business areas	<ul style="list-style-type: none"> <li>Secure competitive advantage and accelerate growth through DX promotion and expansion of the solutions business</li> </ul>
⑫ AI/Data governance deficiencies	<ul style="list-style-type: none"> <li>Promote the establishment of Group-wide rules and a governance framework</li> </ul>

## Quantitative Risk Management

In quantitative risk management, the Company quantifies potential risks and conducts stress tests using risk models based on the latest knowledge available, verifying from multiple perspectives that its capital is sufficient relative to the risks it holds, with the aim of maintaining its credit ratings and preventing bankruptcy.

Specifically, the Company quantitatively evaluates risk using Value at Risk (VaR) at a 99.95% confidence level and verifies capital adequacy through the Economic Solvency Ratio (ESR), calculated by dividing net asset value\*1 by risk capital. Our capital policy is determined comprehensively considering business investment opportunities and future market outlooks, among other aspects. A 99.95% VaR represents the potential loss from a risk event expected to occur once every 2,000 years, which corresponds to an AA credit rating.

The target range for the Group's ESR is 100%–140%, and as of March 31, 2025, the Group's ESR was 149%\*2, confirming that capital levels are sufficient.

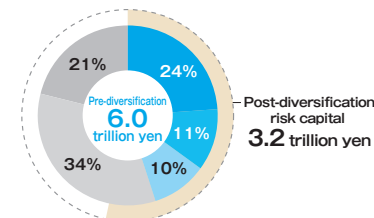
For certain key risks—namely, economic and financial crises, major earthquakes, and pandemics—we conduct stress tests on capital adequacy and liquidity based on scenarios assuming extremely large economic losses, as well as scenarios in which multiple material risks occur simultaneously. Stress tests on liquidity are also conducted for major wind and flood disasters. In all cases, we have confirmed that no issues exist.

\*1: Calculated by adding the value of catastrophe loss reserves, deducting for goodwill, and making other adjustments to consolidated net assets on a financial accounting basis.

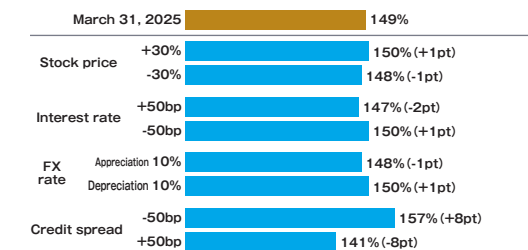
\*2: ESR after executing share repurchases of 220 billion yen in treasury stock is 143%.

### Risk composition and diversification effects

■ Japan P&C (Underwriting)  
■ Japan P&C (Asset management, excluding business-related equities)  
■ Japan Life  
■ International  
■ Others



### ESR sensitivity



## TOKIO MARINE HOLDINGS INTEGRATED ANNUAL REPORT 2025

## Mid-Term Business Plan

## Mid-Term Business Plan 2026 -Inspiring confidence. Accelerating progress.-

The Company, under the Mid-Term Business Plan 2026, “Inspiring confidence. Accelerating progress.” launched in fiscal 2024, has set forth the vision for the Tokio Marine Group in 2035 using a backcasting approach based on the desired future state, which incorporates major changes in the business environment. Based on this vision, we have formulated the plan for the next three years necessary to reach that goal.

As key strategies to focus on in the near term, we have identified the “3 Pillars of Growth” and the “2 Pillars of Discipline.” In the first year, fiscal 2024, we made steady progress on both EPS growth and ROE improvement, supported by domestic earnings structure reforms and the growth of our North American specialty business. In fiscal 2025, we will further deepen these core strategies of the Mid-Term Business Plan, aiming to enhance ROE through continuous EPS growth and maximize corporate value.

## “Our Long-term Aspiration 2035” in response to changes in business environment

“A partner that continuously provides innovative solutions”  
to the issues/risks of our customers and society

Group Core Strategies  
we continue to promote

Global Risk Diversification  
(pp. 17–18)

Global Integrated  
Group Management  
(p. 19)

Group Major Strategies in the  
Mid-Term Business Plan 2026

## 3 Pillars of Growth

- (1) Drastic expansion of domains where we can deliver our value
- (2) Diversification of distribution model
- (3) Extensive improvement of productivity

## 2 Pillars of Discipline

- (1) Strengthening and improving of internal control/governance
- (2) Enhancing the business portfolio and capital management

## Progress of the Current Mid-Term Business Plan (Group-wide)

For fiscal 2024, adjusted net income on a normalized basis\*—excluding gains from the sale of business-related equities—amounted to 679.0 billion yen, leading to an adjusted ROE of 12.6%. (\*Excludes one-off impacts from core insurance business profits)

For fiscal 2025, adjusted net income is projected at 700.0 billion yen, with an adjusted ROE of 13.2%, reflecting continued steady progress toward the Mid-Term Business Plan targets.

	FY2026 Plan (announced in May 2024)	FY2025 Projections	FY2024 Results
EPS growth (incl. sales of business-related equities in parentheses)	CAGR*2 +8% or more (+16% or more)	CAGR*2 +10.5% (+29.2%)	+15.9%YoY (+58.6%)
Adjusted net income growth*1 (incl. sales of business-related equities in parentheses)	CAGR*2 +7% or more (15% or more)	CAGR*2 +8.3% (+26.7%)	+13.8%YoY (+55.9%)
Share buyback	+1%~2%	+2%	+2%
Adjusted ROE (incl. sales of business-related equities in parentheses)	14% or more (20% or more)	13.2% (20.7%)	12.6% (19.8%)

## Progress of the Current Medium-Term Plan (by Business)

For segment profits, the Japan P&C business fell slightly short of the Mid-Term Business Plan targets due to an increase in loss ratios in auto insurance. However, we expect to achieve the profit targets going forward through measures such as rate increases.

In the international business, although fiscal 2024 was affected by a large capital loss related to CRE loans, underwriting at key locations remained strong, and we expect this segment to achieve its current Mid-Term Business Plan profit targets as well.

	FY2026 Plan (announced in May 2024)	FY2025 Projections	FY2024 Results
Adjusted net income*1	CAGR*2 +7% or more	CAGR*2 +8.3%	+13.8%YoY
Business Unit Profit	Japan P&C*3	CAGR*2 -2.9% incl. FX +16.1%	-14.8%YoY incl. FX +26.5%
	Japan Life*4	CAGR*2 +6.9%	+13.6%YoY
	International	CAGR*2 +0.9% incl. FX +3.1%	-3.1%YoY incl. FX +6.6%
The effect of removing the negative FX impact*5 on Japan P&C included in the FY2023 base for the Mid-Term Business Plan: approx.+46.0 billion yen			

\*1 Normalized natural catastrophes to an average annual level and excluding capital gains/losses in North America, etc. (for part of change from the initial plan). For the FY2024 calculation, the amount of the Group-level capital losses budget in North America was revised from -USD265 million (before tax), which was the original plan for FY2024, to -USD440 million (before tax).

\*2 CAGR compared with FY2023

\*3 Japan P&C = TMNF; excl. FX effects

\*4 Japan Life = TMNL

\*5 Increase in provision for foreign currency denominated loss reserves and losses on foreign exchange derivatives at TMNF due to depreciation of the yen in FY2023.

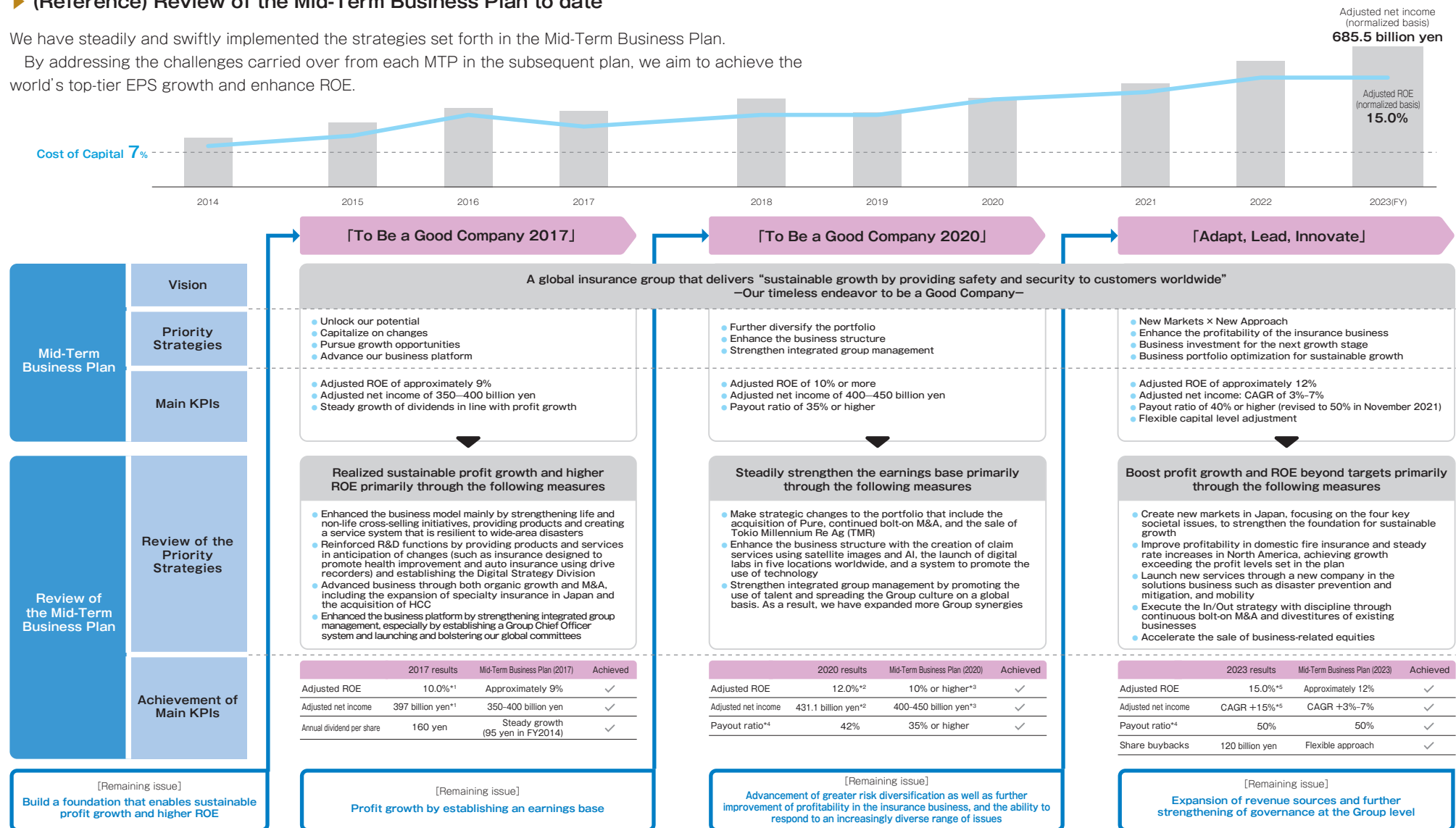


## CFO Message: Mid-Term Business Plan

### ► (Reference) Review of the Mid-Term Business Plan to date

We have steadily and swiftly implemented the strategies set forth in the Mid-Term Business Plan.

By addressing the challenges carried over from each MTP in the subsequent plan, we aim to achieve the world's top-tier EPS growth and enhance ROE.



\*1: Figures based on the market environment as of March 31, 2015, excluding FX effects and the one-time impact of U.S. tax reform after the impact of natural catastrophes normalized to an average annual level

\*2: Figures based on the market environment as of March 31, 2018, after adjusting for natural catastrophes to an average annual level and excluding the impact of the COVID-19 pandemic

\*3: Figures based on the market environment as of March 31, 2018, after adjusting for natural catastrophes to an average annual level

\*4: The payout ratio is based on five-year average adjusted net income. Based on original projections.

\*5: Adjust natural catastrophes to an average annual level and exclude gains on the sale of business-related equities (amount exceeding the initial plan) and capital gains/losses in North America, etc.