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(iii) Building flood-resilient communities across entire river basins

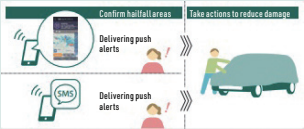
Localized measures are often efficient to minimize wind or hail damage. Floods however, require coordinated, basin-wide strategies as they can submerge entire districts or valleys. Recognizing that flood control measures limited to river channels alone will not be sufficient to cope with increasing rainfall in the future, Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) introduced the concept of "River Basin Disaster Resilience and Sustainability by All" in 2020 to address torrential rainfall across entire watersheds. Basin-wide flood management is an approach in which not only river authorities but also private-sector entities and individuals can participate. It also contributes to urban development through the use of green infrastructure, which provides multiple benefits beyond disaster prevention. To advance practical initiatives toward a flood-resilient society, the MS&AD Group launched a cross-organizational project in the current fiscal year focused on the theme of water-related disaster risk. Employees from across the Group are voluntarily participating to discuss medium- to long-term directions for products, services, and related initiatives. Going forward, we will continue to collaborate with local governments, regional businesses, and researchers to reduce flood risks and promote sustainable community development.

2. Initiatives to reduce damage in emergencies

Emergency preparedness and response, especially supporting damage reduction and safe evacuation in the face of imminent natural disasters, is a key value that the Group promotes. Leveraging the latest forecasting technologies and information and communications systems, we offer insurance products and services that enable early detection of disaster risks and help minimize damage. Our real-time damage forecasting website application, "cmap.dev," provides disaster damage forecasts to support regional disaster-prevention and mitigation activities. In addition, our "Inland Flooding Forecast System," which is currently undergoing verification trials, predicts urban flash flooding to aid evacuation and flood-prevention efforts, thereby helping to minimize damage. Through the provision and development of these emergency-response insurance products and services, we aim to enable swift action and recovery support, contributing to a safer and more resilient society.

Hailstorm alerts

In recent years, insurance claims from hail damage have increased. Japan's first hail forecast alert service sends push notifications to users in areas with a high probability of hail occurrence, helping them avoid or reduce damage. A new alert service has also been released that integrates hail forecast data with vehicle location information. Dashcam system alerts are sent to users driving in a high-risk area, and to the registered email addresses of users parked in the same area.



Vehicle submersion emergency alerts

Localized torrential downpours often lead to vehicle submersion in underpasses or low-lying areas. A demonstration project is now underway to implement a new service. Using very short-term rainfall forecasts (for the immediate 30 minutes or so) and topographic data, this service sends SMS alerts to drivers in areas at risk to help reduce vehicle submersion incidents.

Support for safe evacuation

Our "Smartphone Disaster Navigation" app supports safe behavior during large-scale disasters by guiding users to nearby evacuation centers, even pointing directions in darkness via AR functionality. Following regulatory changes requiring municipalities to develop individual evacuation plans for people requiring assistance (e.g. elderly, persons with disabilities), there remains a shortage of local people able to provide the needed help. To help address this, the Group offers insurance that covers accidents or injuries that may occur while assisting such individuals during evacuation, thereby supporting community-based mutual aid in times of disaster.



Insurance and services to support self-help and mutual aid for disaster preparedness

The MS&AD Group provides "Disaster Response Support Insurance," which compensates for costs incurred when businesses provide supplies or personnel to local governments under disaster response agreements. This product helps alleviate the financial burden on businesses during disasters and strengthens regional disaster resilience through public-private collaboration. In 2025, Mitsui Sumitomo Insurance and MS&AD InterRisk Research & Consulting developed "Liability Insurance for Special Needs Shelters" for municipalities. These shelters serve vulnerable populations such as the elderly, persons with disabilities, and those with illnesses. As prolonged stays after large-scale disasters can heighten the risk of occupant accidents or other issues, this insurance covers liabilities borne by shelter administrators or operators. Special needs shelters play a vital role for people requiring special care, and liability coverage is an essential mechanism for their stable operation. The Group also offers simulation training for the special needs shelter intake process, which helps municipalities assess and strengthen preparedness and management systems in advance of emergencies. Moreover, Mitsui Sumitomo Insurance is promoting a "Disaster Prevention Partner" initiative, in which the Group collaborates with local agents who conduct disaster-prevention activities tailored to regional needs. By coordinating with municipalities and disaster relief organizations, we aim to enhance regional disaster resilience while deepening engagement with customers and creating new business opportunities.

Business continuity support services for natural disasters

MS&AD InterRisk Research & Consulting provides comprehensive support through its business continuity management (BCM) and business continuity planning (BCP) services to help companies strengthen their preparedness for natural disasters. These services include assessing and analyzing risks and potential impacts from earthquakes, typhoons, and floods, and developing customized countermeasures and action plans suited to each company's operations. Practical training and simulation exercises are also conducted to enhance employee readiness and ensure rapid response during actual events. Furthermore, BCPs are regularly reviewed and updated based on the latest information to maintain optimal preparedness and ensure business continuity.

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3. Prompt insurance payouts and recovery support

We view the prompt payment of insurance claims to customers who have lost homes, offices, or valuable property due to natural disasters as one of our most important responsibilities, thereby providing reas-
surance and supporting recovery and reconstruction. In addition to continuous operational improvements
and system upgrades, we are conducting demonstrations on the use of IoT flood depth sensors to enable
swift claim payments across wide areas during large-scale flood events. We will continue striving to
improve the way we handle insurance payments, develop and offer products that enable faster payouts,
and provide related services to help customers recover their lives and businesses as quickly as possible.

Damage assessment and prompt claim settlement

Large-scale natural disasters can cause widespread damage to homes and business premises. To
ensure efficient claim processing, we have introduced systems that can manage and streamline the
process through robotic process automation (RPA). We also deploy our own dedicated response
teams immediately after disasters and leverage our network with loss adjusting firms to quickly
send assessors to affected areas. A scheduling system enables efficient coordination of customer
appointments, supporting both swift assessments and clear communication. Additionally, we are
introducing AI-based systems that automatically calculate building damage costs, allowing claim
assessments for exterior damage to be completed using only photos, without the need for repair
estimates. For flood damage, a chatbot-based system is used to gather information from custom-
ers and confirm flood depth, enabling prompt insurance payments without on-site inspections or
repair estimates. In addition, mechanisms are being developed to collect flood data using drones
and satellite imagery. Through these advanced technologies and processes, we aim to shorten the
time required for claim payments and help customers rebuild their lives as quickly as possible.

Insurance products and services that allow for prompt payment

Timely payment of insurance claims is critically important in supporting the recovery of affected households and
the business continuity of enterprises after a disaster. In addition to such indemnity coverage, weather derivatives
help avoid or mitigate corporate losses arising from abnormal climate or adverse weather ? such as reduced sales
or increased costs ? thereby stabilizing earnings. Weather risk is becoming more apparent across many industries,
including agriculture and tourism that depend heavily on weather conditions, amid the recent increase in extreme
and unstable weather events. Accordingly, weather derivatives are gaining attention as an effective option to
hedge earnings volatility risks.

In Vietnam, we provide a "weather index insurance platform for farmers" leveraging insurtech that enables real-time
online premium quotations, allowing farmers to obtain coverage quickly and easily. In countries where insurance
markets are not sufficiently developed, large-scale disasters can cause recovery and reconstruction to take time,
which may lead to worsening poverty and political instability. For this reason, we are working in collaboration with
international institutions such as the World Bank to participate in public disaster risk financing schemes, thereby
contributing to the prompt provision of recovery funds to affected countries through public-private partnerships.

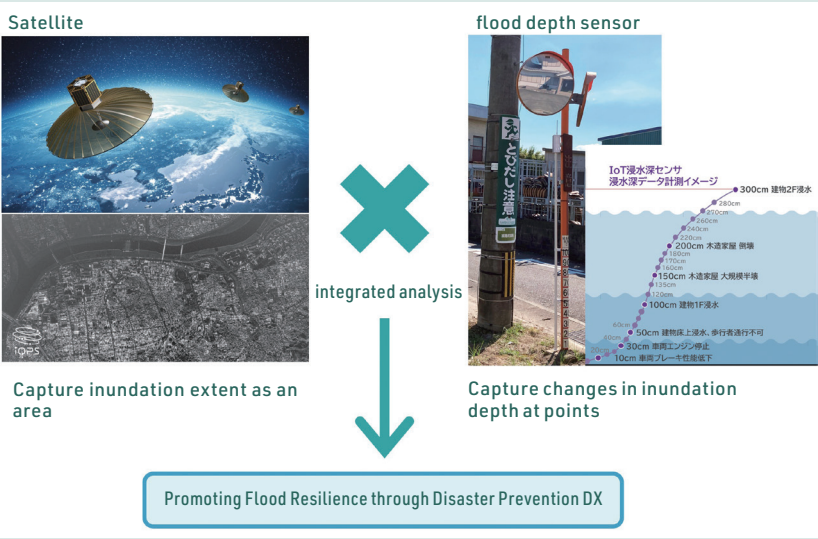
Furthermore, we have launched domestic insurance products that make prompt payments of predefined amounts
without claims investigations or claim filings. These include: (i) "weather index insurance" to prepare for business im-
pacts caused by weather risks; and (ii) the "Earthquake Disaster Expense Endorsement (Seismic-Intensity-Linked)"
for large enterprises, which is designed to prepare for business impacts in the event of a major earthquake of JMA
intensity 6-lower or above. These products apply to policies commencing on or after October 1, 2025.

Demonstration and future utilization of IoT flood depth sensors

With the growing frequency of localized torrential rainfall, it has become increasingly important not only to install
water level sensors along rivers for flood monitoring, but also to understand inland flooding conditions in urban
areas. Mitsui Sumitomo Insurance and MS&AD InterRisk Research & Consulting, in collaboration with iQPS Inc.
and Sekisui Jushi Corporation, are conducting a demonstration project involving the development of IoT flood
depth sensors for installation by roads and in buildings and the acquisition and analysis of satellite data, to enable
prompt insurance payouts even during large-scale flooding events. The system integrates flood depth data—
measured every five minutes in one-centimeter increments from the onset of flooding—with images obtained from
SAR* satellites, overlaying the combined analysis onto a 3D city model. This makes it possible to remotely and
rapidly grasp the flooding situation across an entire urban area.

Those conducting a demonstration in Kurume City, Fukuoka Prefecture since 2023, have reported that real-time
understanding of flood depth is also effective for analyzing how urban flooding conditions change in response to
river management actions, such as operating drainage pumps or opening and closing floodgates. Going forward, we
plan to expand the demonstration areas for the IoT flood depth sensors, aiming not only to facilitate faster insurance
payments but also to contribute to safer and more resilient communities through enhanced flood control measures.

* Synthetic aperture radar (SAR) is technology that uses radio waves to capture images of the Earth's surface. It is able to
penetrate clouds and volcanic plumes and can be used to conduct observations day and night.



Supporting disaster victims' recovery and municipal disaster response

Natural disasters have grown more frequent and severe, placing increasing strain on the disaster response capabilities
of local governments. In 2021, Mitsui Sumitomo Insurance launched a support service to help disaster victims start the
recovery process. It is the first initiative of its kind in Japan' s non-life insurance industry to assist municipalities in issuing
disaster certificates to victims following water-related damage.

With customers' consent, information such as flood depth obtained during damage assessments is shared with municipali-
ties under formal agreements to support the prompt issuance of certificates. This allows both the insurance claim process
and the certificate issuance to be completed based on a single investigation. It also enables customers to rebuild their lives
more quickly while significantly reducing the burden on municipal staff responsible for damage assessment.

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[3] Engagement and Risk Assessment with Customers on Climate and Nature Issues

The MS&AD Insurance Group is deeply connected with climate and nature through its insurance underwriting and investment/loan activities. We engage in dialogue with our insurance underwriters and investment and loan recipients, allowing us to share our GHG emission reduction targets and work together to address climate- and nature-related challenges. Responding to climate- and nature-related challenges requires technological innovation and capital investment, which are expected to drive growing demand for risk coverage, financing, and new financial solutions. Through active engagement with its customers, the Group seeks to share these issues and collaborate on effective solutions.

1. Initiatives based on dialogue with underwriting and investment/loan portfolio companies

(i) GHG emissions reduction targets and dialog related to our underwriting and investment/loans

In November 2023, the Group set interim targets for GHG emissions reductions related to our underwriting and investment/loan portfolios by 2030. (see “Transition to 2050 Net Zero” for details.). Through engagement in dialogue with clients, we share challenges they have in reducing GHG emissions and work together to solve them.

For details, see Products and Services Contributing to Net Zero on page 35

Interim Target		
GHG emissions of major domestic business partners*1 reduction rate	Reduction targets	Reduce by 37%*2 compared to FY2019 by FY2030
	Action targets	Through dialogue with customers, we will share issues in reducing GHG emissions. We will work together with customers to reduce GHG emissions by proposing solutions that contribute to resolving issues.

*1 GHG emissions of major domestic clients (approx. 3,300 companies) selected based on premium income (related to the Group's underwriting and investments/loans)
*2 Calculated from FY2030 GHG emissions target in Japan's NDC (Nationally Determined Contribution) and the FY 2019 total emissions contained in the same report.

To achieve our goals, since FY2023, we have been holding dialogues with our policyholders on sustainability issues, including GHG emissions reduction. As part of our past CSV (Creating Shared Value) initiatives, we have proposed products and services to insurance clients aimed at addressing key sustainability issues. Beginning in fiscal 2023, we expanded these efforts by launching engagement activities focused specifically on sustainability challenges. As these dialogues with insurance clients have progressed, fiscal 2024 saw an increase not only in discussions and solution proposals related to GHG emissions reduction, but also in those addressing the enhancement of natural capital sustainability and respect for human rights. Through dialogue, we are working to understand the sustainability issues of our policyholders and propose solutions to resolve them. In promoting this initiative, we have also begun dialogue with agencies and brokers regarding proposing solutions to resolve sustainability issues.

(ii) Solution proposals to help underwriting and investment/loan portfolio companies address their challenges

Climate- and nature-related risks have significant impacts on the business activities of our client companies (see page 22 for risk analysis results). As part of efforts for natural disaster preparedness, the MS&AD Insurance Group provides a wide range of support services, including visualization and mitigation of risks, hail and other weather alert services, and assistance with business continuity management (BCM) and business continuity planning (BCP) (see page 31 “Enhancing Value Provided Concerning Natural Disasters”). Furthermore, analysis conducted in fiscal 2024 revealed that if global temperatures continue to rise, the effects of reduced labor productivity and increased cooling costs caused by excessive heat will exceed those of flood risks (see page 27 “Analysis of Physical Risks in Investment and Loan Portfolio”). In response, we are strengthening our corporate support for heat-related mitigation measures through initiatives such as training on heatstroke prevention, establishing response systems for heat-related incidents, and providing insurance coverage. We are also expanding our offering of weather index insurance to help companies hedge against profit deterioration due to heat, while providing services that support our clients' efforts toward net-zero emissions and a nature-positive society (see page 33 “Insurance Enabling Prompt Payment” and page 35 “Products and Services Supporting Net Zero and Nature Positive”).

2. Support for a decarbonized society through investments and loans

Aiming to help our investment and loan portfolio companies reduce GHG emissions, we promote initiatives through engagement to address climate change, and we provide investment and loans in project financing and funding related to construction of renewable energy power generation plants, such as those for solar, wind and biomass. Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Sumitomo Aioi Life Insurance, and Mitsui Sumitomo Primary Life Insurance jointly invested in the impact funds which focus on climate change, while also building expertise in this area. With regard to initiatives through engagement with our clients on climate change, we are working to understand the organizational structures of our investee companies in relation to addressing climate change, their efforts toward reaching GHG emission reduction targets, their plans for technological innovation, and the challenges they face.

For details, see [5] As Responsible Institutional Investor on page 44

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[4] Insurance Products and Services that Support Net Zero, Nature Positive, and Circular Economy

The MS&AD Insurance Group recognizes that minimizing the impact on global warming is essential to reducing natural disaster risks. Accordingly, we actively support the spread of renewable energy and de-carbonization technologies that underpin the realization of a net-zero society. We are also developing insurance products that contribute to advancing the circular economy through the efficient use of resources, thereby helping to achieve net zero, conserve and enhance natural capital, and build a sustainable social foundation. In addition, we support our clients in accurately assessing climate- and nature-related risks and disclosing information with greater transparency, working together with them to advance both a sustainable society and corporate value creation.

1. Products and Services Contributing to Net Zero

Achieving net zero requires the rapid adoption of next-generation technologies and the wider deployment of renewable energy. This transition, however, is not without challenges, and we believe insurance companies have a vital role to play in overcoming these hurdles. For example, in the United Kingdom, we are developing insurance products that partially compensate for potential losses in cases where new technologies used in renewable energy projects do not perform as expected, thereby facilitating project financing. Through a diverse range of initiatives—including risk coverage for new technologies, theft-prevention measures, and certification of environmental value—we are contributing to the transition toward net zero.

Insurance for CCS operators

Carbon capture and storage (CCS) technology, which captures CO₂ emissions from their source and stores them in stable geological formations, is being introduced as a means to reduce atmospheric CO₂ emissions. By providing comprehensive insurance coverage for the diverse risks associated with CCS projects, we support the social implementation of next-generation energy and the realization of a net-zero society

Theft-prevention solution for solar power plant cables

Solar power facilities are often located on expansive sites that are difficult to monitor, making them vulnerable to theft. Cables containing valuable metals such as copper are especially prone to being stolen, leading to operational shutdowns and costly repairs that can cause significant financial losses. Recognizing the importance of theft prevention for stable business operations, Mitsui Sumitomo Insurance has partnered with specialized service providers to offer an integrated solution that combines intrusion detection sensors with automated alerts to security companies and on-site response. This service helps reduce cable theft at solar power plants and supports the broader adoption of solar energy.



Certification of renewable energy source

To realize a net-zero society, it is not enough merely to use renewable energy; proactive participation in cleaner energy systems and the concept of a Just Transition are also crucial. Source certification enhances transparency across the power supply chain and, by allowing users to choose locally generated renewable energy, contributes to regional economies, employment, and revitalization. We have established a scheme that combines I-REC certificates—which identify the region and power plant where renewable electricity was generated—with non-fossil certificates, thereby verifying the environmental, locational, and generation-source value of renewable energy.

2. Products and Services Contributing to the Enhancement of Natural Capital

Nature-related risks can have a profound impact on corporate management, and the loss of ecosystem services threatens regional sustainability. Accordingly, the conservation and enhancement of natural capital are strategic challenges for both companies and communities. We provide insurance products and services that cover costs and risks associated with these challenges, supporting ecosystem preservation and environmental protection initiatives.

Special Expense Clause for Ocean Pollution

Ship collisions and groundings can cause large-scale marine pollution with serious ecological impacts. This endorsement provides coverage for restoration and conservation costs related to damage to the natural environment—costs that were previously excluded from standard policies—thereby helping vessel operators fulfill their social responsibilities.

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Endorsement for Coverage of Reforestation Expenses, etc. (“Forest Keeper”)

In Japan, the number of forest fires has been rising due in part to drier conditions caused by climate change. Forest fires not only result in economic loss but also, if left unaddressed, increase the risk of landslides. This endorsement provides coverage for reforestation costs to restore and conserve forests affected by fire.

Prescribed Fire insurance

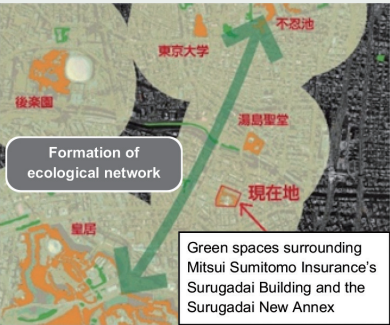
In the Aso region of Kumamoto Prefecture, noyaki (Prescribed grassland Fire) is an essential traditional practice for maintaining grassland ecosystems. By providing insurance coverage for the risk of fire spreading during noyaki activities, we help preserve this tradition, which is deeply connected to local nature and history, while supporting agriculture, livestock production, and the conservation of abundant water resources.

Corporate Green Space Support Package

We offer this integrated package consisting of guided tours of the Group’s Surugadai Green Spaces, corporate green space consulting services, and corporate green space insurance. This package supports the green initiatives of companies that consider natural capital and biodiversity. Our Corporate Green Space Insurance provides compensation for any damage or expenses incurred due to unexpected and sudden accidents in corporate green spaces.

Surugadai Green Spaces

Since its completion in 1984, Mitsui Sumitomo Insurance’s Surugadai Building has had a high greening rate and a rooftop garden, which was unusual at the time. Since the completion of Surugadai New Annex in 2012, which has a green space centered on native species, the building has been home to a variety of living species and is highly regarded as a corporate green space that reflects consideration for biodiversity. A consortium led by MS&AD InterRisk Research & Consulting provides full support, from the planning of green spaces to the selection of tree species and subsequent utilization of the green space. It received certification as a “Nationally Certified Sustainably Managed Natural Sites,” in the first year which the Ministry of the Environment started in 2023. Even in highly developed urban areas, by improving the quality of green space it is possible to develop an ecological network that connects neighboring green spaces, thereby improving the habitat of wild birds. Analysis using the LEAP approach of TNFD for urban real estate at our business sites revealed that some locations are in close proximity to priority locations in terms of biodiversity conservation. Business sites companies with such potential can contribute to the local ecosystem by maintaining their green spaces.



3. Products and Services for Promoting Circular Economy

Addressing climate change and resource constraints presents both risks and new growth opportunities for companies. circular economy helps reduce greenhouse gas emissions by minimizing waste and improving resource efficiency, thereby accelerating the transition to a decarbonized society. As a non-life insurance group, we not only provide compensation for losses but also offer insurance products that promote reuse and recycling, supporting sustainable business models. Through these efforts, we help enhance corporate competitiveness and facilitate the shift toward a low-carbon economy.

Food Loss Reduction Endorsement

This endorsement provides coverage for losses and additional costs incurred in the resale or recycling of products that, although unaffected in quality, are disposed of due to reasons such as damaged packaging or delivery delays caused by disrupted logistics routes. By supporting food-related businesses in reducing food loss, we help build more sustainable supply chains.

Coverage for Clothing Circulation Expense (Insurance for non-burning)

This insurance covers additional costs borne by businesses to recycle or upcycle clothing items that would otherwise have been incinerated as waste. By promoting clothing recycling, it contributes to the realization of a circular economy.

Endorsement for Recycled or Reused Product Collection Expenses

Conventional product recall insurance covers collection and disposal costs for recalled products. This endorsement goes further by providing coverage for additional costs incurred when recalled products are recycled or reused instead of discarded, thereby encouraging resource circulation and supporting waste reduction and the transition to a circular economy.

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4. Services supporting corporate information disclosure

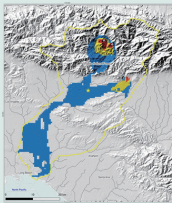
Addressing climate change and nature-related risks has become a critical management issue that directly affects corporate value. Leveraging the Group’s expertise in risk solutions, MS&AD InterRisk Research & Consulting visualizes challenges related to climate and natural capital through advanced data analytics. We support corporate disclosure aligned with international frameworks such as TCFD and TNFD, providing scientifically grounded and reliable information.

Joint development by ADLab and NatCap

Aioi R&D Lab-Oxford has entered into a capital and business alliance with Natural Capital Research Ltd. to strengthen joint research and the development of biodiversity and natural capital risk solutions. The new natural capital and biodiversity risk disclosure support service analyzes over 1,000 risk types across business locations worldwide, supporting companies in both disclosure and risk management.

TCFD/TNFD disclosure support service

Through consulting services that help companies identify climate and natural capital-related risks and opportunities and organize disclosures in line with international frameworks, MS&AD InterRisk Research & Consulting aims to enhance corporate value and promote a sustainable society. It provides specialized services tailored to specific sectors, including freshwater resources, urban real estate, financial institutions, and regional financial organizations.



[5] Collaboration and Foundation Building for Green Resilience

Addressing risks and opportunities related to climate and nature requires more than providing insurance products and services—it also demands a long-term foundation for action. The MS&AD Group takes an integrated approach to climate and nature, advancing initiatives toward realizing green resilience—a concept aimed at solving local challenges, including disaster prevention, while coexisting harmoniously with the natural environment. To this end, we are working collaboratively with a wide range of stakeholders—from local partners to policymakers and academia—to promote cooperation, rule-making, policy engagement, and joint research.

1. Collaborative Initiatives in Individual Regions and River Basins

Climate change increases the risk of natural disasters in regions, and damage to natural capital leads to the degradation and loss of natural benefits such as disaster prevention and mitigation functions, abundant harvests, and beautiful landscapes. These impacts have wide-ranging effects throughout local communities, and are difficult issues for individuals or companies to solve alone, though there haven’t been sufficient cooperation among the efforts of local stakeholders to resolve the issues.

Initiating efforts that utilize nature for disaster prevention and mitigation

In certain regions of Japan and other countries, our initiatives are underway to conserve biodiversity while leveraging ecosystems for disaster prevention and mitigation, decarbonization, water conservation, and the enhancement of well-being. These approaches known as Nature-based Solutions (NbS) and green infrastructure. Achieving these goals requires not only technical elements and evaluation indicators but also mechanisms that foster collaboration among industry, government, and academia.

Shared goals and multi-stakeholder collaboration

To solve regional issues, it is essential to share clear goals at the regional or river basin level, based on an understanding of local dependence on nature and the impacts of land-use change—an approach known as the landscape approach. It is upon this foundation that effective measures can be designed and multi-stakeholder collaboration (collective action) can be promoted. Leveraging its strength in risk assessment, the Group aims to play a catalytic role as an insurer within local communities, contributing to enhanced watershed resilience and the creation of a nature-positive society through collective action.

Kumamoto Water-Positive Action

Kumamoto City, with a population over 500,000, is the only city in Japan with 100% of its tap water supplied by ground-water, making it a world-class groundwater city, thanks to the blessings of nature of Mount Aso. On the other hand, in the City’s water source recharge area, in the middle reaches of Shirakawa River in Kumamoto Prefecture, there are concerns about the sustainability of water resources due to development and groundwater extraction associated with the expansion of factories. In response to this situation, since March 2024 the Group has been exploring initiatives aimed at conserving watershed and promoting a nature-positive approach. From March 2025, we have sought to further scale up these activities by implementing green infrastructure, such as “rain garden,” to preserve water circulation in areas with urban development. Maintaining healthy water cycles through the use of green spaces is expected to provide multiple benefits, including groundwater recharge, mitigation of inland and river flooding, heat island mitigation, improved landscapes, and enhanced biodiversity. While supporting companies in voluntarily installing green infrastructure, we are also researching and developing an innovative financial mechanism to award credits to companies for the value of ecosystem services their efforts create, such as groundwater recharge. By leveraging these financial approaches, we aim to promote wider adoption of green infrastructure through public-private funding mechanisms.

* Last year’s report included a LEAP analysis concerning “rain gardens.”



Inauguration event photo session

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Green Resilience Programs

In the MS&AD Green Earth Project, we promote collective actions toward nature positive through conservation and restoration activities of the natural environment at three locations across Japan, collaborating with research institutions and involving local businesses, NPOs, etc. We aim to create a safe, secure, and vibrant regional model by promoting the realization of nature positive and the resolution of issues such as disaster prevention/mitigation using nature, and the recharge of water resources.

MS&AD Green Earth Project

“Catchment-based Flood Management for Sustainable Society Project” in Kuma River Basin, Kumamoto Prefecture

In the Kuma River basin, in response to the severe flood disaster caused by torrential rains in July 2020, “Green Basin Flood Control” has been promoted to simultaneously pursue sustainable regional development and environmental conservation by incorporating environmental views to a new approach of “Basin Flood Control,” which combines both hard and soft measures for the entire basin, not just the river. As part of this project, we have been working to preserve wetlands located on the tributaries of the Kuma River and to utilize nature for disaster prevention/mitigation and for regional development.

Partners: Prefectural University of Kumamoto, Kumamoto University, Kuma Wetland Research Group, General Incorporated Association Kumagawa NP, Sagara Village, etc.



Activity in Kuma River Basin

“Cycle of Life Project” in Minamisanriku town, Miyagi Prefecture

Minamisanriku Town, which was severely damaged by the Great East Japan Earthquake, has set a future vision as “People Forests, Villages, and Sea Town with the Cycle of Life” and is promoting the development of a town that cycles both natural resources and people. We are working to realize a nature-positive community by creating blue carbon and preserving the marine ecosystem through the restoration of seaweed beds, and by promoting the appropriate use of socio-ecological production landscapes through forest care and biochar production and other measures.

Partners: Center for Sustainability, Minamisanriku Town (Nature Center), etc.



Visit to a fishery in Minamisanriku

“Satoyama and Water Cycle Project” in Inbanuma Basin, Chiba Prefecture

Through the preservation of valleys and grasslands that remain in the Inbanuma Basin, where urbanization and concentration of business sites are progressing, this project promotes the improvement of water quality and mitigation of water-related disasters by improving the water cycle. Through collaboration with diverse stakeholders, we aim to build a model case for the implementation of nature-based solutions (NbS) that conserve biodiversity and use ecosystems for disaster prevention/mitigation, decarbonization, water resource conservation, and well-being.

Partners: Yatamuzai Field and Forest Association (NPO), General Incorporated Association SODO, National Institute for Environmental Studies, etc.



Activity in Inbanuma Basin

Nature-Positive Initiative
(Pilot for “State of Nature” Metrics)

At the Seto Tsutsumi Nature Ecological Park, located in the Kuma River basin in Sagara Village, Kumamoto Prefecture, efforts are underway to conserve biodiversity and restore disaster prevention and mitigation functions through wetland restoration. As part of the MS&AD Green Earth Project, employees participate in approximately five events annually, including cutting and removing tall grasses such as reeds to prevent wetland drying, restoring shallow water areas, and conducting rice cultivation. Each event is accompanied by biodiversity surveys, confirming the presence of endangered species such as rare pipewort species and the scarlet dwarf dragonfly. Also confirmed is that habitats for aquatic species such as pond loaches, Japanese rice fish, and crucian carp have been expanding. The conservation of multiple wetlands across the Kuma River basin also contributes to reducing flood risks in the region.

For collective action, common indicators to measure the outcomes of initiatives are extremely important. In particular, achieving a nature-positive outcome has long faced the challenge of how to measure and assess biodiversity. Equally significant is how to visualize and share the value of ecosystem services, including disaster prevention and mitigation.

Against this backdrop, the Group participated in a pilot project using the State of Nature metrics developed under the Nature-Positive Initiative,* which was launched in autumn 2024. Working with teams of researchers from the Catchment based Flood Management for Sustainable Society Project and Tohoku University Nature Positive Sustainable Development Hub, we are measuring the state of nature in the ecological park and across the landscape units of the Kuma River basin—including mountains, wetlands, rivers, and basins—and evaluating the relationship between wetland conditions and flood risk reduction. This represents a new approach to scientifically demonstrate both biodiversity and disaster resilience.

*Nature-Positive Initiative: An international initiative established by diverse stakeholders, including conservation organizations and research institutions such as the IUCN (International Union for Conservation of Nature), BirdLife International, Global Reporting Initiative (GRI), and Taskforce on Nature-related Financial Disclosures (TNFD), as well as framework for companies and financial institutions, to promote and implement the concept of nature-positive.



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2. Rule-Making and Standardization through Initiatives and Alliances

Challenges related to climate and nature extend beyond individual corporate efforts and have progressed through international rule-making and standardization frameworks. The MS&AD Group actively participates not only in corporate and financial institution alliances but also in non-profit initiatives led by governments, UN agencies, and NGOs, contributing to the creation of a shared foundation for addressing cross-cutting climate, nature, and social challenges.

Aiming for a net-zero and nature-positive future, the Group leverages scientific knowledge to drive societal transformation. Through innovative research in collaboration with academic institutions, we seek a resilient and sustainable society. Furthermore, by actively engaging in climate- and nature-related initiatives and alliances and collaborating with diverse stakeholders, we aim to translate research outcomes into policy-level activities, further advancing pathways to solving these pressing challenges.



Japan Business Initiative for Biodiversity (JBIB)

With the aim of actively promoting biodiversity conservation, the MS&AD Group has participated as the chair (currently: representative director) company of the Japan Business Initiative for Biodiversity (JBIB) since its founding in 2008. JBIB has advanced research on disclosure and impact assessment, developed tools and guidelines, and, through participation in COP meetings and collaboration with government ministries, has engaged in pioneering initiatives as a leading Japanese biodiversity initiative. Additionally, JBIB conducts joint research on biodiversity conservation from an international perspective and, based on the results, engages in dialogue with corporate members and other stakeholders to promote initiatives that make a genuine contribution to biodiversity conservation



TNFD Consultation Group Japan

The TNFD Consultation Group Japan was established in 2022 to promote understanding and awareness of the TNFD disclosure framework. The MS&AD Holdings, the Keidanren Nature Conservation Council (KNCC), and the Norinchukin Bank serve as Japan's conveners, providing a forum for discussions and supporting companies and organizations participating in TNFD efforts. To raise awareness of TNFD's mission and the progress of its activities, the Consultation Group actively hosts webinars and in-person events, encourages participation in global capacity-building events, and facilitates local information sharing. Furthermore, in collaboration with the TNFD Secretariat, the Consultation Group disseminates information on nature-related issues.

GX League



The Group participates in and supports the basic principles of the GX League, which engages in discussions aimed at transforming Japan's entire economic and social system and putting new markets into practice. We also participate in the GX Management Promotion Working Group, which is part of the GX League's efforts to form rules for new market creation.

Japan Climate Initiative (JCI)



JCI brings together companies, local governments, and NGOs actively engaged in climate change measures to strengthen climate action across Japan and communicate these efforts globally. The Group has participated since JCI's founding in 2018.

Carbon Accounting Adviser Institute



This institute is developing professionals capable of assessing GHG emissions across entire supply chains and formulating concrete reduction plans. As a board member and special supporting member of the initiative, Aioi Nissay Dowa Insurance is helping to advance corporate efforts toward achieving carbon neutrality.

Principles for Financial Action for the 21st Century



This initiative aims to provide guidance for financial institutions to take responsibility for environmental and social issues and contribute to their resolution. Having signed on in 2015, the Group has been supporting the sustainability of local communities and the global environment through initiatives such as addressing environmental challenges and investing in projects with positive social impact.

Japan Consortium for Adaptation Finance

Established in 2024 by Mitsui Sumitomo Insurance and NEC Corporation, this initiative aims to advance adaptive finance that mitigates the impacts of climate change. By leveraging digital technologies to predict and analyze adaptation value—such as disaster-risk-reduction and environmental benefits—it seeks to promote the development of financial instruments including insurance, bonds, and loan schemes, and to realize their implementation in society.

30by30 Alliance for Biodiversity



To contribute to the realization of "30by30," an international goal to protect and conserve more than 30% of the world's land and oceans by 2030, we are participating in the 30by30 Alliance for Biodiversity, run by Japan's Ministry of the Environment.

Finance Alliance for Nature Positive Solutions (FANPS)



Established in 2023 by four financial institution groups—the MS&AD Group, Sumitomo Mitsui Financial Group, Inc., Development Bank of Japan, Inc., and The Norinchukin Bank—this Alliance aims to support corporate nature-positive initiatives and foster momentum within Japan. The Alliance publishes a Solution Catalogue and engages in dialogue and collaboration with companies toward a nature-positive transition.

Association for Business Innovation in Harmony with Nature and Community (ABINC)



Based on the Business site coexistence with nature Promotion Guidelines created by the Japan Business Initiative for Biodiversity (JBIB), the Association was established in 2013 with the aim of encouraging businesses to work toward a society in harmony with nature. Its activities include the certification of corporate green spaces (ABINC certification). As of August 2025, the number of certified business sites has reached 200.

Japan Water Stewardship Leadership Group



In 2025, five Japanese companies, including MS&AD Group, launched JWS as a working group in collaboration with the Alliance for Water Stewardship (AWS), headquartered in Scotland, with the aim of promoting responsible water resource management at the river basin level. It seeks to create an environment that enables companies to collaborate across industries in conserving water resources within their watersheds.

Official Supporter of River Basin Flood Control



We have registered as an official supporter of the Japanese government's River Basin Disaster Resilience and Sustainability by All Initiative—a new approach to flood management aimed at protecting people's lives and livelihoods from increasingly severe and frequent water-related disasters.

Rainwater Infiltration Project Ambassador



We support the Tokyo Metropolitan Government's "Rainwater Infiltration Project," which promotes urban rainwater retention and infiltration into the ground (rainwater runoff control) to help mitigate flood damage caused by extreme rainfall events linked to climate change. As a project ambassador, we work with the metropolitan government and conduct awareness-raising activities to build flood-resilient communities. Notably, the Mitsui Sumitomo Insurance Surugadai Building is equipped with a 3,500-ton rainwater storage tank, contributing to local rainwater retention efforts.

CDP



CDP is an independent nonprofit organization that maintains the world's largest database on corporate climate change initiatives. Through CDP, companies and other organizations around the world disclose their greenhouse gas emissions and measures taken to address climate change. The Group supports this initiative and continues to share information with CDP on an ongoing basis.

United Nations Environment Programme Finance Initiative (UNEP FI)



To explore and promote best practices for insurance and financial institutions that take environmental and social sustainability into account, we participate in the UNEP FI. We have also signed the UNEP FI Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI).

Partnership for Carbon Accounting Financials (PCAF)



Since 2021, the Group has been a member of the PCAF, participating in the development of methodologies for measuring and disclosing GHG emissions from investment, loan, and insurance portfolios. Through involvement in working groups worldwide, we are helping to advance GHG emissions management across the financial sector, thereby contributing to the realization of a sustainable society.

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3. Participation in Policy Creation

Government policies related to climate, nature, and disaster prevention form a vital foundation that shapes both the direction of society as a whole and the business environment of the Group. The Group participates as a member in various government committees that contribute to national policy discussions, providing expertise accumulated through our experience as an insurance company in risk assessment and disaster response. Through these efforts, we aim to incorporate practical perspectives into the policy design process and contribute to the advancement of disaster prevention and mitigation policies addressing climate change and biodiversity loss. In addition, by engaging in dialogue with government bodies and private-sector organizations through these committee activities, we seek to foster collaboration that enhances the resilience of society as a whole.

Sustainability Standards Board of Japan (SSBJ)	Following the establishment of the International Sustainability Standards Board (ISSB), the SSBJ was founded in Japan in 2022. Since its inception, the Group has provided the members to serve on the board and has contributed to the development of domestic sustainability disclosure standards.	Taskforce on Nature-related Financial Disclosures (TNFD)	With the Group employee participating as a member since its inception, TNFD is a framework for assessing and disclosing nature-related risks and opportunities. In addition, the Group is cooperating in pilot testing for the development and trial of the beta version of the open-access integrated database, the Nature Data Public Facility (NDPF), which aims to improve the quality and accessibility of nature-related data.
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Japanese government committees and councils in which we participate

- Green Infrastructure Public-Private Partnership Platform – Planning and Public Relations Subcommittee, and Finance Subcommittee (Ministry of Land, Infrastructure, Transport and Tourism)
- Expert Committee on Evaluation Standards for Securing High-Quality Urban Green Spaces through Private Investment (Ministry of Land, Infrastructure, Transport and Tourism)
- Nature Positive Economy Study Group (Ministry of the Environment)
- Study Group on Economic Incentives for Achieving 30by30 (Ministry of the Environment)
- Committee on the Economic Valuation of Biodiversity (Ministry of the Environment)
- Support Certificate Model Thinking Working Group (Ministry of the Environment)
- Committee on Nature-Related Financial Disclosures Concerning the Multifunctional Roles of Forests (Forestry Agency)
- Committee on Impact-Creation Certificates in Ministry Projects (Ministry of Agriculture, Forestry and Fisheries)
- Study Group on the Promotion of Nature-based Solutions (NbS) (Ministry of the Environment)
- Program Director for the Initiative to Promote Strategy Development for Rulemaking and Market Creation in Each Sector Based on the Transition Strategies toward Nature Positive Economy (Cabinet Office)

4. Collaborative Research with Academic Institutions

Addressing challenges related to climate and natural capital requires linking the latest research findings with practical experience. The Group leverages not only its core business, which is closely connected to climate risk, but also the knowledge accumulated through years of initiatives on biodiversity, to conduct joint research with universities and research institutions. By incorporating the latest scientific findings while feeding practical, on-the-ground experience back into research, we contribute to the development of new methodologies, including quantitative assessment of disaster risks and ecosystem services. Through such academic collaboration, we aim to translate these insights into practical solutions for society, and use them to address climate- and nature-related risks.

LaRC-Flood® Project (The University of Tokyo, Shibaura Institute of Technology)	Since 2018, this project has conducted research on the impact assessment of flood risks due to climate change and sought to share research results with society by publishing the "Map of Predicted Flood Frequency Changes Due to Climate Change." Subsequently, the project has led to the development of the Future Flood Hazard Map and the SaaS-type "Flood Risk Finder" (page 31).	Nature Positive Sustainable Development Hub (Tohoku University)	Under the concept of nature positive, this initiative promotes the visualization and sustainable enhancement of the value of nature, the creation of a mechanism for financial flow toward nature positive, and human resource development. The Group is engaged in the development of biodiversity assessment and certification and aims to implement financial flow toward nature positive.
Climate Change Actions with Co-Creation Powered by Regional Weather Information and E-technology (ClimCORE) (The University of Tokyo)	The ClimCORE Project has developed high-resolution "weather reanalysis data for the Japanese region" to reproduce atmospheric conditions across Japan from the past to the present, providing a homogeneous, four-dimensional long-term representation of the overall atmospheric conditions. It also researches the utilization of such climate and weather big data and the establishment of a system for this purpose. The Group participates in joint research on typhoon risk assessment within this project.	Development and Demonstration Project of Nature Footprint for Promoting Nature-Related Financial Disclosures by Investors and Financial Institutions and International Standardization (Waseda University)	Aiming to develop the Nature Footprint method, which quantitatively evaluates the impact of corporate activities on nature, this project collaborates with financial institutions and others to conduct pilot experiments and promote initiatives toward international standardization.
"Catchment-based Flood Management for Sustainable Societies" The Regional Co-Creation Center	Focusing on the Kuma River basin, which suffered significant damage during the July 2020 torrential rainfall, the project examines the social implementation of "Catchment-based Flood Management," which combines river improvement with coexistence with nature to achieve comprehensive safety and resilience across the basin. As part of the MS&AD Green Earth Project, the Group participates in research on enhancing flood control through wetland restoration. It also explores insurance and financial products, as well as regional digital transformation (DX) initiatives, that promote basin-wide flood control and support disaster prevention.	"Nature on the Balance Sheet" Initiative (The University of Tokyo)	This industry-academia collaboration platform, involving the University of Tokyo and four private companies including the Group, aims to develop a roadmap for incorporating the value of natural capital into economic decision-making and reflecting it in corporate balance sheets. It promotes Japanese participation in international rule-making processes and seeks to ensure that the construction of a nature-positive economy reflects the perspectives of Japan and, more broadly, Asia.

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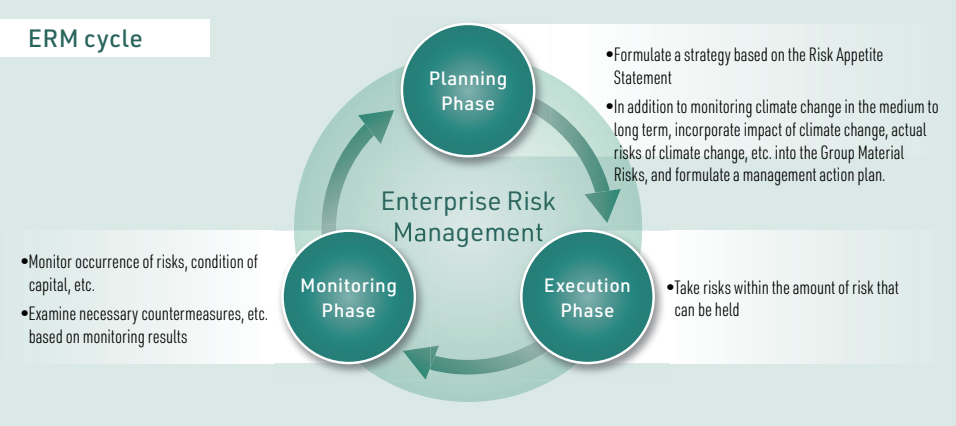
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Risk Management

[1] Risk Management

Based on the MS&AD Insurance Group Risk Appetite Statement, we have determined to clarify the amount of risk that can be held under normal conditions and to take risks based on its capital policy in order to realize its management vision. We develop a Group medium-term management plan as a vision to be achieved over the medium term in line with our Risk Appetite Statement. Also, we aim to ensure soundness and improve capital efficiency and RoR based on the ERM cycle.



Underwriting risk

As for underwriting risk, we are working to advance growth strategies and assertively take on risks, while also striving to set appropriate insurance conditions, control natural catastrophe risks, and expand our returns.

Asset management risk

With regard to asset management risk, we strive to implement comprehensive asset and liability management that takes into account the characteristics of liabilities, and the reduction of strategic equity holdings, and to expand our returns while securing the soundness and liquidity of assets.

Risk management at the Group

In terms of risk management at the Group, based on the MS&AD Insurance Group Basic Policy on Risk Management, we recognize risks including climate-related risks, quantitatively determine the magnitude and possibility of their occurrence, and optimize their scope and extent. We also process risks by possession, transfer, and avoidance, verify their effects, and improve the processing method

based on the results. The status of risks is reported to the Management Committee. Matters concerning climate-related risks are also reported to the Group Management Committee and the Board of Directors after discussing by the ERM Committee.

Assuming risk occurrence scenarios

The Group selects risks to be controlled by management as Group Material Risks, and formulates Management Action Plans after assuming their occurrence scenarios, taking into account factors such as “climate change”, and regularly monitors the status of risks. Thus, the Group has been working to control risks.

Group material risks and key scenarios for climate change

Group Material Risks Related to Climate Change	
	“Key scenarios” related to climate change
Occurrence of large-scale natural catastrophe	Increase in insurance payments due to occurrence of large-scale natural catastrophe in Japan and overseas such as wind/flood disasters, wildfires, snow/hail disasters, and drought
Significant increase in credit risk	Deterioration in the performance and default positions of our investment/loan portfolio companies due to factors such as strengthening of regulations in relation to transition to decarbonization and delays in response thereto.
Occurrence of behavior that is detrimental to the corporate value of the Group, loss of social credibility	Deterioration in reputation and financial burden due to deficient responses to disclosures and issues concerning sustainability, such as those relating to climate change and associated lawsuits, etc. within the Group
Pandemic of new influenza and other diseases	Occurrence of a situation where the Group is unable to properly execute its business/services due to a pandemic of new infections influenced by global warming and other factors. and their prolonged impacts, etc.
Changes in insurance market	New insurance product in relation to responses to climate changes, such as decarbonization technologies and increase in claims payment due to development of a recycling-oriented society, etc.

Monitoring based on risk scenarios

Shown in the table above are the key scenarios for individual Group Material Risks established focusing on climate change. We conduct regular medium- to long-term monitoring based on these scenarios. In addition, because “depletion of natural capital (exhaustion of resources, deterioration of and crises of ecosystems, and human-induced pollution and accidents that cause major damage to the environment)” could have impacts on Group management over the medium and long terms, we conduct regular status monitoring as one of the Group Emerging Risks.

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[2] Identification Process of Dependencies/Impacts on Nature and Risks

The Group is using TNFD recommendations and the catalog introduced by TNFD to identify dependencies and impacts on nature through its underwriting, investments and loans, and business operations, as well as the risks associated with these activities.

■ Understanding and assessing impacts

Since dependencies and impacts on nature vary according to the nature of the business, we classify our underwriting and investment/loan portfolio companies by industry based on the GICS code, and strive to understand the overall dependencies and impacts in each industry. Since natural conditions differ from region to region, we identify specific regions where our underwriting and investment/loan portfolio companies are involved in their business, and proceed with evaluating overlaps with sensitive locations and dependencies/impacts.

■ Refining evaluation scope

This fiscal year, we analyzed the overlap of sensitive locations with respect to the operating sites of our top 500 investment/loan portfolio companies. There is a lack of data and tools to evaluate nature in specific areas such as our underwriting/other investment/loan portfolio companies, and the entire supply chain of our portfolio companies. We intend to increase the scope and granularity of the evaluation while closely monitoring technological progress and data expansion.

■ Initiatives thereof

As the process related to nature-related risks in underwriting and investment is a new field, the Corporate Sustainability Department plays a central role in coordinating with the corporate risk management division, investment and loan division, and underwriting division.

[3] Management of Natural Catastrophe Risks

The Group manages natural disaster risks through measuring and understanding the risk levels for covered events by geography and type of disaster, using a model which incorporates engineering knowledge, mainly that relating to meteorology and architecture. Of these risks, those subject to the impacts of climate change include typhoons, floods and forest fires.

■ Setting maximum risk levels

In addition to carrying out stress testing of large-scale natural disasters, for wind/flood disasters in Japan with large risks and wind/flood disaster risks in the U.S.A, we aim to maintain financial soundness by setting the maximum risk levels (risk limits) for the Group and for each company, using the levels of risk that occur once every 200 years as a basis.

■ Controlling risks across the Group

The Group has established a basic policy regarding net retention of natural disaster risks, and based on this policy, each Group company strives to appropriately underwrite and procure reinsurance (outward and

inward). We are thus working to control natural disaster risks throughout the Group. Through these efforts, we aim to improve the financial soundness of the Group as a whole and reduce the risk of fluctuations in profit and loss during a given period.

■ Working with external organizations and refining model

The Group has been working to further refine the model based on the latest academic knowledge and the status of occurrence of natural disasters, in collaboration with external organizations that are conversant with natural disaster risks. Additionally, we are working on such topics as incorporating the effects of climate change into stress tests and having the uncertainties of climate change reflected in the risk levels for the entire Group.

Stress testing

We conduct stress tests to confirm the impact of various stress events on capital and risk levels. In order to complement the limitations of statistical methods for risk measurement, stress testing identifies portfolio vulnerabilities and assesses the need for and urgency of countermeasures, using scenarios that take account of significant changes in the external environment and other factors selected based on the Group's portfolio and risk profile. We have been conducting tests based on assumptions of more severe stress, such as "consecutive typhoons," and "consecutive hurricanes in North America," and making estimates based on assumptions of the impact of long-term climate change on "domestic typhoons."

[4] Litigation Risks in Underwriting

As lawsuits related to climate change are becoming more frequent, claims for liability insurance covering litigation risks may increase. Liability insurance is a product which covers such payouts as damages for which our customers (hereinafter, "Insured") are liable and legal costs incurred in lawsuits. Major liability insurance products covering litigation risks with respect to climate change include the following:

Product	Coverage	Litigation Risks Related to Climate Change
Property Owner's (Manager's) Liability Insurance	Damages, legal costs, etc. for which the insured becomes liable as a result of injuries or damage to a third party or its property shall be paid as insurance benefits. Covered by this insurance are such bodily injuries and property damage as have a causal relationship with the insured's business activities, etc.	The insured may face litigation for such reasons as omitting to take measures for prevention or mitigation of damage due to climate change in the course of the insured's business activities.
Directors' and Officers' Liability Insurance (D&O Liability Insurance)	Paid as insurance benefits will be damages, legal costs, etc. for which an insured company director becomes liable in a claim for damages filed for its act (or omission of act) while performing its duties as a director.	It is possible that a lawsuit is brought against an insured company director for such reasons as delay or deficiency in taking measures against climate change, or insufficient disclosure of information by the company, etc. We sometimes observe such lawsuits being filed for the purpose of encouraging behavior modification in relation to climate change issues.

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With regard to litigation risk relating to climate change in underwriting, the Group ascertains the risk situation through confirming factors such as the state of underwriting of relevant insurance products and the litigation occurrence status under the management control of Group Material Risks. We also define “depletion of natural capital (exhaustion of resources, deterioration of and crisis over ecosystems, and human-induced pollution and accidents that cause major damage to the environment)” as one of the Group Emerging Risks and monitor the situation thereof in order to fully understand the medium- to long-term trend of relevant risk events.

[5] As Responsible Institutional Investor

The "Japan’s Stewardship Code," a set of principles for "responsible institutional investors," published by Financial Services Agency, is a code of conduct for institutional investors who invest in listed shares, etc. in Japan. As an asset owner, the Group supports its intent.

■ Policy

The Group has a policy of conducting “constructive dialogue (engagement) with investee companies, focusing on management issues, shareholder returns policy, and other non-financial information such as ESG from the perspective of enhancing the corporate value of the investee and promoting sustainable growth over the medium to long term, in accordance with Japan’s Stewardship Code. In addition, toward realization of a decarbonized society, we are encouraging them to reduce GHG emissions and disclose information based on TCFD recommendations. Specific matters to be confirmed include organizational structures in relation to addressing climate change, their efforts toward reaching GHG emissions reduction targets, their plans for technological innovation, and any challenges they face.

Examples of initiatives for engagement in relation to climate change

Example 1	Example 2
The Group engaged in dialogue with investee companies in sectors with high GHG emissions to understand industry-specific challenges, verify the status of GHG emission reduction target setting and related issues, and exchange views. We confirmed that these companies are working to establish data collection systems to facilitate disclosure of information such as their carbon footprint (the amount of GHG emissions from business activities converted to CO ₂ equivalents).	To collect data on Scope 3* GHG emissions, the Group confirmed initiatives by investee companies in industries such as chemicals and metals. We explained that Scope 3 enables a comprehensive assessment of environmental impacts across the entire supply chain and provides important information for climate risk management and investor evaluations. We also shared examples of companies that have been advancing the calculation and disclosure of emissions with external support, and recommended that promoting such disclosure can help enhance corporate credibility.

* Indirect GHG emissions from a company's business activities other than Scope 2 emissions (those indirectly emitted through the use of electricity and other forms of energy).

[6] Considering Sustainability in Business Activities

The Group aims to enhance corporate value by contributing to solutions for sustainability issues with profound understanding through stakeholder engagement.

In underwriting, we provide products and services that respond to the demands of society, while also considering issues and risks that could have negative impacts on society and the global environment. Our investment considers ESG factors in pursuit of medium-to long-term returns and contribution to solutions of sustainability issues.

Our business activities take into account dependencies and impacts on the environment and society, including climate change and natural capital, and an overview of our policies and initiatives is published on our official website as the Group's approach to ESG issues; these activities are incorporated into our underwriting and investment and loan practices.

1. ESG Guidelines

Sector	Classification	Guideline
Coal	To be excluded	Coal fired power plant, coal mine development and operation" (mainly producing thermal coal)* ¹
	To be excluded	Energy mining projects by companies whose primary business is coal ²
Oil/Gas	To be excluded	Oil sand mining, oil & gas extraction in the Arctic region ³
	To be reviewe	Oil fired power plants and oil fields, oil and mining, and gas fields
Controversial weapons	To be excluded	Controversial weapon manufacturer (cluster munitions, anti-personnel mines and chemical weapons)
Agriculture, Forestry and Fisheries	To be reviewed	New agriculture, forestry and fisheries project involving large-scale development in unexplored areas
Hydroelectric power	To be reviewed	Construction of new hydroelectric power plants
Solar power	To be reviewed	New construction projects for domestic solar power plants
Onshore wind power	To be reviewed	New construction projects for domestic onshore wind power plants
Biomass power	To be reviewed	New construction projects for domestic biomass power plants
Nature Conservation Areas	To be reviewed	Projects that may destroy natural or cultural heritage sites protect-ed under the UNESCO World Heritage Convention or wetlands protected under the Ramsar Convention
Human rights	To be reviewed	Businesses which may violate human rights of indigenous people or local communities

*¹ Existing coal fired power plants and thermal coal mines with technologies and techniques aiming to achieve the goals of the Paris Agreement might be handled after careful consideration.

*² Companies that derive at least 25% of their revenues from coal-fired power generation, thermal coal mines or companies that generate at least 25% of their energy from coal.

*³ Projects and companies planning to decarbonize to achieve the goals of the Paris Agreement are exempted.

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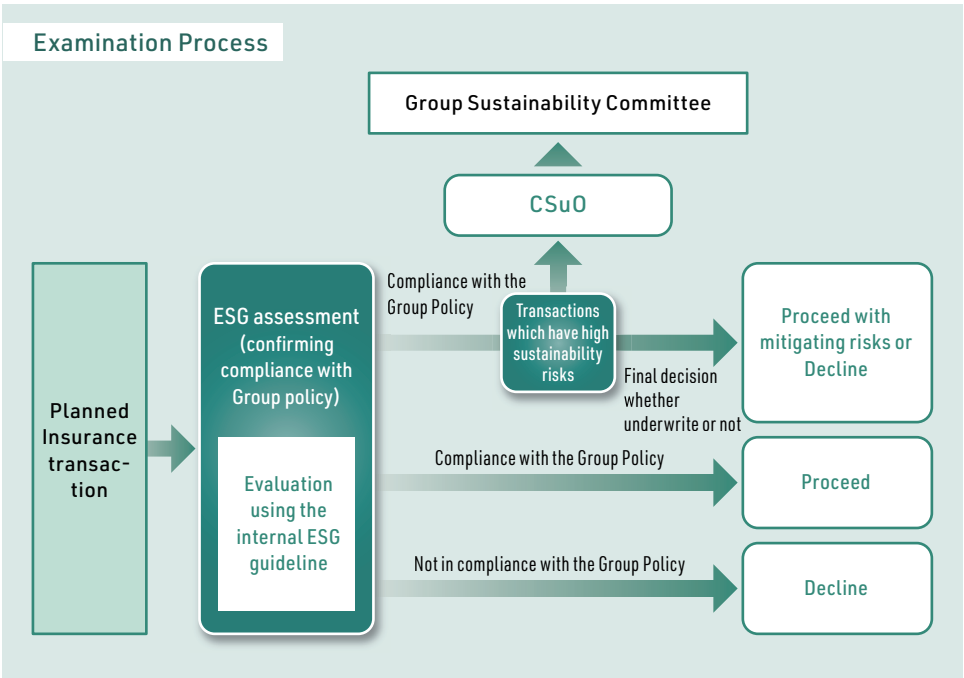
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Examination process

After confirming that projects are in compliance with the Group's policies, we accept only those cases that fall under our policy. For projects that are considered to be in compliance with the Group's policies but are deemed to have high sustainability risks (ESG risks), we have established an escalation process and report such transactions to the Group Sustainability Committee.



3. Investment and Loan

(i) ESG investment and loan initiatives

Making initiatives for incorporation of ESG factors into the investing and financing decision-making (integration), constructive dialogue (engagement), and investment and loan projects that contribute to sustainability (positive impact) as the pillars, we implement investments and loans.

ESG investment and loan initiatives

ESG investment and loan initiatives	Content	Target assets
Integration		
Reflection of the response to the Group's "business activities considering sustainability"	Screening specific uses of funds and industries without investments and Loans, and making prudent decisions on whether to engage in transactions from the perspectives of responding to climate change, improving the sustainability of natural capital and respecting human rights.	All assets undermanagement
Incorporation of the Group's priority issues into the research	Focusing on "CO2 emissions," "deforestation," "water risk," and "human rights violations," evaluations by ESG evaluation companies and international initiatives (such as CDP) are used for investment decisions monitoring.	Corporate bonds, stocks, and loans
Engagement		
Engagement	Conduct dialogue centered on stewardship activities	Shares
Positive Impact		
Sustainable / thematic investing	ESG issues, investments, and loans in themes such as renewable energy (e.g., solar, wind, hydrogen), green transition finance (greenhouse gas reduction), and regional revitalization	Bonds, stocks, loans, and private equity
Impact investing	Investment in themes such as healthcare and education, focusing on climate change	private equity

*Applies to active investment and passive investment management, as well as to entrusted investment management companies.

(ii) Systematic incorporation of ESG factors into the investment/loan processes

In addition to conventional financial and non-financial analysis, in asset classes such as stocks, corporate bonds, loans, and private assets that are managed by the Group, we systematically incorporate into our investment and loan decisions business activities that take into account sustainability of the Group, and risk assessment and analysis of Group ESG issues using external assessment organizations.

We also send questionnaires on an annual basis, in principle, to the investment management companies that we commission to manage our corporate bond and stock investments, to confirm their ESG initiatives.