

# **Basic Policy on Corporate Governance**

## Chapter 1 General Provisions

### **(Purpose)**

#### Article 1

T&D Holdings, Inc. (hereinafter “the Company”) hereby sets forth the Company’s basic policy on corporate governance for the purpose of ensuring the T&D Insurance Group’s (hereinafter the “Group”) sustained growth and the enhancement of its corporate value over the medium and long term.

### **(Basic Approach)**

#### Article 2

1. The Company’s basic approach to corporate governance is to create efficient and transparent management systems to facilitate flexible and cohesive Group operations. The Company shall continuously endeavor to enhance corporate governance through the following measures:

(1) The Company shall respect the rights of shareholders and strive to develop a conducive environment for shareholders to appropriately exercise those rights. Efforts shall also be made to ensure the effective equality of all shareholders.

(2) The Company shall strive to foster a sound corporate culture and work environment by appropriately collaborating with a variety of stakeholders, including customers, shareholders, employees, insurance agents, business partners and local communities.

(3) The Company shall strive to increase the transparency of management through appropriate and timely disclosure of corporate information, including financial information and non-financial

information regarding management strategies, management priorities and other matters.

(4) The Company shall strive to ensure the effectiveness of the Board of Directors' oversight function over the execution of business as the holding company responsible for the business execution management function of each Group company.

(5) The Company shall engage in constructive dialogue with stakeholders in order to contribute to sustained growth and the enhancement of corporate value over the medium and long term.

2. The Company shall fulfill the roles of deciding on the Group's strategy, appropriately allocating the Group's business resources and formulating capital strategies. Along with this, the Company shall strive to establish a Group business management system through such means as rigorously enforcing Group-wide risk-return management by accurately grasping the business risks borne by its directly owned subsidiaries.

3. The Company shall establish the T&D Insurance Group's Corporate Philosophy and the T&D Insurance Group's Management Vision as basic management principles shared by all corporate officers and employees of the Group.

## Chapter 2 Corporate Governance System and Responsibilities of the Board of Directors and Other Bodies

### **(Corporate Governance System)**

#### Article 3

1. The Company shall make decisions on important business matters and oversee the execution of business through its Board of Directors. T&D Holdings, Inc. is a "Company with an Audit & Supervisory Board." Accordingly, the Company shall audit the performance of duties by directors (excluding directors who are Audit & Supervisory Board

Members) through its Audit & Supervisory Board, which are independent of the Board of Directors.

2. The Company has introduced an executive officer system for the purpose of bolstering its business execution capabilities. By sharply delineating responsibilities for oversight and execution, the Company shall strengthen the governance function of the Board of Directors.

3. The Company shall establish a Nomination and Compensation Committee as an advisory body to the Board of Directors for the purpose of discussing the fairness and appropriateness of the appointment and/or dismissal and compensation of directors and audit & supervisory board members, among other related issues, as well as for ensuring the transparency of management and enhancing accountability.

#### **(Roles of the Board of Directors)**

##### Article 4

1. The Board of Directors shall make decisions on important business matters and oversee the execution of business in accordance with laws and ordinances, the Articles of Incorporation, and the Company's relevant rules.

2. In order to expedite decision-making related to the execution of business, the Board of Directors shall entrust all authority related to the execution of business other than matters stipulated in the preceding paragraph to the representative director and president. The representative director and president may delegate authority related to the execution of business to executive officers in charge of business operations.

#### **(Composition of the Board of Directors and Directors)**

##### Article 5

The number of directors (excluding directors who are Audit &

Supervisory Board Members) shall be no more than 9 as stipulated by the Articles of Incorporation, and the number of directors who are Audit & Supervisory Board Members shall be no more than 5 as Stipulated by the Articles of Incorporation. The Board of Directors shall be made up of individuals representing a balance of knowledge, experience and skills, and having diverse backgrounds as befitting the expansive range of business domains in the life insurance business.

Moreover, the Company shall appoint two or more directors (excluding directors who are Audit & Supervisory Board Members) who concurrently serve at the Company and its directly owned subsidiaries, including the presidents of the three core life insurance companies (Taiyo Life Insurance Company, Daido Life Insurance Company, and T&D Financial Life Insurance Company). This shall be done from the standpoint of facilitating adequate communication and rapid decision-making within the Group, along with bolstering Group-wide governance.

Furthermore, the Company shall appoint two or more outside directors to appropriately reflect the opinions of individuals with extensive experience and knowledge in their capacity as outside corporate managers, legal experts, accounting experts and so forth in the Group's management policies and development of internal controls and other systems as well as in the oversight of the execution of business.

### **(Appointment of Directors)**

#### Article 6

The Board of Directors shall discuss the appointment of candidates for directors in the Nomination and Compensation Committee, and shall appoint individuals that satisfy, in principle, the following criteria:

- (1) The candidate possesses the knowledge and experience needed to accurately, impartially and efficiently manage business as well as possessing a sufficient degree of public trust.

(2) In addition to the requirements set forth in the previous criterion, candidates for outside director must satisfy the independence criteria established by the Company and the Tokyo Stock Exchange, and must be recognized as being free from the risk of any conflicts with the common interests of shareholders.

**(Concurrent Directors)**

Article 7

In cases where directors (excluding directors who are Audit & Supervisory Board Members) concurrently serve as corporate officers or hold other positions at companies other than T&D Holdings, Inc., they shall do so only to the extent they are able to fulfill the duty of due care of a prudent manager and duty of loyalty as directors.

**(Performance Review of Board of Directors)**

Article 8

In order to ensure the overall effectiveness of the Board of Directors, the Board of Directors shall conduct an annual performance review of the Board of Directors as a whole, based on the self-evaluations of individual directors. The performance review shall examine whether or not the Board of Directors is functioning appropriately and producing results, and how the Board of Directors is contributing to increasing the Company's corporate value over the medium and long term.

**(Roles of Audit & Supervisory Board)**

Article 9

The Audit & Supervisory Board shall fulfill their roles and responsibilities as independent functions mandated by shareholders, such as auditing the performance of duties by directors, based on laws and ordinances, the

Articles of Incorporation and the Company's relevant rules.

**(Composition of Audit & Supervisory Board Members and the Audit & Supervisory Board)**

Article 10

1. The number of Audit & Supervisory Board Members shall be no more than five as stipulated by the Articles of Incorporation. The majority of the Audit & Supervisory Board Members shall be outside members. The Audit & Supervisory Board Members shall include individuals who possess appropriate knowledge of finance and accounting.

2. The Audit & Supervisory Board shall consist of all of the Audit & Supervisory Board Members.

**(Appointment of Audit & Supervisory Board Members)**

Article 11

The Board of Directors shall discuss candidates for Audit & Supervisory Board Members in the Nomination and Compensation Committee. After obtaining the consent of the Audit & Supervisory Board, the Board of Directors shall appoint individuals that satisfy, in principle, the following criteria:

(1) The candidate possesses the knowledge and experience needed to accurately, impartially and efficiently audit the directors' performance of duties as well as possessing a sufficient degree of public trust.

(2) In addition to the requirements set forth in the previous criterion, candidates for the position of outside Audit & Supervisory Board Member must satisfy the independence criteria established by the Company and the Tokyo Stock Exchange, and must be recognized as being free from the risk of any conflicts with the common interests of shareholders.

**(Concurrent Audit & Supervisory Board Members)**

Article 12

In cases where Audit & Supervisory Board Members concurrently serve as corporate officers or hold other positions at companies other than T&D Holdings, Inc., they shall do so only to the extent they are able to fulfill the duty of due care of a prudent manager and the duty of loyalty as Audit & Supervisory Board Members.

**(Independence Criteria for Independent Outside Directors and Audit & Supervisory Board Members)**

Article 13

The Company shall appoint candidates for outside director from among individuals who satisfy the following independence criteria:

- (1) The candidate is not currently, nor has been in the past 10 years, a person who executes the business of the Company or its subsidiaries.
- (2) The candidate is not currently, nor has recently been, a person/entity for which the Company is a major client or a person who executes business for such client, nor a major client of the Company or a person who executes business for such client.
- (3) The candidate is not currently, nor has recently been, a consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/auditor compensation from the Company.
- (4) The candidate is not currently, nor has recently been, a relative of a person who executes business of the Company or its subsidiary, or a relative of persons described in (2) or (3) above.

(5) In addition to the above, there must be no doubt about the independence of the candidate in terms of fulfilling his or her duties as an independent outside director or audit & supervisory board member.

**(Roles and Composition of the Nomination and Compensation Committee)**

Article 14

1. The Nomination and Compensation Committee shall discuss the following matters concerning the Company and its directly owned subsidiaries and report the results of the discussions to the Board of Directors, while expressing its opinions as necessary.

(1) Proposals concerning the appointment and dismissal of, and compensation for, directors and audit & supervisory board members to be put forward to the Shareholders' Meeting.

(2) Appointment and dismissal of the representative director and directors with specific titles

(3) Appointment and dismissal of executive officers and executive officers with specific titles

(4) Items concerning the succession plan of the Company's representative director and president

(5) Important decisions and changes concerning compensation for directors and audit & supervisory board members

(6) Other items incidental to the above

2. The Nomination and Compensation Committee comprises the President and outside directors. The chairman shall be one of the outside directors determined by mutual vote of the committee members.



## **(Policies on Determining the Method of Calculating the Amount of Compensation for Directors and Audit & Supervisory Board Members)**

### Article 15

The policies on determining the method of calculating the amount of compensation for the directors and audit & supervisory board members shall be as follows:

- (1) The compensation system, amount of compensation, etc. for the directors and Audit & Supervisory Board Members shall be designed to function as a sound incentive to improve the Group's performance over the medium and long term and increase the corporate value. Compensation for directors (excluding part-time directors such as outside directors, and directors who are Audit & Supervisory Board Members) shall comprise monthly compensation and bonuses which vary according to their roles and business performance, as well as trust-type stock compensation (excluding non-residents in Japan) using a trust system to grant the Company's stocks, etc.
- (2) Compensation for directors shall be set at an appropriate payment ratio by each type of compensation so that it may function as a sound incentive.
- (3) The amount of compensation shall be set according to responsibilities by position, and monthly compensation and bonuses shall vary based on performance.
- (4) Compensation for part-time directors, including outside directors, and Audit & Supervisory Board Members shall comprise monthly (fixed) compensation.
- (5) The monthly compensation and bonuses of each director shall be determined by the President upon consultation with the representative director, after obtaining resolution of the Board of Directors. The monthly compensation and bonuses shall be paid within the annual

compensation limit established by the resolution of the Shareholders' Meeting and calculated in accordance with the compensation table determined by the Board of Directors and based on a review of individual performance.

The review of individual performance of each director shall be determined by the President upon consultation with the representative director and discussion by the Nomination and Compensation Committee. It shall be in accordance with the review standard determined by the Board of Directors and conducted based on the review of the Company's business performance and the review of the director's assigned division.

(6) Multiple performance indicators, etc., established and based on medium to long term management strategies, shall be used as indicators to review the Company's business performance in order to demonstrate clearly that the performance review shall be in accordance with the Company's performance achievement level. In regard to performance indicators, etc., scores shall be calculated by multiplying factors that are in accordance with the achievement level of each item.

In regard to the review of the director's assigned division, scores shall be calculated taking into account each division's achievement level of the management plans.

In addition to the above, the scores for the review of the Company's business performance and the review of the director's assigned division shall be the weighted average based on the performance review ratio stipulated in accordance with the responsibilities of each position. The ratio of the review of the Company's performance to the performance review of representative director, etc., shall be 100%.

(7) In regard to trust-type stock compensation, in principle, points will be given annually to directors (excluding part-time directors such as outside directors, and directors who are Audit & Supervisory Board Members, and non-residents in Japan) according to their ranks, which shall be within the annual compensation limit established by the resolution of the Shareholders' Meeting.

(8) Monthly compensation for each director who is an Audit & Supervisory Board Member shall be determined through discussions by the directors who are Audit & Supervisory Board Members, within the annual compensation limit established by the resolution of the Shareholders' Meeting.

(9) Cash shall be paid monthly for monthly compensation and annually for bonuses. In regard to trust-type stock compensation, stock and cash will be delivered and paid at the time of resignation based on the accumulated points.

In cases where it is judged that any director has conducted any wrongdoings stipulated by the Company (serious delinquency, illegal conduct, data breach, etc.) before the date that the stock ownership rights is fixed, delivery and payment of stock and cash shall not be realized. In addition, in cases where any wrongdoings were found after the date that the stock ownership rights is fixed, the Company may request for compensation in the amount of the calculated number of stock and the calculated stock price multiplied.

### **(Policies on Training, etc. of Directors and Other Personnel)**

#### Article 16

The Company shall provide opportunities for directors and other personnel to obtain or update the knowledge they need to appropriately fulfill their roles and responsibilities. These opportunities shall be provided to directors, audit & supervisory board members and other personnel upon their appointment and continuously during their term of office.

### Chapter 3 Ensuring Shareholder Rights and Equality, and Engaging in Dialogue with Shareholders and Other Stakeholders

#### **(Ensuring Shareholder Rights and Equality)**

## Article 17

The Company shall work to develop a conducive environment for shareholders to appropriately exercise their rights in order to effectively ensure the rights and the equality of all shareholders.

### **(Shareholders' Meeting)**

## Article 18

Recognizing that the Shareholders' Meeting is the highest decision-making body of the Company, and that it provides a crucial forum for engaging in constructive dialogue with shareholders, the Company shall develop an adequate environment from the shareholders' perspective to ensure that shareholders' views are reflected appropriately in management.

### **(Dialogue with Shareholders and Other Stakeholders)**

## Article 19

1. The Company shall emphasize on constructive dialogue with shareholders and other stakeholders as it strives to increase their understanding of its management policies through dialogue. At the same time, information and other feedback obtained through this dialogue shall be reported regularly to management. In this way, the Company shall strive to drive the sustained growth of the Group as a whole and increase its corporate value over the medium and long term.

2. To engage in dialogue with shareholders and other stakeholders, the Company shall nominate the executive officer in charge of the Group Planning Department as the Investor Relations (IR) Officer and the executive officer in charge of the General Affairs Department as the Shareholder Relations (SR) Officer.

3. In providing information about the business environment, business

strategies and financial condition, and operating performance of the Group as a whole, in addition to statutory disclosures, the Company shall strive to enhance the disclosure of information by conducting IR and SR activities and providing audio and video streaming, along with making other content available via its corporate website.

4. When disclosing the information described in Item 3. above, the Company shall strive to enhance the disclosed information by encouraging close coordination between various related departments, such as the IR and SR departments, and various Group companies.

5. In order to prevent the unauthorized disclosure of financial information while preparations for announcements of financial results are being made, the Company shall set a "Silent Period" in its IR and SR activities in its "IR Policy". In doing so, the Company shall strive to ensure fairness in all of its IR and SR activities.

### **(Cross-shareholdings)**

#### Article 20

1. When holding cross-shareholdings of listed stocks, the Group shall adhere to the following policies:

(1) The purpose of holding cross-shareholdings of listed stocks shall be to maintain and expand long-term, stable business relationships, to maintain and strengthen business partnerships, and to reap medium- to long-term benefits by an increase in equity value and by receiving dividends and so forth.

(2) Every year, the boards of directors of the Company and its Group companies that hold cross-shareholdings shall verify the propriety of holding individual cross-shareholdings by concretely examining the adequacy of the holdings, whether the benefits and risks commensurate with the capital cost, and other factors.

(3) If the continued holding of individual cross-shareholdings were deemed inadequate as a result of verifying the propriety of the holding, such cross-shareholdings shall be subject to sales and the cross-shareholdings shall be reduced.

(4) The Group shall disclose its details of the verification of above (2) and (3) annually.

2. The Group believes that the appropriate exercise of the voting rights of cross-shareholdings will encourage the establishment of sound corporate governance systems and sustained growth at counterparty companies. At the same time, the Group believes that the appropriate exercise of these voting rights is a crucial means of helping to bolster shareholder interests. Accordingly, the Group shall exercise the voting rights of its cross-shareholdings.

3. In the course of exercising voting rights as stipulated in the preceding item, the Company shall strive to share a common awareness with the counterparty company by engaging in dialogue and other forms of communication from a medium- to long-term perspective, while respecting the counterparty company's management decisions, rather than making judgments based on formal standards. In cases where it is judged that shareholder interests could be impaired, the Company shall express its position through the appropriate exercise of its voting rights.

### **(Related Party Transactions)**

#### Article 21

The Company shall put the following structure in place to prevent transactions between the Company and its directors, major shareholders and other related parties (transactions between related parties) from harming the common interests of the Company and its shareholders.

(1) In the T&D Insurance Group Compliance Code of Conduct, the Company shall establish provisions to prohibit any actions that cause

conflicts of interests and so forth.

(2) Matters concerning conflict-of-interest transactions between directors and the Company shall be determined by resolution of the Board of Directors in accordance with the rules of the Board of Directors. In addition, the Audit & Supervisory Board shall monitor and verify whether or not there is any evidence of conflict-of-interest transactions that are in violation of the directors' duties, based on the stipulations of the auditing standards of the Audit & Supervisory Board.

## Chapter 4 Collaboration with Stakeholders

### **(Basic Code of Ethics and Code of Conduct)**

#### Article 22

1. The Company shall establish the T&D Insurance Group CSR Charter and the T&D Insurance Group Environmental Policy to drive the Group's sustained growth and increase its corporate value over the medium and long term through appropriate collaboration with stakeholders.
2. The Group shall establish the T&D Insurance Group Compliance Code of Conduct to clarify its commitment to legal compliance and conduct fair and appropriate corporate activities.

### **(Internal Reporting System)**

#### Article 23

The Company shall establish the T&D Insurance Group Helpline as an internal reporting system to ensure that actions that violate laws and regulations can be prevented or promptly recognized and corrected through direct reports from corporate officers, employees and other Group personnel.

## **(Protection of Whistleblowers)**

### Article 24

The Company shall not subject whistleblowers to any disadvantageous treatment because of their using the internal reporting system described in the preceding article or other channels to submit information to the Audit & Supervisory Board or the competent authorities and other third-party institutions.

## Chapter 5 Disclosure of Information

### **(Disclosing Information and Ensuring Transparency)**

#### Article 25

1. The Company shall strive to provide easy-to-understand disclosure based on its core disclosure principles of timeliness, fairness and accuracy in order to maintain and reinforce trust among all of its stakeholders and to increase the level of transparency in its corporate governance.
2. The Company shall disclose statutory information stipulated in the Insurance Business Act, the Financial Instruments and Exchange Act, and other related laws and ordinances, and in the rules of the Tokyo Stock Exchange. The Company shall also disclose information it deems to be important for its stakeholders, taking into account the business environment, economic conditions, and industry trends.
3. The Company shall strive to disclose information to as many people as possible using various media.
4. The Company shall establish Disclosure Rules that set forth the purpose, basic policy, system, activities and other aspects of disclosure, and shall proactively strive to provide disclosure based on those rules.

## Chapter 6 Other Matters



**(Revision or Abolition)**

Article 26

The Board of Directors shall decide on the revision or abolition of these rules.