

Priority Theme 4



Invest to Help Build a Sustainable Society

2-24

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With the main business of the Group being life insurance business, contributing to realizing a sustainable society through investment is one of the most fundamental roles of the Group.

The investment behavior of institutional investors, who manage long-term funds, plays a major role in solving various social issues and realizing a sustainable society. Recognizing this role, the T&D Insurance Group secures stable investment income and contributes to the sustainable and stable growth of society through investment activities undertaken in consideration of the environment, society and corporate governance.

Related social issues and group initiatives to solve them

Social Issues	Primary Stakeholders	Initiatives
Promote investments in sustainable development	Investees and borrowers/ local communities	Performing various ESG investments in accordance with the Principles for Responsible Investment (PRI), and engaging in dialogue with investees and borrowers and exercising appropriate voting rights based on the Principles for Responsible Institutional Investors

By FY2030
Reduce the CO₂ emissions of investees and borrowers by 50%

By FY2050
Reduce the CO₂ emissions of investees and borrowers to net zero

Initiative results and plans

Policy	FY2023 Initiatives	Planned for FY2024
To secure stable long-term investment income and contribute to the realization of a sustainable society through investment activities undertaken in consideration of the environment, society and corporate governance, with the aim of growing sustainably in partnership with society	<ul style="list-style-type: none"> Based on the T&D Insurance Group ESG Investment Policy, our investment and financing decisions incorporated analyses and assessments related not only to the financial information of potential investees and borrowers, but also to non-financial information such as ESG. Invested in and financed projects with themes that contribute to solving various ESG issues, including green bonds and social bonds. Continued to engage in dialogue with investees and borrowers and engage in green finance (investment in and financing of projects in the environmental field) to achieve net zero CO₂ emissions by investees and borrowers. Became a signatory to and participated in Spring, a global initiative to preserve biodiversity launched by PRI. 	<ul style="list-style-type: none"> Continue to make various ESG investments that contribute to the resolution of social issues and the realization of a sustainable society. In addition to responding to climate change, promote investment, financing, and engagement in response to various social issues and themes such as human capital and biodiversity.

Basic Concept

T&D Insurance Group ESG Investment Policy

2-23

The Corporate Philosophy of the T&D Insurance Group is “With our ‘Try & Discover’ motto for creating value, we aim to be a group that contributes to all people and societies.” In our asset management, we aim to secure stable earnings over the long term and contribute to the realization of a sustainable society. Believing that, as a responsible institutional investor, it is important to make investments with consideration for the environment, society, and corporate governance, we defined and published the Group’s stance towards ESG investment in the “T&D Insurance Group ESG Investment Policy.”

T&D Insurance Group ESG Investment Policy

The T&D Insurance Group strives to grow continuously together with society while contributing to ensuring stable, long-term profitability and the formation of a sustainable society through promoting investment and financing that considers ESG issues, namely, environmental (E), social (S), and governance (G) issues, in line with the Group’s management philosophy.

1. Investment and financing activities that consider ESG issues

We incorporate ESG issues into the asset management process and make investment and financing decisions that promote our asset management to achieve a sustainable society.

2. Constructive dialogue on ESG issues with investees

We undertake appropriate stewardship activities that integrate ESG factors, with the aim of improving the corporate value of investee companies and contributing to resolving social issues.

3. Cooperation in ESG investment and financing and support for the development of a sound market

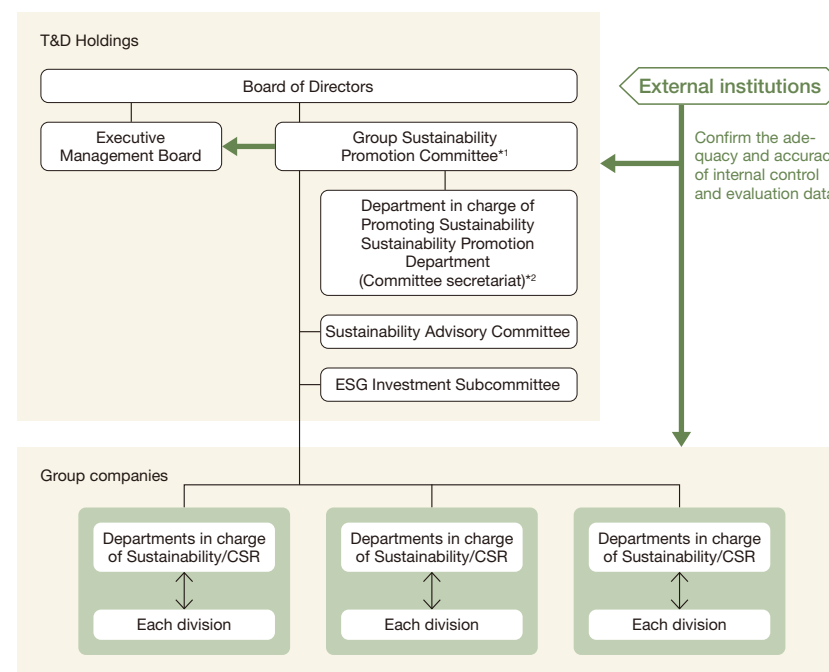
Through cooperation with Group companies in ESG investment and financing activities and sharing information with industry organizations, we strive to sophisticate the asset management process of ESG investment and financing, and support the sound development of its market.

4. Enhancement of disclosure regarding ESG investment and financing initiatives

We will appropriately disclose the status of our ESG investment and financing activities.

Responsible Investment Promotion Framework

The T&D Insurance Group established the Group Sustainability Promotion Committee as an organization under the supervision of the Board of Directors. The Group set up the ESG Investment Subcommittee under the Group Sustainability Promotion Committee, to discuss policies and measures for ESG investments across the Group. The ESG Investment Subcommittee is chaired by the General Manager of the Sustainability Promotion Department of T&D Holdings and made up of the general managers of asset management departments of each group company and those in charge of actually dealing with ESG investment issues (section manager level).



*¹ The chairman of the Group Sustainability Promotion Committee is the Representative Director and President. The vice chairman is the executive officer in charge of the Sustainability Promotion Department.

*² The committee secretariat = Group Sustainability Promotion Committee secretariat.

Basic Concept

Our Initiatives as a Responsible Institutional Investor

To promote asset management that considers ESG issues, each company in the T&D Insurance Group has introduced various ESG investment methods depending on the characteristics of the assets held. Specifically, we have introduced, depending on the characteristics of the assets, the integration of non-financial information such as ESG in investment decisions, as well as a negative screening method that excludes companies and businesses from investment and lending if they are unfavorable from the viewpoint of ESG, and we are expanding investments and financing in themes that contribute to solving ESG issues (ESG-themed investment and financing).

We also support the medium- to long-term business growth of investees and borrowers through constructive dialogue (engagement) with them on the ESG issues they face.

Specific ESG investment initiatives

Specific ESG investment initiatives	Specifics
Reflection of ESG factors in investment decisions	Incorporation (integration) of ESG issues into the asset management process
	All portfolio investment and financing decisions are made based on an analysis and evaluation of both the financial information and the non-financial information, including ESG issues, of investees and borrowers.
	Negative screening
	We exclude companies and businesses from investment and financing if they are unfavorable from the viewpoint of ESG due to humanitarian concerns, the mass consumption of fossil fuels, etc.
	ESG-themed investment and financing
	We focus on ESG-themed investment and financing that considers ESG issues such as climate change adaptation and mitigation and regional development and through which we can contribute to the realization of a sustainable society.
Stewardship activities	Ongoing dialogue with investees and borrowers
	We support the corporate value enhancement and sustainable growth of investees and borrowers through "purposeful dialogue" that also takes sustainability related issues into consideration.
	Exercising voting rights
	When exercising voting rights, we endeavor to judge whether to vote for or against proposals based on a consideration of both financial information and non-financial information such as ESG issues.

Reflection of ESG Factors in Investment Decisions 203-2

Each company in the T&D Insurance Group has a basic policy of taking ESG issues into account in making investment and financing decisions and the asset management regulations of each group company also clearly specify to this effect. Each Group company has "Standards and Guidelines for ESG Investment and Financing" to promote asset management that considers ESG issues, and uses the following ESG investment and financing methods according to the characteristics of the assets under management.

Utilization of ESG Issues in the Asset Management Process (Integration)

Taiyo Life and Daido Life strive to increase long-term investment returns and fulfill its mission as an institutional investor to create a sustainable society by taking into account not only financial information relating to investees and borrowers but also assessment results relating to ESG and other non-financial factors when making investment and financing decisions for all assets under management.

Integration of ESG assessments into investment and financing decisions

When investing and financing stocks, bonds and other securities as well as real estate and project finance, we assess that organization's initiatives relating to ESG and incorporate that into our investment and financing decisions.

Examples of corporate evaluation and investment decisions using ESG integration

Targeted assets	Examples of previous investment decision considerations (financial information, etc.)	Examples of considerations in decisions integrating ESG factors (non-financial factors)	
Stocks, bonds and loans of listed companies	<ul style="list-style-type: none"> Profitability and creditworthiness of investees and borrowers Forecast growth potential of industry/company 	Action taken to address ESG issues according to industry characteristics	
		Utilization of ESG score	
Project finance	<ul style="list-style-type: none"> Creditworthiness of project Forecast of cash flows 	Screening based on quantitative evaluation of material issues	<ul style="list-style-type: none"> CO₂ emissions Ratio of female/outside directors
		Public nature of project	Importance of facility in local community
Real estate	<ul style="list-style-type: none"> Competitiveness of location and building/facility Measures to address legal and physical risks 	Created impact	Contribution to reduction of CO ₂ emissions
		Consideration for the environment	<ul style="list-style-type: none"> Introduction of energy-saving equipment Acquisition of environmental certification for buildings
Outsourcing	<ul style="list-style-type: none"> Asset management framework Asset management performance 	Contributing to local communities	Introduction of a facility or equipment of a highly public nature
		Screening standards	
		Portfolio's CO ₂ emissions target	
		Compliance with PRI principles	Confirmation of signatory status and transparency report, etc.

Reflection of ESG Factors in Investment Decisions

Negative Screening

We have introduced a negative screening method that excludes companies and businesses from investment and financing if they are unfavorable from the viewpoint of ESG.

The current targets of negative screening are as follows. Going forward, we will continue adding and reviewing targets based on international concerns and trends related to the environment and society.

Exclusion of manufacturers of inhumane weapons

Given the humanitarian concerns, we prohibit investment and financing in companies that manufacture specific weapons (manufacturers of cluster munitions, biological and chemical weapons, landmines, nuclear weapons, etc.)

Attitude towards investment and financing for businesses with large environmental impact

Because the consumption of fossil fuels is one of the major factors driving environmental problems such as climate change and air pollution, it is the Group's policy not to make any new investments or loans to coal-fired power generation projects or coal mining projects. However, we may consider investments and loans in cases where the environmental impact of the project will be reduced, for example through the development and application of new technologies for carbon capture and storage (CCS) or carbon capture, utilization and storage (CCUS). It is also our policy not to make any new investments or loans in oil and gas exploration projects in the Arctic (areas north of 66°33'N) where the impacts on climate change and the ecosystem are high, or in oil sands exploration projects, which pose a greater environmental burden during extraction and refining compared to traditional petroleum.

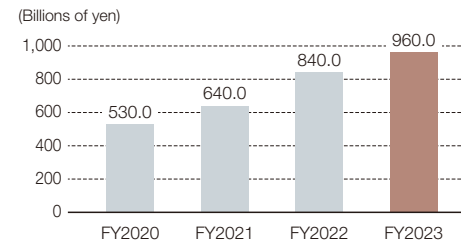
Target assets and screened activities

Target transactions	Screened activities and excluded sectors
Investment and financing transactions with companies	Companies involved with antisocial forces
	Companies that manufacture specific weapons (manufacturers of cluster munitions, biological and chemical weapons, landmines, nuclear weapons)
	Companies that produce palm oil
New investment and financing for businesses or companies	Coal-fired power generation-related projects
	Coal extraction projects
	Oil sands exploration projects
	Projects of oil and gas exploration in the Arctic National Wildlife Refuge
	Companies involved in serious misconduct

ESG-themed Investment and Financing

The three life insurance companies (Taiyo Life, Daido Life and T&D Financial Life) take ESG issues into account in making investment and financing decisions and focus their investments and loans on themes that contribute to creating a sustainable society. The cumulative amount of ESG-themed investment and financing made as of the end of FY2023 was 960 billion yen.

ESG-themed investment and financing



Main ESG-themed investment and financing projects

Investment area	Specific investment projects
E Environment	Green bonds We invest in green bonds issued by various issuers, including local governments and operating companies, with the goal of funding renewable energy generation projects and energy efficiency projects. In FY2023, we invested in green bonds issued by Subaru Corporation and Corporación Andina de Fomento (CAF).
	Transition bonds As part of our efforts to realize a decarbonized society, we engage in "transition finance," which provides financial support for business activities with high environmental loads to reduce the environmental footprint and decarbonize them entirely. In FY2023, we invested in Japan Climate Transition Bonds issued by the Japanese Government.
	Renewable energy-related finance We provide loans (project finance) for large-scale wind power generation projects and invest in funds that invest in solar power generation projects; both can contribute to global environmental protection and energy conservation. In FY2023, we invested in green project bonds for a solar power generation project (Komagane City, Nagano Prefecture).
S Society	Social bonds We invest in social bonds to solve global social issues and support regional revitalization. In FY2023, we invested in social bonds issued by Japan Expressway Holding and Debt Repayment Agency and Urban Renaissance Agency.
ESG combined	Sustainability bonds We invest in sustainability bonds to solve environmental issues and social issues. In FY2023, we invested in sustainability bonds issued by Tokai National Higher Education and Research System and Japan International Cooperation Agency.
	Sustainability linked products We provide operating companies with loans whose interest rate and other conditions varies according to the extent to which they achieve their CO ₂ emissions reduction goals, and we also invest in sustainability-linked bonds. In FY2023, we were involved in sustainability linked products for NEC Corporation and Mitsui Fudosan Co., Ltd.
	Impact funds We are also involved in "impact funds and loans," which seek not only to generate returns on investments, but also to create positive social impacts. In FY2023, we provided investment and financing for venture funds that invest in companies in the energy, transportation and society-related field, and impact loans specifically aimed at resolving issues in the human capital and diversity field.

Stewardship Activities 2-29

Initiatives for Conforming to Japan's Stewardship Code

Three of the Group's companies, Taiyo Life, Daido Life, and T&D Asset Management, endorsed and expressed their commitment to the Principles for Responsible Institutional Investors (Japan's Stewardship Code) in May 2014. Details regarding the policies of each company with respect to the principles, policy on exercising voting rights, status of exercising voting rights, and self-evaluations are published on the companies' respective websites (Japanese).

Taiyo Life Insurance Company	https://www.taiyo-seimei.co.jp/company/activity/ssc.html
Daido Life Insurance Company	https://www.daido-life.co.jp/sustainability/investor/ssc/
T&D Asset Management Co., Ltd.	https://www.tdasst.co.jp/company/principles/stewardshipcode/

* Since T&D Financial Life does not directly invest in listed stocks, the company does not express support for the Stewardship Code.

Ongoing Dialogue with Investees and Borrowers

Taiyo Life, Daido Life

Taiyo Life and Daido Life make efforts to share awareness with investment targets through constructive, purposeful dialogue based on issues concerning sustainability. Through such efforts, the companies seek to stimulate the improvement of corporate value and sustainable growth from the mid- to long-term perspective in investment targets such as domestically listed companies and corporate bond-issuing entities. Between July 2023 and June 2024, Taiyo Life and Daido Life engaged in dialogue with 180 companies and 142 companies, respectively.

Furthermore, in exercising voting rights, Taiyo Life and Daido Life emphasize dialogue with investment targets and endeavor, through proactive dialogue with those investment targets, to verify the management situation and share the awareness of issues, as well as to continuously conduct initiatives which contribute to the improvement of shareholder value.

Engagement results (summary)

Taiyo Life

Themes of engagement		Total number of engagement events
ESG issues (environment)	<ul style="list-style-type: none"> Status of net zero emissions goal and intermediate goal setting Status of development of a roadmap for the reduction of CO₂ emissions, etc. 	67
ESG issues (governance, ESG initiatives in general)	<ul style="list-style-type: none"> Approach to and policies regarding diversity and the appointment of female directors, etc. 	44
Issues related to the criteria for making judgments when exercising voting rights		42
Other themes (business strategies, financial status, etc.)		171
Total		324

Daido Life

Themes of engagement		Total number of engagement events
ESG issues (environment, social)	<ul style="list-style-type: none"> Improvement of the effectiveness of the carbon neutrality initiatives of companies with higher CO₂ emissions Publication of CO₂ emission reduction targets Publication of a roadmap toward carbon neutrality Disclosure of information about Scope 3 GHG emissions Formulation of a human rights policy and implementation of human rights due diligence 	42
ESG issues (governance)	<ul style="list-style-type: none"> Concerns regarding a possible decline in the ability of long-serving Audit & Supervisory Board members to fulfill their management oversight duties Disclosure of specific payment standards, etc. regarding the introduction of a retirement benefit system for directors and other officers Ensuring the diversity of directors 	31
Other themes (business strategies, financial status, etc.)	Continuous allocation of profits to investment in growth and dividends	107
Total		180

T&D Asset Management

T&D Asset Management uses individual and small meetings with companies as opportunities to hold constructive dialogues that promote sustainable growth from such perspectives as business strategy, capital efficiency, environmental and social issues, and governance. In the period between July 2023 and June 2024, meetings were held with 202 companies. Examples of these dialogues are presented below.

(1) Capital efficiency perspective: a food manufacturer

We discussed the measures the company is currently discussing and considering internally to resolve its price-book-value ratio (PBR) being below 1. The company said that it is considering the reduction of low-profitability assets, but that it is not its top priority. They said that their top priority is enhancing capital efficiency by enabling earnings to grow by utilizing the company's current management assets. They are considering the reorganization of their business portfolio to achieve the growth of earnings. Their dividend payout ratio is relatively low. They plan to present specific measures to enhance capital efficiency in the next medium-term management plan. We will continue to closely monitor the new medium-term management plan and their approach to enhancing capital efficiency.

(2) Governance perspective: a medical device manufacturer

We discussed how to ensure the diversity of the Board of Directors. The company's overseas sales are already overwhelmingly large and it aims to further expand its overseas business in the future. Considering this, we proposed that it would be preferable to consider the appointment of directors who are foreign nationals. Although the company currently has no foreign directors, it does have four executive officers who are foreign nationals. They mentioned the possibility of appointing foreign executive officers as directors. We will keep track of the diversity of the Board of Directors, including the addition of foreign directors.

Stewardship Activities

(3) Environmental and social issues perspective: a logistics information service company

We discussed the setting of CO₂ reduction targets. For the past three years, the company has disclosed its CO₂ emissions and its emissions reductions on its website. However, it is difficult to set reduction targets, particularly for Scope 2 and 3 emissions, because of the nature of its business, which involves many spot contracts. Nevertheless, the company is working to reduce its environmental impact by decreasing the number of trucks used and collecting and reusing pallets. They said that they can set CO₂ emission reduction targets based on the projected decrease in the number of trucks used and that they would consider disclosing their CO₂ emission reduction targets by reducing truck usage. We believe that setting and disclosure of targets for the reduction of environmental impact will facilitate investors and other external parties' evaluations of the company and will enhance the effectiveness of its initiatives. We look forward to the company expanding its disclosure of information.

Exercising Voting Rights

Taiyo Life, Daido Life

Policy on the exercise of voting rights

Taiyo Life and Daido Life strive to make voting decisions based not only on formal determination criteria such as financial information, but also on non-financial information such as ESG. They also promote the sustainable growth of investment targets by practicing regular constructive purposeful dialogue (engagement).

Based on this fundamental approach, they exercise their voting rights rigorously, in accordance with criteria (revised continuously in accordance with the economic environment and social conditions) established to ensure that voting rights are exercised properly. In order to strengthen our governance and conflict of interest management structures relating to stewardship activities as a whole, including the exercise of voting rights, we created a committee on exercising voting rights, which includes outside members.

Status of the exercise of voting rights

Taiyo Life and Daido Life exercised their voting rights on proposals at Shareholders' Meetings held between July 2023 and June 2024. Such exercise was conducted after holding dialogues with investment targets as necessary, in accordance with the criteria for determining the exercise of voting rights.

Our votes at the shareholders' meetings of companies listed in Japan that were held between July 2023 and June 2024 are shown in the top right. We reject proposals if problems are not resolved despite having engaged in constructive dialogue or if there is a high risk of shareholder value being harmed.

Type	Taiyo Life					Daido Life				
	Approve	Reject	Abstain	Carte blanche	Total agenda items	Approve	Reject	Abstain	Carte blanche	Total agenda items
Company proposals	144	1	1	0	146	232	4	0	0	236
Shareholder proposals	0	11	0	0	11	1	25	0	0	26
Total	144	12	1	0	157	233	29	0	0	262

T&D Asset Management

Policy on the exercise of voting rights

T&D Asset Management has established the Stewardship Activity Committee to deliberate and make decisions on matters related to the exercising of voting rights. The Stewardship Activity Committee deliberates and makes decisions on matters related to the exercising of voting rights, including the company's Guidelines for Exercising Voting Rights. The Guidelines for Exercising Voting Rights are designed to go beyond simply providing guidance for formal assessments; instead, they are intended to contribute to the sustainable growth of investee companies. Proposals for instructions regarding the exercising of voting rights are drafted based on the Guidelines for Exercising Voting Rights; taking feedback from the Stewardship Activity Committee into consideration, the Committee chairman then makes a final decision on these proposals.

Status of the exercise of voting rights

The results of voting rights of shares listed on domestic markets exercised at Shareholders' Meetings held by these companies between July 2023 and June 2024 are as follows.

Type	Approve	Reject	Abstain	Carte blanche	Total agenda items
Company proposals	7,056	724	0	0	7,780
Shareholder proposals	13	117	0	0	130
Total	7,069	841	0	0	7,910

Self-Evaluation

Between July 2023 and June 2024, Taiyo Life, Daido Life and T&D Asset Management carried out a self-evaluation of the status of implementation of each of the Principles in the Stewardship Code. It determined that activities were steadily being carried out in accordance with its basic policy for each Principle.

Efforts to Contribute to the Mitigation of Climate Change

CO₂ Emission Reduction Targets for Investees and Borrowers

As a responsible institutional investor, the T&D Insurance Group has set emission reduction targets for CO₂ emissions from its own investees and borrowers (Scope 3, Category 15) as shown on the right.

The 2030 interim target was a 40% reduction of CO₂ emissions. However, in May 2024, the Group announced this was increased to a 50% reduction to better align with the pace of the reductions achieved to date and our commitment to contributing to the realization of a carbon neutral society.

T&D Insurance Group CO₂ emissions reduction target

FY2030	50% reduction (compared to FY2020)
FY2050	Net zero

* Covers stocks, bonds, and loans held by Taiyo Life and Daido Life that were issued by listed companies in Japan
Reduction targets are set on a per-unit basis (CO₂ emissions per unit of investment)

Efforts to Achieve Targets

Taiyo Life and Daido Life engage continuously with investees and borrowers on the theme of climate change to reduce CO₂ emissions and achieve net zero, and provide financial support to investees and borrowers who are tackling the climate change issue through initiatives for financing projects that use the funds for investments in decarbonization.

Dialogue with investees and borrowers

We are requesting that our investees and borrowers with the highest CO₂ emissions improve their information disclosure, including publishing emission reduction targets and roadmaps for achieving the targets. In addition, we provide long-term support and encouragement to investees and borrowers by exchanging opinions on reduction efforts and progress, and by sharing awareness.

Financial contributions through ESG-themed investment and financing

As an institutional investor who manages long-term funds, the Group believes that it is possible to provide stable funding to investees and borrowers who promote long-term solutions to climate change and other issues. We support companies tackling climate change issues from a financial standpoint by actively investing in green bonds, transition finance, and similar instruments that use the funds for investments aimed at decarbonization.

Although investment in and financing of companies with high CO₂ emissions may temporarily cause an increase in CO₂ emissions from the investees and borrowers, in the long term, we believe that we can promote corporate efforts toward decarbonization and contribute to the achievement of the net zero target of society as a whole. We will continue to engage in ESG-themed investments and loans while taking into account the effects and effectiveness of our investments.

Daido Life

Daido Life was honored with the Excellence Award at the FY2023 Osaka Climate Change Action Awards presented by the Osaka Prefectural Government to businesses that have made exemplary efforts to mitigate climate change. The prefectural government recognized Daido Life's contribution to the reduction of society's CO₂ emissions through its ESG investments.

CO₂ Emission Reduction Status of Investees and Borrowers

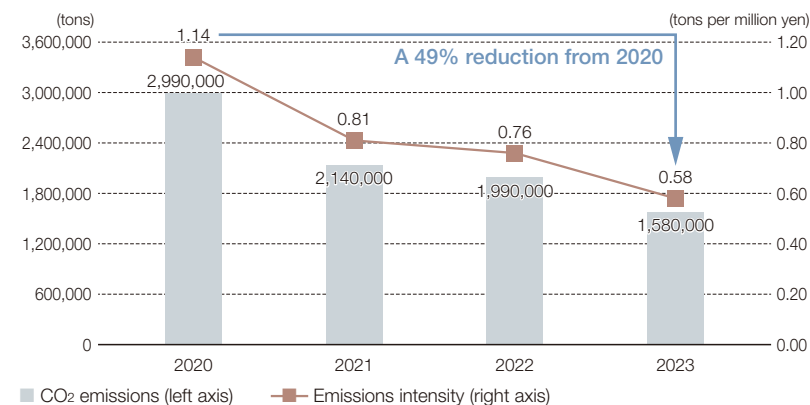
The table below shows the CO₂ emissions of Taiyo Life and Daido Life's investment and loan portfolios as of the end of FY2023.

CO₂ emissions (emission intensity) of the companies' portfolios of stocks and bonds and loans to domestic listed companies, which can be compared to the interim target toward the achievement of net zero emissions, were 0.58 tons per million yen, a 49% reduction compared to the FY2020 level. We will continue working steadily to achieve the interim target, including by engaging with the companies that we invest in or lend to. We have begun measuring CO₂ emissions associated with government bonds issued by Japanese and foreign governments. The CO₂ emissions of the government bond portfolio of Taiyo Life and Daido Life as of the end of FY2023 were 6.53 million tons.

Targeted assets	Holdings	CO ₂ emissions	Energy intensity (tons per million yen)
Stocks and bonds of and loans to companies listed in Japan*	¥2,742.8 billion	1,580,000 tons	0.58
Government bonds issued by Japanese and foreign governments	¥4,905.6 billion	6,530,000 tons	1.33
Total	¥7,648.5 billion	8,120,000 tons	1.06

* Emissions in each country are production-based emissions (excluding emissions related to land use, land use change, and forestry).

Trends in CO₂ emissions associated with stocks, bonds, and loans



Efforts to Contribute to the Mitigation of Climate Change

■ Status of T&D Asset Management

We have begun to measure the CO₂ emissions attributable to the assets managed by T&D Asset Management. We measured emissions associated with the stocks and bonds of domestic listed companies and government bonds issued by Japanese and foreign governments held by T&D Asset Management as of the end of FY2023. Through dialogue and other initiatives, T&D Asset Management will assist the organizations it invests in their reduction of CO₂ emissions, aiming to help establish a decarbonized society.

Targeted assets	Holdings	CO ₂ emissions	Energy intensity (tons per million yen)
Stocks and bonds of and loans to companies listed in Japan*	¥171.2 billion	70,000 tons	0.45
Government bonds issued by Japanese and foreign governments	¥208.8 billion	250,000 tons	1.23
Total	¥379.9 billion	330,000 tons	0.88

* Emissions in each country are production-based emissions (excluding emissions related to land use, land use change, and forestry).

Participation in Initiatives

Signing of the Principles for Responsible Investment (PRI)

Taiyo Life, Daido Life, and T&D Asset Management have signed the Principles for Responsible Investment (PRI)*, which is supported by the United Nations.

Signatory of:



Taiyo Life

In order to further fulfill its social responsibility as an institutional investor, Taiyo Life determined that it was essential to exert its influence for the betterment of society and the global environment through investment and lending activities to a greater extent, and to contribute to the realization of a sustainable society. In line with this thinking, in March 2007, Taiyo Life became the first Japanese life insurance company to sign the PRI. Based on these principles, Taiyo Life gives due consideration to environmental, social and governance (ESG) issues, and promotes asset management to achieve a sustainable society.


Daido Life

Daido Life supports the objectives of the PRI and became a signatory institution to them in November 2016. Based on these objectives, Daido Life is contributing to the formation of a sustainable society through promoting investing and financing that considers ESG issues. Specifically, we are promoting investment and financing that aims to supply funds to companies and businesses that contribute to solving climate change and the development of social infrastructure. We are also carrying out initiatives regarding asset management that incorporate ESG factors such as company analyses of investment and lending processes.

T&D Asset Management

T&D Asset Management, to fulfill its responsibilities of being entrusted as an institutional investor that manages investments, endorses the concept of the PRI, and signed them in March 2012. In accordance with these principles, the company promotes sustainable growth of companies it invests in by fully understanding the situation of the companies, including environmental, social, and corporate governance (ESG) issues, during the investment process. Also the company conducts constructive dialogue (engagement) and exercises voting rights to promote the sustainable growth of these companies. In these ways, the company aims to increase the medium- and long-term investment returns on the assets entrusted to it by customers.

The status of each Group company's PRI initiatives is reported in the PRI Transparency Report. Enter the name of the company of interest into the search box at the following link:

 <https://www.unpri.org/searchresults?qkeyword=&PageSize=10&metrics=>

* The Principles for Responsible Investment (PRI) are a code of conduct for the global financial industry that was proclaimed by Kofi Annan, the secretary-general of the United Nations in 2006. A commitment to these principles has been signed by over 5,200 financial institutions worldwide, and by 130 in Japan (as of July 2024).

Participation in Initiatives

Principles for Responsible Investment (PRI) Initiatives

The efforts of Taiyo Life and Daido Life to promote asset management that takes ESG issues into consideration are organized around the individual PRI principles as follows.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

We reflect the PRI approach in our stance on asset management

Taking ESG issues into account is one of Taiyo Life and Daido Life's stances on asset management, as is clearly stated in our rules for asset management.

In making investment decisions, ESG factors are incorporated into the analysis and decision-making process of all assets under management, taking into account the characteristics of each asset under management.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Exercise of voting rights based on the PRI approach

We have established standards for exercising voting rights based on the PRI approach. In addition to our fiduciary responsibility to our customers, shareholders, and other stakeholders, we take ESG perspectives into consideration while appropriately exercising voting rights for all shares we hold, and disclose the status of voting rights on our website.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Adequate disclosure of ESG issues

We strive to practice regular constructive purposeful dialogue (engagement) with our investment targets. Through dialog with investee companies, we request the disclosure of financial information, such as corporate performance, as well as non-financial information, such as ESG issues.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Explanation and dissemination of PRI to external business partners

We are promoting the dissemination of responsible investment principles by explaining the status of PRI activities to corporate pension plan and other contract partners and encouraging external management contractors to incorporate ESG elements in their asset management.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Information exchange and collaboration with PRI signatory institutions

We regularly participate in meetings with PRI signatory institutions and related entities and actively exchange opinions with other PRI signatory institutions. We also participate in various initiatives in Japan and overseas, and strive to improve the level of our efforts and the effectiveness of our activities through collaborative engagement.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Appropriate reporting on the status of our PRI activities

We internally and externally disclose details regarding our PRI initiatives on our website, in our disclosure materials, and elsewhere. In terms of the PRI framework, we also report on the status of our PRI activities for the fiscal year to the PRI Secretariat. In addition, we conduct e-learning and other activities for those in charge of asset management so that everyone involved in asset management can deeply understand the concept of PRI.

Publication of Responsible Investment Report

Taiyo Life and Daido Life publish the Responsible Investment Report to give stakeholders a deeper understanding of their stance and efforts toward responsible investment.

The Responsible Investment Report summarizes our basic stance on responsible investment initiatives through our ESG investment and financing activities and stewardship activities, and presents the details of our activities to date.

The Taiyo Life, Daido Life, and T&D Holdings' Responsible Investment Reports are available on the websites of these companies. (Japanese).

Taiyo Life

https://www.taiyo-seimei.co.jp/company/activity/download/ssc/responsible_investment_report_2024.pdf

Daido Life

<https://www.daido-life.co.jp/sustainability/pdf/ri-report2024.pdf>

T&D Holdings

https://www.td-holdings.co.jp/csr/effort/pdf/responsible_investment_report.pdf

Group Employee Dialogue

The role played by ESG investment to achieve sustainable growth from a medium- to long-term perspective



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The T&D Insurance Group proactively makes ESG investments that help solve social issues. We asked the personnel making their mark in this area at each Group company and the nature of their jobs, specific initiatives they implement, how ESG investment contributes to enhanced corporate value, and their vision for the future.

Please tell us about your work responsibilities.

Maeda I work in the Fixed Income Department of Daido Life, and I handle investment in corporate bonds on the front lines of asset management. My main responsibilities are the analysis of investee companies and outsourced investment institutions, portfolio management and the preparation of market outlooks for corporate bonds. In relation to ESG, I work on ESG integration, theme-specific investments and engagement with bond-issuing companies. The moments when I feel fulfillment from my job is when careful preparations from day-to-day activities, the analysis of investment stocks and communication with business partners and team members leads to the acquisition of a promising investment opportunity.

Ikeda I work as an ESG analyst in the Responsible Investment Office under the Equity Investment Department at T&D Asset Management. I originally worked as a financial analyst at an asset management company, but when my daughter was born, as a parent started to think about doing a job that would allow me to help make the future environment and society better, and I joined T&D Asset Management out of a desire to work on ESG investment. I have three main responsibilities, first of all is the analyst work uncovering and analyzing the investee companies of ESG funds, and engaging with those companies. Second is stewardship-related work such as proxy voting and dealing with PRI reporting. The third is work to promote the overall ESG integration of T&D Asset Management. Our ESG funds select companies that are able to balance contributing to solving environmental and social issues with profit growth, and invest in those companies in the medium- to

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long-term. When I interview these companies, in the first half I ask detailed questions about their business model and operating outlook, and in the second half I ask about the environment, society and governance, and the points raised as non-financial issues sometimes turn out to be underlying factors behind financial issues. I experience a sense of job fulfillment when I can share information about issues these companies have not realized during dialogue with them.

Higashitani I work in the Financial Loan Department of Taiyo Life. In addition to handling corporate loans, my responsibilities include structured finance, such as investing in and financing mortgage-backed securities, domestic project financing and LBO loans. In 2022, as a part of ESG investment and financing, I experienced a sense of job fulfillment when we managed to invest in a solar power generation project utilizing a new corporate PPA*¹ scheme. The scheme applies to low voltage solar power plants, and it was the first domestic project involving green project bonds utilizing the scheme. There were some challenging aspects because it had a different risk profile to previous projects, but it was a project that provides a foothold to solving issues from the perspective of corporate decarbonization management, and I think it was a really promising financing opportunity.

*¹ An agreement under which a company or local government purchases renewable energy-derived electricity from a retail electricity provider over the long term

You are all responsible for a wide range of ESG-related work. Can you tell us about any investment projects or examples of dialogue that have left an impression on you?

Maeda The most memorable project for me was an investment in an impact bond fund two years ago. I felt there was something significant about impact investments that allow the pursuit



of both social returns and economic returns, and had been looking into it. In the course of doing so I connected with an investment manager with exceptional

management skills regarding impact investment, which was established by initiative of the United Nations, and we got the opportunity to invest in a fund. During discussions with employees of this investment manager, I got a strong sense that each of them were highly passionate and were working with a sense of mission, and this deeply impressed me. Ultimately, the fund was selected for an Award of Excellence as part of the Sustainable Finance Awards organized by the Research Institute for Environmental Finance, and I felt that in some small way, we had been able to contribute to the development of impact investment in the Japanese corporate bond market.

Ikeda Through dialogue with a certain consulting firm, I pointed out an issue where despite steady profit growth, the company's share price was not keeping pace. Due to the nature of its business, this company required almost no capital investment, but despite that its dividend payout ratio was low. I therefore shared my insight about this problem with the company, and as a result of emphasizing the need to solve the issue, the company gained a similar awareness of it. Through these efforts, the company brought on an outside director with detailed financial knowledge, and strengthened shareholder return measures such as raising the dividend payout ratio and conducting share buybacks. After we included this company in its portfolio, its share price rose by around 45% at its peak, and I believe our dialogue with them played some part in this. Being able to contribute to the company's share price and improved corporate value by sharing information on the issues it faced was something that was particularly memorable for me. Several years ago, an ESG interview would be attended by personnel from the CSR department, not top management, but recently, directors and executive officers have handled these meetings, and more IR personnel have started to give detailed responses to questions about ESG initiatives. I feel that awareness on the corporate side has increased these past few years.

Higashitani In 2020, Taiyo Life implemented "donation-linked green loans" for a securities firm. This project involved loans based on the lending company's green framework, where the loaned funds were allocated to endeavors such as a renewable energy generation project, and included donations made to medical relief activities in Myanmar. For Taiyo Life, which has also entered the life insurance

business in Myanmar, this was an initiative that reflected our company's unique characteristics, and it was particularly memorable for me.

It seems that social expectations regarding ESG will continue to increase in the future. In what areas of your business activities were strengthened in fiscal 2023?

Higashitani For Taiyo Life, we conducted monitoring to ensure that funds were being used appropriately after granting loans, and strengthened efforts to encourage disclosures through engagement as needed. In the structured



finance team I manage, we have stepped up our monitoring systems for the financing of existing projects, particularly renewable energy generation projects, and the whole team has been working hard on a range of tasks including making additional visits to sites, conducting interviews with project operators and verifying equipment and facilities. By conducting additional investigations even after loans have been executed, I feel we are fulfilling our role as a financial institution to contribute to local economies and advance a decarbonized society. In addition, recently various issues have come to the forefront such as damage to facilities from landslides and other natural disasters, forest development that goes beyond the scope of government approval, and the illegal dumping of unneeded equipment, and I think these activities are also effective as an opportunity to reassess these risks.

Ikeda In fiscal year 2023, we stepped up our efforts in two key areas. First, we strengthened engagement regarding the "S" part of ESG. Starting with securities reports issued for the fiscal year ended March 31, 2023, a partial mandate was introduced requiring disclosures of sustainability information, particularly disclosures concerning human capital. In response to this, we strengthened our efforts to confirm information about the measures companies were taking to deal with employee turnover, trends in average overtime hours, and the results and targets for employee engagement surveys. We

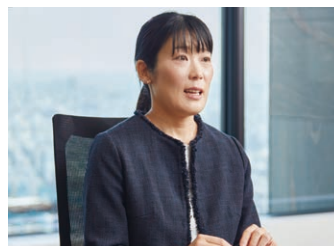
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also started verifying with companies about the implementation scope of supplier surveys, and the support and action taken in response to survey results. For example, when there is information that a supervisory authority has advised a company that it is requiring their business partners to perform additional tasks not stipulated in their contracts, we verify that the company involved is aware of those risks and confirm how they plan to address them. Secondly, we have improved our overall management of engagement. After identifying the issues for each company and the goals to be pursued on the side of us, we prepare an engagement sheet. We use this to manage proposals from us and progress on the response from the company, and by sharing this internally, we have worked to improve the effectiveness of our engagement activities.

Maeda While there are some similarities with what Ms. Ikeda mentioned, starting in the previous fiscal year our department expanded the scope of ESG scoring to cover all domestic corporate bond investments. ESG scoring involves assessing multiple monitoring metrics related to E, S and G to score each company. Previously, ESG assessments were conducted by each assigned analyst and included qualitative aspects, leading to ambiguity in the criteria. By making it possible to conduct qualitative and uniform assessments that do not incorporate the subjectivity of the assessor, the assessments have become more meaningful, and can now be effectively utilized in our engagement activities. However, ESG issues can vary by company and sector, and simply looking at the numbers is not enough. That is why it is important to properly communicate and engage in productive dialogue. With that in mind, my team holds regular workshops to ensure that we continue to improve our knowledge.

There has been a growing trend toward measuring and disclosing positive impacts. How do you tackle this in your own capacities?

Ikeda To companies that are contributing to CO₂ emission reductions through their technological capabilities or services, we submit proposals encouraging them to estimate the impact they have to the extent possible and disclose the results. Many companies place an



emphasis on helping to reduce emissions across society as a whole by supplying low-emission products and services, which are known as Scope 4 emissions, and our ESG fund assesses business models from the perspective of contributions to the environment and society. We have also strengthened our monitoring of portfolios through ESG data, and in the near future I think it will be necessary to quantitatively calculate non-financial impact and reflect that in estimated share prices. We believe that it is important to measure the positive impacts on society, and together with Taiyo Life and Daido Life we are part of an “Impact Consortium” and proactively gather information, including research into cutting-edge activities overseas.

Maeda Daido Life measures the impact created through investment on a joint basis with the Investment Planning Department. Currently not a great deal of progress has been made with companies disclosing impact metrics. Additionally, collating information about the impact of each company involves a lot of manual work, and the need for human resources is an industry-wide issue. As many groups offer a range of measurement tools, we make use of them in our research and encourage companies to pursue disclosure. The T&D Insurance Group’s policy is working to advance impact measurement in the areas of healthcare and nursing care in addition to CO₂ emissions, and we are also trying to update knowledge in those fields.

Higashitani Taiyo Life also has a basic policy of confirming the impact reports of investees, and we actively encourage companies with inadequate disclosures to do more. One area where we run into difficulty is although there are clear and common metrics for decarbonization projects, such as by how many tons of CO₂ emissions have been reduced, and the disclosure of impact measures has become a standard practice, positive impact in the social sphere is

so wide-ranging that it is difficult to identify in a way that makes it comparable with other efforts. Take vaccine bonds for example. While you can produce a clear social impact in terms of how many people got vaccines using the funds we invested, when funds are utilized based on a social framework, it is relatively hard to ascertain in specifically which projects the funds have been used, and as a result, there are cases where clearly identifying social impact is a challenging prospect. Hopefully, more quantitative tools will be developed in the future. I think that the companies creating frameworks and lenders both need to be innovative in terms of impact measurement and reporting methods.

Maeda On the point that Mr. Higashitani brought up, I also feel there are improvements to be made on the investor side. For example, in cases where funds are provided to financial institutions in emerging nations, the companies in question may lack the resources to calculate impact, and indiscriminately demand disclosure will not be effective. I think it is important for us to consider appropriate standards so that we can assess impact within our own framework.



T&D Holdings has set the target of achieving net zero CO₂ emissions across its investment and financing portfolio by 2050. How are you working towards this goal in your own capacities?

Maeda When it comes to reaching the net-zero level, a shift toward decarbonization needs to be made, including technological innovations and a restructuring of the value chain in each industry. As investors ourselves, we also need to develop a proper understanding of exactly what constitutes a business that truly contributes to this by ascertaining the opportunities and risks in each industry, and determining the appropriateness of the roadmap to decarbonization presented by each company. This is not an easy task, but we

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will tackle it by continually updating our information through communication with companies and related industry parties, understanding of Science Based Targets (SBT),^{*2} and other efforts.

^{*2} Science-based targets set for the next 5-10 years that provide companies with targets for reducing greenhouse gas emissions in line with the Paris Agreement goals.

Ikeda We have seen considerable progress with companies disclosing environmental data and setting targets, and more companies are obtaining SBT certification and setting targets that have a scientific basis. The T&D Insurance Group has also set both a 2050 target and a 2030 interim target, but there isn't much time left to achieve them. In engagement with companies, we communicate that it is important to seek effectiveness in line with targets such as SBT. In practice, that means confirming progress towards goal achievement based on actual data a company has disclosed, and confirming that top management is committed to those targets, that the progress is being monitored by their board of directors, as well as determining to what extent ESG has been incorporated into the performance-linked competition criteria for directors. On another front, Japan has the largest number of companies in the world that have announced support for the TNFD, and since many companies have a high level of awareness, I expect that the information disclosed by companies will increase within the next few years. In aiming for net zero emissions by 2050, we need to practice engagement that takes elaborate ESG analysis, including natural capital, into account, and internally we will be strengthening our efforts in this regard.

Higashitani We work on confirming the decarbonization roadmaps of the companies we invest in and engage with them both before and after we make investment and financing decisions. Additionally, in communication and exchanges with companies, we help those companies that are searching for ways to reduce CO₂ emissions by sharing examples of initiatives underway in other industries and providing information about the status of green bonds and similar opportunities. Everyone on the team is aware that a life insurance company that is able to provide long-term financing is in a position that is highly compatible with efforts to address corporate ESG issues, and we make an effort to provide useful information. Of



industries have many companies incurring a significant burden with capital investment aimed at decarbonization, when making investment and financing decisions we must take the status of those companies into account.

Finally, please tell us about the areas the T&D Insurance Group should focus on for the development of ESG investment, and the issues we face.

Ikeda I think some of the material issues we will need to deal with in the future include the declining population and geopolitical risks. Resolving these uncertainties about the future aligns with the activities of the Group, such as the provision of life insurance. When I was a student, I did a homestay at a dairy farm in the United States, and the high school-aged child of the host family would take the family tractor to mow the schoolyard lawn. They apparently did this whenever they had free time, but what left me with a strong impression was the culture, where it was considered natural for the local community to play a part in maintaining the educational environment. On the other hand last year, when I joined the PTA for my daughter's elementary school, many of the parents said they were unable to take part due to work commitments. This is just one example, but my point is that there are still things that companies can do. I believe financial institutions such as investors like ourselves need to play a leading role in making the world a better place, and I hope we can create

course, although we promote sustainable investment and financing, we are also aware that neglecting our traditional credit rating responsibilities could be counterproductive. Ensuring a return is also important, and since some

investment products to shape a society focused on children and develop mechanisms encouraging the resolution or avoidance of war and conflict.

Higashitani In the renewable energy field, I think the number of projects being formed has trended downward over the past few years due to the impact of changes to various schemes and regulations. However, new systems such as corporate PPA and long-term decarbonized power auctions^{*3} have been emerging at a rapid pace, and I expect that new financing projects, such as offshore wind project financing, will also emerge. I hope we can actively work on new products while developing systems to adapt to increasingly sophisticated projects. Within that context, I think the issues we particularly need to address lie in the social sector, as Ms. Ikeda mentioned, and I hope we increase our investment and financing track record in this area. The initiatives Taiyo Life has pursued to date, such as dementia insurance, the provision of disease prevention services and the construction of nursing homes utilizing owned real estate are closely linked to issues faced in the social sector, and I want to explore investment and financing opportunities that will help realize an era of 100-year lifespans in the future. In terms of the role I will play, I will keep an eye out for new financing opportunities without being constrained by fixed ideas, and will be fully committed to working on the tasks in front of me.

^{*3} A system encouraging the transition to non-fossil fuel-derived power sources with the aim of achieving carbon neutrality by 2050

Maeda In terms of the areas we need to focus on, I think it is important to consider the decarbonization field from a long-term perspective and consistently work towards it regardless of the coming and going of trends. Many of the industries and companies we invest in are still in the research and development stages of efforts aimed at net zero emissions, and their capital investment financing needs have yet to enter full stride, but as those technologies are increasingly demonstrated, a large amount of capital investment funding will be required. As a provider of long-term financing, we need to conduct forward-looking analyses and maintain communication with companies, and Daido Life also needs to put systems in place to support those efforts.

