

## Corporate Governance 2-9

### Basic Concept of Corporate Governance

The basic concept of corporate governance at the T&D Insurance Group is to pursue an efficient and transparent business management structure capable of implementing flexible and united Group management. Based on this concept, T&D Holdings determines the Group's business strategies, adequately allocates Group management resources, and sets capital policies. In addition, T&D Holdings properly identifies the business risks of its seven direct subsidiaries centered on the three life insurance companies, together with T&D United Capital, T&D Asset Management, Pet & Family Insurance, and All Right, to create a system for supervising Group management by thoroughly managing revenues and risks for the entire Group. Meanwhile, the subsidiaries, which have their own business strategies, develop marketing strategies leveraging their strengths and conduct business operations to fully demonstrate their autonomy and expertise, thereby increasing the Group's corporate value. In this way, the Group is committed to management that clarifies the respective roles and responsibilities of T&D Holdings and its direct subsidiaries.

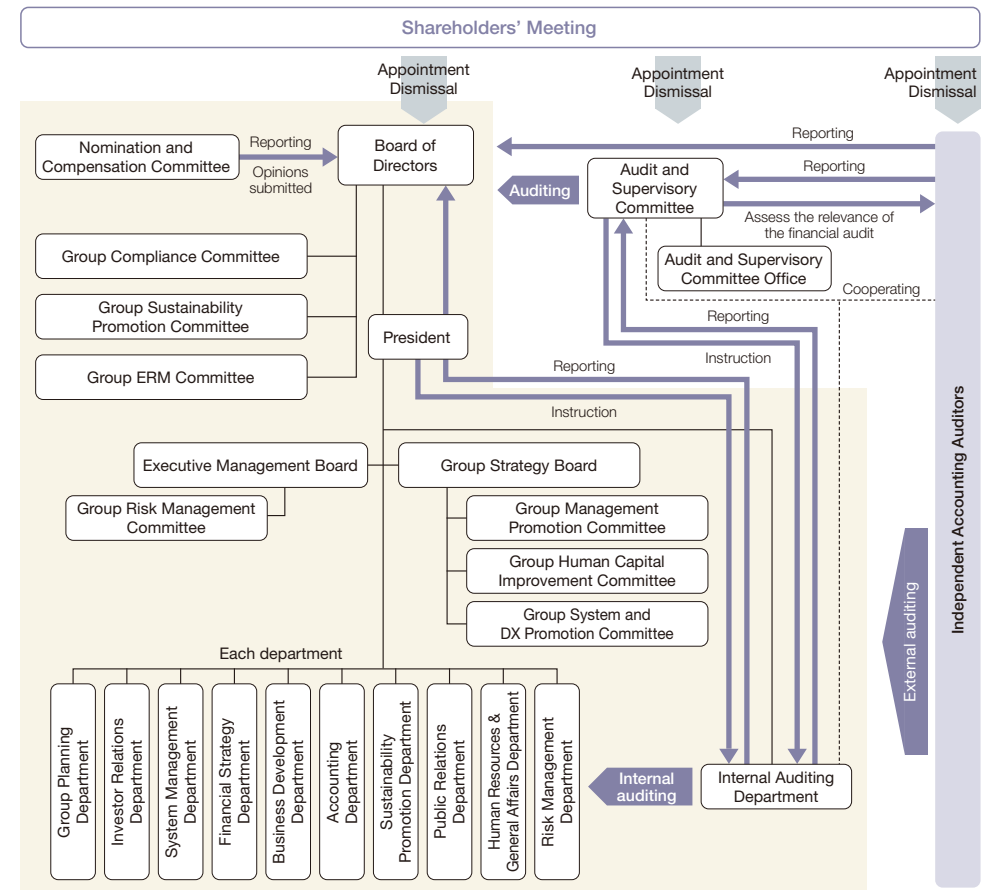
For details about corporate governance, please see the Report Regarding Corporate Governance that T&D Holdings submitted to the Tokyo Stock Exchange.

<https://www.td-holdings.co.jp/en/company/governance/>

### Outline of Corporate Governance Framework

T&D Holdings makes decisions on important business matters and oversees the execution of business through its Board of Directors. The Company has adopted a "company with an Audit and Supervisory Committee" system, and the Company audits and oversees the performance of directors' duties through its Audit and Supervisory Committee, which is independent of the Board of Directors. In addition, an executive officer system has been instituted to further strengthen business execution, and by clarifying oversight and execution responsibilities, the governance function of the Board of Directors is reinforced. Furthermore, T&D Holdings has established the Nomination and Compensation Committee as an advisory body to the Board of Directors. The Committee deliberates on the fairness and appropriateness of the appointment, dismissal, succession planning, and compensation of directors and executive officers, thereby strengthening the corporate governance framework of T&D Holdings and the Group by ensuring the transparency of management and enhancing accountability. In addition, the Executive Management Board has been established to deliberate and resolve important matters related to the management of T&D Holdings and the management control of the Group. In parallel, the Group Strategy Board has been established to deliberate matters related to the Group's growth strategy and other relevant and important matters from the perspective of the Group as a whole, in order to achieve a sustainable improvement in the Group's corporate value.

### Corporate Governance Framework (April 2024)



### Corporate Governance Framework

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#### Shareholders' Meeting

The Shareholders' Meeting is the highest decision-making entity of T&D Holdings. At the meeting, reports are made on the Group's business and consolidated/non-consolidated financial statements for the fiscal year. Resolutions are also made on important issues, which are stipulated in laws and ordinances and the Articles of Incorporation, such as the appropriation of retained earnings and election of directors. The Ordinary Shareholders' Meeting is held in June once in every year.

Corporate Governance

Board of Directors 2-11

Roles and responsibilities

The Board of Directors of T&D Holdings makes decisions on important business matters and oversees the execution of business in accordance with laws and ordinances, the Articles of Incorporation, and the Company’s relevant rules. In addition, as a company with an Audit and Supervisory Committee, some important business execution decisions are delegated from the Board of Directors to the directors by resolution of the Board of Directors pursuant to the provisions of the Articles of Incorporation. By doing so, the Company aims to separate management and oversight from business execution in order to further strengthen the management function (deciding on management policies and overall strategy) and oversight function of the Board of Directors and promote greater agility and efficiency in business execution. The Board of Directors met 17 times in fiscal year 2023.

Composition 405-1

The number of directors (excluding directors serving as Audit and Supervisory Committee members) shall be no more than 9, and the number of directors serving as Audit and Supervisory Committee members shall be no more than 5, as stipulated by the Articles of Incorporation. The Board of Directors is made up of individuals representing a balance of knowledge, experience, and skills. They have diverse backgrounds as befitting the expansive range of business domains in the life insurance business, which is the core business of the T&D Insurance Group. In addition, T&D Holdings appointed two or more directors (excluding directors serving as Audit and Supervisory Committee members) who concurrently serve at T&D Holdings and its direct subsidiaries. This was done from the standpoint of facilitating adequate communication and prompt decision-making within the Group, along with bolstering Group-wide governance.

Furthermore, the Company appointed six outside directors with extensive experience and knowledge in their capacity as outside corporate managers, legal experts, accounting professionals, and so forth. The opinions of outside directors are properly reflected in the Group’s management policies and development of internal controls and other systems, as well as in the oversight of business execution.

Chairperson of the Board of Directors	President
Directors	14*
Men	12
Women	2
Outside directors	6 (including one woman)
Activities of outside directors (fiscal 2023)	For its outside directors, the Company appoints attorneys who are familiar with corporate legal affairs, corporate managers with experience, such as partners in foreign-owned consulting firms, and individuals with experience in corporate management, such as through service as a certified public accountant or representative of a financial holding company. These directors express their opinions as necessary at the Board of Directors meetings, while drawing on their expertise and wealth of knowledge and experience. Additionally, as the chairperson or members of the Nomination and Compensation Committee, which is an advisory body to the Board of Directors, they deliberate on matters that include the selection, appointment, dismissal (including successor planning), and compensation of executives of T&D Holdings and its direct subsidiaries and then report their opinions to the Board of Directors. Activities also include regular exchanges of views with the representative directors, the accounting auditors, the department heads, and the representative director and president of major subsidiaries.

\* The number of directors is as of July 31, 2024.

Effectiveness evaluation

The Company conducts an overall evaluation of the Board of Directors once a year based on the self-evaluations of directors. In order to secure the Board’s effectiveness (including the voluntary Nomination and Compensation Committee), the Company evaluates if the Board is functioning properly to achieve results and how the Board is contributing to the improvement of corporate value in the medium- to long-term.

Summary of evaluation of effectiveness of the Board of Directors as a whole in fiscal 2023

Scope	For fiscal 2023, we conducted a survey and interviews among the directors to analyze and evaluate the effectiveness of the entire Board of Directors, including the voluntary Nomination and Compensation Committee. In addition, as a new initiative, a self-evaluation survey was conducted by each individual director.
Evaluation method	In the survey, we verified the effectiveness of the Board of Directors through multiple-choice answers and written opinions on evaluation items related to the composition, operation, discussion, and oversight functions of the Board of Directors. The interviews confirmed the basis for the judgments of the evaluations given in the questionnaire and the issues of the Board of Directors.
Overview of evaluation results	As a result of the analysis and evaluation, the following matters and other matters were confirmed, and the Company has determined that the Board of Directors has generally fulfilled the expected roles and is functioning effectively. <ul style="list-style-type: none"><li>• The number of directors and the ratio of outside directors on the Board of Directors are generally appropriate.</li><li>• From the perspective of Group management, there has been further progress in discussions on business portfolios and other matters considering cost of capital, such as ROE.</li><li>• There has been progress in terms of the governance and oversight of subsidiaries.</li><li>• The quality of discussions of the Board of Directors has improved, including more time being devoted to important agenda items.</li><li>• Progress is being made on sharing the details of dialogue with investors internally, reflecting them in policies, and responding to issues.</li></ul>
Status of responses to previous issues	We recognize that steady improvements have been made addressing the issues identified in the fiscal 2022 evaluation: ensuring the diversity of the Board of Directors based on the management strategy, management focused on ROE with an awareness of the cost of capital and return on capital, and advancing Group human resources initiatives to help improve human capital.
Newly recognized issues	We also realized the need to step up actions regarding the issues to be handled by the Board of Directors for its continued advancement, specifically the implementation of Group human resources initiatives that aid the improvement of human capital (such as the effective assignment of human capital) and ensuring the diversity of the Board of Directors in connection with the management strategy (such as the expansion of the skills matrix) as well as actions for the integrated management of the entire Group and the generation of synergy. In addition, we will use the results of the new individual director self-evaluations to further improve officer training and for other purposes.
Initiatives in response to current issues	We will continue to work toward further enhancing the effectiveness of the Board of Directors by addressing the issues identified in this effectiveness evaluation.

Audit and Supervisory Committee 2-11

Roles and responsibilities

The Audit and Supervisory Committee, as an independent body entrusted by shareholders, has roles and responsibilities related to auditing and overseeing the performance of the duties of directors in accordance with laws and ordinances, the Articles of Incorporation, and the Company’s relevant rules. In

## Corporate Governance

accordance with its audit plans, the Audit and Supervisory Committee exchanges opinions with the accounting auditors and the Internal Auditing Department, inspects and examines important documents, and conducts audits aimed at verifying the Company's internal management system. In addition, the Audit and Supervisory Committee members attend important meetings of T&D Holdings, including the meetings of the Board of Directors, and audit the directors' performance of their duties. In fiscal 2023, the Audit and Supervisory Committee met 19 times.

Audit & Supervisory Committee members	5
Men	4
Women	1
Outside Audit & Supervisory Committee members	3 (including one woman)
Activities of Outside Audit and Supervisory Committee members (fiscal 2023)	Outside directors serving as Audit and Supervisory Committee members make necessary statements as appropriate at meetings of the Board of Directors and the Audit and Supervisory Committee based on their wealth of experience and insight as individuals with experience in corporate management, accounting experts, and legal experts. In addition, through activities that include regular exchanges of views with the representative directors, the accounting auditors, the department heads, and the representative director and president of major subsidiaries, such outside directors strive to gain an understanding of the Company's business execution situation.

### ■ Evaluation of the effectiveness of the Audit and Supervisory Committee

We evaluate the effectiveness of the Audit and Supervisory Committee to enhance the quality of audits by reviewing the audits carried out during the fiscal year to check whether the Audit and Supervisory Committee is properly fulfilling the roles and responsibilities entrusted to it by shareholders as an independent body and address issues that are identified.

Scope	We conducted a survey* of the Audit and Supervisory Committee members, directors who are not Audit and Supervisory Committee members, and executive officers in fiscal 2023 and evaluated the effectiveness of the Audit and Supervisory Committee based on the results of the survey.  * A questionnaire including both multiple-choice and open-ended questions regarding director supervision, corporate group auditing, collaboration with relevant departments, committee operations, and other evaluation items.
Overview of evaluation results	We concluded that the Audit and Supervisory Committee is generally fulfilling the roles expected of it. However, we acknowledged the need for the committee to strengthen its cooperation with the Internal Auditing Department and its monitoring of operating companies to enhance its effectiveness.
Initiatives in response to current issues	We will continue to work to enhance the effectiveness of the Audit and Supervisory Committee by addressing the issues identified in this effectiveness evaluation.

### Selection of directors 2-10

#### ■ Process

Candidates for directors are reviewed by the Nomination and Compensation Committee and appointed by the Board of Directors. Candidates for directors who are Audit and Supervisory Committee members are subject to approval by the Audit and Supervisory Committee.

#### ■ Criteria

Directors are primarily required to have sufficient knowledge and experience to oversee the management of T&D Holdings in a proper, fair, and efficient manner, and to have earned the trust of society. In addition to the requirements set forth above, outside directors 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.

### Executive Management Board and Group Strategy Board

T&D Holdings has established the Executive Management Board and the Group Strategy Board. The Executive Management Board is composed of the chairman, president, executive vice president, and executive officers, and it primarily discusses and resolves important matters related to the management of the Company and Group. Meanwhile, the Group Strategy Board consists of the president, executive officers in charge of the business planning units and financial strategy units, and the presidents of Taiyo Life and Daido Life, who are also members of the Company's Board of Directors. The Group Strategy Board discusses matters related to the Group growth strategy and other important matters associated with them.

### Executive officer system

T&D Holdings 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.

### Group executive officer system

We have introduced a Group executive officer system to enhance the integrated management of the Group and to enable the representative director and president of each Group company to manage their company from the Group's perspective.

### Participation in Management by Outside Experts

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T&D Holdings and the Group's three life insurance companies work toward ensuring adequate and transparent business management through the participation of outside experts in some internal committees dealing with key management issues. In addition, the results of discussions by each committee, etc. are shared with the Board of Directors of each company and then used to gain an understanding of sustainability-related impacts, risks, and opportunities while also improving the collective knowledge, skills, and experience of our highest governance entity related to sustainable development.

## Corporate Governance

### Sustainability Advisory Committee (T&D Holdings)

#### Outside members

Experts with knowledge of ESG in general

#### Main topics of deliberation

Incorporating the perspectives of external experts and the latest trends to improve the Group's sustainability initiatives

### Service Quality Improvement Committee (Taiyo Life)

#### Outside members

Physicians, attorneys, person with relevant knowledge and experience, and experts in consumer issues

#### Main topics of deliberation

Status of building framework for management of payments of insurance and other benefits, adequacy of examinations of payments of insurance and other benefits, ease of understanding insurance claim procedures, adequacy of insurance and other benefit-payment processes, status of customer feedback, and initiatives to improve operations utilizing customer feedback

### Customer Feedback Council (Daido Life)

#### Outside members

Physicians, attorneys, persons with relevant knowledge and experience, and experts in consumer issues

#### Main topics of deliberation

Status of operations and adequacy and effectiveness of initiatives to improve customer service

### Stewardship Committee (Daido Life)

#### Outside members

Attorneys and experts in stewardship activities

#### Main topics of deliberation

Enhancement of governance of voting process (e.g. prevention of conflicts of interest) and further enhancement of stewardship activities as a whole

### Advisory Council for Insurance Payment (Daido Life)

#### Outside members

Attorneys and experts in consumer issues

#### Main topics of deliberation

Adequacy of insurance and other benefit-payment processes, adequacy of examinations of payments, status of customer feedback, and initiatives to improve operations

### Service Supervision Committee (T&D Financial Life)

#### Outside members

Attorneys, experts in consumer issues, and members of the media

#### Main topics of deliberation

Initiatives aimed at ensuring an adequate framework relating to payment of insurance and other benefits, protecting legitimate interests of policyholders and others, and improving customer satisfaction

### Payment Assessment Committee (T&D Financial Life)

#### Outside members

Attorneys

#### Main topics of deliberation

Fair and accurate payment examination for decision-making on payment of insurance and other benefits

### Nomination and Compensation Committee

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T&D Holdings established the Nomination and Compensation Committee as an advisory body to the Board of Directors. The committee scrutinizes the fairness and appropriateness of director appointments and dismissals (including succession plans) and executive compensation to ensure the transparency of management and improve accountability, thereby reinforcing the corporate governance framework of the Company and the Group as a whole. The Nomination and Compensation Committee scrutinizes the fairness and appropriateness of appointments and dismissals of our Company's and direct subsidiaries' directors, including succession planning, as well as their executive compensation. The committee then reports its opinions to the Board of Directors. The Nomination and Compensation Committee is comprised of the Director and President of our Company and the outside directors. To ensure independence, objectivity and accountability, a majority of its members are chosen from among the outside directors. Moreover, the chairperson of the committee is selected from among the outside directors by mutual vote of the committee members.

### Main topics discussed by the Nomination and Compensation Committee (fiscal 2023)

Nominations, etc.	<ul style="list-style-type: none"> <li>• Succession plan (presidents and outside officers of the Company and its direct subsidiaries)</li> <li>• Composition of our Board of Directors (including the skills matrix)</li> <li>• Selection of candidate directors not serving as Audit and Supervisory Committee members and candidate directors serving as Audit and Supervisory Committee members</li> <li>• Selection of outside directors to serve on the Nomination and Compensation Committee</li> <li>• Selection of the chairperson of the Nomination and Compensation Committee</li> <li>• Selection, appointment, and other matters of director candidates and Audit &amp; Supervisory Board member candidates at direct subsidiaries</li> <li>• Appointment of executive officers for both the Company and direct subsidiaries</li> </ul>
Compensation, etc.	<ul style="list-style-type: none"> <li>• Evaluation of individual directors who are not Audit and Supervisory Committee members and executive officers and determination of their bonuses and monthly compensation</li> <li>• Results of the evaluations of the representative directors of direct subsidiaries</li> <li>• Extension of the trust period for trust-type stock compensation</li> <li>• Executive treatment of the Company and its direct subsidiaries</li> </ul>

### Composition of the Nomination and Compensation Committee

Nomination and Compensation Committee members	5*
Men	4
Women	1
Outside members	4 (including one woman)

\* The number of committee members is as of July 31, 2024.

## Corporate Governance

### Executive Compensation

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#### Executive compensation, etc.

##### ■ Policies concerning the determination of executive compensation

In its Basic Policy on Corporate Governance, T&D Holdings has established the policies regarding executive compensation enumerated below. The Policy may be amended or repealed by the Board of Directors of T&D Holdings at its discretion.

For more information, please see our website.

<https://www.td-holdings.co.jp/en/csr/csr-policy/corporate.php>

##### ■ Composition of executive compensation, etc.

T&D Holdings has designed its compensation system and compensation amounts to function as a sound incentive for the Group to enhance its performance and corporate value over the medium- to long-term. The total compensation of directors (excluding outside directors and other part-time directors and directors serving as Audit and Supervisory Committee members) shall consist of monthly compensation and bonuses that vary according to their roles and performance, and trust-type stock compensation which delivers Company shares and utilizes a trust structure (non-residents of Japan are ineligible). The Company regards corporate performance-linked compensation as not suitable for part-time directors, including outside directors, who are independent from the execution of business, and directors serving as Audit and Supervisory Committee members. Therefore, a fixed amount of compensation is paid.

Compensation type	Payment period	Calculation method for the amount of executive compensation, etc. for each individual officer	Payment method
Monthly compensation	Monthly	Monthly remuneration and bonuses are based on the remuneration table determined by the Board of Directors and the amount calculated based on the individual evaluation of each director, within the amount determined by resolution of the General Meeting of Shareholders, and the Nomination and Compensation Committee deliberates and reports its opinion to the Board of Directors, which then resolves the matter at the Board of Directors. Individual evaluations for each officer shall be conducted based on the evaluation of corporate performance and the evaluation of the division the officer is in charge of in accordance with the evaluation criteria established by the Board of Directors. The Nomination and Compensation Committee will then deliberate on the results and report its opinion to the Board of Directors. Based on these results, the Board of Directors will determine the individual evaluation results.	Monetary payment
Bonus	Yearly		
Trust-type stock compensation	At the time of retirement	For the trust-type stock compensation, points allotted in accordance with position are granted to directors (excluding outside directors and other part-time directors, directors serving as Audit and Supervisory Committee members, and non-residents of Japan) in accordance with the compensation table determined by the Board of Directors. At the time of retirement from the Company, officers receive shares and monetary payments in accordance with the accumulated points. The system also has malus and clawback provisions.*	70% stock 30% monetary payment

\* Malus and clawback provisions

The trust-type stock compensation system stipulates that if a grantee engages in an act of misconduct (e.g., significant neglect of duties, violation of laws and regulations, leakage of confidential information, etc.) as determined by the Company prior to the date of determination of beneficiary rights, the grantee shall not receive the Company's shares or the proceeds of the sale of such shares. If the grantee engages in misconduct after the date of determination of beneficiary rights, moreover, the system stipulates that the Company can seek a reimbursement amount, obtained by multiplying the calculated number of basic shares by the calculated stock price.

#### Calculation methods for the evaluation of corporate performance and the division the officer is in charge of

The weightings of the evaluation of corporate performance and the evaluation of the division the officer is in charge of are set according to the responsibilities of each officer in line with the criteria established by the Board of Directors and used to compute a weighted average. In the case of representative directors, the evaluation of corporate performance shall be weighted 100%.

#### Calculation methods

Corporate performance evaluation (see below for the key performance indicators)	<ul style="list-style-type: none"> <li>In order to clearly evaluate the degree of achievement toward corporate performance, multiple key performance indicators (financial and non-financial) determined based on the Group's medium- to long-term management strategies shall be used, along with an evaluation of corporate performance indicator, namely total shareholder return</li> <li>Key performance indicators are calculated by multiplying coefficients according to their achievement rates in each item.</li> </ul>
Evaluation of division in charge	<ul style="list-style-type: none"> <li>Points are calculated for the division the officer is in charge of based on the execution plan achievement status of each division, among other factors.</li> </ul>

#### Key performance indicators for corporate performance evaluations (performance-linked indicators) <fiscal 2023>

Key performance indicators for evaluating the corporate performance are shown below.

Regarding the financial performance indicators, the single fiscal year target achievement ratios and progress toward achievement of the fiscal 2025 targets are evaluated based on the Group Long-Term Vision formulated in fiscal 2021.

##### (1) Single fiscal year evaluation items

Evaluate the achievement ratios for the single fiscal year targets toward achievement of the fiscal 2025 targets.

	Fiscal 2025 targets
Group adjusted profit	¥130.0 billion
Value of new business	¥200.0 billion

	Single fiscal year targets	Actual	Achievement ratio
Group adjusted profit	¥99.5 billion	¥103.5 billion	104.0%
Value of new business	¥173.9 billion	¥161.7 billion	93.0%



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### (2) Medium- to long-term evaluation items

Evaluate progress toward the achievement of the fiscal 2025 targets as an evaluation criterion.

	Fiscal 2025 targets
Adjusted ROE	8.0%
ROEV	7.5%

- The actual adjusted ROE is 8.6%.
- The actual ROEV is 16.8%.

### (3) Market evaluation items

	Evaluation criteria and other criteria
Total shareholder return (TSR)	<ul style="list-style-type: none"> <li>• Total shareholder return (TSR) is calculated based on actual results, the degree of deviation from a benchmark of listed life insurance companies, and other factors.</li> </ul>

- The actual total shareholder return is 247.0% over five years.

(Note) The total shareholder return is calculated as follows.

- Five years: (Share price at the end of FY2023 + Cumulative total dividends per share from FY2019 to FY2023) / Share price at the end of FY2018

### (4) ESG evaluation items

In addition to the above financial performance indicators, the following non-financial performance indicators are evaluated.

	Evaluation criteria and other criteria
Customer satisfaction level	<ul style="list-style-type: none"> <li>• Evaluate the status of achievement with the level in the previous fiscal year as the evaluation criterion.</li> </ul>
Employee engagement score	
Reduction of CO <sub>2</sub> emissions	

- The customer satisfaction and employee engagement score achieved or exceeded the level in the previous fiscal year, fulfilling the evaluation criteria.
- CO<sub>2</sub> emissions were reduced 10.0% from the previous fiscal year, which fulfilled the evaluation criterion.

### ■ Reflecting corporate performance evaluations in executive compensation for direct subsidiaries

We conduct corporate performance evaluations with the primary aim of ascertaining whether the Company and its direct subsidiaries are managing their operations in line with the Group's strategic goals. The objective is to contribute to the stable and sustainable improvement of the corporate value of the Group as a whole. The method we use for calculating individual executive compensation amounts for the directors of our direct subsidiaries is consistent with these corporate performance evaluations for each such subsidiary, as determined by the Company's Board of Directors.

### ■ Payment ratio of compensation by type

With regard to the composition of compensation for the Company's officers, the ratio between performance-linked compensation (monthly compensation and bonuses) and trust-type stock compensation has been set to ensure that it functions as a sound incentive for improving medium- to long-term performance and increasing corporate value. Monthly compensation, which is performance-linked compensation, shall vary within a range between approximately 57% and 74% of the total compensation, commensurate with the duties of each position, while bonuses shall vary within a range between approximately 14% and 21%, and trust-type stock compensation shall vary within a range between approximately 10% and 22%. Monthly compensation shall be a variable amount within the range between approximately 95% and 105% of the standard evaluation, depending on the individual evaluations of each officer. Bonuses shall be a variable amount within the range between approximately 60% and 140% of the standard evaluation, depending on the individual evaluations of each officer.

### Compensation composition ratios



### ■ Reasons for the Board of Directors' determination that the details of individual compensation of directors for the current fiscal year are in line with the Policy

The Board of Directors confirms that the individual compensation details were calculated based on the compensation table determined by the Board of Directors and the individual evaluation of each director as deliberated by the Nomination and Compensation Committee, and judges that this calculation is in line with the Policy.

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### ■ Disclosure of total amount of compensation by officer category and type of compensation

(million yen)

Category	Monthly compensation		Reserve for bonus		Trust-type stock compensation (the Board Incentive Plan Trust)		Total amount of compensation	
	Number of persons paid	Amount	Number of persons paid	Amount	Number of persons paid	Amount	Number of persons paid	Amount
Directors not serving as Audit and Supervisory Committee members (excluding outside directors)	6	124	3	36	3	35	6	197
Directors serving as Audit and Supervisory Committee members (excluding outside directors)	2	86	0	—	0	—	2	86
Outside directors not serving as Audit and Supervisory Committee members	2	20	0	—	0	—	2	20
Outside directors serving as Audit and Supervisory Committee members	3	37	0	—	0	—	3	37
Total	13	268	3	36	3	35	13	341

- The monthly compensation and bonus reserves of directors not serving as Audit and Supervisory Committee members (excluding outside directors and other part-time directors) constitute performance-linked compensation, and the trust-type stock compensation constitutes non-monetary compensation. The total amount of performance-linked compensation, etc. for directors not serving as Audit and Supervisory Committee members (excluding outside directors and other part-time directors) (four people) is ¥142 million, and the total amount of non-monetary compensation is ¥35 million.
- Regarding the number of individuals who have received compensation and the total amounts, these figures include one director not serving as an Audit and Supervisory Committee member, who retired at the conclusion of the 19th Ordinary General Meeting of Shareholders on June 28, 2023. As of the end of fiscal 2023, we had seven directors not serving as Audit and Supervisory Committee members and five who were.
- The amount of trust-type stock compensation represents the cost accrued for the points granted during fiscal 2023 based on the relevant system.
- Since there is no person with total consolidated compensation of ¥100 million or more, individual compensation amounts are not shown.

### ■ Resolutions of the General Meeting of Shareholders

#### Maximum amount of compensation for directors

In a resolution at the 16th Ordinary General Meeting of Shareholders held on June 25, 2020, the maximum amount of compensation for directors not serving as Audit and Supervisory Committee members was set to ¥450 million per year, of which ¥40 million per year was for outside directors (at the conclusion of the Shareholders' Meeting, there were 9 directors not serving as Audit and Supervisory Committee members (including 2 outside directors)). This amount includes bonuses, and the total amount of bonuses per year has been determined by the Board of Directors. Apart from the compensation limit for directors not serving as Audit and Supervisory Committee members, another resolution at the 16th Ordinary General Meeting of Shareholders held on June 25, 2020 set the maximum aggregate amount of trust fund to be contributed for the trust-type stock compensation to ¥500 million for three consecutive fiscal years. The total number of points to be granted to directors each fiscal year was limited to 215,000 points (one point is equivalent to one share in the Company). (At the conclusion of the Shareholders' Meeting, there were 4 directors not serving as Audit and Supervisory Committee members eligible for trust-type stock compensation.) At the 16th Ordinary General Meeting of Shareholders held on June 25, 2020, the maximum amount of compensation for directors serving as Audit and Supervisory Committee members was set to ¥150 million per year (at the conclusion of the Shareholders' Meeting, there were 5 directors serving as Audit and Supervisory Committee members (including 3 outside directors)). Compensation is set in consultation between the directors serving as Audit and Supervisory Committee members within this limit.

#### Succession Plan

#### Succession plan formulation and implementation

With an eye toward continued growth, the medium- to long-term enhancement of the value of our Group and stable business continuity, we formulate and implement succession plans for the presidents of the Company and the three life insurance companies.

These plans detail the qualities and skills that are required of presidents and selection processes. The Nomination and Compensation Committee deliberates the formulation and implementation of the plans and submits its opinions to the Board of Directors. Then, the Board of Directors supervises all of the successor nomination processes to see whether or not they have been properly implemented, thereby ensuring their objectivity, timeliness and transparency.

#### Development of successor candidates and future group management talent

In a concerted effort to systematically nurture successor candidates for the presidencies of the Company and the three life insurance companies as well as future Group management talent for the Group, we undertake various initiatives that include rotation of executives and employees within the Group, dispatching individuals to external executive training programs, and conducting interviews with our outside directors.





## Risk Management 3-3

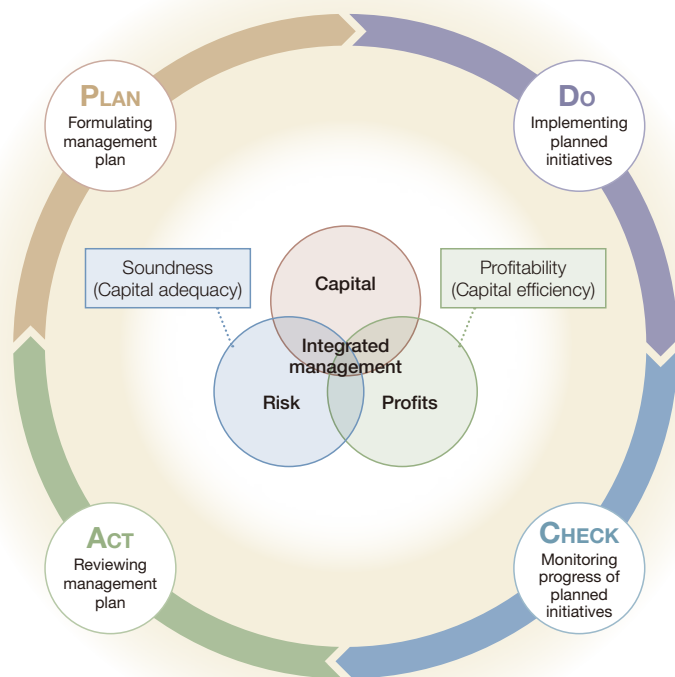
### ERM

#### Promotion of ERM approach

ERM stands for Enterprise Risk Management and refers to a strategic method of corporate management that seeks to achieve management targets such as enhancing corporate value and maximizing profits, by executing integrated management of capital, profit and risk.

As opposed to passive approaches designed primarily to avoid risks (losses), ERM takes a strategic stance with respect to risks, viewing them as a factor to be actively taken on in order to increase return (profit) and, as such, not something that should necessarily be reduced or eliminated. Using this method, businesses can quantify capital, profit and risk on a uniform evaluation standard, helping manage these elements in an integral fashion and incorporate them into management decision-making, thereby allowing pursuit of growth in profitability while maintaining sound management of business operations.

#### PDCA cycle



The T&D Insurance Group has established the Group ERM Committee to implement ERM as a Group-wide initiative. With the committee providing leadership in promoting ERM throughout the Group, we will enhance the Group's corporate value in a stable and continuous manner while improving the soundness of the Group.

More specifically, we have built a system based on a PDCA cycle to promote ERM. The Group's management plan is formulated (Plan) so as to meet the risk appetite set out in terms of soundness and profitability based on the assessment of capital, profit and risk on an economic value basis; a range of initiatives developed under the plan are implemented (Do); the progress of implementation of the plan is monitored (Check); and the plan is reviewed and revised as necessary (Act).

#### Integrated risk management activities

In order to promote ERM, it is critical to have a proper understanding of types and magnitude of risks. The T&D Insurance Group promotes the integrated risk management approach to achieve the management objectives by quantifying the risks affecting the Group by type of risks and assessing the impacts when making losses, and also by controlling all the risks associated with its operations, including unquantifiable risks.

### Risk Management

#### Basic concept for risk management

At the T&D Insurance Group, T&D Holdings has formulated a Group Risk Management Policy setting forth the Group's basic approach to risk management. Based on this Policy, the direct subsidiaries and other Group members have developed their risk management system that covers their affiliates as well.

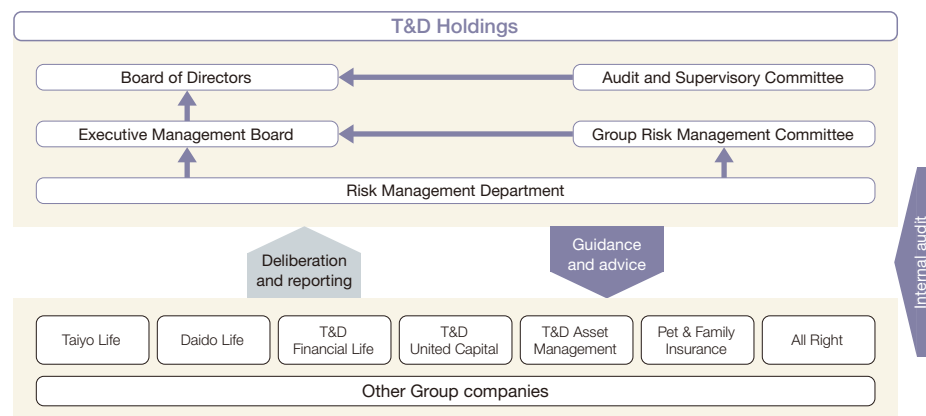
T&D Holdings has established the Group Risk Management Committee which conducts integrated risks management within the Group. The Committee receives reports, regularly and as required, on risks assessed using uniform risk management indicators, from the direct subsidiaries. In this way, the Committee identifies and manages the various types of risks faced by Group companies. We report on these risks to the Board of Directors and provide guidance and advice to the Group companies as necessary, thereby ensuring that proper risk control is implemented at each company and strengthening the risk management system for the entire Group.

## Risk Management

### Risk Management System

Given the social publicness and other characteristics of the life insurance business, the T&D Insurance Group considers the accurate understanding and management of risks to be a high-priority management issue for ensuring management soundness and suitability. At the same time, integrated management is handled by T&D Holdings—the Group holding company—while each Group company is responsible for suitably managing risk in line with its business characteristics and risk profile.

#### Outline of the Group's risk management system



### Risk Classification and Responses

The T&D Insurance Group classifies various management risks such as financial market disruptions, catastrophes, pandemics, climate change, and cyber attacks as indicated below. We have established risk management policies for each risk category and strive to prevent the occurrence of risks or control them within certain tolerances.

- Insurance Underwriting Risk
- Investment Risk
- Liquidity Risk
- Operational Risk\*
- Reputation Risk
- Affiliate-Related Risk

\* Operational risks are classified into sub-categories, i.e. administrative risk, system risk, legal risk, labor and personnel risk, and hazard risk, and are managed separately.

Please see our website for more information on our risk classifications and responses.

<https://www.td-holdings.co.jp/en/company/governance/risk.php>

### Risk Awareness and Assessment (Risk Profile)

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The T&D Insurance Group uses a risk profile\* to comprehensively categorize risks surrounding the Group, in order to respond to increasingly diverse and complex risks. We comprehensively identify risks by category, ascertain and assess them, and use them to prioritize initiatives in light of comprehensive factors including severity, impact, and the degree to which they are under control. The risks are reflected in management planning as necessary. As a rule, we review our risk profiles twice a year in order to accurately recognize and ascertain emerging severe risks, major changes to previously recognized risks, and deviation of internal and industry practices from the norm. We report our findings to the Group Risk Management Committee and Board of Directors.

\* Risk profile is a general risk management tool to characterize risks from various factors such as nature and magnitude.

\* The T&D Insurance Group's risk profile includes responding to issues surrounding sustainability, including the environment (climate change risk), society (human rights, labor practices and corruption prevention) and governance.

### Risk Review (ESR)

The T&D Insurance Group has specified a statutory solvency margin ratio, as well as an economic solvency ratio (ESR), which is a risk-management index based on economic value. These are concrete quantitative indicators of risk appetite and tolerance. ESR is calculated as net assets (surplus) based on economic value, divided by economic capital (EC), which is the risk level based on economic value, calculated using an internal model including insurance underwriting risk, asset management risk, and operational risk. We manage risk on the basis of economic value through such means as controlling EC to stay within a certain range of the surplus. ESR is managed on a monthly basis. The statutory solvency margin ratio is managed on a quarterly basis. As with other risk reviews, these are reported to the Group Risk Management Committee and Board of Directors.

### Optimization of the Risk Portfolio

#### (Risk Measurement by Internal Models and Complemental Efforts by Stress Test)

The T&D Insurance Group optimizes its risk portfolio by measuring quantifiable risks using internal models as well as by drawing up risk profiles, including qualitative aspects of risks and performing stress tests for risks. To complement the risk quantification model, stress tests are conducted with multiple scenarios reflecting long-term macro- and micro-economic projections.

## Risk Management

### Handing Emerging Risks

We recognize pandemic risks including COVID-19 and other pandemics, geopolitical risks such as acts of terrorism, and risks that result in significant changes in net income, net assets, etc. when international accounting standards are applied as emerging risks. Emerging risks are risks that could have a major effect on corporate income and corporate value depending on environmental changes and other factors but are also difficult to quantitatively identify, so we organize a risk profile to account for them.

Of the emerging risks we face, we have conducted stress tests using forward-looking stress scenarios (scenarios under which pandemic mortality and attack rates increase as well as increased payments and decreased stock prices and interest rates due to terrorist attacks using chemical weapons) to analyze pandemic risks that include COVID-19 and other pandemics, and geopolitical risks such as acts of terrorism. Then we have verified our Group's ability to handle such risks while also confirming that there are no problems in terms of our soundness. Regarding risks that result in significant changes in net income, net assets, etc. when international accounting standards are applied, we have done various trial calculations assuming the application of such standards to confirm the effects on our net income, net assets, and other financial figures.

### Cyber Security Initiatives

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The T&D Insurance Group recognizes that properly managing information assets and protecting them from increasingly sophisticated cyber attacks by complying with the relevant laws and regulations is an important management issue. To fulfill our corporate social responsibility as a company that runs a life insurance business, the T&D Insurance Group has established a Group Information Security Policy and Rules on the Group's Cyber Security Management, which all executives and employees are obligated to follow.

#### The Group's cyber security system

We are aware that cyber attacks and similar threats can cause system outages, which could hinder business execution, or leak critical information.

In particular, in order to increase the security of the services we provide our customers, we use security tools to constantly monitor the threat of cyber attacks targeting financial institutions, which have become increasingly sophisticated in recent years. Also, we have established a Group-wide CSIRT (Computer Security Incident Response Team) tasked with cyber attack information gathering, analysis, and response, as well as individual CSIRTs at each company. In addition to conducting training at each Group company, we regularly participate in cross-industry training and exercises, and, when we discover issues, we incorporate them into the relevant procedures and manuals (Information Security Management Rules and Information Security Handbook), thereby reinforcing our ability to put knowledge into practice.

The Group has implemented multi-layered security measures (entrance, exit, and internal measures), and we regularly receive security assessments from third-party organizations and promptly implement the necessary measures.

We bring in outside experts to educate group management on the latest trends in cyber security, and are working to raise awareness of cyber security risks and improve security literacy through continuous training on information security and cyber security for executives and employees (group training, e-learning, etc.) as well as training on suspicious emails.

The Internal Auditing Department verifies whether these systems are functioning effectively and reports the results to the Board of Directors.

### Protection of personal information

T&D Holdings and the three life insurance companies and other Group members have formulated Personal Information Protection Declarations (privacy policies), which they publicly disclose on their websites.

T&D Information System, a Group company that supports the information system of the T&D Insurance Group, properly handles various data, including personal information, and keeps it strictly confidential. In May 2005, T&D Information System obtained Privacy Mark certification, which is given to the enterprises that take adequate measures to protect personal information.

Please see our website for our Privacy Policy.

<https://www.td-holdings.co.jp/en/information/privacy.php>



### Protection of Customer Privacy

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The T&D Insurance Group considers as complaints any customer request that, at the time of its receipt, expressed dissatisfaction, and makes efforts to respond appropriately when such complaints are received.

Note that, in fiscal 2023, we received 150 complaints related to the handling of personal information.

### Crisis Management

The T&D Insurance Group has formulated the Rules on the Group's Crisis Management, which address basic matters related to the Group's response to crisis situations. In case of major natural disasters or similar emergency events, the Group recognizes its important social mission to ensure the continuity or early restart of insurance claims and benefit payment operations, and is committed to developing a framework for this purpose. In addition, we place top priority on securing the lives and safety of our staff in responding to crisis situations, while giving due consideration to our contribution to society by providing support to the affected areas. The Group has implemented a number of measures to improve the effectiveness of crisis management. These include introducing a system for confirming the safety of our executives and employees and Group-wide emergency drills as a preparation for a possible large-scale disaster.

## 205-2

## Compliance

### Preventing Bribery and Corruption

The T&D Insurance Group states the following in the T&D Insurance Group Compliance Code of Conduct: “We shall work to prevent corruption in our relationships with business counterparts, civil servants, and other parties by refraining from providing or receiving any business entertainment within reasonable bounds under normal social conventions, as well as refraining from giving or receiving gifts, in connection with our business activities worldwide.” In addition to preventing bribery, we are ensuring thorough awareness by all executives and employees toward preventing corruption. This includes measures against money laundering and prevention of misappropriation and diversion of funds, using such means as a compliance program and compliance manuals. Bribery and corruption are also stipulated as extremely malicious and severely impacting criminal statutes for disciplinary action. All scandals (including concerns over possible scandals), including bribery and corruption, are reported to the Board of Directors.

When making a new business investment, checks from the perspective of preventing bribery and corruption are added to the risk assessment and subjected to appropriate review. As of fiscal 2023, no scandals or legal disputes relating to bribery or corruption had occurred.

#### Extract from a compliance manual

##### [Risks Related to Bribery and Corruption]

In today's world, bribery and corruption impede the development and economic growth of the country or region in which they occur. Bribery and corruption not only have an undue negative impact on poor regions, they also give rise to serious legal and reputational risks for companies. Many of the acts that involve corruption, such as bribery, are not only illegal in the place where a company performs them, but there is an increasing number of cases where these acts are also illegal by the laws of the home country of the company. As regards reputational risks, even if a company is judged to not be involved with corruption by the final judgment of the court concerned, there are many cases in which the reputation of the company has been damaged merely because it was suspected of corruption. Companies must also pay attention to the fact that they not only take responsibility for their own actions but also for the actions of any agents that are conducting business on their behalf in other countries.

### Whistleblower System

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At the T&D Insurance Group, each of the Group's three life insurance companies and other Group members used to operate their own whistleblower systems. In April 2005, however, the T&D Insurance Group Helpline was established for use by all executives and employees in the Group.

The T&D Insurance Group Helpline accepts, through an external company, reports of compliance issues, violations of internal rules (including suspected violations), and actions that may damage the credibility or reputation of the Group.\*

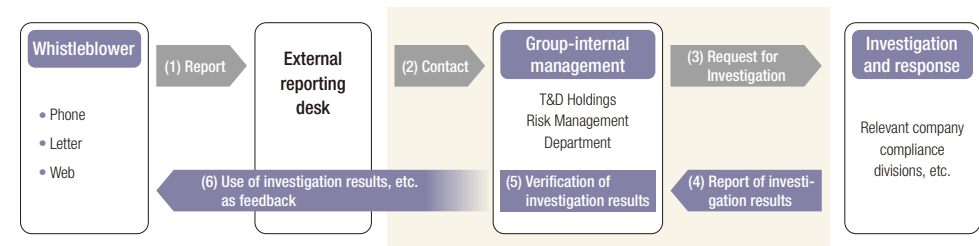
If it is suspected that a law or regulation has been violated or harassment or another human rights issue has occurred, the Group investigates the facts. If any misconduct is identified, the Group takes disciplinary action in accordance with the employment regulations.

\* Including bribery, corruption, and matters related to human rights issues such as discrimination and harassment

### T&D Insurance Group Helpline

We have established rules to ensure that whistleblowers are not treated unfavorably after they make a report to the T&D Insurance Group Helpline, and we are working to build an effective system that allows reporting by phone, the web, and other means through an external reporting company and that also accepts reports anonymously. (Reports can be accepted 24 hours a day, except by phone.) Reports are investigated in accordance with internal rules, and then the reports and the results of the investigations into them are reported to the Audit and Supervisory Committee members and to management.

#### Flow after receiving a report



#### Number of calls received by the T&D Insurance Group Helpline\*

FY2021	309
FY2022	354
FY2023	361

\* The numbers of reports above include inquiries about the system, as well as reports of workplace issues that are difficult to consult superiors over, such as complaints or dissatisfaction.



## Tax Approach and Management

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### Tax Policy

With the aim of strengthening its corporate governance on taxation (tax governance), the T&D Insurance Group has established the T&D Insurance Group Basic Tax Policy, which sets out its approach to taxation (the organization's tax principles, approach to tax planning, and engagement with tax authorities) through a resolution of the Board of Directors. The T&D Insurance Group Basic Tax Policy is administered by the accounting unit of each Group company, the tax handling situation is confirmed annually, and any serious issues, etc. that are discovered are reported to the Board of Directors.

In addition, the T&D Insurance Group clearly states its commitment to strict compliance with applicable laws and regulations in the T&D Insurance Group CSR Charter and the T&D Insurance Group Compliance Code of Conduct. We ensure tax compliance according to the T&D Insurance Group Basic Tax Policy in accordance with these CSR policies. The whistleblower system for compliance applies also to tax compliance.

### T&D Insurance Group Basic Tax Policy

The T&D Insurance Group (the "Group") establishes the following basic tax policy, ensures proper handling of tax matters, and fulfills its corporate social responsibility.

#### ■ 1. Basic idea

Based on the Group's management philosophy, the Group aims to contribute to people and society through its business activities in order to realize a sustainable society.

In addition, for the purpose of conducting corporate activities that are sincere, fair and appropriate for all stakeholders, the Group stipulates compliance with laws and regulations in its Compliance Code of Conduct.

Also, the Group will strive to further improve governance and compliance of tax matters, and in order to ensure proper handling of these matters, the Group will deal with them in a sincere and responsible manner in line with the tax laws and regulations of each country or region and the purport thereof when conducting its business.

#### ■ 2. Appropriate tax burden

The Group strives to realize an appropriate tax burden through the elimination of double taxation based on the use of tax treaties and the appropriate use of various tax systems.

The Group will not interpret the laws and regulations in a way that deviates from the purport thereof or conduct tax planning that is solely intended for tax avoidance.

#### ■ 3. Responding to transfer pricing taxation

The Group will conduct international transactions between Group companies at arm's length prices in accordance with the OECD Transfer Pricing Guidelines and will pay appropriate taxes based on appropriate income reflecting the economic activities conducted in the relevant country or region.

#### ■ 4. Establishment of tax payment system

The Group will establish a system to properly conduct tax operations applicable in each country or region.

T&D Holdings is working to strengthen its tax governance system in cooperation with domestic and overseas Group companies.

#### ■ 5. Relationships with tax authorities

The Group strives to build sound relationships with tax authorities by responding to them sincerely and providing timely and appropriate explanations that are based on facts.