

## IX Management Control

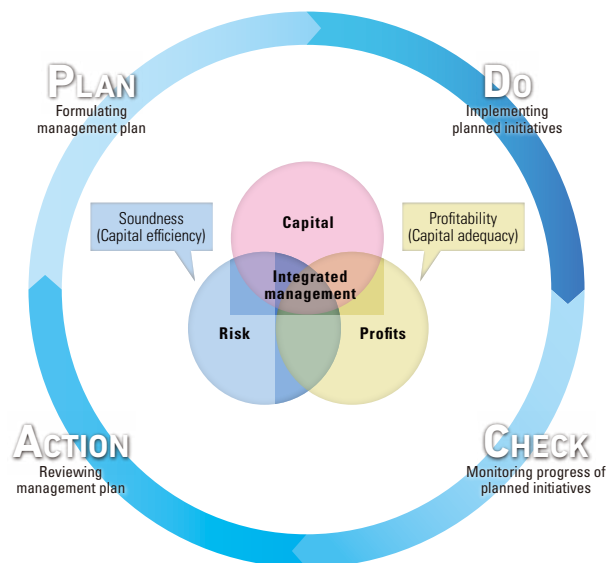
### 1. ERM

#### 1-1 Promotion of ERM Approach

ERM stands for Enterprise Risk Management and refers to a strategic method of corporate management that seeks to maximize corporate value and profits while ensuring the soundness of business through integrated management of capital, profit and risk.

As opposed to conventional 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 new 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 maintaining a sound business foundation.

More specifically, we have built a system based on a PDCA cycle to promote ERM under which 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.

### 2. Risk Management

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#### 2-1 Basic Concept for Risk Management

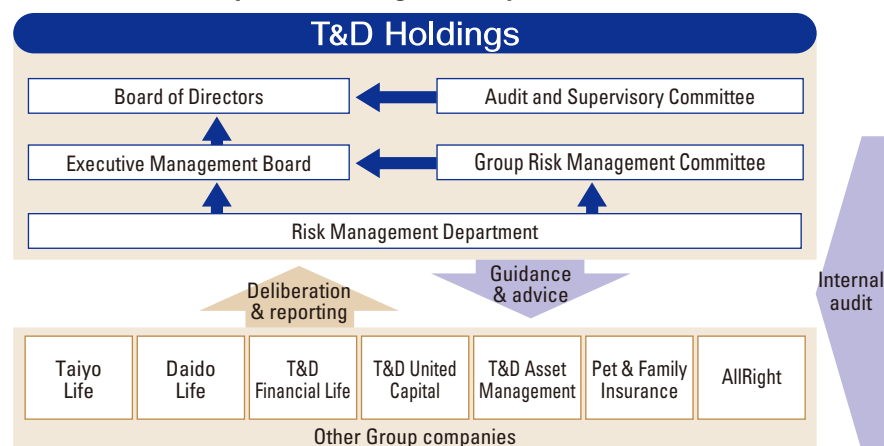
At the T&D Insurance Group, T&D Holdings has formulated a Group Risk Management Policy setting forth the Group's basic approach to risk management and, based on this Policy, the directly owned subsidiaries and other Group members have developed their risk management system that covers their affiliates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

T&D Holdings has established a Group Risk Management Committee and manages risks within the Group. The Committee receives reports, regularly and as required, on risks assessed using uniform risk management indicators, from the directly owned subsidiaries and other Group members, in order to identify and manage the various types of risks faced by Group companies. Based on the report received, T&D Holdings reports on these risks to the Board of Directors and provides 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.

## 2-2 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, general 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



## 2-3 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.

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

## 2-4 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, as well as major changes to previously recognized risks. 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.

## 2-5 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.

## 2-6 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.

## 2-7 Handing Emerging Risks

We recognize geopolitical risks—including COVID-19 and other pandemics as well 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 understand, 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 geopolitical risks that include COVID-19, other pandemics, and acts of terrorism, and 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.

## 2-8 Cyber Security Initiatives

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Recognizing that it is an important management issue to properly manage information assets and protect information assets from increasingly sophisticated cyber attacks, and committed to complying with the relevant laws and regulations while fulfilling our CSR (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.

T&D Information System—the Group's information system development, maintenance, and operation subsidiary—acquired ISO 27001 certification, an international standard for information security management systems, for its *host computer operation services* in March of 2007 and for its *server operation services* in March of 2011. The information service firm has continued to renew this certification for each of the above services as part of its efforts to maintain a high level of information security.

### The Group's Cyber Security System

We are aware that cyber attacks and similar threats can cause system outages, compromise business performance, and expose 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, and 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 its 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.

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



## 2-9 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 2022, we received 145 complaints related to the handling of personal information.

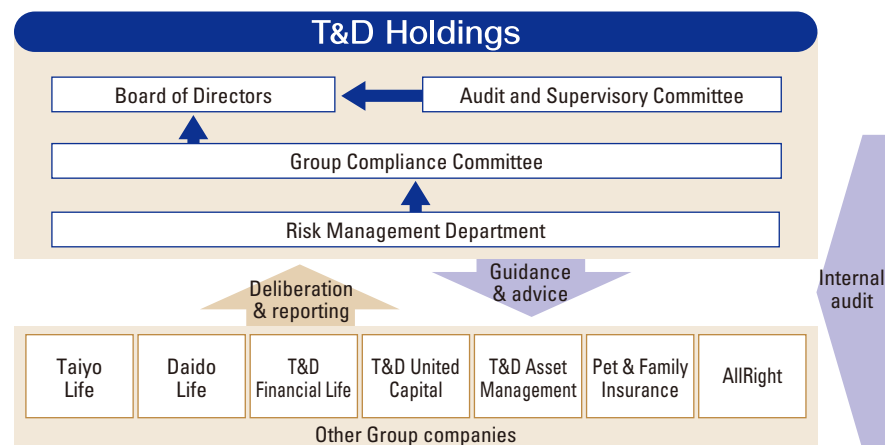
## 2-10 Crisis Management

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 rules set forth basic policies for developing systems that enable continuity or early restart of insurance claims and benefit payment operations, recognizing that doing so is our important social mission, and for placing top priority on securing the lives and safety of our staff and supporting affected people and 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 individually and Group-wide emergency drills as a preparation for a possible largescale disaster.

In response to the COVID-19 pandemic, we prioritized the safety of our customers and employees by implementing a variety of measures to prevent the spread of the virus while also taking appropriate steps, such as continuing to carry out operations that included ensuring the payment of insurance claims and benefits and maintaining call centers. The COVID-19's category has been reduced to Class V under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases, but—if the disease starts to rapidly spread or some other crisis occurs in the future—we will strive to respond as necessary in line with government policies, etc.

Management Department, which has overall responsibility for promoting compliance. In coordination with the compliance units of the Group's three life insurance companies and other Group members, this department performs regular monitoring and provides guidance and advice. The Group's three life insurance companies and other Group members also have a compliance promotion system mainly consisting of a compliance committee and a compliance control department.

### Outline of the Group Compliance Promotion Structure



## 3. Compliance

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### 3-1 Our Concept of Compliance

The T&D Insurance Group positions legal compliance as a key management issue. The CSR policy, "We will strictly observe laws, regulations and rules, and act with sincerity and integrity according to high ethical standards," is stated in the T&D Insurance Group CSR Charter. We work to make all Group executives and employees thoroughly aware of the T&D Insurance Group Compliance Code of Conduct, and promote compliance based on the recognition that compliance is the core of promoting CSR and an essential element of it.

### 3-2 Group Compliance Promotion Structure

T&D Holdings has established a compliance promotion structure based on the T&D Insurance Group Basic Policy for Strengthening the Compliance Structure. The Group Compliance Committee was established to oversee and improve the Group's compliance arrangements. T&D Holdings also has a Risk

### 3-3 Compliance Promotion Activities

#### Compliance Programs

Each Group company in the T&D Insurance Group takes measures to raise awareness of compliance in a way suitable for the respective companies in terms of size and business characteristics, based on the Group's basic compliance policies. For example, T&D Holdings and the Group's three life insurance companies as well as other Group members have put in place their compliance programs as detailed and actionable plans aiming at having all executives and employees act in compliance with laws and regulations, and compliance training is provided to reinforce compliance in the course of business operations.

#### Compliance Manual

Each company in the T&D Insurance Group creates compliance manuals for each category targeted, including sales representatives, administrative personnel, and agents. These guidelines serve as a reference for day-to-day operations. At the same time, they are used as teaching material for compliance training, and we strive to ensure thorough awareness of them. In addition, if an act that possibly violates our compliance or internal rules is discovered through the internal reporting system, etc., the procedures in the compliance manuals must be followed to apply feedback to fact checking, research, and reporting at each Group company's compliance division and elsewhere.

### Compliance Training

The Group and our Group companies provide annual education and training to executives and employees in line with our *compliance program* plan, and we strive to raise awareness of compliance while also making everyone aware of laws, ordinances, and internal rules related to doing business and ensuring that such rules are followed. Our compliance training includes explanations of risks related to bribery and corruption as well as details on prohibited acts.

## 3-4 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 2022, 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. A company 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.

## 3-5 Whistleblower System

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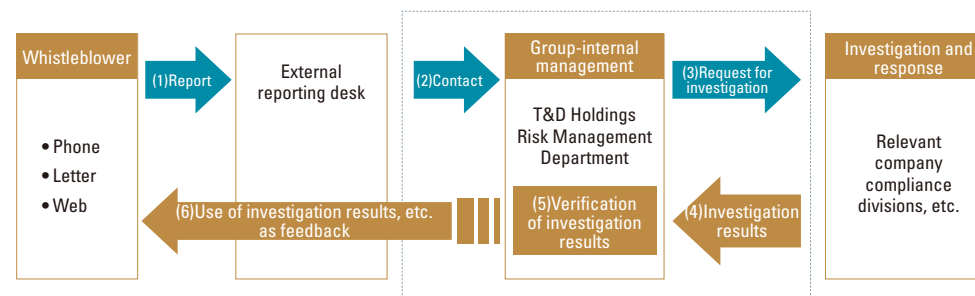
At the T&D Insurance Group, each of the Group's three life insurance companies and other Group members used to operate their own whistleblower systems. In April 2005, however, the T&D Insurance Group Helpline was established for use by all executives and employees in the Group.

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.

### 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, etc. 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

FY2020	320
FY2021	309
FY2022	354

\* 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.

## 4. Tax Approach and Management

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### 4-1 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

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, and in order to ensure proper handling of tax 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.

Please see our website for the amount of taxes paid by country.

**WEB** <https://www.td-holdings.co.jp/en/csr/library.html>