

IX Management Control

1. ERM

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1-1 Promotion of ERM Approach

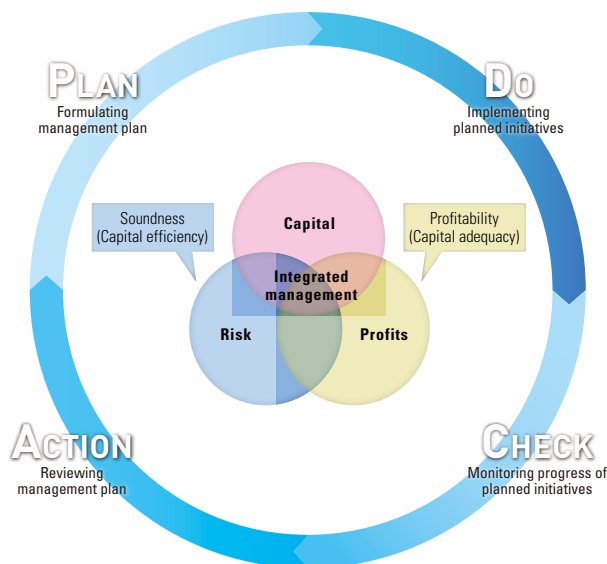
ERM stands for Enterprise Risk Management and refers to a strategic method of corporate management that seeks to maximize corporate value and profits while ensuring the soundness of business through integrated management of capital, profit and risk.

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.

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).

● PDCA Cycle



● 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

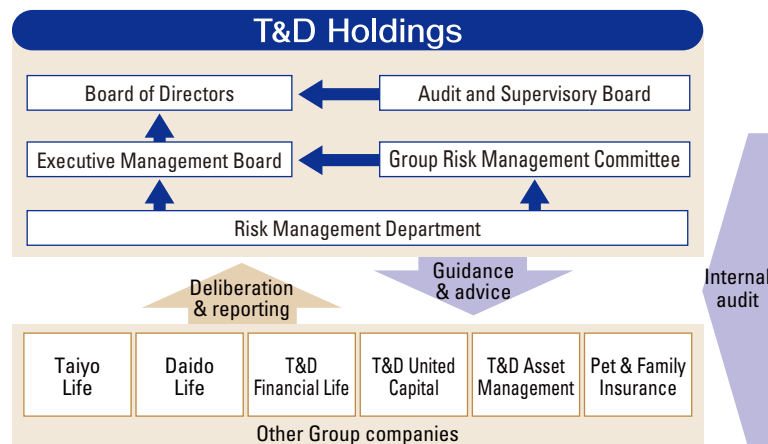
At the T&D Insurance Group, T&D Holdings has formulated a Group Risk Management Policy setting forth the Group's basic approach to risk management and, based on this policy, the three life insurance companies and other Group members have developed their risk management system that covers their affiliates 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 economic value-based risk management indicators, from the three life insurance companies 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

In light of the social and public nature of the life insurance business, the T&D Insurance Group views risk management as a key priority issue in order to ensure sound and adequate business management. Under overall control by the holding company, T&D Holdings, each Group company implements the necessary risk management suited to their respective business model based on the principle of self-responsibility.

● Outline of the Group's Risk Management System



2-3 Risk Classification and Responses

The T&D Insurance Group classifies major management risks as shown below. Risk management policies have been established for each of these risks, and efforts are made to prevent these risks from occurring or to confine them within certain acceptable levels.

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 visit the T&D Holdings 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 Complementary 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 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 a set of Group Cybersecurity Response Rules, which all executives and employees are obligated to follow. 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 as a Group and at each company, we participate in cross-industry training and exercises, and when we learn about 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 cybersecurity 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. In addition, the company acquired ISO 27001 certification, an international standard for information security management systems, for its "host computer operation services" in March 2007 and for its "server operation services" in March 2011. The information service firm has continued to renew both of these certifications as part of its efforts to maintain a high level of information security.



2-8 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 place top priority on securing the lives and safety of our staff, and then on continuity or early restart of insurance claims and benefit payment operations to support affected people and areas, with the recognition that such efforts are our social mission. To make this possible, the rules set forth basic policies for developing systems that enable the Group to respond promptly and take appropriate actions. The Group has also 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 novel coronavirus pandemic, we are prioritizing the safety of our customers and employees by taking a variety of measures to prevent the spread of the virus, while continuing to carry out essential operations at Group companies such as paying insurance claims.

3. Compliance

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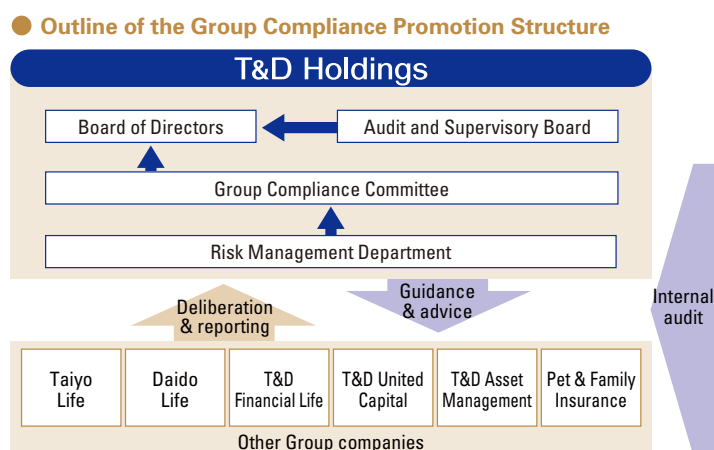
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3-1 Our Concept of Compliance

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 in a sincere and serious manner with 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 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.



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.

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.” (See p.13.) 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 2019, 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 Tax Policy

Strict compliance with laws and regulations is clearly stated by the T&D Insurance Group in its T&D Insurance Group CSR Charter and T&D Insurance Group Compliance Code of Conduct. Regarding tax affairs, on the basis of these CSR policies, we comply with laws and regulations, while also understanding their underlying spirit, and act in good faith to make adequate tax filings and payments.

Transactions with Group companies are handled appropriately and in accordance with the “arm’s length principle.” Furthermore, we do not engage in tax avoidance measures that deviate from the spirit of the tax laws.

3-6 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

The T&D Insurance Group Helpline has rules in place that prohibit any disadvantageous treatment of whistleblowers who use the helpline. We strive to build an effective system for internal reporting by enabling whistleblowers to make reports by phone or online through an external reporting company, and making reports anonymously. The reports and the results of the investigations into them are then reported to the Audit and Supervisory Board and to management.

● Number of Calls Received by the T&D Insurance Group Helpline

FY2017	269
FY2018	243
FY2019	258

* 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.