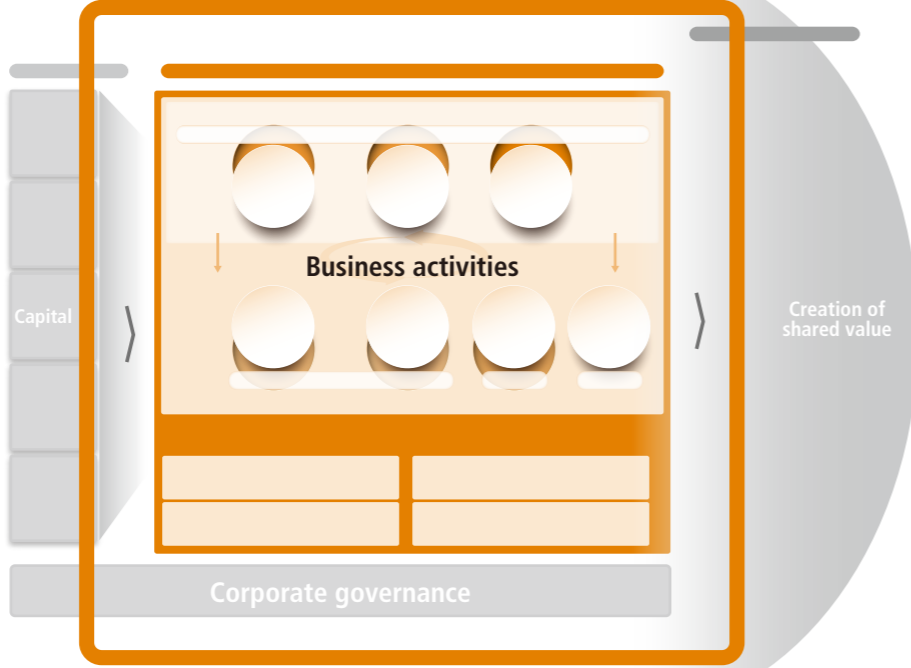




CHAPTER 02

Try & Discover for Creation of Shared Value

We will achieve creation of shared value by pursuing both expansion of Group revenue through improved capital efficiency (financial value) and resolution of social issues through our business (social value).



Top Message

TOP MESSAGE



We will steadily advance the Group Long-Term Vision toward improving capital efficiency, which is the most significant issue of the Group

Hirohisa Uehara
Representative Director and President

- Q1 Assessment of the first year of the Group Long-Term Vision
- Q2 Stock price
- Q3 Group capital management going forward
- Q4 Group-wide business portfolio management in practice
- Q5 Initiatives to expand human capital
- Q6 Strategic policy of the Group Long-Term Vision

Top Message

Q1 How do you assess the previous fiscal year, which was the first year of the Group Long-Term Vision?

The Group Long-Term Vision identifies the improvement of capital efficiency as the most significant issue. The basis of the Group's capital improvement strategy is to improve capital efficiency by allocating stable profits generated from the Group's core domestic life insurance business to growth sectors. On the other hand, for businesses with low capital efficiency, it's necessary to either shore up the business or withdraw the capital allocated to it.

Looking back on fiscal 2021, first of all, in our core domestic life insurance business, we were able to achieve better sales results than before the COVID-19 pandemic by promoting and establishing sales activities that combined face-to-face and non-face-to-face sales amid major changes in the business environment due to the pandemic. I have a renewed sense of the strength of the business models of our life insurance companies and feel that we're responding appropriately to changes in the business environment.

The Group considers the closed book business to be our growing sector, and in March 2022, we decided to make an additional growth-focused investment in Fortitude, a company we're investing in. This additional investment utilizes internal funds from the Group's life insurance companies, Taiyo Life and Daido Life, thereby making effective use of Group capital.

In addition, we conducted a reinsurance transaction of

Taiyo Life's negative-spread annuities ("Taiyo Life's reinsurance*"), which had been a drag on earnings for many years. In terms of financial accounting, there was a wide range of opinion within the Company about the fact we would incur a large loss in the first year due to that reinsurance. However, we in top management decided to proceed with the transaction based on the judgment that the conditions were favorable from an economic value-based perspective, and that recovering the capital allocated to the negative-spread annuities was essential from the viewpoint of improving capital efficiency.

In other areas where capital efficiency is low, such as interest rate risk and strategic shareholdings, we're steadily reducing risks as planned.

On top of the main examples raised above, in the first year of the Group Long-Term Vision, I believe we were able to steadily implement measures to improve capital efficiency, including the re-establishment of Group-wide measures to improve the profitability of T&D Financial Life, which has been a matter of concern.

In addition, to show that our current stock price is undervalued and that management is serious about improving capital efficiency, we have implemented share buybacks of ¥40 billion, our largest ever.

* An insurance policy that a life insurance company enters into with a reinsurance underwriter to spread the risk of insurance policies it has underwritten.

Q2 While the Group Long-Term Vision is making steady progress, this does not appear to be fully reflected in the stock price. What's your view on this point?

There is a sense of uncertainty about earnings, which comes from the factors such as the COVID-19 pandemic and rising currency hedging costs caused by changes in the financial environment and monetary policy changes in Europe and the United States in particular. Compared to the solidity of our business portfolio to date, I am far from satisfied with the current level of our stock price. For that I apologize to all of our shareholders and investors. I feel that the measures to improve capital efficiency that I explained earlier have been well received by the market to a certain extent, but there are two major points that I think are still insufficiently explained to the market and where we have been unable to demonstrate our results.

The first point is that our financial accounting-based

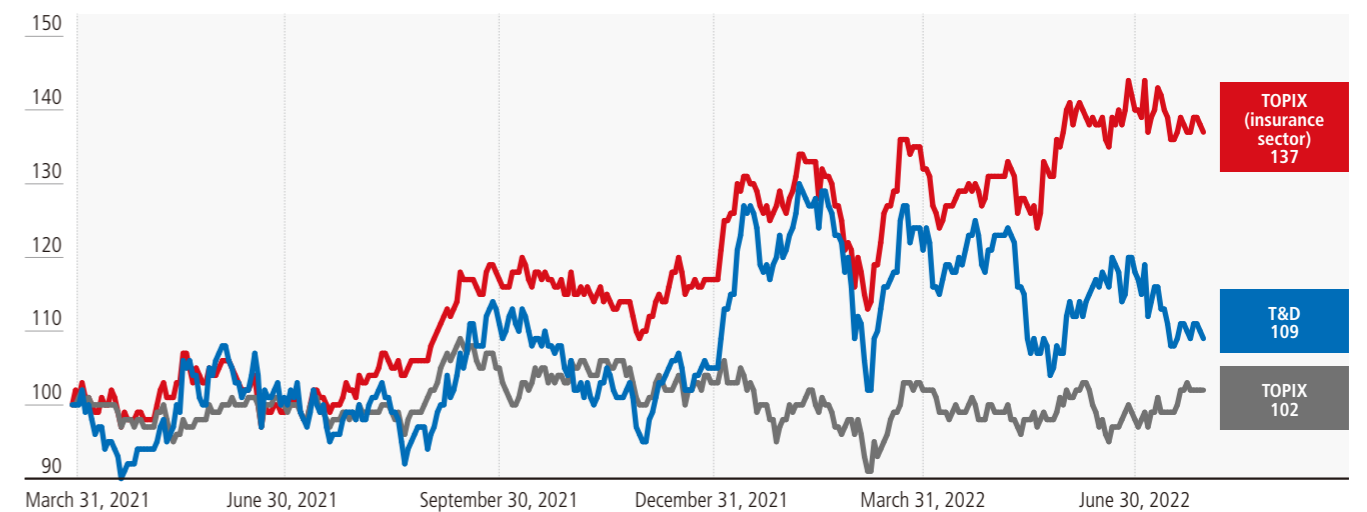
profit growth is small compared to economic value-based indicators such as Market Consistent EV (MCEV) and value of new business. On this point, I believe that ultimately, we have no choice but to earn recognition from the market by accumulating a track record of financial accounting-based profit growth. However, we do not intend to pursue short-term profit just because financial accounting-based profit is important. As in the case of the Taiyo Life's reinsurance, which I mentioned earlier, even if it's negative in terms of immediate profit, if we can expect a positive result from a medium- to long-term perspective, then we plan to continue to implement it going forward. We place particular importance on the value of new business. The acquisition of new policies is the source of

our future financial accounting-based profits, but in the first year of the policy the financial accounting is actually negative due to the payment of sales commissions and so forth. Life insurance policies are for very long periods of time, so there's no immediate benefit to the bottom line, but the accumulation of the value of new business will steadily contribute to financial accounting-based profits. I would like to use our investor relations (IR) materials and other channels to better explain how the acquisition of the value of new business will contribute to financial

accounting-based profits and facilitate a better understanding by the market.

The second point is our Group capital management. We have not always been able to communicate effectively enough with the market about our capital strategy, and our approach is said to be "hard to understand" from the market's point of view, which was also mentioned by analysts at our IR meeting in May this year. This is a point we need to reflect on and improve as soon as possible.

Trend of TSR



* As of July 31, 2022
 * Total Shareholder Return (TSR): Profitability after reinvestment of dividends before tax
 * Indexed with March 31, 2021 as 100

Source: Bloomberg

Q3 How will the Company strengthen Group capital management? Some in the market are suggesting that the Company should consider more aggressive shareholder returns.

The nature of the life insurance business, which promises customers protection over the very long term, means that soundness is critical. For this reason, from the outside our capital strategy may appear to be conservative. However, now that the Group Long-Term Vision calls for improving capital efficiency, the Group's attitude toward capital efficiency is undergoing major changes. This is evidenced by the ¥40 billion share buybacks that the Company conducted last year, which is at a scale that we previously would not have been able to carry out.

The two points that, at present, we have not adequately

explained to the market are: (1) our approach to required capital and internal reserves in life insurance subsidiaries, and (2) our approach mainly to handling hybrid capital in our internal models. First, with regard to (1), we're going to take a look at the situation in the next two or three years, with an eye on developments in the introduction of economic value-based solvency regulations scheduled for 2025, but we would like to strengthen our quantitative explanation. Meanwhile, with regard to (2), we plan to reach a decision ahead of schedule and provide a full explanation at IR meetings and other forums.

Top Message

With respect to shareholder returns, our policy is to strengthen them. We plan to increase cash dividends for the eighth consecutive fiscal year, and we will continue to aim for consistent and sustainable dividend increases in the future. With respect to share buybacks, we will implement them strategically while keeping an eye on our financial position and other factors. We understand that our current stock price is significantly undervalued, and

we believe that share buybacks are an effective means of demonstrating management's intentions with respect to the stock price. However, I want to be clear that our capital strategy is not based on shareholder returns. Depending on the situation, growth investments and internal reserves may be prioritized over dividend increases and share buybacks, and we ask for your understanding in this regard.

Q4 In concrete terms, how does the Group-wide business portfolio management work in practice?

Broadly speaking, there are two perspectives: existing businesses and new businesses. We consider the appropriateness of the Group's current business portfolio as a whole, taking a comprehensive view of how to enhance existing businesses and what new businesses should be explored.

As for our existing businesses, firstly we should consider how to make the domestic life insurance business robust. In the COVID-19 pandemic, by establishing sales methods that combined face-to-face and non-face-to-face sales, we were able to strengthen our sales capabilities and achieve efficiency. From this point on, we will continue to further expand our contact with customers through the use of DX and other means. Although it's inevitable that the Japanese life insurance market as a whole will shrink due to population decline, we're working to increase the number of policies in force by providing products that meet new insurance needs and developing new sales channels. In fact, we're currently seeing strong growth in insurance policies through Taiyo Life's direct channel and Daido Life's financial institutions channel, so I feel that this is working.

The closed book business continues to be a growth area, and although the competitive environment when acquiring closed books is challenging, we're confident about future growth. In Japan, with the introduction of economic value-based solvency regulations in fiscal 2025, in terms of business and financial strategies, we expect to see an increase in transactions that utilize reinsurance and similar methods, as has been the case in Europe and the United States. At that point, we plan to capitalize on the economic benefits of the growth of Fortitude, the company we're currently investing in, as well as the strategic benefits of taking a leading position in the Japanese closed book market by leveraging the know-how accumulated through our investments.

We will also promote drastic reforms in our businesses with low ROE. In the Group Long-Term Vision, we have indicated the level of ROE for each operating company in order to ensure that each company is fully accountable to the market while making clear the circumstances it faces.

As for TDF in particular, competition in the independent insurance agent market is fierce, and profits have continued to be low for a long time. Although TDF does not currently have sufficient in-force policies to cover its costs, sales of TDF's insurance products have been strong over the past two to three years. In addition to increasing the number of in-force policies by expanding the top line, we will improve profitability by promoting cost containment measures through the sharing of Group functions. Through these efforts, we will raise the ROE to around 5% by fiscal 2025.

As for T&D Asset Management, profitability has been declining since the financial crisis. However, starting with the transfer of the Group's alternative asset management functions to TDAM in the previous fiscal year, we are sophisticating the Group's asset management functions thereby contributing to the Group's asset management.

Regarding Pet & Family, we will establish new product sales and promote web channels to expand policies in force and improve profitability while expanding alliances with other industries with the pet insurance business as a hub in order to contribute to the expansion of the Group's customer base.

For these businesses with low ROE, the path for improving capital efficiency has become clearer compared to last May, when the Group Long-Term Vision was announced, and we have raised the assumed level of adjusted ROE for fiscal 2025, the final year of the Group Long-Term Vision. However, further reforms are needed to achieve this goal.

We need to be more responsive to outside opinions and conscious of what we want to convey and what we want others to understand as we move forward



We are currently discussing the Group's business portfolio at the Board of Directors. For the businesses with low ROE, we receive harsh opinions from investors asking for more strict measures such as restructuring and selling them. If there's no improvement in the ROE, it will ultimately be necessary to consider all options with nothing off the table. In doing so, we will judge not only capital efficiency, but also synergies within the Group and the reason why the business needs to be in the Group.

New businesses are not necessarily profitable in the short term, and we will continue to sow seeds in new fields through repeated trial and error with a view to

future growth. In our Corporate Venture Capital (CVC) initiative launched this fiscal year, we will co-create businesses with startups that have advanced technologies and business models in areas such as healthcare. We will also push ahead with the building of our digital customer platform by utilizing digital tools such as social networks and apps to establish contacts with customer segments that have not been fully accessible through the Group's existing channels and by establishing a new company (All Right) to provide new products and services.

Top Message

Q5 The market is increasingly interested in human capital. What plans does the Company have for expanding human capital going forward?

Employees are the most important and powerful driving force for a company to create sustainable value. In order to sustainably increase corporate value amidst a rapidly changing business environment, it's essential to create value through the growth of human resources. In terms of management direction as well, employees should be viewed in terms of human capital, not human resources. Unlike manufacturers, our Group does not make products; it's all about people, and human capital is a very important factor. Therefore, this fiscal year, we will work to enhance and raise the level of our human capital.

In fiscal 2021, we promoted individual specific measures under the banner of "integrated Group management." However, although each of these measures is good individually, when it comes to the development and growth of our people, which are our foundation, and increasing the depth of our human capital, we have fallen short.

To address this, we will first develop and get an overview of the human resources portfolio necessary to realize the Group Long-Term Vision, and then work to identify and close the gap with the current situation.

One is to secure and develop specialized human re-

sources. As we continue to advance the diversification and optimization of business portfolio, we need people with advanced expertise, knowledge, and skills in business areas that are not traditionally associated with the life insurance business. For this reason, T&D Holdings is taking the lead in strengthening reskilling and recurrent education in the Group. In addition, we will continue to develop our human resource systems in order to bring in specialized human resources from outside the Company.

The second is to expand the range of human resources that contribute to Group management. As a publicly listed company, we're promoting "integrated Group management" with the markets in mind, but securing the human resources for this is an urgent task. First and foremost, we're considering the dynamic allocation of human resources within the Group in order to increase the opportunities for employees with a strong sense of Group management to play an active role. In addition, we hope that each of them will acquire the ability to think about the management of the Group from a broad perspective through the reskilling and recurrent education I mentioned earlier.

Q6 How will the Company instill the strategic policy of the Group Long-Term Vision within the Group?

Starting this fiscal year, to communicate the Group's direction and initiatives to employees within the Group, we are strengthening our IR activities within the Group under an initiative we decided to call "Group IR" to reflect the fact that the term "IR" sounds like the phrase "there is love" in Japanese. The impetus for strengthening IR activities within the Group came from the feeling that the 20th anniversary of our founding in 2024 would be a good opportunity to take a fresh look at our origins as a publicly listed corporate Group.

As an example of a specific activity, starting in April we set up opportunities to interact with Group company managers in a small meeting format of about 6 to 10 people at a time, with HD executives, including myself, taking turns as speakers.

At the meetings, we explain the purpose of the Group

management integration and our vision as outlined in the Group Long-Term Vision, with particular emphasis on how the market views our Group. I focus on some of the tough opinions received from investors and analysts in an effort to share market opinions within the Group in the interests of strengthening market discipline. We are also holding small meetings with a mix of Group companies with the aim of strengthening communication among them.

In addition, we distribute a video of the "Group IR" briefing session to all Group employees to convey the direction of the Group to every corner of the Group. In the briefing we also introduce the employee stock ownership plan and encourage employees to use it as a means to build assets. I also hope that revitalization of the employee stock ownership plan will increase employees' awareness of our stock price.

Furthermore, along with each quarter's financial results, we summarize market opinions obtained through IR activities and other Group issues and distribute them in a newsletter format, thereby ensuring the timely delivery of market opinions within the Group. These measures are

not one-offs; by continuing to implement them every year, we hope to foster group awareness and instill market discipline at a deeper level.

In conclusion

Following the COVID-19 pandemic, changes in the current environment have come at a dizzying pace, including the Russia-Ukraine crisis, rising interest rates, and inflation, making it extremely difficult to predict the future. As previously unthinkable events become reality, we must take a holistic view of how they will affect our Group and society, and brace ourselves for "accelerating history." In doing so, what we will rely on is the Group Long-Term Vision. In the era of VUCA, where the future is uncertain, so long as we have a clear vision of our goals as a Group, we can move forward without getting lost, even if the path is steep.

For our part, we will make fiscal 2022 a year to further solidify the Group Long-Term Vision, and we will stubbornly proceed with a series of measures to realize the vision, recognizing that this will be in the best interest of all stakeholders, including customers, shareholders, and employees.

Last but not least, we recognize the importance of communication with the market, and we will utilize the feedback we receive from the market more effectively in our management. Thank you for your continued support.



Group Long-Term Vision "Try & Discover 2025" Progress in fiscal 2021

— In Pursuit of the Happiness of All Stakeholders —

Group's Corporate Philosophy
With our "Try & Discover" motto for creating value, we aim to be a group that contributes to all people and societies.

Group's Management Vision
Sow happiness, make change with boldness.

FY2024 Plan

Group KPIs

Financial KPIs
Financial Value
Expand Group revenue by improving capital efficiency

Group Growth Strategy

Primary Theme I
Strengthening of core business

Primary Theme II
Diversification and optimization of business portfolio

Primary Theme III
Further advancement of ERM
(Upgrading capital management)

Primary Theme IV
Promoting integrated Group management

Primary Theme V
SDGs management and creation of value

FY2023 Plan

Non-financial KPIs
Social Value
Address social issues through our business

FY2022 Plan

Group Long-Term Vision (Vision for 2025)

Progress of Group KPIs

Group adjusted profit was 39.2 billion yen, a significant decrease from fiscal 2020. However, this was due to a temporary loss that accompanied Taiyo Life's reinsurance, as part of efforts to improve capital efficiency. Excluding this impact, Group adjusted profit for fiscal 2021 was 116.0 billion yen, a significant increase from fiscal 2020. There was also steady progress in the Group KPIs in fiscal 2021.

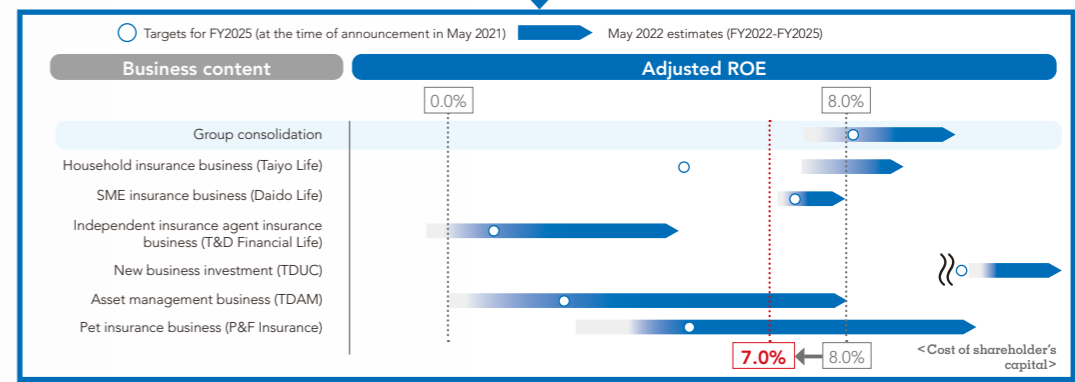
By steadily implementing the measures in the Group Long-Term Vision, each company's estimated adjusted ROE for fiscal 2025 has improved from the time of the formulation of the Group Long-Term Vision, and the Group aims to achieve its consolidated adjusted ROE target of 8.0% or higher for fiscal 2025 ahead of schedule.

Financial KPIs
Financial Value
Expand Group revenue by improving capital efficiency

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year-on-year change	Forecast for FY2022	FY2025 target (Announced in May 2021)
Group adjusted profit*1	¥77.9 billion	¥39.2 billion (¥116.0 billion)**	(¥38.7 billion) (+ ¥38.0 billion)**	¥106.0 billion	¥130.0 billion
Adjusted ROE	5.8%	2.7% (7.8%)**	(3.1%) [+2.0%]**	7.6%	8.0%
Value of new business*2	¥143.4 billion	¥166.9 billion	+ ¥23.5 billion	¥168.0 billion	¥200.0 billion
ROEV*3	25.4%	7.0%	(18.4%)	6.5%	7.5%

*1 Group adjusted profit = net income +/- valuation gains/losses caused by discrepancy of accounting treatment of assets and liabilities + additional internal reserves in excess of the legal standard requirements.
*2 Value of new business does not include value of new policies expected to be obtained in the future. Additionally, for converted policies, only the net increase portion from conversion is included.
*3 ROEV is based on figure excluding temporary valuation gains/losses, etc. related to Fortitude.
*4 Figures indicated in square brackets are excluding the impact related to Taiyo Life's reinsurance (news release dated March 31, 2022).

Initial targets and recent estimates for adjusted ROE



Non-financial KPIs
Social Value
Address social issues through our business

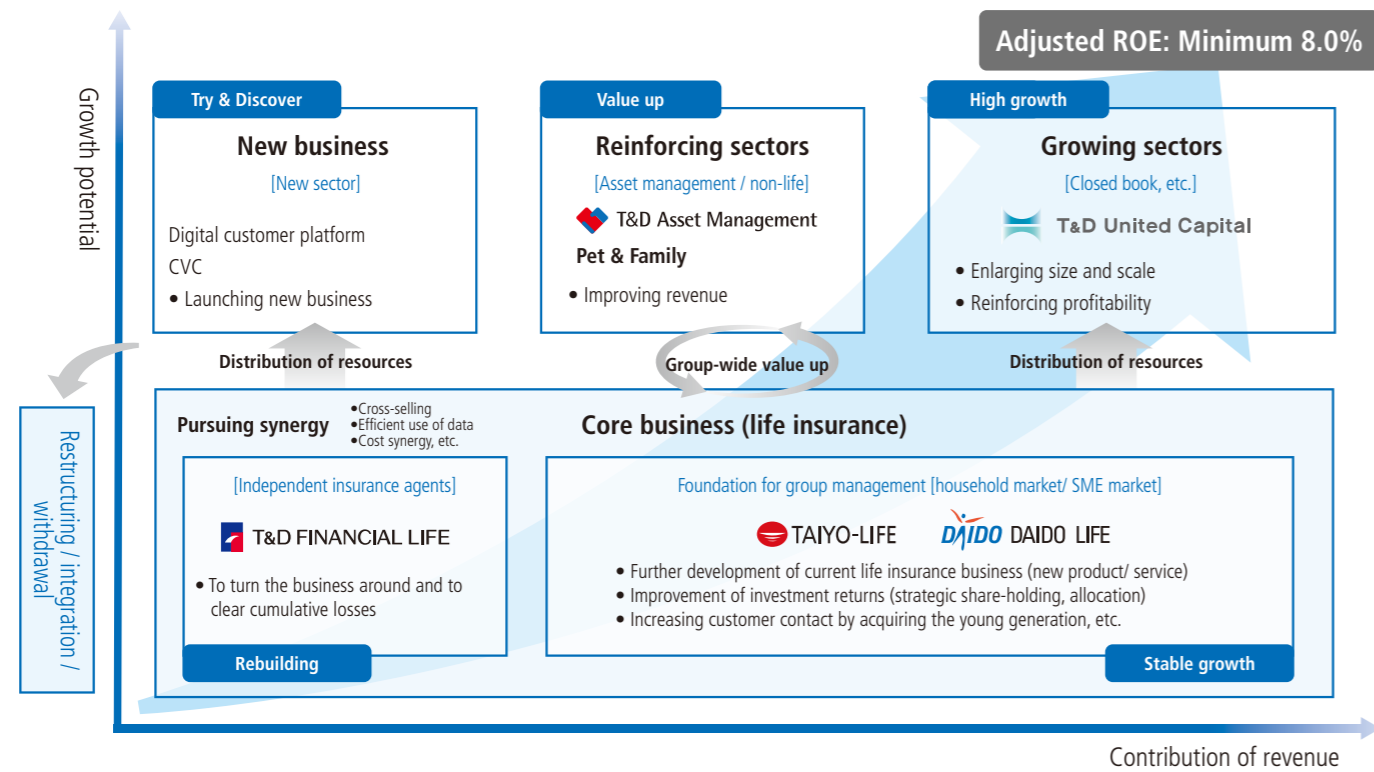
Category	Evaluation topic	Target level	Fiscal year ended March 31, 2022
Customer	Customer satisfaction	Minimum FY2020 level (Improvement from the current level is set as a target, as a relative assessment)	Over target level P.119
Employee	Employee satisfaction	Minimum FY2020 level (Improvement from the current level is set as a target, as a relative assessment)	Over target level P.118
Society	CO ₂ emission	Reduction of 40% from FY2013 levels by FY2025 (A 5-year upfront target from The Life Insurance Association of Japan's target)	Compared to FY2013 31.0% reduction

Improving Capital Efficiency Aimed at in the Group Growth Strategy

The Group is actively managing its business portfolio in an integrated manner to improve capital efficiency. We aim to achieve stable growth by strengthening our core domestic life insurance business, and to improve the capital efficiency of our overall portfolio by allocating stable capital generated from our core business to our growing closed book business, our new corporate venture capital (CVC) business, and other such business. In particular, in fiscal 2021, we implemented initiatives to accelerate

the improvement of capital efficiency, such as Taiyo Life's reinsurance and the decision to invest an additional ¥64 billion in Fortitude Group Holdings, LLC through internal financing from Group companies.

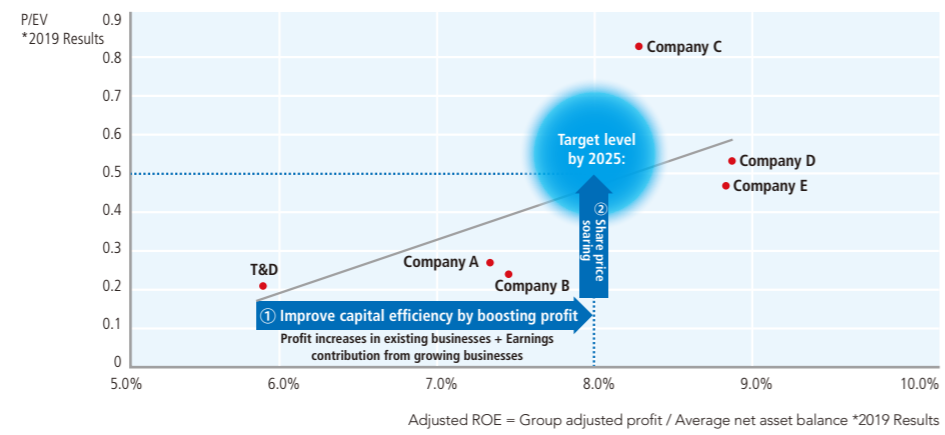
In fiscal 2022 and beyond, we will continue to improve capital efficiency by strengthening our core businesses, investing in growth sectors, and implementing measures to improve the profitability of reinforcing sectors, thereby improving our stock price valuation.



Target level

Adjusted ROE
5.8%* → **8.0%**

Price EV Ratio
About 0.2X* → **About 0.5X**



* At the time of the announcement of the Group Long-Term Vision in May 2021

Primary Theme I Strengthening of Core Business

The three life insurance companies are aiming to build the top brand in each market by implementing their own specialization and differentiation strategies.

The Group has three domestic life insurance companies under its umbrella: Taiyo Life, which specializes in the household market; Daido Life, which specializes in the SME market; and T&D Financial Life, which specializes in the independent insurance agent market. The Group's business model excels in that each of the three domestic life insurance companies specializes in a different market and brings its own uniqueness and expertise to the table. In recent years, the companies have been advancing sales activities that integrate non-digital and digital technologies. Taiyo Life is expanding opportunities to

approach customers by promoting a hybrid-style sales approach that utilizes information acquired through *Sma-Hoken* and other means. Daido Life is developing remote environments, expanding proposals and procedures without face-to-face contact, and providing centralized solutions through web services for SMEs. Going forward, we will strengthen our business model and continue to build the top brand in each specialized market through the transformation of our sales activities and by providing optimal products and services that meet customer needs.

Company	Specialized market	Basic policy	Transformation of sales activities
Taiyo Life	Household market	<p>Being a company that supports the healthy long lives of many customers</p> <ul style="list-style-type: none"> Product development based on social issues Provision of integrated products and services 	<p>Face-to-face approach × Non-face-to-face approach</p> <p>Posting activities (approval base) × <i>Sma-Hoken</i>, infomercials</p> <p>Hybrid-style sales</p> <p>Utilization of digital infrastructure and various types of data</p>
Daido Life	SME market	<p>Trusted partner for SMEs</p> <ul style="list-style-type: none"> Robust relationship with tie-up organizations Specialized channels for SME market Support for promoting health-oriented management and resolution of social issues 	<p>Satisfying customer experience × Creation and expansion of customer contact points</p> <p>In-house sales representatives, tax accountants, financial institutions</p> <p>In-person (face-to-face) × In-person (personal) × Digital</p> <p>Establishment and maintenance of approach utilizing digital technology and data</p> <p>Enabling all policy procedures to be completed without face-to-face contact × Web services for SMEs × Integrated customer database construction</p>
T&D Financial Life	Independent insurance agent market	<p>Expansion of presence in the independent insurance agent market</p> <ul style="list-style-type: none"> Banking agent network Mobility of product development 	<p>Face-to-face consulting × Online business meetings and other digital tools</p> <p>Banks, securities firms, etc. × Insurance shops, etc.</p> <p>Agents closely linked to financial institutions × Door-to-door sales agencies</p>

Taiyo Life

Changing the Business Model to Promote "Hybrid-style Sales"

Changing the business model

In response to major changes in the social environment, Taiyo Life has been reviewing its business model and making significant changes in its sales approach.

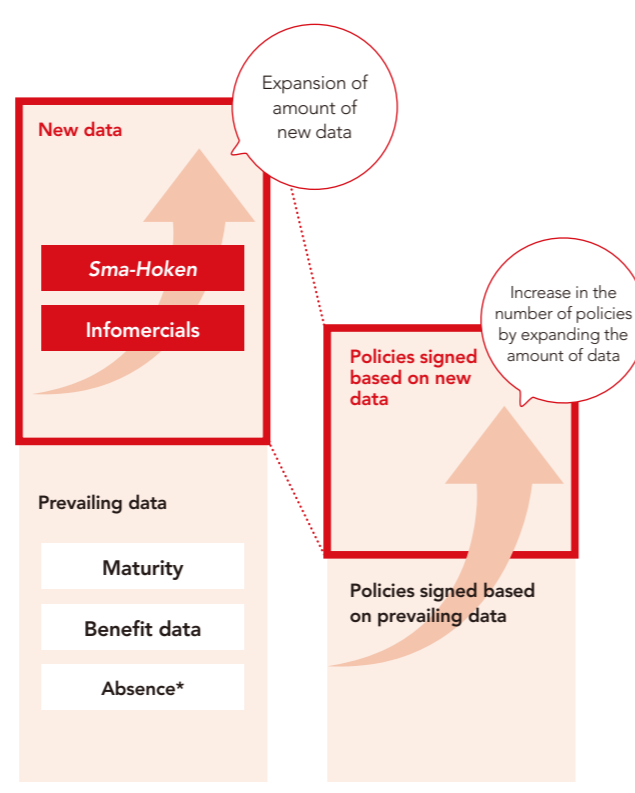
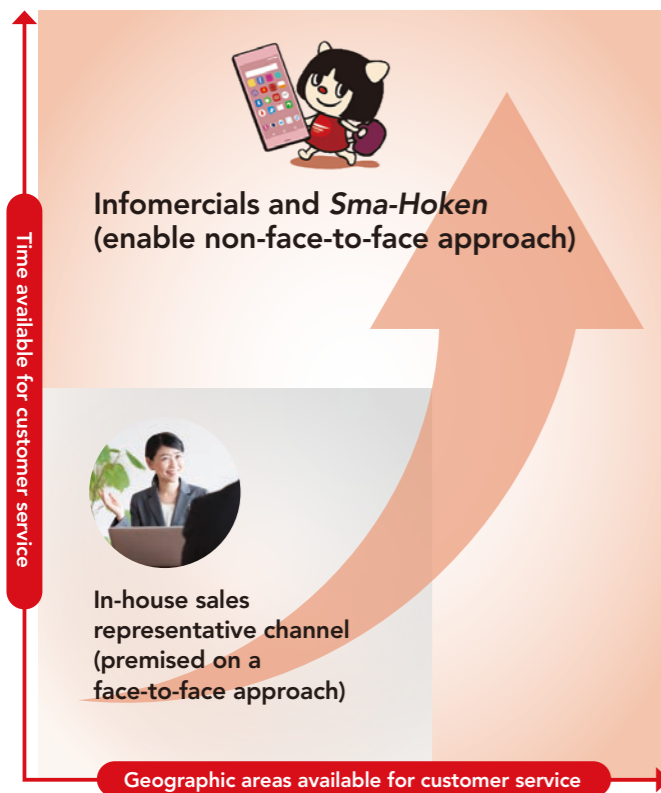
In addition to the conventional home visits by in-house sales representatives working in pairs, the company is developing "hybrid-style sales" that integrates face-to-face and non-face-to-face sales activities, utilizing data via TV commercials, Internet advertisements, and other promotional activities.

Although the company has traditionally used a face-to-face approach in its in-house sales representative channel, diversification of its channels, such as infomercials

and *Sma-Hoken*, has increased the geographic area and time available for customer service and helped expand the market. This has allowed the company to approach areas where it does not have sales offices and enabled application procedures to be made outside of daytime hours when its in-house sales representatives are active, greatly expanding its points of contact with customers. In addition, there has been an increase in the number of policies closed as well as productivity by linking in-house sales representatives with new data obtained through market expansion, in addition to the prevailing data such as maturity and benefit information.

Market expansion

Promotion of hybrid-style sales



* Data of customers of whom sales representative are non-existent due to resignation, etc.

Providing new industry-leading coverage

Taiyo Life supports the health and longevity of its customers by developing products and services based on social issues.

In terms of products, the company sells *Himawari Dementia Prevention Insurance*, which helps people deal with dementia positively and live out their golden years with peace of mind; *Infectious disease plus hospitalization insurance (Lump-sum payment type)*, which covers specific infectious diseases including COVID-19; *Cancer/critical illness prevention insurance*, which covers cancer and serious illnesses; and more. In terms of services, the company provides *Kaketsuke-Tai Service*, in which its internal staff with specialized knowledge directly support customers' benefit claim procedures; *MCI Screening Plus*, which offers services for dementia and disease prevention; *AminolIndex® Risk Screening*; and other services.

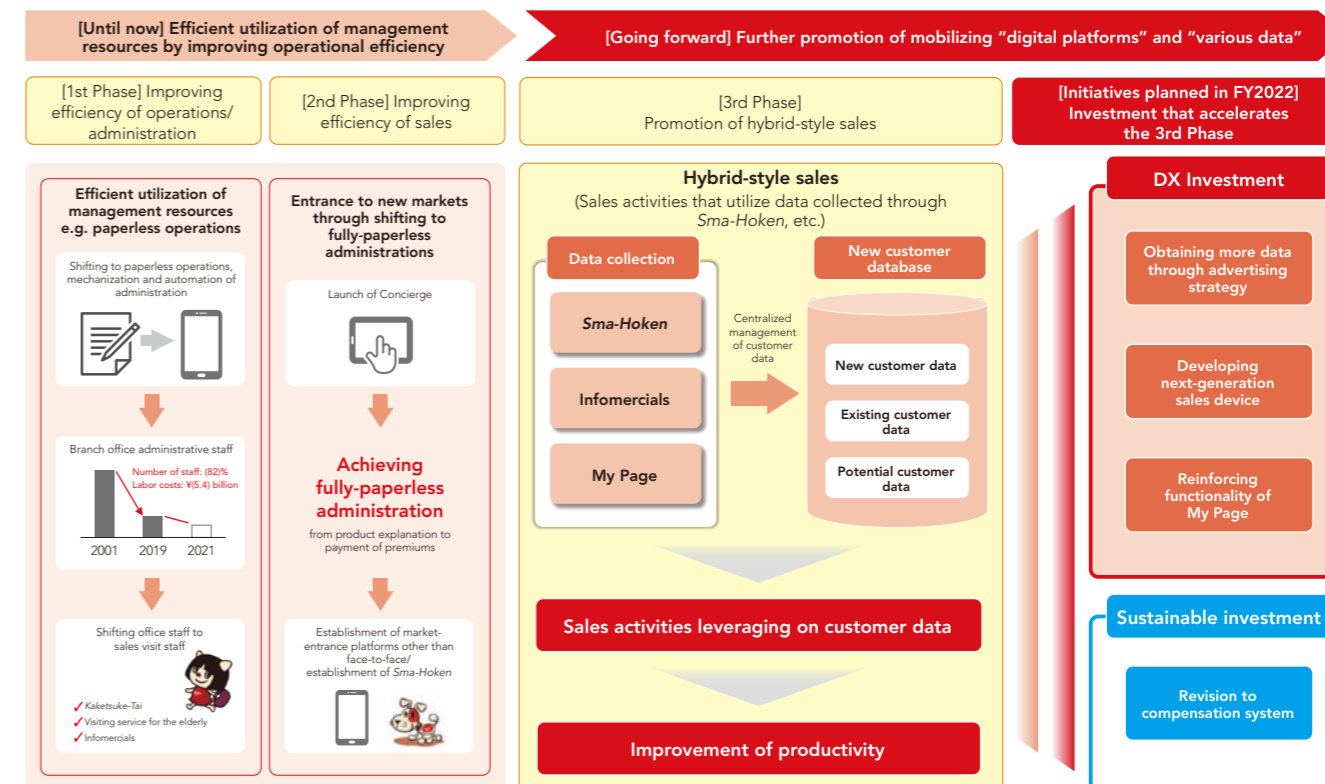
The company provides new industry-leading coverage through offerings with integrated products and services for customers.



Promotion of digital transformation (DX)

Taiyo Life will continue to make DX investments to further solidify its business model through the promotion of hybrid-style sales. Specifically, in fiscal 2022, the company is increasing its customer contact points through the obtainment of more data via advertising strategies, improving

productivity through the development of next-generation sales devices, and promoting the use of the *Taiyo Life My Page* online account service exclusively for customers by reinforcing its functionality.



Primary Theme I Strengthening of Core Business

Daido Life

"A Trusted Partner for SMEs" that Delivers More than What is Expected

Pillars of the sales strategy

In addition to the decrease in the number of SMEs and the aging of their managers, the environment surrounding SMEs is becoming increasingly severe due to the prolonged period of COVID-19 and the growing uncertainty caused by fluctuations in economic and financial conditions. In this context, Daido Life will focus on three pillars in its medium-term management plan starting from fiscal 2022: "Advancing the coverage provided," "Supporting solution of management issues," and "Reinforcing the 'power to connect'."

First, as "Advancing the coverage provided," the company will work on product development and updates centered on total coverage, which provides both death and disability benefit insurance.

Next, for "Supporting solution of management issues,"

the company will further contribute to the sustainable development and growth of SMEs by providing solutions that go beyond insurance, focusing on promotion of Kenkokeiei® (health-oriented management) and resolution of management issues among the increasingly diverse and complex social issues faced by SMEs.

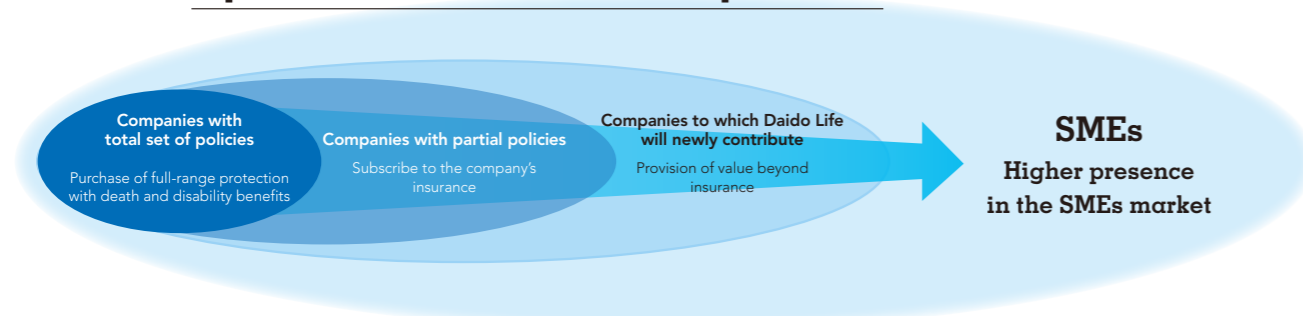
Lastly, for "Reinforcing the 'power to connect'." the company will evolve its sales structure and build a system to connect with more customers by innovating customer contact points and reforming the roles of its sales channels through a fusion of physical and digital.

Through these three pillars, the company aims to be a "trusted partner of SMEs" that provides full coverage for all SME employees and helps SMEs solve social issues.

* Kenkokeiei® is a registered trademark of the Kenkokeiei Nonprofit Organization.

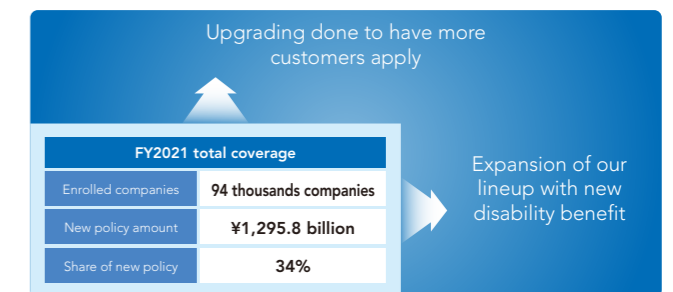


Expansion of customer (receiver of values provided)



1. Advancing the coverage provided (further reinforcing of total coverage)

Although there has been continued significant growth of total coverage, which is Daido Life's strength, there are still many companies that have not yet purchased it. Daido Life will further reinforce its total coverage by both expanding its lineup through the development of new disability benefit insurance products, and upgrading its lineup so that more people can apply to its products. Through this, the company aims to steadily increase the number of companies subscribing to total coverage.



2. Supporting solution of management issues

Health-oriented management is one of the most important themes among the social issues of SMEs because of its high affinity with insurance. Daido Life aims to support the health of SME employees through the expansion of KENCO SUPPORT PROGRAM (KSP), its unique program that supports health-oriented management implementation, and the promotion of Kaisha Minnade KENCO+,

its new product for health promotion. In addition, the company will further contribute to the sustainable development and growth of SMEs by expanding solutions that support the resolution of management issues such as sustainable management, and providing them centrally through "Dodai?", a web service for SMEs.



To continue to strengthen / expand the lineup, thereby expanding the areas in which we can fulfill our role

3. Reinforcing the "power to connect"

In addition to the stable growth of existing in-house sales representative and agent channels, Daido Life will achieve even stronger growth through new initiatives such as "channel mixing," which combines the strengths of in-house sales representatives and tax accountants, in addition to financial institution agents and FP and inheritance consultants.

The company will provide highly satisfying customer experiences and expand its points of contact with customers by strengthening its system for utilizing customer information and other data and by integrating in-person and remote points of contact as well as digital points of contact at its branches and headquarters.

Primary Theme I Strengthening of Core Business

Life Insurance Sales Discussion

Three employees that work in sales in the Group's mainstay domestic life insurance business shared their thoughts about company strengths, how COVID-19 changed the way they work, and the challenges that lay ahead. We also asked them about their own job satisfaction and how they are putting the Group's management vision into practice.



Taiyo Life
Hiratsuka Branch office
Miyoko
Tatsukawa

— First of all, please introduce yourself and tell us what you do.

Nishida It's been six years since I joined Daido Life, which specializes in the SME market. I worked in Osaka for the first three years, but after I got married I made use of the family transfer system to relocate to the Accountant Agency Management Shinjuku Branch, where I've worked for the last three years. I'm in charge of around 30 tax accountant offices and I provide support to tax accountants when they offer insurance advice to SMEs.

Tatsukawa I'm now in my seventh year at Taiyo Life, which targets the household market. I started at the Kurashiki Branch office before moving to the Yokkaichi Branch office. I then worked in the human resources department at the head office, where I was involved in training new employees and hiring new graduates. Currently, I'm a training manager at the Hiratsuka Branch office, where I train and manage not only sales representatives, but also young assistant managers within each bloc across Japan.

Hanashima Seven years ago I joined T&D Financial Life,

a Group company that supports independent insurance agents like financial institutions and insurance shops. We have offices in the four cities of Tokyo, Nagoya, Osaka, and Fukuoka, but I work in the Tokyo sales department. My job involves selling our products through the branches of banks and securities firms, as well as insurance shops.

— In what ways do you find your job rewarding?

Nishida For me, delivering outcomes that tax accountants can be happy about is the most rewarding thing. We use standard coverage to calculate roughly how much insurance a customer will require in times of need. Based on that and other data, I'll prepare materials and then together with a tax accountant, present them to the customer that is being advised by the tax accountant. As a result, it's fulfilling to see the customer satisfied with my proposal and hearing the tax accountant compliment me about the way I approached the customer and their situation. Even though we usually get transferred after three or four years, because I work hard to build relationships with the tax accountants, I hope I can accomplish as many things as possible to please them.

Tatsukawa My job is most rewarding when a sales representative generates results because of my encouragement. It's personally pleasing when a sales representative, who was unsure about what kind of proposal to offer to a customer, finalizes a contract based on my product design advice. I also feel really happy when I hear about young managers within the bloc producing solid results.

Hanashima Given that it's my mission to have the employees of banks and securities firms sell our products from among the many other insurance policies, it's really satisfying when they tell me our products are the ones they like the best, or when a new employee informs me they closed their first contract with one of our products. Also, because I visit the branches of banks and securities firms to conduct sales promotion training, I feel a sense of accomplishment when my guidance has helped a branch yield strong results by selling T&D products and is ultimately recognized for exceptional sales performance.

— How has COVID-19 changed the way you interact with customers and your own working style?

Nishida When the first state of emergency was declared, I started working from home and was unable to meet directly with customers. On the other hand, the customers of tax accountants held concerns about the coverage of their insurance policies, so we accordingly fielded more inquiries during that time about contract reviews and the like. I therefore used Zoom to hold discussions online, to propose policies, and to guide them through the online

application process. The tax accountants too had shifted their customer meetings to Zoom, so the whole transition went relatively smoothly. As meetings were held online, it was also easy for busy tax accountants and their customers to schedule appointments, so if anything, the frequency of communication may have actually increased. My travelling time was greatly reduced because I wasn't paying visits and my team finished work at 17:30 every day. We were also guaranteed paid leave every month, which also greatly improved the working environment.

Tatsukawa I've been visiting households from which we receive an infomercial or online insurance inquiry, such as from *Sma-Hoken* (internet channel). Of course, I make sure to adhere to all necessary COVID-19 measures when visiting households. I also post fliers in the surrounding neighborhoods and conduct sales activities when I have permission to do so. In the past, I used to accompany a sales representative on door-to-door cold calling, which resulted in few opportunities for meeting with new prospects. However, now we have many opportunities to meet with, and propose products to customers through direct data, such as infomercial, and the probability of finalizing contracts with these customers continues to increase. Also, I used to visit a lot of elderly customers, but now with more people working from home or teleworking, around 20%–30% of all my proposals are to the productive middle-age generation.

Hanashima After the first state of emergency was declared, restrictions on face-to-face sales were strictly enforced. I'm no longer able to drop in on branches and agents when I'm in the area, so now I mainly use Zoom or another similar application to run training sessions online for sales agents and the like. Also, the content of meetings is more important than ever before, which means I now focus more of my attention on the selection of topics and how I go about providing explanations. On the other hand, training sessions used to only have around 20 people in them and most people preferred that they were held in the evening, but with online meetings, people from other branches can also participate, which means we can have around 100 participants in a single session, so in this sense, the efficiency of our meetings have improved somewhere between five and 10-fold.

— Even during the COVID-19 pandemic earnings have been brisk, but what do you think are your company's strengths based on your personal experience?

Nishida Daido Life has long partnered with tax accountants to offer standard coverage to SME customers by telling them exactly how much insurance coverage they should take out as a precautionary measure rather than

as a tax reduction strategy. I think being able to continuously communicate the importance of insurance coverage is a company strength that has been highly rated even in the midst of changes brought about by the COVID-19 pandemic. Also, because the tax accountants have a good understanding of their customers' situations, they can quickly propose the most optimal solutions to accommodate their changing needs and circumstances, mainly by suggesting the kind of insurance required and where a policy review might be needed. Many customers think of insurance premiums as a company expense, but insurance is pretty much meaningless if it cannot cover the costs in the event of something happening to the company president or directors, so that is why the tax accountant always sits down with the customer to consider the worst-case scenarios, which is where the concept of standard coverage is really useful I think. I believe standard coverage is also one of Daido Life's biggest strengths, because it's something that cannot be proposed unless we work together with a tax accountant to gain a deep understanding of the company.

Another of our strengths is being able to provide information about supplementary services. Daido Life also offers a comprehensive health management app called *KENCO SUPPORT PROGRAM*. It lets customer companies collectively manage the health of their employees by providing information about lifestyle disease risks and encouraging them to take medical checkups, follow up on tests, exercise regularly, and eat well. It has been rated favorably in recent times by SMEs as a useful health management tool simply because more and more employees are not going outside as much and they are concerned about their health.

Tatsukawa I think Taiyo Life's biggest strength is its ability to swiftly provide new products in response to changes



Daido Life
Accountant Agency
Management
Shinjuku Branch
Midori
Nishida

in the times and society. For example, even during the pandemic, we were the first insurer to launch the *Infectious disease plus hospitalization insurance (Lump-sum payment type)*. Customers of this product have continued to increase. Furthermore, the market environment is changing rapidly because in the past we could only approach customers in places where we could physically visit ourselves, but now applications can be completed online. Our elderly customers have also taken a liking to this method because we can remotely confirm the information they have entered and provide support during the application process.

Hanashima I'd have to say that having banks as a sales agent channel is a major advantage. In fact, even during the pandemic, the number of people visiting banks has hardly declined. This is because a bank account is a key piece of infrastructure in one's life. On top of that, people working remotely or from home often visit their local bank branch.

Earnings are brisk because more people are reaching an age at which they need to give more thought to their own health and think about inheritance matters and we are also seeing previously uninterested people starting to take more of an interest in insurance. I think another of our strengths is the fact that we have focused our resources on developing nursing care and dementia insurance at a time when the pandemic made it hard for people to utilize day care and other care services, thereby exacerbating concerns about the risk of dementia. More specifically, we have a product called *Shogai Premium World 5*, which is one of our top-selling foreign currency denominated products, but the addition of nursing care and dementia riders sets it apart from the products of other companies, which is probably why sales are brisk in such a highly competitive category.

— Are you aware of any issues at present? What measures can be taken to resolve them?

Nishida I already mentioned the advantages of Zoom meetings, but there are also disadvantages to using online channels too much. For example, I think the relationships between tax accountants/their customers and Daido Life are somewhat lacking in substance. Real responses are hard to gauge online and customers find it hard to freely ask questions when explanations are so one-sided. As we are starting to come out of the pandemic now, I think a hybrid approach in which either online or real-life communication is used will become even more important. I particularly think in-person visits are required when a tax accountant is meeting their customer for the first time and we should continue to prioritize the visits until both parties are able to talk more freely with each other.

Tatsukawa Considering that we are currently in the so-

T&D
Financial Life
East Japan Sales
Department No. 1
Yuto
Hanashima



called "age of centenarians," offering innovative products and services ahead of our rivals will be a challenge going forward. For example, I think we will need to develop insurance that not only provides coverage to somebody with dementia, but also helps arrest its onset when the first signs of the illness appear. Daido Life currently offers SMEs a health management app, but Taiyo Life is also endeavoring to help prevent dementia by developing a health promotion app for the elderly that encourages them to go for walks and play brain-training games. We also provide a support service called *Kaketsuke-Tai* whereby a Taiyo Life employee promptly visits customers that have been hospitalized or operated on, for example, to make sure they complete the procedures for claiming insurance benefits and the like. The steps to claim benefits can be completed on a mobile device and payment can be made in as little as 10 minutes after some surgical procedures, such as the removal of cataracts or colon polyps. Naturally, this service has been favorably received by customers. I therefore think it's important that we continue to increase the number of Taiyo Life "fans" by further enhancing such add-on services.

Hanashima The population of people aged in their 60s that will soon be eligible to receive a large sum of money such as retirement allowances is rapidly swelling. Our sales division is thus focused on selling single-premium products. A few moments ago I mentioned that one of our foreign currency-denominated products is a top seller. That product is largely impacted by interest rates and the foreign exchange environment. This obviously presents a challenge, which is why we developed *Hybrid Asset Life*, a variable whole life insurance product that combines the features of an investment trust with life insurance. So that our products always remain best sellers even when there is considerable volatility in interest rates and forex markets, we are currently employing a two-pronged sales approach

that consists of not only foreign currency-denominated products managed in the foreign bond market, but also a lineup of yen-denominated products with the use of investment trusts. Incidentally, the variable insurance we developed has very low running costs and the investment gains it generates are steadily returned to customers, which is why sales of this product were exceptionally brisk last fiscal year.

— What do you think is needed to further deepen the life insurance business?

Nishida Daido Life's vision is to be a trusted partner for SMEs that provides value more than expected. Accordingly, in order to consider what might prove useful for the purpose of helping SMEs solve problems, it's imperative that we capture what corporate managers and tax accountants are actually looking for. To that end, it's vital that we collect information.

Tatsukawa I think we must respond to the needs of Japan's rapidly aging society, actively incorporate technological innovation, including digital transformation, and manage our business operations in a sustainable manner. As I'm in charge of training sales representatives, I think it's important that we try and improve the level of training. For instance, with online training we should be connecting branches to the head office or to other branches.

Hanashima Competition with rivals is heating up in terms of product development, so I think the biggest challenge for us going forward is to highlight the added value of our products with riders and other special clauses, rather than focusing on interest rates or other product features that are hard to differentiate. It will also be important to delve deeper into the nursing care and dementia needs of customers, provide added value with services and the like that utilize *Kaigo Concierge*, and aim to develop products

that are finely attuned to customer needs instead of just providing financial security.

— Finally, how do you practice the Group's management vision of "Sow happiness, make change with boldness"?

Nishida People tend to heedlessly put off life insurance unless something actually happens to them or if someone in their immediate family is gravely ill. However, if something happens to an SME that lacks the financial stamina of bigger corporations in particular, it would already be too late. So at the risk of repeating myself, I team up with tax accountants to provide information to SMEs and urge them to take out the insurance policies they require in order to shore up their defenses and help them give their undivided attention to business management with greater peace of mind.

Tatsukawa In particular, I make sure that our sales representatives leave the office every morning in high spirits. I always talk to them in a positive manner during morning meetings and training sessions by suggesting topics they could discuss with customers or proposals they might like to try. By meeting each and every one of our sales representatives in person, I hope to be someone whom they can come and talk to first if they have any concerns. I always make an effort to speak to them and check that nothing is bothering them and that their attitude is still the same. I believe that sowing happiness in the world should start with a bright and cheerful workplace.

Hanashima I basically never get to meet our end user customers, but I'm always mindful of talking to people from our financial institution sales agents as if they actually were our end users. I ultimately give first priority to the creation of happiness for our end users by providing whatever support I can to our sales agents.



Primary Theme II

Diversification and Optimization of Business Portfolio

Positioning the closed book business as a strategically important area and strengthening initiatives

To diversify our business portfolio, we have been making closed book investments that have strong affinity with our domestic life insurance business. In fiscal 2020, we invested in Fortitude, a reinsurance holding company based in Bermuda.

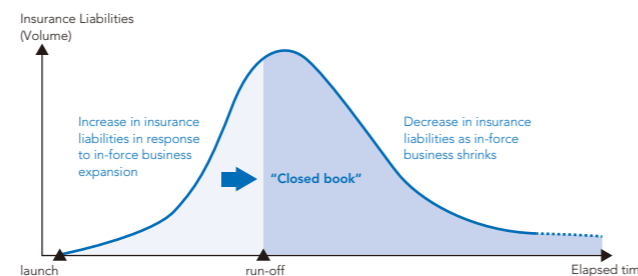
We are also acquiring and accumulating know-how with a view to developing a closed book business in Japan, as the market is expected to expand in future with the introduction of economic value-based capital regulations in Japan in fiscal 2025.

About "closed book"?

"Closed book" generally refers to a policy (or block of policies) in force for a product that has been discontinued by an insurance company.

In the developed insurance market, sales of capital-heavy traditional life insurance products with high capital requirements were suspended under the new capital regulatory framework. These products are being sold as closed books due to their reduced scale as a result of the suspension of sales and the expected long-term increase in administrative costs, among other factors.

Life-cycle of insurance product (from launch to "Closed book")

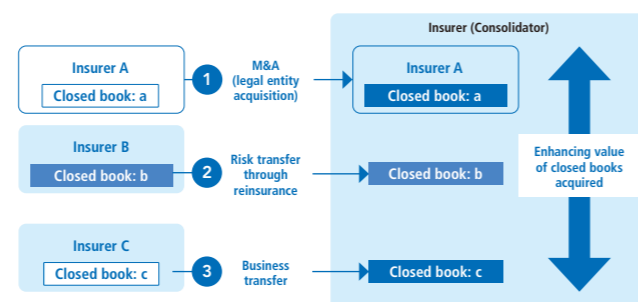


What is "closed book business"?

Acquisition and consolidation through M&As and reinsurance transactions to enhance value and realize profits

A "closed book business" is a type of insurance business that aims to realize profits by acquiring and consolidating closed books of other insurance companies through mergers and acquisitions (M&A), reinsurance transactions, and other means, and enhancing their value. There are three main methods for increasing value. The first is better efficiency through scale of economics. Cost synergies are created by consolidating multiple closed books and fully leveraging in-house IT platform. The second method is to enhance investment yield. It involves improving RoR through the optimization of the investment portfolio based on insurance liability profile and regulatory capital requirement, etc. The last method is the improvement of capital efficiency. For example, by creating a risk dispersion effect by offering a diverse product lineup and diversifying geographic regions, the company will reduce capital requirements and increase capital efficiency.

New business acquisitions and value-enhancement in closed book business



Better efficiency through scale of economics	Pursue cost synergies in IT/admin areas through "consolidation" <ul style="list-style-type: none"> Fully leveraging in-house IT platform Maximizing bargaining power in case of business process outsourcing
Investment yield enhancement	Improve RoR through investment portfolio optimization based on insurance liability profile and regulatory capital requirement, etc. <ul style="list-style-type: none"> Including taking liquidity risk (e.g., shifts from IG corporate bonds to illiquid credit assets)
Capital efficiency improvement	Control capital requirements through in-depth risk management on assets and liabilities <ul style="list-style-type: none"> Including (1) reducing duration gap between assets and liabilities / further cash flow matching, (2) diversification benefits through consolidating various product lines and geographical risks

The growing closed book business

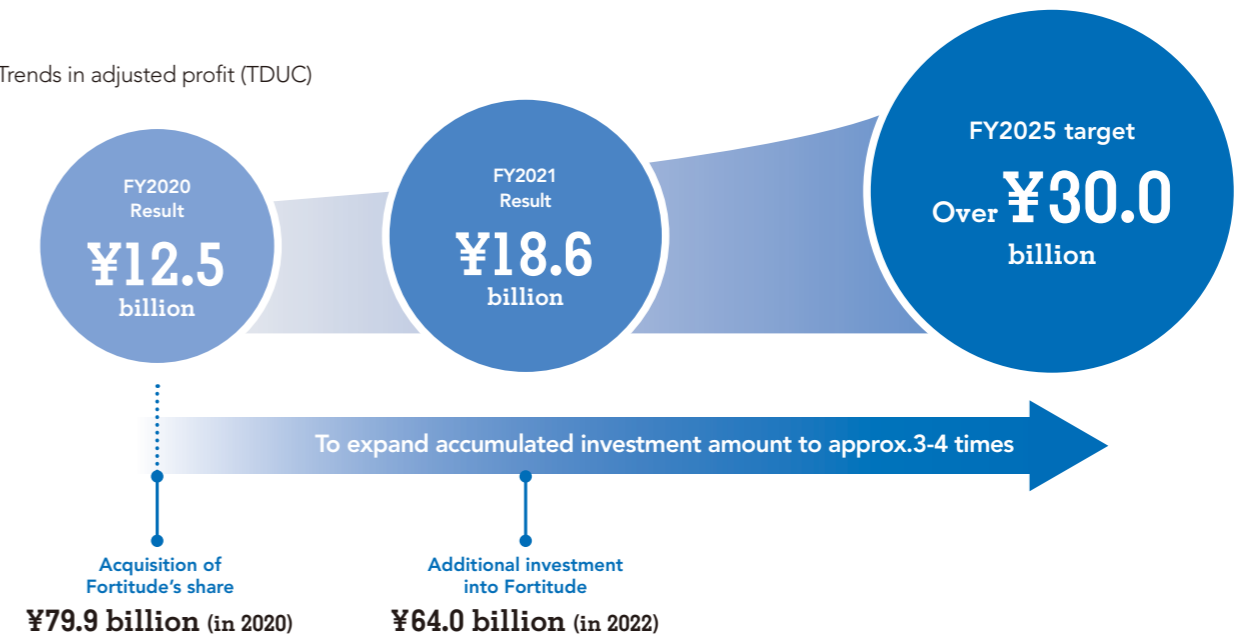
TDUC, which is responsible for promoting growing sectors in our Group, is engaged in the closed book business through the investee companies.

Fortitude, TDUC's principal investment, has been made an equity-method affiliate, which acquired its equity interest from AIG in fiscal 2020, and is one of the reinsurers with a strong position in the closed book market. The recent acquisition of new books by the principal investment

Fortitude is progressing well, and is expected to contribute to TDUC's adjusted profit growth in the future.

Furthermore, TDUC made an additional investment of ¥64 billion in Fortitude in 2022 (including its investment commitment, same hereafter on this page), and is making steady progress toward achieving its adjusted profit target of over ¥30 billion in the Group Long-Term Vision.

Trends in adjusted profit (TDUC)



The additional investment brings the cumulative investment in Fortitude to just under ¥150 billion, reaching the "milestone" that was originally envisioned. We will consider further collaboration with Fortitude in the development and expansion of our Japanese business. In fiscal 2021, Fortitude underwrote the reinsurance of Taiyo Life's negative spread block. We will continue to consider initiatives in collaboration with Fortitude in reinsurance transactions with the Group.

We will also continue to pursue new investment opportunities that allow us to disperse our risk exposure in terms of business model, geography, and other aspects with Fortitude by leveraging the experience and know-how we have gained through our investment in Fortitude. We also expect that the size of the new investment during the period of the Group Long-Term Vision will be about the same as the amount of the investment in Fortitude.

To drive forward "expanding the scale" of closed book business concurrently with "risk diversification within the investment portfolio."



Building a digital customer platform

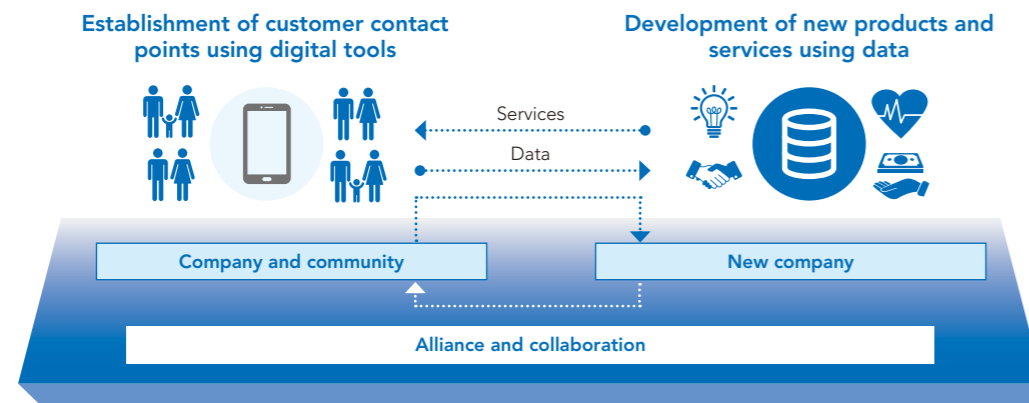
Developing and providing new products and services by building contact points with customers using digital tools and utilizing data

Due to Japan's declining birthrate as well as its shrinking and aging population, the domestic market is becoming increasingly competitive, and a major challenge is how to establish contact with customers going forward.

To this end, we are conducting consideration on building a new customer platform by utilizing digital tools such as social media and apps, as well as by collaborating with businesses and communities.

By utilizing data to gain a deeper understanding of our customers, we aim to develop and provide new insurance-centered products and services based on our customers' perspective.

In the future, we plan to contribute to the diversification of the Group's overall customer contact points by establishing long-term and stable relationships with customers and by linking the established infrastructure within the Group.



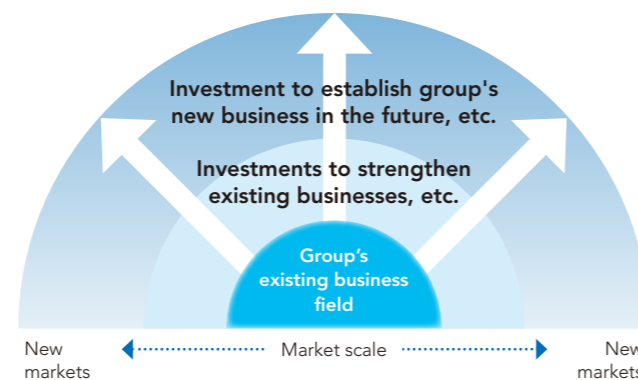
Corporate venture capital fund initiative

Building relationships and co-creating businesses with startup companies that have advanced technologies and business models to accelerate "Creation of Shared Value"

With today's accelerating pace of environmental change and technological innovation, it is becoming increasingly difficult for companies to create innovations by themselves.

Therefore, in order to further accelerate the "Creation of Shared Value" that generates both financial and social value, our Group has established a corporate venture capital (CVC) firm with Spiral Capital as a partner for the purpose of building relationships and co-creating businesses with startup companies that possess advanced technologies and business models in the healthcare and InsurTech fields.

Through CVC, we aim to pursue financial returns through IPOs and other means while prioritizing strategic returns such as new business creation and strengthening existing businesses.



Primary Theme IV

Promoting Integrated Group Management

Shared use of customer information within the Group

One of the key themes of the Group Long-Term Vision is to fully use Group management resources as much as possible and promote integrated Group management.

As part of this, we will work on shared use of customer information within the Group. By sharing and utilizing customer information held by Group companies in a variety of situations, we will enhance the sophistication and added value of the products and services we provide to our customers. Particularly in terms of sales, if there is

a product or service that a certain Group company does not provide, then we will have another Group company provide it to customers, which will lead to the increase of new customers and retention of existing customers.

Initially, Pet & Family Insurance will be the starting point for expanding the Group's customer contact points. In the future, we will expand the scope of our efforts by utilizing information acquired through the establishment of a digital customer base.

Strengthening IR activities within the Group

Group IR

Since fiscal 2022, we have been strengthening IR activities within the Group with the aim of sharing the Group's direction as well as promoting stronger market discipline and other such matters. For the Group's current IR activities, we have also devised ways to make IR more familiar and approachable to Group employees, such as by using the nickname "Group IR" reflecting the fact that the term "IR" sounds like the phrase there is love in Japanese.

Under the "Group IR" initiative, which began in April and will continue through September, our management team is holding small meetings in an interactive format with several hundred managers of the Group. The management team conveyed the purpose and significance

of the Group's being listed on the stock exchange, issues faced by the Group as seen by the market, and the Group Long-Term Vision. The participants raised a variety of opinions, including Group issues as seen from the frontlines and their expectations for the Group Long-Term Vision. There were lively discussions during the meetings.

In addition, by October, we will use video and e-learning to hold briefings for all employees, including in-house sales representatives, and also activate the employee shareholding association.

We plan to further promote the "Group IR" initiative to achieve the Group Long-Term Vision.



Group IR in action

Dialogue Between Expert and Executive Vice President

T&D Insurance Group's Initiatives to Address Sustainability Issues



Kenji Fuma
CEO, Neural, Inc. / Specially Appointed Professor,
Shinshu University



Kanaya Morinaka
T&D Holdings, Inc.
Representative Director and Executive Vice President

Morinaka The T&D Insurance Group has formulated the Group Long-Term Vision looking ahead to fiscal 2025, with "SDGs management and creation of value" as one of its priority themes. Our aim is the "Creation of Shared Value" that will both solve social issues related to the SDGs and improve financial value. In addition, in order to unify the Group's approach and direction and demonstrate our commitment to sustainability issues to society at large, in May 2022 we formulated the T&D Insurance Group Sustainability Statement, in which we once again clearly lay out the four pillars of our approach.

The first of these is "Promote healthy and abundant lives for all people," which can be said to be the number one goal of the insurance business. The second is "Provide workplace environments that enable all people to participate actively." For example, we have launched a "Head Office Anywhere" initiative that uses DX technology so that our employees can work on the head office tasks regardless of their location, whether at home or in a rural area. The point is not just to deal with COVID-19 but to enable a way of working that allows employees to balance work with childcare or nursing care. The third pillar is "Help mitigate and adapt to climate change." To become carbon neutral by 2050, the Group has set a goal of re-

ducing CO₂ emissions by 40% from the fiscal 2013 level by fiscal 2025. We have also joined RE100, an international initiative that aims to procure 100% of the electricity used in business activities from renewable energy sources. The fourth pillar is "Invest to help build a sustainable society." As a responsible institutional investor, we are committed to ESG-conscious investment.

We established a Sustainability Advisory Committee based on the belief that it is important to incorporate the perspectives of outside experts and the latest trends in order to improve these sustainability activities, and you have graciously agreed to join the Committee as an advisor. That's why I'd like to take this opportunity to ask your honest opinions on the Group's sustainability initiatives.

I'd like to see you play a leading role in leading the industry in a sustainable direction

Fuma When exchanging views with you all on the Committee, I really feel that insurance has been intended from the very beginning as a system to support a safe and secure society, which makes it a business that is closely related to sustainability by its very nature. At the same time, in these days when uncertainty is increasing, expectations for

Primary Theme V SDGs Management and Creation of Value

SDGs Management and Creation of Value

The Group's core business is the life insurance business, and we mainly focus on having sustainable business that provides customers with safety and peace of mind through our products and services. At the same time, as an institutional investor, we are closely connected to economic development and the realization of a sustainable society, and we have a responsibility to contribute

to society through our business. From among the various areas of sustainability related to our business activities, we have selected four sustainability priority themes to mainly focus on major social issues that are of high importance to society and have significant relevance to our business. By addressing these priority themes, we aim to create shared value and cultivate "happiness of the society."



Creation of shared value

Achieving our non-financial KPIs



Basic approach

Through life insurance business, the Group's core business, we will create shared value and cultivate "happiness of the society" by addressing the sustainability priority themes (materiality).

Priority theme (1) Promote healthy and abundant lives for all people

We will contribute to solving social issues by providing optimal, high-quality products and services that meet the needs of our customers.



Priority theme (2) Provide workplace environments that enable all people to participate actively

We will promote business activities that respect the human rights of all stakeholders, including our business partners and employees.



Priority theme (3) Help mitigate and adapt to climate change

Through our business activities, we will contribute to climate change mitigation and adaptation, and work to create a net-zero society and conserve biodiversity.



Priority theme (4) Invest to help build a sustainable society

As a responsible institutional investor, we will contribute to environmental, social, and corporate governance (ESG) issues through our investment and financing activities.



the insurance industry are very high not only in Japan but also in Europe and the U.S., so I think it's commendable that T&D Holdings has sorted out anew what is required of it by stakeholders and published it in the form of a statement. T&D Holdings is also in a position to provide long-term funding, so I'd like to see you play a leading role in leading the industry in a sustainable direction.

Morinaka Among many insurance companies, Daido Life is one that has focused on insurance for SME owners, and most of its 370,000 customers are companies with five or fewer employees. For such companies, insurance is extremely important to protect the company and the livelihoods of employees and their families when the owner dies or becomes unable to work due to injury or illness. In Japan, when an SME receives a loan from a bank, the company management and the individual are one and the same, and the owner and the owner's family are required to be co-signers. It is said that this hinders the development of startups. With that in mind, we want to provide an environment where startups and SMEs can take on challenges confidently with the understanding that the essential function of insurance is "protection."

From Environment to Natural Capital

Fuma Insurance companies are the companies with the greatest sense of urgency about climate change. And in their role as a source of long-term financing, insurance companies have also become central players in creating a groundswell of climate change action. However, we should keep in mind that there's a growing movement that recognizes that climate change and decarbonization are no longer enough — we have to approach the issue as "natural capital," including biodiversity conservation. In addition, in Japan, there's a growing information gap on sustainability between large enterprises and SMEs. I would like to see T&D Holdings fill that gap, since as an ESG investor, you're in a position to quickly obtain global information on this issue, while at the same time you have an excellent channel to the SMEs.

Morinaka Yes, we're frequently asked to play that role. Especially for SMEs embedded in overseas supply chains, addressing sustainability is an existential risk, and we believe we have a responsibility to provide information to ensure that they are not cut out of the supply chain. We also believe that increasing the level of sustainability of SMEs is beneficial to us, as it leads to business stability.

Long-Term Funding to Support Social Business

Morinaka As a company entrusted with funds for 30 or 40 years, long-term investment is something we do better than banks. The Group's ESG investment balance has increased by about ¥100 billion every year to over ¥600 billion today, including the hydrogen power generation business, which emits no CO₂, and green bonds. We would also like to use long-term funding to support social businesses that can't be part of our core business, so in June 2022, we established a corporate venture capital fund with a partner company with the goal of investing aggressively in startups with innovative technologies and ideas. This is directly related to the development of startup companies I mentioned earlier.

As an aside, at the fifth Nikkei Social Business Contest in 2021, which we co-sponsored, to my surprise, a team of high school students won the grand prize for developing an app that contributes to reducing CO₂ emissions by recording CO₂ emissions in a household account book as if it were a game. In addition to the brilliance of the idea, I was impressed that the members of Generation Z are so conscious and serious about the environmental issues, taking them as a crisis they will have to face.

Fuma With regard to non-environmental SDGs, Japan's Ministry of Health, Labour and Welfare has taken up the topic of "health and nutrition" in an effort to maintain Japan's universal health insurance system and prevent the collapse of medical care. The government has also issued alerts related to nutrition amidst climate change, the COVID-19 pandemic, and now the Russian/Ukrainian situation threatening food security. The Ministry has long been concerned about the negative impact of climate change on the health and nutrition of Japanese citizens, and is eager to share its awareness of the problem with the private sector and to enlist their help. Looking to the future, the deeper we dig, the more challenges arise. For companies like T&D Holdings that are in a position to view the sustainability of the world from a very long-term perspective, it's a moment of enormous risks and opportunities, and I hope T&D Holdings will exercise leadership on the "Creation of Shared Value."

Morinaka The number of people newly diagnosed with cancer decreased for the first time in 2020. This is attributed to the decrease in cancer screening visits due to the COVID-19 pandemic. We live in an era when cancer can be cured if it is detected early enough by annual cancer screenings. The decline rate of early-stage cancers that are less symptomatic and more likely to be detected by screening is usually greater than that of advanced cancers

that are discovered later through obvious symptoms. The Ministry is therefore encouraging cancer screening, and an increasing number of large companies are engaged in this kind of health and productivity management, but I think there are many SMEs where even the owners don't get medical examinations. Comparing cancer screening rates in Japan and the U.S., the U.S. rate is about 80%, while Japan's rate is about 40%. Just improving this figure alone would have an impact, so in terms of contributing to the health of everyone, we believe we can be of service in this area as well.

Taiyo Life also has a subsidiary called the Taiyo Life Aging Society Institute that investigates and researches social issues such as countermeasures to the declining birthrate and extension of healthy life expectancy, publishes its results, and develops them into insurance products and services. For example, walking speed gradually decreases with age, but it is now known that if a person's walking speed drops suddenly, the person may be at increased risk of mild cognitive impairment, a precursor to dementia. We utilized these results in our Taiyo Life health promotion app, which supports customers in improving various aspects of their health including walking and sleeping. In addition, Taiyo Life is developing products and services such as *Himawari Dementia Prevention Insurance* to help everyone live long and healthy lives in the era of the 100-year life.

Spreading Awareness of SDGs Management and Creation of Value

Morinaka By the way, do you have any advice on how to spread awareness of the Sustainability Statement throughout the Group?

Fuma Sustainability awareness is not something that can change dramatically over a few hours of training. DX should be used to maintain a constant flow of information, and it's also important that both management and in-house sales representatives on the front lines can explain the importance of sustainability in their own words, not someone else's. Also, since most employees will be passive at first, I think it's better to start by explaining sustainability in a way that is familiar to them, for example, and by giving them tips that they will be interested in and will want to pass on to the outside world.

Morinaka Indeed, if the motivation of employees increases and the number of employees who act autonomously increases, this will boost both productivity and profitability. To that end, we should continue to pursue becoming a good company that solves social issues, and

we should also keep this in mind when thinking about how we communicate with employees. Finally, do you have any thoughts to share with the Group?

Implementing the "Creation of Shared Value"

Fuma The results of sustainability initiatives are not immediately apparent, but it is important to accumulate them on a daily basis. I often refer to it as "the long journey." It's also a journey where new challenges arise endlessly. That journey has begun anew, but as we know, there's nothing more unsettling than a journey without a clear purpose and goal, and if stakeholders become unsettled, they're likely to leave. For T&D Holdings, it's a journey with four priority themes, on which I am privileged to give advice as the Company clarifies the direction and implements the "Creation of Shared Value" in this ever-changing business environment.

Finally, another major social issue that has emerged in the world is the division caused by inequality. There is wage inequality, employment inequality, and regional inequality, and Japan is not immune. As these disparities widen and become entrenched, various effects arise. I would like you to do some research on this matter as well.

Morinaka Thank you for your wide-ranging opinions and suggestions on the theme of solving social issues. The initiatives set forth in the Group Long-Term Vision are now in their second year of implementation and, with your help, are making steady progress. The points you've raised will help us improve our initiatives in the future. Meanwhile, together with our employees, we will strive to become a better company while taking care of our stakeholders. So, thank you for your continued guidance and support.

