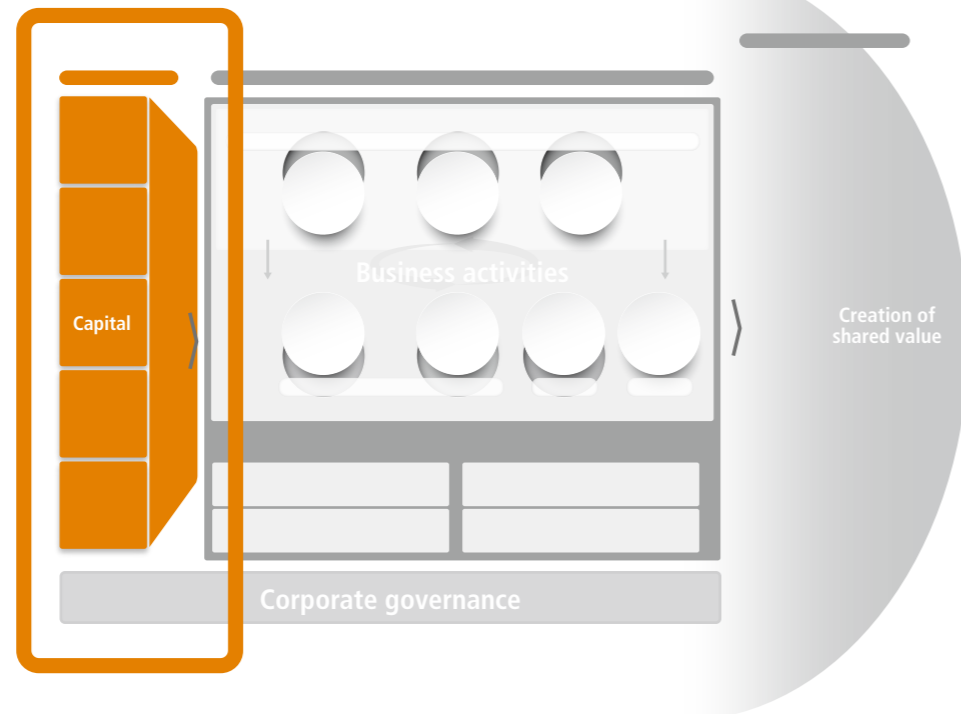




CHAPTER 03

Further Advancement of Capital and Risk Management

The T&D Insurance Group aims to boost the five forms of capital (Financial Capital, Human Capital, Intellectual Capital, Social and Relationship Capital, and Natural Capital) and strives to prevent them from being damaged. By injecting them as sources required to implement our business activities and strategies, the Group contributes to the creation of shared value.



Competitive Advantage Source — (1)

Financial Capital

The T&D Insurance Group enhances capital efficiency and ensures a solid management base by leveraging its specific financial strategy.

Profitability Indicators (March 31, 2022)

Group Adjusted Profit **39.2** billion [¥116.0 billion]^{*1} Adjusted ROE **2.7** % [7.8%]^{*1}

Value of New Business **¥116.9** billion ROEV^{*2} **7.0** %

*1 Figures in brackets exclude the impact of Taiyo Life's reinsurance
*2 Base excluding temporary valuation gains/losses, etc. related to Fortitude

Return to Shareholders (Fiscal 2021)

Adjusted DOE **3.5** % Total Payout Ratio **183.9** %

Soundness Indicators (March 31, 2022)

ESR **236** %

T&D Holdings (consolidated) **1026.3** % Daido Life **1203.8** %

Taiyo Life **734.2** % T&D Financial Life **749.5** %

Towards More Sophisticated Financial Strategy

We are working to further advance ERM and upgrade our capital management.

Message from the head of finance
Hotaka Nagai
Managing Executive Officer



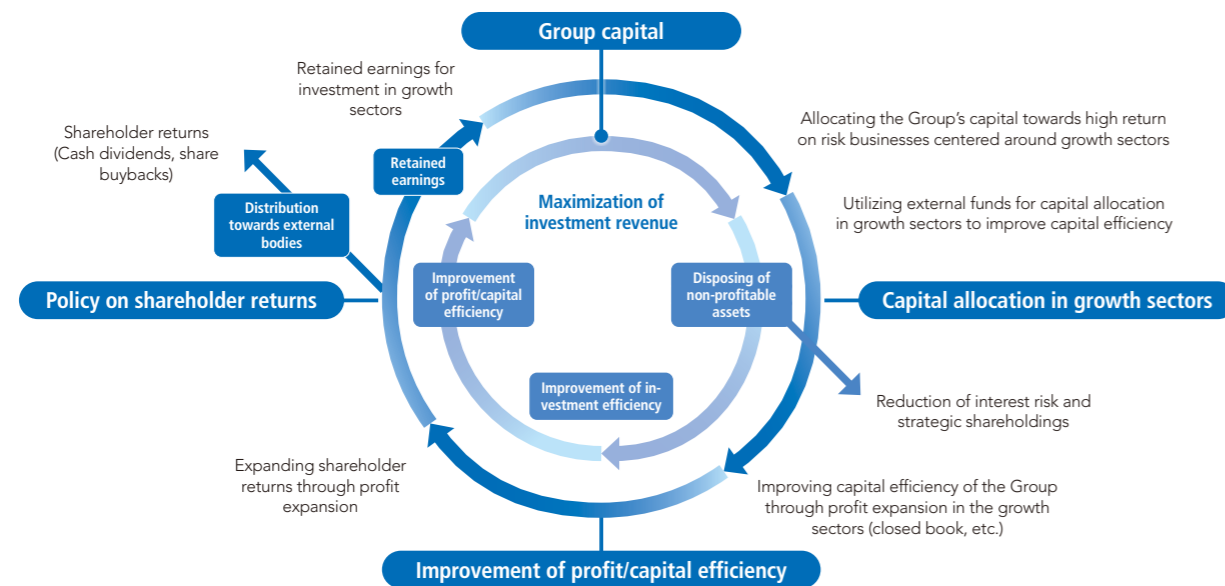
Improving capital efficiency is an important issue for increasing stock price, and is positioned as the most important theme in the Group Long-Term Vision formulated in fiscal 2021.

As Managing Executive Officer in charge of the Financial Strategy Department, I intend to contribute to the enhancement of corporate value by promoting the further advancement of ERM and capital management.

Capital management cycle

The key to improving capital efficiency, as set forth in the Group Long-Term Vision, is the implementation of the capital management cycle as shown below. By allocating stable profit and capital generated from our core life insurance business to growth sectors centered on the closed book business, we plan to enhance capital effi-

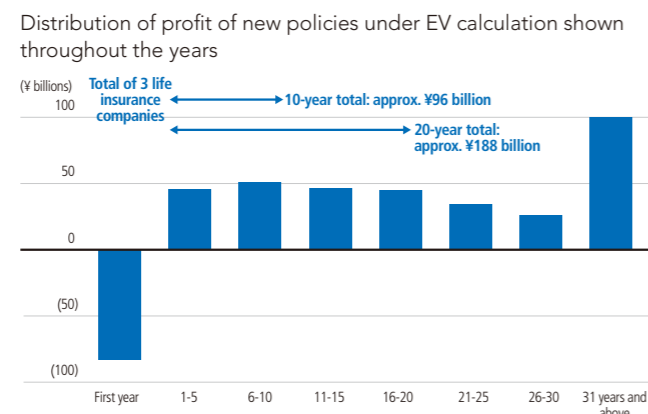
ciency through profit expansion in the growth sectors. It is also important to create a favorable cycle in which we boost shareholder returns with expanded profits as well as allocate retained earnings to further growth of the life insurance business and investment in growth sectors.



Profit improvement on an economic value basis

Along with the pursuit of profit on an accounting basis, the Group is focusing on increasing profits on an economic value basis, with particular emphasis on building up the value of new business, which is one of our financial KPIs. Due to the special characteristics of life insurance accounting, initial costs (provision of policy reserves, sales commissions, etc.) at the time of acquisition of insurance

policies can be a factor that drives down profit on an accounting basis in the first fiscal year of policies. However, from an economic value-based perspective, they are a source of future profits, and the stable accumulation of the value of new business each year will lead to the recording of stable profits in the future.

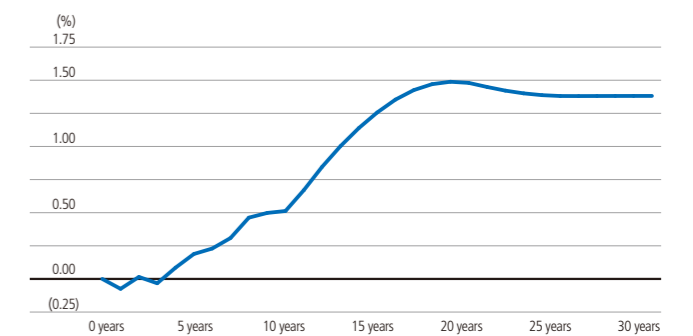


* Initial contract profits are lower than actual accounting-based profits because investment income is calculated at the risk-free rate
* Compiled on the basis of value of new business for the fiscal year ended March 31, 2022

In addition, the investment yield should be evaluated on the basis of the overall yield, which takes into account not only realized gains and losses but also unrealized gains and losses, and ALM assets should be managed together with insurance liabilities.

In the previous fiscal year, Taiyo Life's reinsurance was recorded as a significant loss in terms of accounting-based profit, but had a positive effect on an economic value basis.

Interest rate level (precondition for EV)



* Forward rate; after 31 years it converges to the ultimate forward rate (3.8%) in 30 years

Management on both an economic value basis and a financial accounting basis

From a medium- to long-term perspective, profit on a financial accounting basis will converge with profit on an economic value basis, and increasing profit on an economic value basis will lead to higher financial accounting-based profit.

On the other hand, looking at our situation, the level of profit on a financial accounting basis remains low compared to indicators of profit on an economic value basis, such as

MCEV increase and value of new business. Recognizing that this is one of our important issues, the Group Long-Term Vision sets the Financial KPIs of value of new business on an economic value basis and ROEV as well as Group adjusted profit and adjusted ROE on a financial accounting basis, and implements both economic value-based and financial accounting-based management.

Improvement of adjusted ROE

The Group's policy performance in its core life insurance business has been strong amidst the COVID-19 pandemic, with a steady accumulation of policies in force.

By investing the profits generated from our life insurance business in growth sectors, we will strive to increase Group profits. The Group Long-Term Vision calls for investment in growth sectors, including the closed book business, which is expected to grow at a high rate. In the current fiscal year, the Group made an additional invest-

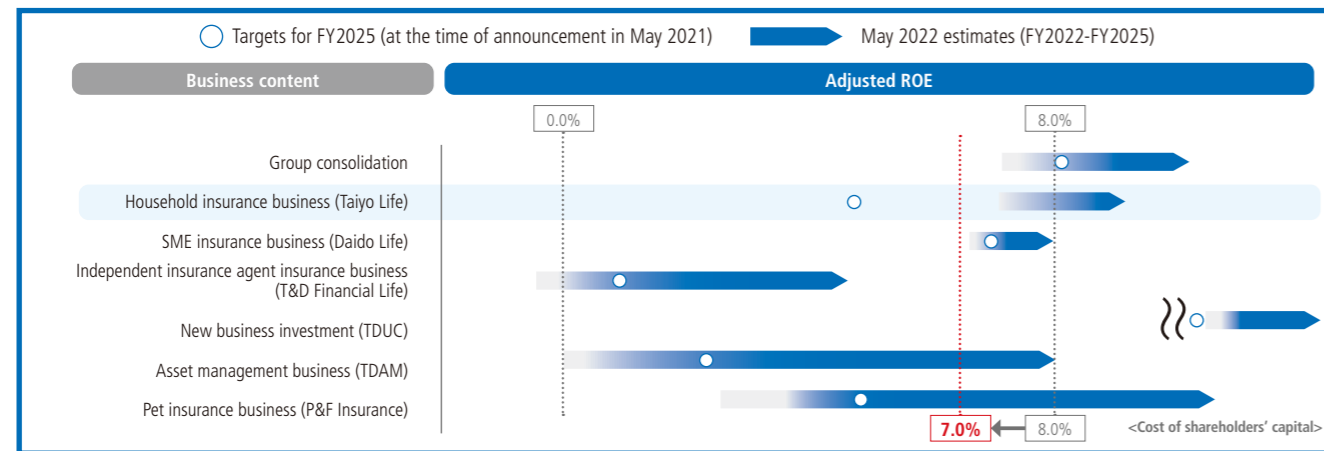
ment of ¥64 billion from Taiyo Life and Daido Life capital in Fortitude Group Holdings, LLC, a US reinsurance company. We will similarly invest capital in new businesses, such as CVC, to plant the seeds for future expansion of revenue sources.

Through these efforts, we will achieve Group adjusted profit of over ¥130 billion yen, a KPI of the Group Long-Term Vision, and increase adjusted ROE.

Reduction of cost of capital

We recognize that reducing the cost of capital is also an important issue. Based on CAPM, we estimate the current level of our cost of shareholders' capital to be around 8%, and we are working to firstly reduce this level to 7%. In or-

der to reduce cost of capital, we will promote the reduction of investment risk based on ALM and the improvement of earnings stability by expanding insurance risk.

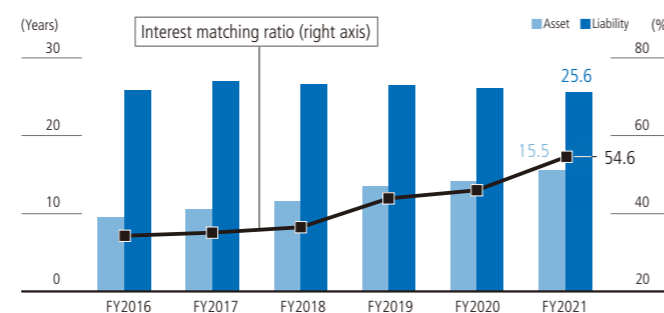


Reduction of interest rate risk

To further enhance ALM, we intend to reduce interest rate risk. Specifically, Daido Life plans to raise its interest matching ratio to 60-70% by the end of March 2026, and to continue to reduce interest rate risk thereafter (Taiyo Life already has an interest matching ratio of around 70%). When the domestic interest rate level begins to rise, we will consider bringing forward the increase in the interest matching ratio or raising the target ratio.

While enhancing ALM, we make effective use of surplus capital and diversify investments in foreign currency denominated assets, equities, and the like to improve the expected return of the overall portfolio.

Daido Life's asset/liability duration and interest matching ratio

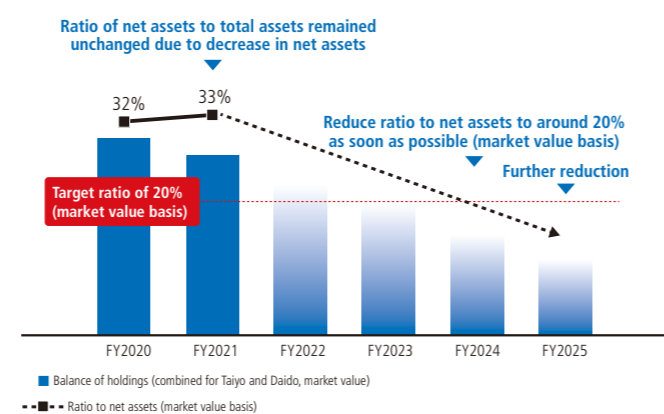


*1 Only yen-interest assets are applicable. UFR has been applied from the end of March 2019.
 *2 Interest matching ratio is a monitoring indicator used within the Group to manage how asset/liability duration matches considering the amount.
 Interest matching ratio = (Asset duration × Asset present value) ÷ (Liability duration × Liability present value)

Reduction of strategic shareholdings

Our strategic shareholdings policy is to reduce policy stockholdings to 20% of net assets as soon as possible after examining the purpose and effectiveness of each individual stock holding, and to further reduce them thereafter.

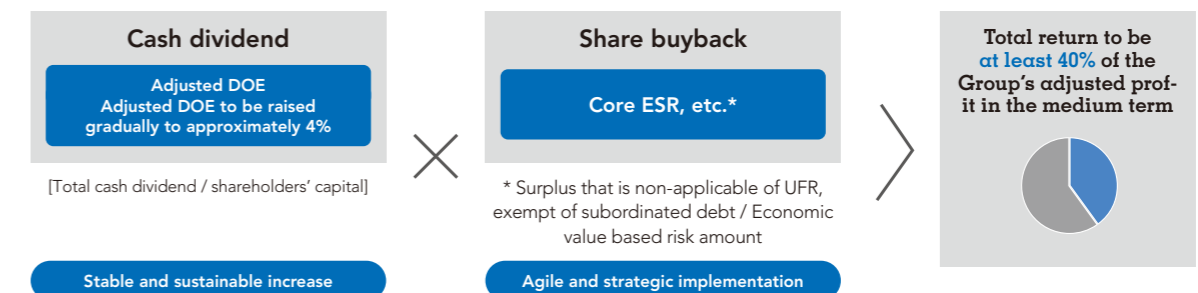
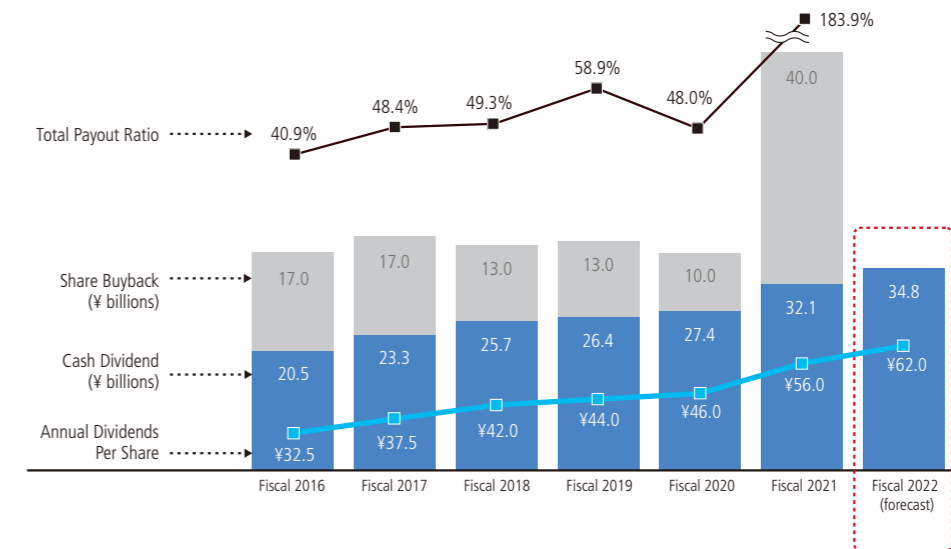
Changes in strategic shareholdings (listed) (market value basis)



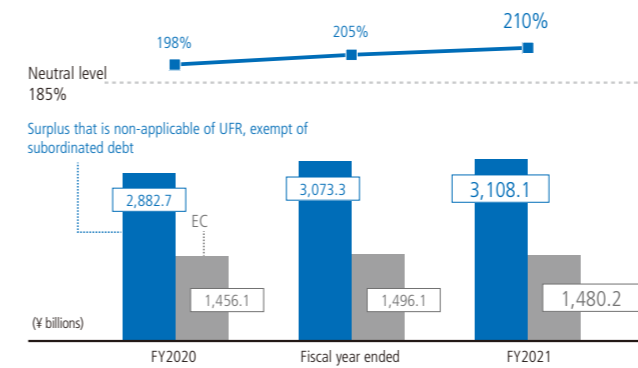
Policy on shareholder returns

We will increase cash dividends steadily and sustainably under the policy of gradually raising the adjusted DOE to 4%. Share buybacks will be implemented agilely and strategically, taking into consideration capital adequacy, growth investment, stock price levels, and other factors.

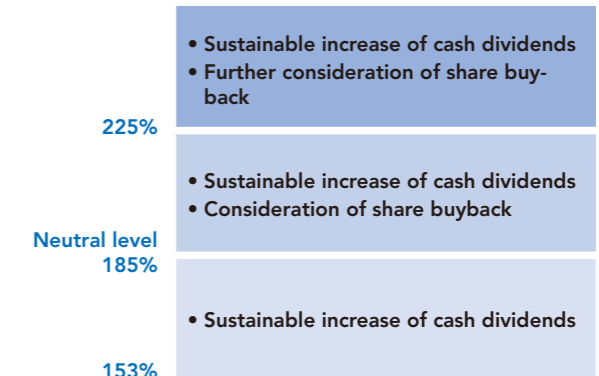
From the perspective of improving capital efficiency, our policy is to return unused capital to shareholders. In November 2021, we announced a ¥40 billion share buyback, our largest ever. We will continue to return profits to shareholders with an awareness of capital efficiency.



Status of Core ESR



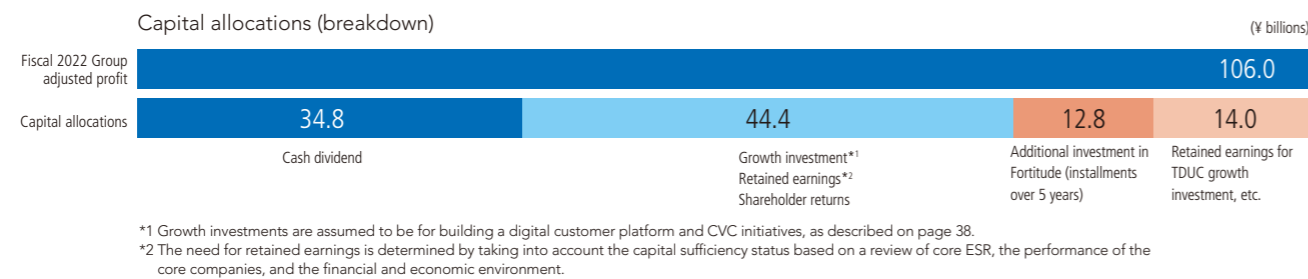
Relationship between core ESR and shareholder returns, etc.



Fiscal 2022 shareholder returns

The allocation schedule for the forecast of ¥106.0 billion of Group adjusted profit for the current fiscal year is shown in the figure. The amount excluding cash dividends, additional investment in Fortitude, and retained

earnings of TDUC is ¥44.4 billion. This ¥44.4 billion will be allocated to growth investment, retained earnings, and shareholder returns.



Dividends from subsidiaries

Dividends are paid out to the holding company by its subsidiaries after they retain the necessary amount of earnings in terms of their soundness. However, the holding company has no function of fund management; therefore, capital that has no clarified use at the holding company is reserved at the Group subsidiaries in view of

asset management efficiency. It is planned to pay out to the holding company once its purpose is fixed, such as growth investment and shareholder returns. Going forward, we will continue to optimize the ratio of remittance from the Group subsidiaries to the holding company in view of making effective use of the Group capital.

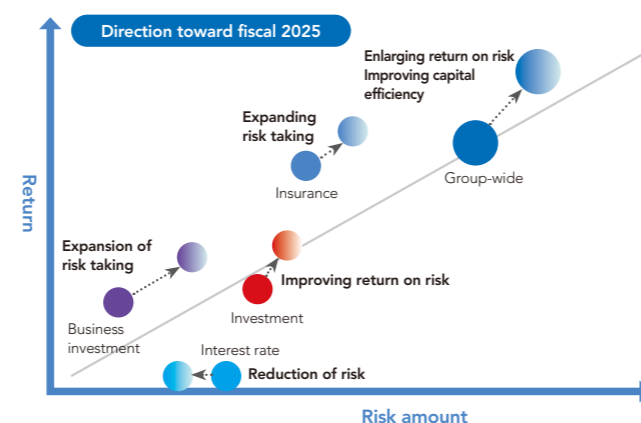
ERM (Enterprise Risk Management)

Enterprise risk management (ERM) is a strategic management method used to achieve managerial goals such as raising corporate value and maximizing earnings, through the integrated management of capital, profit and risk. It quantifies capital, profit, and risk on an economic value basis to make them "visible," and by integrally managing them and making management decisions, it enables us to pursue profit by controlling soundness through a comparison between capital levels and risks.



Expanding return on risk

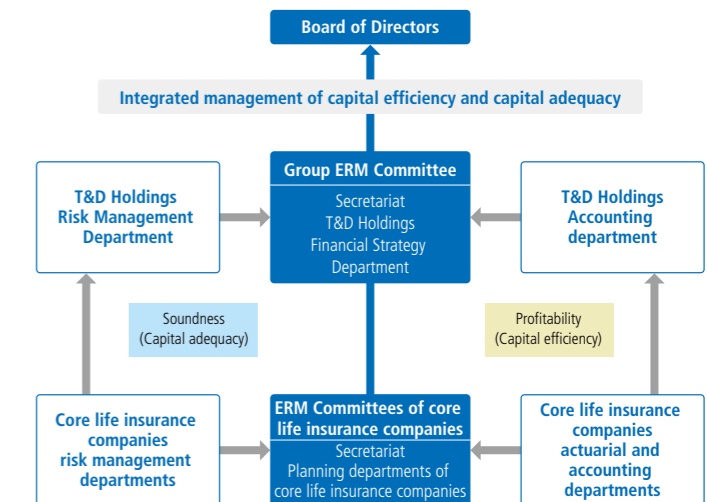
To improve capital efficiency, we monitor return on risk (ROR) by risk category and reflect the results in our risk-taking policies and other measures. The chart plots risk amount on the horizontal axis and return on the vertical axis for each category, and shows our direction toward fiscal 2025. While expanding categories with high ROR, such as insurance underwriting and business investments, we will promote risk reduction in categories with low ROR, such as interest rate risk and strategic shareholdings, in order to improve capital efficiency by expanding the Group's overall return to risk ratio.



Organizational Systems

In order to conduct ERM on a Groupwide basis, the Group has established the Group ERM Committee as a subordinate body under the direct control of the Board of Directors.

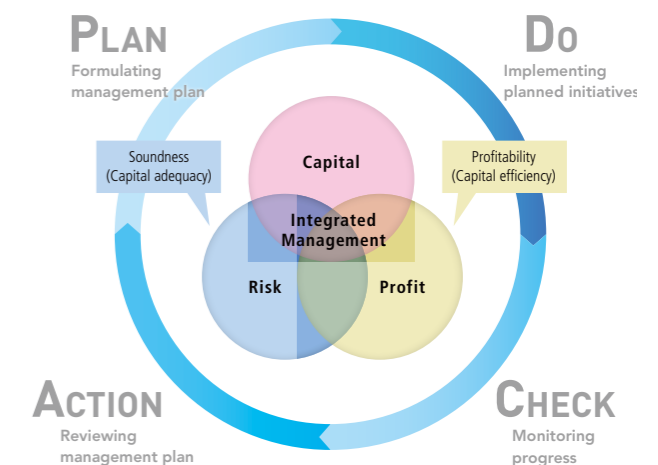
In addition, from the perspective of further evolving the management cycle cultivated through ERM, steadily implementing group capital management, and building a system to calculate and manage EV with consistency, some operations of the Group Finance & Accounting Department were transferred to the Group ERM Strategy Department and reorganized into the Financial Strategy Department.



PDCA Cycle

Under ERM, the process of realizing the growth of corporate value is the PDCA cycle. It leads the management toward achieving goals, while repeating the cycle of Plan (formulating the management plan), Do (implementing planned initiatives), Check (monitoring progress), and Action (reviewing the management plan).

The Group evaluates capital, profit, and risk on an economic value basis and sets standards for soundness and profitability as the Group risk appetite. Then, it promotes the advancement of ERM through the above PDCA cycle in order to meet the Group risk appetite.



Group Risk Appetite

Soundness	Required level of ESR	At least 133%
Profitability	Core ESR	Neutral level: Around 185% Appropriate range: 153-225%
	Adjusted ROE	At least 8.0% in the medium- to long-term
	ROEV	At least 7.5% in the medium- to long-term
	Core ROEV	At least 5.0% in the medium- to long-term

* ESR = Surplus (capital) ÷ EC (risk)
* Core ESR = Surplus exempt of subordinated debt, and unrealized gains and losses on debts due to the application of UFR (capital) ÷ EC (risk)
* Adjusted ROE = Group adjusted profit / Average net asset balance
* ROEV = Amount of EV increase (excluding increases or decreases in capital, etc.) ÷ Average EV balance (Group basis)
* Core ROEV = (Value of new business + Expected earnings on the risk free rate) ÷ Average EV balance (Total of three life insurance companies)

Competitive Advantage Source — (2)

Human Capital

The T&D Insurance Group considers human resources that work together to be the most important and greatest driving force for its business activities to realize the Group's corporate philosophy and aims to provide workplace environments that enable all people to participate actively.

Number of T&D Insurance Group employees (March 31, 2022)

Total: 19,645

Ratio/number of female managers* (April 2022)

19.3% 456

* Total number of Taiyo Life, Daido Life and T&D Financial Life

Number of in-house sales representatives (March 31, 2022)

Taiyo Life: 8,534
Daido Life: 3,699

Employee satisfaction* (fiscal 2021)

T&D Holdings: 4.11

Taiyo Life: 3.60

Daido Life: 3.88

T&D Financial Life: 3.67

* Five rated evaluation

Ratio/number of employees with disabilities* (March 31, 2022)

2.54% 376

* Total number of Taiyo Life, Daido Life and T&D Financial Life

Number of employees taking childcare leave* (fiscal 2021)

Female: 381 Male: 82

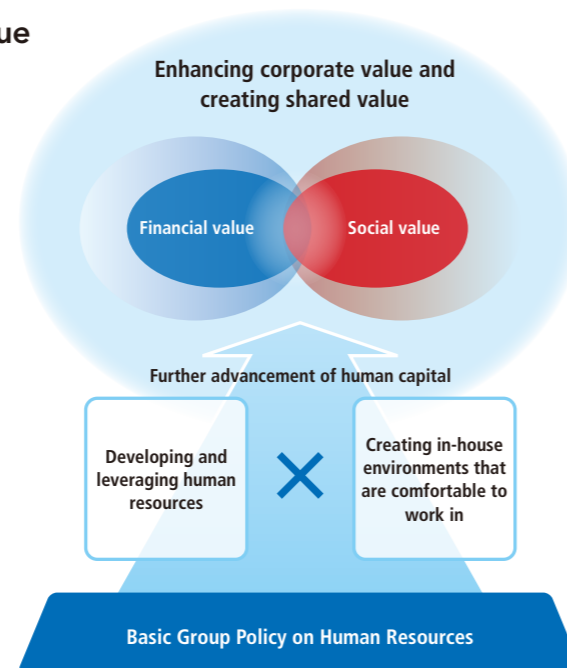
* Total number of Taiyo Life, Daido Life and T&D Financial Life

Toward Further Advancement of Human Capital

Toward Developing and Leveraging Human Resources that can Create Shared Value

With the formulation of our Group Long-Term Vision (Try & Discover 2025) as a start, we have amended our Basic Group Policy on Human Resources to clearly demonstrate again our universal idea not influenced by environmental changes and what we aim to be in terms of human resources. The Group positions human resources as the most important and greatest driving force for its business activities to realize the 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. We have also established the basic policies for our human resources management.

In addition, one of our sustainability priority themes is "to provide workplace environments that enable all people to participate actively." The Group will continue these efforts based on the belief that the growth and increased satisfaction level of employees will lead to the enhancement of corporate value and creation of shared value.



Please refer to the website below for the Basic Group Policy on Human Resources.
<https://www.td-holdings.co.jp/en/csr/csr-policy/human-resources.html>

Developing and leveraging human resources

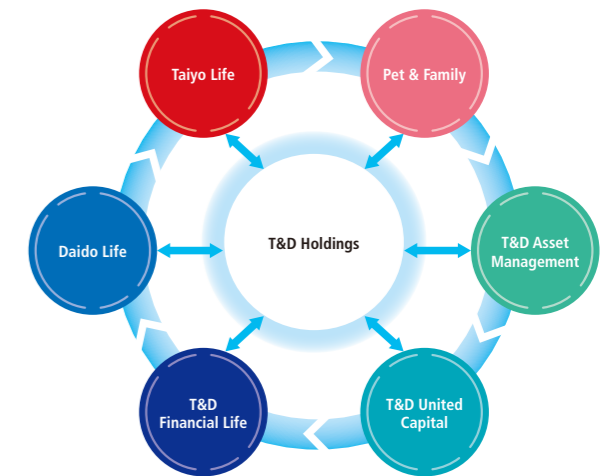
Planned human resource rotation

In order to help enable each employee to fully demonstrate their unique capabilities, the T&D Insurance Group assigns suitable human resources based on each employee's career mindedness, capabilities, and appropriateness in response to the human resource assignment needs for achieving the business strategies of the Group itself and each Group company. In addition, based on the medium- to long-term perspective, we also rotate human resources in order to develop suitable future leader candidates who will ultimately help to drive the growth of each T&D Group company.

We strive to help our young employees acquire basic knowledge and improve their skills by transferring them between our head office and branches during a certain period after they start working for us and also switching their work between sales and administration. We also strive to improve the management capabilities of our managers by appointing branch managers who have experience working as head office managers, by transferring branch managers to the head office, and by taking similar actions. In addition, we develop personnel equipped with specialized knowledge by assigning them to highly specialized departments based on their career goals and basing their training on development plans created separately for each type of business experience and division.

To develop human resources to handle the management of the T&D Insurance Group—which includes various companies—and expand the population of such human resources, we promote job mobility within the Group, including the transfer of employees from each Group company to T&D Holdings as well as the exchange of human resources within the Group.

Job mobility within the Group (transfers and human resource exchange)



Action to provide growth opportunities

The T&D Insurance Group strives to develop autonomous human resources that possess a high degree of integrity (honesty, sincerity, and high principles), are flexible enough to accept changes in society and diverse values, possess a global perspective, sincerely pursue initiatives related to their business based on an understanding of the Group's future course, think for themselves, take active steps, and can therefore achieve the results expected of them.

The T&D Insurance Group provides education and training based on the following pillars: OJT (on-the-job training), group training, personal development support, and reskilling/relearning. In addition, we support the self-directed career development of each of our

employees, including active support to help employees acquire qualifications as well as in-house recruitment and support for employees who want to take on the challenge of studying languages abroad.



Initiatives to achieve the active participation of diverse human resources

By accepting the diversity of human resources and fostering a sense of inclusion, the T&D Insurance Group builds a corporate culture of mutual trust, gratitude, and respect between employees with the aim of enabling employees to experience a sense of pride and responsibility as members of the Group.

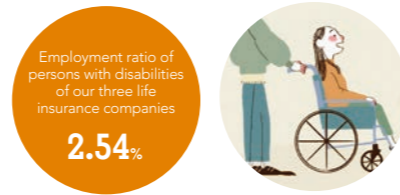
Promotion of the active participation of women

The T&D Insurance Group knows that the ability of women to further demonstrate their capabilities is essential for sustainably increasing the Group's corporate value, and we therefore recognize the active participation of women as a key management issue. Based on this awareness, our three life insurance companies pursue initiatives aimed at the planned development and promotion of human resources to managers while also revising their personnel and compensation systems and introducing various support systems, including childcare and nursing care.



✓ Employment of persons with disabilities

To create a workplace that is comfortable for employees with disabilities to work in, we are striving to develop suitable workplace environments and expand employment opportunities for diverse persons with disabilities.



✓ Active participation of older workers

Due to the extension of the healthy life expectancy as well as lifestyle diversification, Taiyo Life and Daido Life have introduced a mandatory retirement age of 65. Each of our three life insurance companies has also introduced a re-hiring system for people of retirement age. In addition, from the standpoint of promoting work-style reform, the Group is working to promote the empowerment of older workers, and we are introducing various systems adapted to each company's circumstances.

Creating an in-house environment that is comfortable to work in

■ Initiatives aimed at health and productivity management as well as supporting the raising of the next generation

The mental and physical health of employees and their families is the foundation on which we strive to achieve the T&D Insurance Group's Corporate Philosophy and continuously pursue growth, so we aim to build an environment that enables our employees to vigorously work without worry.

✓ Health and productivity management

Taiyo Life, Daido Life, and T&D Financial Life have been approved as Certified Health and Productivity Management Outstanding Organizations (White 500) (with Taiyo Life and Daido Life in particular earning this certification for six consecutive years) under a certification system

organized by the Ministry of Economy, Trade and Industry (METI) for companies that practice health and productivity management for employee health promotion.



T&D Insurance Group initiatives

Group-wide initiatives <ul style="list-style-type: none"> No in-house smoking Reduction of working hours Remote work promotion 	<ul style="list-style-type: none"> Promotion of the acquisition of "mental health management" certification (for managers) Stress check system 	<ul style="list-style-type: none"> Establishment of a clinic at the head office Comprehensive implementation of regular medical checkups Assistance with the examination fees for health screening Etc.
Group life insurance company initiatives		
TAIYO-LIFE Taiyo's GENKI Project <ul style="list-style-type: none"> Kurort Health Walking Dementia risk assessment (MCI screening) Cancer screening assistance Etc. 	DAIDO DAIDO LIFE DAIDO-Koko Kara <ul style="list-style-type: none"> Walking promotional campaign Establishment of second opinion and cancer consultation desks Lectures that cover health topics Etc. 	T&D FINANCIAL LIFE T&D Financial Life Health Declaration <ul style="list-style-type: none"> Implementation of no overtime and go-home-early days Establishment of mental and physical health consultation desks Assistance to help cover the costs of in-house club activities (sports) Etc.

✓ Supporting the raising of the next generation

In response to the enforcement of the Act on Advancement of Measures to Support Raising Next-Generation Children in April of 2005, the T&D Insurance Group formulated a unified action plan and is striving to promote the expansion of childcare support systems for employees as well as work-life balance.

Each T&D Insurance Group company also actively supports the participation of men in childcare, and—as

a Group that supports childcare, including 100% of male employees taking childcare leave—we have obtained Platinum Kurumin certification.



■ Initiatives to apply employee feedback

The T&D Insurance Group promotes the creation of an open corporate culture in which every employee is satisfied with their job, motivated to achieve personal growth in order to contribute to the Group's growth, and able to fully demonstrate their abilities.

✓ Employee satisfaction survey

Our human resources are one of the most important driving forces enabling the stable and sustainable growth of T&D Insurance Group companies, and we therefore consider improving both the satisfaction and motivation of our employees to be essential for achieving our various measures.

In order to encourage the self-motivated independent action of employees by ensuring job satisfaction for them, we conduct a survey that is focused on employee satisfaction—one of our non-financial KPIs—and covers the

employees of our directly owned subsidiaries, including the three life insurance companies.

Results of the employee satisfaction survey for each Group company (fiscal 2021)

T&D Holdings	4.11
Taiyo Life	3.60
Daido Life	3.88
T&D Financial Life	3.67
Pet & Family	3.98
T&D Asset Management	3.55

* Each question has five options (with a maximum score of 5.0 to a minimum of 1.0)

Risk Management of Human Resources

■ Preventing bribery and corruption

The T&D Insurance Group states the following in the T&D Insurance Group Compliance Code of Conduct: "We shall work to prevent corruption in our relationships with business counterparts, civil servants, and other parties by refraining from providing or receiving any business entertainment within reasonable bounds under normal social conventions as well as refraining from giving or receiving gifts in connection with our business activities worldwide."

In addition to preventing bribery, we ensure thorough awareness by all executives and employees to help prevent corruption. This includes measures against money laundering and preventing the misappropriation and diversion of funds by using such means as a compliance program and compliance manuals. Bribery and corruption are also stipulated as extremely malicious and severely impacting criminal statutes subject to disciplinary action. All scandals (and concerns over possible scandals), including bribery and corruption, are reported to the Board of Directors.

In addition, for a new business investment, checks from

the perspective of preventing bribery and corruption are added to the risk assessment and subjected to an appropriate review.

As of fiscal 2021, no scandals or legal disputes related to bribery or corruption have occurred.

Excerpt from the T&D Holdings 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, but 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.

■ Internal reporting system

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

ployees in the Group. The T&D Insurance Group Helpline accepts, through an external reporting 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 make 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

FY2019	258
FY2020	320
FY2021	309

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

Employee Dialogue

Providing Human Resources Development Programs and Enhancing Corporate Value

In order to create a corporate culture where a diverse workforce can feel job satisfaction and reach their potential, the T&D Insurance Group provides a variety of opportunities to improve skills and an environment where individuals can advance their careers.



Hiromu Nakayama

T&D Holdings
Business Development
Department
(T&D United Capital)
Joined in 2017

Ryo Ogawa

Taiyo Life
Field Education Division,
Sales Department
Joined in 2015

Yui Oki

Daido Life
Human Resource Training Division,
Human Resource Development
Department
Joined in 2013

Kenichi Tachibana

T&D Financial Life
Product Planning Division,
Product Department
Joined in October 2018
(mid-career hire)

Ogawa I work in the Field Education Division of Taiyo Life, where my main duties include training for SS (sales staff) assistant managers (employees responsible for training the in-house sales representatives) of all branches across Japan, online training for in-house sales representatives at all branch offices, and preparation of various materials related to these training programs.

Tachibana I work in the Product Planning Division at T&D Financial Life, where I'm involved in the development of new products and the revision of existing products for financial institutions and independent insurance agents (insurance shops that handle products from multiple insurers). Specifically, we research market trends, come up with ideas for new products, plan products, promote sales, follow up after sales launch, and manage progress.

Nakayama I was transferred to T&D United Capital from the Business Development Department of T&D Holdings,

and I am currently working on the launch of our new closed book business. The closed book business acquires and consolidates blocks of policies in force ("closed books") of products that other insurance companies have stopped selling and monetizes them by increasing their value. In simple terms, it's a reinsurance business. Specifically, I'm involved in managing the investment portfolio of Fortitude Group Holdings, LLC., our affiliate that specializes in closed book business. In this role, I'm absorbing know-how, studying the development of the closed book business in Japan, and working to develop new investment opportunities.

Oki I work in Daido Life's Human Resource Training Division, where I'm in charge of managing training programs for agency sales representatives, mainly of tax accountant offices, and operating an on-the-job training system for sales representatives. Also, since Daido Life dropped individual goals and changed them to team

goals, we're conducting training and awareness surveys associated with this switch.

— What human resource development programs do you use?

Ogawa Taiyo Life prioritizes the training of young career-track employees, and as part of this policy, they can study at business school through an open application process. I took advantage of the program to attend a critical thinking course to improve my business skills. I feel that learning together with people outside the company gave me a very valuable opportunity to come into contact with various opinions and ways of thinking.

Tachibana I took the same critical thinking course as Mr. Ogawa. It's a short three-month course aimed at teaching you the skills to encourage behavioral changes in others by clearly articulating the issues at the heart of problems faced in the workplace and explaining them in a logical manner. As Mr. Ogawa said, it was a very intense experience where you're actively learning together with people outside the company.

Oki I entered the company as a "locally-based employee (area career-track)," which does not involve nationwide relocation. I worked in agency sales for 8 years, and in my 9th year I took advantage of the "Career Challenge System." As I explained earlier, in the Human Resource Training Division, I take on the challenge of supporting branch offices standing in the completely opposite position when compared with the past. I was also responsible for training junior staff at the branch office, but even though I could tell them a few things based on my past successes, my existing skills were limited when it came to motivating the junior staff members individually. That's why I decided to take advantage of this program, because I thought it would be a good experience to work at the head office, where I could learn from multiple perspectives.

Nakayama For my first three years in the company, I was responsible for training in-house sales representatives at a branch office of Taiyo Life, and then I transferred to my current department, where I'm involved in the closed book business. Since we're building the business ourselves, there's no special training program; it's based on self-study and on-the-job training. We have teleconferences with our overseas corporations two to three times a week, so communication in English is essential. At the time my English was not fluent, so my boss had to help me for a while. Meanwhile, I attended an English language training program and honed my English communication skills.



And since I had no knowledge of investment and investment management, I also started studying to become a securities analyst. I've learned legal and other practical matters related to M&A through practice. Now that I've been assigned to my current department, there are lots of learning opportunities in addition to on-the-job training.

— How do you apply what you've learned in your work?

Ogawa After taking the critical thinking course, I got into the habit of constantly questioning what the true issue is and thinking deeply about the nature of things. In our training for SS assistant managers across Japan, I ask them to get to the essence of things and to stick to what the issue is and what is important to solve it. One of our most important tasks is to analyze sales data and use it to drive subsequent results. In doing so, I've become very conscious of "missing the forest for the trees" to avoid into such a situation, which is to say, not seeing the whole or the essence because one is too caught up in the branches and leaves.

Tachibana Adding to what Mr. Ogawa just said, I learned the importance of prioritizing and addressing the various challenges that we face every day, and organizing what my argument is and the reasoning behind it in a way that is mutually exclusive and collectively exhaustive, and communicating it in a way that is convincing from the other party's point of view. In particular, the Product Planning Division does not start until the other party makes a move. Therefore, whether it's oral explanation or document preparation, I think attending the course helped me a lot to start thinking about things from the standpoint of the other party, imagining the situation of both sales side and consumer side, what is of most interest to them, and how to convey our suggestions.

Okii While working in my current department, I began to learn about coaching, including acknowledgment skills, and I think my teaching skills have improved. When I worked in agency sales at the branch office, communication between myself, the agency, and future customers was all one-on-one communication. In other words, I didn't have to listen to the opinions of various people, I just had to think about the person in front of me. However, head office operations are completely different, and basically communication is one-to-many. No matter what measures you take, you need to listen to opinions from a variety of people. In these non-one-on-one communications, people tend to be overwhelmed by differences in opinions and positions and lose sight of the purpose of the meeting or training. In such situations, I've gradually learned how to clarify the purpose of what I'm trying to do and communicate with each person face-to-face.

Nakayama At first, I was worried about communicating in English, but now that I use English every day, I'm able to use it in my work. My skills in examining investment opportunities have also gradually reached a level where I can apply them to my work thanks to the help of senior staff who have a wealth of knowledge and expertise.

Unlike the rest of you, I'm in a situation where there are no junior colleagues in my department to teach. Can you give me some advice on how to deal with junior colleagues in the future when I'm in a position to teach them?

Okii First, as I mentioned earlier, I try to listen to the other person's ideas first, rather than imposing my own, which is my natural tendency. Another piece of advice is to thank them when they do something for you and apologize when you make a mistake. Also, instead of reacting negatively when they fail, I try to react positively, by finding and praising the good things. For example, I'll say, "It was good up to this point, but next time, let's watch out for this, and try to improve that."

Ogawa I try to approach them with the attitude of "let's



work hard together," treating them as equals rather than my juniors. I value our attitude of proceeding with matters through consultation rather than one-way commands.

Tachibana My previous job was in sales at a bank, and I came to my current department after working in sales at our company. I feel that these experiences have given me strengths in certain areas, but I treat both my seniors and juniors with the understanding that they have various experiences and strengths that I don't have. In other words, I try to build a relationship in which we can say anything to each other with no division between seniors and juniors so that we can take advantage of each other's experiences and learn from each other.

Nakayama Your comments are very helpful, thank you.

— What kind of career development do you have in mind for the future?

Ogawa Recently, I was involved in launching a new Taiyo Life sales office, and in support of this, I was sent to recruit and train in-house sales representatives for three to four months. This reminded me once again that I feel fulfilled when I can contribute to the growth of our in-house sales representatives. In my current department, I'm developing my own sales skills while fostering the employees in charge of training the in-house sales representatives. Also, in my critical thinking class, I learned how to communicate to others. Eventually, I would like to experience being a branch manager so that I can use these skills more in practice, especially in training the branch's in-house sales representatives. After that, I envision a career plan in which I would return to the Sales Department and contribute to improving the training level of in-house sales representatives on a company-wide basis.

Okii I intend to use the multifaceted perspective I developed at the head office to help foster junior staff. I've always been impatient by nature, and when junior staff asked me, "What's this? What should I do next?," I tended to respond, "Do this, do that, do that," rather than teach them. However, as a result of my experience working at the head office, instead of giving one-way instructions to junior employees or imposing my own ideas on them, I've begun to focus on eliciting what problems they're struggling with and how to solve them. If the opportunity arises, I hope to experience head office work outside of my current department, and eventually, as a manager, contribute to the creation of an organization where junior staff can freely demonstrate their abilities and achieve self-fulfillment.

Tachibana I still feel a gap with my boss in skills such as getting buy-in from various people to achieve objectives, encouraging others to change their behavior, and getting



them to take action. To close this gap, I would like to actively apply what I learned in the critical thinking course, hone my skills in management work, and build a solid foundation for career advancement.

Nakayama I would like to get the greatest possible advantage out of this opportunity I've had to gain valuable experience in a highly specialized department at a young age. On top of that, if I have an opportunity, I would like to experience overseas investment management, and in the future, I would like to be in charge of the investment management department. For the time being, however, I'm focused on making the new business of closed books one of the Group's profit pillars, while learning more every day through my work.

— What other programs are necessary for the sustained growth of the Group?

Okii I would like to see more Group-wide exchange programs and training. It's been 10 years since I joined the company as a new graduate, but when I talk with mid-career recruits during the training, I sometimes feel that my perspectives and insights are narrow. When I first joined the company, we had one or two days of joint group work with Taiyo Life during the new employee training, and I remember thinking that it was a good learning experience because the company cultures were quite different. Since we are Group companies, we should have the opportunity to incorporate each other's good points and suggest points that need to be improved. When I took advantage of the Career Challenge System, it broadened my horizons immediately. Also, here at this roundtable discussion, I feel I've learned a lot about Mr. Nakayama's closed book business, and I've become familiar with the work of T&D Holdings. I think more exchanges between Group companies and departments would strengthen the Group's sense of unity.

Ogawa After interacting with people from different

industries and departments at the business school, I felt that interaction between Group companies is significant in the sense of having a balanced mindset that is not biased toward the thinking of our own company or department. At the same time, it fosters a competitive spirit, which I think is very important for our growth as a Group.

Nakayama In my department, there are people with various experiences such as Daido Life, Taiyo Life, and the outside world. In addition, I have exchanges with many different departments, and I'm fortunate to learn a lot. As you all said, I think that interaction within the Group is important when we consider the growth of the Group.

Tachibana It would be great if we could plan "hands on" training programs across the Group, regardless of whether you are a salesperson or office worker. It would be place where participants actively put the information and knowledge shared there into practice in the field and meet regularly to exchange information on their progress and reflections. Moreover, since we're in an era in which we must develop high value-added products and innovative sales methods in order to survive, it seems to me that it's becoming more and more necessary to cultivate autonomous and specialized employees who can think and act on their own initiative and have strengths in specific fields. It's important to cultivate employees who can learn, act, and communicate independently, rather than waiting for instructions. In that sense, I think we should enhance the Career Challenge System. I also think we need to create a system in which career counselors assist individual employees in formulating their career visions. It would provide opportunities and venues for employees to take stock of their career to date, identify challenges and strengths, and think about where they want to be in the future.



Intellectual Capital

The T&D Insurance Group is developing valuable products and services based on abundant data accumulated until now and collaborations with companies from different industries.

Know-how core life insurance companies acquire in each specialized market

For more details, please refer to Characteristics of the T&D Insurance Group on page 14 and 15.

Innovative products and services through collaborations with companies from different industries

Expertise on the closed book business accumulated through participation into management of Fortitude Group Holdings, LLC

For more details, please refer to page 36 and 37.

Economic and market analysis ability and asset management know-how of core life insurance companies and T&D Asset Management

Towards Further Advancement of Intellectual Capital

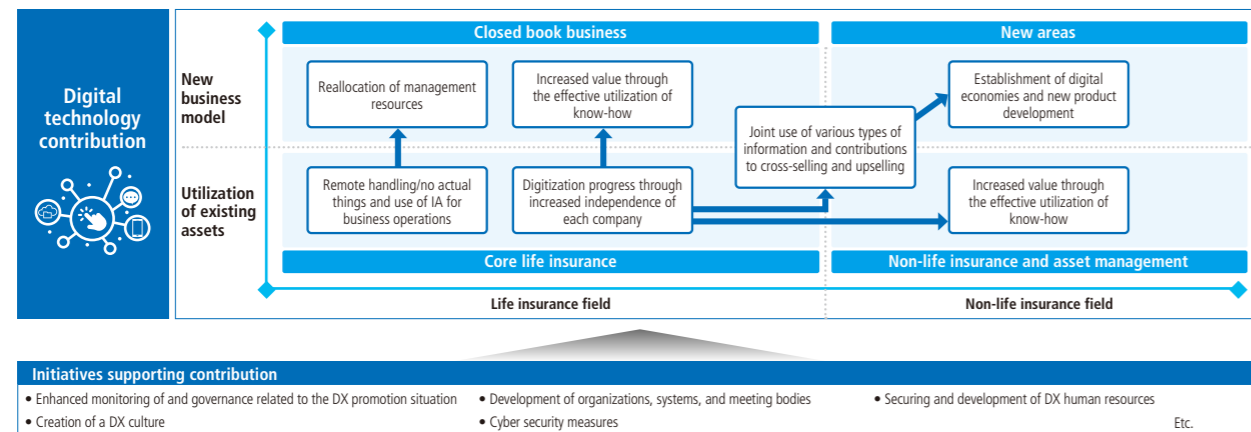
Initiatives aimed at utilizing digital technologies

To achieve further DX (digital transformation) acceleration, the T&D Insurance Group formulated its T&D Insurance Group Digital Vision in August of 2021. In addition, we established the Group DX Promotion Committee in April of 2022 to enhance our DX speed and agility as well as our governance.

We hope to pursue initiatives aimed at transforming

the Group by utilizing advancing digital technologies as well as data owned by the Group and promoting a unified Group-wide DX approach aimed at creating experience value for each of our customers.

Taiyo Life is already taking steps to shift to hybrid-style sales utilizing digital data, including *Sma-Hoken*. Similarly, Daido Life is substantially improving insurance functions



by using digital technologies and considering future-oriented insurance underwriting. Daido Life has also started to provide the Dodai? web service, which enables business owners to communicate with each other, and is providing support to help resolve social issues faced by

SMEs.

At the same time, we are taking steps to develop human resources and cultivate a culture aimed at promoting DX while also building reliable systems for supporting DX promotion.

Conduct of Daido Life Survey

Daido Life has been conducting the Daido Life Survey in the hope of contributing to the sustainable development of SMEs every month since October of 2015. This questionnaire-based survey targets SME business owners throughout the country and asks them about issues that include business sentiment and management issues (number of responding companies: around 10,000).

This unfiltered feedback from business owners is then compiled into a report and distributed all over the country to provide management tips, and the report is also made available to the general public. The survey has also

been the subject of increasing attention in recent years, including the introduction of the survey results by various media outlets as well as the introduction of the survey in the White Paper on Small and Medium Enterprises in Japan (2021 and 2022 editions).

Daido Life Website
Daido Life Survey (Japanese)
 * Previous reports can be available on Daido Life's website.



Activities of Taiyo Life Aging Society Institute

Taiyo Life established the Taiyo Life Aging Society Institute on April 1, 2020 to further develop measures that help solve social issues such as a declining birthrate and the extension of the healthy life expectancy. The institute chiefly undertakes joint research with mainly academic institutions and leverages big data with a focus on the prevention, early detection and treatment of diseases. The institute aims to contribute to society by broadly publishing its results and by applying the findings of its joint research to insurance products and services, thereby looking to develop products and services that help customers live longer and more energetic lives. In February

of 2022, we started conducting joint research on cancer and lifestyle disease prevention in collaboration with Ajinomoto Co., Inc. by utilizing Taiyo Life's employee checkup data, blood amino acid concentration profiles, and other information. In addition, in June of the same year, during joint research we were conducting with MCBI, we learned that Taiyo Life employees in their 70s to 80s, who have been conducting sales activities for us for many years, have a lower risk of dementia than general individuals in the same age bracket, and we thereby confirmed that long-term activities such as walking, thinking, and conversing might reduce the risk of dementia.

Risk Management of Intellectual Capital

Initiatives on Cyber Security and Information Leakage

The T&D Insurance Group recognizes both the advancement of intellectual capital and the protection of information assets from cyber attacks and similar crimes as high-priority management issues, and—to fulfill our social responsibilities as a company engaged in life insurance business and the like—we have formulated our Group Information Security Policy and Rules on the Group's Cyber Security Management and made engagement in cyber security mandatory for all executives and employees.

In addition, we have been recognized for the above initiatives, and, in the 2021 Cyber Index Corporate Survey released by the Information Technology Federation of Japan on November 30, 2021, we were selected as one of 42 companies that serve as a role model for others due to their outstanding stance on dealing with cyber security and disclosing information.

* Source: 2021 Cyber Index Corporate Survey (Japanese)
<https://www.itrenmei.jp/topics/2021/3700/>

* For more details, please refer to Corporate Governance on page 78.

Competitive Advantage Sources — (4)

Social and Relationship Capital

The T&D Insurance Group is working on the creation of shared value by providing customers with valuable information, services, and products as well as by collaborating with agents and tie-up organizations.

Customer Satisfaction (fiscal 2021)

Taiyo Life Overall satisfaction level **91.9%**

Daido Life Overall satisfaction level **81.1%**

T&D Financial Life Satisfaction level at the contract signing stage **98.0%**

Number of Policies in Force / Number of Corporate Clients (March 31, 2022)

Taiyo Life Number of policies in force **Approximately 7.8 million**

Daido Life Number of corporate clients **Approximately 370,000**

T&D Financial Life Number of policies in force **Approximately 400,000**

Number of Agents (March 31, 2022)

Daido Life **Approximately 15,000**

T&D Financial Life **186**

Dialogues with Companies in Equity Portfolio (from July 2021 to June 2022)

Taiyo Life **46 companies** T&D Asset Management **237 companies**

Daido Life **86 companies**

Towards Further Advancement of Social and Relationship Capital

Providing Customers with Valuable Information, Services, and Products

Taiyo Life

Taiyo Life endeavors to promptly deliver products to customers that respond to the social situation and current needs, including protection from dementia and the COVID-19 pandemic. In addition to providing insurance products, we also provide services related to early detec-

tion and prevention of dementia and critical diseases as well as health promotion services in order to help our customers lead long, healthy lives. Going forward, the Company will continue with its efforts to respond to the extension of the healthy life expectancy, a major social issue.

Dementia and Disease Prevention Services

Dementia Prevention Service

MCI Screening Plus to assess signs of Mild Cognitive Impairment (MCI), a known pre-dementia stage



Disease Prevention Service

Amino Index® Risk Screening, which offers one-stop evaluation of the risk of currently having cancer, the risk of future strokes, myocardial infarction, or diabetes, etc.



Health Promotion

Taiyo Life Health Promotion App, which supports customers' health promotion in various ways, such as walking, sleeping, and brain training



Special Internet Services for Customers

- Expansion of Taiyo Life My Page users to include not only policyholders but also insured persons, their registered family members, and others
- Ability to confirm insurance contract information and view various procedures and digitized insurance certificates via My Page

Visit Services

Kaketsuke-Tai Service

Upon the request of our customers, our in-house staff visit them to provide support related to the claim procedures for benefits, etc.



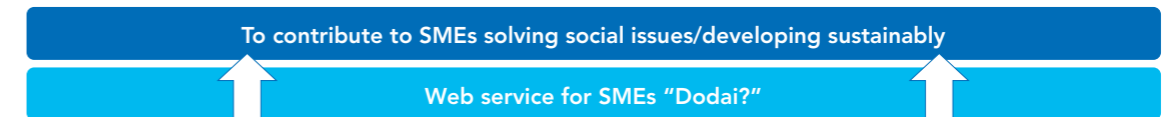
Senior Visit Service

One annual visit to senior customers Support aimed at ensuring that customers claim all relevant benefits, etc., including explaining contract details to them and regularly checking whether they have been hospitalized or undergone surgery

Daido Life

Daido Life has a comprehensive lineup of products for protecting SMEs, and we provide a full range of protection that includes not only conventional death benefits but also disability benefit insurance, etc. We are also expanding our range of solutions for providing support related to resolving social issues faced by SMEs, including health-oriented

management, the SDGs, and DX, and we are aiming to contribute to the sustainable growth and development of SMEs more greatly. We are centrally providing these solutions through our SME web service Dodai?, which we introduced in March of 2022.



Supporting promotion of health-oriented management

- Expanding health management program "KSP"
- Consolidated provision of "prevention" and "preparation" through the new product *Kaisha Minnade KENCO+*



Enlarging various health related services

Cancer specific phone-call consultations	Second opinion
Stress checks	Referral to Full medical check-up etc.

Supporting SMEs solving management issues

- Supporting sustainable management
- Expansion of various management support services

Sustainability management support program	Safety check-up system
Supporting M&A	Assessment service of corporate value
Reports on businesses	T&D Club Off etc.

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

New product *Kaisha Minnade KENCO+*

Concept

A new type of insurance that integrated "prevention" of illness and "reserves" after retirement



Feature 1 Extensive coverage with rational and inexpensive premiums that "prepares for various risks" of all the people in the company

- Covers "death" "disability" and "critical illness" with one insurance policy

Feature 2 Health-promoting type of insurance that "promotes health-oriented management" amongst all members of the company

- Integrated KENCO SUPPORT PROGRAM (KSP) that supports health management of a company with coverage
- If the "average steps taken per day is/more than 8,000 steps," premiums payment for the following year will be discounted
- Targeted steps will be shared among the company and members will be able to have fun while participating in health-oriented management

Feature 3 With "easy administration," customer can take out the insurance whenever, wherever.

- Application can be done whenever, wherever from the customer's smartphones/PCs.
- Insurance that is easier to take out compared to past products with product-exclusive declarations and underwriting standard.

* "Health-oriented management" is a registered trademark of Nonprofit Organization Kenkokeiei.

New service SMEs ecosystem "Dodai?"

Our thoughts behind the naming

We aimed to come up with a name that fosters casual, vigorous, frank and flat communication amongst management from all over Japan, coming together and transcending boundaries to share their thoughts.



Feature 1 Trying out (supporting service)

- Introduction of various management/health support services provided by Daido Life with examples

Feature 2 Learning (examples/webinars)

- Contents of articles that include examples taken from management and various webinars

Feature 3 Consulting (community)

- Exchanging information related to management issues among the management/providing opportunities for network building

T&D Financial Life

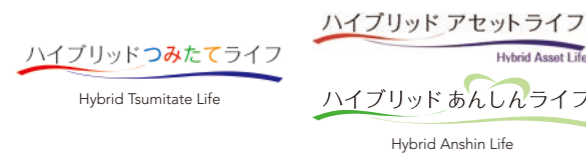
T&D Financial Life is developing insurance products in line with the needs of customers, including *Shogai Premium World 5* and the *hybrid series*, as interest in independent asset formation and health management increases to

Foreign exchange rate-linked whole life insurance



Shogai Premium World 5

New products Variable insurance (the hybrid series)



prepare for the Centenarian Age. In addition, we provide optimal solutions through support to facilitate the healthy and abundant lives of our customers.

Services	Health Counseling and Health Support Service	Nursing Care and Dementia Support Service	Family Registration Program
Overview	• The M3 Patient Support Program, a health counseling and health support service provided by M3, Inc.	• Kaigo Concierge, a nursing care and dementia support service provided by internet infinity Inc.	• Inquiries about policy details, various document requesting, and other procedures by registered family members by proxy
Specific examples	Ask Doctors	Telephone and email-based counseling	Inquiries about policy details
	Free nurse advice (patient supporter)	Facility introduction and inspection session arrangements	Order of claim forms
	Multiple opinion	Care manager referrals	Proxy claim
	Best doctor selection	Dementia prevention tool	

Cooperation with Sales Agents and Cooperating Organizations

Sales Agent Training Program

At Daido Life, the head office and branches work together closely to provide high-quality support for sales agents by assisting them in responding to customers' diversified needs. As part of these efforts, the company develops programs to offer practical training, using its own e-learning materials and practical guides to help sales agents acquire broad knowledge on the compliance and insurance business.

Business Partner Meetings

Daido Life has entered into partnerships with SME industry associations as well as the professional organizations of tax accountants and has built a sales structure aimed at offering applicable life insurance products tailored to the needs of various member companies and the clients of those member tax accountants. Because these partner organizations and agents are key stakeholders of Daido

Life, the company holds regular meetings with its partners to report the latest business developments and to hear their views on Daido Life's business operations.

Wholesaler Activities

T&D Financial Life carries out elaborate support activities for its sales agents, such as financial institutions, through its sales staff assigned to assist sales agents (wholesaler) in order to enable them to make the best possible proposals to customers. In addition, to win the trust of customers and sales agents, T&D Financial Life provides practical skill development training to sales staff to deepen their knowledge of not only insurance but also other financial products, overall asset management, related laws and regulations, and systems as well as to improve their presentation skills for accurately explaining features of our products to customers and sales agents.

Investing to Help Build a Sustainable Society

The Group manages premiums entrusted to us by customers, which are funds with significant public relevance. As a responsible institutional investor, we have also been engaged in asset management, while being fully conscious of ESG issues, including climate change and the response to COVID-19, to realize a sustainable society. In April of 2021, the Group formulated the T&D Insurance Group ESG investment policy to clarify its stance on ESG investment.

In addition, Taiyo Life, Daido Life, and T&D Asset Management fully endorse the Principles for Responsible Investment (PRI) and the Principles for Responsible Institutional Investors (the Japanese version of the Stewardship Code). In exercising voting rights, the companies

make every effort to solve problems through purposeful dialogue with the goal of contributing to the sustained growth of investee companies. If a problem cannot be solved even through dialogue, their policy is to vote against the agenda item in question.

As an example of ESG investment, in 2015, T&D Asset Management set up a fund through which it selectively invests in companies that have made outstanding efforts in the area of ESG, and Taiyo Life and Daido Life invested in the fund. The Group as a whole has hitherto focused its investments on aiming to solve issues. More recently, the Group has invested in social bonds that aid a program to help purchase basic foods in Latin America and the Caribbean nations.

Risk Management of Social and Relationship Capital

Initiatives to Respond to Customer Feedback

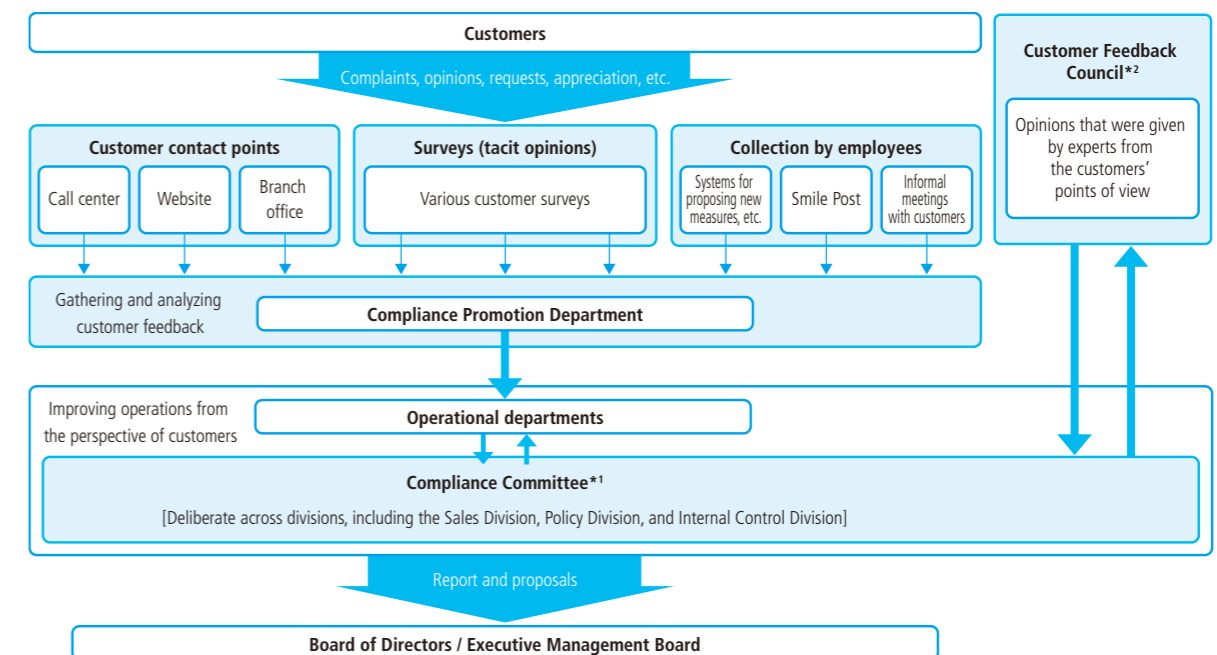
Customer Feedback Collected from Daily Sales Activities

To respond to the changing needs of society through the provision of better products and services, our three life insurance companies have set up a number of points of contact with customers, such as sales representatives, sales agents, call centers (customer service centers), and the Internet to collect as much customer feedback as possible. In addition, the companies are conducting customer satisfaction surveys to inquire about the level of satisfaction provided by our products, services, and after-sales services.

System to Reflect Customer Feedback in Operations

The Group's three life insurance companies have set up dedicated departments and committees that include external members to oversee our customer-oriented business operations. We have built a comprehensive system for ensuring customer satisfaction at all stages of interaction with customers, from making contracts to payment of insurance claims and benefits, based on our customer-oriented business operation policy and specific guidelines for the amelioration of customer complaints. All the feedback collected from customers is input into a centrally managed database and shared by the relevant units for the development and quality improvement of products and services, as well as for the improvement of business practices.

System for Reflecting Customer Feedback in Operations (Illustration is an example from Daido Life)



*1 Compliance Committee

We established the Compliance Committee to further promote our corporate motto of customer-oriented corporate activities and to develop and establish a Company-wide attitude of compliance promotion. In addition to continuously verifying all processes from insurance solicitation to payments from the perspective of customers, the Compliance Committee submits reports and proposals for improvements to the Board of Directors and the Executive Management Board.

*2 Customer Feedback Council

The company has established the Customer Feedback Council in order to utilize the insights of outside experts in sound business operations from the perspective of customers. The Customer Feedback Council monitors the situation with business operations related to improving customer service and reviews the adequacy and effectiveness of the content of deliberations by the Compliance Committee.

Customer Complaints

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Taiyo Life	5,657	6,557	6,023	6,660
Daido Life	10,164	7,809	6,181	5,965
T&D Financial Life	1,162	1,231	886	867

Competitive Advantage Sources — (5)

Natural Capital (Action for the TCFD)

The T&D Insurance Group has enacted "T&D Insurance Group Environmental Policy" to clearly demonstrate its commitment to the environment, and we strive to achieve sustainable growth along with society while also fulfilling the public mission of life insurance and other businesses as well as our corporate social responsibilities.

Disclosure of climate-related financial information based on the Task Force on Climate-related Financial Disclosure

The Task Force on Climate-related Financial Disclosure (TCFD), which was established by the Financial Stability Board (FSB) and published in June of 2017, has formulated a proposal on how to consistently disclose climate-related financial information in order to make clear comparisons related to risks and opportunities pertaining to the effects of climate change. Climate change is a global issue that has a major effect on the lives of people due to how it is changing the world's economic behavior as well as society. The T&D Insurance Group has endorsed the TCFD proposal, and we actively strive to disclose easy-to-understand climate-related financial information.

CO₂ Emission Volume (Fiscal 2021)

75,072t

Electricity Consumption (Fiscal 2021)

96,000MWh

Office Paper Consumption (Fiscal 2021)

96.7t

Green Purchasing Ratio (Fiscal 2021)

92.6%

Towards Further Advancement of Natural Capital

Governance

Monitoring by the Board of Directors

- The Board of Directors has established the Group SDGs Committee as a subordinate organ to the Board with the mission of deliberating on and considering basic policies related to the SDGs and CSR as well as measures related to the global environment and social issues.
- The Group SDGs Committee—which is chaired by the Representative Director and President, who also serves as the chairperson of the Board of Directors, and consists of directors and general managers in charge of each Group company's sustainability/CSR departments and investment management departments—establishes our basic policies related to SDGs and other global environment and social issues as well as our goals and measures for handling climate change. Under the supervision of the Board of Directors, the committee monitors the situation of our initiatives twice per year and reports its findings to the Board of Directors.
- The Board of Directors established the Climate Change Risk Subcommittee as a subordinate body of the Group SDGs Committee. The purpose of the Subcommittee is to support the SDGs Committee in formulating policies

and considering actions related to climate change by investigating and reviewing the status of climate change risks and the necessary responses and then reporting these to the SDGs Committee and offering proposals. The Subcommittee consists of the persons in charge (section managers) of the planning, risk management, and asset management departments at Group companies.

Role of the management

- The Company has established the Executive Management Board, comprising the Chairman, the President, the Vice President and executive officers in charge of specified areas of operations, for the purpose of deliberating important matters related to management of the Group. The Executive Management Board receives detailed reports on all policies and measures regarding the global environment and social issues that are deliberated at the Group SDGs Committee. Important matters are also deliberated at the Executive Management Board, and the results thereof are reported to the Board of Directors.

Strategies

To verify the effects on the Group of various climate change risks (physical risks*¹ and transition risks*²), we have implemented the scenario analyses below.

*¹ Business risks associated with natural disasters caused by extreme weather such as typhoons and floods, and those associated with phenomena such as an increase in the average temperature and a rise in the sea level

*² Business risks arising from the actions of government, corporations, and consumers in the process of carrying out the transition to a low carbon/decarbonized society (through a significant reduction of greenhouse gas emissions)

Scenario analyses: what the world looks like under each scenario

1.5°C scenario world	4°C scenario world
<p>Assumptions Strict measures are taken against climate change. By the end of the century, the average annual temperature will increase by between 1.0°C and 1.8°C.</p> <p>Overview</p> <ul style="list-style-type: none"> ▶ Due to the rise in average temperatures, natural disasters become more frequent and intense. (However, the impact is kept below a certain level.) ▶ Strict measures to combat global warming increase business costs for each company. ▶ Technological innovation progresses (and new players emerge) in support of low or net-zero carbon emissions. ▶ Reallocation of investment away from companies that are unable to support low or net-zero carbon emissions. <p>Reference scenarios Scenarios related to transition risks based on RCP2.6 and the disorderly and orderly categories of the NGFS</p>	<p>Assumptions No measures are taken against climate change beyond the current status quo. By the end of the century, the average annual temperature will increase by between 3.3°C and 5.7°C.</p> <p>Overview</p> <ul style="list-style-type: none"> ▶ Due to the large rise in average temperatures, the impact of frequent and intense natural disasters becomes significant. ▶ Sea level rise, storm surge, flooding, and heavy rainfall have a significant impact on coastal areas. (A review of lifestyle and BCP is also necessary. The companies face increased business costs.) ▶ Reallocation of investment away from companies that are vulnerable to natural disasters. <p>Reference scenarios Scenarios related to transition risks based on RCP8.5 and the hot house world category of the NGFS</p>

Physical effects caused by a rise in average temperature (1.5°C scenario < 4°C scenario)

Acute

- Frequent and intense natural disasters such as typhoons and floods.
- The number of injuries and fatalities due to natural disasters increases due to an increase in extreme weather events such as typhoons and floods.

Chronic

- Changes in rainfall and weather patterns, rising average temperatures, and rising sea levels.
- Increasing average temperatures lead to an increase in the number of heat stress deaths and heat stroke patients.
- The risk of contracting an infectious disease increases due to the expansion of the habitats of disease vectors.

Impact of the transition to a society with low or net-zero carbon emissions (1.5°C scenario)

Policies, laws, and regulations

- ▶ Tighter regulations on greenhouse gas (GHG) emissions and the introduction of a carbon tax. Expanded disclosure requirements (increased business costs for companies).

Technology development

- ▶ Progress in reducing the carbon footprint of existing technologies and the introduction of new technologies such as renewable energy, storage batteries, and electric vehicles.
- ▶ While some companies emerge and grow by seizing new business opportunities, others have been unable to respond to low or net-zero carbon emissions measures and fail.

Changes in investor behavior

- ▶ Reduced investment and lending to companies that cannot comply with regulations, companies that cannot exit from existing GHG emissions businesses, and companies that have recorded fossil fuels as stranded assets. Expanded investment and financing to companies that contribute to low or net-zero carbon emissions.

Scenario analysis: impact on the Group and countermeasures

		1.5°C scenario	4°C scenario
Physical risks	Impact on underwriting profitability	<ul style="list-style-type: none"> Increases in the number of heat stress deaths and heat stroke patients. Both of these increases will be gradual over a long period of time, which will limit their impact on underwriting profitability. This will be addressed by conducting an appropriate review of premium rates. 	<ul style="list-style-type: none"> Significantly higher average temperatures will lead to larger increases in heat stress deaths and heat stroke patients than under the 1.5°C scenario. Both of these increases will be gradual over a long period of time, but will be larger than under the 1.5°C scenario. We will address this by conducting a more detailed review of premium rates to avoid a significant negative impact on underwriting profitability.
	BCP response	<ul style="list-style-type: none"> A business continuity plan has been established at another site in case a major disaster causes a disruption to the functions of critical sites. 	<ul style="list-style-type: none"> To address the increasing intensity of natural disasters, we will use hazard maps and similar tools to assess the risk level of our business sites, relocate important sites, establish backup sites, and implement remote decentralization measures using IT as appropriate.
Transition risks	Impact on asset management income	<ul style="list-style-type: none"> In the medium-term, up to the middle of this century, some industries will be significantly affected by tighter regulations on GHG emissions, the introduction of a carbon tax, the replacement of old technologies with new low or net-zero carbon technologies, and changes in consumer values and behaviors. To avoid damage to asset management income from the impact on the investees and borrowers of the Group, we will work as appropriate in accordance with the Principles for Responsible Investment (PRI) through the promotion of investment and financing activities to businesses and companies that contribute to the transition to a society with low or net-zero carbon emissions, for example renewable energy businesses, and through engagement with existing investees. 	<ul style="list-style-type: none"> The medium-term impact on the investees and borrowers of the Group will be smaller, since there will be no sudden changes in the environment expected in the 1.5°C scenario. However, in the long-term time horizon up to the end of the century, it is assumed that the increase in average temperatures and the intensification of natural disasters will have a significant negative physical impact on each company's business activities. In order to avoid damage to our asset management income, we will avoid or withdraw investment and financing to firms with significant physical risks.

Reference data: physical risks: Climate Change Adaptation Information Platform, transition risks: NGFS and Bank of England scenarios

Scenario analysis: Group's business opportunities

- Changes in the morbidity rate and average life expectancy associated with the progress of global warming are expected to give rise to needs for protection (involving death, annuities, and medical care) against emerging risks. There are opportunities to expand net sales of the insurance business, by expanding and providing a wider scope of protection in order to meet such emerging needs.
- As the reduction of GHG emissions progresses, the Group, as an institutional investor, has opportunities to enhance the value of investment assets and expand investment returns stably over the long term, by investing and lending to expanding clean energy development and energy conservation businesses, and by owning and managing real estate (such as office buildings) with superior environmental performance.
- The Group also has opportunities to expand its business domains and earnings as a business operator, rather than as an institutional investor, by developing or entering into new business domains related to the mitigation of and adaptation to climate change.

Indicators and Goals

- The Group establishes its environmental protection-related targets and is working on initiatives to achieve them in its daily business activities. The four targets are "to reduce CO₂ emissions," "to reduce electricity consumption," "to reduce office paper consumption," and "to improve the green purchasing ratio." Progress toward the achievement of these targets is measured semi-annually, and disclosed in various reports and websites.
- As for CO₂ emissions, Scope 1 (direct emissions from the Company), Scope 2 (indirect emissions via the purchase of energy including electric power), and Scope 3 (indirect emissions via other corporate activities including procurement of materials, transport, and disposal) are measured and disclosed on a continuous basis.
- The Group is working reducing CO₂ emissions with an achievement deadline of FY2025, targeting a 40% reduction (Scope 1 + 2; compared to FY2013; per unit of floor space).
- In addition to our Scope 1 and 2 emissions, we are aiming to achieve net zero emissions inclusive of the in-

vestees and borrowers of the Group and lending targets (Scope 3: category 15) by fiscal 2050.

- As for the target to reduce electricity consumption, targets for the five-year periods from FY2008 and FY2013 were both achieved. Efforts are underway to achieve the target for the next ten-year period from FY2018. In addition, we are a member of the global initiative RE100, that aims to procure 100% of the electricity used in business activities from renewable energy sources,

and we are aiming to procure all of our electricity from sources of this type by fiscal 2050. To achieve this goal, we have set an interim target of 60% of electricity consumption to be derived from renewable energy sources by fiscal 2030.

- As for the target to reduce office paper consumption, the target for the five-year period from FY2014 was achieved. Efforts are underway to achieve the target for the next five-year period from FY2019.

Risk Management of Natural Capital

Risk Management

Risk identification and assessment process

- The Group exhaustively classifies the risks it faces through use of a risk profile, with a view toward dealing with increasingly diverse and complex risks. Risks are listed exhaustively by risk category. The Group then identifies and assesses these risks, and prioritizes initiatives by considering factors such as each risk's significance, potential impact, and current status of control, which are then reflected in management plans, as necessary. The Group registers climate change-related risks on the risk profile as critical risks to be managed, and scrutinizes, identifies, and assesses these risks. Climate change-related risks are identified and assessed as insurance underwriting risk, asset management risk, operational risk, reputational risk, and risks that may have broad-based impacts on overall management.

Risk management process

- In order to identify and grasp newly emerging risks, as well as changes in risks that have already been identified, a review of the risk profile is carried out twice per year, and reported to the Group Risk Management Committee and the Board of Directors.
- During our risk-profile-based Company-wide risk identification and evaluation process, we manage climate change-related risks from the perspectives below.

Management of climate change-related risks

(1) Physical risks

- The Group considers to mitigate deterioration of underwriting profitability through reinsurance and other means, along with large-scale disaster risks (insurance underwriting risks).
- The Group monitors existing products and implements countermeasures, including product revisions, as necessary.

(2) Transition risks

- The Group engages in investments and borrowings, taking into account climate change-related risks based on the Principles for Responsible Investment (PRI).
- The Group monitors trends in economic policies, laws, and regulations, and share the information across the Group, through the Group SDGs Committee and the Group Management Promotion Committee. Measures are taken to ensure that the Group responds to such trends in a sufficiently effective manner at the level expected of a listed company.