

Try & Discover

T&D Holdings

INTEGRATED REPORT 2021

(Year ended March 31, 2021)

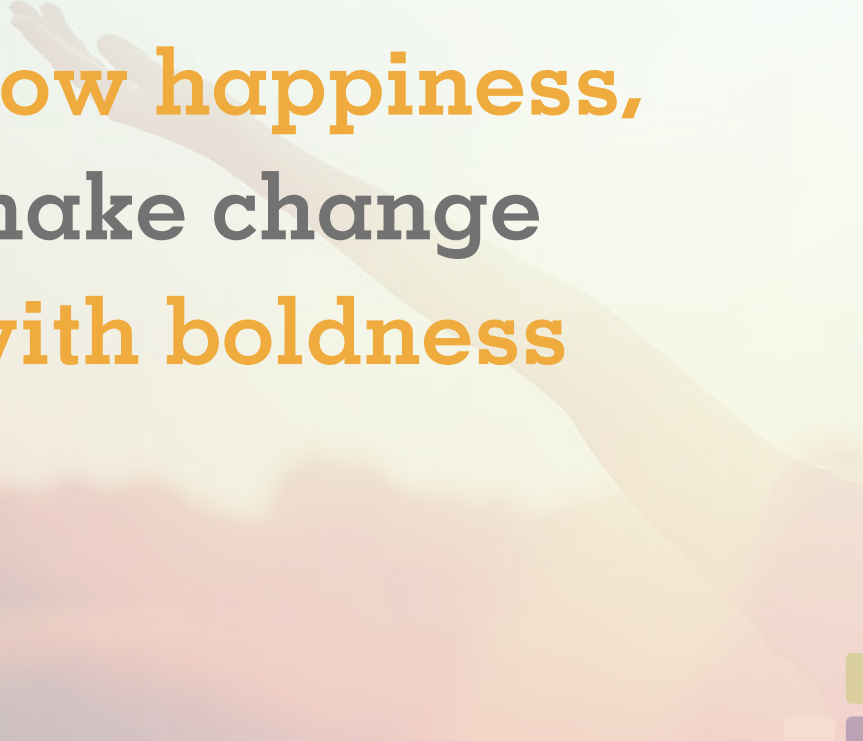
A cluster of various colored squares (blue, green, orange, pink, purple) of different sizes in the top left corner.

T&D Insurance 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.

A cluster of various colored squares (blue, green, orange, pink, purple) of different sizes in the bottom left corner.

T&D Insurance Group's Management Vision

A hand reaching up against a sunset background, with a large, faint, stylized letter 'A' in the background.

**Sow happiness,
make change
with boldness**

A cluster of various colored squares (blue, green, orange, pink, purple) of different sizes in the bottom right corner.



Unpacking the vision through a story

Sow happiness, make change with boldness

Pride of T&D

We have always protected the happiness of people.
By facing each and every customer with care,
Together, we have supported their livelihoods as one.

T&D's challenge

Now, society is changing at unprecedented pace and people's lifestyles are diversifying.
There is no standard anymore for the way families are, the way we work,
As well as the shapes our happiness might take.
Can we really say that today's insurance answers such turbulent change?

Actions T&D should take and what we want to become

One by one, by carefully stacking the trust we have gained from our customers,
The strength that only our group has nurtured becomes visible.
The possibility it withholds expands widely, going beyond all prevailing boundaries.

Take the "one" in front of us as a starting point, and
Let's recognize the world changing quicker than anyone else.
Let's adapt to our changing society more flexibly than anyone else,
Taking steps with initiative, with boldness.
Let's go beyond the boundaries of organizations,
Involve people who resonate with our beliefs, and
Become a comprehensive insurance group that can create happiness
For each and every person in the world.

The society T&D aspires for

Our origin is to face each "one" in front of us with care.
To recognize change and take on challenges with boldness.
This accumulation is what creates happiness in the world.
This is what we believe to be true.

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Editorial Policy

The purpose of this report is to give a clear briefing, from the ESG (Environment, Society and Governance) perspective, about how the T&D Insurance Group's business and actions are linked to the Group's medium- to long-term growth, and to value creation for all our stakeholders.

This time, it describes in detail the Group Long-Term Vision over the five years starting from fiscal 2021 (April 1, 2021 – March 31, 2022), the Group's Management Vision, which are factors of the Long-Term Vision, the Group Growth Strategy and Group KPIs. It also explains the characteristics of the T&D Insurance Group, capitals, which represent its competitive advantage sources, governance and other topics.

Reporting period:

Fiscal 2020: April 1, 2020 – March 31, 2021 (Some information on periods outside this range is included)

Scope of reporting:

T&D Holdings, Inc. and its subsidiaries and affiliated companies

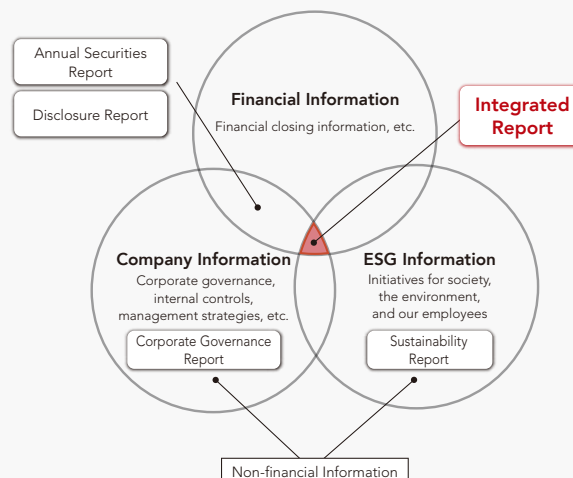
Reference guidelines:

"The International Integrated Reporting Framework" by Value Reporting Foundation, and "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation" by the Ministry of Economy, Trade and Industry of Japan, and "GRI Standard."



The Positioning of the Integrated Report 2021

The Integrated Report is intended to foster understanding of the T&D Insurance Group among shareholders and investors, by encapsulating important information on elements such as financial information, company information, and ESG information.



ESG Index Status

As of July 1, 2021

- FTSE4Good Index Series
- MSCI ESG Leaders Indexes
- FTSE Blossom Japan Index
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Select Index (WIN)



2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

Forward-looking Statements

This report contains forward-looking statements about T&D Holdings' future revenue plan, strategy, philosophy, and earnings forecasts which involve factors of risk and uncertainty. Such statements are based on the Company's current expectations which could cause actual results to differ materially from those described in the forward-looking statements. Factors which could influence the actual results include, but are not limited to, (I) general economic conditions, in particular, conditions in the life insurance market on which the T&D Insurance Group centers, (II) financial market trends, (III) levels and trends in mortality rate and morbidity rate, (IV) per-

sistency rate, (V) interest rate levels, (VI) fluctuation in currency exchange rates, (VII) other general competitive factors, (VIII) changes in laws and regulations, including the tax treatment of insurance premiums, and (IX) changes in the policies of the government and/or regulatory authorities. The Company, therefore, wishes to caution readers not to place undue reliance on these forward-looking statements. Furthermore, the Company undertakes no obligation to update any forward-looking statements as a result of new information, future events, or other developments.

Contact: T&D Holdings, Inc. Group Planning Department Investors Relations Division Telephone +81-(0)3-3272-6103

Trajectory of Creation of Shared Value (Social Value)

Expanding Trust Balance in Response to Customer Needs

Resolving social

Products

Taiyo Life

Hoken Kumikyoku Best



Launch in October 2008.

Taiyo Life, ahead of its competitors, launched *Hoken Kumikyoku Best*, a product that allows customers to freely combine the coverage they need. This enables the company to propose coverage which meets the needs of each household. Since the launch, the company has been aware of the needs of the world to expand its lineup, for example, by providing *Hatarakenakunatta Toki No Hoken*, an insurance for when unable to work, in March 2016, *Infectious disease plus hospitalization insurance (Lump-sum payment type)* in September 2020, and *Cancer/Critical Illness Prevention Insurance* in June 2021. Through these efforts, the company has continued to progress with the aim of preparing the latest benefits suitable for the times.

Daido Life

Partner-specific product in collaboration with tie-up organizations



Available for half a century since the 1970s.

Daido Life has shared its philosophy of protecting small and medium enterprises (SMEs) with tie-up organizations and provided a term life insurance (death benefit) that ensures more substantial benefits at reasonable premiums as a partner-specific product.

In recent years, mainly against a backdrop of an aging population and prolonged tenures of SME owners, the company has provided a full-range of protection that combines death benefit and disability benefit insurance. For example, it has rolled out insurance products that cover the risks of being unable to work due to critical illnesses and serious physical disability owing to illness or accident, including *J-type* (critical illness insurance) and *T-type* (disability protection insurance).

T&D Financial Life

Shogai Premium



Launch in April 2010.

Shogai Premium [non-participating whole life insurance (foreign currency-reference: Australian dollar type I)]

T&D Financial Life rolled out a foreign currency-reference type single-premium whole life insurance, a non-traditional insurance product, which adds a prescribed amount of funds for a policyholder's lifetime.

Then, as the *Shogai Premium* series, the company launched *Shogai Premium World* [non-participating variable whole life insurance (foreign-currency linked: multicurrency type I)] and *Shogai Premium Japan* [non-participating whole life insurance (accumulation rate renewing type I)], in June and August 2011, respectively. Since then, while revising the product in line with the demands of the times, the company has continued to offer it as its mainstay product.

T&D Asset Management

Robot strategy management



Rollout in September 2016.

T&D Asset Management rolled out an asset management service to extensively invest in stock market indices, bonds and interest rates, and currencies around the world through a fund managed by AHL Partners LLP (AHL) in the UK and based on the decisions made by the computer program (robot strategy).

Since the foundation in 1987, AHL has been a pioneer in computer trading with more than 30 years experience of investment. Its specific quantitative model was created through research and development of the world's most advanced financial technology to make investment decisions.

Pet & Family Insurance

Genki Number One



Launch in October 2008.

More pet owners have recognized their pets as family members amid a declining birthrate and aging population. Pet & Family Insurance launched a product that extensively covers the costs of treatments for pets (dogs and cats) due to an illness or injury, including outpatient care for which their owners most often pay, in addition to surgeries and hospitalization. In September 2014, the company rolled out *Genki Number One Slim*, a pet insurance with a deductible, which enables pet owners to prepare benefits at affordable premiums.

Social Value

issues through innovative products and services

Services

Kaketsuke-Tai Service



Start in 2016.

It is a service where Taiyo Life employees with specialized knowledge visit customers and their families in person for the purpose of facilitating swift and secure payments of insurance claims and benefits. Since August 2018, in-house sales representatives have also been able to complete billing procedures on site with the use of mobile devices.

Taiyo Life's number of policies in force

Approximately **8 million**

DAIDO KENCO ACTION



Start in 2017.

Daido Life started initiatives to help disseminate Health and Productivity Management in 2017 to contribute to creating a society where SMEs and their employees can actively perform.

It has educated the philosophy of Health and Productivity Management chiefly by holding seminars and provided Daido Life's KENCO SUPPORT PROGRAM, a tool for implementing it.

Daido Life's number of corporate clients

Approximately **370,000**

M3 Patient Support Program

M3PSP
M3 Patient Support Program

Start in July 2019.

T&D Financial Life became the first among the insurance industry to introduce the M3 Patient Support Program, a health counseling and health support service provided by M3, Inc., for policyholders and has provided access to optimal medicine depending on individual situations.

T&D Financial Life's
number of policies in force

Approximately **350,000**

Providing information through SNS



Start in May 2020.

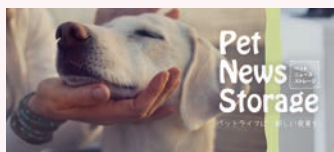
T&D Asset Management set up multiple social media accounts and started distributing fund data and useful investment information to various types of investors.

T&D Asset Management's investment trust AUM

¥1,760.4 billion

* As of March 31, 2021

Pet News Storage



Put on the website in July 2017.

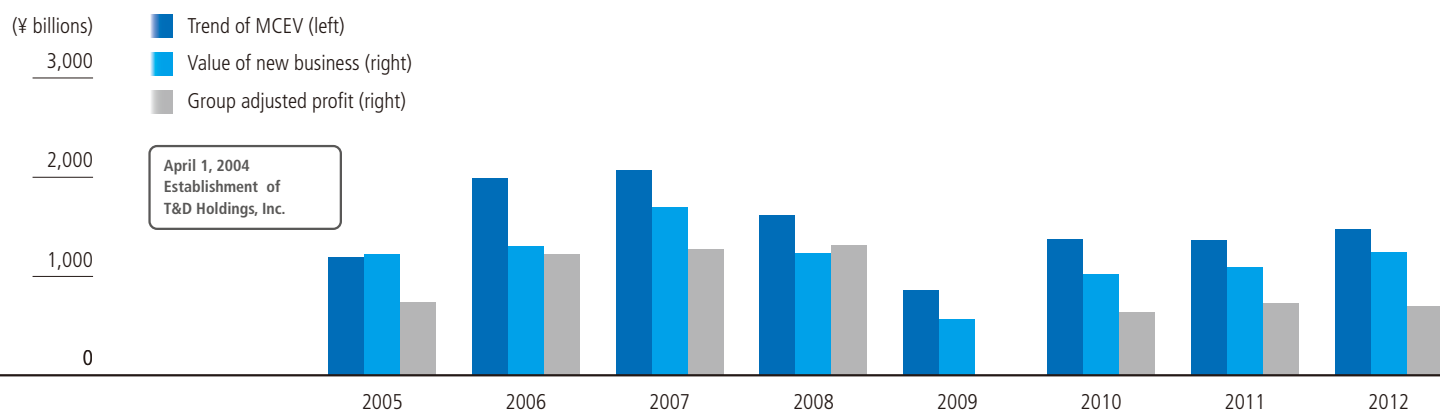
Pet & Family Insurance has posted on its website information for enriching pets' lives. The website also features content titled "Pet News Storage" that introduces questions closely related to pets' lives in an easily understandable fashion. It is regularly conveying information on various subjects related to pets in an attempt to deepen understanding of pets, which are precious family members.

Pet & Family Insurance's
number of policies in force

171,000

Trajectory of Creation of Shared Value (Financial Value)

Building Robust Business Platform to Enhance Sustainable Financial Value



Fiscal year ended March 31

MCEV and Value of New Business: Values up to fiscal 2005 are based on TEV, those between fiscal 2006 and fiscal 2011 on EEV, and those from fiscal 2012 on MCEV. Ultimate Forward Rate (UFR) is applied from fiscal 2019 for the MCEV calculation.
Group adjusted profit: Adjusted net income up to fiscal 2018. Group adjusted profit from fiscal 2019.

Building revenue base at the global network

FORTITUDE RE

June 2020

Completed the acquisition of proprietary interest of the US reinsurance holding company Fortitude Group Holdings, LLC.

The T&D Insurance Group takes an equity stake as a strategic partner alongside Carlyle and AIG. By investing in the closed book business with a high affinity to the life insurance business and a potential growth market, the Group aims to contribute to profit expansion with enhanced capital efficiency for the purpose of diversification and optimization of its business portfolio. Going forward, the Group will seek for new investment opportunities that could have a risk dispersion effect as well as additional investment opportunities in Fortitude Group Holdings, LLC.

Characteristics of Fortitude Group Holdings, LLC

- Fortitude Group Holdings is a US reinsurance holding company that owns Fortitude Re, a Bermuda-based reinsurer.
- Fortitude Re underwrites reinsurance for some in-force policies no longer sold by AIG.

History of T&D Holdings' Corporate Governance

Number of outside directors (bar graph) / Ratio of outside directors (line graph)

Outside directors (dark blue bar), of which; female outside directors (light blue bar)

2004

April
Establishment of T&D Holdings, Inc.

2006

June
Introduction of the executive officer system, clarified the responsibilities for oversight and execution.

2010

June
Designation of all outside directors/auditors as independent directors/auditors.

2012

June
Introduction of stock compensation-type stock options as an executive compensation system.

2013

June
Increase in the number of outside directors from one to two.

13%

1

2004

11%

1

2006

11%

1

2010

10%

1

2012

18%

2

(1)

2013

Financial Value

Fiscal year ended March 31, 2021

Group MCEV*

¥3,290.9 billion

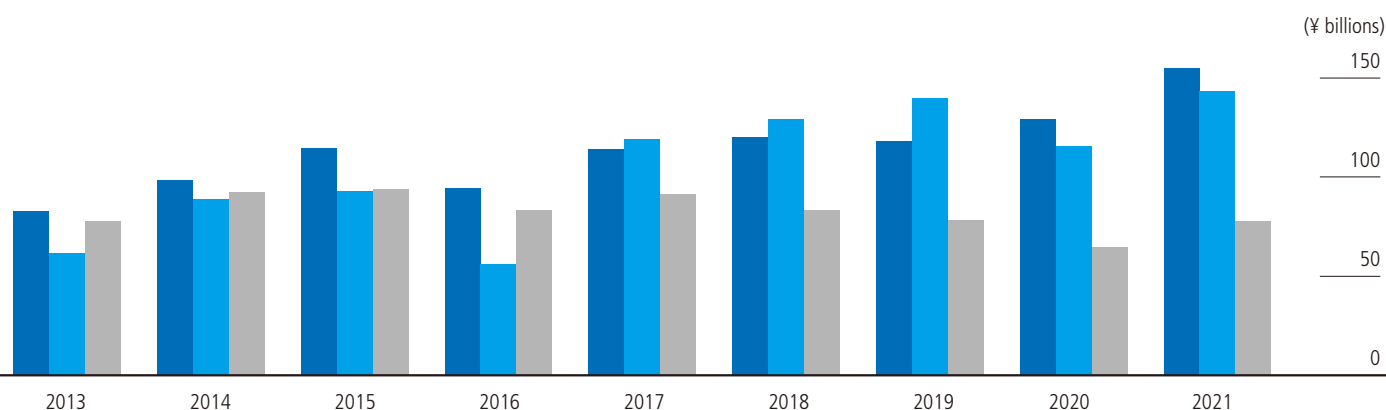
Value of new business

¥143.4 billion

Group adjusted profit

¥77.9 billion

* Base excluding valuation gains/losses, etc. related to Fortitude



June 2020

Business alliance with Switzerland-based digital healthcare firm, dacadoo ag

The T&D Insurance Group promotes the business alliance for providing a health-promoting app. It is considering broadening use of the app among health-conscious users by working with companies which provide wellness-related products and services. Based on the accelerating trend of digitalization and non-face-to-face solutions, it will promote collaboration with partner companies, which helps create contacts with the Millennials.

Characteristics of dacadoo ag

- dacadoo ag has strength in analyzing big data in clinical space. It provides digital health mobile platform solutions, including its iconic "Health Score" technology, to its insurance and enterprise customers around the world.

* Health Score is dacadoo ag's specific health indicators, developed through analyzing significant medical data. The score is updated in real time depending on how a user's life-style, health and other conditions change. Users can check their score using the smartphone app at any time.

2015

January

Establishment of the Nomination and Compensation Committee.

August

Commencement of the evaluation of the effectiveness of the Board of Directors.

October

Establishment and announcement of the Basic Policy on Corporate Governance.

2017

June

Increase in the number of outside directors from two to three.

2018

June

Introduction of trust-type stock compensation [the Board Incentive Plan (BIP) Trust] as an executive compensation system.

* Abolition of stock compensation-type stock options.

2020

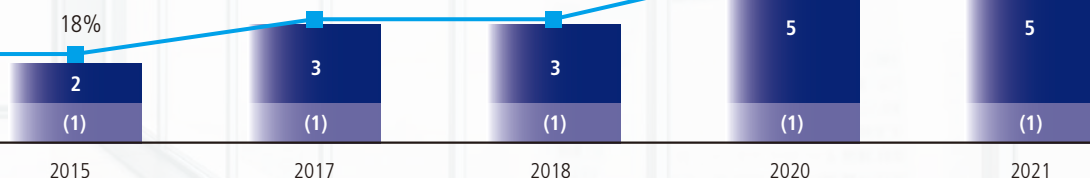
June

Transition to a company with an Audit and Supervisory Board. Increase in the number of outside directors from three to five.

2021

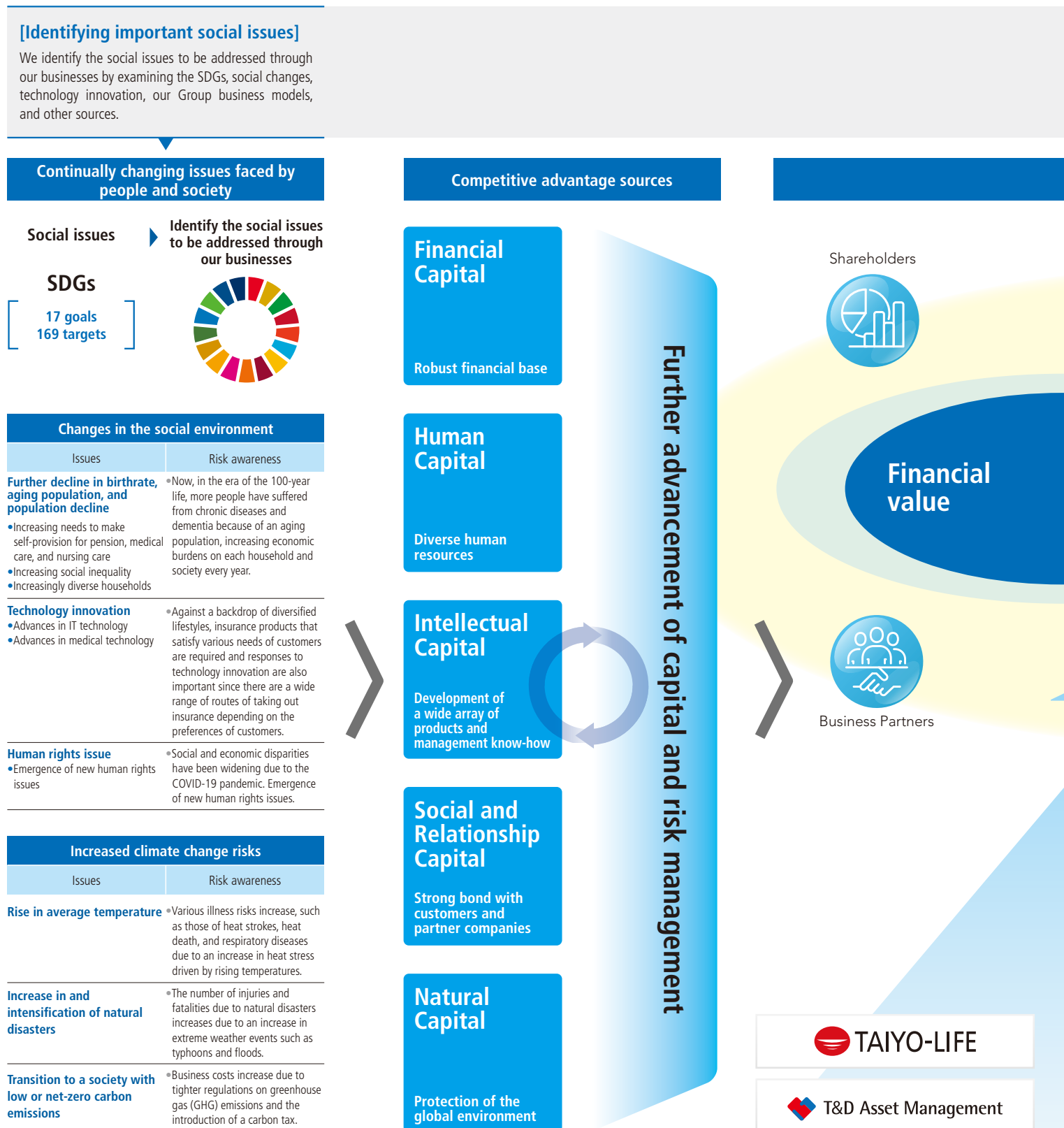
June

Change in the number of inside directors from nine to seven to further strengthen agile decision-making and oversight function.



T&D Insurance Group's Value Creation Process (Conceptual Diagram)

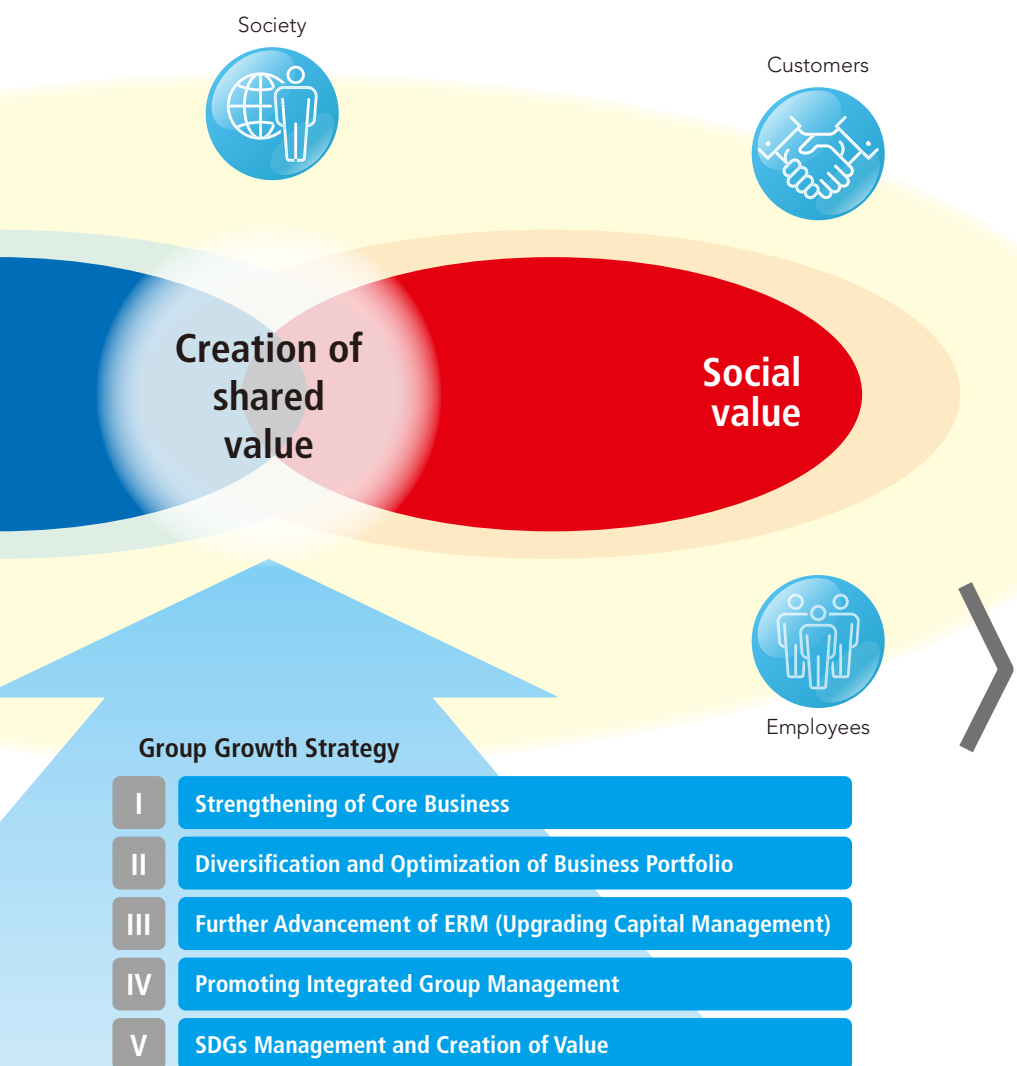
The T&D Insurance Group strives to advance capitals, which represent its competitive advantage sources, and reduce risks. By injecting them, the Group aims to realize its Long-Term Vision while creating shared value, with the Group companies including the three core life insurance companies leveraging the characteristics and strengths of the Group and achieving synergies.



[Efforts to address important social issues]

We have based our business strategies on actions that contribute to solving important social issues and create value for society. We will work to create social and financial value through our activities in our core businesses, the business areas into which we are expanding, and our sustainability management business platform.

Business activities based on our business strategies (long-term vision)



DAIDO LIFE

Pet & Family Insurance



T&D FINANCIAL LIFE



T&D United Capital

[Creating shared value]

We have established sustainability priority themes that create shared value. By continuously executing the activities and assessing their results, we aim to create shared value.

Creation of social value

Sustainability priority themes and creation of social value

Promote healthy and abundant lives for all people
Healthy and abundant lives
(person/household)



Provide workplace environments that enable all people to participate actively
Employment and job satisfaction
(workplace)



Help mitigate and adapt to climate change
Sustainable global environment
(global environment)



Invest to help build a sustainable society
A strong and vibrant society
(society/community)



Creation of financial value

Group adjusted profit

¥130.0 billion

Value of new business

¥200.0 billion

Fiscal 2025 targets

Characteristics of T&D Insurance Group

Establishing a Business Model with High Uniqueness Integrating Markets, Channels, and Products

T&D Insurance Group is an insurance group with our core business of life insurance in pursuit of our market-specialized strategies, augmented with affinities for life insurance, such as investment in business closed book etc., asset management business, and pet insurance business.

Specialized Markets

Taiyo Life: Household market

Carrying out individual home visits to listen to customer needs and provide necessary coverage

Daido Life: SME market

Protecting SMEs, which account for 99% of Japanese companies, from a variety of risks

T&D Financial Life Independent insurance agent market

Providing coverage through independent insurance agents that handle the products of multiple insurance companies



Unique Channels

Taiyo Life

Focuses on in-house sales representative channels, and also expands into internet channels

Daido Life

Two strong sales channels: tax accountant agent channel and in-house sales representative channel, thanks to solid relationships with tie-up organizations

T&D Financial Life

Provides insurance products through independent insurance agents, such as banks, securities firms, and insurance shops

Market

Taiyo Life

Household market

Daido Life

SME market

T&D Financial Life

Independent insurance agent market

Channel

In-house sales representatives

In-house sales representatives/
Agents (tax accountants, etc.)

Independent insurance agents
(financial institutions, insurance shops)



Asset management business

T&D Asset Management

Closed book business

T&D United

Supporting customers' wealth creation through investment

Led by its principle of "Make a Difference," T&D Asset Management strengthens its asset management capabilities through partnerships with Group companies and business alliances with quality overseas asset management institutions to provide distinctive products and services that meet customer needs



Investing in new business

Make progress toward the Group's goal of diversifying and optimizing its business portfolio by investing in new business areas with a high affinity with life insurance, such as closed book business

and Specialization Through Market Strategy



DX
Digital
Transformation

Innovative Products

Taiyo Life

Sells cancer/critical illness prevention insurance to facilitate the early prevention and detection of cancer and critical illnesses, and help customers lead long and healthy lives

Daido Life

Sells industry-first, made-to-order products of L-type Alpha, J-type Alpha, and T-type Alpha that can address various insurance needs of the management of SME

T&D Financial Life

Sells differentiated, competitive products such as Hybrid Asset Life, which supports wealth creation through the integration of investment trusts and life insurance



がん・重大疾病 予防 保険

cancer/critical illness prevention insurance

ハイブリッド アセットライフ

Hybrid Asset Life

変額終身保険 (災害加算・I型)

Hybrid Asset Life (variable whole life insurance with additional payouts for disaster coverage type I)

Product

Comprehensive coverage including death benefit and medical/nursing care products

Term life insurance/Disability benefit insurance, etc.

Savings-type products (foreign-currency linked type insurance, variable insurance, etc.)/
Protection-type products (income protection insurance, etc)

Non-life insurance business

Capital

areas

FORTITUDE RE.
TIKEHAU CAPITAL

Pet & Family Insurance

Bringing Peace of Mind to Customers' Lives Through Pet Insurance

With the idea that a pet is a member of the family becoming increasingly popular, advancing veterinary medicine is becoming more sophisticated and expensive. Pet & Family Insurance provides products that cover a wide range of costs occurred when a pet becomes injured or ill—not only surgery and hospitalization, but full coverage extending even to ambulatory treatment



Characteristics of T&D Insurance Group

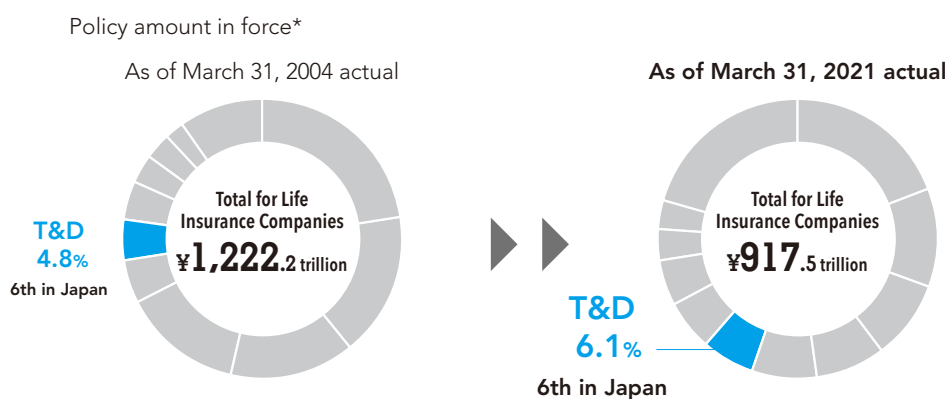
Improving the T&D Insurance Group's Position in the Industry

Steadily Increased Market Share of T&D Insurance Group

In the Group's core life insurance business, the three life insurance companies, which have different business models, are demonstrating their uniqueness and specialization in their respective markets.

The T&D Insurance Group's market share (total of Taiyo Life,

Daido Life and T&D Financial Life; based on policy amount in force) was 6.1% as of March 31, 2021. The Group's market share has steadily expanded compared with the combined share of the three life insurance companies as of March 31, 2004, prior to the establishment of T&D Holdings, Inc. in April 2004.



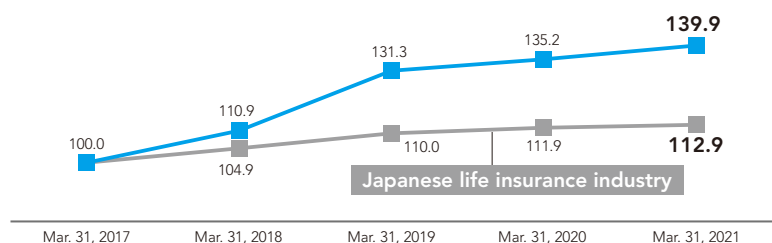
Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan issued by Life Insurance Association of Japan, and the financial reports of each company
 * Policy amount in force is individual insurance and individual annuities.

Securing Competitive Advantage in Specialty Markets

The below graph compares the trend in the sales performance (third sector annualized premiums of policies in force) between the T&D Insurance Group (the total of Taiyo Life, Daido Life, and T&D Financial Life) and the life insurance industry as a whole. Even amid revisions to tax treatment of insurance pre-

miums for term life insurance and the COVID-19 pandemic, we have maintained our competitive advantage in our specialized markets as a result of swiftly using our uniqueness and specialization to address these challenges.

Third Sector Annualized Premiums of Policies in Force*



Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan issued by Life Insurance Association of Japan, and the financial reports of each company

* The annualized premiums of policies in force for the year ended March 31, 2017 in the third sector are assumed to be 100.0 (base year).

SDGs Management and Creation of Value

T&D Insurance Group aims to achieve the happiness of the society through creation of shared value leading to both financial value and social value.

Sustainability priority themes

Among the various sustainability fields that relate to its business activities, the T&D Insurance Group has identified social issues that are highly important to society and highly relevant to the Group's operations. Based on this, we established the following four sustainability priority themes.

Priority theme

1 Promote healthy and abundant lives for all people

The Group will fulfill its responsibilities to society through the insurance business by offering well-suited, high-quality products and services that meet customer needs.



2 Provide workplace environments that enable all people to participate actively

The Group strives to realize a healthy and safe work environment where the individuality and diversity of all people are respected.



Priority theme

3 Help mitigate and adapt to climate change

The Group has formulated the T&D Insurance Group Environmental Policy and carries out business activities in consideration of the protection of the global environment.



Priority theme

4 Invest to help build a sustainable society

The Group will contribute to the realization of a sustainable society through investment activities undertaken in consideration of the environment, society and corporate governance.



Message from the President

With society currently facing unprecedented adversity, now is the very time that we must consider what we can do as an insurance group and take action with a sense of urgency.

**Sow happiness,
make change
with boldness**

Since 2020, humanity has been threatened by the COVID-19 pandemic, which wreaked havoc on the world over. I extend my heartfelt sympathies to everyone who has been infected with COVID-19, their families, and all those who have seen their businesses affected. I would also like to express my deepest gratitude to all those engaged in efforts in the medical and other fields to treat and prevent infection and maintain social systems.

As a member of society and as an insurance group focusing on the life insurance business, we are determined to do our bit on a daily basis in the fight against the pandemic. In taking


measures to combat the spread of COVID-19, we have placed top priority on ensuring the safety of customers and employees and keeping our business going to meet the needs of society as a life insurance company. More specifically, from the perspective of preventing infections, we refrained from actively engaging in sales activities during the government's declared state of emergency and we limited the number of employees commuting to work to around 30%, which was enough to keep essential services running, such as the payment of insurance benefits and call center operations. Also during this time, we discussed what




T&D保険グループ

T&D 株式会社 T&Dホールディングス

 太陽生命保険株式会社

 大同生命保険株式会社

 T&Dフィナンシャル生命保険株式会社

Hirohisa Uehara

Representative Director and President

we could do as an insurance group. We therefore made prompt payouts of hospitalization benefits and accidental death benefits to provide some peace of mind to customers and their families infected by COVID-19. We also extended the grace period for the payment of premiums and offered interest-free loans to policyholders so that customers impacted by the COVID-19 pandemic in some way or another could continue to receive insurance coverage. In addition, we helped SME customers of Daido Life with our telephone-based consulting service regarding the government's employment adjustment subsidies that are

intended to support employment stability at SMEs, as well as our labor and social security attorney referral service. Considering that a company is a public entity of society, the issue of social sustainability is synonymous with corporate sustainability. Sound corporate management is not possible without a sound society. With society currently facing unprecedented adversity, I think now is the very time that we must consider what we can do as an insurance group and take action with a sense of urgency.

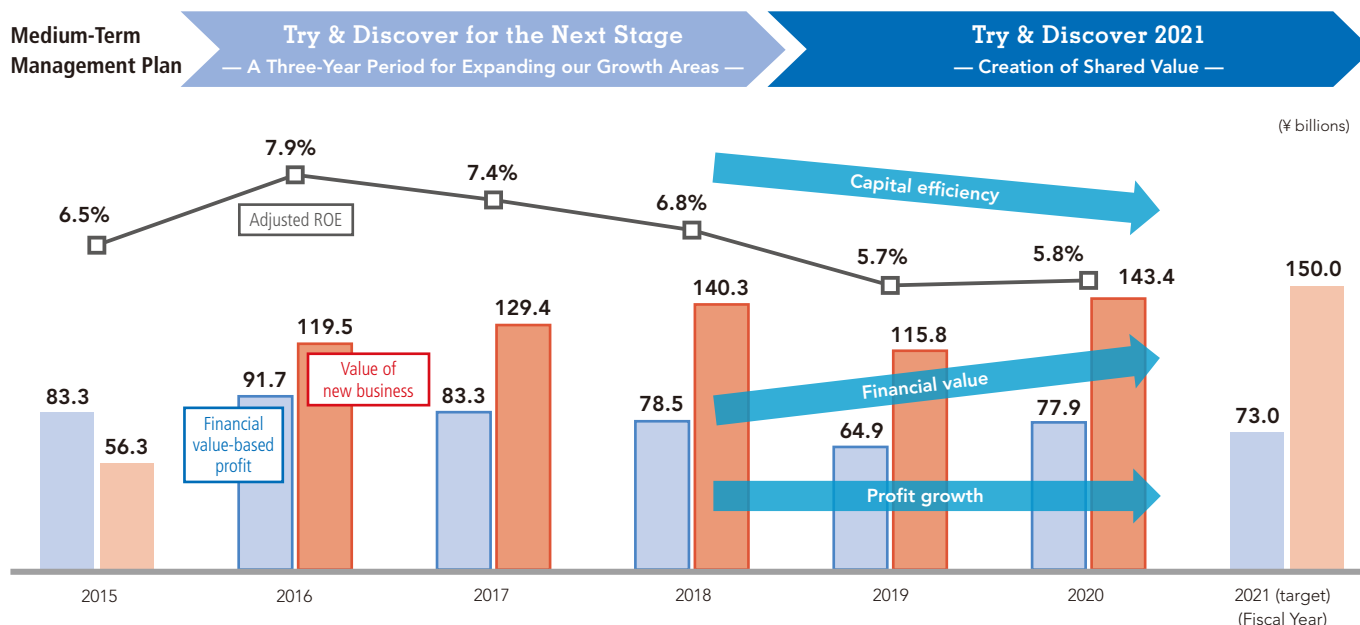
Message from the President

Looking Back on Group Management to Date

Under “Try & Discover 2021 — Creation of Shared Value —,” the medium-term management plan announced in 2019, we worked on the three priority issues of (1) strengthening core businesses, (2) diversifying our business portfolio, and (3) promoting integrated Group management. Concerning (1) strengthening core businesses, circumstances were tough when this medium-term management plan was announced, with Daido Life temporarily suspending sales of key products in the midst of changes in the tax handling of term insurance and the like. Nevertheless, steady results have been generated since announcing new products that meet the new tax treatment rules ahead of competitors in July 2019. Daido Life, which has for many years been developing a sales strategy based on needs for the necessary coverage (standard coverage) for the business continuation of SME customers, has returned to an environment where it can further showcase its strengths. There has been particularly significant progress toward (2) diversifying our business portfolio. Specifically, we invested in the US-based specialist closed book insurance company in June 2020 as our first large-scale investment project. This was a strategic investment aimed at not

only securing equity profits, but gaining expertise in the closed book business and diversifying insurance underwriting risk from the perspective of the Group as a whole. This investment significantly expanded the scope of Group management. Regarding (3) promoting integrated Group management, system improvements have been made, such as the transition to a company with an Audit and Supervisory Board in June 2020. This change in institutional design has enabled us to revise the role and function of cross-sectional Group committees and establish a system for further promoting management activities as a unified Group.

In addition to the above results, we have produced solid achievements on an economic value basis, with the Group MCEV surpassing ¥3 trillion at the end of March 2021. However, financial value based profit cannot necessarily be described as growing steadily, and ROE, an indicator of capital efficiency, has been falling since fiscal 2016. I recognize the medium-term improvement of this low capital efficiency on a financial value basis as one of our key management challenges.



* Adjusted ROE = Group adjusted profit / Average net asset balance

* Financial value-based profit refers to adjusted net income in FY2018 and earlier, and to Group adjusted profit from FY2019.



Background to the Formulation of the Group Long-Term Vision

Against this backdrop, we established the Group Long-Term Vision starting in April 2021 for the next five years. Amid the COVID-19 pandemic and the resultant rapid progress in digitization, individual lifestyles and corporate working styles are transforming dramatically. As symbolized by stakeholder capitalism becoming a key theme in the 2020 World Economic Forum, companies' purposes are once again being called into question. Furthermore, in the midst of the global Sustainable Development Goals trend, the idea that "good companies" are those that make society better and coexist along with society is taking hold among millennials and Generation Z. As outlined in the T&D Insurance Group's Corporate Philosophy, we have conducted our business with an eye to solving social challenges. Furthermore, each of the life insurance companies that form the core of the Group swiftly moved to address the COVID-19 pandemic by reforming their sales channels, introducing products and services, and diversifying channels. This has provided an opportunity to reaffirm the effectiveness and continuity of the specialized and differentiated business models that are the strengths of each company.

Going forward, it is expected that the world will continue to transform, moving into an age of uncertainty where the values of people and society change and needs fragment as small masses, with uncertainties about the depth and length of the effects of the pandemic and the road to recovery. In light of

these environmental changes and paradigm shift, I felt it was necessary to once again clarify the Group's long-term strategic policy, enhance the mobility and flexibility of Group management, and pave the way for solving management challenges such as capital efficiency.

Previous medium-term management plans have seen us set managerial goals with an eye to future environmental changes and formulate necessary strategy. However, it is difficult to predict the future in this uncertain time, and it is possible that stubbornly sticking to initial strategy may narrow down our management options and become an obstacle to growth. Moving forward, we need to shift from corporate management on the basis of future predictions to corporate management based on the presumption that we cannot predict the future. To this end, I believe it will be more important than ever to set a clear corporate vision to stop us from being vulnerable to environmental changes, consider the necessary steps in line with that vision, and have the flexibility and speed in thought and action to put those steps into practice.

By directly facing changes to the management environment and setting a clear, future-oriented vision for the T&D Insurance Group, we will foster Group-wide values and enact an action plan in line with the vision. Through this, we will realize sustainable growth in the highly uncertain VUCA age.

Message from the President

Position of the Group Long-Term Vision

The Group Long-Term Vision indicates what we aim to be in five years' time (fiscal 2025). It covers the Group's Management Vision, which is the medium- to long-term goal, in addition to the Group KPIs (Key Performance Indicators), which are quantitative targets, and the Group Growth Strategy to

achieve the KPIs. Based on the Group Long-Term Vision, we will respond flexibly to various changes in the environment by executing single-year budgets, management strategy, and management measures, and implementing the plan-do-check-act cycle.

Group's Management Vision

The Group's Management Vision, which is the medium- to long-term goal, has been fully revised to "Sow happiness, make change with boldness." Each Group company will further bolster its existing strength of delivering happiness to society at large by sincerely responding to each individual customer through specialization and differentiation strategies. We will

also facilitate the flexible and bold expansion of our business by capturing small changes to customers and society through careful response. The vision incorporates such ideals. While the management environment is changing at a dizzying speed, this management vision will be used as a universal foundation for the decisions of Group executives and employees.

Group KPIs

Four indicators have been selected for financial KPIs: return on embedded value (ROEV) and value of new business, as indicators based on economic value; and adjusted ROE and Group adjusted profit, as indicators based on financial value. As a Group with life insurance companies at its core, growth based on economic value is of highest importance, and we will grow by linking the economic value basis and the financial value basis. The reason why we continued to push for management on the basis of both economic and financial value in the current Group Long-Term Vision is that while we are making steady progress with growth based on economic value, we are sluggish on financial value basis, which is an issue for our Group. By setting KPIs based on financial value, we will commit to the market and strengthen internal monitoring, analyze the reasons why the financial value basis is sluggish compared to the economic value basis, and enact appropriate measures to improve on KPIs. Shareholder returns are restricted based

on financial value under the provisions of the Companies Act, meaning that improving KPIs based on financial value will lead to better shareholder returns.

Non-financial KPIs have been set as the three indicators of customer satisfaction, employee satisfaction, and CO₂ emissions, with KPIs for customer, employee, and society stakeholders. The Group Long-Term Vision continues to place CSV (creating shared value) at the core of management, which has been implemented under medium-term management plans from date, and aims to further strengthen efforts to ensure that we continue to be chosen by customers and the financial market. To this end, we have clearly set financial KPIs, which indicate financial value, and non-financial KPIs, which indicate social value, and we will quantitatively demonstrate the status of improvement of management issues and enactment of CSV (creating shared value) and implement the plan-do-check-act cycle.

Group Growth Story

The basis of the Group growth story is effectively utilizing Group capital to improve capital efficiency. Until now, the focus has been improving our soundness as a life insurance group, and we have not necessarily been able to pursue capital efficiency. While we will continue to pay attention to soundness as an insurance group with long-term business nature, we will come together as a Group to work on strengthening Group capital management with an eye to improving capital efficiency. Specifically, in addition to improving the capital efficiency of existing life insurance companies, we will allocate stable earnings and capital generated from the core life insurance business to the closed book business, which is positioned as a growth business, as well as ensure that the allocated capital is earning a return commensurate with the risk, allocate capital more appropriately, and improve capital efficiency. And by improving capital efficiency, we hope to boost our stock value.

We have established five key themes toward the realization of this growth story. The first is strengthening of core business. It goes without saying that the basis for our revenue is the life insurance business, and the three companies of Taiyo Life, Daido Life, and T&D Financial Life will continue to execute their own specialism and differentiation strategies in order to build top brands in each of their markets. In addition, digital transformation is an unavoidable area in that process, so we will work on digital transformation initiatives that will help us secure a competitive

advantage from the perspectives of both customer service and internal reform. The second is diversification and optimization of business portfolio. As I mentioned earlier, we invested in the US-based specialist closed book insurance company Fortitude in June 2020. Positioning this closed book business as a key strategic field, we will work on initiatives to strengthen it while exploring investments in new fields. The third is further advancement of ERM (upgrading capital management). By allocating the stable revenue generated from our core life insurance business to high return on risk businesses with a focus on the closed book business, we plan to enhance capital efficiency through profit expansion in the growth sectors. We also intend to create a favorable cycle (Group capital management cycle) in which we boost shareholder returns with expanded profits as well as invest retained earnings in further growth sectors. The fourth is promoting integrated Group management. We will seek new synergies by looking outside existing frameworks to transcend the boundaries between life/non-life insurance, asset management and other businesses. The fifth is SDGs management and creation of value. In order to realize the sustainability priority themes set by the Group, we will achieve our non-financial KPIs, including customer satisfaction targets, and continue to be a Group that brings happiness to society by steadily implementing measures to promote sustainability with a focus on solving social challenges through insurance business.

**Sow happiness,
make change
with boldness**

Message from the President

Thoughts on the Group Long-Term Vision

In formulating the Group Long-Term Vision, we placed highest priority on expelling preconceived ideas that we had previously held. We also placed utmost importance on unifying the direction and strategic policy we should take as a Group. When making the Group Long-Term Vision, we first shared each Group company's awareness of the environment through scenario planning with an eye to the post-pandemic life insurance industry. We have been able to maintain stable results even during the COVID-19 pandemic by revising the marketing strategies of the three life insurance companies based on these scenarios and rebuilding the sales system that is the cornerstone of the life insurance business into something completely new that integrates the real and the digital. Moving forward, within the

framework of the five key themes that we similarly discussed, we will carry out speedy and flexible Group management, with each Group company devising and executing action plans in accordance with environmental changes.

The newly updated Group's Management Vision was formulated based on the strong desire to further bolster our existing strength of bringing happiness to society at large by sincerely dealing with each and every one of our customers as well as expand our businesses flexibly and boldly by capturing small changes to customers and society through careful response. While the management environment is changing at a dizzying speed, we will carve out a new future based on Group-wide values with the Group's Management Vision guiding our way.

Unpacking the vision through a story

Pride of
T&D

We have always protected the happiness of people.
By facing each and every customer with care,
Together, we have supported their livelihoods as one.

T&D's
challenge

Now, society is changing at unprecedented pace and people's lifestyles are diversifying.
There is no standard anymore for the way families are, the way we work,
As well as the shapes our happiness might take.
Can we really say that today's insurance answers such turbulent change?

One by one, by carefully stacking the trust we have gained from our customers,
The strength that only our group has nurtured becomes visible.
The possibility it withholds expands widely, going beyond all prevailing boundaries.

Actions T&D
should take and
what we want
to become

Take the "one" in front of us as a starting point, and
Let's recognize the world changing quicker than anyone else.
Let's adapt to our changing society more flexibly than anyone else,
Taking steps with initiative, with boldness.
Let's go beyond the boundaries of organizations,
Involve people who resonate with our beliefs, and
Become a comprehensive insurance group that can create happiness
For each and every person in the world.

The society
T&D aspires for

Our origin is to facing each individual "one" in front of us with care.
To recognize change and take on challenges with boldness.
The accumulation of these actions is what creates happiness in the world.
This is what we believe to be true.



Closing Remarks

Since the release of the Group Long-Term Vision and holding IR Meeting on May 24 this year, I have carefully explained my thoughts on the long-term vision and sincerely answered questions and opinions from investors at one-on-one meetings with domestic and overseas investors. Through this dialogue, I believe there is now a general understanding of the core ideals of this vision—improving capital efficiency and corporate value by using Group capital effectively—and its growth story. I have also received warm words of anticipation and encouragement from investors toward steady progress on the five primary issues outlined in the vision. I feel that hopes are particularly high for the establishment of Group management unique to the T&D Insurance Group and the pursuit of further Group synergies by leveraging the solid business models of the three life insurance companies. In order for the Group Long-Term Vision to gain

the confidence of investors, it is necessary to steadily build up a track record and, above all, for myself as the top executive of Group management to demonstrate strong commitment. We will also further strengthen internal systems within the Group to execute the vision, and realize the Group Long-Term Vision by bringing together the collective strengths of the Group. I hope that you have high expectations for the future of the T&D Insurance Group.

We will report and explain the progress of the Group Long-Term Vision as appropriate through quarterly financial earnings disclosures and IR activities. Constructive dialogue with the market is vital to improve corporate value. We will continue to proactively engage in dialogue. I look forward to your continued support moving forward.

Group Long-Term Vision

Try & Discover 2025

— In Pursuit of the Happiness of All Stakeholders —

The “Group Long-Term Vision” represents what we aim to be in fiscal 2025.

The “Group Long-Term Vision” covers the “T&D Insurance Group’s Management Vision,” which is the medium- to long-term goal, the “Group KPIs,” which are quantitative targets, and the “Group Growth Strategy” to achieve the KPIs.



Management challenges to be tackled



FORECAST

Projecting single-year plans flexibly in light of what we aim to be



FY 2022 Plan

FY 2023 Plan

FY 2024 Plan

BACKCAST

Looking back at the present from the future

Try & Discover 2021

— Creation of Shared Value —

Fiscal 2021

Each company's execution plan and budget

Fiscal 2022

Each company's execution plan and budget

Fiscal 2023

Each company's execution plan and budget

Fiscal 2024

Each company's execution plan and budget

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**

Group KPIs

Financial KPIs

Financial Value

Expand Group revenue by improving capital efficiency

Non-financial KPIs

Social Value

Address social issues through our business

■ P.24-25

Group Growth Strategy

I. Strengthening of core business

■ P.28

II. Diversification and optimization of business portfolio

■ P.29

III. Further advancement of ERM (Upgrading capital management)

■ P.30

IV. Promoting integrated Group management

■ P.31

V. SDGs management and creation of value

■ P.32

The "Group Long-Term Vision" shows what we aim to be in FY2025.

Fiscal 2025

Each company's execution plan and budget

Quantitative Targets for Realizing the Management Vision

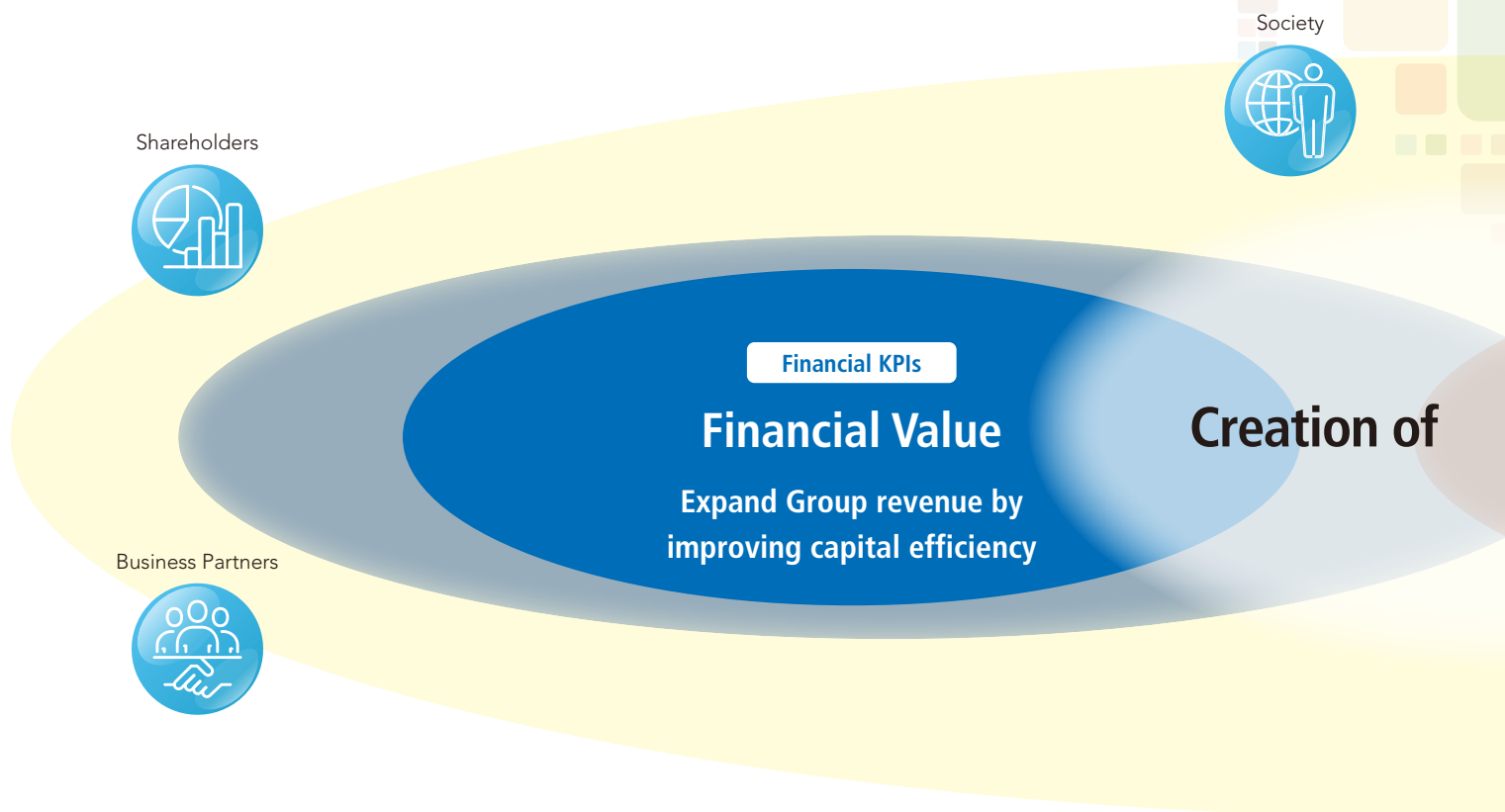
Group KPIs

The “Group Long-Term Vision” strives to pursue both financial value and social value to continue to be chosen by stakeholders such as our customers and financial markets.

To this end, we newly created Financial KPIs to represent financial value and Non-financial KPIs to identify social value.

We must improve share price valuations by achieving KPIs

through the steady implementation of the five key themes for the Group’s growth and by improving capital efficiency through profit growth. In addition, directly addressing social issues through our business activities will lead to the “creation of shared value,” thereby improving our corporate value.



Financial KPIs

Maximize profit by applying capital efficiently and by providing value to as many customers as possible. In this way, we will continue to improve our corporate value and achieve financial KPIs based on financial value and financial accounting.

	FY 2020 (actual)	FY 2021 (forecasts)	FY 2025 (forecasts)
Group adjusted profit	¥77.9 billion	¥73.0 billion	¥130.0 billion
Adjusted ROE	5.8%	5.2%	8.0%
Value of new business	¥143.4 billion	¥150.0 billion	¥200.0 billion
ROEV	25.4%	6.5%	7.5%

Group adjusted profit = net income ± unrealized gains/losses caused by discrepancy of accounting treatment of assets and liabilities + additional internal reserves in excess of the legal standard requirements
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) Base excluding valuation gains/losses, etc. related to Fortitude

Create shared value and improve corporate value by achieving Group KPIs

Social Value
(Non-financial KPIs)

Creation of Shared Value

Corporate Value

Financial Value
(Financial KPIs)

Shared Value

Non-financial KPIs

Social Value

Address social issues by providing our products and services

Customers



Employees



Non-financial KPIs

A company is a “public entity of society.” Therefore, Social Sustainability equals Corporate Sustainability. As a company living together with society, we will work to achieve non-financial KPIs that express our social value to create shared value.

Category	Evaluation topic	Target level
Customers	Customer satisfaction	Minimum FY2020 level (Targeted improvement from the current level, as a relative evaluation)
Employees	Employee satisfaction	Minimum FY2020 level (Targeted improvement from the current level, as a relative evaluation)
Society	CO ₂ emission volume	Reduction of 40% from FY2013 levels by FY2025 (LIAJ's target set five years ahead of schedule)

Strategy for Achieving KPIs

Group Growth Strategy

The "Group Long-Term Vision" sets five key themes and eleven strategic policies for achieving the next growth. As for the "Strengthening of core business," the three life insurance companies will pursue differentiation strategies by reforming their existing businesses, including DX, and building new customer contact points. As for the "Diversification and optimization of business portfolio," we will further strengthen our closed book

business and develop new business domains. As for the "Further advancement of ERM," we will make effective use of capital and improve capital efficiency by implementing new capital management. As for the "Promoting integrated Group management," we will pursue new synergies unconstrained by conventional frameworks. And in the "SDGs management and creation of value," we aim to create shared value by solving social issues.

Five Primary Themes

I. Strengthening of core business

II. Diversification and optimization of business portfolio

III. Further advancement of ERM
(Upgrading of capital management)

IV. Promoting integrated Group management

V. SDGs management and creation of value

Eleven Strategic Policies

1. Core life insurance companies will aim to build the top brand in each specialized market by reforming sales activities through the integration of real and digital technologies, etc. (including DX strategy)
2. Establishing contact points, with millennials and Generation Z
3. Further developing existing investment sectors, such as the closed book business, and exploring new domains to diversify our revenue sources
4. Proactive business portfolio management
5. Shareholder return based on new capital management
6. Bolstering economic value-based management in response to the "Introduction of economic value-based solvency regulations" and "Trends in IFRS"
7. Improving capital efficiency by allocating capital to businesses and assets with high return on risk while ensuring financial soundness
8. Seeking unconventional new synergies transcending the boundaries between life/non-life insurance, asset management and other businesses, including the consolidation of investment functions
9. Creating new "work styles" enabling effective participation by diverse personnel
10. Integrating Group governance and creating a new Group culture
11. Contributing to a sustainable society with the Creation of Shared Value at the backbone of management, creating both financial and social value by solving social issues through our business activities

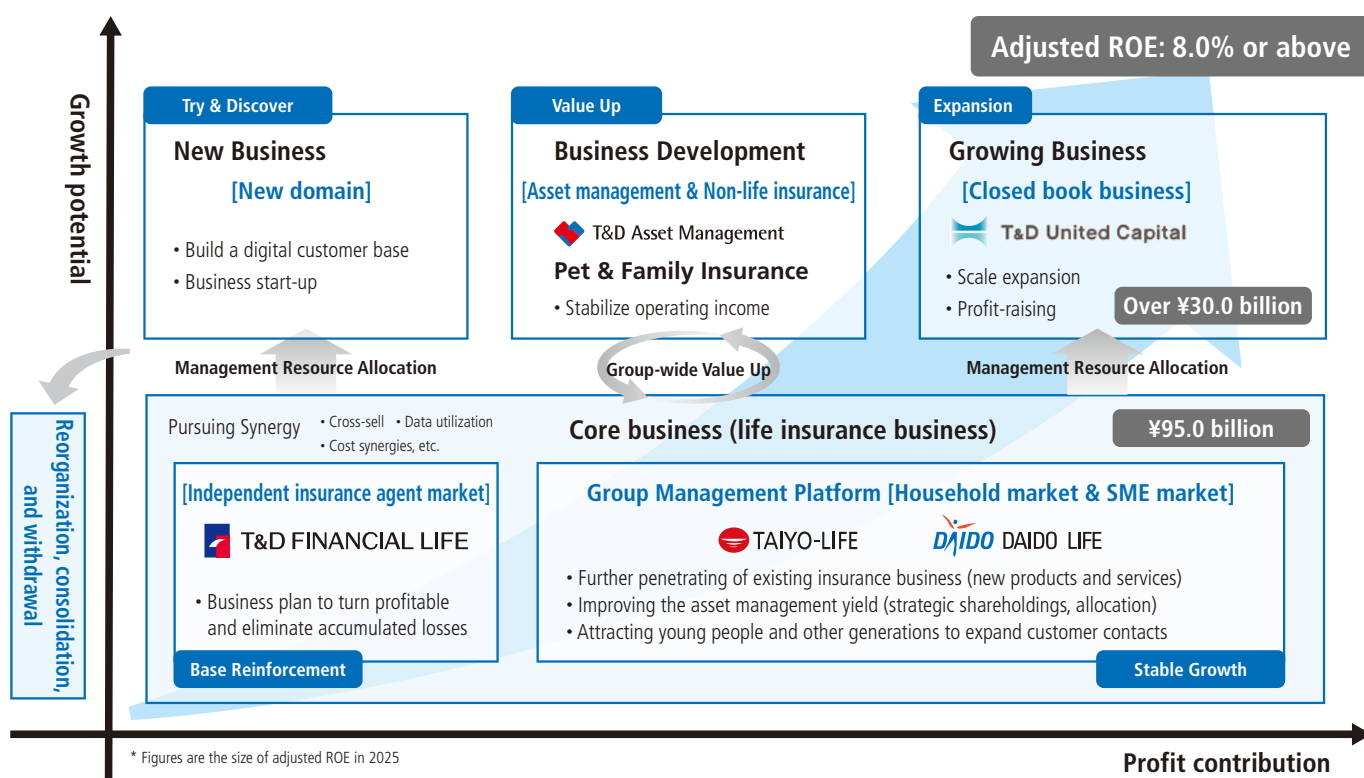
Target of the Group Growth Strategy

Improvement of Capital Efficiency

The fair value of our share is valued at well below the EV multiple of 1x. We believe this is due to the Company's low capital efficiency. Therefore, in addition to increasing profit in the existing businesses of the Group, with the domestic life insurance market as the core, we will improve adjusted ROE to a level of

8.0% or above by allocating the Group's management resources to growing businesses and by promoting capital management innovation. Hence, the first step is to raise the price EV multiple, which is currently valued at about 0.2 times, to about 0.5 times by the end of fiscal 2025.

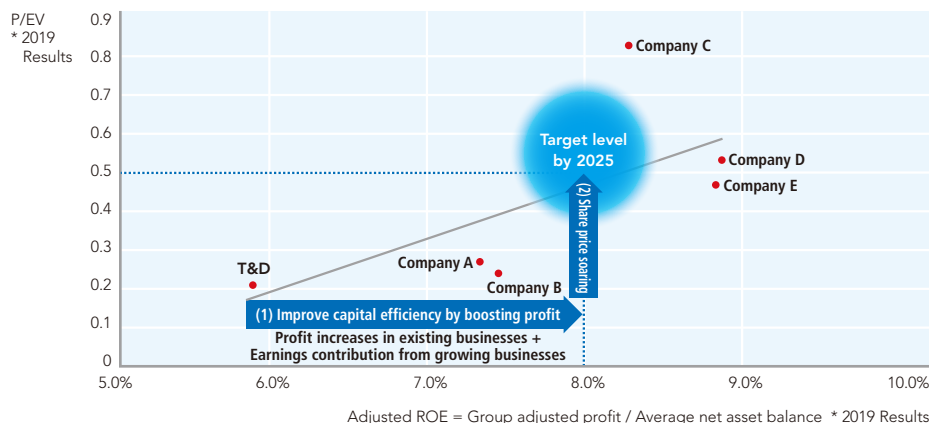
Playbook: Proactive business portfolio management as the Group



TARGET LEVEL:

Adjusted ROE
 5.8% → **8.0%**

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



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.


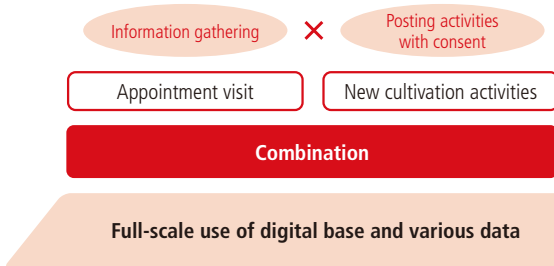



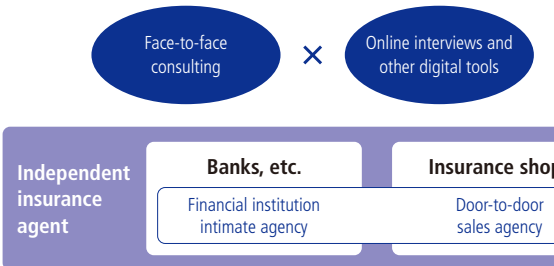
The Group has three domestic life insurance companies under its umbrella: Taiyo Life, which specializes in the household market; Daido Life, which specializes in the SME market; and T&D Financial Life, which specializes in the independent insurance agent market.

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.

Going forward, we will strengthen our business model and continue to build the top brand in each specialized market by

reforming sales activities through the integration of real and digital technologies and by providing optimal products and services that meet customer needs.

As for the integration of real and digital technologies, Taiyo Life will promote sales activities using information acquired from existing customers, *Sma-Hoken* (internet channel), and informational (information+commercial), and Daido Life will expand non-face-to-face sales procedures, enhance online sales tools, and build an ecosystem for SMEs.

Company	Specialized market	Basic policy	Transformation of sales activities
 Taiyo Life	Household market	Building the top brand in the senior market <ul style="list-style-type: none"> Product development capability which preempts the changes of the times Integrated products and services 	
 Daido Life	SME market	Partner for SME management <ul style="list-style-type: none"> Robust relationship with tie-up organizations Specialized channels for SME market Management support and health support 	
 T&D Financial Life	Independent insurance agent market	Expanding the presence in the independent insurance agent market <ul style="list-style-type: none"> Bank agent network Mobility of product development 	

Diversification and Optimization of Business Portfolio

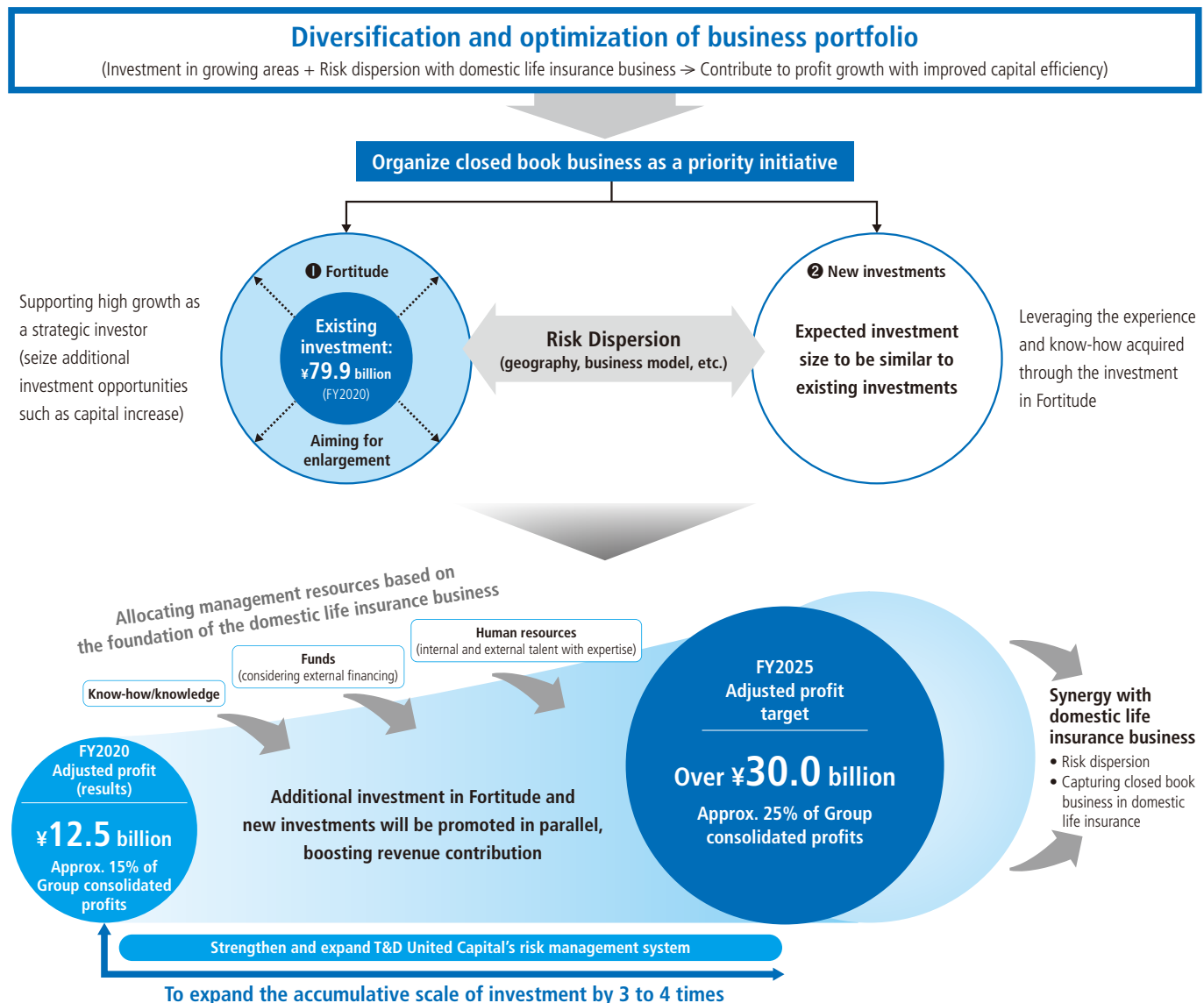
Positioning the closed book business as a strategically important area and strengthening initiatives. Boosting investment, aiming for an adjusted profit of about 25% of the Group consolidated profits.

The closed book business is a key domain creating growth opportunity and strength for the Group. As such, in addition to investing in growing areas, risk dispersion effect with the domestic life insurance business will contribute to the realization of profit growth through improved capital efficiency.

The Group will allocate management resources and strengthen organizational structures, aiming to improve revenue contri-

bution and reap strategic benefits.

In addition to additional investment opportunities in Fortitude, we will also pursue next golden chances where risk dispersion effect is expected, expanding total investment to three to four times the current volume and aiming for adjusted profit of over 30 billion yen by fiscal 2025.



Further advancement of ERM

Achieve adjusted ROE and ROEV in excess of shareholders' capital cost by improving capital efficiency through the capital management cycle.

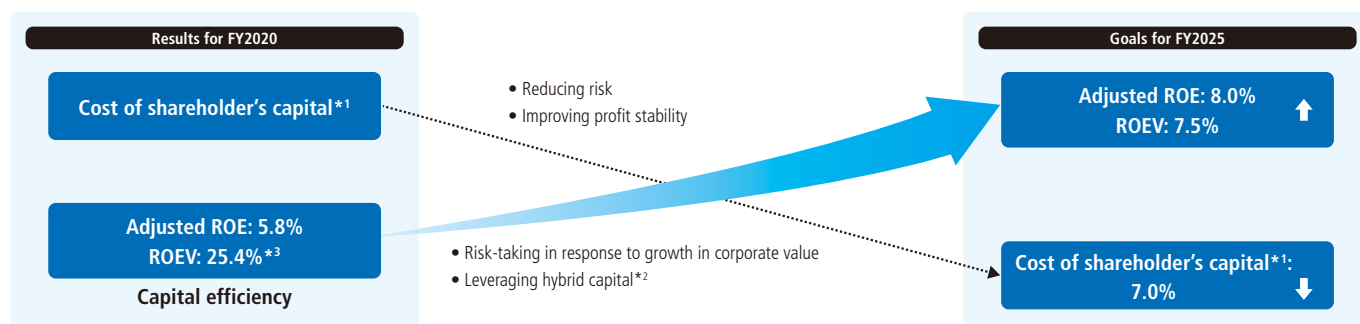
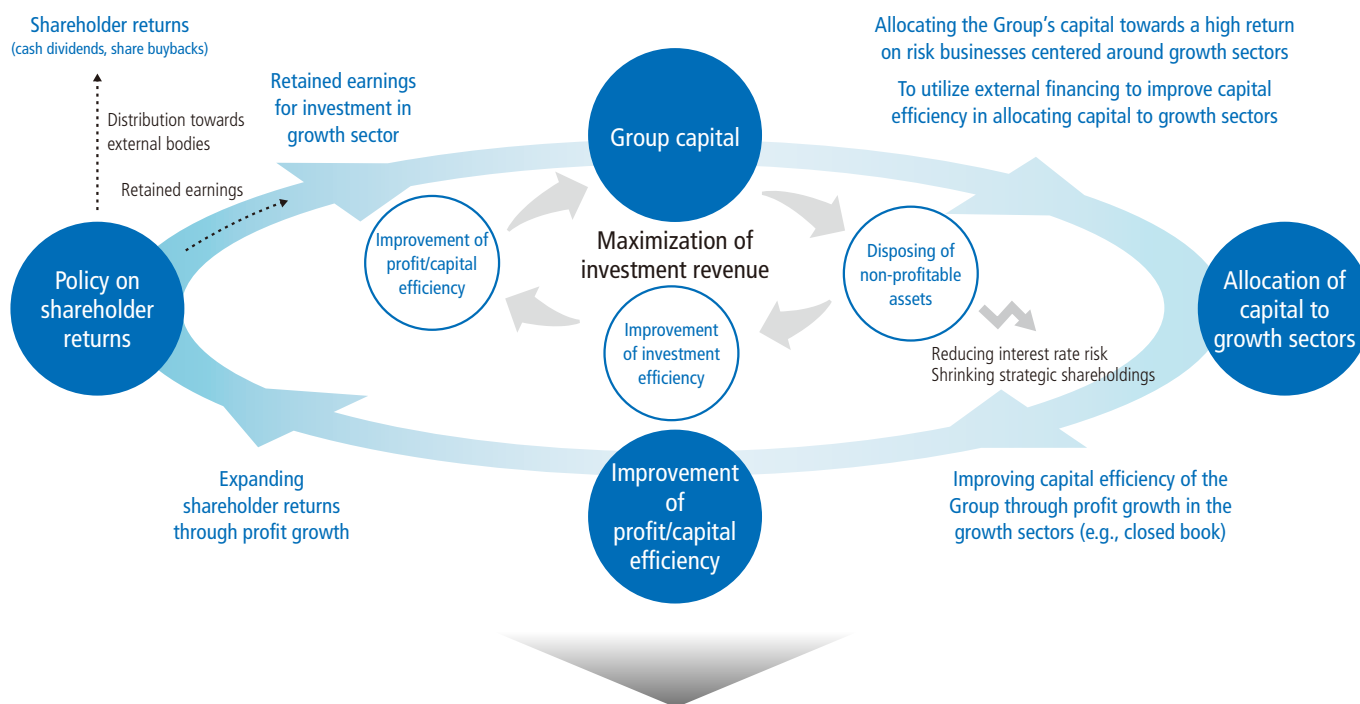
Group capital generated from the domestic life insurance business will be allocated to businesses with a high return on risk, mainly growing businesses (e.g., closed book), to improve the Group capital efficiency through profit growth in growing businesses.

The expanded profit will be allocated to shareholder returns and retained earnings for investment in growth sectors, and the Group will improve its adjusted ROE by implementing the

Group capital management cycle.

Moreover, in allocating capital to growing areas, we will consider external financing to the extent available to further improve capital efficiency.

In the capital management cycle, we will also reduce interest rate risk and strategic shareholdings, aiming to lower cost of shareholder's capital from the current level of around 8% to 7%.



*1 Shareholders' equity cost depends on CAPM (capital asset pricing model) (current is about 8%).

*2 Group balance of existing subordinated debt stands at ¥170 billion (as of the end of March 2021). Leverage hybrid capital to the extent possible without negatively impacting the Group credit rating, taking into account market supply and demand.

*3 Base excluding valuation gains/losses, etc. related to Fortitude

Promoting Integrated Group Management

Seeking unconventional new synergies transcending the boundaries between life/non-life insurance, asset management and other businesses, maximizing the effective use of Group management resources.

In order to cope with a highly uncertain business environment, the Group must make the most effective use of its management resources. To this end, we must implement the following four measures: (1) Synergy that leverages the sales power of the three life insurance companies, (2) Upgrading life insurance investment and reinforcing asset management, (3) To pursue cost efficiency, etc. through efficient use of resources, and (4) Strengthening the Group's corporate governance. Thus, we will promote integrated Group management transcending the boundaries between life/

non-life insurance, asset management and other businesses, seeking unconventional new synergies. This will further strengthen the Group management foundation.

Also, the Group will set a common Direction and Required Results, and each company will reform work styles according to its own business characteristics. Drawing on our experience during COVID-19 pandemic, we will create a highly productive "New work styles" in which diverse human resources can play an active role by transforming the existing work processes and flows.

1. Synergy that leverages the sales power of the three life insurance companies

Leveraging the sales capabilities of the core life insurance companies, we will promote measures such as further expansion of cross-selling among each company, agency sales of Pet & Family Insurance, and incorporation of T&D Asset Management prod-

ucts into insurance products. In addition, by sharing and using the customer information held by each company, we create business synergies by promoting sales activities more effectively and efficiently than ever before.

2. Upgrading life insurance investment and reinforcing asset management

T&D Asset Management will partially consolidate the Group asset management functions and management talent to upgrade life insurance investment and to improve efficiency of life insurance asset management. We will strengthen the Group asset

management business by streamlining and increasing efficiency through the expansion of assets under management, and by improving management capabilities through the securing and training of specialized human resources.

3. To pursue cost efficiency, etc. through efficient use of resources

We will promote cost synergies by effectively leveraging the Group management resources. Effective use of the Group management resources means, for example, the mutual use by

the Group companies of real estate held by the Group throughout Japan, and the provision of nursing care facilities and other social infrastructure.

4. Strengthening the Group's corporate governance

We will facilitate communication among the Group companies by devising a better location for each company at the head office, and by activating personnel exchanges among the companies.

Through these efforts, each Group company will work together to respond quickly to the current highly uncertain business environment.

Primary
Theme
V

SDGs Management and Creation of Value



Create shared value by implementing sustainability key measures to realize the four sustainability priority themes.

The T&D Insurance Group has identified the priorities of social issues that are of high importance to society and have significant relevance to the Group business from various areas of sustainability to its business activities. The four sustainability priority themes (materiality) selected include (a) Healthy and abundant lives, (b) Provide workplace environments that enable all people to participate actively, (c) Help mitigate and adapt to climate change, and (d) Invest to help build a sustainable society.

We intend to steadily implement measures to promote

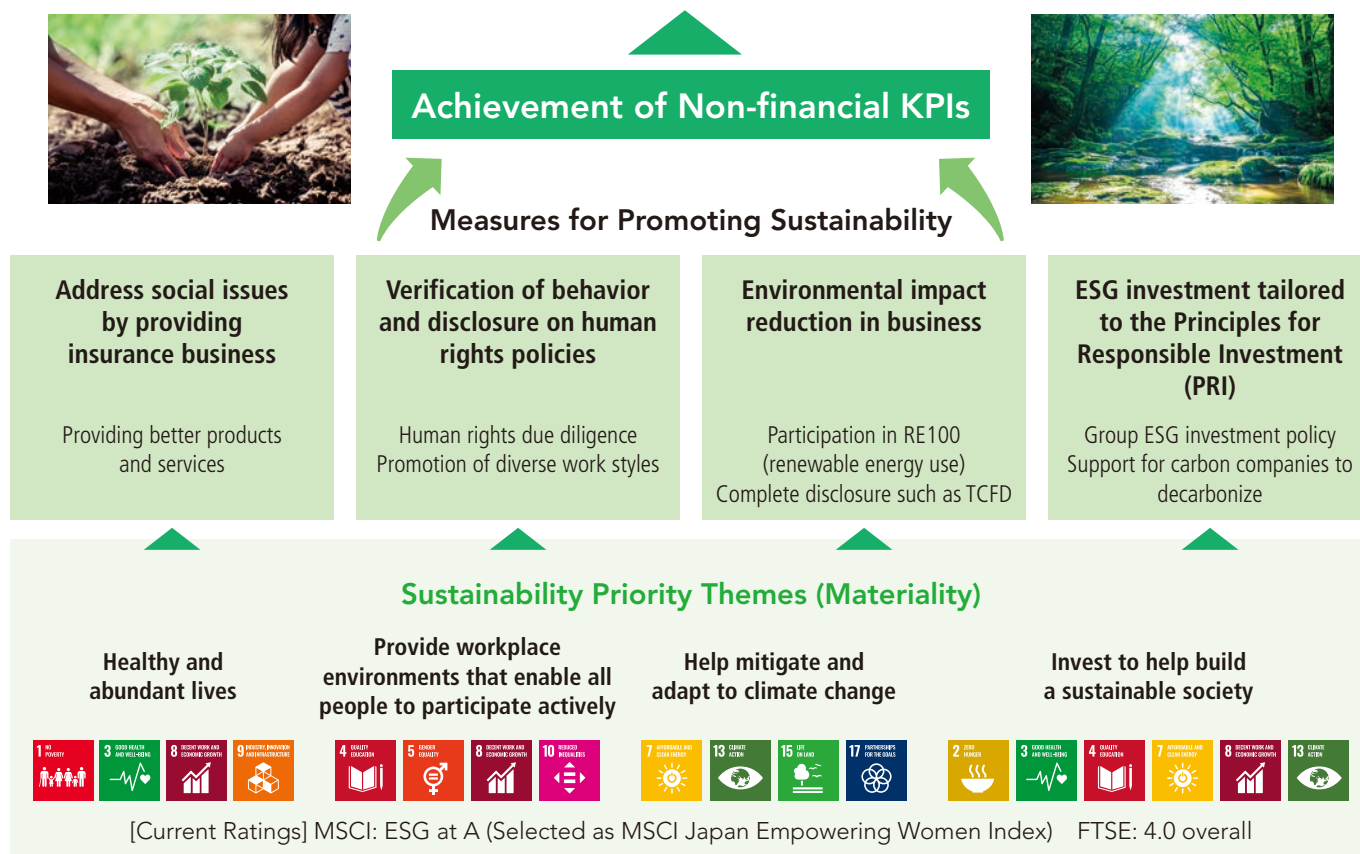
sustainability, focusing on solving social issues through our insurance business. At the same time, by resolving these materialities, we will achieve the non-financial KPIs such as customer satisfaction, employee satisfaction, and CO₂ emissions, thereby creating shared value.

Through life insurance business, therefore, the Group's core business, we will create social value and cultivate "society's happiness" by addressing priority themes (materiality). In short, the Group make its Basic Policy on Sustainability realize.

Basic Policy on Sustainability

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

Creation of Shared Value



Three-way Conversation (Vice President × Experts)

Aspiring to be the Insurance Group that grows together with society by contributing to the resolution of issues.



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

Kanaya Morinaka



Mitsubishi UFJ Research and
Consulting Co., Ltd.
Principal Sustainability Strategist

Ms. Mari Yoshitaka



Special Advisor to the
UNEP Finance Initiatives

Mr. Takejiro Sueyoshi

Three-way Conversation (Vice President × Experts)

Recent Environmental Changes

Sueyoshi

The biggest challenge facing the society as a whole, the nation as a whole, and the planet as a whole today is that the earth is headed for ruin. I think that's the truth of the matter. As many scholars and intellectuals have said, the next decade is the time to beat the odds. It is important not to tackle sustainability in a pretty way, but to make sure that human beings, society, and biodiversity are truly protected. I think that the situation is becoming very critical, and that is what is starting to move the world now.

Yoshitaka

At this year's COP26 (November 1 to 12, 2021), attention is also focused on the fact that countries will raise their greenhouse gas emission reduction targets. Speaking of climate change, in Japan, we often focus only on CO₂ emissions. However, the Taskforce on Nature-related Financial Disclosures (TNFD) was officially launched in June 2021, and when I talk to investors in Europe and the United States, I really feel that the issue of resources is also getting a lot of attention.

Japan is also moving forward with sustainable finance, green innovation, and green growth strategies, but I am worried that there is not enough sense of crisis. On the other hand, the

expansion of ESG investment in Japan is very strong, and the issuance of ESG bonds such as green bonds and sustainability bonds has been increasing in recent years. I believe that financial institutions overall are beginning to feel a sense of mission to support the critical situation of the planet Earth.

Human rights issues are also becoming very serious. Another day, I talked with a person from Japanese SMEs, and I was very surprised because when he had a business meeting with an American company, he was asked about his track record in signing contracts with disabled people and female managers. This kind of thing will become the norm in Japan soon, I predict.

Sueyoshi

The world is beginning to engage in new competitive principles to escape from this global crisis. Those who are trying to tackle the global crisis head on, are serious about changing the way we do business. And they believe without a doubt, that the only way for their company to survive is to take action as soon as possible. If Japanese companies are mistaken about that, I think Japan will be completely beaten.

Morinaka

I found the phrase "the entire planet is headed for ruin" very inspiring. Not only with the new coronavirus (COVID-19) pandemic, but also with the floods and the heat wave in Canada, I realize that the entire world is facing a crisis.

Against this backdrop, the Group has formulated the new Group Long-Term Vision.

This year we have also established the T&D Insurance Group ESG Investment Policy. Not only are we stopping financing coal-fired thermal power but we are putting an effort on project financing, such as financing technological development of environmental improvements. We must work to change the global environment by all means possible.

Sueyoshi

Mr. Morinaka, I think your understanding is absolutely correct. However, I dare to say that the various issues you have just mentioned are all tied together at the core. Ending up dealing with individual problems does not lead to a fundamental solution.

Yoshitaka

When the environment is destroyed, the vulnerable are the ones most affected. That's why dealing with human rights issues and responding to climate change are what Western investors are demanding most of their management. Not everyone can take the same action, so those who can must help those who cannot. Whenever investors evaluate a company, they focus on the social issues they are interested in. SDGs is a recent example. The

Not only are we stopping financing coal-fired thermal power but we are putting an effort on project financing, such as financing technological development of environmental improvements.

Morinaka



SDGs itself is not new at all, but it is an organized version of the obvious issues that we have already been recognized.

Sueyoshi

Now that you mentioned the issue of the weak in society, when I listen to these discussions overseas, I hear some words that we lack in Japan. The most powerful words are fairness, honesty, and justice. And of course, human rights are included in that. Whenever Japan discusses global warming or any other issue, it always starts by imposing a burden on each other. The question is naturally how to create a fair, honest, and just society, and debating the issue without any of this perspective will end up in a blame game. Japan will finally be left behind in the global competition under such a situation.

Your Group, in particular, is a company that is concerned with the life, health and happiness of each and every one, so it is an extremely critical topic for you to consider how to maintain and protect the honesty of each individual and consideration for the weak of society.

Morinaka

You are right. We are a group setting life insurance business at its core, which is founded on the spirit of mutual aid. We have always valued fairness and honesty through our main business, but going forward, we would like to extend this value to areas beyond our main business and contribute.

For example, the Group has been hiring employees with disabilities, mainly physical disabilities, but we have also created a team of people with mental disabilities. Such employees are not assigned to a different company, and they do various tasks within the same company.

They all work with such enthusiasm and tell me that they are happy to be working for this company. It has been more than two years since we started the initiative, and we hope to continue this kind of effort for a long time to come.

Sueyoshi

That's why the history of T&D Insurance Group has continued since 1893. I sincerely hope that through the implementation of the Group Long-Term Vision, you will tackle these issues from the perspective of fairness, honesty and the socially vulnerable, and bring about a new wave to Japan.

Yoshitaka

The other day, I had the opportunity to listen to the opinions of Generation Z. A high school student said, "We think climate change is dangerous now, but why are the adults so slow to take action?" And a junior high school student said, "I really can't sleep because I'm worried about my future."



In 30 years, arguably, Generation Z will be the generation in need of insurance the most. The challenge for adults is to always deliver an easy-to-understand message about the importance of insurance to the next generation.

Ms. Yoshitaka

When today's teenagers pass another 30 years, they will be the generation in need of insurance the most. The challenge for adults is to always deliver an easy-to-understand message about the importance of insurance to the next generation.

Sueyoshi

People in their teens and twenties today will become the core of society over the next few decades. As they gain power, I believe that the senior generation, including companies that are not able to change will be driven away.

Morinaka

We talked about fairness. No matter how profitable a company is now, if it is not fair and honest, it may be rejected by Generation Z when they grow up, and may not survive. This sense of crisis has been instilled into us. That is why we have formulated the Group Long-Term Vision, with the hope of becoming a group understandable to such people.

Group Long-Term Vision "Try & Discover 2025"

Morinaka

Conventional medium-term management plans were determined based on past experience and anticipation of future changes in

Three-way Conversation (Vice President × Experts)

the environment. Nevertheless, in this era of high uncertainty, or when we look five years into the future amidst changing global trends, including ESG, we have formulated the long-term vision based on the concept of backcasting to determine what kind of a group we want to become.

In addition to how to boost profits, we have created a vision that wishes for the happiness of all stakeholders.

Sueyoshi

What's important now is how we are going to spend the next five to ten years. Just as we have a target of net zero by 2050 for climate change, there should be a final goal to be reached, and I believe that the roadmap leading to the goal, or the five or ten years leading to the goal, is important. I feel it may be better if you could elaborate a little more on the positioning of the Group Long-Term Vision and the longer final goal that it is a part of: what part this first-five-years will play out of what kind of a longer final goal.

Furthermore, I think the idea of placing SDGs at the base is good, but as I understand it, the most important part of the SDGs is to basically rethink the way we do business now. That means, for example, changing corporate management to solve problems.

As I mentioned earlier, each individual problem has a single root. In terms of companies, I think, the way the corporate

management is run has caused problems. So it would be better if you could be a little more specific about what you are going to change.

The businesses of your Group play an important role in two ways: as a life insurance company and as an institutional investor. I think it would be easier for the reader (e.g., customers) to understand if the two activities were explained separately and further detailed. Especially for the general public, it is not always easy to see what you do as investors, so I think it is important to give them an orientation of your activities as an investor.

Yoshitaka

I think it will be easier to understand if you organize the time axis of each approach. I understand this may be a matter of how the information is worded but for example, strengthening core businesses needs to be an ongoing issue, not limited to the period of the Group Long-Term Vision.

With regards to human due diligence, it would also be better to establish policies and further clarify what to do.

Morinaka

Thank you very much. In our basic policy of the SDGs, the ultimate goal is to bring happiness to the world by creating social value, and to make the world a better place by generating happiness. In that sense, I would like to think first of all about making the world a better place through our main business or even through non-main business.

Address these issues from the perspective of fairness, honesty and the socially vulnerable. I would like to see you breathe new life into Japan by implementing the Group Long-Term Vision.

Mr. Sueyoshi



Establishing Sustainability Priority Themes for the Realization of Creation of Shared Value

Sueyoshi

The four priority themes are divided into two categories: life insurance company functions and the role as an institutional investor. Perhaps products for customers as a life insurance company fall under priority theme 1, while the role as an institutional investor comes under priority theme 4. If we think about this, we can tie priority themes 1 and 4 together. Also, I understand that priority theme 2, "All people," is basically talking about the employees of your Group. Regarding priority theme 3, climate change, I think this is a response as the Group's comprehensive role to society as a whole, so I feel that the order could be switched.

Also, priority theme 3 should not be limited to the five-year planning period of the Group Long-Term Vision, but should also indicate the long-term goal of net zero. Whatever the company, region, or country, the ultimate goal of net zero must be clearly stated.

Yoshitaka

In preparation for COP26, a new framework called the Glasgow Financial Alliance for Net Zero (GFANZ) was announced in April of



this year. It is now becoming the consensus of all financial players to aim for net zero by 2050. So, I think it would be easier for us to understand if you first set a target for when to reach net zero and then specifically state how much you will reduce by 2025.

As Mr. Sueyoshi touched on, I believe that you will be required to take more responsibility as institutional investors than ever before. However, if individual investors participate in ESG and sustainability investment in the future, I think they will also focus on whether or not your Group is included in their ESG investment portfolio. As for priority theme 3, climate change, responsibility differs depending on whether it is a corporate activity through products or contribution as an investor, so that should be sorted out.

Also, since employee satisfaction is an important ESG evaluation category, it would be worthwhile to underline the details. Sorry, but you do have an employee satisfaction indicator, don't you?

Morinaka

We sure do. We survey our employees every year.

Yoshitaka

However, "providing workplace environments that enable all people to participate actively" is vague and confusing. So if the stakeholder under this theme refers to employees, then it should be written as such, and if it refers to the customers, which are management/employees of SMEs, then a separate priority theme should be established.

Sueyoshi

Additionally, when "all stakeholders" cherry-pick investment targets and various factors, they will definitely have a measure of whether the country, region, people and company are serious about the future of young people. I believe that your Group is definitely a company that is thinking about the future of the

earth and the potential of next generation. How do you cultivate a feeling of trust that you are the kind of a group who think and act on everything based on this? I think that is vital.

For T&D Insurance Group

Yoshitaka

I was touched by your Group's attitude to be close to each and every one. I believe that sustainability should be a partner to help the weak and SMEs. I heard that your Group provides products in various languages for foreign employees of SMEs. I hope that you will continue to work with each and every one, including those of SMEs, to promote sustainability.

Sueyoshi

The phrase "For the happiness of all stakeholders" in the Group Long-Term Vision was surprising in a good way because of the very soft expression you have chosen.

As Mr. Morinaka mentioned earlier, I think it is really necessary now to value the perspective of the vulnerable in society. There would be nothing more rewarding than to see all of you, with the great history since the Meiji era, further engage in creating an inclusive world, including those who are socially vulnerable.

Morinaka

This has been such a fruitful meeting. I have really learned a lot from both of you. Thank you very much for your time today.

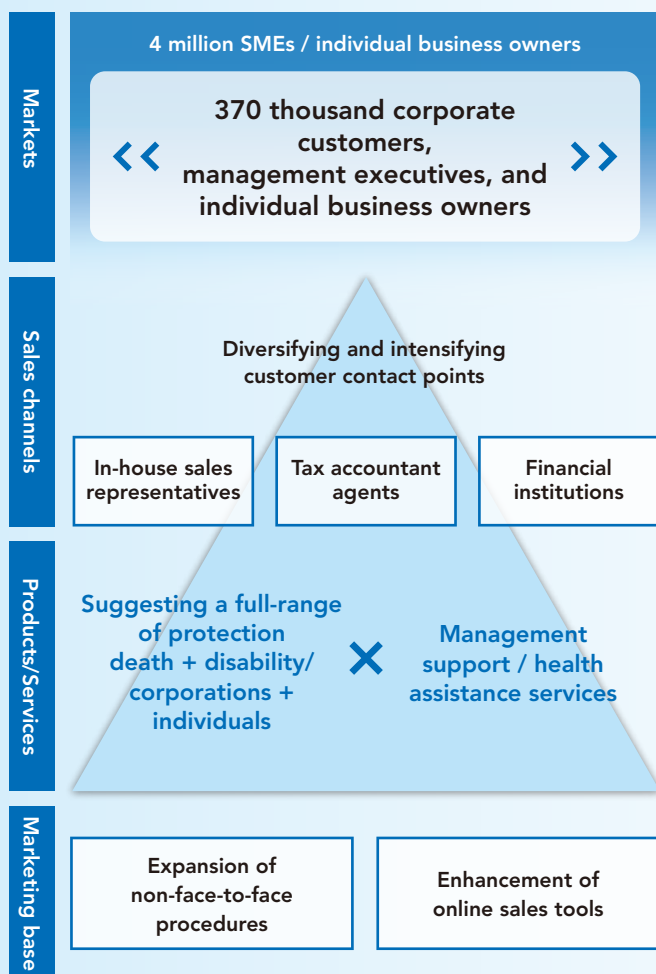
Revenue Growth (Daido Life)

New sales models in response to the COVID-19 pandemic and solutions that meet the needs of SME owners

Daido Life has seized the opportunity presented by the COVID-19 pandemic in fiscal 2020 to accelerate the shift of all operations, especially sales activities, towards remote and digital. In addition to the company-wide deployment of the Zoom* web conferencing system, which had already been introduced in some parts of the company to improve the efficiency of sales activities, Daido Life is improving customer convenience and reforming the work styles of its sales representatives by gradually transitioning to non-face-to-face procedures for new policy

applications and during the policy period. The company has also implemented measures to support SMEs that have been severely affected by the COVID-19 pandemic, including interest-free loans to policyholders and free provision of COVID-19 mutual support insurance as a contribution to society. Going forward, as part of its mission to protect SMEs, the company will continue to expand the number of corporate customers by providing products and services that meet the needs of SME owners.

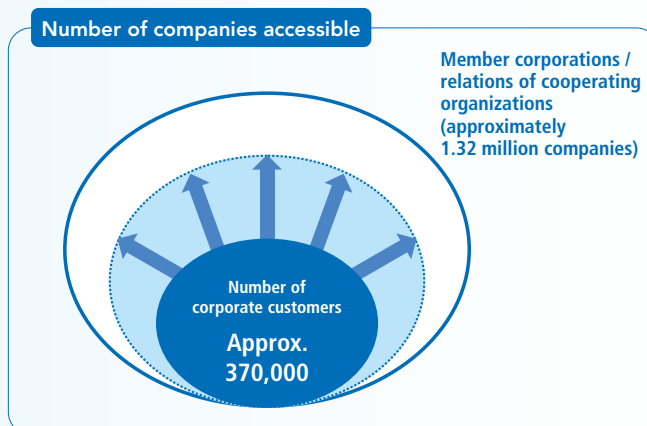
* The Zoom name and logo are trademarks or registered trademarks of Zoom Video Communications Inc. in the United States and other countries including Japan.



Markets

Expand the number of corporate customers by providing coverage to more SMEs

In the wake of the COVID-19 pandemic, it is increasingly important for the SMEs targeted by Daido Life to secure coverage for business continuity, which means Daido Life needs to deliver coverage to more customers than ever before. At present, there are approximately 370,000 corporations with contracts with Daido Life, but there are about 4 million SMEs and individual business owners in Japan, leaving much room for expansion. Going forward, the company aims to expand the number of corporate customers by providing products and services that meet the needs of SMEs and delivering them to more SME customers.



Source: Ministry of Internal Affairs and Communications, "Economic Census for Business Activity"

Initiatives by Daido Life during the COVID-19 pandemic

Changing all process to non-face-to-face procedures

New policy application procedures

- Procedures over mails (April 2020)**
 - New policy procedures by mail and phone
- Remote procedures (September 2020)**
 - Completion of procedures with customers' smartphones, etc.
- Remote examinations (April 2021)**
 - Medical examinations over the videophone
- Self-examinations (June 2018)**
 - Completion of examination by the customer
- Easy self-examinations (June 2021)**
 - Completion of urine test by the customer

Procedures during insurance contract terms

- All procedures done by mail (April 2020)**
 - All procedures changed to non-face-to-face procedures by mail
 - Omit some documents necessary for procedures
- Digitalization of making claims (planned for 2021)**
 - Completion of procedures through electronic forms sent to smartphones, etc.
 - Simplified claims assessed instantly

Online sales

Utilization of Zoom (May 2019)

- Introduced to improve the efficiency of sales activities
- Deployed company-wide due to COVID-19

Loan of smartphones to in-house sales representatives (January 2021)

Strengthening inside sales (April 2021)

- Established a dedicated organization within the HQs
- Create customer contacts through webinars, etc.

AI-based training program (April 2021)

- Auto-scored role-playing

Work style reforms of sales personnel

Sales channels

Deepen and expand strong sales channels with strong relationships with cooperating organizations

Daido Life has established a unique business model of providing insurance coverage for SMEs through partners with organizations. Through this model, it has been delivering coverage for half a century. The strength of its business model lies in the fact that Daido Life has established strong relationships with each organization through the shared mission of protecting SMEs. Going forward, the company will continue to strengthen its relationship with customers by further strengthening collaborative efforts with cooperating organizations, expanding its contact points with customers through new channels, and accelerating the convergence of intimate face-to-face sales and efficient non-face-to-face sales.

In-house sales representatives

Approx. 3,800 people

Tax accountant agents

Approx. 13,000 agents

Non-life insurance agents

Approx. 1,300 agents

Products/Services

Providing solutions that meet the needs of SME owners with a full-range of protection and value-added services

Daido Life will continue to protect SMEs by providing a full-range of protection that combines term insurance (which covers the risk of death) and disability benefit insurance (which covers the risk of having to leave the workforce due to serious illness or physical disability). Furthermore, by integrating and promoting value-added services that support the resolution of management issues that cannot be covered by insurance alone, the company will offer SMEs value in the form of "insurance + extras" to contribute to their business continuity and development.

Suggesting a full-range of protection death + disability / corporations + individuals

Management support / health assistance services

Corporations	Death benefit	<ul style="list-style-type: none"> R-type L-type Alpha
	Disability benefit	<ul style="list-style-type: none"> J-type / J-type Alpha T-type / T-type Alpha M-type
Individuals	Nursing care benefit	<ul style="list-style-type: none"> Shunyu Relief Kaigo Relief Alpha
	Asset formation and inheritance measures	<ul style="list-style-type: none"> Life Gift Alpha Single-premium foreign currency insurance from T&D Financial Life

Supplementary services

Health care

• KENCO SUPPORT PROGRAM, etc.

Management assistance

• Safety Confirmation System, etc.

Seniors

• Kaigo Concierge

Revenue Growth (Taiyo Life)

Strategies for the household market, which is expanding as insurance needs grow amid the COVID-19 pandemic and more people stay at home with the spread of remote work

Although the COVID-19 pandemic had a substantial impact on its sales activities in fiscal 2020, Taiyo Life was able to adapt to the changes in society by mainly introducing new sales approaches, accelerating the integration of face-to-face and digitalized sales, and launching new products designed with COVID-19 in mind.

Specifically, since the pandemic made it difficult for sales representatives to continue engaging in traditional walk-in sales activities, Taiyo Life introduced new sales approaches such as visiting customers after setting up an appointment based on the customer data

provided by the company, and carrying out promotional activities through distributing brochures to neighboring households of customers on the database (approval base).

In September 2020, Taiyo Life became the first company in the industry to launch the *Infectious disease plus hospitalization insurance (lump-sum payment type)*, which covers COVID-19 hospitalizations. Since its launch, the product has been selling well, benefiting from Taiyo Life's ability to quickly provide products that address new needs.

Market

Household market looks promising as remote work spreads, more people stay at home, and insurance needs grow

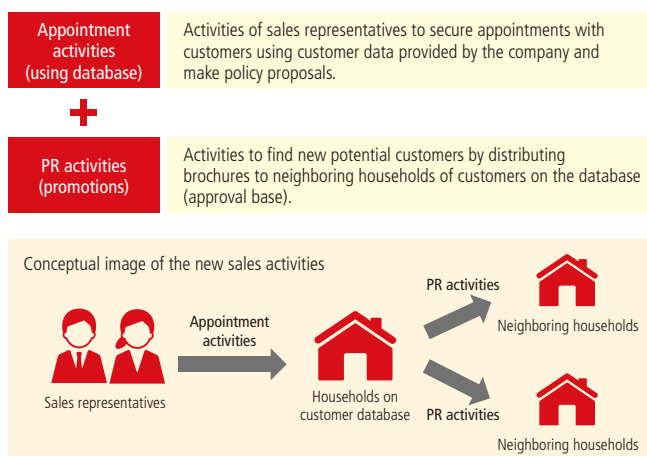
Prior to the pandemic, Taiyo Life's main targets were seniors and housewives who are home during the day. Recently, however, the pandemic has led to the spread of remote work and kept more of the middle age generation at home. This has resulted in an increase in contact points between Taiyo Life and the middle age generation. To take advantage of this opportunity to expand its presence in the household market, Taiyo Life will combine face-to-face and non-face-to-face approaches to attracting and soliciting customers, and build a system that can meet the needs of various customers regardless of age.

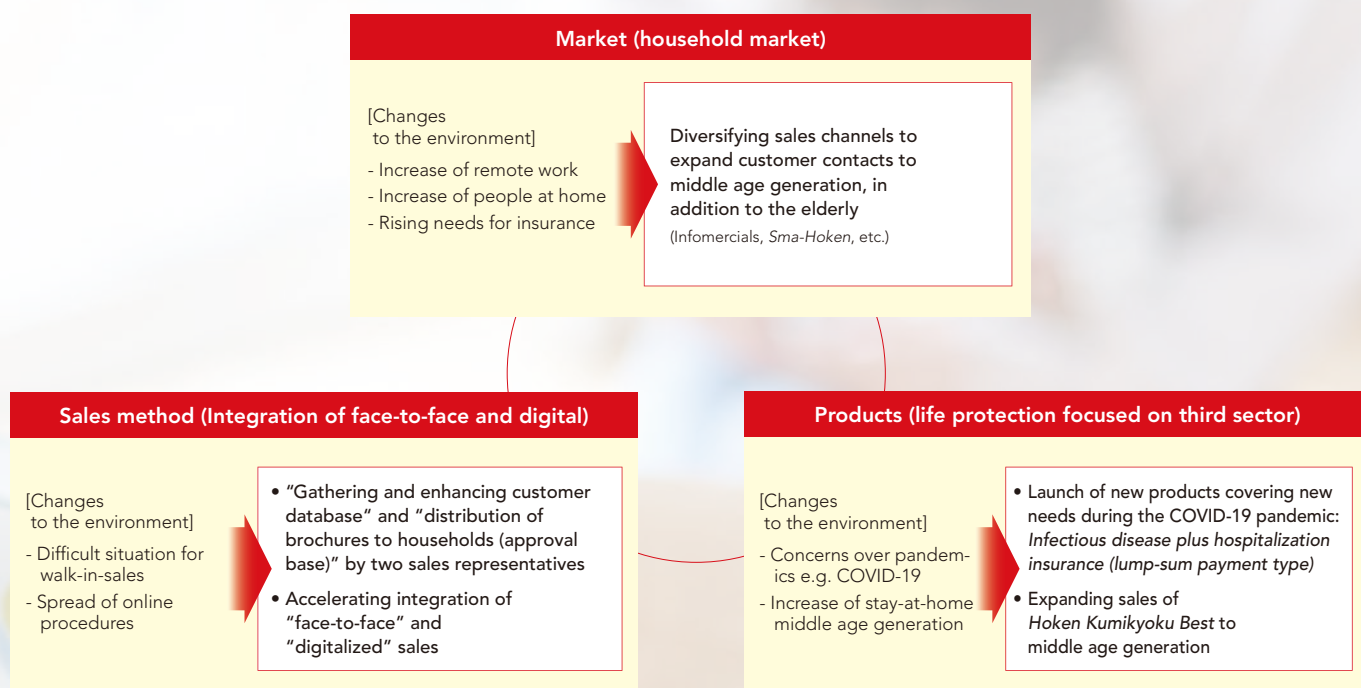
Attraction Solicitation	Face-to-face	Non-face-to-face
	Face-to-face	Non-face-to-face digital
Face-to-face	Sales representative Over-the-counter (OTC) sales	Infomercials <i>Sma-Hoken</i> (In coordination with sales representatives)
Non-face-to-face digital	Remote application	<i>Sma-Hoken</i> (100% online policy)

Sales Method

Establishing a new sales approach that integrates face-to-face and digitalized sales

In addition to continuing the new sales approaches introduced in response to the COVID-19 pandemic (appointment-based customer visits and promotional activities), Taiyo Life will further boost productivity and efficiency by centrally managing existing customer information as well as information on new and potential customers acquired through *Sma-Hoken* and infomercials. To this end, the company will continue to enhance its data analysis platforms, including by establishing a new customer database and renewing the *Taiyo Life My Page*.





Products/Services

Healthy and long life for the Centenarian Age: Continuously offering insurance products and services that support secure and fulfilling lives

Taiyo Life will support the health and longevity of all customers, including the middle age generation as well as seniors, by developing products in response to social issues. For example, the *Infectious disease plus hospitalization insurance (lump-sum payment type)* launched in 2020, which covers COVID-19 hospitalizations, gained widespread popularity not only among our traditional customer segments of seniors and women, but also among new customer segments because it was an insurance

policy that addressed a social issue. In addition, the company launched the *Cancer/critical illness prevention insurance* in June 2021 to help customers live longer and healthier lives through early prevention and detection of cancer and other critical illnesses. Taiyo Life will expand its customer base by continuing to support the health and longevity of not only seniors but all customers, including the middle age generation.

Freely-combined coverage *Hoken Kumikyoku Best*

Customized coverage according to each customer's request

Death benefit	Cancer/critical illness benefit
Disability / dementia / nursing care	Medical benefit
Waiver of premium payment	Advanced medical care
Fund preparation	

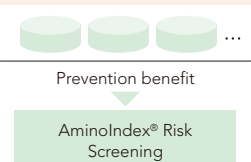
がん・重大疾病予防保険

Cancer/critical illness prevention insurance (Launched June 2021)

Coverage of up to **¥20 million** for predetermined conditions due to **19** illnesses, including cancer, heart attack, stroke, and diabetes.



Prevention



First to launch 感染症プラス入院一時金保険

Infectious disease plus hospitalization insurance (Lump-sum payment type) (Launched September 2020)

1. Covers hospitalization due to specific infectious diseases including COVID-19
 2. Online enrollment also available through Sma-Hoken
- Pays up to **¥600,000** if combined with hospitalization lump-sum payment insurance

Himawari Dementia Prevention Insurance

(launched October 2018)



ひまわり認知症予防保険

- | | |
|--|--|
| 1 Simple health disclosure accepted for application | 2 Payment of preventive benefits that can be used for dementia prevention services |
| 3 Double insurance claim payment for dementia (diagnostic and treatment benefits)* | 4 Coverage for hospitalization and surgery due to designated illnesses that are common among seniors |

* When enrolled in both relaxed-underwriting type dementia diagnosis insurance and relaxed-underwriting type dementia treatment insurance.

Expansion of Profit (Upgrading Life Insurance Investment)

Upgrading Life Insurance Investment and Reinforcement of Asset Management Business

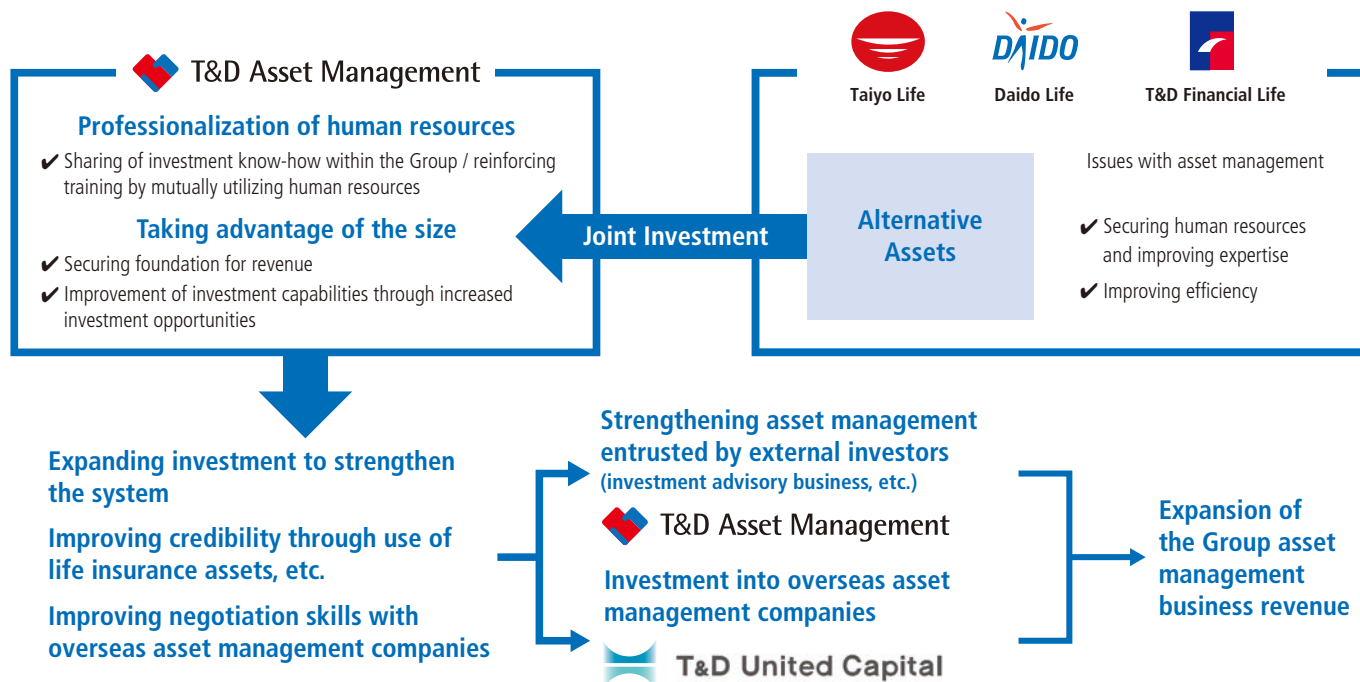
As a low interest rate environment is expected to continue for the long term, enhancing profitability in asset management is a common issue among the Group's life insurance companies chiefly in preparation of the introduction of an economic value-based regulation. In addition, expanding the asset management business is inevitable for the Group growth due to its affinity to the Group's businesses and a high return on invested capital.

With the aim of reinforcing its asset management function, the T&D Insurance Group aims to improve its investment capabilities by securing and developing specialized human resources as well as to optimize and streamline asset management by increasing invested assets. To this end, the Group will bring together the asset management functions related to alternative investments into T&D Asset Management.

As the first step for this goal, T&D Asset Management

established a department specialized in the Group's asset management in July. As managed assets have been diversified and increased particularly overseas, the Group plans to expand alternative assets and has begun to integrally manage them through the consolidation into T&D Asset Management. The Group expects that integrating know-how on alternative investments and those who are entrusted with the investments will lead to the realization of more efficient and higher performance.

The Group will continue to promote the integration of its asset management by transferring the existing funds to T&D Asset Management with the company managing new funds. By leveraging the expansion of the investment size through the integration of managed assets, the Group also aims to increase assets entrusted by external investors and expand its asset management business.



Expansion of Profit (Approaching Millennials/Generation Z)

Shaping a New Economic Zone Centered on Digital to Establish Customer Contacts with the Millennials and Generation Z, who will Lead the Next Generation

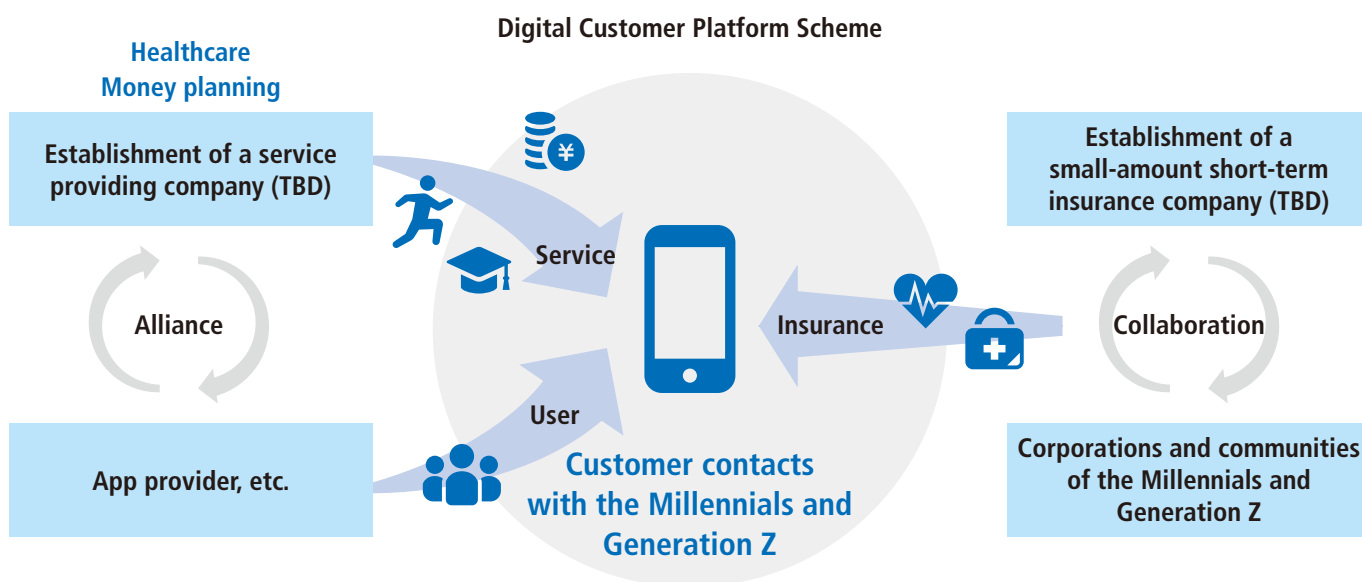
For the domestic life insurance business, the Group's life insurance companies have been successful in their specialized strategies. However, competition has been more intensified in the Japanese market due to a declining birth rate and aging and dwindling population.

Under such circumstances, a major issue is how to secure contacts with young generations, especially the Millennials and Generation Z, who lack interest in insurance. Then, the T&D Insurance Group seeks to shape a new economic zone centered on digital tools such as apps and SNS to create customer contacts with the Millennials and Generation Z, who will lead the

next generation.

To this end, through cooperation and collaboration with companies and communities having a lot of contacts with these generations, the Group will be agile in providing insurance products that meet new and unprecedented needs as well as various services within the economic zone.

By creating new contacts to establish long and stable relationships with the customers, the Group will also contribute to the diversification of its whole customer contacts by sharing the established customer platforms and channels with the Group companies.



To create new customer contacts

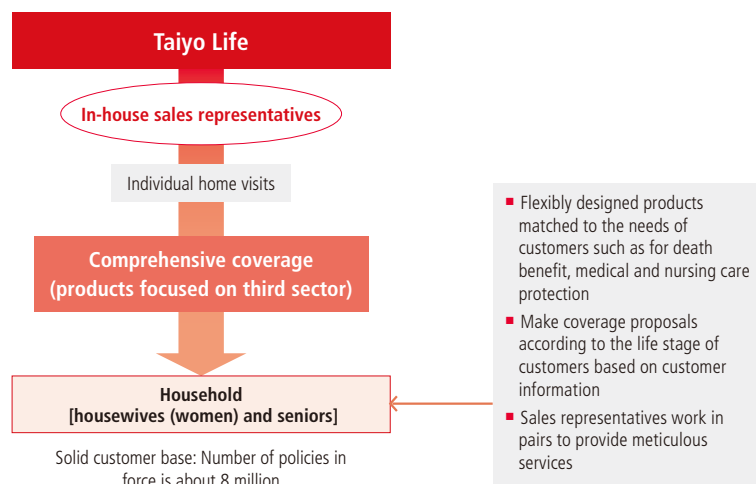
The Domestic Life Insurance Business



Taiyo Life

Business Model

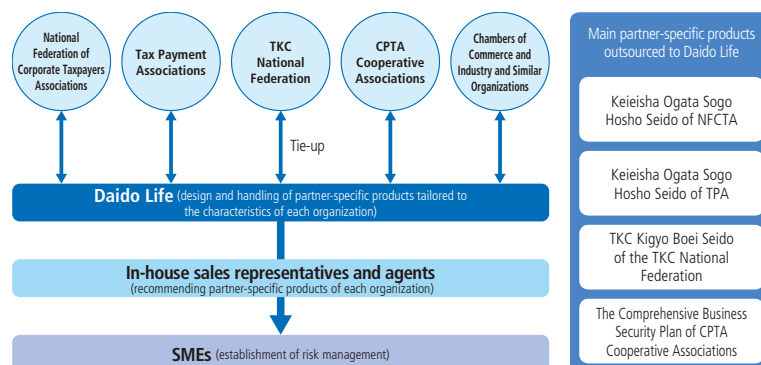
Taiyo Life's core business is sales of life insurance in the household market. In-house sales representatives visit homes directly and propose the appropriate coverage for each household. The mainstay product, *Hoken Kumikyoku Best*, allows customers to freely combine the coverage they need. This enables the company to propose coverage which meets the needs of each household. The company is therefore able to offer comprehensive coverage to households by taking advantage of its strengths in the household market.



Daido Life

Business Model

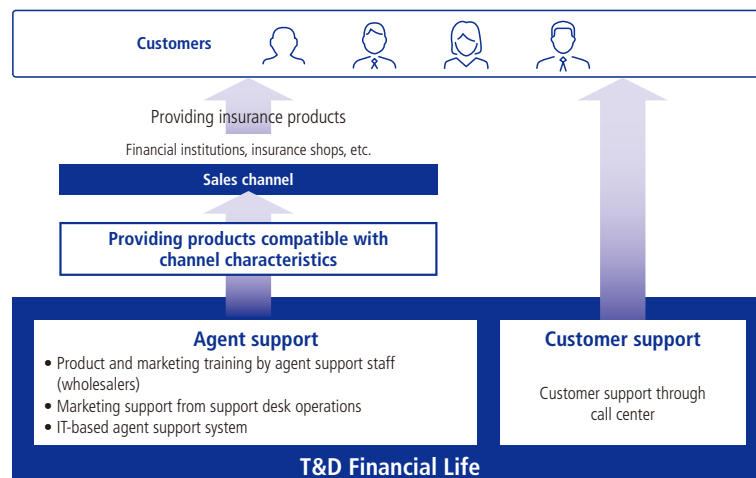
Daido Life is a life insurance company that specializes in the SME market, with contracts with some 370,000 corporate clients. The company, which ties up with SME-related organizations and tax accountants' groups, positions the offering of its products and services developed according to the organization's characteristics as its core business. The company has established a unique business model of offering these products and services as appropriate coverage for the SMEs through two channels: in-house sales representatives and agents.



T&D Financial Life

Business Model

T&D Financial Life specializes in providing products through independent insurance agents including financial institutions and insurance shops, which handle products from multiple insurers. The company is promoting the further expansion of agent networks, the speedy development of products differentiated by type of benefit and added value, and cost efficiencies, in order to enhance its presence in life insurance sales through the independent insurance agent channel.



Strengths

- Solid foundation in the household market built by the continual development of new customers through “Combination Activity” where in-house sales representatives form pairs on visit to individual households
- Provision of products that meet customer needs in response to social issues, such as *Infectious disease plus hospitalization insurance (lump-sum payment type)*, which covers hospitalization due to COVID-19
- Senior-friendly customer service

Growth Opportunities

- Growth of senior population
- Increasing percentage of the middle age generation at home due to the spread of remote work
- Increasing needs for insurance during the COVID-19 pandemic
- Growing needs to make self-provision for pension, medical care, and nursing care
- Extension of healthy life expectancy and growing awareness of health promotion among seniors

Strategies

- Promotion of hybrid sales using information from *Sma-Hoken* (internet channel), infomercials, and other channels
- Promotion of digitalization to enable face-to-face and non-face-to-face interactions and establishment of a system that can respond to a wide range of customer needs
- Action to enhance survival benefits, such as medical and nursing care benefits, as well as benefits and services to prevent dementia and other serious diseases
- Development of products in response to social issues in order to support the health and longevity of all customers, including not only the elderly but also the middle age generation

Strengths

- Superiority of business model
- Accumulation of management resources suited to developing the corporate market
- High-quality customer-support framework
- Comparatively sound finances

Growth Opportunities

- Growing and increasingly diverse customer needs
 - Growing need for disability benefit due to aging population and other factors
 - Growing need for business succession and inheritance measures due to tax reforms and other factors
- Increasing awareness of health promotion
- Progress in digital technologies enabling new operational innovations

Strategies

- Development of services that provide new value through “insurance + extras,” with a focus on healthcare and nursing care, management issue support, and senior and affluent segments
- Construction of a new collaborative scheme that integrates the strengths of its in-house sales representatives and agent channels, and development of a new channel for banks and financial institution agents
- Development of new markets by strengthening responses to the needs of the senior segment
- Establishment of a platform for SMEs and promotion of non-face-to-face insurance procedures

Strengths

- Concentrating management resources on the independent insurance agent channel, owning predominant agent channels of financial institutions, etc.
- Strength in product development to create unique products
- Streamlined system

Growth Opportunities

- Increasing needs for asset formation and medical benefits due to an aging population
- Changes in the market, such as emerging new sales channels (e.g., OTC sales at banks and insurance shops), and entry of new players from different industries into the insurance shop field

Strategies

- Product development responding to diversifying needs and channel expansion
- Improvement of convenience through the use of IT, from a customer-oriented perspective
- Development of new channels and expansion of services for customers and agents through integration of real and virtual
- Development and expansion of agents by offering products with a certain level of price competitiveness and differentiated benefits and services, etc.

The Domestic Life Insurance Business

Taiyo Life



Naoki Soejima

Taiyo Life Insurance Company
Representative Director
and President

Strategy to achieve the management plan

Taiyo Life has responded to customer needs by diversifying channels and offering new products. Today we see an unprecedented change in people's behavior in the wake of the COVID-19 pandemic. During the pandemic, many customers have expressed their support for *Sma-Hoken*, our fully-online insurance that combines an online insurance quoting and enrollment process with attentive service from our highly trained personnel, as well as our remote application process (non-face-to-face solicitation), which combines *Sma-Hoken* with consulting and application procedure support through the sales representative channel. At the same time, products that respond to social issues, such as *Infectious disease plus hospitalization insurance (lump-sum payment type)*, which covers hospitalization due to COVID-19, have also been well received.

Going forward, we will continue to further develop our sales representative channel and new channels, such as *Sma-Hoken* (internet channel), to meet customer needs, and we will continue to support the health and longevity of all our customers by developing products that respond to social issues.

Daido Life



Mutsurou Kitahara

Daido Life Insurance Company
Representative Director
and President

Strategy to achieve the management plan

In recent years, the environment surrounding SMEs has changed and the needs of business owners have become more diversified. This is because business owners are now active for a longer period of time owing to the advances in medical technology and more concerned with promoting health as well as inheritance and business succession issues. In this changing environment, Daido Life is working to offer a full-range of protection by enhancing its disability benefit insurance in addition to its mainstay death benefits. In addition, Daido Life is providing the value of "insurance + extras," which is widely useful for the business continuity of SMEs. Our value-added services include practical tools for health and productivity management at SMEs such as the Daido Life KENCO SUPPORT PROGRAM as well as our *Safety Confirmation System*. On the sales front, we will continue to accelerate the shift to remote and digital operations, improve customer convenience, promote the penetration and retention of sales activities that correspond to the new normal, and reform the work styles of our sales representatives.

T&D Financial Life



Masafumi Itasaka

T&D Financial Life
Insurance Company
Representative Director
and President

Strategy to achieve the management plan

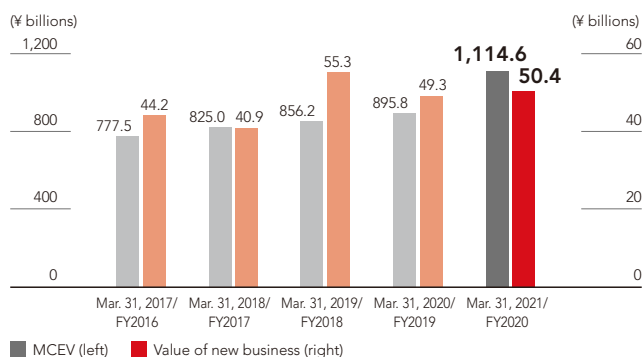
For senior customers, T&D Financial Life provides wealth creation products to support a comfortable retirement life by preparing for post-retirement expenditures and respond to the need for protection for be-reaved families. For customers who are working and/or raising children, the company offers protection-type products at an affordable price.

Competition is fierce in insurance sales through agent channels such as financial institutions. However, since this is an area where market share is expected to continue to increase, we will continue to expand our single-premium products and level-premium products to meet the needs of our customers in light of the arrival of the era of the 100-year life and the progression of Japan's super-aged society. In addition to insurance products, we will also work to provide ancillary services that complement insurance products.

In addition, in the sales channel, we will expand customer contact points and enhance agent support through integration of real and virtual.

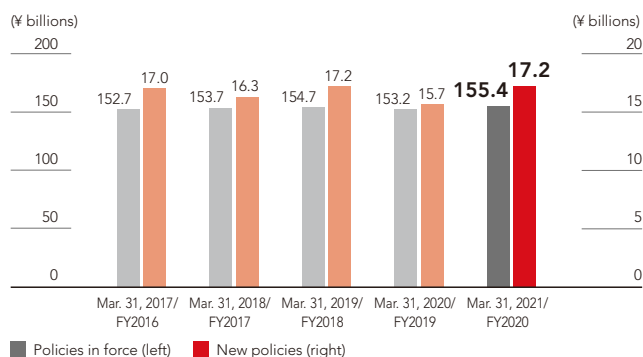
Through these efforts, we aim to expand our presence and business performance in the market mediated by financial institutions and other agents.

MCEV* / Value of New Business*

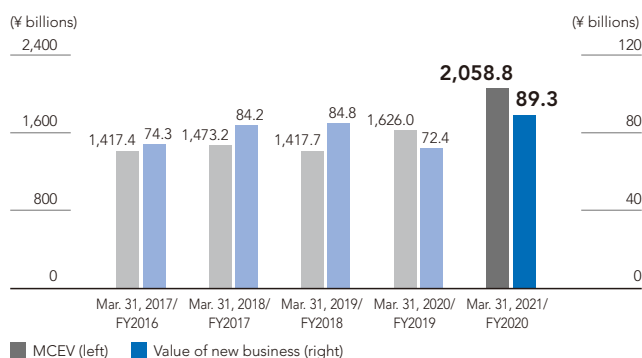


* The company applies ultimate forward rate (UFR) from FY2019/Mar. 31, 2020.

Protection-type Annualized Premiums

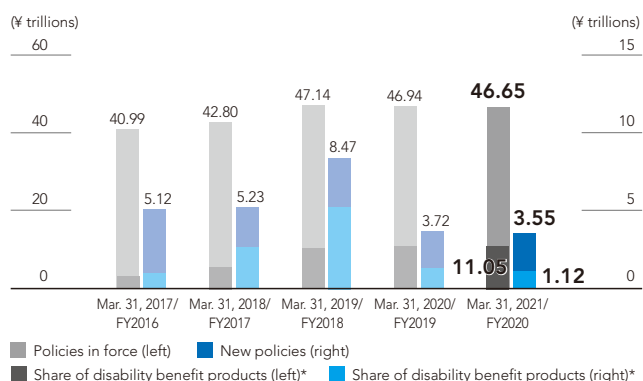


MCEV* / Value of New Business*



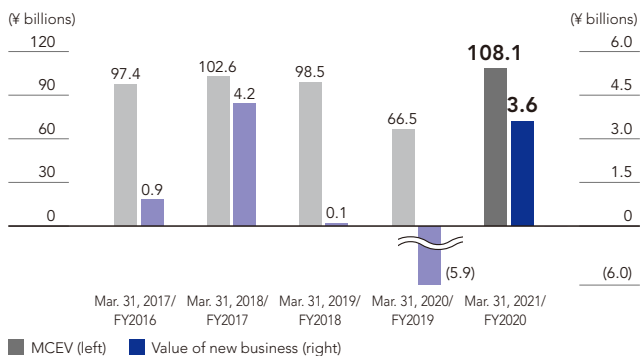
* The company applies ultimate forward rate (UFR) from FY2019/Mar. 31, 2020.

Policy Amount



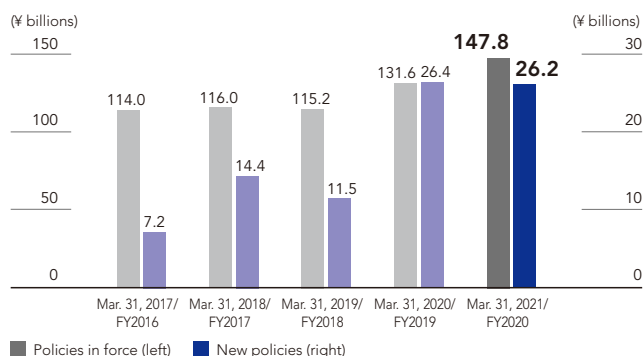
* Disability benefit products include J-type, T-type, Kaigo Relief Alpha, Shunyu Relief, and so forth.

MCEV* / Value of New Business*



* The company applies ultimate forward rate (UFR) from FY2019/Mar. 31, 2020.

Annualized Premiums



Group Companies



T&D Asset Management

One Step Forward, Together with Our Clients

T&D Asset Management operates an investment trust business by offering investment trusts through financial institutions, as well as an investment advisory business by managing funds for pension funds and institutional investors. As an ultra-low interest rate environment has continued for the long term, wealth creation for the future is a significant social issue in each generation. Under such circumstances, in line with its principles of "Make a Difference," the company will endeavor to provide products and services that satisfy its customers and make every effort to contribute to solving social issues by working on

characteristic management and product development.

In July 2021, the company established the Life Insurance Asset Management Department in charge of asset management of the Group's life insurance companies. The company works on sharing management know-how within the Group, securing and developing specialized human resources, and boosting asset management efficiency while taking advantage of scale, to leverage synergies. Through these efforts, T&D Asset Management will aim to upgrade asset management and expand its asset management business.



Pet & Family Insurance

Bringing peace of mind to a full life with pets who are members of the family

Pet & Family Insurance provides pet insurance mainly through pet shops, where many prospective pet owners meet their pets for the first time. It is now becoming commonplace that people recognize pets as part of their family to live with them for the full duration of their life. For this reason, there is growing interest in pet healthcare and measures for covering such costs. The company believes it is its social mission to meet the needs of pet owners by popularizing pet insurance.

Given that many people take out pet insurance when they buy their pet at a pet shop, it is working together with mainstay pet shop agencies to increase insurance coverage when pets are sold. The company will continue to provide insurance products that meet customer needs and improve its services so that both pets and their owners can lead healthy and affluent lives.



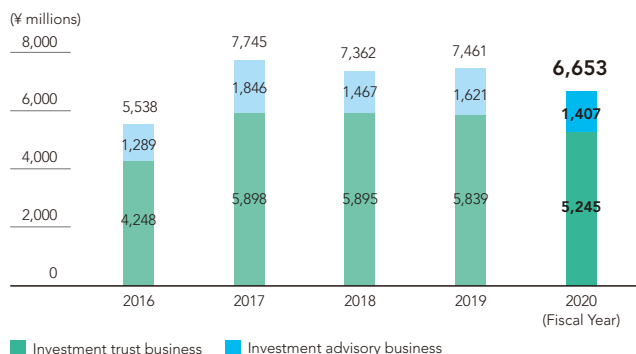
T&D United Capital

Realizing Dreams Together

As the driving force behind the Group's aim to diversify and optimize its business portfolio, T&D United Capital is working to expand medium- to long-term Group earnings by investing in new business areas that have a strong affinity with the life insurance business. In fiscal 2019, the company took an equity stake in French asset management and investment company

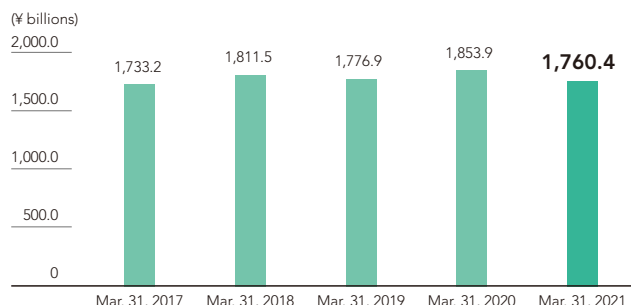
Tikehau Capital SCA, and in fiscal 2020, it made the US-based reinsurance holding company Fortitude Group Holdings, LLC an equity-method affiliate. Going forward, T&D United Capital will work on expanding and strengthening the closed book business, while placing it as a strategic important area under the Group Long-Term Vision.

Operating Income (by Business)



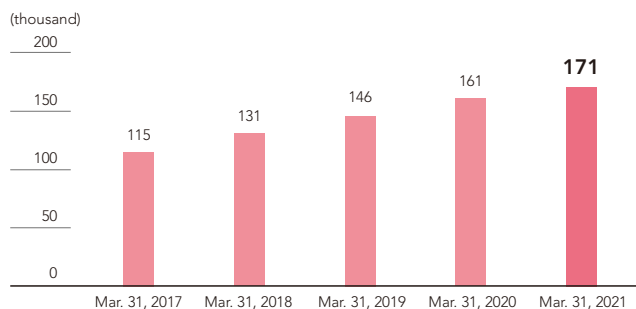
* From this fiscal year (FY2020), operating income is a figure before deducting commissions, research outsourcing expenses and others. Also for the previous fiscal years, the same calculation method is applied.

Investment Trust AUM



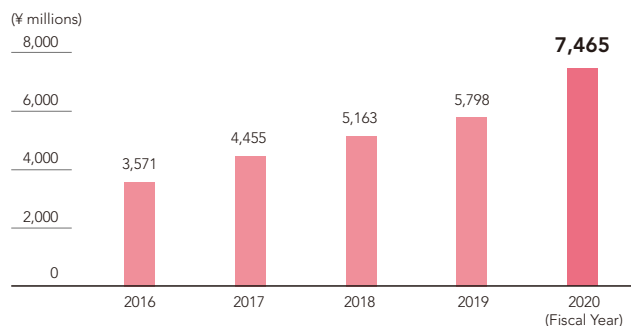
* From this fiscal year (ended Mar. 31, 2021), the whole investment trust AUM including from the investment trust and investment advisory businesses are described. Also for the previous fiscal years, the same calculation method is applied.

Number of Policies in Force



* The above represents the total of individual insurance and group insurance.

Net Premium Income (Pet Insurance)



Equity acquisition of the US-based reinsurance holding company, Fortitude Group Holdings, LLC

FORTITUDE RE Characteristics of Fortitude Group Holdings, LLC

- Fortitude Group Holdings is a US reinsurance holding company that owns Fortitude Re, a Bermuda-based reinsurer.
- Fortitude Re underwrites reinsurance for some in-force policies no longer sold by AIG.

Aims of T&D United Capital

- By taking an equity stake in Fortitude as a strategic partner alongside Carlyle and AIG, T&D United Capital aims to diversify the Group's sources of revenue and create synergies over the medium- to long-term with the domestic life insurance business.

Capital and business alliance agreement with French asset management and investment company Tikehau Capital SCA

TIKEHAU CAPITAL Characteristics of Tikehau Capital SCA

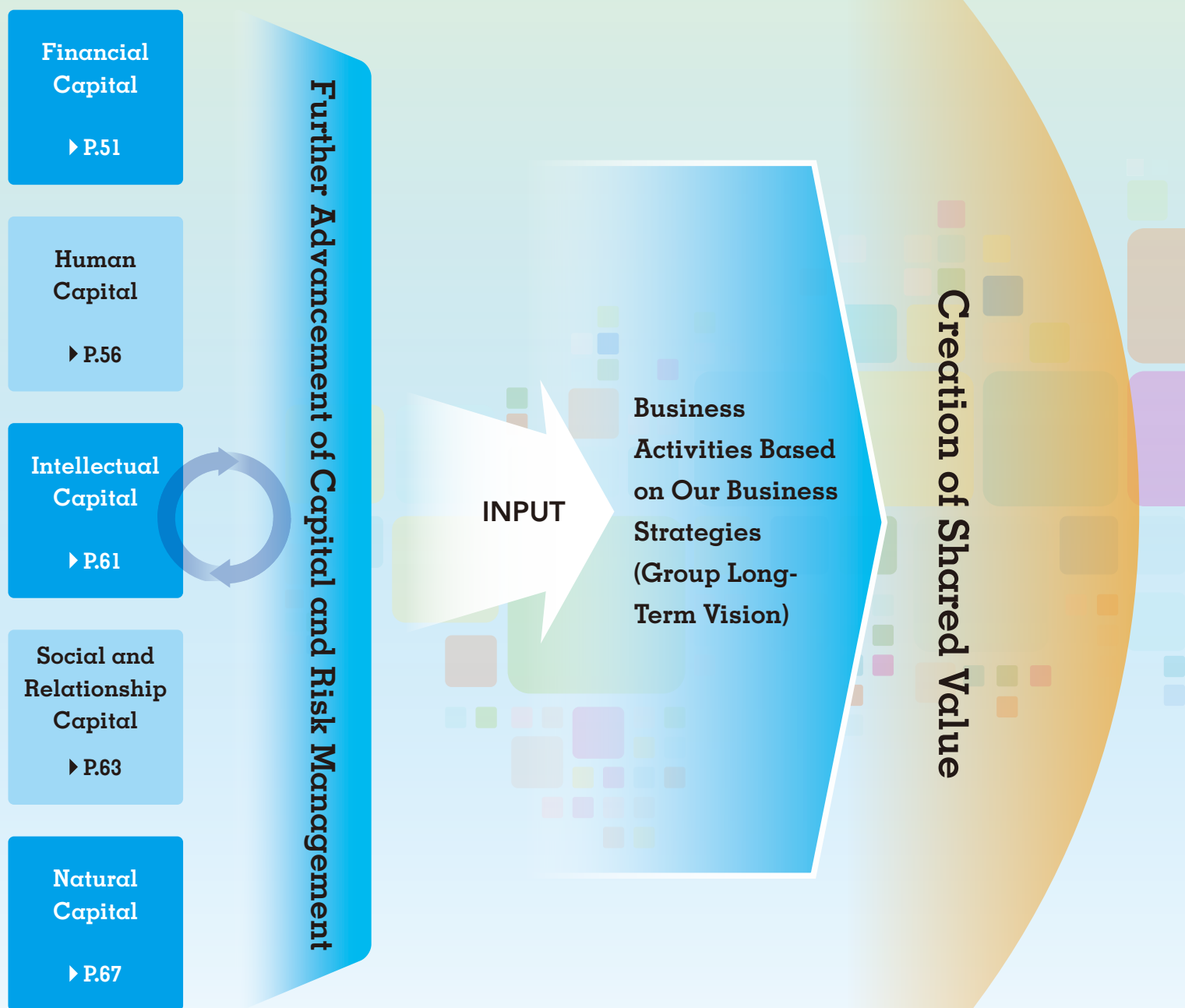
- Offers various alternative investments (management of mainly private debt, real estate, and private equity) to institutional and individual investors.

Aims of T&D United Capital

- Provide private debt products to mainly Japanese pension funds through collaboration between T&D Asset Management and Tikehau Capital SCA.
- Explore the possibility of engaging in joint marketing also for other managed products in Japan.

Further Advancement of Capital and Risk Management

The T&D Insurance Group aims to boost the five capitals: 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 its business activities and strategies, the Group contributes to the creation of shared value.



Competitive Advantage Sources — 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, 2021)

Group Adjusted Profit

¥77.9
billion

Adjusted ROE

5.8%

Value of New Business

¥143.4
billion

ROEV*

25.4%

* Base excluding valuation gains/losses, etc. related to Fortitude

Soundness Indicators

(March 31, 2021)

Economic Solvency Ratio (ESR)

225%

T&D Holdings (consolidated)

1,094.8%

Solvency Margin Ratio

Taiyo Life

852.8%

Daido Life

1,293.5%

T&D Financial Life

826.8%

Return to Shareholders

(Fiscal 2020)

Adjusted DOE

3.0%

Total Payout Ratio

48.0%

Towards More Sophisticated Financial Strategy



We are working to enhance capital efficiency through further advancement of ERM and upgrading of capital management.

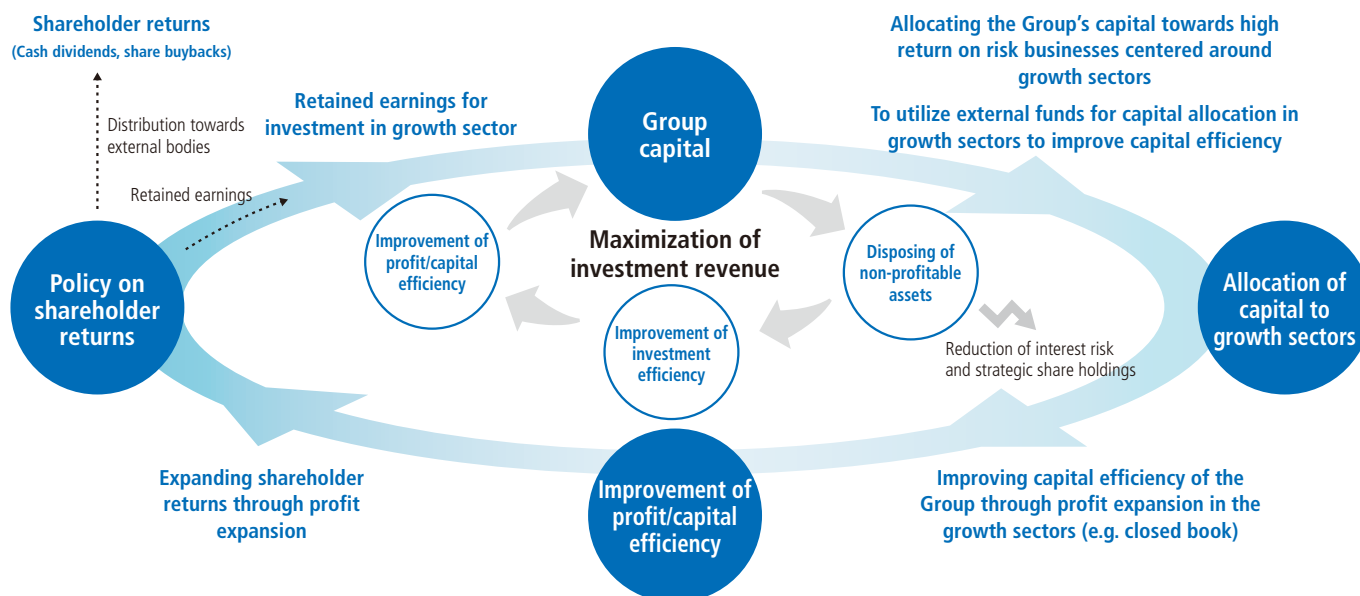
Hotaka Nagai
Managing Executive Officer

The T&D Insurance Group has demonstrated “what we aim to be (vision)” and strategies to realize the vision in the Group Long-Term Vision formulated in May 2021. As Managing Executive Officer in charge of the Company’s Group ERM Strategy Department and Group Finance & Accounting Department, I am determined to contribute to achieving the Group Long-Term Vision through further advancing ERM and upgrading capital management.

Firstly, I will explain the policies for further advancement of ERM and upgrading capital management. The policies focus on

implementing the capital management cycle described below. We aim to improve capital efficiency by applying this capital management cycle.

Specifically, by allocating the Group’s capital generated from our core life insurance business to high return on risk businesses including the closed book business, we plan to enhance capital efficiency through profit expansion in the growth sectors. We also intend to create a favorable cycle in which we boost shareholder returns with expanded profits as well as invest retained earnings in further growth sectors.



Making Effective Use of Capital

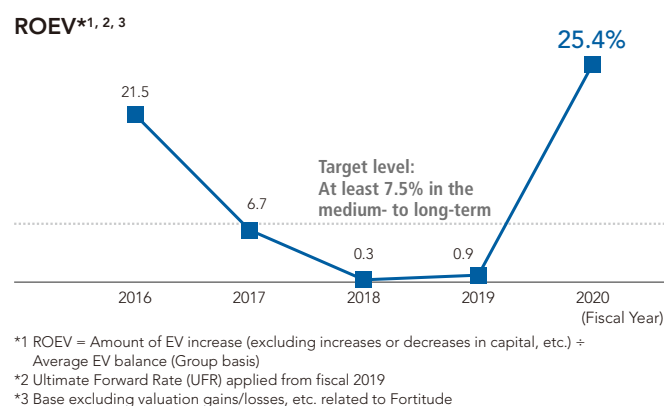
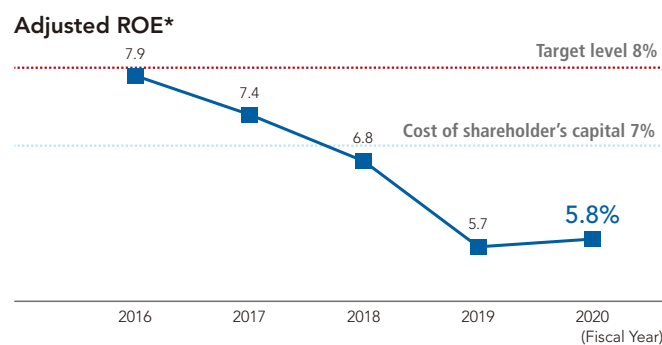
In the Group Long-Term Vision, we have adopted adjusted ROE and ROEV as the Group's key performance indicators (KPIs) to enhance capital efficiency. We set a target of 8% for adjusted ROE in fiscal 2025. As for ROEV, we aim to achieve a stable and sustainable growth that exceeds 7.5% annually in the medium- to long-term.

Moreover, we work on cutting the cost of shareholder's capital, while increasing adjusted ROE. Although we recognize that the current cost of shareholder's capital is approximately 8%, we aim to cut down on the cost to 7% by reducing risks and improving profit stability.

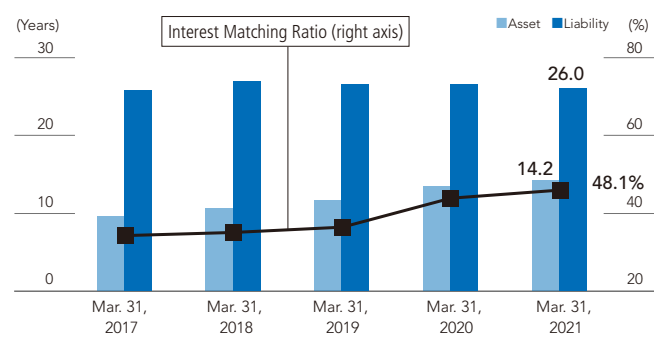
Secondly, I will explain risk management. To develop a structure that is less susceptible to the fluctuations of the financial market and secures a stable profit, we aim to reduce investment risks and increase insurance underwriting risks. Regarding investment risks, in specific terms, the risks of interest rates with low returns on risk and strategic shareholdings will be decreased. As for the reduction of interest rate risks, we intend to raise Daido Life's Interest Matching Ratio to the level of 60% to 70% during the period of the Group Long-Term Vision from 48.1% at the end of March 2021. Strategic shareholdings will be first reduced to approximately 20% of the Group net asset and furthermore by the end of March 2026. By allocating free surplus generated from these reductions to high return on risk businesses and assets, we will boost capital efficiency. We seek to strike a balance between ensuring soundness and improving capital efficiency by monitoring ESR to see whether we excessively take risks and Return On Risk (ROR) to check whether we earn returns commensurate with risks.

In addition, we will make use of hybrid capital and others to invest in growth sectors, while paying attention to soundness. We will maintain appropriate capital levels, while preventing the dilution of shares, and pursue improvement of adjusted ROE and ROEV to realize growth investments.

Thirdly, I will explain our approach to paying out dividends to the holding company from its subsidiaries. Dividends are paid out to the holding company by its subsidiaries after they retain 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.



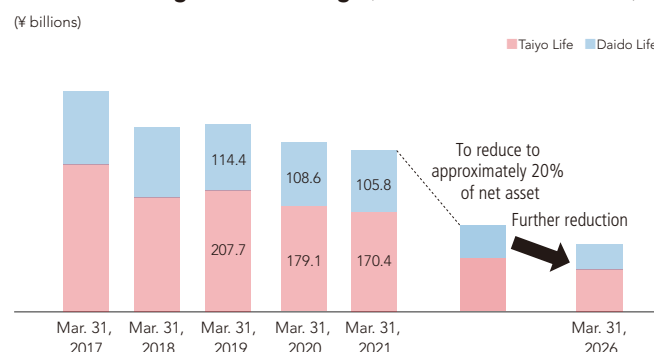
Daido Life's Asset/Liability Duration and Interest Matching Ratio



*1 Insurance liability / asset both include group annuities. 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 x Asset present value) ÷ (Liability duration x Liability present value)

Trend of Strategic Shareholdings (listed stocks/book value)



Shareholder Returns

Finally, I will explain our policy on shareholder returns. In line with the formulation of the Group Long-Term Vision, we have introduced “returns based on shareholder’s capital” in addition to “returns based on single-year profit.”

For cash dividend, we will pursue stable and sustainable increase, and gradually raise adjusted DOE to approximately 4% from approximately 3% so far.

For share buyback, we will implement agile and strategic share buyback, while striking a balance with growth investments. Moreover, we have newly introduced core ESR as an indicator for considering shareholder returns, replacing the previous ESR. Core ESR is calculated using surplus, as a numerator, which is exempt of unrealized gains and losses on debts due to the application of UFR and subordinated debt. We think that the neutral level of core ESR should be 185%. If the level exceeds 185%,

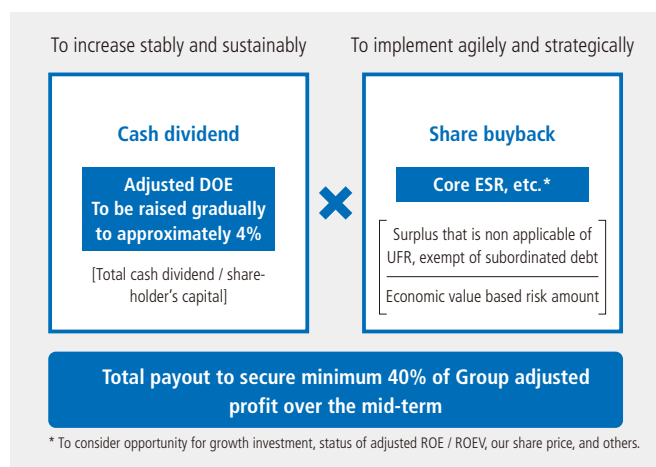
we will consider share buyback, with reference to the status of growth investments, adjusted ROE and ROEV, the Company’s share price and others.

By steadily implementing the measures described so far and boosting capital efficiency, I am committed to help achieve the Group Long-Term Vision.

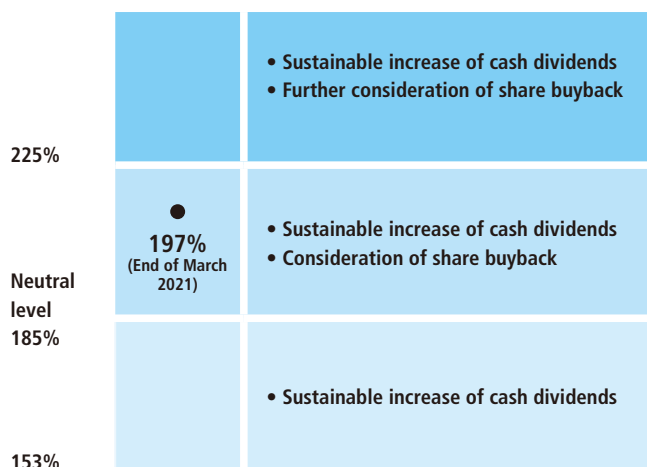
(1) For cash dividend, to pursue stable and sustainable increase, using adjusted DOE as a guide (to be gradually raised to approximately 4%).

(2) Newly introducing “Core ESR” as an indicator for considering shareholder returns. For share buyback, to implement agile and strategic share buyback that takes into account the level of core ESR.

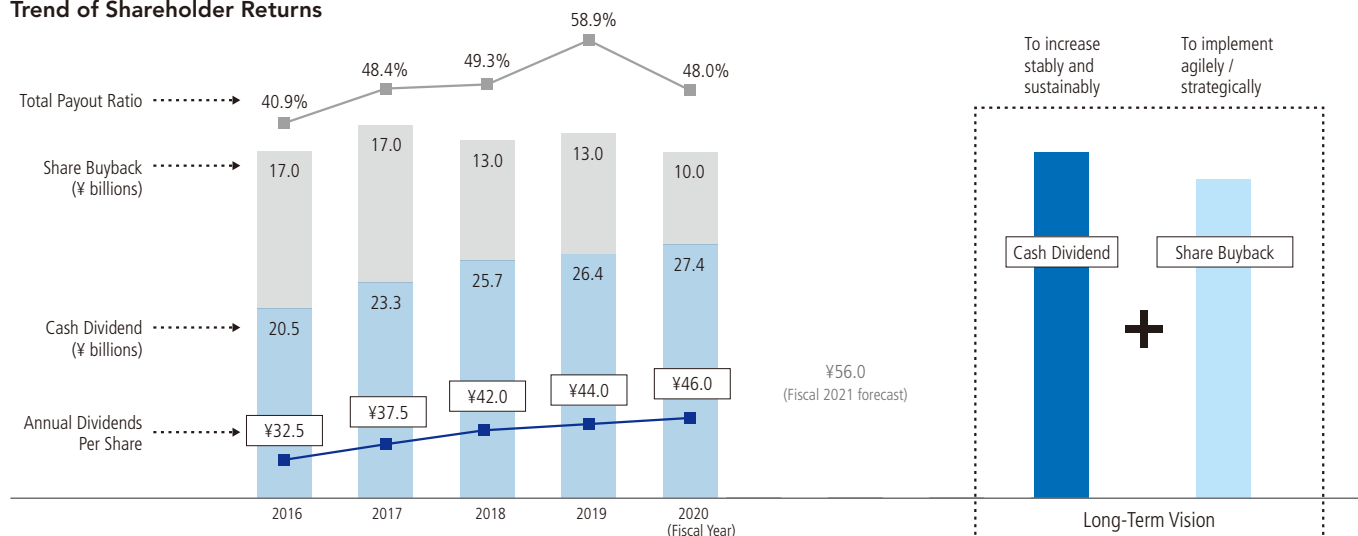
Basic approaches



Relationship between core ESR and shareholder returns

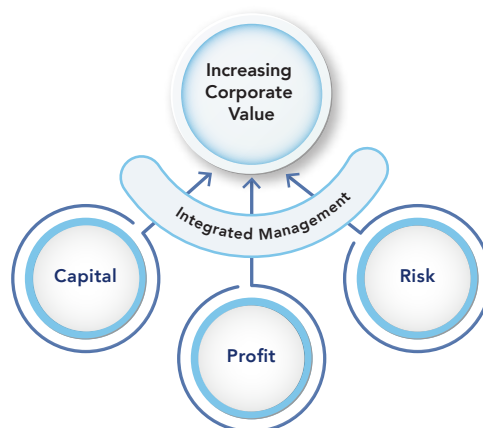


Trend of Shareholder Returns



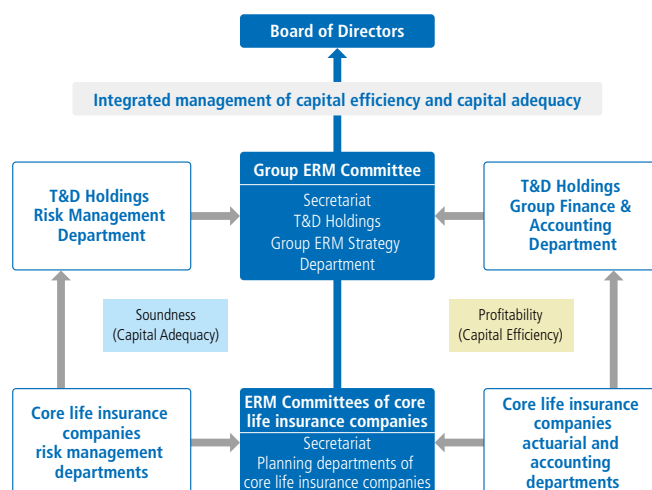
ERM (Enterprise Risk Management)

ERM (Enterprise Risk Management) 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. As its major feature, 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 risks and management strengths.



Organizational Systems

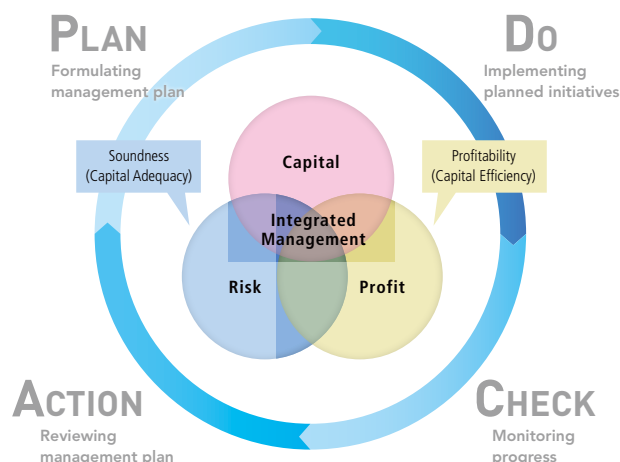
The Group has organized the Group ERM Committee to conduct ERM on a Groupwide basis. In order to promote the advancement of ERM, the Group ERM Committee has reported directly to the Board of Directors since April 2021. The Committee was previously under direct control of the Executive Management Board and the Group Strategy Board. At the same time, the Group ERM Strategy Department, which promotes the advancement of ERM, was established independently from the Group Planning 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 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 to 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

* Starting with this Mid-Term Plan period, Ultimate Forward Rate is applied to the ESR Measurement Model and to MCEV Calculation.
 * 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 Sources — ②

Human Capital

The T&D Insurance Group works on various measures to provide workplace environments that enable all people to participate actively in accordance with its Basic Group Policy on Human Resources.

**Number of
T&D Insurance Group
employees**

(March 31, 2021)

Total: 19,615

Employee satisfaction*

(Fiscal 2020)

T&D Holdings: 3.84

Taiyo Life: 3.61

Daido Life: 3.75

T&D Financial Life: 3.55

* Five rated evaluation

**Ratio/number of
female managers***

(April 2021)

17.9% 454

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

**Number of in-house
sales representatives**

(March 31, 2021)

Taiyo Life:

8,473

Daido Life:

3,766

**Ratio/number
of employees with
disabilities***

(March 31, 2021)

2.60% 384

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

**Number of employees
taking child care leave***

(Fiscal 2020)

Female: 331

Male: 84

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

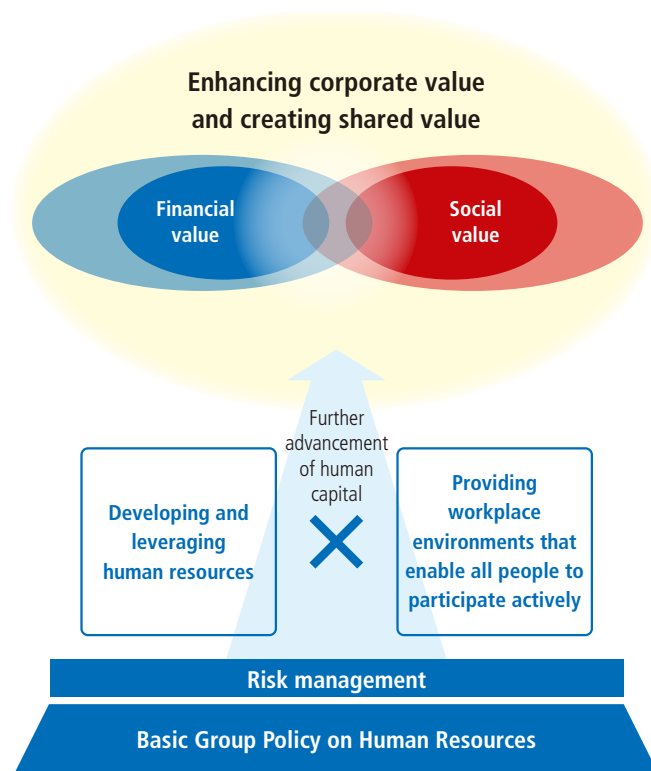
Toward Developing and Leveraging Human Resources that can Create Shared Value

With the formulation of Group Long-Term Vision as a start, the Group has amended its Basic Group Policy on Human Resources to clearly demonstrate again its 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,” and has established the basic policies for its human resources management.

In addition, one of the sustainability priority themes is to “provide workplace environments that enable all people to participate actively.” The Group will continue the efforts, believing that employee growth and their increased satisfaction level will lead to enhancing corporate value and creating 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>



Efforts Toward Further Advancement of Human Resources and Promoting a Diverse Workforce

Developing and leveraging human resources

The T&D Insurance Group promotes creating “an open corporate culture in which each and every employee feels fulfilled in his or her work, is motivated to develop himself or herself to contribute to the Group’s growth, and is able to demonstrate his or her abilities to the fullest.”

► Action to provide growth opportunities

The three life insurance companies provide education and training, based on the main pillars of OJT (on-the-job training), group training, and support for personal development.

The companies provide enthusiastic support for acquiring qualifications, and they offer diverse curricula via distance education, e-learning, and other methods, which help each

► To provide better services

The Group’s three life insurance companies are working to enhance the skills of their customer service staff based on a basic knowledge of life insurance, specialist knowledge and compliance essential to increase customer satisfaction. The three life insurance companies have diverse staff members such as sales representatives, customer service staff, agents and wholesalers

Each of the Group companies aims to raise its corporate value by making the most of the originality and expertise of its business strategies. They formulate their own unique education and training plans based on the Basic Group Policy on Human Resources and work to develop and improve employee capabilities.

individual employee to autonomously build their career.

The companies also practice planned reassignment (rotation) so that, as each employee accumulates diverse work experience, they raise their ability to complete their work with a company-wide perspective.

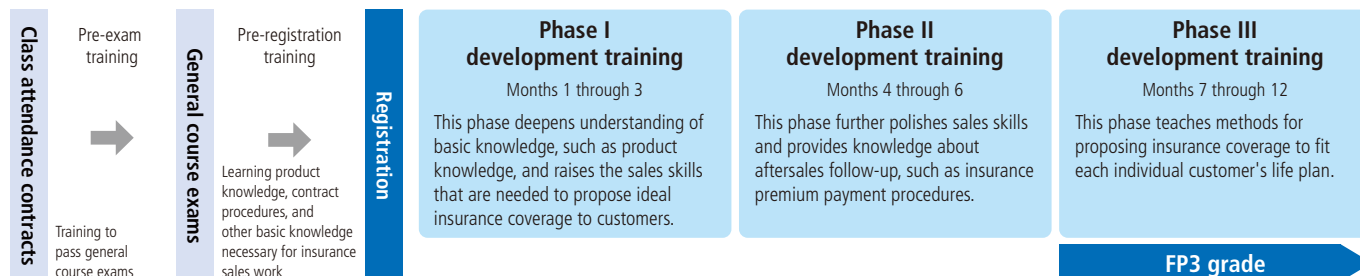
who are engaged in duties to provide the most suitable services to customers depending upon each individual business model. The companies have developed human capital training programs for such diverse staff, and always work to provide their staff members with the best educational and training opportunities.

[New staff education programs (Taiyo Life)]

Sales staff at Taiyo Life learn about products, taxation, and FP (financial planning) through internal training and acquisition of qualifications. This training enables them to design and sell the ideal life insurance to suit the needs of each individual

customer (family composition, occupation and income, children's education plans, insurance subscriptions, etc.), in order to raise customer satisfaction.

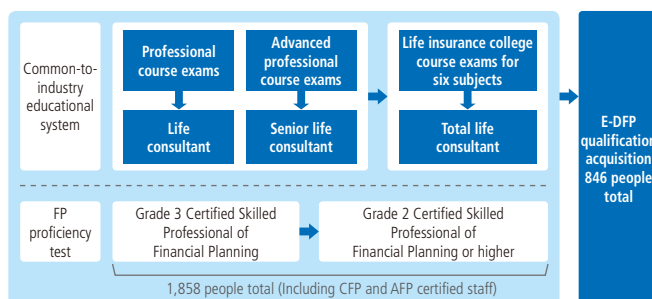
Education systems for newly-hired sales staff (New staff education, FP education)



[E-DFP system (Daido Life)]

Daido Life has established its own E-DFP (Executive Daido Financial Planner) system, which teaches sales staff a wide range of specialist knowledge, including taxation, finances, and financial products. This system is intended to enable staff to accurately grasp ever more advanced and diverse customer needs and practice high-quality consulting sales. The E-DFP qualification is accredited for those who have passed all courses in life insurance College Course Exams (six subjects) and for those who have passed grade 2 Certified Skilled Professional of Financial Planning (can also apply to AFP [Affiliated Financial Planner] and CFP [Certified Financial Planner]).

E-DFP system (As of March 2021)



Providing workplace environments that enable all people to participate actively

► Active participation of women

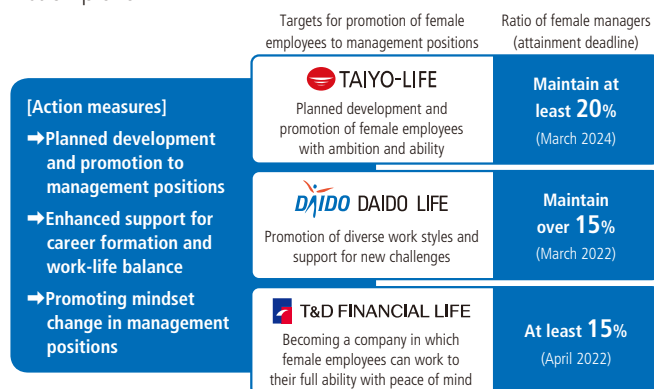
The T&D Insurance Group has been promoting “the nurturing of a corporate culture where diverse human resources can feel job satisfaction and reach their potential.” Under such circumstances, enabling women to further reach their potential is an important driver of sustainable growth in corporate value, and the Group recognizes that their active participation is a crucial management priority. With this in mind, the Group's three life insurance companies are working to revise their respective personnel and compensation systems, as well as introducing various

support systems to juggle a job with childcare or nursing care.

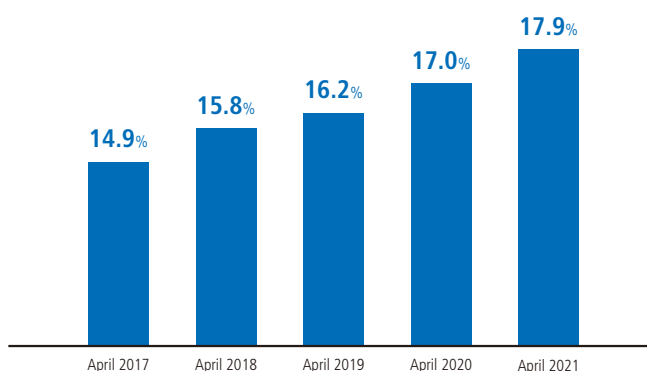
By fostering the Group-wide collaboration to reduce total working hours and encourage male employees to take childcare leave, we are promoting the creation of workplace environments where everybody is motivated to play an active role.

To steadily advance these measures to promote the active participation of female employees, the Group's three life insurance companies formulated their action plans based on their respective business models.

Action plans



Ratio of female managers (total of the three life insurance companies)



► Employment of persons with disabilities

To create workplaces which are easy for persons with disabilities to work in, we advise them to attend interviews with a job-seeking support worker, so that they can go into the screening process with confidence. We also run workplace inspection sessions to prevent mismatches before and after people join the company. After persons with disabilities enter the company, we continue developing the workplace environment

to facilitate their work, with measures such as installing special PC equipment and considering commuting routes. We bring in specialized job coaches who provide support, and superiors hold three-person interviews with the employee and a job-seeking support worker in attendance to provide advice. These efforts are taken throughout the company to help persons with disabilities find jobs.

► Empowerment of seniors

Each of our three life insurance companies has introduced a re-hiring system for people of retirement age. From the standpoint of 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.

► LGBT-friendly

In its Human Right Policy, the T&D Insurance Group clearly states our basic approach to respecting human rights, by which we strive to develop workplace environments where every employee can exert their abilities to the full. Each Group company

is working to support LGBT people too, with measures such as providing training and establishing consultation desks, with a view to promoting diversity.

► Conduct of health and productivity management

Each company in the T&D Insurance Group aims to create workplace environments according to the principles of health and productivity management, in which all employees can work

vigorously, both mentally and physically. By promoting Taiyo's GENKI Project at Taiyo Life and Daido KOKO KARA at Daido Life, we implement various measures to promote employee health.

Recognition for efforts

The following are some examples that the Group's efforts are recognized by external organizations.

We conduct a satisfaction level survey for employees (the results of fiscal 2020 are shown on page 56). Under the Group

Long-Term Vision, we have set an employee satisfaction level as a non-financial KPI and will boost productivity by providing workplace environments that enable all people to participate actively.

Received the Excellence Award in the 3rd Platinum Career Award: our third consecutive receipt of this award.

The Group's efforts to help develop the career of employees and capitalize on them are evaluated in terms of three characteristics: long-term perspective, autonomous learning, and contribution to society.

(held by Toyo Keizai Inc., supported by the Cabinet Secretariat and the Ministry of Health, Labour and Welfare)



Examples of the Group's efforts are published in "2020 Edition Annual Health, Labour and Welfare Report—The social security system and people's work styles in the Reiwa Era—" issued by the Ministry of Health, Labour and Welfare.

Taiyo Life

Introduction of a mandatory retirement age of 65 and a continuing employment system (that allows persons to keep working up to the age of 70) as the first among large life insurance companies

Daido Life

More flexible workplaces ~ Introduction of remote work

Recognized as Certified Health and Productivity Management Organizations "White 500" for a fifth consecutive year.

Taiyo Life and Daido Life have been approved as "Certified Health and Productivity Management Organization (White 500)" for five consecutive years in the large company category, under a certification system organized by the Ministry of Economy, Trade and Industry (METI), for companies which practice health and productivity management for employee health promotion. T&D Financial Life was recognized as Health and Productivity Management Organization.



Risk Management of Human Resources

Establishment of Group HR Committee

T&D Holdings and the three life insurance companies share information about labor-related matters regarding the administrative personnel employed by the Group. The Group has established the Group HR Committee in order to cooperate in conducting surveys, formulating plans and holding consultations regarding important matters of policy to which the Group should respond. The chairperson of the committee is the T&D Holdings executive officer responsible for human resources, and the committee members are the heads of the human resource departments of the three life insurance companies. The committee

meets every month. The Group HR Committee is promoting efforts to nurture a corporate culture where diverse human resources can feel job satisfaction and reach their potential. The committee does this by conducting surveys, formulating plans and holding consultations regarding policies and management methods concerned with the Group's labor-related matters. These include promoting the active participation of women and other forms of diversity, developing human resources, promoting a good work-life balance, and ensuring the health and protecting the safety of employees.

Preventing bribery and corruption

The T&D Insurance Group states the following in the T&D Insurance Group Compliance Code of Conduct: "We shall work to prevent corruption in our relationships with business counterparts, civil servants, and other parties by refraining from providing or receiving any business entertainment within reasonable bounds under normal social conventions, as well as refraining from giving or receiving gifts, in connection with our business activities worldwide." In addition to preventing bribery, we are ensuring thorough awareness by all executives and employees toward preventing corruption. This includes measures against money laundering and prevention of misappropriation and

diversion of funds, using such means as a compliance program and compliance manuals. Bribery and corruption are also stipulated as extremely malicious and severely impacting criminal statutes for disciplinary action. All scandals (including concerns over possible scandals), including bribery and corruption, are reported to the Board of Directors.

For a new business investment, checks from the perspective of preventing bribery and corruption are added to the risk assessment and subjected to appropriate review.

As of fiscal 2020, no scandals or legal disputes relating to bribery or corruption has occurred.

Extract 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, 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 operate their own internal reporting systems. In April 2005, however, the T&D Insurance Group Helpline was established for use by all executives and employees in the Group. The T&D Insurance

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

► T&D Insurance Group Helpline

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

Furthermore, the T&D Insurance Group Help Line was registered as "Whistleblowing Compliance Management System"* certified (self-declaration of conformity registration system)"

under Consumer Affairs Agency in March 2021.

* A system where if a company, through its internal evaluation finds that their internal reporting system meets the "Guidelines for Private Enterprises Regarding the Development and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act," then it is granted permission to use WCMS mark upon examination and validation conducted by a designated registration organization (the Japan Institute of Business Law).



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

FY2018	243
FY2019	258
FY2020	320

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

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. We are also working on initiatives such as the accumulation of expertise on the closed book business toward diversification and optimization of the business portfolio.



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 10 and 11.



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 Group Companies on page 48 and 49.



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

For more details, please refer to Expansion of Profit (Advancement of Life Insurance Asset Management) on page 42.

Towards Further Advancement of Intellectual Capital

► Conduct of Daido Life Survey

Daido Life has been conducting the Daido Life Survey in the hope of contributing to a sustainable development of SMEs every month since October 2015. It is a questionnaire-based survey in which its sales representatives collect the unfiltered opinions of business owners of SMEs across the country. The results of the survey are compiled into a report. The survey receives approximately 10,000 answers every month and provides information as tips to help SME owners identify the management challenges they face and resolve them, and it is made available to the general public. Moreover, accumulated data is utilized, for example, to develop new products and services.



* 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 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 reflecting the findings of its joint research into insurance products and services, it looks to develop products and services that help customers live longer and more energetic lives.

The institute conducted joint research with Tokyo Metropolitan Geriatric Medical Center. In July 2021, the research thesis using considerable accumulated walking data measured with Taiyo Life's *Dementia Prevention App**1 was published on academic journal *Gait & Posture**2.

*1 Renewed on March 29, 2021 and provided as *Taiyo Life Health-Promoting App*

*2 Academic journal published by Elsevier that mainly covers studies on walking and posture
Published on Volume 88 (July 2021)



https://www.taiyo-seimei.co.jp/company/notice/download/press_article/2021/20210624_2.pdf
(Japanese only)

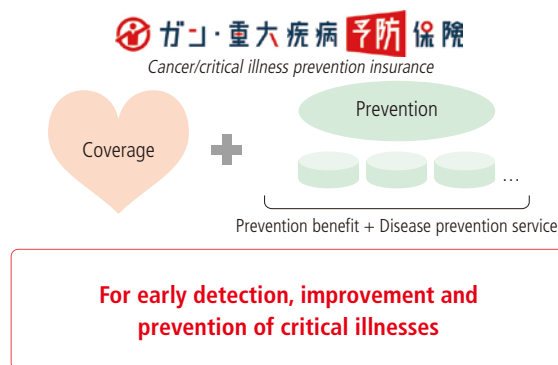
► Utilizing a Business Partnership Between Taiyo Life and Ajinomoto Co., Inc. for New Products and Disease Prevention Service

In February 2021, Taiyo Life signed a business partnership with Ajinomoto Co., Inc. (hereinafter Ajinomoto), H.U. Frontier, Inc. (hereinafter HUF) and H.U. Wellness, Inc.* regarding the prevention of critical illnesses. In March 2021, Taiyo Life launched *Disease Prevention Service* that focuses on providing information of Amino Index® Risk Screening developed by Ajinomoto

with tests conducted by HUF on consignment.

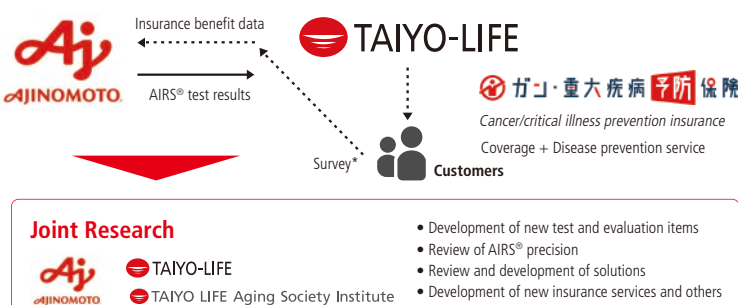
Taiyo Life will continue to further promote joint research initiatives aimed at developing and strengthening solutions in this business partnership with the launch of *Cancer and Critical Illness Prevention Insurance* based on a concept of coverage for and prevention of critical illnesses in June 2021 as a start.

* Changed from Selmeista, Co., Ltd. in July 2021.



https://ssl4.eir-parts.net/doc/TJ8795/ir_material/161955/00.pdf
(Japanese only)

Framework for joint research in business partnership



* H.U. Wellness, Inc. collects surveys regarding the prevention of diseases and lifestyles.

Risk Management of Intellectual Capital

► Initiatives on Cyber Security and Information Leakage

The T&D Insurance Group takes measures on information leakage mainly caused by cyber attacks as well as the advancement of intellectual capital. 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.

* For more details, please refer to Corporate Governance on page 85.

Social and Relationship Capital

The T&D Insurance Group is working on the creation of shared value through providing customers with valuable information, services and products as well as in collaboration with agents and tie-up organizations. As an institutional investor that manages entrusted funds over the long term, the Group also aims to ensure long-term and stable profitability and help achieve a sustainable society.

Customer Satisfaction

(Fiscal 2020)

Taiyo Life
Overall satisfaction level

91.8%

Daido Life
Overall satisfaction level

82.3%

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

98.0%

Number of Policies in Force / Number of Corporate Clients

(March 31, 2021)

Taiyo Life
Number of policies in force

Approximately
8 million

Daido Life
Number of corporate clients

Approximately
370,000

T&D Financial Life
Number of policies in force

Approximately
350,000

Number of Agents

(March 31, 2021)

Daido Life
Approximately
14,800

T&D Financial Life
159

Dialogues with Companies in Equity Portfolio

(From July 2020 to June 2021)

Taiyo Life
51
companies

Daido Life
130
companies

T&D Asset Management
270
companies

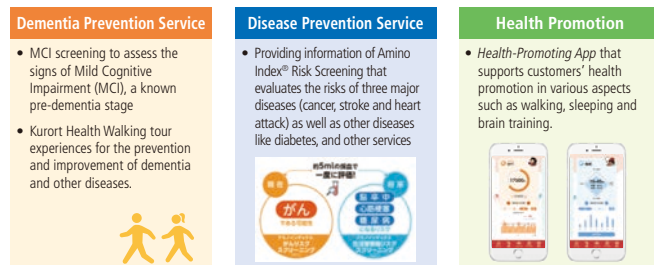
Towards Further Advancement of Social and Relationship Capital

Providing Customers with Valuable Information, Services and Products

Taiyo Life

Helping customers live longer and healthier lives except for through insurance products

Taiyo Life helps customers live longer and healthier lives by providing not only insurance products but also mainly services related to early detection and prevention of diseases including dementia, and health promotion. Going forward, the company will continue the efforts to respond to the extension of healthy life expectancy, a major social issue.



Helping Customers Live Longer and Healthier Lives

Launch of Infectious disease plus hospitalization insurance (Lump-sum payment type)

— From Taiyo Life Work Site —



Marketing Planning
Department
Marketing Planning
Division
Manager
Hiroaki Takeda

Taiyo Life launched *Infectious disease plus hospitalization insurance (Lump-sum payment type)* in September 2020, in response to the spread of COVID-19. We have received strong response; a wide range of age groups, mainly younger and middle age generation, have taken out the insurance policy and many of them have bought our insurance product for the first time. Moreover, the number of sales exceeded 100,000 in April 2021, the fastest among products launched in the past decade. As variants such as the Delta strain are still spreading, its sales have been steadily increasing, surpassing 150,000 at the end of August 2021.

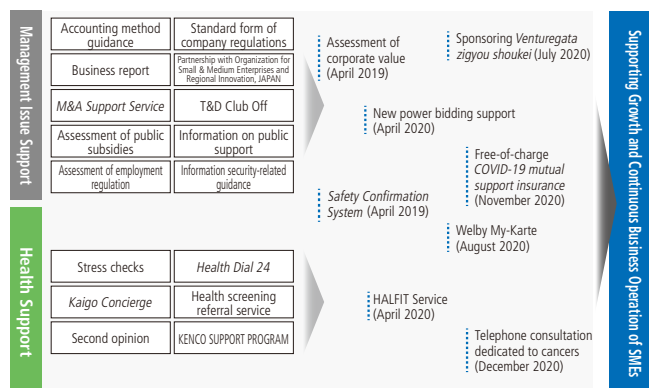
Taiyo Life will continue to aim to realize a society where everyone can safely live a longer and healthier life, by anticipating customers' needs and the times in tandem with changes in a social environment and remaining close to customers.

Daido Life

Expanding service lineup for helping resolve management issues

Daido Life supports the resolution of the management issues of SMEs, which cannot be covered by insurance alone, by integrally promoting products and added value services. The company will continue to expand its service lineup to increase an area it can contribute to with "insurance + extras."

With a particular focus on the dissemination and promotion of health and productivity management, a social issue, Daido Life will further contribute to the growth and development of SMEs, which underpin Japan's economy, by supporting the health of their workers accounting for 70% of the Japanese workforce.



T&D Financial Life

Providing ancillary services to complement insurance products

Amid increases of interest in health management and needs to make self-provision toward an era of the 100-year life, T&D Financial Life provides customers with optimal solutions mainly by supporting their healthy and abundant lives as well as developing insurance products. The company will strive to offer products and services that satisfy customers.

Nursing Care and Dementia Support Service

Kaigo Concierge, a nursing care and dementia support service provided by internet infinity INC.

Care manager referrals
Dementia prevention tool

Health Counseling and Health Support Service

M3 Patient Support Program, a health counseling and health support service provided by M3, Inc.

Ask Doctors
Free nurse advice (patient supporter)
Multiple opinion
Best doctor selection

Family Registration Program

Inquiries about policy details and procedures by registered family members by proxy

Inquiries about policy details
Order of claim forms
Proxy claim

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 a 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 in order to enable them to make the best proposals to customers. In addition, to win the trust of customers and sales agents, T&D Financial Life provides practical training to sales staff, to deepen knowledge about insurance and other financial products and enhance sales skills, overall asset management, related laws and regulations as well as improve 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 by customers, funds with a significant public relevance. As a responsible institutional investor, it has been engaged in asset management, while being fully conscious of Environmental, Social and Governance (ESG) issues including climate change and response to COVID-19 to realize a sustainable society. In April 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.



Please refer to our Sustainability Report 2021 for details of exercising voting rights and examples of ESG investment initiatives.

<https://www.td-holdings.co.jp/en/csr/report/>

Initiatives for ESG investment and financing — Initiatives for investment that responds to COVID-19 —



Securities Investment
Department
Bond Investment
Division
Deputy Manager
Hirofumi Takagi

— From Taiyo Life Work Site —

Taiyo Life became the first Japanese life insurance company to sign the PRI in March 2007, and has promoted ESG investment and financing as a responsible institutional investor. In fiscal 2020, we invested in COVID-19 vaccine bonds issued by the Central American Bank for Economic Integration, helping developing countries purchase COVID-19 vaccines. Through investment in the bonds, we were able to support the purchase of COVID-19 vaccines in the Central America amid concerns that developing countries have great difficulty in securing vaccines in a timely manner. We believe that the effort was significant, given supporting a social (S) activity under the coronavirus epidemic.

Taiyo Life will continue to be actively engaged in ESG investment and financing that contribute to the solution of social issues, while achieving a certain profitability.



Investment Plan-
ning Department
Investment Plan-
ning Division
Wang Yanfang

— From Daido Life Work Site —

Daido Life makes investments and loans that reflect ESG factors in the management of all assets it owns. One of them is a social bond investment. Social bonds are bonds issued to finance projects like social infrastructure development and support for employment and education. We launched the initiatives in 2016 when the first Japanese social bond was issued, and in fiscal 2020 were also engaged in investments in bonds whose proceeds are earmarked for measures for the globally expanding COVID-19 pandemic.

We recognize that many issues must be dealt with globally, including not only those linked to the pandemic but also the reduction of greenhouse gas emissions. Going forward, Daido Life will continue to work on initiatives for ESG investments and fulfill its obligations as a responsible institutional investor.



Please refer to the website below for the T&D Insurance Group ESG investment policy.
<https://www.td-holdings.co.jp/en/csr/csr-policy/esg.html>

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

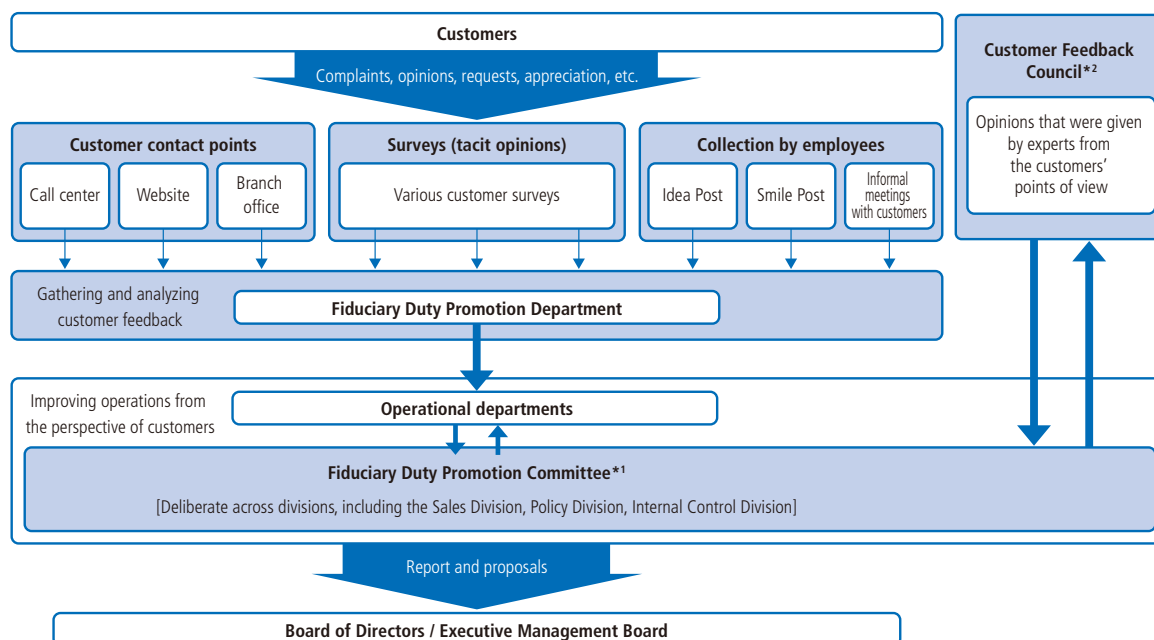
customer feedback as possible. In addition, the companies are conducting customer satisfaction surveys to inquire about the level of satisfaction provided by our products, services and after-sales services.

▶ 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 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 Fiduciary Duty Promotion Committee

We established the Fiduciary Duty Promotion Committee to further promote our corporate motto of "customer-oriented corporate activities." In addition to continuously reviewing all processes from insurance solicitation to payments from the perspective of customers, the Fiduciary Duty Promotion Committee makes 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 Fiduciary Duty Promotion Committee.

Customer Complaints

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Taiyo Life	4,720	5,657	6,557	6,023
Daido Life	10,604	10,164	7,809	6,181
T&D Financial Life	1,219	1,162	1,231	886

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. We are well aware of the importance of environmental issues in all our corporate activities. We also make sure all our executives and employees behave with concern for protection of the global environment, fulfill the public mission of life insurance and other businesses, and undertake our corporate social responsibilities by achieving sustainable growth along with society.

We have endorsed the declaration of the Task Force on Climate-related Financial Disclosures (TCFD), and we are keen to take action on disclosure of clear environment-related financial information.

*Please refer to our Sustainability Report 2021 for initiatives for the TCFD.



Please refer to the website below for the disclosure of climate-related financial information based on the TCFD.
<https://www.td-holdings.co.jp/en/csr/csr-policy/tcfid.html>

CO₂ Emission Volume
(Fiscal 2020)

79,150_t

Electricity Consumption
(Fiscal 2020)

96,711_{MWh}

Office Paper Consumption
(Fiscal 2020)

100.7_t

Green Purchasing Ratio
(Fiscal 2020)

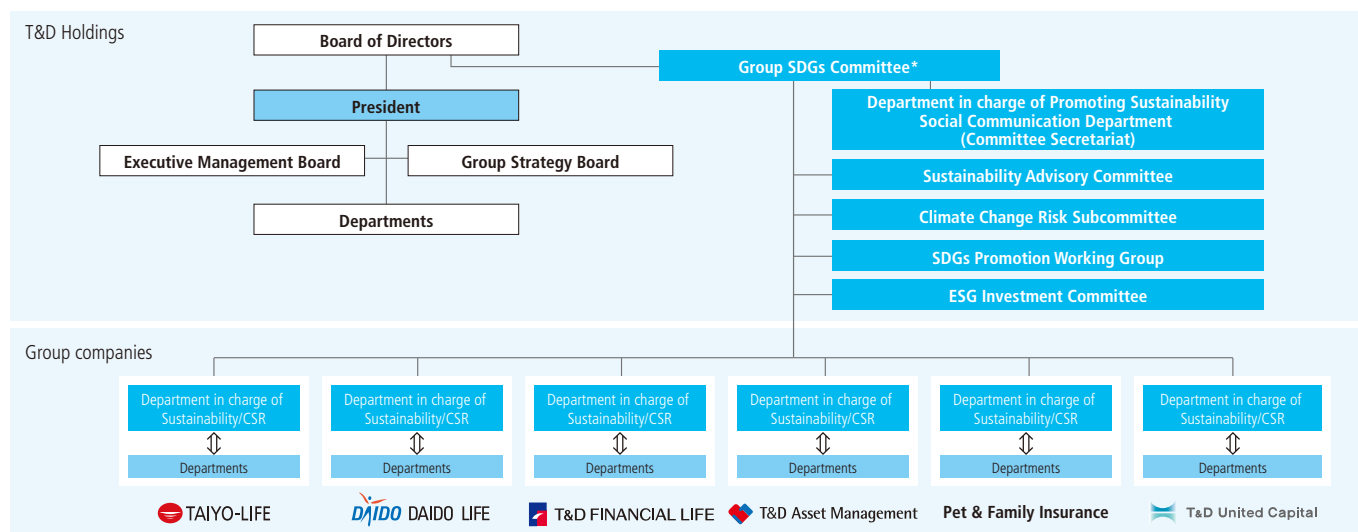
91.9_%

Towards Further Advancement of Natural Capital

Governance

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, and on measures related to the global

environment and social issues. The Group SDGs Committee has established the Climate Change Risk Subcommittee, as a subordinate organ. The organization can be summarized as follows:



* The Group SDGs Committee is chaired by the Representative Director and President, and vice-chaired by the Representative Director and Executive Vice President (Executive Officer in charge of Sustainability).

Strategies

The Group has the following perceptions of the risks and opportunities brought by climate change.

[Risks]

We expect climate change to bring physical risks*¹ and transition risks*². We performed scenario analysis to validate these impacts. Please refer to our Sustainability Report 2021 for details of scenario analysis.

*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 behavior of governments, corporations, and consumers in the process to carry out the transition to a low carbon and decarbonized society (through a significant reduction of greenhouse gas emissions)

[Opportunities]

- Opportunities to expand insurance earnings by providing and expanding the scope of coverage
- If global warming causes changes in disease incidence rates and

average lifespans, we expect that to generate needs for coverage (death, pension, medical treatment) against new risks.

- Opportunities to raise the value of investment assets and expand investment returns stably in the long-term
- As the reduction of greenhouse gas emissions progresses, the Group, as an institutional investor, expects to finance and invest in expanding clean energy developers and energy-saving operators, and to own and operate realty (office buildings, etc.) of superior environmental performance.
- Opportunities to extend our business domains and expand earnings
- In our own operations, rather than as an institutional investor, we expect to open up or join new business domains that suppress or adapt to climate change.

Metrics and Targets

The T&D Insurance Group sets goals related to environmental protection, and takes action during its everyday business activities towards reaching those goals. The four goals are to "reduce CO₂ emission volume," "reduce electricity consumption,"

"reduce office paper consumption," and "improve the green purchasing ratio." We measure the results semi-annually and disclose them in reports and on the website.

- CO₂ emission volume reduction goal

We constantly measure and disclose Scope 1 (our own direct emissions), Scope 2 (indirect emissions from electricity and other purchased energy), and Scope 3 (raw material procurement, transportation, disposal, and other indirect emissions). We set a target of reducing CO₂ emissions in Scope 1 and 2 per floor area by 40% from fiscal 2013 levels by fiscal 2025. On top of this, we aim to reach net zero emissions by 2050 including in our investee companies (Category 15 of Scope 3).

- Electricity consumption reduction goal

We reached our five-year goal from fiscal 2008 and fiscal 2013, and are now working towards our ten-year goal, which we newly set in fiscal 2018.

- Office paper consumption reduction goal

We reached our five-year goal from fiscal 2014, and are now working towards the five-year goal which we newly set in fiscal 2019.

Risk Management of Natural Capital

Risk Management

[Risk identification and assessment process]

Our Group uses risk profiles to comprehensively examine the risks affecting the Group. We register risks related to climate change into risk profiles, then identify, grasp, and assess all risks which impact any aspect of our operations, including insurance underwriting risks, asset management risks, operational risks, and reputational risks.

[Risk management process]

In order to reliably recognize and grasp the emergence of new important risks and changes in previously recognized risks, we update our risk profiles on a semi-annual basis, and report to the Board of Directors and other bodies.

○ Management of climate change-related risks

(1) Physical risks

- Together with large-scale disaster risks (insurance underwriting risks), we consider measures such as use of reinsurance to mitigate deterioration in our insurance bottom line.
- We monitor our existing products, and take appropriate measures, such as product revisions.

(2) Transition risks

- We practice investment and financing with consideration of climate change-related risks, based on the Principles for Responsible Investment (PRI).
- We monitor variations and trends in economic policies and legal regulations, etc., and share information with the whole Group, in the Group SDGs Committee and elsewhere. We take action to make sure our Group's responses do not fall short of the level expected of a listed company.

TOPIC Action on environmental issues

Forest conservation activities

As a life insurance company which uses a variety of paper in our business, for pamphlets, policy provisions, etc., Taiyo Life has established "Taiyo Seimei no Mori" (the Forests of Taiyo Life) in Nasu Shiobara City in Tochigi Prefecture and Takashima City in Shiga Prefecture. These forests are intended to recycle forest resources and conserve vegetation.



Environmental communications and educational activities

T&D Holdings endorses the activities of the Japan UNEP Association which produces the Japanese edition of *UNEP FORUM* — *Environmental Magazine Tying UNEP to Enterprises*, published by the United Nations Environment Programme (UNEP). This publication is distributed to all companies in the T&D Insurance Group as well as to local elementary and junior and senior high schools, public libraries, and other parties to raise awareness of environmental issues.



Outside Director Roundtable

Achieving the Group Long-Term Vision

— Expectations for a new T&D Insurance Group —



Outside director
Naoki Ohgo



Outside director
Seiji Higaki



Outside director
Haruka Matsuyama



Outside director
Shinnosuke Yamada



Outside director
Kensaku Watanabe

Formulating the Group Long-Term Vision

Matsuyama

We outside directors were informed of the formulation and the detail of the Group Long-Term Vision from a very early stage, and we also participated in the deliberations and gave our opinions. The emphasis was on strengthening the existing businesses that have always been important to us while incorporating new challenges. For this Group Long-Term Vision, I believe that the T&D Insurance Group has been able to formulate, perhaps for the first time, a growth strategy that is very new. It's a fact that the life insurance business is facing a very difficult environment in the midst of Japan's declining birthrate and aging society. Under such an environment, we will need to identify the areas in which we will take on new challenges in search of new growth. At the same time, we will need to control newly arising risks in those new areas that will require different know-how and risk management than what the life insurance business has faced up to now. As an outside director, I've expressed many opinions on these points.

Ohgo

As Ms. Matsuyama said, I think relying solely on the domestic life insurance business limits what we can achieve. Until now, the T&D Insurance Group has been unable to break its shell to reach new sources of growth. In Group Long-Term Vision, we started an initiative to explore closed book business and new areas utilizing health-related data as new growth opportunities. Each of these new businesses is starting to sprout, and the prospects are looking very good. Especially, what to do with the closed book business was a very big concern. Today, around the world, the industry is taking another look at the life insurance business and considering how to reorganize the liability of insurance and annuities, so it was a good move that we were able to enter the closed book business early enough. In cases where the Group is taking a minority interest, the insurance liabilities are mainly due to life insurance and annuity contracts, which I don't think will fluctuate that much. That being said, I've expressed my opinions on how to look at operational risks and how they may affect the risks of the Group management as a whole.

Higaki

So far, our Group governance has not functioned well enough to achieve the things that Ms. Matsuyama and Mr. Ohgo talked about. In formulating the Group Long-Term Vision, it was a big step forward that we approached governance of the Group as a whole, which is the fundamental issue of the Group. I believe that group governance is about how society, investors, and companies can engage in dialogue to resolve issues that come to light and enact reforms in an organic manner. In that sense, how to improve group governance is the most important point, and I've spoken out on this during the formulation of the Group Long-Term Vision. Because life insurance is a regulated industry and is protected by law in some respects, I expressed my opinion by focusing on how an ordinary business company would think about and approach these issues.

Watanabe

I agree that the whole point is, as a listed company, that the Group has chosen the market and is aiming for growth. Before formulating this Group Long-Term Vision, there was a discussion about whether the interests of policyholders and those of shareholders might conflict in some areas. However, for this Group Long-Term Vision, while keeping this issue in mind, we were able to return the discussion back to the basic starting point, which is the fact that we as a Group have chosen to compete and grow in the stock market.

Matsuyama

The strategies and goals of the T&D Insurance Group do not always coincide with the interests of the individual life insurance companies within the Group. For example, from the perspective of an individual life insurance company, allocating its own management resources, such as its top talent, to some new business of the holding company may appear to be a negative in the short run. However, in the long run, increasing the presence of the T&D Insurance Group as a whole will definitely benefit the businesses of Taiyo Life and Daido Life. In the past, the life insurance companies assumed that developing their own businesses

Outside Director Roundtable



The T&D Insurance Group has been able to formulate, perhaps for the first time, a growth strategy that is very new.

—— Director Matsuyama

would contribute to the Group. However, now we should go one step further and make all executives and employees at the Group's life insurance companies more aware that looking at the Group as a whole will lead to the growth of their own businesses in the long run. I believe this was well emphasized in the formulation of the Group Long-Term Vision this time.

Higaki

The Group is a public company, not a mutual company, so it has shareholders among its stakeholders. A mutual company focuses on providing excellent insurance products and services to policyholders, but a public company must do more than that. We must also provide value to our shareholders. That makes it important to steadily create new sources of revenue. I believe the recognition that more of this needed to be done is what drove President Uehara's sense of urgency to accelerate this shift by transitioning to a Company with an Audit and Supervisory Board. I agree with this idea, which is why I've taken on the role of chairman of the Audit and Supervisory Board. In other words, President Uehara's sense of urgency is appropriate, and it's our mission as outside directors to act on it.

Yamada

Due to the COVID-19 pandemic, uncertainty has increased, and we are now said to be in the era of VUCA, which stands for volatility, uncertainty, complexity, and ambiguity. It's precisely at times like this that it's important for us as a listed company to show all of our stakeholders what the Group should be, and that's why I've been involved in formulating the Group Long-Term Vision. In the life insurance business, which takes a super-long-term perspective, indicators based on economic value are thought to better represent the actual state of a company. On the other hand, it's also true that many companies today tend to focus on corporate accounting profits and believe that a good turnover of capital from the perspective of ROE management is an important indicator for evaluating a company. I thought it was important to show how to strike a balance between both approaches with a future-oriented perspective in the Group Long-Term Vision. We also took into account the increasing importance of demonstrating our commitment to the SDGs and ESG as a member of society. In the Group Long-Term Vision, both financial and non-financial KPIs are presented in concrete numbers, and I believe the fact that we were able to come up with target values for 2025 through repeated discussions within the Group signals a very clear vision to the market.

It is our role to closely monitor and support the progress of capital efficiency, which is a challenge.

—— Director Ohgo



Changes at the T&D Insurance Group

Ohgo

In the Group Long-Term Vision, the term “capital efficiency” is used, marking the first time we have consciously considered the efficiency of capital. Our performance appraisals too are now focused on capital efficiency, so I think our mindset has changed in this respect. The next challenge is whether we can really reallocate management resources in line with capital efficiency, and our role will be to monitor and encourage progress on this front next year and the year after that.

Yamada

I also agree that it's important to explicitly track the efficiency of capital, especially when that capital is the capital of the T&D Insurance Group. We are a large Group with approximately ¥17 trillion in assets, and I believe increasing the Group's earnings through efficient management will lead to increased corporate value. To that end, it's important for all Group executives and employees to row in the same direction and play an active role in their respective positions.

Watanabe

On this occasion, we also rewrote T&D Insurance Group's management vision. In the story to unpack the vision, there's a line that asks, “Can we really say that today's insurance answers such turbulent change?” Although it says “insurance,” in this case “insurance” really means “T&D Insurance Group.” In short, this is asking ourselves whether we are responding to the changes in society today. It requires a change in the mindset of executives and employees, including the management team, and if this mindset can be instilled, I've no doubt that even greater transformation can be achieved.

Higaki

It seems that a corporate culture of addressing social issues directly and firmly is taking root, especially among younger employees. I believe that corporate management starts by listening to the voices of a wide range of stakeholders with sincerity. The SDGs are a technical tool for addressing social issues, and if there's no motivation to improve or reform, various initiatives may get implemented but will not go any further. As an outside director, it's my role to supervise this process. From my perspective as a former banker, insurance companies are lucky that,



I thought it was important to show how to strike a balance between the “economic value base” and “financial accounting base” approaches in the Group Long-Term Vision.

—— Director Yamada

unlike ordinary companies, they get to operate in a regulated industry within the framework of various rules set by the national government. I believe the Company needs to continue to hear outside voices and to understand the differences in awareness with the public that arise from these perspectives.

Matsuyama

Compared to 2013 when I became a director, the mindset of executives and employees has changed considerably. It shows how deeply the sense of urgency has penetrated the Company. Financial institutions are currently facing a serious crisis. Competitors from outside the insurance industry, such as FinTech and InsurTech, have suddenly entered the market. That means today's insurance Group Long-Term Vision be driven out of business in 10 years. For this Group Long-Term Vision, driven by such a sense of urgency, we thought about questions such as how to take up new challenges and how to understand and visualize the T&D Insurance Group. We thought about how to define and grow the corporate value of the T&D Insurance Group while operating in the capital markets as a listed company. If we fail to do so, the Group is in danger of being weeded out by the market sooner or later, so I think our mindset has changed in this regard. It's also important to harness this sense of crisis to accelerate the changes. Mr. Higaki talked about insurance companies

Outside Director Roundtable



I think it was a big step forward that we approached governance of the Group as a whole in formulating Group Long-Term Vision.

—— Director Higaki

being in a regulated industry earlier, and I also believe that there has arisen a big difference between companies that have a sense of crisis and those that do not. Companies that do not have a sense of crisis will not survive the next 10 to 20 years. The Group is fortunate to have established a unique business model which has given us a sense of security until now. However, when we think of the next 10 years, we come to realize there's a high possibility we won't survive if we continue business as usual. As a first step, we have formulated Group Long-Term Vision based on that sense of crisis. Going forward, the important challenge of us will be how to instill this mindset throughout the Group and accelerate the changes at an even faster pace.

Ohgo

Going forward, it will also be important how to utilize digital technology. Our in-house sales representatives account for a significant portion of the added value we provide by directly explaining our products and services to customers through real-world channels. On the other hand, when we consider the fact that customer contact has become more difficult with the COVID-19 pandemic, and the fact that we are trying to improve efficiency, in the future we can expect more opportunities to use digital communication rather than face-to-face visits. Of course, the degree of difficulty of digital transformation varies depending on the nature of the business. Taiyo Life already offers *Sma-Hoken* (internet channel), and how to improve it will be one

issue going forward. I also think there are many aspects in *Sma-Hoken* that can be applied to Daido Life's business. Discussions of digital strategy can get overly detailed at times, but it can also be used to address the fundamental issue of what to do with our in-house sales representatives.

Future Challenges and Expectations

Matsuyama

We have identified the challenges we face in the discussion up to now. However, I am pretty sure that the market has doubts about whether the Group can really achieve the Group Long-Term Vision it has set out this time. The questions will be whether the T&D Insurance Group, which has continued without much change for the past 17 years, can really take a bold step forward, and whether the essence of the Group Long-Term Vision can be instilled throughout the organization or not. For example, the market is interested in whether we can really manage in line with capital efficiency. Therefore, it will be important to make steady progress implementing the Group Long-Term Vision. It is above all a basic principle of corporate governance that the Group Long-Term Vision is a commitment to the market, and that it's the mission of management to make this happen. It's a question of not just philosophy but execution. If the vision can't be implemented, the T&D Insurance Group, even with its favorable business model, may not survive. In that sense, I believe it's important for us as outside directors to play a role in conveying this sense of urgency and our outside perspectives on it. We will continue to do so with an expectation that the Group will make this Group Long-Term Vision a reality.

Ohgo

In terms of expectations, as we mentioned earlier, the seeds of new businesses have just begun to sprout. Both Taiyo Life and Daido Life were originally run on very unique business models, but no new businesses emerged for some time. Now that new businesses are sprouting again, I look forward to seeing sustained and continuous progress.

On the other hand, one challenge when creating something new and unique like this is human resources. We need to be a group where employees who are not traditional insurance people can flourish, which is why I believe the next challenge is how to attract and make good use of diverse talent.

Watanabe

The Group Long-Term Vision has been formulated in the expectation that the executives and employees, who are responsible for the reforms, will be excited about executing Group Long-Term Vision and that an atmosphere to make them feel the company is getting better will be fostered eventually.

Yamada

Going forward, since the Group Long-Term Vision was published with specific KPIs, I hope we'll seize the opportunity presented by our IR and SR activities to constructively exchange opinions with more stakeholders and work to achieve the goals of the Group Long-Term Vision while keeping our social responsibilities in mind. I believe this would help us make our presence as a public entity playing an essential role in society.

Higaki

I agree that we should be a company that grows through dialogue with diverse stakeholders and that can show them things that make them say "this is a good company." I feel that now is the beginning of a trend. We're really just getting started, but the fact that we've started is very important. We were able to start because there was a healthy sense of urgency in the business execution departments. Now that we have published a vision as a Group, we need to accomplish it. And we want to value the process, not just the tangible results. As I mentioned earlier, it's important to hone our ability to pick out what needs



I think we were able to return the discussion back to the basic starting point, which is the fact that we as a Group have chosen to compete and grow in the stock market.

—— Director Watanabe

to be improved from the various opinion surveys we conduct. I believe that if we make it a company oriented towards young people, it will definitely be a good company. It is important to keep an advanced management by promoting regeneration. I want to help make a company where our recruits say, "I want to join the T&D Insurance Group because it's a good company with a good corporate culture."



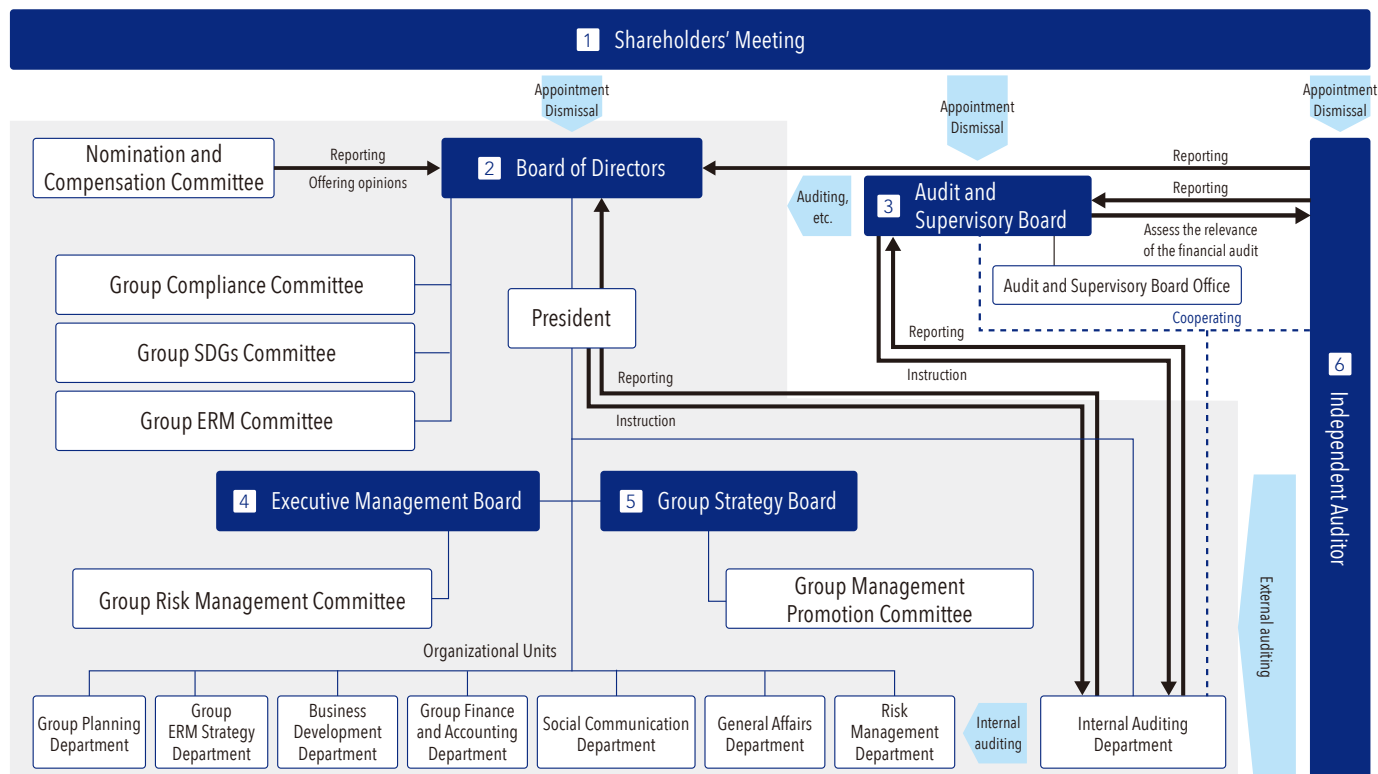
Corporate Governance

T&D Holdings has been enhancing its corporate governance on the basic approach of creating efficient and transparent management systems to facilitate flexible and cohesive group operations.

The Company values the purport of the Japan's Corporate Governance Code, which applies to listed companies, and has established the Basic Policy on Corporate Governance as an initiative in response to the major principles.

 Please refer to the Company's website for more details of the Basic Policy on Corporate Governance.
<https://www.td-holdings.co.jp/en/company/governance/>

Corporate Governance Framework



1 Shareholders' Meeting

The Shareholders' Meeting is the highest decision-making entity of the Company. At the meeting, reports are made on the Group's business and consolidated/non-consolidated financial statements, and resolutions are made on important issues, which are stipulated in laws and ordinances and the Articles of Incorporation, such as the appropriation of retained earnings and election of officers. The Ordinary General Meeting of Shareholders is held once a year.

2 Board of Directors

The Board of Directors is composed of all directors and makes important management decisions and oversees the execution of business in accordance with laws and ordinances, the Articles of Incorporation, and the Company's relevant rules. In addition, as a company with an Audit and Supervisory Board, some important business execution decisions are delegated from the Board of Directors to the directors themselves by resolution of the Board of Directors in accordance with the provisions of the Articles of Incorporation.

3 Audit and Supervisory Board

The Audit and Supervisory Board is composed of Audit and Supervisory Board members, the majority of whom are outside directors. As an independent body entrusted by the Company's shareholders, the Audit and Supervisory Board fulfills its roles and responsibilities, including auditing the execution of duties by directors (excluding directors serving as Audit and Supervisory Board members) in accordance with laws and ordinances, the Articles of Incorporation, and the Company's relevant rules.

4 Executive Management Board

The Executive Management Board deliberates and passes resolutions on important matters concerning the Company's management and the corporate management of the Group.

5 Group Strategy Board

The Group Strategy Board deliberates on items mainly concerning Group growth strategies and important matters pertaining to those items from a Group-wide perspective in order to achieve sustained improvement in the Group's corporate value.

Committees

Committees discuss the strategies and matters of the Company or those common to the Group.

6 Information related to the Independent Auditor (FY2020)

Category	Remuneration for audit certification services (¥ millions)	Remuneration for non-audit certification services (¥ millions)
Submitting company	192	10
Consolidated subsidiaries	222	13
Total	415	24

Promoting Group Management

T&D Holdings as a holding company is responsible for making decisions on Group strategies, allocating Group management resources appropriately, and formulating capital strategies. Along with this, the Company accurately grasps the management risks faced by its six Group companies centered on Taiyo Life, Daido Life, and T&D Financial Life, as well as T&D United Capital, T&D Asset Management, and Pet & Family Insurance (the “directly owned subsidiaries”) and works to build a Group business management system that ensures thorough risk-return

management for the Group as a whole.

The directly owned subsidiaries, with their own unique business strategies, aim to expand the Group’s corporate value by maximizing their uniqueness and specialization through determining marketing strategies and operating businesses in line with their strengths.

In this way, the Group is promoting flexible and cohesive group management by clarifying the respective roles and responsibilities of the Company and its directly owned subsidiaries.

Corporate Governance System

As a result of the resolution to amend the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 25, 2020, the Company has transitioned to a company with an Audit and Supervisory Board. This transition will further strengthen the managerial functions (determination of management policies and overall strategy) and oversight functions of the Board of Directors, and further enhance the agility and efficiency of business execution.

The Audit and Supervisory Board, which consists of a majority of outside directors, will audit the business execution of the Company, and the Audit and Supervisory Board members, who are not involved in business execution, will have voting rights on the Board of Directors, thereby exercising highly independent

audit and oversight functions over the Board of Directors. In addition, the Board of Directors will focus on the oversight of business execution and further strengthen the corporate governance of the entire Group by clarifying the functions and roles of various meeting bodies and conducting prompt and effective deliberations based on their respective roles.

Furthermore, since 2015, the Company has established the Nomination and Compensation Committee as an advisory body to the Board of Directors to deliberate on the fairness and appropriateness of the appointment and dismissal of directors (including succession planning), directors’ compensation, and other matters, and to ensure management transparency and improve accountability.

Composition of Directors and the Board of Directors

The number of directors (excluding directors who are Audit and Supervisory Board members) of the Company shall be no more than nine and the number of directors who are Audit and Supervisory Board members shall be no more than five, as stipulated by the Articles of Incorporation. The Board of Directors is made up of individuals representing a balance of knowledge, experience and skills, and having diverse backgrounds as befitting the expansive range of business domains in the life insurance business which is the core business of the Group.

Moreover, the Company appoints two or more directors (excluding directors who are Audit and Supervisory Board

members) who concurrently serve at the Company and its directly owned subsidiaries. This shall be done from the standpoint of facilitating adequate communication and rapid decision-making within the Group, along with bolstering Group-wide governance.

Furthermore, the Company appoints five outside directors to appropriately reflect the opinions of individuals with extensive experience and knowledge in their capacity as outside corporate managers, legal experts, accounting specialists and so forth in the Group’s management policies and development of internal controls and other systems as well as in the oversight of the execution of business.



Composition of the Audit and Supervisory Board

The number of Audit and Supervisory Board members of the Company is limited to five as stipulated in the Articles of Incorporation, and the majority of them are outside Audit and Supervisory Board members. In addition, members include

persons with appropriate knowledge of finance and accounting. The Audit and Supervisory Board consists of all Audit and Supervisory Board members.

Corporate Governance

Details of discussions at the Board of Directors meeting

In accordance with the transition to a company with an Audit and Supervisory Board, some important business execution decisions are delegated from the Board of Directors to the directors by resolution of the Board of Directors pursuant to the provisions of the Articles of Incorporation. By doing so, the Company aims to separate management and oversight from business execution, and further strengthen the management functions (deciding on management policies and overall

strategy) and oversight functions of the Board of Directors. As the number of items on the Board of Directors' agenda has been reduced compared to that prior to the transition, the Board of Directors is now able to allocate more time to the deliberation of important agenda items such as the Group's management policies and overall strategy, including the formulation of the Group Long-Term Vision announced in May 2021.

Key themes discussed at the fiscal 2020 Board of Directors meeting

Management Strategy and Growth Strategy	<ul style="list-style-type: none"> Formulation of the Group long-term vision Post-pandemic Group growth strategy Planning and monitoring of investment in new businesses 	<ul style="list-style-type: none"> Sustainability Initiatives Monitoring of the medium-term management plan Review of strategic shareholdings and reduction policy and plans
Finance and Account Settlement	<ul style="list-style-type: none"> Budget planning and monitoring 	<ul style="list-style-type: none"> Verification of appropriateness of financial results
Shareholder Returns and Dialogue with Shareholders	<ul style="list-style-type: none"> Formulation of dividend and share buyback policies Status of investor relations and shareholder relations activities 	<ul style="list-style-type: none"> Formulation of operating policies for Shareholders' Meeting
Governance	<ul style="list-style-type: none"> Transition to a company with an Audit and Supervisory Board Matters related to officers (selection of representative directors, appointment of officers of directly owned subsidiaries, etc.) 	<ul style="list-style-type: none"> Evaluation of the effectiveness of the Board of Directors Summary of discussions at the Nomination and Compensation Committee
Risk Management	<ul style="list-style-type: none"> Impact of the spread of COVID-19 and countermeasures Operating status of the internal control system 	<ul style="list-style-type: none"> Internal audit policy and verification of results Compliance status of the Group

Effectiveness Evaluation of the Board of Directors

To ensure the effectiveness of the Board of Directors as a whole (including the voluntary Nomination and Compensation Committee), the Company conducts an annual performance review of the Board of Directors as a whole based on the self-evaluations of individual directors. The performance review examines whether the Board of Directors is functioning

appropriately and producing results, and how the Board of Directors is contributing to increasing the Company's corporate value over the medium- to long term. Based on this effectiveness evaluation, we will work on further enhancing the oversight functions and the decision-making process of the Board of Directors.

Summary of the evaluation of the effectiveness of the Board of Directors as a whole in fiscal 2020

1. Evaluation procedures	Based mainly on self-evaluations (questionnaire) of directors, as well as interviews, we analyzed and evaluated the overall effectiveness of the Board of Directors in fiscal 2020.	
2. Evaluation items (5 items)	(i) Function of the Board of Directors (ii) Composition of the Board of Directors (iii) Operation of the Board of Directors (iv) Provision of information to Outside Directors / Audit & Supervisory Board members (v) Overall assessment	
3. Overall assessment	The Company considers the Board of Directors of the Company is generally performing its roles and responsibilities effectively as a whole, through the enforcement of advance measures prior to actual discussions at the Board of Directors and the improvement of the operation of the Board of Directors, etc.	
4. Improvement status of issues recognized in the previous evaluation	The items recognized as issues in the fiscal 2019 evaluation have, for the most part, been improved. Those items included the further enhancement of discussions mainly on Group management strategies from the perspective of integrated Group management, further examination of discussion items by the Nomination and Compensation Committee, and development of concise and easy-to-understand materials and improved explanations.	
5. Issues and initiatives going forward	Issues Initiatives	Regarding the development of a framework for enhancing the effectiveness of the Board of Directors, the Company continues to recognize the necessity for improvement. <ul style="list-style-type: none"> Enhancement of the functions of the Nomination and Compensation Committee Continual review of the composition of the Board of Directors Further description of information necessary to deepen discussions at Board of Directors meetings and preparation of easy-to-understand materials that focus on key points Efficient operation of the Board of Directors, etc.

Nomination and Compensation Committee

The Nomination and Compensation Committee was established in January 2015 as a voluntary advisory body to the Board of Directors to deliberate on the fairness and appropriateness of the appointment, dismissal, and compensation of directors, Audit and Supervisory Board members, and executive officers (including succession planning), as well as to strengthen the corporate governance system of the Company and the Group by ensuring the

transparency of management and enhancing accountability.

The Committee consists of the President and at least three outside directors, and a majority of members are assigned from outside directors to enhance independence, objectivity, and accountability. Furthermore, the chair of the Committee is chosen out of outside directors by mutual vote of the Committee's members.

Nomination and Compensation Committee — Main topics of discussion/reporting in fiscal 2020

1st	<ul style="list-style-type: none"> • Selection and appointment of directors not serving as Audit and Supervisory Board members, directors serving as Audit and Supervisory Board members, and directors serving as substitute Audit and Supervisory Board members, and selection of representative directors and directors with executive titles • Selection and appointment of director candidates, Audit & Supervisory Board member candidates, and executive officers at directly owned subsidiaries • Establishment of maximum amount of compensation for directors not serving as Audit and Supervisory Board members
2nd	<ul style="list-style-type: none"> • Results of fiscal 2019 evaluation of directors and executive officers • Results of fiscal 2019 evaluation of representative directors of directly owned subsidiaries • Company officer regulations concerning mainly executive benefits
3rd	• Selection of outside directors to serve on the Nomination and Compensation Committee
4th	• Selection of the chair of the Nomination and Compensation Committee
5th	• Succession plan
6th	• Company officer regulations concerning mainly executive benefits at directly owned subsidiaries
7th	• Change of president of directly owned subsidiary (Daido Life)
8th	<ul style="list-style-type: none"> • Selection and appointment of executive officers • Selection and appointment of executive officers at directly owned subsidiaries • Revision of the Basic Policy on Corporate Governance in accordance with the revision of the Companies Act
9th	• Selection and appointment of directors and executive officers at directly owned subsidiaries

Board of Directors Skills Matrix

The Company will ensure a balance of the necessary expertise and experience in terms of the three main functions of the Board of Directors (overall strategy formulation function, oversight function, and business management function) to enable the Board of Directors to further perform its functions.

The Company ensures a balance of expertise and experience

on the Board of Directors as a whole. For this reason, we select and appoint outside directors who have experience in corporate management, finance, legal affairs, and other areas outside the Group, and appoint internal directors who have expertise and experience appropriate to the broad business domains of the life insurance business, which is the Group's core business.

	Name	Position at the Company	Nomination and Compensation Committee	Expertise and experience particularly anticipated from the Outside Directors			
				Corporate management	Capital and Financial markets	Finance and accounting	Legal affairs and risk management
Outside Directors	Naoki Ohgo	Director	●	●	●		
	Kensaku Watanabe	Director	●				●
	Haruka Matsuyama	Director (Audit and Supervisory Committee Member)	●				●
	Seiji Higaki	Director (Audit and Supervisory Committee Member)		●	●		
	Shinnosuke Yamada	Director (Audit and Supervisory Committee Member)				●	

	Name	Position at the Company	Nomination and Compensation Committee	Expertise and experience particularly anticipated from the Internal Directors				
				Planning and business strategy	Sales and marketing	Asset management	Finance and accounting	Legal affairs and risk management
Inside Directors	Hirohisa Uehara	Representative Director and President	●	●	●	●		
	Kanaya Morinaka	Representative Director and Executive Vice President		●	●			
	Mitsuhiro Nagata	Director and Senior Managing Executive Officer					●	●
	Naoki Soejima	Director		●	●	●		
	Mutsuro Kitahara	Director		●	●	●		
	Junichi Yanai	Director (Full-time Audit and Supervisory Committee Member)					●	●
	Yasuo Teraoka	Director (Full-time Audit and Supervisory Committee Member)					●	●

* The Company intends to utilize knowledge from outside the Company through such initiatives as inviting talent with expertise and experience in areas other than the above to advisory committees in each field (e.g. digital and SDGs), which will be established, as necessary.

Corporate Governance

Determination of compensation

▣ Policies on determining compensation

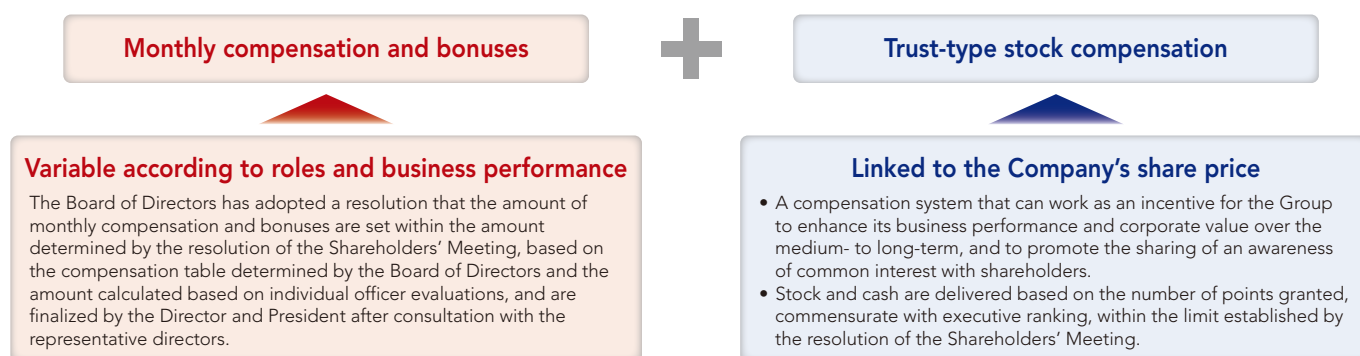
The Company's policy on executive compensation is set out in our Basic Policy on Corporate Governance.

Composition of executive compensation

Our executive compensation system is designed to function as a sound incentive geared towards boosting the Group's medium- to long-term earnings and enhancing corporate value.

Compensation for directors (excluding outside directors, part-time directors, and directors serving as Audit and

Supervisory Board members) has three components: (1) monthly compensation, (2) bonuses, and (3) trust-type stock compensation (non-residents of Japan are excluded). Both (1) and (2) vary depending on role and performance, while (3) utilizes a trust scheme. Compensation for part-time directors, including outside directors, is comprised of monthly fixed compensation.



Individual officer evaluations

Individual evaluations of officers are based on an assessment of the Company's performance and an evaluation of the division the officer is in charge of, in accordance with the evaluation criteria decided on by the Board of Directors. The Nomination and Compensation Committee deliberates on these evaluations, and the Director and President determines the results after consultation with the representative directors.

▣ Calculation method

Assessment of Company performance

- To clarify the assessment according to how much progress has been made on achieving Company targets, total shareholder return (TSR) is used as a benchmark to assess the Company's performance, alongside a number of other performance indicators based on the Company's medium- to long-term management strategy.
- For performance indicators, a coefficient according to the achievement rate for each item is multiplied to yield a score.
- For TSR, the score is calculated based on the rate of divergence between the Company's figure and those of listed life insurance companies set as the benchmark.

Evaluation of the division the officer is in charge of

- A score is calculated for each division based on how much progress has been made on the achievement of the execution plan for the division the officer is in charge of.

The evaluation weightings of the Company performance assessment and the evaluation of the division the officer is in charge of are set according to the responsibilities of each officer in accordance with the criteria established by the Board of Directors and used to compute a weighted average. Note that the representative director's evaluation weighting for the Company performance assessment is 100%.

The individual evaluations of each officer, as calculated above, are discussed by the Nomination and Compensation Committee and finalized by the president following consultation with the representative directors.

Key performance indicators of Company performance (FY 2020)

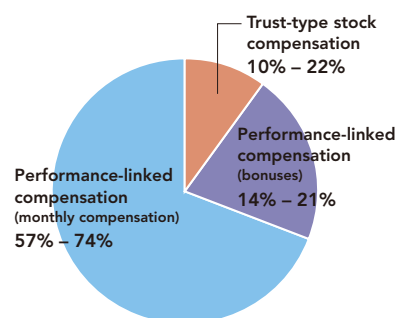
	Target	Actual	Achievement ratio
Value of new business	¥ 86.3 billion	¥ 143.4 billion	166.1%
Corporate value (Group MCEV)	¥2,761.0 billion	¥3,377.6 billion	122.3%
Group adjusted profit	¥ 70.0 billion	¥ 77.9 billion	111.2%

Actual TSR performance for the single fiscal year is 166.5% and 155.1% over five years.

Payment ratios by type of compensation

In terms of the compensation structure for directors, we assign ratios to performance-linked compensation (monthly and bonuses) and the trust-type stock compensation so the system can function as a sound incentive geared towards boosting the Group's medium- to long-term earnings and enhancing corporate value.

For monthly compensation, the ratio fluctuates either negatively or positively by roughly 5% on the basis of a standard assessment according to the individual officer evaluation. For bonuses, the ratio fluctuates either negatively or positively by roughly 40% on the basis of a standard assessment according to the individual officer evaluation.



■ Total amounts of compensation by officer category and compensation type (FY 2020)

Category	Monthly compensation		Reserve for bonuses		Trust-type stock compensation, the Board Incentive Plan (BIP) Trust		Total compensation	
	Persons receiving compensation	Amount (¥ millions)	Persons receiving compensation	Amount (¥ millions)	Persons receiving compensation	Amount (¥ millions)	Persons receiving compensation	Amount (¥ millions)
Directors not serving as Audit and Supervisory Board members (excluding outside directors)	10	153	4	42	4	45	10	241
Directors serving as Audit and Supervisory Board members (excluding outside directors)	2	44	0	—	0	—	2	44
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	2	13	0	—	0	—	2	13
Outside directors not serving as Audit and Supervisory Board members	4	22	0	—	0	—	4	22
Outside directors serving as Audit and Supervisory Board members	3	27	0	—	0	—	3	27
Outside Audit & Supervisory Board members	2	4	0	—	0	—	2	4
Total	23	266	4	42	4	45	23	354

1. Monthly compensation and reserve for bonuses for directors (excluding part-time directors including outside directors, and directors serving as Audit and Supervisory Board members) are performance-linked compensation, and trust-type stock compensation is non-monetary compensation. For directors not serving as Audit and Supervisory Board members (excluding part-time directors including outside directors; seven directors), the total amount of performance-linked compensation is ¥167 million, and the total amount of non-monetary compensation is ¥45 million.
2. The Company transitioned from a company with Board of Auditors to a company with an Audit and Supervisory Board on June 25, 2020.
3. The number of persons receiving compensation and the amount of compensation shown above include those for three directors and two Audit & Supervisory Board members who retired at the conclusion of the 16th Ordinary General Meeting of Shareholders held on June 25, 2020. As of March 31, 2021, the Company had nine directors not serving as Audit and Supervisory Board members and five directors serving as Audit and Supervisory Board members.
4. The number of directors not serving as Audit and Supervisory Board members and outside directors not serving as Audit and Supervisory Board members and the amount of their compensation include those who served as directors prior to the transition to a company with an Audit and Supervisory Board.
5. The sum of the number of persons receiving compensation in the table above is the total number of persons receiving compensation.
6. The amount of trust-type stock compensation shows the recorded amount of expenses related to the points granted during the fiscal year ended March 31, 2021 based on the executive compensation system.
7. Compensation for individual officers is not stated because no officer received total consolidated compensation of ¥100 million or more.

Process for determining compensation

The Nomination and Compensation Committee discusses important decisions and changes concerning benefits and the like for officers of the Company and its directly owned subsidiaries, reports the results of those discussions to the Board of Directors, and offers its opinions when necessary. For monthly

compensation and bonuses, individual amounts are determined based on individual officer evaluations based on deliberations by the Nomination and Compensation Committee and the compensation table decided on by the Board of Directors.

Appropriateness of compensation levels

The amount of compensation for directors is determined considering the responsibilities of directors as well as various other circumstances such as the recent economic situation.

With regard to the level of compensation, the Company participates in several surveys on executive compensation conducted by external research organizations to verify the appropriateness.

Maximum amount of compensation for directors after the transition to a company with an Audit and Supervisory Board

The maximum amount of compensation for directors was determined at the 16th Ordinary General Meeting of Shareholders held on June 25, 2020, as shown on the right.

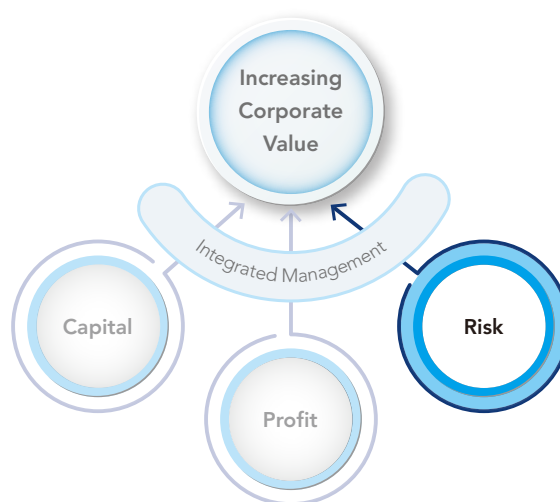
Maximum amount of compensation	Amount	Number of persons*
Directors not serving as Audit and Supervisory Board members	¥450 million per year	9
Of which, outside directors	¥40 million per year	2
Directors serving as Audit and Supervisory Board members	¥150 million per year	5
Maximum amount of funds to be contributed to the trust for trust-type stock compensation (covering the three fiscal years from fiscal 2018 to fiscal 2020)	Amount	Number of persons*
Directors not serving as Audit and Supervisory Board members	¥500 million	4
Total number of points to be granted under trust-type stock compensation	Points	Number of persons*
Directors not serving as Audit and Supervisory Board members	215,000 points per year	4

* Number of eligible directors as of the end of the 16th Ordinary General Meeting of Shareholders

Risk Management

► Integrated risk management (ERM)

The T&D Insurance Group has established the ERM structure to integrally manage capital, profit and risk in order to boost stable revenues, while grasping the status of its risks and ensuring management soundness. Among them, the Group manages risks as follows.



► Basic concept for risk management

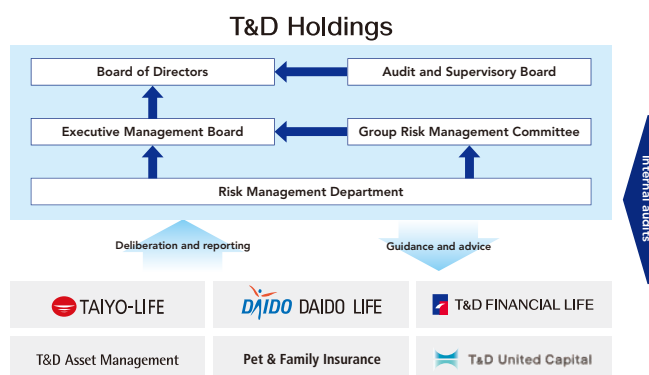
At the T&D Insurance Group, T&D Holdings has formulated a Group Risk Management Policy setting forth the Group's basic approach to risk management and, based on this policy, the direct subsidiaries have developed their risk management system that covers their affiliates as well.

T&D Holdings has established a Group Risk Management Committee and manages risks within the Group. The Committee receives reports, regularly and as required, on risks assessed

using uniform economic value-based risk management indicators, from the direct subsidiaries, in order to identify and manage the various types of risks faced by the Group companies. Based on the report received, T&D Holdings reports on these risks to the Board of Directors and provides guidance and advice to the Group companies as necessary, thereby ensuring that proper risk control is implemented at each company and strengthening the risk management system for the entire Group.

► Risk management

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



► Risk awareness and assessment (risk profile)

The T&D Insurance Group uses a risk profile* to comprehensively categorize risks surrounding the Group, in order to respond to increasingly diverse and complex risks. We comprehensively identify risks, ascertain and assess them, and use them to prioritize initiatives in light of comprehensive factors including severity, impact, and the degree to which they are under control. The risks are reflected in management planning as necessary.

As a rule, we review our risk profiles twice a year in order to accurately recognize and ascertain emerging severe risks, as well as major changes to previously recognized risks and the gap between in-house/ the industry's customs and the world. We report our findings to the Group Risk Management Committee and the Board of Directors.

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

► Risk classification and responses

The T&D Insurance Group classifies various management risks as shown below, including disruption in financial markets, large-scale disasters, pandemics, climate change and cyber attacks. Risk management policies have been established for each of these risks, and efforts are made to prevent these risks from occurring or to confine them within certain acceptable levels.

The risks we see as important in connection with our Group's business are as follows:

• Risks as a holding company

- ✓ Risk related to reliance on the performance of the life insurance business
- ✓ Risk related to dividend income
- ✓ Risk related to expanding scope of operations
- ✓ Risk related to regulatory changes

Examples of efforts

✓ Risk related to reliance on the performance of the life insurance business

The Group is heavily reliant on the performance of its three life insurance companies. Therefore, if the business circumstances of any of the three life insurance companies change, and/or the roles or positions of any of the three life insurance companies change, the Group's performance and financial condition could be adversely affected.

(Responses)

- The Board of Directors gives the necessary advice and support on the performance of the three companies, together with monitoring budget variance management and progress of the management plan.
- The diversification and optimization of business portfolio is promoted as a pillar of the growth strategy in the Group Long-Term Vision.

• Business risks

	Risk taking policies	Risk management policies
(1) Insurance underwriting risk	Based on an awareness of the major impact that the life insurance underwriting of a life insurance company has on business over the long-term, the Group fully analyzes and checks risk profiles, and risk and return characteristics, both of which differ depending on products, formulating product strategies.	Based on an awareness of the major impact that life insurance underwriting has on business over the long-term, the Group determines, analyzes, and assesses the insurance underwriting risk and carries out appropriate controls.
(2) Investment risk	To make sure to pay insurance claims in the future, the Group sufficiently secures assets with optimal characteristics (current maturity, liquidity and others) and develops asset management strategies with a full consideration to liability characteristics and risk tolerance. <ul style="list-style-type: none"> • Interest rate risks have a significant impact on the change of surplus due to the long-term nature of insurance liabilities; therefore, the Group strives to reduce such risks given their financial accounting-based and economic value-based effects. 	Investment risks are classified as market risks (fluctuations in interest rates, share prices and exchange rates), credit risks (deterioration of the financial conditions of an entity to which credit is provided) and real estate investment risks (decrease in profits and price related to real estate). Optimal risk controls are taken in accordance with the characteristics of each asset.
(3) Operational risk	The Group strives to prevent risks from occurring and reducing them not to harm its corporate value.	The system to control operational risks such as administrative and system risks is established.
(4) Affiliate and other entity risk	The Group analyzes and checks the soundness, profitability and risk and return characteristics of the business as well as assesses the appropriateness and reasonableness of investment. Then, the Group develops business investment strategies considering their financial accounting-based and economic value-based effects.	Risks are properly controlled through assessing the income/expenditure situation as well as the potential for the occurrence of various risks at subsidiaries, affiliates, and other business investments.
(5) Liquidity risk	The Group secures a certain level of liquidity and establishes a structure that enables a smooth securitization of assets to respond to liquidity risks.	The status of financing is categorized depending on its severity level. By determining a controlling method according to each category, the Group secures a certain level of liquidity and establishes a structure that enables a smooth securitization of assets for fund preparation.
(6) Reputational risk	The Group strives to prevent risks from occurring and reducing them not to harm its corporate value.	Information related to reputational risks is collected, and responses to reputational risks and a reporting system are clarified.

► Action on integrated risk management

The Group categorizes and quantifies various risks that surround the Group, and controls them using the Economic Solvency Ratio (ESR), a risk indicator based on economic value. It also practices appropriate control of risks in the business as a whole, including un-quantified risks, in order to tackle integrated risk management that leads to attainment of management goals.

1. Risk quantification

The Group employs internal models to gauge asset management risks, insurance underwriting risks, and operational risks. Specifically, we use “value at risk” as an indicator for these risks, and with a measurement period of one year and a confidence level of 99.5%, we calculate the loss value which is considered as the risk volume.

(Unit: billion yen)

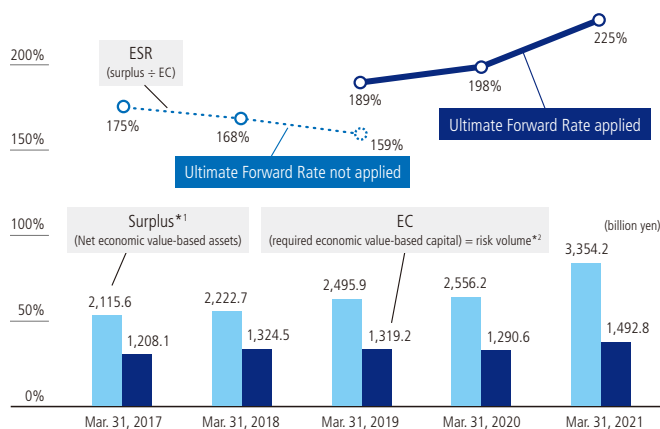
	As of March 31, 2020	As of March 31, 2021	Change
Insurance underwriting risk (domestic)	944.0	907.3	(36.7)
Investment risk	1,169.4	1,323.1	+153.7
Insurance underwriting risk (overseas)*1	8.2	188.9	+180.7
Operational risk	85.9	85.5	(0.3)
Affiliate and other entity risk	25.2	27.4	+2.1
Variance effect, etc.	(942.2)	(1,039.5)	(97.3)
Total risk volume*2	1,290.6	1,492.8	+202.2

*1 Records business investment risks including insurance underwriting risks related to overseas insurance companies subject to investments (internally booked as affiliate and other entity risk)

*2 The economic value based risk volume (after variance effect) calculated by the internal model (measurement period 1 year, VaR 99.5%).

2. Risk control

The Economic Solvency Ratio (ESR), a risk indicator based on economic value, is calculated by dividing the net assets (surplus) found by subtracting liabilities from economic value-based assets by the risks quantified as above (economic capital). We ensure financial soundness and capital adequacy by controlling the EC within a certain range of surplus, while also applying the current finance supervision system concerning soundness. The ESR is managed monthly and reported to the Group Risk Management Committee and the Board of Directors along with other risk reviews.



*1 Difference between assets, evaluated on an economic value basis, and liabilities. Evaluation of assets and liabilities is calculated using basically the same assumptions as for MCEV. The capital cost rate used as the risk margin is set as 5%. In addition to applying the Ultimate Forward Rate since the end of March 2019, subordinated debt is added into the surplus (¥170 billion at the end of March 2021).

*2 The economic value based risk volume (after variance effect) calculated by the internal model (measurement period 1 year, VaR 99.5%). Necessary capital for MCEV is evaluated by the same internal model.

3. Stress test implementation

We strive to keep track of a wide range of risks, to make sure we can also handle risks not fully grasped by quantification, while also controlling quantified risks. We run stress tests to check the impacts of widely identified risks, and of severe shocks which exceed expectations, such as major worsening

of financial markets or large-scale disasters. We analyze the results of stress tests and check our countermeasures etc. in advance, and we build a framework that can maintain our soundness in all kinds of situations.

► Cyber security initiatives

The Group recognizes that one of the important tasks of management is properly protecting and managing information assets in compliance with laws and regulations. This specifically involves protecting information assets from increasingly sophisticated cyber threats. To fulfill our social responsibilities as a company engaged in life insurance business and other businesses, 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. Cyber attacks etc. have the potential to stop systems and impede our operations, and to cause leakage of important information.

In particular, in order to provide even safer services to customers, we utilize security tools to conduct round-the-clock monitoring of cyber threats that target financial institutions, which have increased in recent years in both frequency and sophistication. We have also established the cross-organizational Group Computer Security Incident Response Team (CSIRT) along with company-level CSIRT teams, which collect information, conduct

analysis and implement measures in connection with cyber attacks. In addition, we conduct Group- and company-level drills and participate in industry-wide drills and training. Issues identified through these drills are reflected in our response procedures and manuals to strengthen our practical responsiveness.

Along with conducting multi-layered security measures (entrance, exit, and internal), we regularly receive diagnostic security evaluations from independent institutions and promptly implement the necessary measures. In addition, we bring in outside experts to educate group management on the latest trends in cyber security, and are working to raise awareness of cybersecurity risks. Executives and employees also receive training on information security and cyber security and drills are continually conducted on handling suspicious email in order to further raise security literacy.

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

Compliance

► Basic compliance policies

The Group has formulated the T&D Insurance Group CSR Charter, the T&D Insurance Group Compliance Code of Conduct, and the T&D Insurance Group Basic Policy for Strengthening the Compliance Structure. The Group ensures that executives and employees are conversant with these basic

policies and standards to promote rigorous Group-wide compliance efforts.



Please see the Company's website for more detail of the Compliance Promotion System.
<https://www.td-holdings.co.jp/en/company/governance/compliance.html>

► Basic policies to block relationships with antisocial forces

In its Group Compliance Code of Conduct, the Group defines its policy toward antisocial forces as to "reject and stringently respond to any antisocial forces which threaten the order and safety of the civil society." In accordance with this policy, the Group has formulated "T&D Insurance Group Basic Policy for

Responding to Antisocial Forces," and has announced this on the Company's website.



T&D Insurance Group Basic Policy for Responding to Antisocial Forces (Japanese only)
<https://www.td-holdings.co.jp/information/antisocial-forces.html>

► Accountability

The Company works to disclose information in line with the basic concept of striving to increase the transparency of management by appropriately and timely disclosing corporate information, including appropriate financial information and non-financial information regarding management strategies, management priorities and other matters.

In specific terms, the Company strives to provide easy-to-understand disclosure based on the fair disclosure rules of timeliness, fairness and accuracy in order to maintain and reinforce trust among all of its stakeholders, including customers, shareholders, employees, insurance agents, business partners, and local communities, and to increase the level of management transparency.

► Internal reporting system

The T&D Insurance Group has created a Group-wide internal reporting system, the T&D Group Help Line, which is intended to serve as a conduit for reports from any executive or Group employee on instances of illegal behavior and other compliance

infractions that may damage the Group's credibility or reputation. The system helps to forestall if possible the occurrence of such events and quickly assess and remedy the situation if not.

Management Organization

Board of Directors (as of June 25, 2021)



Representative Director and President

Hirohisa Uehara

Personal history

Apr 1984 Joined Taiyo Life
 Jan 2005 General Manager of Investment Planning Department of Taiyo Life
 Feb 2005 Director of T&D Asset Management
 Apr 2007 General Manager of Group Planning Department of T&D Holdings
 Apr 2010 Director of T&D Asset Management
 Apr 2011 Executive Officer and General Manager of Group Planning Department of T&D Holdings
 Apr 2012 Director of T&D Financial Life
 Apr 2014 Executive Officer of Taiyo Life
 Jun 2014 Director and Executive Officer of Taiyo Life
 Apr 2015 Director and Managing Executive Officer of Taiyo Life
 Apr 2016 Director and Senior Managing Executive Officer of Taiyo Life
 Apr 2017 Director of Taiyo Life
 Executive Vice President of T&D Holdings
 Jun 2017 Director of T&D Financial Life
 Representative Director and Executive Vice President of T&D Holdings
 Apr 2018 Representative Director (current)

Number of the Company's shares held*1	46,500
Attendance to the Board of Directors' meetings*2	16 / 16



Representative Director and Executive Vice President

Kanaya Morinaka

Personal history

Apr 1984 Joined Daido Life
 Apr 2010 Executive Officer of Daido Life
 Apr 2013 Managing Executive Officer of Daido Life
 Jun 2015 Director and Managing Executive Officer of Daido Life
 Apr 2017 Director and Senior Managing Executive Officer of Daido Life
 Jun 2019 Representative Director and Senior Managing Executive Officer of Daido Life
 Apr 2020 Director of Daido Life (current)
 Executive Vice President of T&D Holdings
 Jun 2020 Representative Director and Executive Vice President of T&D Holdings (current)
 Jun 2021 Director of T&D Financial Life (current)
 Significant concurrent positions
 Director of Daido Life
 Director of T&D Financial Life

Number of the Company's shares held*1	25,200
Attendance to the Board of Directors' meetings*2	13 / 13



Director and Senior Managing Executive Officer

Mitsuhiro Nagata

Personal history

Apr 1985 Joined Daido Life
 Apr 2008 General Manager of Profit Management and Actuarial Department of Daido Life
 Apr 2011 Executive Officer of Daido Life
 Apr 2015 Managing Executive Officer of Daido Life
 Jun 2015 Director and Managing Executive Officer of Daido Life
 Apr 2017 Managing Executive Officer of T&D Holdings
 Apr 2018 Director of Daido Life
 Senior Managing Executive Officer of T&D Holdings
 Jun 2018 Director of T&D Financial Life
 Director and Senior Managing Executive Officer of T&D Holdings (current)
 Jul 2019 Director of T&D United Capital
 Apr 2020 Director and Senior Managing Executive Officer of Daido Life (current)

Significant concurrent positions
 Director and Senior Managing Executive Officer of Daido Life

Number of the Company's shares held*1	24,300
Attendance to the Board of Directors' meetings*2	15 / 16



Director (part-time)

Mutsurou Kitahara

Personal history

Apr 1982 Joined Daido Life
 Apr 2008 General Manager of Planning Department of Daido Life
 Apr 2010 Executive Officer of Daido Life
 Apr 2013 Managing Executive Officer of Daido Life
 Jun 2013 Director and Managing Executive Officer of Daido Life
 Apr 2015 Managing Executive Officer of T&D Holdings
 Apr 2016 Director and Senior Managing Executive Officer of Daido Life
 Apr 2017 Senior Managing Executive Officer of T&D Holdings
 Jun 2019 Representative Director and Senior Managing Executive Officer of Daido Life
 Apr 2020 Representative Director and Executive Vice President of Daido Life
 Apr 2021 Representative Director and President of Daido Life (current)
 Jun 2021 Director of T&D Holdings (current)

Significant concurrent positions
 Representative Director and President of Daido Life

Reasons for selection

Mr. Mutsurou Kitahara has business experience in the Group mainly in products, planning, and human resources, and is currently serving as Representative Director and President of Daido Life Insurance Company. He is expected to fulfill the roles mainly of supervising key management decisions and the execution of business by utilizing his extensive management knowledge and experience in the Group's holding company and insurance company, which includes being in charge of corporate planning, risk management, and internal auditing units.

Number of the Company's shares held*1	30,600
Attendance to the Board of Directors' meetings*2	—



Director (Audit and Supervisory Board Member (Full-Time))

Junichi Yanai

Personal history

Apr 1984 Joined Taiyo Life
 Apr 2016 General Manager of Financial Loan Department of Taiyo Life
 Jun 2017 Audit & Supervisory Board Member of Taiyo Life (current)
 Audit & Supervisory Board Member of T&D Holdings
 Jun 2020 Director (Audit and Supervisory Board Member (Full-Time)) of T&D Holdings (current)

Significant concurrent positions
 Audit & Supervisory Board Member of Taiyo Life

Number of the Company's shares held*1	9,300
Attendance to the Board of Directors' meetings*2*3	16 / 16
Attendance to Audit and Supervisory Board meetings*2	14 / 14



Director (Audit and Supervisory Board Member (Full-Time))

Yasuo Teraoka

Personal history

Oct 2000 Joined Daido Life
 Apr 2011 General Manager of Market & Alternative Investment Department of Daido Life
 Apr 2013 Executive Officer of Daido Life
 Apr 2015 Executive Officer of T&D Holdings
 Jun 2018 Audit & Supervisory Board Member of Daido Life (current)
 Audit & Supervisory Board Member of T&D Holdings
 Jul 2019 Audit & Supervisory Board Member of T&D United Capital (current)
 Jun 2020 Director (Audit and Supervisory Board Member (Full-Time)) of T&D Holdings (current)

Significant concurrent positions
 Audit & Supervisory Board Member of Daido Life
 Audit & Supervisory Board Member of T&D United Capital

Number of the Company's shares held*1	21,700
Attendance to the Board of Directors' meetings*2*3	16 / 16
Attendance to Audit and Supervisory Board meetings*2	14 / 14

*1 As of March 31, 2021

*2 FY2020

*3 Includes attendance as Audit & Supervisory Board member



Director (outside officer, part-time)

Naoki Ohgo

Personal history

Apr 1985 Joined McKinsey & Company, Inc.
Jul 1999 Partner of McKinsey & Company, Inc.
Jul 2005 Executive Officer of GE Consumer Finance K. K.
(current Shinsei Financial Co., Ltd.)
Aug 2008 Representative Director of Root F Co., Ltd. (current)
Jun 2017 Director of T&D Holdings (current)

Significant concurrent positions

Representative Director of Root F Co., Ltd.
Director of Orient Corporation

Reasons for selection

Mr. Naoki Ohgo possesses advanced expertise and a wide range of knowledge gained through his tenure as a partner in a foreign consulting firm, followed by his current position of Representative Director of Root F Co., Ltd. where he utilizes his global perspective and high level of insight to provide consulting services mainly in the financial field. He is expected to fulfill the roles mainly of supervising key management decisions and the execution of business from the perspective of protecting general shareholders by utilizing this knowledge and experience.

Number of the Company's shares held*1	2,400
Attendance to the Board of Directors' meetings*2	15 / 16



Director (outside officer, part-time)

Kensaku Watanabe

Personal history

Mar 1997 Registered as an Attorney
Apr 1997 Joined Okazaki, Ohashi & Maeda
(current Tokei Partners)
Jan 2006 Partner of Tokei Partners (current)
Jun 2016 Audit & Supervisory Board Member of
T&D Financial Life
Jun 2020 Director of T&D Holdings (current)

Significant concurrent positions

Attorney

Reasons for selection

Mr. Kensaku Watanabe possesses significant expertise and extensive insight as an attorney at law specialized in corporate legal affairs. He is expected to fulfill the roles mainly of supervising key management decisions and the execution of business from the perspective of protecting general shareholders by utilizing this knowledge and experience.

Number of the Company's shares held*1	200
Attendance to the Board of Directors' meetings*2	13 / 13



Director (part-time)

Naoki Soejima

Personal history

Apr 1981 Joined Taiyo Life
Oct 2008 General Manager of Marketing Planning Department of
Taiyo Life
Apr 2009 Executive Officer of Taiyo Life
Apr 2011 Managing Executive Officer of Taiyo Life
Jun 2011 Director and Managing Executive Officer of Taiyo Life
Apr 2014 Representative Director and Senior Managing Executive
Officer of Taiyo Life
Apr 2016 Representative Director and Executive Vice President of
Taiyo Life
Apr 2019 Representative Director and President of Taiyo Life (current)
Jun 2019 Director of T&D Holdings (current)

Significant concurrent positions

Representative Director and President of Taiyo Life

Number of the Company's shares held*1	19,710
Attendance to the Board of Directors' meetings*2	16 / 16



Director (Audit and Supervisory Board Member) (outside officer, part-time)

Haruka Matsuyama

Personal history

Apr 1995 Assistant Judge to the Tokyo District Court
Jul 2000 Registered as an Attorney
Jul 2000 Joined Hibiya Park Law Offices
Jan 2002 Partner of Hibiya Park Law Offices (current)
Jun 2013 Director of T&D Holdings
Jun 2020 Director (Audit and Supervisory Board Member) of
T&D Holdings (current)

Significant concurrent positions

Attorney at law
Audit & Supervisory Board Member of MITSUI & CO., LTD.
Director of Mitsubishi UFJ Financial Group, Inc.*
Director of Restar Holdings Corporation

*Stepped down as of June 29, 2021

Reasons for selection

Ms. Haruka Matsuyama has sophisticated expertise and extensive insight as an attorney at law specialized in corporate legal affairs. She is expected to fulfill the roles mainly of auditing and supervising key management decisions and the performance of duties by directors not serving as Audit and Supervisory Board members from the perspective of protecting general shareholders by utilizing this knowledge and experience.

Number of the Company's shares held*1	3,400
Attendance to the Board of Directors' meetings*2	15 / 16
Attendance to Audit and Supervisory Board meetings*2	14 / 14



Director (Audit and Supervisory Board Member) (outside officer, part-time)

Seiji Higaki

Personal history

Apr 1975 Joined The Daiwa Bank, Ltd.
Jun 2003 Executive Officer of Resona Bank, Ltd.
Jun 2005 Executive Officer of Resona Holdings, Inc.
Jun 2006 Director of Resona Holdings, Inc.
Jun 2007 Director, President and Representative Executive Officer of
Resona Holdings, Inc.
Apr 2009 Representative Director and Executive Officer of
Resona Bank, Ltd.
Jun 2011 Director and Vice Chairman of Resona Bank, Ltd.
Apr 2013 Director of Resona Holdings, Inc.
Jun 2013 Chairman of Resona Research Institute Co., Ltd.
Jun 2018 Director of T&D Holdings
Jun 2020 Director (Audit and Supervisory Board Member) of
T&D Holdings (current)

Reasons for selection

Having served as a director, president and representative executive officer of a bank holding company and as a representative director and executive officer of a bank, Mr. Seiji Higaki has a wealth of knowledge and experience in corporate management. He is expected to fulfill the roles mainly of auditing and supervising key management decisions and the performance of duties by directors not serving as Audit and Supervisory Board members from the perspective of protecting general shareholders by utilizing this knowledge and experience.

Number of the Company's shares held*1	1,300
Attendance to the Board of Directors' meetings*2	16 / 16
Attendance to Audit and Supervisory Board meetings*2	14 / 14



Director (Audit and Supervisory Board Member) (outside officer, part-time)

Shinnosuke Yamada

Personal history

Oct 1983 Joined Asahi Accounting Company
(current KPMG AZSA LLC)
Mar 1987 Registered as a Certified Public Accountant
Jul 2010 Partner of KPMG AZSA LLC
Jul 2010 Executive Board Member of The Japanese Institute of
Certified Public Accountants
Jun 2020 Director (Audit and Supervisory Board Member) of
T&D Holdings (current)

Significant concurrent positions

Certified public accountant
Director (independent auditor) of Kyowa Exeo Corporation

Reasons for selection

Mr. Shinnosuke Yamada possesses significant expertise and extensive insight as a certified public accountant. He is expected to fulfill the roles mainly of auditing and supervising key management decisions and the performance of duties by directors not serving as Audit and Supervisory Board members from the perspective of protecting general shareholders by utilizing this knowledge and experience.

Number of the Company's shares held*1	200
Attendance to the Board of Directors' meetings*2	13 / 13
Attendance to Audit and Supervisory Board meetings*2	14 / 14

Stakeholder Engagement

The Group proactively engages in dialogue with stakeholders as set out in the T&D Insurance Group CSR Charter (see “4. Communication”). By taking every possible opportunity to interact, the Company and each Group company collect the opinions of policyholders, sales agents and other stakeholders and reflect them in their respective business management.



For Shareholders and Investors

Shareholders' Meetings, financial results briefings, one-on-one meetings for institutional investors, and publication of shareholder newsletters

T&D Holdings, Inc. conducts highly communicative investor relations (IR) activities, on the principle that its top management is responsible for all IR statements.

In addition to regular financial results meetings for institutional investors and analysts, the Company holds briefings with a focus on the theme of insurance sales and others. The Company holds one-on-one meetings with investors in Japan and overseas, and shares views obtained through dialog broadly with management and employees in the Group.

The Company also publishes corporate information in a timely manner through its IR website, and has been rated highly by external assessment organizations.



▲ Scenes from an IR meeting for institutional investors and analysts

Evaluations by External Assessment Organizations

*The number of evaluated companies differs depending on the timing of surveys, etc.

2020 Internet IR Award

(Daiwa Investor Relations Co. Ltd.)



Evaluated 3,883 listed companies*

Selected as one of 116 winners of the Commendation Award

FY2020 All Japanese Listed Companies' Website Ranking

(Nikko Investor Relations Co., Ltd.)

Evaluated all 3,844 listed companies*

Selected as one of 177 companies with grade AAA websites in the Overall Ranking for the fourth consecutive year

Meetings Held in FY2020

Financial results meetings for institutional investors and analysts	2
Financial results telephone conferences for institutional investors and analysts	4
Conferences sponsored by securities firms	3
One-on-one meetings	Total 216

For Customers

Customer feedback, customer surveys, customer meetings, Service Quality Improvement Committee, Service Supervision Committee, etc.

The Group has set up many points of contact with its customers, including sales representatives, agents, call centers and the Internet, as well as a new policy procedures survey that focuses on the attitudes of sales representatives and the understandability of application forms and other documents and customer satisfaction surveys, giving the Group access

to a wide range of customer feedback. A committee has also been established to improve customer satisfaction, and the Group incorporates the opinions of outside committee members, including attorneys and experts in consumer issues, in its management.

For Agents and Tie-up Organizations

Training program, business partner meetings and proposal of welfare systems for companies and organizations

High-quality support is provided for agents by giving sales agents its own e-learning materials to help them acquire broad knowledge on the compliance and insurance business, as well as by conducting training for sales staff mainly

to enhance sales skills and improve presentation skills. The “Business partner meetings” are held with its tie-up organizations and agents to report the latest business developments and to hear their views on the Group’s business operations.

For Employees

Education and training, human rights training, employee awareness surveys, dialogues and consultations with labor unions, an internal reporting system, etc.

Education and training are provided through on-the-job training and group training, and through support for self-education efforts. The Group also conducts human rights awareness training that addresses discrimination, harassment and other issues as a way of deepening employees’ understanding of the importance of respecting human rights. Awareness

surveys are conducted to collect information on employee opinions and requests regarding job satisfaction and enhancing motivation. Through dialogues with its labor unions, the Group has an opportunity to discuss a wide range of subjects, including management policies, wages, working hours, leave, human resource systems and benefits.

For Protecting the Environment and Contributing to Local Communities

Participation in the UN Global Compact (UNGC), Principles for Financial Action for the 21st Century, and the Japan Association for the United Nations Environment Programme (UNEP), support for the Japan Down Syndrome Society, working with the Japan Philanthropic Association, implementing Forests of Taiyo Life activities, supporting activities by The Nature Conservation Society of Japan, etc.



The Group participates in the UN Global Compact, Principles for Financial Action for the 21st Century, and other initiatives. It also exchanges views in a wide range of areas through study groups and dialogues with the participating companies. Furthermore, the Group has opportunities to understand stakeholders’ expectations toward enterprises and to explore possibilities of the Group’s contribution through support of and participation in the activities of NPOs active in each field.

Overview of the Life Insurance Market

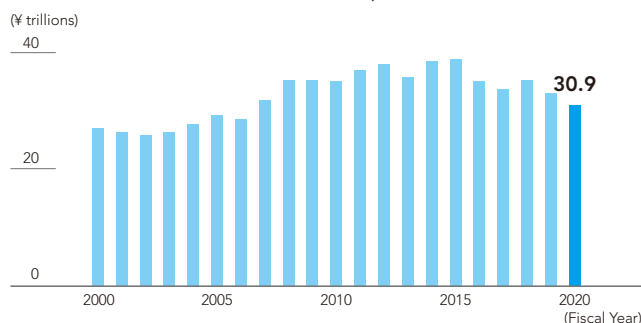
1 Market Scale

Income from insurance premiums in fiscal 2020 for Japan's life insurers* totaled ¥30.9 trillion. It had continued to gradually increase from fiscal 2002, but has recently turned downward.

However, Japan's life insurance industry boasts the third largest market in the world, following those of the U.S. and China. According to the latest research, the life insurance household participation rate is 88.7%, and nine out of ten households have taken out some form of life insurance, making Japan an "insurance superpower."

* There are a total of 42 Japanese life insurance companies. (As of March 31, 2021)

Trend in the income from insurance premiums



Source: Compiled by T&D Holdings based on "The summary of Life Insurance Business in Japan" published by the Life Insurance Association of Japan
Note: Excluding the numerical value of former postal life insurance up to fiscal 2007.

Domestic share of premium income (Year 2020)

Rank	Country	Premium income (100 millions USD)	Share
1	United States	6,326	22.62 %
2	China	3,475	12.42 %
3	Japan	2,944	10.53 %
4	United Kingdom	2,388	8.54 %
5	France	1,366	4.88 %
6	Italy	1,186	4.24 %
7	Germany	1,065	3.81 %
8	Korea	1,061	3.79 %
9	Taiwan	911	3.26 %
10	India	812	2.90 %
	Others	6,434	23.00 %
	World total	27,974	100.00 %

Source: Compiled by T&D Holdings based on Swiss Re, Sigma 3/2021 WORLD insurance the recovery gains pace

2 Diversification of Customers' Life Insurance Needs

Changes in household composition due to such factors as the declining birthrate, aging population, and late marriage have decreased the need for large death benefits aimed at heads of households. Meanwhile, the needs for third sector insurance such as medical and nursing care products are increasing.

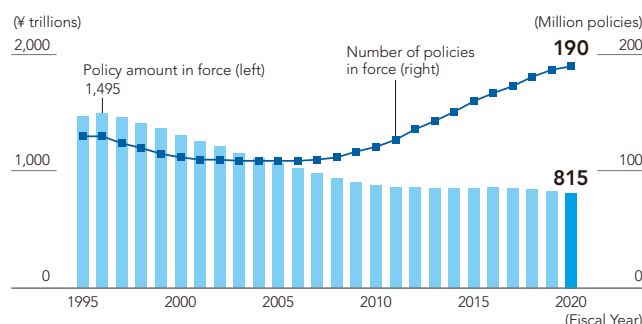
► Policy Amount in Force and Number of Policies in Force

The policy amount in force, which is the total death benefit amount of individual insurance policies held by life insurance companies, was ¥815 trillion in fiscal 2020, down from the peak of ¥1,495 trillion in fiscal 1996. Meanwhile, the number of policies in force, which is the number of individual insurance policies held by life insurance companies, was 190.24 million in fiscal 2020, marking the 13th straight year of increase.

► Number of Policies in Force for Individual Insurance by Type

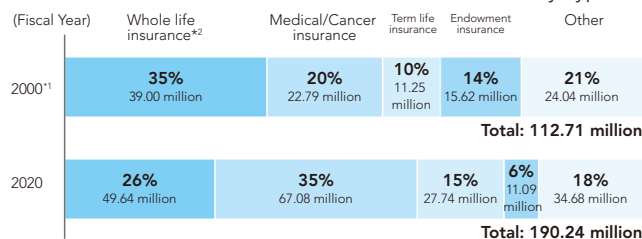
Turning to the breakdown of numbers of policies in force by type, the proportion of policies taken by medical and cancer insurance has increased significantly, from 20% in fiscal 2000 to 35% in fiscal 2020. The number of policies has also increased 2.9 times, from 22.79 million to 67.08 million, indicating increasing customer needs for third sector products.

Trend in the policy amount and the number of policies in force for individual insurance



Source: Compiled by T&D Holdings based on the summary of Life Insurance Business in Japan published by the Life Insurance Association of Japan
Note: Excluding the numerical value of former postal life insurance up to fiscal 2007.

Number of Policies in Force for Individual Insurance by Type



Source: Compiled by T&D Holdings based on the summary of Life Insurance Business in Japan published by the Life Insurance Association of Japan

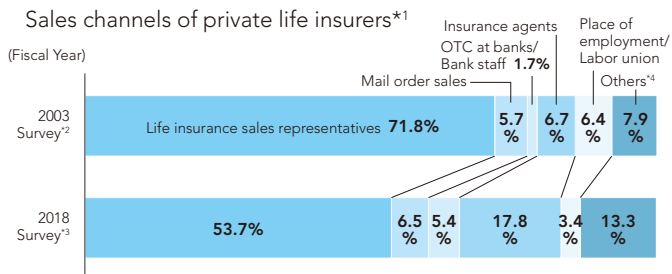
*1 Excluding the numerical value for former postal life insurance in fiscal 2000.

*2 Whole life insurance is the sum of whole life insurance, fixed-term whole life insurance and variable interest type savings-type whole life insurance.

3 Diversification of Sales Channels

The sales channels of life insurance companies are growing more diverse with, in addition to the in-house sales representative channel, a recently increasing presence of OTC insurance sales at banks, and agent channels including insurance shops.

The results of a fiscal 2019 survey revealed that customers are even more likely to purchase insurance in the future via mail order channels such as insurance sales agents and the internet. It is possible that sales channel diversification and channel mixing (i.e., combination of both face and non-face-to-face) will develop even further as a result of mainly the increase in non-face-to-face sales due to the COVID-19 pandemic.



Source: Compiled by T&D Holdings based on the results of the Corporation Sample Survey on Life Insurance (FY2003 and FY2018) of Japan Institute of Life Insurance.

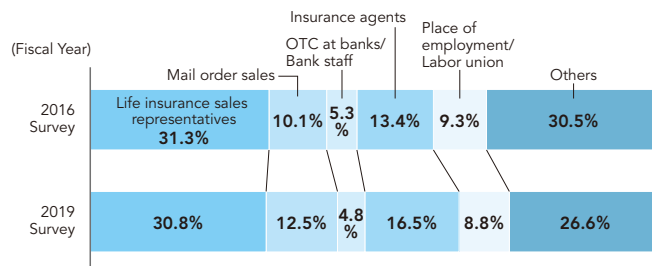
*1 Excluding Japan Post Insurance Co., Ltd.

*2 Policies taken out during 1998-2003.

*3 Policies taken out during 2013-2018.

*4 Including those policies through indistinct channels.

Channels through which customers are most likely to purchase insurance



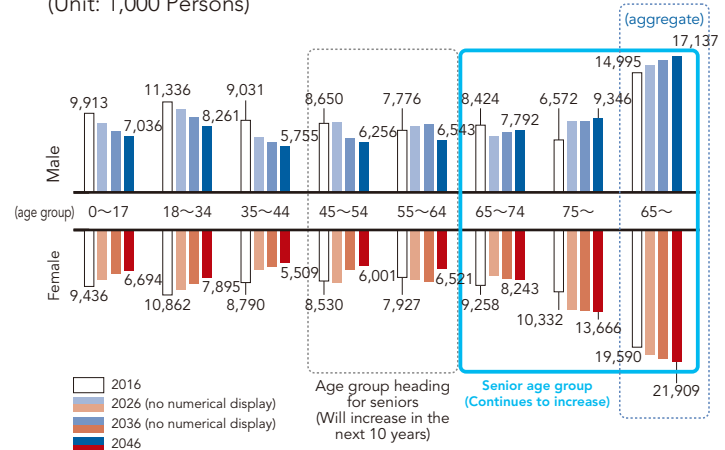
Source: Compiled by T&D Holdings based on Survey on Life Protection (Quick Report Version) (FY2019) of Japan Institute of Life Insurance.

4 The Future of the Japanese Life Insurance Market

In Japan, it is certain that the declining birthrate and aging population will continue to progress, going forward. As the future financial burden of social security will become even greater, it is possible that the role played by private life insurance will increase further in the future, with a focus on seniors, as private security that complements public security.

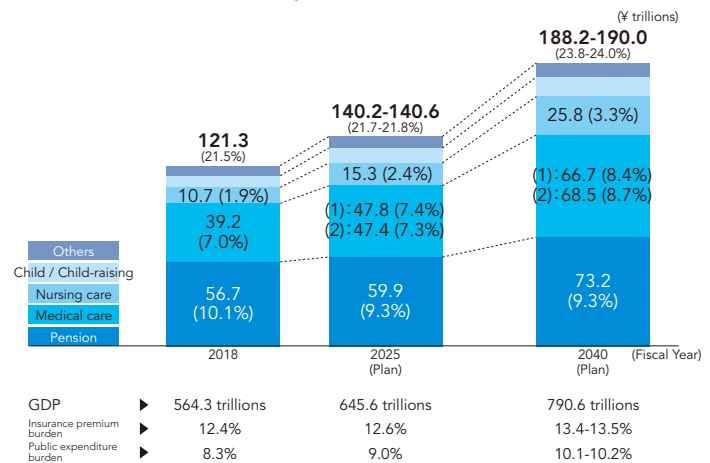
Meanwhile, as the social insurance premium burden is expected to increase as the number of young people declines, the inclusion of young people has become an important issue for life insurance companies.

Estimated Future Population by Gender and Age Group
(Unit: 1,000 Persons)



Source: Compiled by T&D Holdings based on "Estimated Future Population of Japan (2017 Estimates)" (birth median (death median) estimates), by the National Institute of Population and Social Security Research.

Outlook for Social Security Benefits



Note: For medical care, two assumptions regarding unit price growth rates are set, and two benefit costs ((1) and (2)) are indicated.

* Figures inside () are percentages compared to GDP. Insurance premium and public expenditure burdens are each expressed as a percentage compared to GDP.

Source: Compiled by T&D Holdings based on "Environment Surrounding Social Security around 2040" by the Ministry of Health, Labour and Welfare.

Overview of the Life Insurance Market

Reference: Types of Life Insurance

There are three main types of life insurance : death insurance, pure endowment insurance, and accident and sickness insurance.

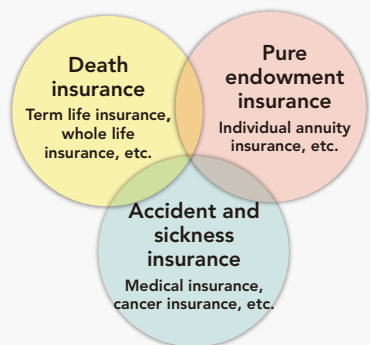
Death insurance	Insurance benefits are paid when the insured individual dies. Typical products include term life insurance and whole life insurance.
Pure endowment insurance	Insurance benefits are paid when the insured individual remains alive after a certain period of time. A typical product is individual annuity insurance.
Accident and sickness insurance	Insurance benefits are paid when the insured individual becomes ill, falls into certain conditions due to diseases or accidents, or dies from an accident. Typical products include medical insurance and cancer insurance.

These insurance are sold not only as single products but in various combinations in accordance with customer needs and so forth.

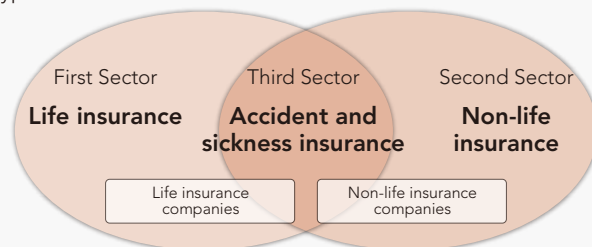
In the Japanese insurance industry, insurance related to a person's life and death are called "First Sector" insurance and only life insurance companies are allowed to sell these products. In contrast, insurance which compensate damages caused by a fortuitous accident are called "Second Sector" insurance and only non-life insurance companies are allowed to sell these products. Death insurance and pure endowment insurance mentioned above are included in the First Sector.

Accident and sickness insurance do not belong to either of the First Sector or Second Sector insurance categories, and are called "Third Sector" insurance. Both life insurance companies and non-life insurance companies can sell Third Sector products. A typical Third Sector insurance product sold by non-life insurance companies is "accident insurance," which insures against injuries.

Types of life insurance



Types of insurance



► Special Characteristics of Life Insurance Accounting

Due to the long-term nature of life insurance policies, misalignments in the recognition of revenue and expenses occur, as shown on the right.

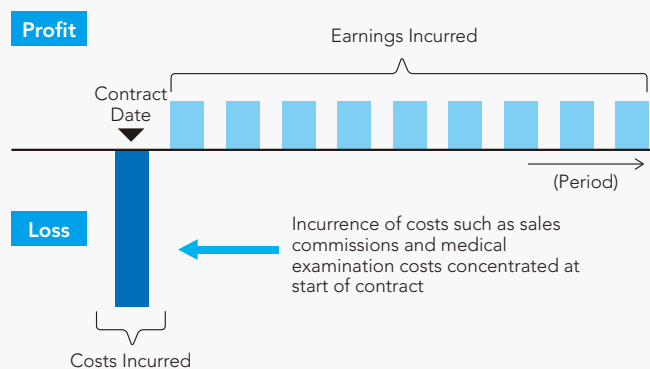
In single fiscal year accounting, profits decline due to increased costs when sales results are good, while profits increase due to decreased costs when results are not good.

Meanwhile, from a long-term perspective, an increase in the policy amount in force leads to an increase in future revenue sources, while a decrease in the policy amount in force is a factor in future profit decline.

Accordingly, as life insurance accounting has special characteristics, we use economic values such as Embedded Value (EV*) when representing life insurance company corporate value.

* Please see page 77 for more details on Embedded Value (EV).

Typical Life Insurance Earnings Image



Glossary

A

A company with an Audit and Supervisory Board	A publicly-listed company with an Audit and Supervisory Board comprised of at least three directors serving as Audit and Supervisory Board members (and outside directors as the majority of its members). The Board audits and supervises the execution of duties by directors not serving as Audit and Supervisory Board members.
Adjusted DOE	Calculated by dividing total dividend value by shareholders' equity on the balance sheet which is exempt of an accumulated amount of unrealized gains/losses caused by discrepancy of accounting treatment of assets and liabilities.
Adjusted ROE	Calculated by dividing Group adjusted profit by average net asset balance.
Annualized premiums	An adjusted figure for premiums paid using monthly, annual, or lump-sum payment methods showing total premiums paid on an annual basis.
Assumed business expense rate	One of the forecast rates used in the calculation of insurance premiums. It is the rate used to include business expenses necessary for administering insurance policies.
Assumed investment yield	One of the forecast rates used in the calculation of insurance premiums. It is the predetermined discount rate based on the expected earnings from the investment of insurance premiums.

C

Closed book business	A business model in which an insurance company generates profit by obtaining and consolidating blocks of policies in force for products that are no longer sold (closed book) and enhancing their value. In Western countries, there has been an increase in the number of closed books separated as a part of revisions of the business strategy and the product portfolio according to changes in the business environment.
Contingency reserve	A reserve included as part of the policy reserve to account for the risk of insurance payment events occurring at a higher-than-expected rate due to higher-than-expected mortality and morbidity rates, and the risk of actual investment yields being lower than the assumed investment yields related to outstanding policies. Contingency reserve can be classified into: Contingency reserve I Corresponds to insurance risk Contingency reserve II Corresponds to assumed investment yield risk Contingency reserve III Corresponds to minimum guarantee risk relating to variable annuity and others Contingency reserve IV Corresponds to insurance risk of Third Sector insurance
Core profit	An indicator showing core period earnings of life insurance companies, made up of insurance income and expenses (which include income from insurance premiums and insurance benefits and business expenses), and investment income and expenses (which include mainly interest, dividends and income from real estate for rent). It is not an item on the Company's statement of operation, but is calculated by deducting capital gains, such as gains (losses) on sales of securities and other one-time gains (losses), from ordinary profit.
Cost of shareholder's capital	Of capital raised by a company, costs required to procure funds from investors. Also can be defined as the rate of return anticipated by an investor on an investment.

E

Economic value-based solvency regulation	The solvency regulation is a rule to enable an insurance company to properly pay insurance benefits in the future. An economic value-based solvency regulation, proposed to be introduced in 2025, stipulates that insurance liabilities shall also be assessed based on the current value.
ERM (Enterprise Risk Management)	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.
ESG investment	Selective investments focused on companies that pay adequate attention to the environmental, social and governance factors.
ESR (Economic Solvency Ratio)/ Core ESR	An indicator of capital adequacy based on economic value, calculated by dividing net assets based on economic value (surplus), by the risk volume (economic capital (EC)) quantified using the internal model. An ESR of 100% means that capital and risk are equal. The higher the ESR, the greater the amount of capital secured relative to risk. Although ESR is widely used mainly in Europe, there is no standardized calculation method. Each life insurance company calculates ESR individually based on its internal models. Core ESR means economic value-based capital efficiency and used as an indicator for considering return to shareholders. Differs from ESR in terms of considering the quality of capital (especially availability) and specifically calculated by subtracting subordinated debt, and unrealized gains and losses on insurance liabilities after the application of UFR from surplus and dividing the resulting number by EC.
EV (Embedded Value)	Generally, life insurance policies extend over significantly long durations, resulting in a time gap between the recognition of revenues and expenses. EV is a concept used for measuring the corporate value of a life insurance company in consideration of this gap. EV (embedded value) refers to the amount of net assets after tax, which is considered to be attributable to shareholders, and is the sum of adjusted net assets calculated based on balance sheets, etc., and the value of in-force business calculated based on policies in force. <Specific nature of life insurance accounting> From the perspective of financial accounting, a life insurance company successfully acquiring new business in a year apparently shows a decrease in profit for the corresponding period, due to a heavier burden of initial costs, such as sales commissions. While there is a constant inflow of premiums each year, expenses gradually decrease over time, which results in the accumulation of earnings over longer periods.

Glossary

G

General account	The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by a company to meet fixed guaranteed rates of return for policyholders, and that company bears the investment risk on such assets.
Group adjusted profit	Calculated by subtracting unrealized gains/losses caused by discrepancy of accounting treatment of assets and liabilities from net income, and then adding additional internal reserves in excess of the legal standard requirements to the resulting number.

J

Japan's Corporate Governance Code	Guidelines for corporate governance drafted by the Financial Services Agency and the Tokyo Stock Exchange, which indicate a "a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities," in the form of a code of conduct to be observed by a listed company.
Japan's Stewardship Code	Code of conduct for behavior for institutional investors setting out the principles as "responsible institutional investors," designed to prompt sustainable growth of corporations through investment and dialogue.

L

Level-premium products	A type of insurance where the amount of the premium is constant from inception to the expiry of the premium payment period.
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M

MCEV (Market Consistent EV)	MCEV refers to Market Consistent EV, which is a method for evaluating EV in consistency with financial markets. MCEV is an EV calculated based on the MCEV Principles established in June 2008 by the CFO Forum (an organization of major European insurance companies), whereby a market consistent evaluation method was applied with a view to further unify the calculation standards.
Mortality rate	Rates of death, varying by such parameters as gender, age, and health, used in pricing and computing liabilities for future policyholder benefits for life insurance and annuity products.

N

Non-participating policy	Policies under which the policyholder receives no policyholder dividends. Non-participating policies generally feature lower premiums than participating or semi-participating policies.
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P

Participating policy	Policies under which the policyholder is eligible to share in the divisible surplus of a company—calculated based on the mortality rate margin, investment yield margin, and business expense margin—through the receipt of annual policyholder dividends.
P/EV ratio	A ratio calculated by dividing an aggregate market value by EV (Embedded Value). An indicator which compares a company's share price to its per-share EV.
Policy amount	Aggregate sum insured by a life insurance company. The total of policy amount at the end of a fiscal year is called the "policy amount in force." The total policy amount of policies (including converted policies) sold in a year is called the "new policy amount."
Policy reserve	A reserve established for the fulfillment of insurance claims and other payments related to a company's outstanding policies that are expected to be paid in the future. The policy reserve consists of a premium reserve, an unearned premium reserve, a repayment reserve, and a contingency reserve. A company uses the net level premium method to calculate the amount it sets aside each year as a policy reserve. The policy reserve is one of the three reserves comprising the reserve for policy and other reserves.
Positive spread/Negative spread	<p>The state in which actual investment earnings exceed the expected return based on the assumed investment yield is referred to as a "positive spread." A "negative spread" is when actual investment earnings are below the expected return.</p> <p>Positive spread (Negative spread denoted in bracket) = $(\text{Investment yield on core profit} - \text{Average assumed investment yield}) \times \text{Policy reserve in general account}$</p> <ul style="list-style-type: none"> • "Investment yield on core profit" is calculated by dividing the numerator as investment earnings in general account included in core profit less the provision for interest portion of reserve for dividends to policyholder by the denominator as policy reserve in general account. • "Average assumed investment yield" is calculated by dividing the numerator as assumed interest by the denominator as policy reserve in general account. • "Policy reserve in general account" represents the policy reserve in general account less contingency reserve calculated by the following method. <p>Policy reserve in general account = $(\text{Policy reserve at beginning of fiscal year} + \text{Policy reserve at the end of fiscal year} - \text{Assumed interest}) \times 1/2$</p>

R

Reserve for policyholder dividends	A reserve used to fund the payment of policyholder dividends. The reserve for policyholder dividends is one of the three reserves comprising the reserve for policy and other reserves. For a mutual life insurance company, a transfer to reserve for policyholder dividends is treated as a disposition of net surplus. For a joint stock corporation, provision for reserve for policyholder dividends is treated as an expense.
Reserve for price fluctuations	Pursuant to provisions of the Insurance Business Act, companies maintain reserves to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in domestic and foreign stocks, yen-denominated bonds, and foreign currency-denominated bonds. This reserve may be used only to reduce deficits arising from price fluctuations of those assets.
ROEV/Core ROEV	ROEV stands for Return on Embedded Value, which is an indicator for measuring capital efficiency by assuming an increase in EV as profit in consideration of the specialty of life insurance accounting. Core ROEV is an indicator using an increase in EV mainly through the acquisition of new business.

S

Separate account	Assets related to variable insurance and variable annuity products, as well as some group pension products (including employee pension fund insurance and national pension fund insurance), are managed in a separate account for the purpose of directly returning investment results to policyholders. The investment results, less asset management fees, of the separate account assets are attributable to all policyholders so that the insurance company bears limited or no investment risk on such assets.
Single-premium insurance	A type of insurance where the premium is paid in lump-sum at the conclusion of the policy which covers the entire insurance period.
Social bond	Bond issued to raise funds for contributing to solutions to global social issues, such as support for emerging countries and measures against global warming.
Solvency margin ratio	A risk indicator calculated as the total solvency margin (including net assets, the reserve for price fluctuations, contingency reserve, reserve for possible loan losses, etc.) divided by 1/2 of total risk, which includes such factors as insurance risk due to a major earthquake or other disaster, investment risk, and various other risks. If a life insurance company's solvency margin ratio falls below 200%, the regulatory authorities will require management to introduce corrective measures to quickly return the company to soundness.
Surrender and lapse amount	The total amount of money reimbursed on the surrender or lapse of insurance policies in a given fiscal year. Surrender occurs when policyholders choose to discontinue their policies. Lapse occurs when the deadline for payment of premiums that are in arrears is exceeded.

T

Third sector insurance	In the Japanese insurance industry, life insurance products and non-life insurance products are called "First Sector" and "Second Sector" insurance products, respectively, and insurance products which have intermediate characteristics of both products are called "Third Sector" insurance products. Examples include medical care, cancer, accident, and nursing care insurance.
Total payout ratio	An indicator showing the ratio of return to shareholders. Calculated by dividing the sum of total dividend value and the amount of share buybacks by Group adjusted profit.
Trust-type stock compensation	A stock compensation system under which a Trust established by T&D Holdings through entrusting money, acquires the Company's stocks, and through the Trust, the Company provides eligible directors with its stocks corresponding to the number of points granted to them by the Company.

U

Ultimate Forward Rate (UFR)	A very long-term interest rate level that is thought to be realized macroeconomically. The Group begins interest rate extrapolation from 31 years and sets the convergence point for the ultimate forward rate level at 60 years.
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V

Value of new business	The value of distributable earnings to shareholders expected to be generated in the future from insurance policies (including converted policies) sold in a year, converted to a present value as at the valuation date.
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Status of Stock Holdings

I. Standards and ways of thinking by category in investments

The Group holds investment stocks for the purpose of pure investment in order to reap earnings by an increase in equity value and by receiving dividends and so forth.

In addition, the Group holds investment stocks for purposes other than pure investment (hereinafter “non-pure investment stocks” or “strategic shareholdings”).

The purpose of holding non-pure investment stocks / strategic shareholdings is to maintain and expand long-term, stable business relationships, to maintain and strengthen business partnerships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.

The Company has set its policies regarding the Group’s strategic shareholdings and its standpoint on exercise of the voting rights under the Basic Policy on Corporate Governance Article 20, as per below.

1. When holding strategic shareholdings of listed stocks, the Group shall adhere to the following policies:

- a. The purpose of holding strategic shareholdings of listed stocks shall be to maintain and expand long-term, stable business relationships, to maintain and strengthen business partnerships, and to reap medium- to long-term benefits by an increase in equity value and by receiving dividends and so forth.
 - b. Every year, the Board of Directors of the Company and its Group companies that hold strategic shareholdings shall verify the propriety of holding individual strategic shareholdings by concretely examining the adequacy of the holdings, whether the benefits and risks commensurate with the capital cost, and other factors.
 - c. If the continued holdings of individual strategic shareholdings were deemed inadequate as a result of verifying the propriety of the holding, such strategic shareholdings shall be subject to sales and the strategic shareholdings shall be reduced.
 - d. The Group shall disclose its details of the verification of above (b) and (c) annually.
2. The Group believes that the appropriate exercise of the voting rights of strategic shareholdings will encourage the establishment of sound corporate governance systems and sustained growth at counterparty companies. At the same time, the Group believes that the appropriate exercise of these voting rights is a crucial means of helping to bolster shareholder interests. Accordingly, the Group shall exercise the voting rights of its strategic shareholdings.
3. In the course of exercising voting rights as stipulated in the preceding item, the Company shall strive to share a common awareness with the counterparty company by engaging in dialogue and other forms of communication from a medium- to long-term perspective, while respecting the counterparty company’s management decisions, rather than making judgments based on formal standards. In cases where it is judged that shareholder interests could be impaired, the Company shall express its position through the appropriate exercise of its voting rights.

In order to validate the appropriateness of strategic shareholdings, the Board of Directors of the Company and those of Group companies examine whether the benefits of each business are proportionate to the capital cost. Moreover, we may sell full or partial amount of strategic shareholdings that was once determined to be held, through thorough communication with the issuer.

In fiscal 2020, we have sold or partially sold our holdings of 32 stocks.

Going forward, the balance of strategic shareholdings will be first proceeded to be reduced to approximately 20% of Group net asset, and furthermore by the end of fiscal 2025.

II. Taiyo Life Insurance Company's stock holding status

Of the Company and its consolidated subsidiaries, Taiyo Life is the consolidated subsidiary with the largest balance of investment stock. The status of Taiyo Life's stock holding is as follows:

1. Investment Stocks for which the holding purpose is other than pure investment

a. Policies to hold shares, the rationality to hold shares, verification contents at the Board of Directors meetings about the appropriateness to hold individual companies

Every year, the Board of Directors of the Company and Taiyo Life Insurance Company shall verify the propriety of holding individual non-pure investment stocks by concretely examining the adequacy of the holdings, whether the benefits and risks are commensurate with the capital cost, and other factors.

b. The number of stocks and the amounts on Balance Sheets

	The number of stocks	Total of balance sheet amount (¥ millions)
Unlisted stocks	7	¥ 2,897
Stocks other than unlisted stocks	26	235,269

(Stocks with increased number of shares in this fiscal year)

	The number of stocks	Total of acquisition cost related to the increase in the number of shares (¥ millions)	The reasons for increasing the number of shares
Unlisted stocks	0	¥ —	
Stocks other than unlisted stocks	1	1,361	For additional purchase in expectation of the quantitative effectiveness of holding the stocks such as development of products and services and opening up channels in the insurance field and peripheral businesses by further enhancement with the long-term and stable business relationships

(Stocks with decreased number of shares in this fiscal year)

	The number of stocks	Total of sale price related to the decrease in the number of shares (¥ millions)
Unlisted stocks	0	¥ —
Stocks other than unlisted stocks	1	2,818

Status of Stock Holdings

c. The information about the number of the stocks and balance sheet amount for Specified Investment Shares and Regarded as Holding Shares

Specified Investment Shares

Stocks	Year ended March 31, 2021	Year ended March 31, 2020	Holding purposes, quantitative effects to hold stocks, and reasons to increase the number of stocks.	Whether the counterpart company holds the Company's share Y=Yes/N=No
	The number of shares			
	Balance sheet amount ¥millions			
Keio Corporation	5,862,032	5,862,032	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	¥ 43,613	¥ 37,458		
SHIMADZU CORPORATION	7,411,520	7,411,520	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. There is joint development of services in the insurance field. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	29,683	21,085		
Daiwa Securities Group Inc.	41,140,000	37,980,400	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs. The number of stocks has been increased in expectation to receive high effect of holding benefits such as development of products and services and opening up channels in the insurance field and peripheral businesses through the reinforcement with the long-term and stable business relationships.	Y
	23,536	15,921		
Mitsui Fudosan Co., Ltd.	8,096,575	8,096,575	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	20,350	15,144		
MITSUI & CO., LTD.	8,160,800	8,160,800	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	18,786	12,269		
Mitsubishi Chemical Holdings Corporation	18,838,372	18,838,372	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	N *Note 1
	15,633	12,109		
Mitsubishi Estate Co., Ltd.	7,700,000	7,700,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	14,880	12,281		
TOKYU CORPORATION	9,566,559	9,566,559	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	14,101	16,263		
Tsubakimoto Chain Co.	3,559,663	3,559,663	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	10,856	8,756		
Mitsubishi UFJ Financial Group, Inc.	15,220,718	15,220,718	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	N *Note 2
	9,006	6,133		
Sompo Holdings, Inc.	1,996,820	2,661,820	The purpose of holding the stocks is to maintain and strengthen business partnerships in insurance field, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	N *Note 3
	8,470	8,898		
Obayashi Corporation	5,486,400	5,486,400	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	5,568	5,080		

Stocks	Year ended March 31, 2021	Year ended March 31, 2020	Holding purposes, quantitative effects to hold stocks, and reasons to increase the number of stocks.	Whether the counterpart company holds the Company's share Y=Yes/N=No
	The number of shares			
	Balance sheet amount ¥millions			
RAITO KOGYO CO., LTD.	2,734,500	2,734,500	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	5,140	3,355		
Tsukishima Kikai Co., Ltd.	1,885,000	1,885,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,418	2,554		
Tsubakimoto Kogyo Co., Ltd.	573,805	573,805	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,180	2,065		
Kurimoto, Ltd.	1,209,075	1,209,075	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,117	2,291		
Electric Power Development Co., Ltd. (J-POWER)	1,085,040	1,085,040	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,098	2,363		
Sotetsu Holdings Co., Ltd.	760,000	760,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	1,884	2,107		
Taikisha Ltd.	422,029	422,029	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	1,280	1,320		
Takasago Thermal Engineering Co., Ltd.	678,347	678,347	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	1,169	1,126		
Toppan Printing CO., LTD.	474,544	474,544	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	887	785		
Advance Create Co., Ltd. *Note 4	731,000	365,500	The purpose of holding the stocks is to maintain and strengthen business partnerships in insurance field, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs. The number of stocks has been increased because of the stock split.	N
	788	614		
Daiwa Motor Transportation Co., Ltd.	375,000	375,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	331	320		
Meito Sangyo Co., Ltd.	150,000	150,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	226	200		
MEIWA INDUSTRY CO., LTD.	210,120	210,120	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	188	188		
San ju San Financial Group, Inc.	50,000	50,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	N *Note 5
	69	74		

Status of Stock Holdings

Stocks	Year ended March 31, 2021	Year ended March 31, 2020	Holding purposes, quantitative effects to hold stocks, and reasons to increase the number of stocks.	Whether the counterpart company holds the Company's share Y=Yes/N=No
	The number of shares			
	Balance sheet amount ¥millions			
Kuraray Co., Ltd.	—	3,282,010	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	N
	—	3,583		
TS TECH Co., Ltd.	—	1,400,000	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	3,581		
Showa Denko K.K.	—	700,000	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	1,565		
Hokuetsu Corporation	—	2,817,987	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	1,138		
TOYO WHARF&WAREHOUSE CO.,LTD.	—	200,643	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	261		
Sanwa Holdings Corporation	—	260,000	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	219		
MAEZAWA KASEI INDUSTRIES CO., LTD.	—	216,800	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	215		
Mitsubishi Paper Mills Limited	—	205,220	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	72		
NKK SWITCHES CO., LTD.	—	22,584	Taiyo Life Insurance Company used to have the stocks to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth.	Y
	—	68		

*Note 1 The subsidiary Mitsubishi Chemical Corporation holds stocks.

*Note 2 The subsidiary MUFG Bank, Ltd. holds stocks.

*Note 3 The subsidiary Sampo Japan Insurance Inc. holds stocks.

*Note 4 Sold all shares held by the Company in May 2021.

*Note 5 The subsidiary THE MIE BANK, LTD. holds stocks.

*Note 6 The “—” symbol indicates that the relevant stock is not held.

Regarded as Holding Shares

Not applicable.

2. Investment stocks for which the holding purpose is pure investment

	Year ended March 31, 2021		Year ended March 31, 2020	
	The number of stocks	Total of balance sheet amount (¥ millions)	The number of stocks	Total of balance sheet amount (¥ millions)
Unlisted stocks	38	¥ 19,370	40	¥ 18,666
Stocks other than unlisted stocks	29	219,928	19	133,726

	Fiscal 2020 (¥ millions)			
	Total dividends received	Total gains (losses) on sales	Total of valuation gains (losses)	
			Net unrealized gains (losses)	Valuation losses
Unlisted stocks	¥ 231	—	¥ 2,352	¥ —
Stocks other than unlisted stocks	3,976	—	66,666	—

3. Change in investment purpose during fiscal 2020

a. Stocks of which the holding purpose has been changed from pure investment to other than pure investment

Stock	The number of shares	Balance sheet amount ¥ millions
Toyokosan Ltd.	15,000	¥ 25
MCBI Inc.	200,000	0

b. Stocks of which the holding purpose has been changed from other than pure investment to pure investment

Stock	The number of shares	Balance sheet amount ¥ millions
TS TECH Co., Ltd.	2,800,000	¥ 4,617
Kuraray Co., Ltd.	3,282,010	4,145
Showa Denko K.K.	700,000	2,205
Hokuetsu Corporation	2,817,987	1,459
Sanwa Holdings Corporation	260,000	376
TOYO WHARF&WAREHOUSE CO.,LTD.	200,643	316
MAEZAWA KASEI INDUSTRIES CO., LTD.	216,800	221
NKK SWITCHES CO., LTD.	22,584	88
Mitsubishi Paper Mills Limited	205,220	77

Status of Stock Holdings

III. Daido Life Insurance Company's stock holding status

Of the Company and its consolidated subsidiaries, Daido Life is the consolidated subsidiary with the second largest balance of investment stock. The status of Daido Life's stock holding is as follows:

1. Investment Stocks for which the holding purpose is other than pure investment

a. Policies to hold shares, methods to verify the rationality to hold shares, verification contents at the Board of Directors meetings about the appropriateness to hold individual companies

Every year, the Board of Directors of the Company and Daido Life Insurance Company shall verify the propriety of holding individual non-pure investment stocks by concretely examining the adequacy of the holdings, whether the benefits and risks are commensurate with the capital cost, and other factors.

b. The number of stocks and the amounts on Balance Sheets

	The number of stocks	Total of balance sheet amount (¥ millions)
Unlisted stocks	98	¥ 11,029
Stocks other than unlisted stocks	58	255,354

(Stocks with increased number of shares in this fiscal year)

	The number of stocks	Total of acquisition cost related to the increase in the number of shares (¥ millions)	The reasons for increasing the number of shares
Unlisted stocks	1	¥ 1,449	For additional purchase as the purpose of maintaining and expanding long-term and stable business relationships in the fields such as insurance.
Stocks other than unlisted stocks	0	—	

(Stocks with decreased number of shares in this fiscal year)

	The number of stocks	Total of sale price related to the decrease in the number of shares (¥millions)
Unlisted stocks	0	¥ —
Stocks other than unlisted stocks	22	11,207

c. The information about the number of the stocks and balance sheet amount for Specified Investment Shares and Regarded as Holding Shares

Specified Investment Shares

Stocks	Year ended March 31, 2021	Year ended March 31, 2020	Holding purposes, quantitative effects to hold stocks, and reasons to increase the number of stocks.	Whether the counterpart company holds the Company's share Y=Yes/N=No
	The number of shares			
	Balance sheet amount ¥millions			
Mitsubishi UFJ Financial Group, Inc.	64,168,770	64,168,770	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships in a wide range of fields such as insurance and asset management, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	N *Note 1
	37,968	25,860		
Kansai Paint Co., Ltd.	7,607,000	7,607,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	22,478	15,655		

Stocks	Year ended March 31, 2021	Year ended March 31, 2020	Holding purposes, quantitative effects to hold stocks, and reasons to increase the number of stocks.	Whether the counterpart company holds the Company's share Y=Yes/N=No
	The number of shares			
	Balance sheet amount ¥millions			
SMC Corporation	313,700	313,700	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	20,174	14,351		
ONO PHARMACEUTICAL CO., LTD.	6,549,500	6,549,500	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	18,928	16,282		
TKC Corporation	5,138,092	2,569,046	The purpose of holding the stocks is to maintain and strengthen partnerships to support the continuation and development of small and medium enterprises, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs. The number of stocks has been increased because of the stock split.	Y
	18,086	12,472		
Nuernberger Beteiligungs-Aktiengesellschaft	1,727,036	1,727,036	The purpose of holding the stocks is to maintain and strengthen business partnerships in insurance products/services, asset management, and technology fields such as information systems, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	17,148	13,213		
Daiwa House Industry Co., Ltd.	5,000,000	5,000,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	16,205	13,387		
Ezaki Glico Co., Ltd.	3,500,400	3,500,400	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	15,559	15,891		
FUJI CORPORATION	4,811,200	6,280,500	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	13,639	10,362		
Resona Holdings, Inc.	28,590,000	28,590,000	The purpose of holding the stocks is to maintain and strengthen business partnerships in the sales field for solving management issues of small and medium enterprises such as “health and productivity management” and “inheritance and business succession,” and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	N *Note 2
	13,288	9,297		
KONICA MINOLTA, INC.	9,040,518	9,040,518	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	5,424	3,968		
The Kansai Electric Power Company, Incorporated	3,656,550	3,656,550	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	4,380	4,400		
OKASAN SECURITIES GROUP INC.	8,660,000	8,660,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	3,905	2,961		
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	1,993,680	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	3,855	4,342		
Mitsubishi Pencil Co., Ltd.	2,344,000	2,344,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	3,745	3,330		
THE SHIZUOKA BANK, LTD.	3,824,000	3,824,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	3,326	2,512		

Status of Stock Holdings

Stocks	Year ended March 31, 2021	Year ended March 31, 2020	Holding purposes, quantitative effects to hold stocks, and reasons to increase the number of stocks.	Whether the counterpart company holds the Company's share Y=Yes/N=No
	The number of shares			
	Balance sheet amount ¥millions			
Sekisui House, Ltd.	1,400,000	1,400,000	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	3,323	2,498		
Keihan Holdings Co., Ltd.	633,800	633,800	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,915	3,042		
Tsukishima Kikai Co., Ltd	2,115,700	2,115,700	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,714	2,866		
MEISEI INDUSTRIAL CO., LTD.	3,472,700	4,032,700	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,691	2,960		
Mitsui Fudosan Co., Ltd.	1,000,000	*	The purpose of holding the stocks is to maintain and expand long-term and stable business relationships, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	Y
	2,513	*		
Strike Co., Ltd.	498,000	*	The purpose of holding the stocks is to maintain and strengthen partnerships in sales fields such as M&A support service, and to reap medium- to long-term earnings by an increase in equity value and by receiving dividends and so forth. The figures on the effect of holdings have not been disclosed as it contains information about individual transactions with the counterpart company. It's been quantitatively and periodically examined whether the effectiveness and risks of holding stocks have been commensurate with the capital costs.	N
	2,198	*		

*Note 1 The subsidiary MUFG Bank, Ltd. holds stocks.

*Note 2 The subsidiary Resona Bank, Limited. holds stocks.

Note 3 The "" symbol indicates that the statement is omitted because the amount on the balance sheet of the issue is less than 1/100 of the capital amount.

Regarded as Holding Shares

Not applicable.

2. Investment stocks for which the holding purpose is pure investment

	Year ended March 31, 2021		Year ended March 31, 2020	
	The number of stocks	Total of balance sheet amount (¥ millions)	The number of stocks	Total of balance sheet amount (¥ millions)
Unlisted stocks	12	¥ 3,603	12	¥ 3,724
Stocks other than unlisted stocks	71	86,012	75	54,911

	Fiscal 2020 (¥millions)			
	Total dividends received	Total gains (losses) on sales	Total of valuation gains (losses)	
			Net unrealized gains (losses)	Valuation losses
Unlisted stocks	¥ 104	¥ —	¥ (9)	¥ 125
Stocks other than unlisted stocks	845	2,491	32,115	—

3. Change in investment purpose during fiscal 2020

- a. **Stocks of which the holding purpose has been changed from pure investment to other than pure investment**
Not applicable.
- b. **Stocks of which the holding purpose has been changed from other than pure investment to pure investment**
Not applicable.

IV. T&D Holdings, Inc.

The status of the Company's stock holding is as follows:

1. Investment Stocks for which the holding purpose is other than pure investment

- a. **Policies to hold shares, the rationality to hold shares, verification contents at the Board of Directors meetings about the appropriateness to hold individual companies**
Not applicable.

- b. **The number of Stocks and the amount on Balance Sheets**
Not applicable.

(Stocks with increased number of shares in this fiscal year)

Not applicable.

(Stocks with decreased number of shares in this fiscal year)

Not applicable.

- c. **The information about the number of the stocks and the balance sheet amount for Specified Investment Shares and Regarded as Holding Shares**

Specified Investment Shares

Not applicable.

Regarded as Holding Shares

Not applicable.

2. Investment stocks for which the holding purpose is pure investment

Not applicable.

3. Change in investment purpose during fiscal 2020

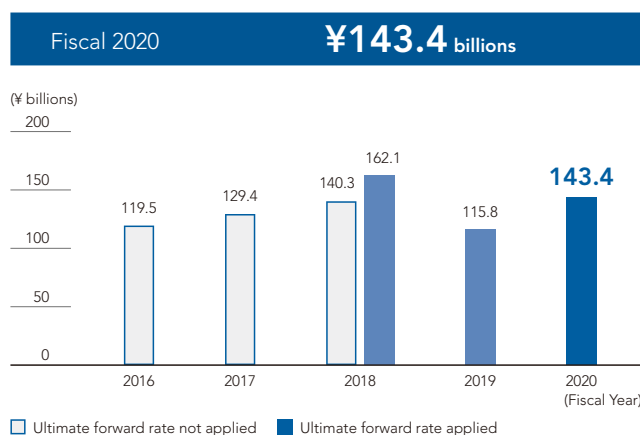
- a. **Stocks of which the holding purpose has been changed from pure investment to other than pure investment**
Not applicable.
- b. **Stocks of which the holding purpose has been changed from other than pure investment to pure investment**
Not applicable.

Financial Highlights

In fiscal 2020, the new policy sales results exceeded our initial forecast despite the spread of COVID-19, increasing the value of new business from the previous fiscal year. The Group adjusted profit was higher than that in the previous fiscal year because of the strong performances of the three life insurance companies and the acquisition of equity stake in Fortitude.

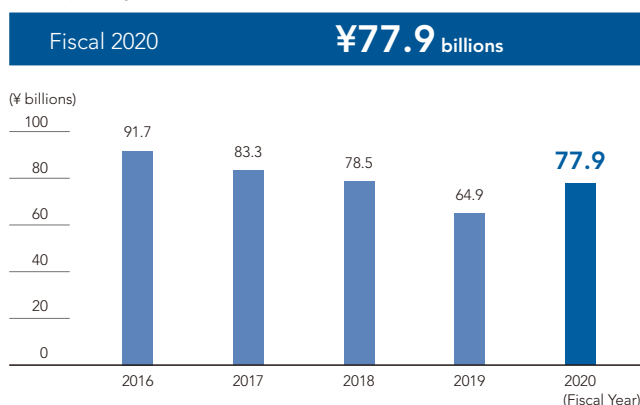
Key Performance Indicators

Value of New Business



In fiscal 2020, the value of new business increased by ¥27.6 billion from the previous fiscal year, to ¥143.4 billion, mainly due to the robust sales of Daido Life's *L-type Alpha*. For the three life insurance companies, the value of new business was ¥50.4 billion for Taiyo Life (compared with ¥49.3 billion in the previous fiscal year), ¥89.3 billion for Daido Life (¥72.4 billion) and ¥3.6 billion (negative ¥5.9 billion) for T&D Financial Life.

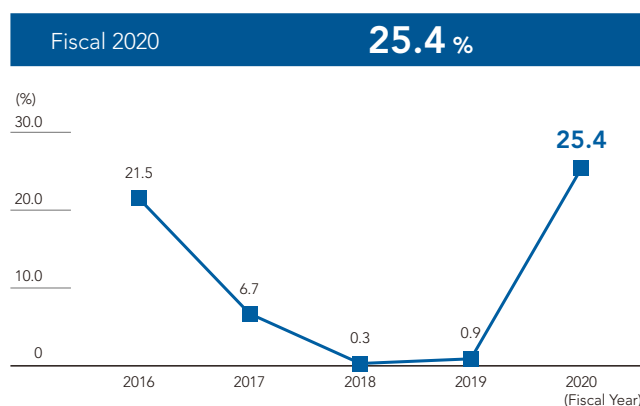
Group Adjusted Profit*



* 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
Adjusted net income was described until fiscal 2018.

In fiscal 2020, the Group adjusted profit increased by ¥12.9 billion from the previous fiscal year, to ¥77.9 billion, mainly due to the recognition of the amount of negative good will arising from making Fortitude an affiliated company and an increase in asset management gains and losses at Daido Life.

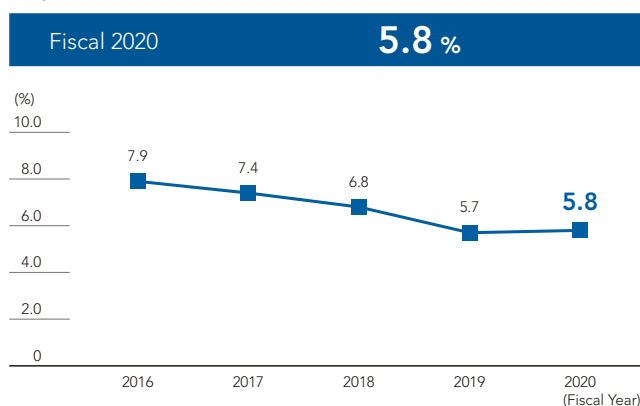
ROEV*



* ROEV = Amount of EV increase (excluding increases or decreases in capital, etc.) ÷ Average EV balance (Group basis)
Base excluding valuation gains/losses, etc. related to Fortitude
Application of UFR from fiscal 2019.

Group MCEV excluding valuation gains/losses, etc. related to Fortitude at the end of March 2021 increased by ¥702.8 billion from the previous fiscal year-end, resulting in ROEV of 25.4%.

Adjusted ROE*

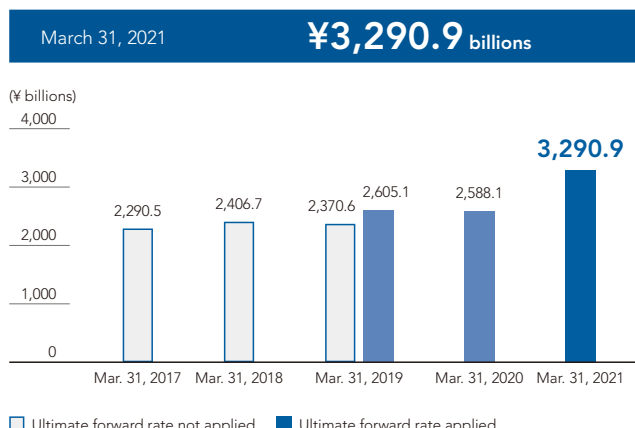


* Adjusted ROE = Group adjusted profit / Average net asset balance
Adjusted net income was described until fiscal 2018.

In recent years, Adjusted ROE has tended to drop due to a decrease in the Group adjusted profit; however, in fiscal 2020, it increased by 5.8% from the previous fiscal year because of an increase in the Group adjusted profit.

Corporate Value

Group MCEV

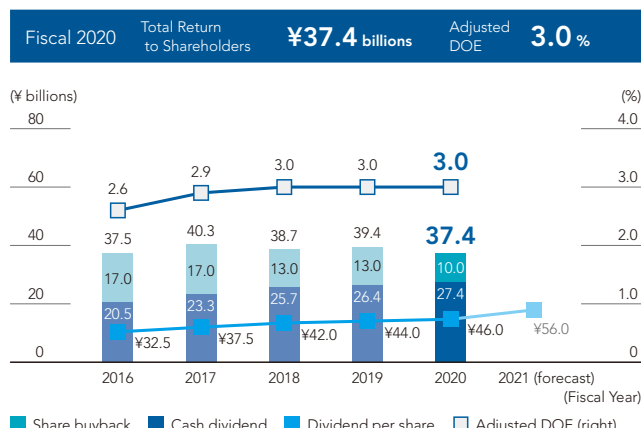


* Base excluding valuation gains/losses, etc. related to Fortitude

As of March 31, 2021, the Group MCEV was ¥3,290.9 billion, which represents an increase of ¥702.8 billion from the previous fiscal year-end. This was mainly due to an increase in long-term interest rates in Japan and rises in internal and external stock prices in addition to an accumulation of value of new business.

Return to Shareholders

Total Return to Shareholders + Adjusted DOE*



* Adjusted DOE = Total dividend value/shareholders' equity (excluding valuation gains/losses caused by discrepancy of accounting treatment of assets and liabilities of Fortitude)

In fiscal 2020, the Company paid a cash dividend of ¥46.0 per share, which is an increase of ¥2 from the previous fiscal year, and represents an increase in dividends for six consecutive terms. In addition, the Company acquired the treasury shares of ¥10.0 billion and returned ¥37.4 billion in total to its shareholders.

Consolidated Results of Operations

Group ordinary profit and net income for fiscal year 2020 is expected to decrease from the previous year. This is due to valuation losses caused by discrepancy of accounting treatment of assets and liabilities in Fortitude's results of January to March 2021, mainly as a result of increased interest rates in the U.S., and we are expecting an equity in losses of affiliates of approximately ¥57.0 billion.

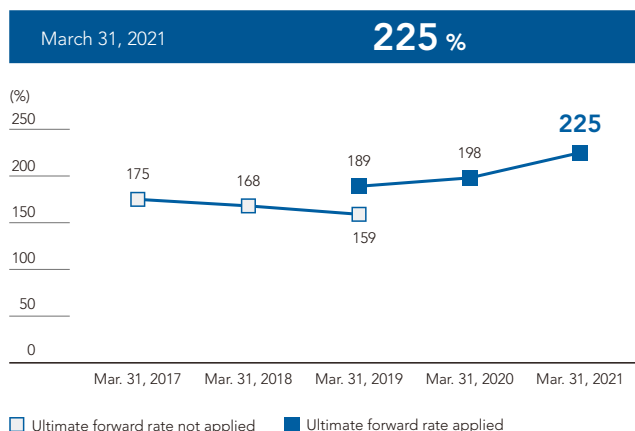
Fiscal 2021 Full-year Earnings Forecasts* [Consolidated and Three Life Insurance Companies]

	T&D Holdings		Taiyo Life		Daido Life		T&D Financial Life	
	Fiscal 2020 (actual)	Fiscal 2021 (forecasts)	Fiscal 2020 (actual)	Fiscal 2021 (forecasts)	Fiscal 2020 (actual)	Fiscal 2021 (forecasts)	Fiscal 2020 (actual)	Fiscal 2021 (forecasts)
Ordinary revenues	2,413.9	2,130.0	797.3	760.0	1,022.8	970.0	460.6	360.0
Ordinary profit	228.1	74.0	31.6	37.0	95.9	91.0	(2.9)	(1.0)
Net income	162.3	16.0	10.2	15.0	54.8	54.0	(2.7)	(1.0)
Income from insurance premiums			619.7	600.0	808.1	810.0	348.0	340.0
Core profit			52.7	48.0	111.6	92.0	(3.2)	(5.0)
Positive spread			29.5	33.0	30.9	23.0	(2.4)	(3.0)

* Disclosed on May 14, 2021.

Financial Soundness

ESR



The economic solvency ratio, which represents capital adequacy based on economic value, increased by 27 percentage points from the previous fiscal year-end to 225%, due to an increase in surplus, net assets based on economic value, mainly caused by rises in internal and external stock prices.

Rating* / Solvency Margin Ratio

	Rating Agencies			Solvency margin ratio
	Japan Credit Rating Agency, Ltd. (JCR)	Rating and Investment Information, Inc. (R&I)	Standard & Poor's (S&P)	
T&D Holdings	AA-	—	—	1,094.8%
Taiyo Life	AA-	AA-	A	852.8%
Daido Life	AA-	AA-	A	1,293.5%
T&D Financial Life	AA-	AA-	—	826.8%

Rating is as of January 20, 2021 Solvency margin ratio is as of March 31, 2021

* Long-term issuer rating for T&D Holdings and insurance claims paying ability ratings for the three life insurance companies.

As of March 31, 2021, the solvency margin ratio was 1,094.8% on a consolidated basis, 852.8% for Taiyo Life, 1,293.5% for Daido Life and 826.8% for T&D Financial Life. They all indicate sufficient financial soundness.

Non-financial Highlights

Creating a workplace environment where employees reach their potential

The T&D Insurance Group has been promoting to nurture a corporate culture where diverse human resources can feel job satisfaction and reach their potential. Given that women represent the majority of the Group's employees, the active participation of female employees is recognized as a crucial management

priority. To this end, each Group company is introducing various support systems to enhance work-life balance. We are working to increase employment opportunities for people with disabilities by creating workplaces which are comfortable for them to work in.

Employee satisfaction survey results (FY2020)

* Five rated evaluation

T&D Holdings	Taiyo Life
Overall satisfaction level	Overall satisfaction level
3.84	3.61
Daido Life	T&D Financial Life
Overall satisfaction level	Overall satisfaction level
3.75	3.55

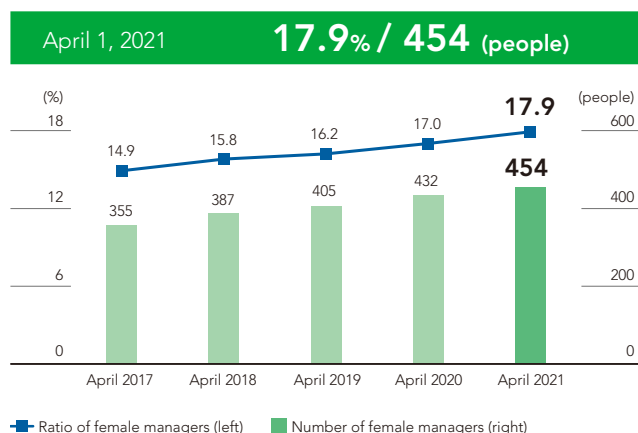
Awards received for action on employee career formation



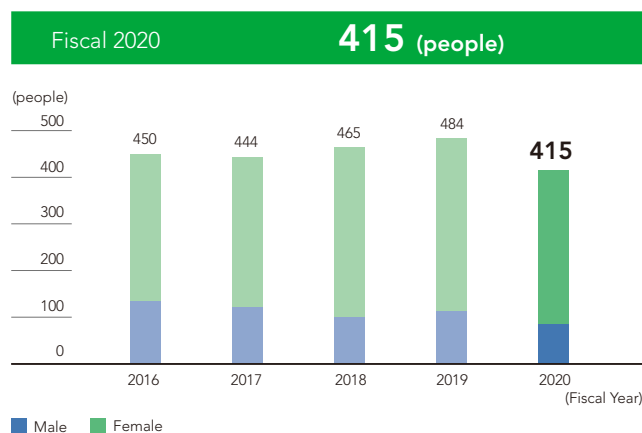
Award for excellence to T&D Holdings, 3rd Platinum Career Award

At the 3rd Platinum Career Award (held by Toyo Keizai Inc., supported by Ministry of Health, Labour and Welfare and Tokyo Stock Exchange), T&D Holdings, representing the companies of the T&D Insurance Group, won the Excellence Award for the third consecutive year, from among 1,019 entrant companies. Taiyo Life, Daido Life, and T&D Financial Life, the members of the T&D Insurance Group, have each earned praise for their efforts to continue to create an environment that encourages the personal growth of each of their employees.

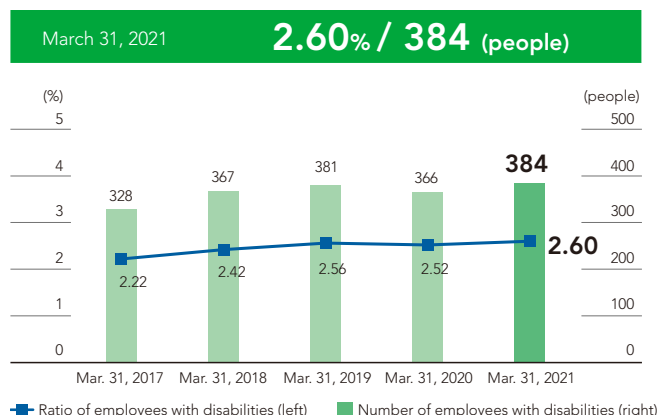
Ratio/number of female managers



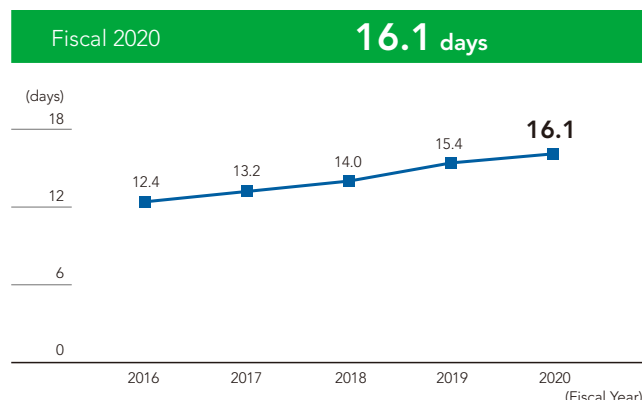
Number of employees taking child care leave



Ratio/number of employees with disabilities



Average number of paid leave days taken



* The above ratio of female managers, number of employees taking child care leave, ratio of employees with disabilities and average number of days of paid leave taken are for the total of three life insurance companies.

Initiatives on customer-oriented services

The T&D Insurance Group emphasizes clarity for the customer and strives to provide services customers can trust.

Main awards received for initiatives on customer service

Taiyo Life

- Received the UCDA 2020 "Supreme Excellence" Award and the "Another Voice" Award at the UCDA Award 2020, etc.

Daido Life

- Received the highest rank of "3 Star" for HDI-Japan's "Quality Service" as the first Japanese company to get a full score

T&D Financial Life

- Obtained certification from the UCDA for its *Shogai Premium Japan 5* pamphlet

The T&D Insurance Group takes "customer-oriented" as a shared Group-wide value, and has established the "T&D Insurance Group Basic Policy on Customer-oriented Business Operations." Each Group company is taking steps in accordance with such value.

Assessments of the policies of the three life insurance companies on customer-oriented operations (FY2020)

Taiyo Life	Daido Life	T&D Financial Life
Overall satisfaction level	Overall satisfaction level	Satisfaction level at the contract signing stage
91.8%	82.3%	98.1%

* Survey implementation methods differ for each company.

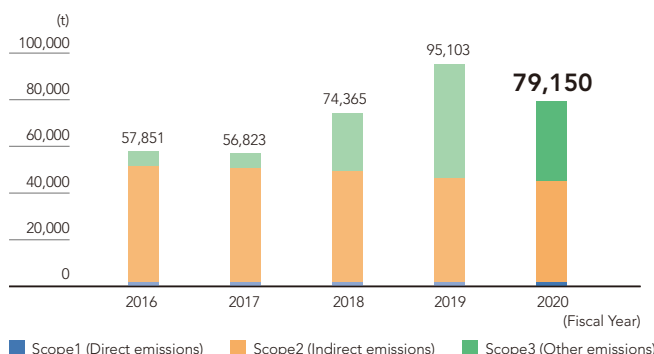


https://www.td-holdings.co.jp/information/business_operations.html
(Japanese only)

Environmental initiatives

The T&D Insurance Group has enacted "T&D Insurance Group Environmental Policy." Recognizing the environmental burden of resource or energy consumption and waste emissions, we are working toward reducing environmental impact by conserving energy or resources, recycling resources, and promoting green purchasing.

CO₂ emissions volume

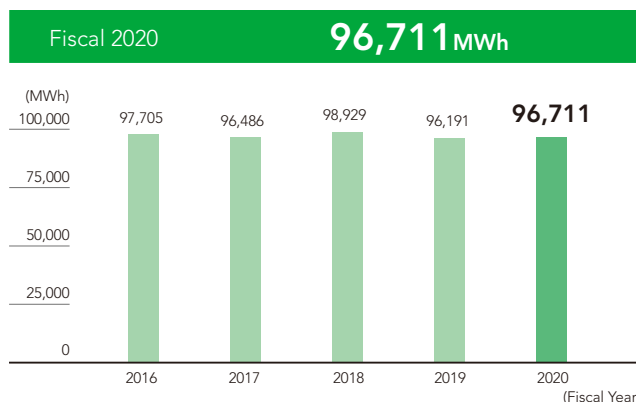


* Emissions have greatly increased since fiscal 2018, because of the addition of categories 1, 2, and 7 to Scope3.

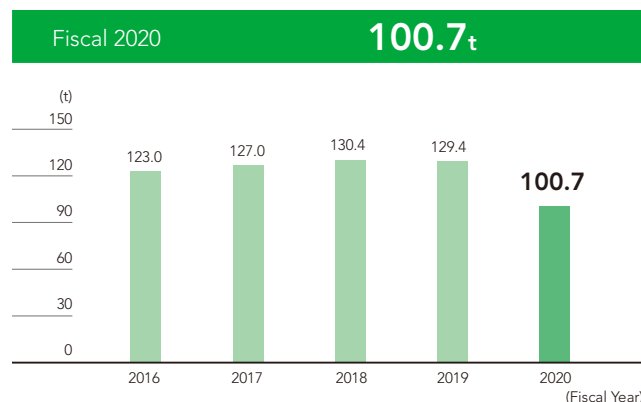
Climate change is an issue that the world should work together and deal with. The T&D Insurance Group has set to "help mitigate and adapt to climate change" as a sustainability priority theme and is working toward reducing environmental impact in its business activities.

As more than 90% of the CO₂ emissions (Scope 1 + 2) derives from electricity use at the Group, we have set targets for reducing electricity use, and are taking actions to cut our energy consumption and CO₂ emissions.

Electricity consumption



Office paper consumption



Selected Financial Data

T&D HOLDINGS

Years ended March 31	2017	2018	2019	2020	¥ millions 2021
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥1,505,234	¥1,483,719	¥1,676,184	¥1,753,508	¥1,783,369
Investment income	402,709	372,753	393,901	369,419	453,706
Other ordinary income	67,838	71,813	70,076	75,001	73,963
Equity in earnings of affiliates	1	72	—	—	102,914
Total ordinary revenues	1,975,784	1,928,359	2,140,162	2,197,928	2,413,953
Ordinary expenses:					
Insurance claims and other payments	1,160,357	1,146,175	1,141,636	1,193,510	1,308,157
Provision for policy and other reserves	259,134	262,894	469,615	431,011	484,929
Investment expenses	130,277	96,288	112,285	164,819	110,235
Operating expenses	197,600	202,366	201,563	212,453	214,509
Other ordinary expenses	71,186	64,159	68,086	70,424	67,988
Total ordinary expenses	1,818,556	1,771,884	1,993,213	2,072,506	2,185,820
Ordinary profit	157,227	156,475	146,949	125,422	228,132
Net extraordinary gains (losses)	(35,067)	(16,485)	(17,890)	(6,055)	(12,591)
Provision for reserve for policyholder dividends	25,374	30,331	27,144	21,883	24,429
Income before income taxes	96,786	109,657	101,915	97,483	191,111
Income taxes:					
Current	33,316	34,106	32,383	31,768	28,969
Deferred	(11,895)	(2,044)	(3,316)	(1,425)	(1,065)
Total income taxes	21,421	32,061	29,066	30,343	27,903
Profit attributable to non-controlling interests	177	19	22	36	890
Profit attributable to owners of parent	¥ 75,187	¥ 77,577	¥ 72,825	¥ 67,103	¥ 162,316

As of March 31	2017	2018	2019	2020	¥ millions 2021
Balance Sheet Data:					
Assets:					
Total assets	¥14,891,167	¥15,262,398	¥15,794,711	¥16,520,137	¥17,877,278
Liabilities:					
Policy reserves	13,139,218	13,395,725	13,859,097	14,282,219	14,765,300
Total liabilities	13,794,395	14,109,362	14,635,123	15,396,987	16,324,121
Net assets:					
Total shareholders' equity	794,554	833,779	863,933	889,817	1,013,819
Total accumulated other comprehensive income	298,302	313,645	289,181	226,124	531,198
Total net assets	¥ 1,096,772	¥ 1,153,036	¥ 1,159,588	¥ 1,123,149	¥ 1,553,157

* The above figures are calculated based on the prevailing accounting standards of each fiscal year.

Years ended March 31	2017	2018	2019	2020	¥ millions 2021
Policy Results *:					
Policy amount in force	¥64,612,813	¥66,010,749	¥69,264,639	¥67,362,978	¥65,638,037
New policy amount	7,441,437	7,273,000	9,985,762	4,711,892	4,220,821
Surrender and lapse amount	3,837,734	3,884,453	4,625,021	4,206,148	3,891,199

* The total of individual insurance, individual annuities and Daido Life's J-type product, T-type product, Kaigo Relief Alpha, etc. The new policy amounts include net increases from conversions.

Other Data:					
Core profit	¥ 159,985	¥ 148,466	¥ 149,638	¥ 166,227	¥ 161,039
Group MCEV *	2,290,500	2,406,700	2,370,600	2,588,100	3,377,600
Consolidated solvency margin ratio	1,105.1%	1,061.8%	1,093.1%	1,107.0%	1,094.8%

* Group MCEV is shown in terms of hundreds of millions of yen. Based on Ultimate Forward Rate since fiscal 2019.

TAIYO LIFE

Years ended March 31	2017	2018	2019	2020	¥ millions 2021
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥654,379	¥511,900	¥715,120	¥593,679	¥619,721
Investment income	228,058	189,495	190,444	196,911	165,283
Other ordinary income	15,517	37,319	12,044	11,947	12,296
Total ordinary revenues	897,955	738,716	917,610	802,538	797,301
Ordinary expenses:					
Insurance claims and other payments	535,387	522,746	521,457	542,912	569,480
Provision for policy and other reserves	99,991	885	183,693	43,421	46,414
Investment expenses	83,109	45,292	52,386	76,173	46,919
Operating expenses	77,189	76,698	76,730	75,077	76,509
Other ordinary expenses	35,635	30,301	29,147	28,171	26,371
Total ordinary expenses	831,312	675,925	863,413	765,756	765,695
Ordinary profit	66,642	62,790	54,196	36,782	31,606
Net extraordinary gains (losses)	(18,995)	(4,254)	(5,370)	(1,594)	(4,592)
Provision for reserve for policyholder dividends	11,738	15,664	13,138	10,197	12,574
Income before income taxes	35,909	42,870	35,687	24,990	14,440
Income taxes:					
Current	11,120	10,238	10,798	10,391	5,956
Deferred	(4,178)	2,151	(657)	(1,218)	(1,800)
Total income taxes	6,941	12,390	10,140	9,172	4,156
Net income	¥ 28,967	¥ 30,480	¥ 25,547	¥ 15,817	¥ 10,284

As of March 31	2017	2018	2019	2020	¥ millions 2021
Balance Sheet Data:					
Assets:					
Total assets	¥7,188,371	¥7,219,463	¥7,411,864	¥7,660,474	¥8,235,372
Liabilities:					
Policy reserves	6,410,781	6,389,235	6,569,075	6,608,629	6,654,572
Total liabilities	6,807,381	6,810,776	6,996,551	7,269,351	7,708,881
Net assets:					
Total shareholders' equity	279,765	290,945	304,203	303,647	302,568
Total valuation and translation adjustment	101,224	117,742	111,109	87,476	223,923
Total net assets	¥ 380,989	¥ 408,687	¥ 415,312	¥ 391,123	¥ 526,491

* The above figures are calculated based on the prevailing accounting standards of each fiscal year.

Years ended March 31	2017	2018	2019	2020	¥ millions 2021
Policy Results *:					
Policy amount in force	¥21,741,191	¥21,154,486	¥19,945,620	¥18,023,246	¥16,278,405
New policy amount	2,084,818	1,686,796	1,196,690	540,573	243,585
Surrender and lapse amount	1,255,824	1,236,078	1,240,097	1,149,490	941,331
Surrender and lapse rate	5.71%	5.69%	5.86%	5.76%	5.22%

* The total of individual insurance and individual annuities. The new policy amounts include net increases from conversions.

Other Data:					
Core profit	¥ 53,464	¥ 48,547	¥ 51,859	¥ 54,387	¥ 52,703
MCEV *	777,500	825,000	856,200	895,800	1,114,600
Solvency margin ratio	848.6%	835.1%	849.7%	805.5%	852.8%
Number of in-house sales representatives	8,902	8,942	8,440	8,071	8,473

* MCEV is shown in terms of hundreds of millions of yen. Based on Ultimate Forward Rate since fiscal 2019.

Selected Financial Data

DAIDO LIFE

Years ended March 31	2017	2018	2019	2020	¥ millions 2021
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥766,336	¥790,852	¥ 828,003	¥ 818,070	¥ 808,161
Investment income	154,066	171,830	191,065	165,137	185,876
Other ordinary income	24,029	25,387	26,492	31,916	28,796
Total ordinary revenues	944,431	988,070	1,045,561	1,015,124	1,022,834
Ordinary expenses:					
Insurance claims and other payments	484,881	496,329	510,573	522,146	511,604
Provision for policy and other reserves	204,770	232,739	259,032	214,775	221,616
Investment expenses	48,244	46,233	61,342	61,569	66,440
Operating expenses	103,099	103,602	103,883	107,649	106,644
Other ordinary expenses	20,739	19,767	21,458	22,826	20,622
Total ordinary expenses	861,736	898,672	956,290	928,967	926,928
Ordinary profit	82,695	89,397	89,270	86,157	95,905
Net extraordinary gains (losses)	(12,450)	(11,698)	(11,956)	(3,703)	(7,123)
Provision for reserve for policyholder dividends	13,636	14,668	14,005	11,687	11,854
Income before income taxes	56,608	63,031	63,308	70,766	76,927
Income taxes:					
Current	20,777	22,854	21,414	21,646	25,029
Deferred	(7,286)	(4,396)	(3,634)	(1,330)	(2,965)
Total income taxes	13,491	18,458	17,779	20,315	22,064
Net income	¥ 43,116	¥ 44,572	¥ 45,528	¥ 50,450	¥ 54,863

As of March 31	2017	2018	2019	2020	¥ millions 2021
Balance Sheet Data:					
Assets:					
Total assets	¥6,298,188	¥6,573,924	¥6,843,179	¥7,037,507	¥7,554,346
Liabilities:					
Policy reserves	5,501,639	5,729,754	5,986,450	6,195,363	6,415,546
Total liabilities	5,654,175	5,913,402	6,180,746	6,393,649	6,701,219
Net assets:					
Total shareholders' equity	448,016	466,141	489,267	513,114	541,184
Total valuation and translation adjustment	195,996	194,380	173,165	130,743	311,942
Total net assets	¥ 644,013	¥ 660,521	¥ 662,433	¥ 643,858	¥ 853,127

* The above figures are calculated based on the prevailing accounting standards of each fiscal year.

Years ended March 31	2017	2018	2019	2020	¥ millions 2021
Policy Results *:					
Policy amount in force	¥40,992,241	¥42,803,504	¥47,146,055	¥46,947,214	¥46,656,071
Individual term life insurance	34,772,475	34,724,011	35,305,536	34,688,890	34,301,814
<i>J-type product, T-type product, Kaigo Relief and Kaigo Teiki Hoken</i>	3,166,600	5,426,922	10,057,448	10,514,377	10,633,572
New policy amount	5,121,169	5,231,498	8,474,888	3,724,420	3,550,612
Individual term life insurance	4,088,485	2,944,065	4,128,641	2,460,009	2,474,808
<i>J-type product, T-type product, Kaigo Relief and Kaigo Teiki Hoken</i>	934,940	2,523,252	5,085,094	1,224,617	1,039,312
Surrender and lapse amount	2,525,540	2,582,199	3,295,771	2,976,811	2,846,020
Surrender and lapse rate	6.44%	6.30%	7.70%	6.31%	6.06%

* The total of individual insurance, individual annuities, J-type product, T-type product, Kaigo Relief Alpha, etc. The new policy amounts include net increases from conversions.

Other Data:					
Core profit	¥ 105,677	¥ 100,781	¥ 99,245	¥ 116,903	¥ 111,604
MCEV *	1,417,400	1,473,200	1,417,700	1,626,000	2,058,800
Solvency margin ratio	1,252.6%	1,206.2%	1,271.9%	1,335.3%	1,293.5%
Number of in-house sales representatives	3,843	3,714	3,786	3,746	3,766
Number of agents	13,878	13,992	14,132	14,413	14,775

* MCEV is shown in terms of hundreds of millions of yen. Based on Ultimate Forward Rate since fiscal 2019.

T&D FINANCIAL LIFE

Years ended March 31	2017	2018	2019	2020	¥ millions 2021
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥ 80,918	¥176,474	¥127,853	¥335,910	¥348,020
Investment income	23,041	12,982	17,221	11,924	106,851
Other ordinary income	51,874	7,036	5,683	6,660	5,789
Total ordinary revenues	155,834	196,492	150,758	354,495	460,661
Ordinary expenses:					
Insurance claims and other payments	138,311	124,953	106,894	125,135	222,904
Provision for policy and other reserves	0	50,164	26,791	174,312	216,631
Investment expenses	213	4,888	1,941	30,117	127
Operating expenses	9,745	12,349	11,453	19,373	20,216
Other ordinary expenses	1,363	1,592	1,612	3,309	3,727
Total ordinary expenses	149,634	193,948	148,694	352,249	463,608
Ordinary Profit (loss)	6,199	2,543	2,064	2,246	(2,947)
Net extraordinary gains (losses)	(3,612)	(461)	(552)	(756)	(868)
Provision for (Reversal of) reserve for policyholder dividends	(1)	(1)	0	(0)	0
Income (loss) before income loss	2,587	2,083	1,511	1,490	(3,816)
Income taxes:					
Current	874	199	(456)	(754)	(2,212)
Deferred	(427)	295	956	1,178	1,180
Total income taxes	446	494	500	424	(1,031)
Net income (loss)	¥ 2,141	¥ 1,588	¥ 1,011	¥ 1,065	¥ (2,784)
Balance Sheet Data:					
Assets:					
Total assets	¥1,313,747	¥1,365,878	¥1,438,819	¥1,645,401	¥1,850,918
Liabilities:					
Policy reserves	1,224,914	1,274,376	1,300,935	1,475,204	1,691,538
Total liabilities	1,242,846	1,292,955	1,361,498	1,564,466	1,782,638
Net assets:					
Total shareholders' equity	70,027	71,616	72,627	73,693	70,909
Total valuation and translation adjustment	874	1,306	4,693	7,240	(2,628)
Total net assets	¥ 70,901	¥ 72,922	¥ 77,321	¥ 80,934	¥ 68,280
* The above figures are calculated based on the prevailing accounting standards of each fiscal year.					
Policy Results *:					
Policy amount in force					
Sales through independent insurance agents	¥1,879,380	¥2,052,758	¥2,172,963	¥2,392,518	¥2,703,559
New policy amount	235,449	354,705	314,183	446,898	426,624
Surrender and lapse amount	56,368	66,174	89,152	79,846	103,847
Surrender and lapse rate	3.12%	3.52%	4.34%	3.67%	4.34%
* The total of individual insurance and individual annuities.					
Other Data:					
Core profit (loss)	¥ 843	¥ (863)	¥ (1,466)	¥ (5,063)	¥ (3,268)
MCEV *	97,400	102,600	98,500	66,500	108,100
Solvency margin ratio	1,295.6%	1,258.3%	1,101.7%	1,033.6%	826.8%
* MCEV is shown in terms of hundreds of millions of yen. Based on Ultimate Forward Rate since fiscal 2019.					

Consolidated Financial Statements

Consolidated Balance Sheet

As of March 31,		¥ millions	US\$ thousands
	2020	2021	2021
Assets:			
Cash and deposits	¥ 861,770	¥ 1,020,246	\$ 9,215,490
Call loans	35,669	40,737	367,961
Monetary claims purchased	135,313	181,191	1,636,628
Monetary trusts	970,622	1,139,054	10,288,631
Securities (Notes 8, 13 and 14)	12,021,505	13,032,746	117,719,690
Loans (Notes 3 and 7)	1,697,539	1,734,678	15,668,668
Tangible fixed assets (Note 4)	380,633	375,516	3,391,896
Land (Note 2 (13))	214,604	212,109	1,915,900
Buildings	158,460	155,906	1,408,240
Lease assets	1,232	908	8,203
Construction in progress	1,737	2,244	20,275
Other tangible fixed assets	4,597	4,348	39,275
Intangible fixed assets	30,789	32,972	297,825
Software	29,447	31,728	286,594
Lease assets	172	82	741
Other intangible fixed assets	1,169	1,161	10,489
Due from agencies	666	685	6,187
Due from reinsurers	12,310	21,024	189,906
Other assets (Note 14)	297,373	299,993	2,709,721
Net defined benefit asset	—	1,851	16,722
Deferred tax assets	78,022	293	2,652
Reserve for possible loan losses	(2,079)	(3,713)	(33,538)
Total assets	¥16,520,137	¥17,877,278	\$161,478,444

As of March 31,		¥ millions	US\$ thousands
	2020	2021	2021
Liabilities:			
Policy reserves	¥14,282,219	¥14,765,300	\$133,369,163
Reserve for outstanding claims	67,765	70,753	639,090
Policy reserve	14,137,872	14,619,797	132,054,896
Reserve for policyholder dividends (Note 6)	76,581	74,748	675,176
Due to agencies	1,136	2,728	24,645
Due to reinsurers	7,462	12,103	109,327
Short-term debentures	5,999	5,999	54,193
Bonds (Note 9)	187,005	157,000	1,418,119
Other liabilities (Notes 10 and 14)	615,062	1,041,612	9,408,472
Provision for bonuses to directors and audit & supervisory board members	281	294	2,660
Provision for share-based remuneration	633	898	8,115
Net defined benefit liability	49,156	45,764	413,370
Provision for directors' and audit & supervisory board members' retirement benefits	59	67	612
Reserves under the special laws	243,014	251,386	2,270,673
Reserve for price fluctuations	243,014	251,386	2,270,673
Deferred tax liabilities	56	36,460	329,329
Deferred tax liabilities on land revaluation (Note 2 (13))	4,899	4,505	40,697
Total liabilities	15,396,987	16,324,121	147,449,381
Net assets:			
Capital stock	207,111	207,111	1,870,760
Capital surplus	125,316	125,260	1,131,430
Retained earnings	603,589	740,329	6,687,106
Treasury shares	(46,200)	(58,882)	(531,861)
Total shareholders' equity	889,817	1,013,819	9,157,436
Valuation difference on available-for-sale securities	262,593	574,871	5,192,585
Deferred gains (losses) on hedging instruments	(2,381)	(2,681)	(24,218)
Land revaluation (Note 2 (13))	(34,125)	(35,018)	(316,304)
Foreign currency translation adjustments	37	(5,972)	(53,951)
Total accumulated other comprehensive income	226,124	531,198	4,798,110
Subscription rights to shares	876	689	6,226
Non-controlling interests	6,332	7,449	67,288
Total net assets	1,123,149	1,553,157	14,029,062
Total liabilities and net assets	¥16,520,137	¥17,877,278	\$161,478,444

See notes to consolidated financial statements.

Consolidated Statement of Operation

Years ended March 31,		¥ millions	US\$ thousands
	2020	2021	2021
Ordinary revenues	¥2,197,928	¥2,413,953	\$21,804,292
Income from insurance premiums	1,753,508	1,783,369	16,108,472
Investment income	369,419	453,706	4,098,148
Interest, dividends and income from real estate for rent	299,763	289,927	2,618,800
Gains from monetary trusts, net	—	83,616	755,279
Gains on sales of securities	67,162	42,753	386,172
Gains on redemption of securities	—	215	1,944
Foreign exchange gains, net	—	25,522	230,531
Other investment income	2,492	4,283	38,690
Gains on separate accounts, net	—	7,387	66,729
Other ordinary income	75,001	73,963	668,087
Equity in earnings of affiliates	—	102,914	929,584
Ordinary expenses	2,072,506	2,185,820	19,743,662
Insurance claims and other payments	1,193,510	1,308,157	11,816,071
Insurance claims	363,062	401,726	3,628,635
Annuity payments	273,580	261,437	2,361,458
Insurance benefits	150,066	146,572	1,323,933
Surrender payments	339,448	365,062	3,297,467
Other payments	67,352	133,358	1,204,576
Provision for policy and other reserves	431,011	484,929	4,380,181
Provision for reserve for outstanding claims	—	2,987	26,987
Provision for policy reserve	430,993	481,925	4,353,043
Interest portion of reserve for policyholder dividends	18	16	150
Investment expenses	164,819	110,235	995,713
Interest expenses	1,027	1,553	14,034
Losses from monetary trusts, net	21,386	—	—
Losses on investments in trading securities, net	257	95	859
Losses on sales of securities	27,507	33,139	299,336
Devaluation losses on securities	14,880	5,635	50,905
Losses from derivatives, net	58,172	44,311	400,247
Foreign Exchange losses, net	17,343	—	—
Provision for reserve for possible loan losses	481	1,634	14,767
Write-off of loans	34	5	50
Depreciation of real estate for rent	6,149	6,530	58,986
Other investment expenses	17,020	17,328	156,525
Losses on separate accounts, net	557	—	—
Operating expenses	212,453	214,509	1,937,579
Other ordinary expenses	70,424	67,988	614,115
Equity in losses of affiliates	287	—	—
Ordinary profit	¥ 125,422	¥ 228,132	\$ 2,060,630

(continued)

Years ended March 31,		¥ millions	US\$ thousands
	2020	2021	2021
Extraordinary gains	¥ 4,038	¥ 1,708	\$ 15,430
Gains on disposal of fixed assets	3,392	1,187	10,723
State subsidy	646	490	4,426
Other extraordinary gains	—	31	280
Extraordinary losses	10,093	14,300	129,166
Losses on disposal of fixed assets	672	827	7,477
Impairment losses (Note 16)	803	2,915	26,336
Provision for reserve for price fluctuations	7,916	8,371	75,618
Losses from COVID-19	—	1,695	15,315
Other extraordinary losses	701	489	4,419
Provision for reserve for policyholder dividends	21,883	24,429	220,659
Income before income taxes	97,483	191,111	1,726,235
Income taxes (current)	31,768	28,969	261,671
Income taxes (deferred)	(1,425)	(1,065)	(9,625)
Total income taxes	30,343	27,903	252,045
Profit	67,139	163,207	1,474,189
Profit attributable to non-controlling interests	36	890	8,045
Profit attributable to owners of parent	¥ 67,103	¥162,316	\$1,466,144

Consolidated Statement of Comprehensive Income

Years ended March 31,		¥ millions	US\$ thousands
	2020	2021	2021
Profit	¥ 67,139	¥163,207	\$1,474,189
Other comprehensive income:			
Valuation difference on available-for-sale securities	(65,424)	309,551	2,796,054
Deferred gains (losses) on hedging instruments	606	(300)	(2,710)
Foreign currency translation adjustments	0	1	15
Share of other comprehensive income of associates accounted for using the equity method	19	(3,037)	(27,440)
Total other comprehensive income (Note 17)	(64,798)	306,214	2,765,918
Comprehensive income	¥2,341	¥469,422	\$4,240,108
(Breakdown)			
Comprehensive income attributable to owners of parent	2,301	468,283	4,229,823
Comprehensive income attributable to non-controlling interests	39	1,138	10,285

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

¥ millions

Year ended March 31, 2020	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	¥207,111	¥156,740	¥564,944	¥(64,863)	¥863,933	¥328,020	¥(2,987)	¥(35,869)	¥18	¥289,181	¥1,081	¥5,391	¥1,159,588
Changes in the period													
Dividends			(26,714)		(26,714)								(26,714)
Profit attributable to owners of parent			67,103		67,103								67,103
Purchase of treasury shares				(13,014)	(13,014)								(13,014)
Disposal of treasury shares		(60)		313	252								252
Retirement of treasury shares		(31,363)		31,363	—								—
Reversal of land revaluation			(1,743)		(1,743)								(1,743)
Net changes of items other than shareholders' equity						(65,426)	606	1,743	18	(63,057)	(204)	940	(62,322)
Total changes in the period	—	(31,424)	38,645	18,663	25,883	(65,426)	606	1,743	18	(63,057)	(204)	940	(36,438)
Balance at the end of the year	¥207,111	¥125,316	¥603,589	¥(46,200)	¥889,817	¥262,593	¥(2,381)	¥(34,125)	¥37	¥226,124	¥ 876	¥6,332	¥1,123,149

¥ millions

Year ended March 31, 2021	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	¥207,111	¥125,316	¥603,589	¥(46,200)	¥889,817	¥262,593	¥(2,381)	¥(34,125)	¥37	¥226,124	¥ 876	¥6,332	¥1,123,149
Changes in the period													
Dividends			(26,469)		(26,469)								(26,469)
Profit attributable to owners of parent			162,316		162,316								162,316
Purchase of treasury shares				(13,013)	(13,013)								(13,013)
Disposal of treasury shares		(55)		331	275								275
Reversal of land revaluation			892		892								892
Net changes of items other than shareholders' equity						312,277	(300)	(892)	(6,010)	305,074	(187)	1,117	306,004
Total changes in the period	—	(55)	136,739	(12,682)	124,002	312,277	(300)	(892)	(6,010)	305,074	(187)	1,117	430,007
Balance at the end of the year	¥207,111	¥125,260	¥740,329	¥(58,882)	¥1,013,819	¥574,871	¥(2,681)	¥(35,018)	¥(5,972)	¥531,198	¥ 689	¥7,449	¥1,553,157

US\$ thousands

	Shareholders' equity					Accumulated other comprehensive income							US\$ thousands	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets	
Year ended March 31, 2021														
Balance at the beginning of the year	\$1,870,760	\$1,131,930	\$5,451,988	\$(417,309)	\$8,037,370	\$2,371,905	\$(21,507)	\$(308,245)	\$ 338	\$2,042,490	\$ 7,916	\$57,196	\$10,144,973	
Changes in the period														
Dividends			(239,084)		(239,084)								(239,084)	
Profit attributable to owners of parent			1,466,144		1,466,144								1,466,144	
Purchase of treasury shares				(117,544)	(117,544)								(117,544)	
Disposal of treasury shares		(500)		2,992	2,492								2,492	
Reversal of land revaluation			8,058		8,058								8,058	
Net changes of items other than shareholders' equity						2,820,679	(2,710)	(8,058)	(54,290)	2,755,620	(1,689)	10,092	2,764,022	
Total changes in the period	—	(500)	1,235,118	(114,552)	1,120,066	2,820,679	(2,710)	(8,058)	(54,290)	2,755,620	(1,689)	10,092	3,884,089	
Balance at the end of the year	\$1,870,760	\$1,131,430	\$6,687,106	\$(531,861)	\$9,157,436	\$5,192,585	\$(24,218)	\$(316,304)	\$(53,951)	\$4,798,110	\$ 6,226	\$67,288	\$14,029,062	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31,	2020	¥ millions 2021	US\$ thousands 2021
Cash flows from operating activities:			
Income before income taxes	¥ 97,483	¥ 191,111	\$ 1,726,235
Depreciation of real estate for rent	6,149	6,530	58,986
Depreciation	12,497	13,311	120,237
Impairment losses	803	2,915	26,336
Increase (decrease) in reserve for outstanding claims	(1,788)	2,987	26,987
Increase (decrease) in policy reserve	430,993	481,925	4,353,043
Interest portion of reserve for policyholder dividends	18	16	150
Provision for reserve for (reversal of) policyholder dividends	21,883	24,429	220,659
Increase (decrease) in reserve for possible loan losses	479	1,634	14,759
Increase (decrease) in provision for bonuses to directors and audit & supervisory board members	7	12	115
Increase (decrease) in provision for share-based remuneration	297	264	2,389
Decrease (increase) in net defined benefit asset	—	(1,851)	(16,722)
Increase (decrease) in net defined benefit liability	(1,882)	(3,391)	(30,637)
Increase (decrease) in provision for directors' and audit & supervisory board members' retirement benefits	(6)	8	78
Increase (decrease) in reserve for price fluctuations	7,916	8,371	75,618
Interest, dividends and income from real estate for rent	(299,763)	(289,927)	(2,618,800)
Losses (gains) on investment securities	(23,959)	(11,485)	(103,745)
Interest expenses	1,027	1,553	14,034
Foreign exchange losses (gains), net	15,066	(29,976)	(270,761)
Losses (gains) on disposal of tangible fixed assets	(2,207)	(282)	(2,549)
Equity in losses (earnings) of affiliates	287	(102,914)	(929,584)
Decrease (increase) in amount due from agencies	25	(18)	(165)
Decrease (increase) in amount due from reinsurers	(10,029)	(8,001)	(72,277)
Decrease (increase) in other assets (excluding investment activities-related and financing activities-related)	(9,323)	(9,942)	(89,804)
Increase (decrease) in amount due to agencies	727	1,592	14,380
Increase (decrease) in amount due to reinsurers	6,029	4,641	41,922
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	(2,048)	3,895	35,188
Others, net	94,251	(26,100)	(235,752)
Subtotal	344,934	261,311	2,360,322
Interest, dividends and income from real estate for rent received	308,195	295,406	2,668,295
Interest paid	(927)	(1,562)	(14,109)
Policyholder dividends	(28,009)	(26,273)	(237,321)
Others, net	2,108	(1,568)	(14,171)
Income taxes paid	(35,205)	(26,827)	(242,322)
Net cash provided by (used in) operating activities	¥ 591,097	¥ 500,485	\$ 4,520,692

(continued)

Years ended March 31,		¥ millions	US\$ thousands
	2020	2021	2021
Cash flows from investing activities:			
Net decrease (increase) in cash and deposits	¥ (5,300)	¥ (27,100)	\$ (244,783)
Investments in monetary claims purchased	(29,523)	(22,933)	(207,152)
Proceeds from sales and redemption of monetary claims purchased	15,585	10,772	97,301
Investments in monetary trusts	(255,989)	(137,439)	(1,241,434)
Proceeds from monetary trusts	34,800	37,099	335,107
Purchase of securities	(1,984,103)	(1,898,524)	(17,148,631)
Proceeds from sales and redemption of securities	1,443,996	1,594,431	14,401,873
Investments in loans	(367,123)	(364,988)	(3,296,795)
Collection of loans	335,345	344,196	3,108,996
Others, net	271,496	211,470	1,910,128
Subtotal	(540,816)	(253,015)	(2,285,390)
Total of net cash provided by (used in) operating activities and investment transactions as above	50,280	247,470	2,235,302
Purchase of tangible fixed assets	(23,836)	(11,082)	(100,103)
Proceeds from disposal of tangible fixed assets	4,732	2,732	24,684
Others, net	(214)	(98)	(891)
Net cash provided by (used in) investing activities	(560,134)	(261,463)	(2,361,700)
Cash flows from financing activities:			
Net increase (decrease) in short-term debenture	(0)	0	3
Proceeds from issuance of debt	15,430	11,200	101,165
Repayments of debt	(12,117)	(13,236)	(119,556)
Proceeds from issuance of bonds	70,000	—	—
Redemption of bonds	—	(30,000)	(270,978)
Proceeds from share issuance to non-controlling shareholders	1,024	1,215	10,976
Repayments to non-controlling shareholders	(79)	(1,193)	(10,780)
Payment of lease obligations	(685)	(669)	(6,051)
Purchase of treasury shares	(13,014)	(13,013)	(117,544)
Proceeds from disposal of treasury shares	9	24	222
Dividends paid	(26,629)	(26,409)	(238,546)
Dividends paid to non-controlling interests	(44)	(43)	(388)
Others, net	0	0	1
Net cash provided by (used in) financing activities	33,893	(72,125)	(651,477)
Effect of exchange rate changes on cash and cash equivalents	(973)	728	6,580
Net increase (decrease) in cash and cash equivalents	63,882	167,625	1,514,094
Cash and cash equivalents at the beginning of the year	854,057	917,940	8,291,392
Cash and cash equivalents at the end of the year (Note 19)	¥ 917,940	¥ 1,085,565	\$ 9,805,487

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Notes on Going-Concern Assumption

Not applicable.

Note 2 Summary of Significant Accounting Policies

(1) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the "Company") was established as a life insurance holding company, of which Taiyo Life Insurance Company ("Taiyo Life"), Daido Life Insurance Company ("Daido Life") and T&D Financial Life Insurance Company ("T&D Financial Life") (hereafter, the "Three Life Insurance Companies") became wholly owned subsidiaries through share transfers. The business combination was accounted for as a pooling of interests.

The Company, including its domestic consolidated subsidiaries (the "T&D Insurance Group"), maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the Insurance Business Act of Japan (the "Insurance Business Act") and in conformity with generally accepted accounting principles and practices in Japan.

The accompanying consolidated financial statements are compiled from the financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the consolidated financial statements, certain items presented in the original financial statements have been reclassified and summarized for readers outside Japan. These consolidated financial statements have been prepared on the basis of generally accepted accounting principles and practices in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the accompanying footnotes include information that is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information to the consolidated financial statements.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers and have been made, as a matter of arithmetical computation only, at the rate of 1 U.S. dollar = 110.71 Japanese yen, which was the approximate rate prevailing at the end of March, 2021. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

Amounts of less than one million Japanese yen and one thousand U.S. dollars have been eliminated. As a result, Japanese yen and U.S. dollar totals shown herein do not necessarily agree with the sum of the individual amounts.

(2) Principles of consolidation

- a. Matters related to the scope of consolidation
 - (i) Number of consolidated subsidiaries: 19
Names of main consolidated subsidiaries are stated in "Group Companies" of the Integrated Report.
Taiyo Life Aging Society Institute was established by Taiyo Life in the consolidated fiscal year ended March 31, 2021. It is included in the scope of consolidated subsidiaries.
 - (ii) Names of main non-consolidated subsidiaries, etc.: none
- b. Matters related to the application of the equity method
 - (i) Number of non-consolidated subsidiaries accounted for under the equity method: none
 - (ii) Number of affiliates accounted for under the equity method: 6
The affiliates accounted for under the equity method are Alternative Investment Capital Limited, Thuriya Ace Technology Co., Ltd., Capital Taiyo Life Insurance, Ltd., Fortitude Group Holdings, LLC, Fortitude Reinsurance Company Ltd. and one other company.
Since T&D United Capital Co., Ltd. acquired equity interest of Fortitude Group Holdings, LLC in the consolidated fiscal year ended March 31, 2021, Fortitude Group Holdings, LLC and Fortitude Reinsurance Company Ltd., a wholly owned subsidiary of Fortitude Group Holdings, LLC, are included in affiliated companies over which the equity method is applied.
 - (iii) Names of non-consolidated subsidiaries and affiliates not accounted for under the equity method, etc.: none
 - (iv) For the companies accounted for under the equity method for which the closing date is different from the consolidated closing date, the financial statements of each company's fiscal year are used. In addition, for some of the companies accounted for under the equity method, financial statements, based on provisional settlement of accounts implemented on other record date, are used.

- c. Matters related to the fiscal year of consolidated subsidiaries, etc.
The closing date of some consolidated subsidiaries is December 31. In preparing the consolidated financial statements, financial statements as of that date are used and necessary adjustments are made on consolidation to reflect significant transactions that occurred between the closing date and the consolidated closing date.

(3) Foreign currency translation

Foreign currency assets and liabilities are translated into Japanese yen at the prevailing foreign exchange rates at the consolidated balance sheet date.

Assets, liabilities, revenues and expenses of the Company's affiliates located outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet date. Translation differences of foreign currencies are included in net assets as foreign currency translation adjustments or non-controlling interests.

(4) Accounting policy for measuring significant assets

- a. Evaluation criteria and evaluation method for securities (including cash and deposits/monetary claims purchased which are equivalent to securities and securities invested as trust properties in monetary trusts)
- (i) Trading securities
 - Fair value method (costs of securities sold are calculated based on the moving average method)
 - (ii) Held-to-maturity bonds
 - Amortized cost method based on the moving average method (straight-line method)
 - (iii) Policy-reserve-matching bonds
 - Amortized cost method based on the moving average method (straight-line method)
 - (iv) Available-for-sale securities
 - Securities with market value are valued by the fair value method (costs of securities sold are calculated based on the moving average method) based on the market price, etc., of the last day of the consolidated fiscal year
 - Securities deemed extremely difficult to determine market value, which are public and corporate bonds (including foreign bonds), for which the difference between the purchase price and face value is recognized as an interest rate adjustment are valued by the amortized cost method based on the moving average method (straight-line method)

- Securities other than the above are valued by the cost method based on the moving average method
- Valuation differences on available-for-sale securities are included in net assets.

For some of the consolidated subsidiaries, translation differences of bonds in foreign currency-denominated available-for-sale securities are treated as follows: the translation differences from foreign currency fair value fluctuations are recorded as “net unrealized gains (losses)” and the remaining differences as “foreign exchange gains (losses).”

The overview of the risk management policies of policy-reserve-matching bonds

[Taiyo Life]

Managed by setting the investment policy of attempting to effectively reduce the risk of the whole portfolio by asset mix which is based on a balanced-type ALM aiming at exceeding medium- and long-term liability cost.

- Taking into account this investment policy and based on the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds within the Insurance Industry” (JICPA, Industry Audit Committee Report No. 21), the following insurance policies are identified and classified as a sub-segment.
- All policies except for group insurance products segment, other insurance product segment, non-participating currency designation type single-premium individual annuity insurance, non-participating currency designation type special endowment insurance with living benefit, etc. in the general asset segment
 - All non-participating currency specific-type single-premium individual annuity insurance policies and non-participating currency designation type special endowment insurance with living benefit by currency in the general asset segment
 - All defined contribution corporate pension insurance policies and all group pure endowment insurance in the group annuity insurance asset segment
 - All insurance policies in the single-premium whole life/annuity insurance asset segment
 - All insurance policies in the variable interest rate type single-premium insurance asset segment

[Daido Life]

Managed by setting the investment policy fully considering the characteristics and the risk tolerance of insurance products in order to ensure the fulfillment of future obligations.

Based on this investment policy, sub-segments in accordance with the characteristics of the insurance products are set and bonds held in the attempt to control the duration within each

sub-segment are classified as policy-reserve-matching bonds. The sub-segments are set as follows:

- Individual insurance/individual annuity insurance in the general asset segment
- Individual insurance/individual annuity insurance in the non-participating insurance asset segment (subjects are the cash flows likely to occur in the period of over 5 years and within 30 years in the future)
- Group annuity insurance in the group annuity insurance asset segment

[T&D Financial Life]

Sub-segments are set in accordance with the characteristics of the insurance products and the asset management policy is formulated considering each sub-segment in order to manage interest rate risk appropriately. Further, the matching of the duration of policy reserves and policy-reserve-matching bonds within constant width are verified regularly. The sub-segments are set as follows:

- Individual insurance (the portion of the future payout at the certain attained age and above of the subject insurance type)
- Accumulation rate type individual insurance
- Accumulation rate type fixed annuity insurance

Note that some insurance types and benefits are excluded.

- b. Evaluation criteria and evaluation method of derivative transactions
- Evaluation of derivative transactions is processed based on the fair value method.

(5) Reserve for possible loan losses

The reserve for possible loan losses of the Three Life Insurance Companies is allocated in accordance with the self-assessment criteria and amortization/provision criteria of assets in order to provide for losses due to irrecoverable credits, as follows:

For loans to borrowers who are in a state of legal/formal bankruptcy such as bankruptcy and civil rehabilitation, or in a state of substantial bankruptcy, the remaining amount of the loan after directly deducting the amount stated below, less the estimated amount collectible from collateral and guarantees is recorded.

For loans to borrowers who are not yet bankrupt but highly likely to fall into bankruptcy, the amount deemed necessary from the overall assessment of the borrowers' solvency is recorded from the remaining amount of the loan after deducting the estimated amount collectible from collateral and guarantees.

For loans other than the above (performing loans and doubtful loans), historical loan-loss ratio calculated from the loan losses from the fixed period in the past, multiplied by the loan amount, etc., is recorded.

All loans are subject to asset assessment by the related division based on the self-assessment criteria of the assets. The reserve mentioned above is implemented based on the assessment results, after the asset auditing division independent from the related division audits the assessment results.

For collateralized or guaranteed loans to borrowers subject to bankruptcy or substantial bankruptcy, the amount of loans exceeding the estimated value of collateral or guarantees, which were deemed uncollectible, was directly deducted from the amount of loans in the amounts of ¥365 million and ¥359 million [\$3,246 thousand] for the years ended March 31, 2020 and 2021, respectively.

Consolidated subsidiaries other than the Three Life Insurance Companies allocate reserves for possible loan losses, in accordance with criteria equivalent to the above, based on the results of the assessment which is implemented in the scope deemed necessary considering the importance.

(6) Allocation method for reserve for price fluctuations

Reserves for price fluctuations of the Three Life Insurance Companies are allocated in order to provide for losses due to price fluctuations, which is pursuant to requirements under Article 115 of the Insurance Business Act.

(7) Policy reserve

To prepare for future performance of obligations under insurance policies for which contractual liability have commenced before the fiscal year end, policy reserve is provided by the Three Life Insurance Companies at the amount calculated in accordance with methodologies stipulated in the statement of calculation procedures for insurance premiums and policy reserve (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) based on Article 116, Paragraph 1 of the Insurance Business Act.

Of policy reserve, premium reserve is calculated based on the following methodologies:

- For policies subject to standard policy reserve, the method established by the Commissioner of the Financial Services Agency (Notification No. 48 of the Ministry of Finance (1996))
- For policies not subject to standard policy reserve, net level premium method

Based on Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, policy reserve is reviewed by an appointed actuary whether the policy reserve is properly provided as of the fiscal year end.

Of policy reserve, contingency reserve is provided at the

amount calculated for covering risks which may accrue in the future, so as to secure performance of the future obligations under the insurance policies, based on Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.

(8) Provision for bonuses to directors and audit & supervisory board members

To provide for payment of bonuses to directors and audit & supervisory board members, a provision for the directors' and audit & supervisory board members' bonuses is recorded based on the expected amount to be paid in the year ended March 31, 2021.

(9) Provision for share-based remuneration

To provide for delivery of stock of the Company to directors and audit & supervisory board members, the estimated amount of share benefit obligations based on the internal rules of the Company and Three Life Insurance Companies is recorded in provision for share-based remuneration.

(10) Provision for directors' and audit & supervisory board members' retirement benefits

To provide for directors' and audit & supervisory board members' retirement benefits, the Company sets up a provision for directors' and audit & supervisory board members' retirement benefits based on the internal rules of certain consolidated subsidiaries, which is recorded in the amount recognized to have accrued as of March 31, 2021.

(11) Accounting method for employees' retirement benefits

For the calculation of retirement benefit obligations, the method for attributing the expected retirement benefit amount to each period up to the current fiscal year-end is based on the benefit formula standard.

Actuarial gains and losses, past service costs and losses relating to changes in accounting policies are expensed in the fiscal year which they accrue.

(12) Depreciation method for significant depreciable assets

- a. Tangible fixed assets (except for lease assets)
Depreciation of tangible fixed assets (except for lease assets) is mainly calculated under the declining-balance method.
Depreciation of buildings (except for building and accessories, and structures) acquired on and after April 1, 1998, and building and accessories, and structures acquired on and after April 1, 2016, is calculated under the straight-line method. The main durable years are as follows:

- Buildings, building and accessories, and structures: 2-50 years
- Furniture and fixtures: 2-20 years

- b. Intangible fixed assets (except for lease assets)
Depreciation of software used in-house is calculated under the straight-line method over a useful life of five years.
- c. Lease assets
For the depreciation of lease assets, lease assets with respect to ownership-transfer finance leases are calculated under the same method for self-owned tangible fixed assets, and lease assets with respect to non-ownership-transfer finance leases are calculated under the straight-line method over the lease period.

(13) Land revaluation

Taiyo Life revalued its land for operating purposes based on Act on Revaluation of Land (Act No. 34 of 1998). Regarding the valuation differences between the previous and the revalued amounts, the tax equivalent to this valuation differences has been recorded in Liabilities section as "Deferred tax liabilities on land revaluation" and the amount after deducting the tax equivalent from the valuation differences is recorded in Net Assets as "Land revaluation."

- The method of revaluation provided for in Article 3, Paragraph 3 of the same law

The amount is rationally adjusted and calculated based on the listed land price value as prescribed in Article 2, Item 1 of the Order for Enforcement of the Act on Revaluation of Land (Act No. 119 of 1998), the benchmark land price as prescribed in Article 2, Item 2 of the same, and an appraisal by the real estate appraisers as prescribed in Article 2, Item 5 of the same, etc.

- Date of revaluation: March 31, 2002

(14) Method for significant hedge accounting

- a. Hedge accounting method for Taiyo Life
 - (i) Method for hedge accounting
Deferral hedge treatment and fair value hedge treatment are used in hedge accounting. Special treatment is applied for interest rate swap transactions qualifying for special treatment, and allocation treatment is applied for currency swap transactions qualifying for allocation treatment.
 - (ii) Hedging instrument and hedged item
 - 1) Hedging instrument: interest rate swap
Hedged item: loans and bonds
 - 2) Hedging instrument: currency swap
Hedged item: foreign currency-denominated loans

- 3) Hedging instrument: foreign exchange contract
Hedged item: foreign currency-denominated assets
- 4) Hedging instrument: option
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts, domestic bonds
- 5) Hedging instrument: credit transaction
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts
- 6) Hedging instrument: forward contract
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts

(iii) Hedging policy

Based on internal rules, etc., in accordance with the risk management policy concerning asset management, cash flow and price fluctuation risks related to hedged items are hedged within a certain range.

(iv) Evaluation method for hedge effectiveness

Hedge effectiveness is evaluated semi-annually by methods such as ratio analysis which compares the cumulative total of market fluctuations or cash flow fluctuations of hedged items and hedging instruments. However, evaluation of hedge effectiveness is omitted for interest rate swap transactions under special treatment, etc., currency swap transactions under allocation treatment, contracts in which both the hedged item and the hedging instrument are denominated in the same currency, option transactions in which hedged items are domestic/foreign stocks and domestic/foreign-listed investment trusts, credit transactions and forward contracts, and option transactions in which domestic bonds are the hedged item.

b. Hedge accounting method for Daido Life

(i) Method for hedge accounting

Fair value hedge treatment is adopted for the method for hedge accounting. Allocation treatment is adopted for foreign exchange contract transactions hedging foreign currency fixed deposits qualifying for allocation treatment.

(ii) Hedging instrument and hedged item

Hedging instrument: foreign exchange contract
Hedged item: foreign currency-denominated available-for-sale securities and fixed deposits

(iii) Hedging policy

Based on internal rules, etc., concerning asset management, foreign exchange fluctuation risks of hedged items are hedged within a certain range.

(iv) Evaluation method for hedge effectiveness

Hedge effectiveness is evaluated by ratio analysis which mainly compares the fair value fluctuation of hedged items and hedging instruments.

However, the evaluation is omitted if the material conditions of the hedged item and the hedging instrument are the same and hedge effectiveness is high.

(15) Accounting treatment for consumption taxes

The accounting treatment of consumption tax and local consumption tax is based on the tax exclusion method. However, expenses of the nonlife insurance subsidiary such as loss adjustment expenses, sales and administrative expenses, etc. are treated based on the tax inclusion method. Furthermore, non-deductible consumption tax on assets, etc., which is prescribed in the tax law as deferred consumption tax, etc., is recorded in other assets and amortized over a 5-year period on a straight-line basis, whereas tax other than deferred consumption tax is expensed in the fiscal year in which it accrues.

(16) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash, deposits withdrawable at any time and readily convertible into cash, and short-term investments (term deposits, call loans, commercial paper, treasury discount bills, etc.) with insignificant risk of price fluctuations and with a maturity of 3 months or less at the time of acquisition.

(17) Application of consolidated taxation system

The consolidated tax payment system is applied to the Company and some of its consolidated subsidiaries, with the Company as the consolidated taxpayer parent company.

(18) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company and some of its consolidated subsidiaries have calculated the amount of deferred tax assets and deferred tax liabilities according to the tax acts before amended based on the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 39, March 31, 2020) instead of applying the provision on Paragraph 44 of "Implementation Guidance

on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

(19) Income from insurance premiums

In general, income from insurance premiums (excluding ceded reinsurance recoveries) is recorded by the Three Life Insurance Companies at the amount of premiums received, for insurance policies for which the premiums are received and the contractual liabilities have commenced.

Of premiums received, the amount corresponding to the unexpired period as of the fiscal year end is accounted for as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(20) Insurance claims and other payments/ Reserve for outstanding claims

Insurance claims and other payments (excluding reinsurance premiums) are recognized by the Three Life Insurance Companies at the amount of claims calculated and paid based on the policy conditions, for which the insured events provided in the policy conditions have occurred.

Based on Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act, reserve for outstanding claims is provided for unpaid insurance proceeds over the contracts for which payment obligations exist as of the fiscal year end or for which insured events have already incurred but not reported.

(21) Significant Accounting Estimates

a. Policy reserve

(i) Amounts recognized on the consolidated financial statements

	¥ millions	US\$ thousands
As of March 31,	2021	2021
Policy reserve	¥14,619,797	\$132,054,896
Provision for policy reserve	¥ 481,925	\$ 4,353,043

(ii) Information on significant accounting estimates in connection with items identified

1) Calculation method

It is stated in “Note 2 (7) Policy reserve.”

2) Major assumptions and their effects on the consolidated financial statements of the following fiscal year, etc.

If assumptions (base rates such as assumed incidence rate and assumed interest rate) stated in the statement of calculation procedures for insurance premiums and policy reserve significantly deviate from the latest actual rates and it is found to likely to be insufficient to cover the performance of the future obligations, additional policy reserve must be set aside in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

b. Accounting treatment for employees’ retirement benefits

(i) Amounts recognized on the consolidated financial statements

	¥ millions	US\$ thousands
As of March 31,	2021	2021
Net defined benefit asset	¥ 1,851	\$ 16,722
Net defined benefit liability	¥45,764	\$413,370

(ii) Information on significant accounting estimates in connection with items identified

1) Calculation method

Retirement benefit obligations and retirement benefit expense are calculated based on actuarial assumptions used for calculation of future retirement benefit obligations, expected long-term rate of return on plan assets and others.

The method for attributing the expected retirement benefit amount is stated in “Note 2 (11) Accounting method for employees’ retirement benefits”

2) Major assumptions and their effects on the consolidated financial statements of the following fiscal year, etc. Matters related to actuarial basis are stated in “Note 26 Employees’ Retirement Benefits” If any of the major assumptions such as discount rate and expected long-term rate of return on plan assets changes, there may be a significant impact on the net defined benefit asset or liability.

c. Impairment losses on fixed assets

(i) Amounts recognized on the consolidated financial statements

	¥ millions	US\$ thousands
As of March 31,	2021	2021
Impairment loss	¥2,915	\$26,336

(ii) Information on significant accounting estimates in connection with items identified

1) Calculation method

For the Three Life Insurance Companies, consolidated subsidiaries, real estates, etc. owned for insurance operations, etc., are grouped as a single asset group

(operating assets) and other assets such as rental properties and unused real estates are grouped separately by each property (investment assets).

For the Company and other consolidated subsidiaries, real estates, etc. owned for their own operations are grouped as a single asset group (operating assets).

For an asset group with an indication of impairment, impairment loss is recognized, when the total amount of undiscounted future cash flows is less than the carrying amount of the asset group, at the amount calculated by deducting the recoverable amount (the larger of discounted future cash flows and net realizable value) from the carrying amount.

- 2) Major assumptions and their effects on the consolidated financial statements of the following fiscal year, etc.

For calculation of undiscounted future cash flows for the purpose of determining impairment recognition, the amounts of future net income from insurance operations on the Mid-Term Management Plan, etc. are used for operating assets, and the track record and future outlook of net income by each property are used for investment assets.

If the future net income from insurance operations and the future outlook of net income, which are the major assumptions, deteriorate and the undiscounted future cash flows change, there may be a possibility to recognize impairment loss.

(22) Unadopted accounting standards, etc.

[Accounting Standard for Revenue Recognition, etc.]

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 26, 2021)

a. Summary

A comprehensive accounting standard for revenue recognition. Revenue will be recognized applying the following five steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations of the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations of the contract.

Step 5: Recognize the revenue at the time when the performance obligations are fulfilled or as the performance obligations is being fulfilled.

b. Scheduled date of adoption

Scheduled to be applied from the beginning of the fiscal year starting April 1, 2021.

c. Effect of the application of the accounting standards

For the fiscal year applied, the effect of the application is immaterial.

[Accounting Standard for Fair Value Measurement, etc.]

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued on March 31, 2020)

a. Summary

In order to improve the comparability of domestic and international accounting standard, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (“accounting standard for fair value measurement, etc.”) were developed, and the guidance for fair value measurement, etc. were enacted. Accounting standard for fair value measurement, etc. are adopted to the fair values of following items.

– Financial instruments defined in “Accounting Standard for Financial Instruments”

– Inventories held for trading purpose defined in “Accounting Standard for Measurement of Inventories”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised, and notes such as breakdown per levels of fair value of financial instruments were enacted.

b. Scheduled date of adoption

Scheduled to be applied from the beginning of the fiscal year starting April 1, 2021.

c. Effect of the application of the accounting standards

For the fiscal year applied, the effect of the application is immaterial.

[Changes in presentation]

[Application of Accounting Standard for Disclosure of Accounting Estimates]

Applying “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued on March 31, 2020) from the end of the consolidated fiscal year ended March 31, 2021, the Company disclosed notes on the consolidated financial statements regarding the significant accounting estimates.

In accordance with the transitional treatment prescribed in the proviso of paragraph 11 of the said accounting standard, comparative information for the consolidated fiscal year ended March 31, 2020 is not disclosed.

[Additional information]

[Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts]

The Company has introduced a trust type stock compensation system (the “System”), the Board Incentive Plan (BIP) Trust, which uses a trust to deliver the Company's shares, etc. to directors who are not audit and supervisory board members of the Company (excluding those who are part-time directors such as outside directors and non-residents in Japan) and executive officers of the Company (excluding those who are non-residents in Japan, and together with directors who are not audit and supervisory board members, referred to as “Directors, etc.”) and directors of the Three Life Insurance Companies (excluding those who are part-time directors such as outside directors and non-residents in Japan) and executive officers of the Three Life Insurance Companies (excluding those who are non-residents in Japan, and together with Directors, etc., referred to as “Eligible Directors, etc.”), with an aim to enhance the motivation of Directors to contribute to improving business performance and enhancing corporate value over the medium- to long-term.

The accounting treatment of the System is based on “Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts” (ASBJ Practical Issues Task Force (PITF) No. 30, March 26, 2015).

a. Summary

Based on the internal rules of the Company and Three Life Insurance Companies, the points are granted to Eligible Directors, etc. and they are delivered and provided through a trust of the Company's shares equivalent to accumulated points upon retirement and a monetary equivalent of the substitution value of the Company's shares. The Company's shares to be delivered to Eligible Directors, etc. will be acquired in advance by money in trust by the Company.

b. The Company's shares remaining in BIP Trust

For the Company's shares remaining in BIP Trust, the carrying value in the trust is recorded as the treasury share in net asset (excluding ancillary expenses). The carrying value of treasury share in the Trust was ¥1,275 million, and the number of treasury share in the Trust was 798,400 shares for the fiscal year ended March 31, 2020. Also, as of the end of the fiscal year ended March 31, 2021, the carrying value of treasury share in the Trust is ¥1,186 million [\$10,717 thousand], and the number of treasury share in the Trust is 742,900 shares.

[Accounting Estimates of Effect of COVID-19]

The Company and Three Life Insurance Companies implement accounting estimates of impairment accounting of fixed assets, etc. based on the information available at the time of preparing the financial statements on the assumption that the current situation continues. The impact of COVID-19 is small in terms of the amounts and accounting estimates from this fiscal year onwards.

Note 3 Loans

The amounts of delinquent loans of the Company and its consolidated subsidiaries are as follows:

		¥ millions	US\$ thousands
As of March 31,	2020	2021	2021
Loans to bankrupt companies	¥ 118	¥ 104	\$ 945
Past due loans	449	1,713	15,478
Loans overdue for three months or more	1,747	1,466	13,242
Restructured loans	21	21	190
Total	¥2,336	¥3,305	\$29,857

Loans to bankrupt companies are loans to borrowers that are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings on which the Company and its consolidated subsidiaries have stopped accruing interest after determining that collection or repayment of principal or interest is unlikely due to a significant delay in payment of principal or interest or for some other reason.

Past due loans are loans, other than those categorized as loans to bankrupt companies and loans for which due dates for interest payments have been rescheduled for purposes of restructuring or supporting the borrower, on which the Company and its consolidated subsidiaries have stopped accruing interest based on self-assessment.

Loans overdue for three months or more are loans other than those categorized as loans to bankrupt companies or past due loans for which principal and/or interest are overdue for three months or more beginning the day after the agreed due date.

Restructured loans are loans other than those categorized as loans to bankrupt companies, past due loans or loans overdue for three months or more for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims and/or other terms in favor of the borrower for purposes of restructuring or supporting the borrower.

The direct write-downs of estimated uncollectable loans are as follows:

		¥ millions	US\$ thousands
As of March 31,	2020	2021	2021
Loans to bankrupt companies	¥ 72	¥72	\$657
Past due loans	120	83	756

Note 4 Accumulated Depreciation of Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Accumulated depreciation of tangible fixed assets	¥241,486	¥248,205	\$2,241,939

Note 5 Separate Account Assets

The amounts of separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act are as follows. The amounts of liabilities are equal to the amounts of assets.

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act	¥27,022	¥30,471	\$275,233

Note 6 Reserve for Policyholder Dividends

The changes in reserve for policyholder dividends included in policy reserves are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Balance at the beginning of the year	¥ 82,663	¥ 76,581	\$ 691,733
Policyholder dividends	(28,009)	(26,273)	(237,321)
Increase in interest	18	16	150
Increase due to other reasons	25	—	—
Decrease due to other reasons	—	5	45
Provision for reserve for policyholder dividends	21,883	24,429	220,659
Balance at the end of the year	¥ 76,581	¥ 74,748	\$ 675,176

Note 7 Unused Loan Balance under Loan Commitments

The unused loan balance under loan commitments is as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Total amount of loan commitments	¥52,144	¥47,304	\$427,281
Balance of loans outstanding	13,737	20,509	185,256
Balance	¥38,407	¥26,794	\$242,024

Note 8 Lending Securities for Loan Agreements

The lending securities for loan agreements are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Lending securities for loan agreement	¥1,541,284	¥1,856,034	\$16,764,833

Note 9 Bonds

Bonds include subordinated bonds, of which the payment priority is subordinated to other debts. The amounts are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Subordinated bonds	¥157,000	¥157,000	\$1,418,119

Note 10 Other Liabilities

Other liabilities include subordinated borrowings, of which the payment priority is subordinated to other debts. The amounts are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Subordinated borrowings	¥13,000	¥13,000	\$117,423

Note 11 Future Contributions to the Life Insurance Policyholders Protection Corporation of Japan

The amounts of the Three Life Insurance Companies' future contributions to the Life Insurance Policyholders Protection Corporation of Japan, which are estimated in accordance with Article 259 of the Insurance Business Act, are as follows. The contributions are recorded on the consolidated statement of operation as an operating expense when contributed.

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Contributions to the Life Insurance Policyholders Protection Corporation	¥20,771	¥20,279	\$183,173

Note 12 Organizational Change Surplus

The amounts of the organizational change surplus prescribed in Article 91 of the Insurance Business Act, are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Taiyo Life Insurance Company	¥63,158	¥63,158	\$570,481
Daido Life Insurance Company	10,836	10,836	97,877

Note 13 Stocks of Affiliated Companies

Stocks of affiliated companies included in securities are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Stocks of affiliated companies	¥1,087	¥179,675	\$1,622,942

Note 14 Assets Pledged as Collateral and Secured Debts

Assets pledged as collateral are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Securities (Japanese government bonds)	¥ 788,254	¥1,203,296	\$10,868,904
Securities (Foreign securities)	783,493	765,700	6,916,271
Cash collateral pledged for financial instruments	1,516	18,275	165,070
Balance	¥1,573,263	¥1,987,271	\$17,950,246

Of these assets, securities are mainly pledged as a substitute for the overdraft limit of the exclusive account of real-time gross settlement of government bonds with the Bank of Japan, bond-lending transactions secured by securities, and margin for futures contracts, etc.

Secured debts

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Cash collateral received for bond-lending transactions	¥389,338	¥709,666	\$6,410,136

Note 15 Fair Value of Financial Assets Received as Collateral with Free Right of Disposal

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Financial Assets Received as Collateral with Free Right of Disposal	¥130,643	¥77,815	\$702,877

Note 16 Impairment Losses on Fixed Assets

The items regarding impairment losses on fixed assets are as follows:

(1) Grouping of assets

For the Three Life Insurance Companies, real estates, etc. owned for insurance operations, etc., are grouped as a single asset group and other assets such as rental properties and unused real estates are grouped separately by each property.

For the Company and the consolidated subsidiaries other than the Three Life Insurance Companies, real estates, etc. owned for their own operations are grouped as a single asset group.

(2) Circumstances which led to the recognition of impairment losses

For some rental properties, etc., carrying amount was reduced to the recoverable amount and the reduced amount was recorded in extraordinary losses as impairment losses because of a significant drop in the market price and a decline in profitability due to the stagnant rental income level, etc.

(3) Impairment losses recognized by asset group and the breakdown of the amounts of impairment losses by fixed asset type

Year ended March 31, 2020		¥ millions		
Asset	Location	Land	Buildings, etc.	Total
Rental properties, etc.	Niigata City, Niigata Prefecture, etc. (15 assets)	¥449	¥353	¥803

Year ended March 31, 2021		¥ millions			US\$ thousands
Asset	Location	Land	Buildings, etc.	Total	Total
Rental properties, etc.	Edogawa-ku , Tokyo, etc. (12 assets)	¥2,331	¥584	¥2,915	\$26,336

(4) Method for calculating the recoverable amount

The recoverable amount is based on net realizable value for rental properties, etc.

In principle, the net realizable value for rental properties, etc.

is calculated by subtracting the estimated costs of disposal from the appraisal value calculated in accordance with the real estate appraisal standard.

Note 17 Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects regarding other comprehensive income are as follows:

Years ended March 31,	2020	¥ millions 2021	US\$ thousands 2021
Valuation difference on available-for-sale securities:			
Amount occurred during the year	¥(88,206)	¥ 423,436	\$ 3,824,731
Reclassification adjustments	685	1,058	9,562
Amount before tax effect	(87,521)	424,494	3,834,294
Tax effect	22,096	(114,943)	(1,038,239)
Valuation difference on available-for-sale securities	(65,424)	309,551	2,796,054
Deferred gains (losses) on hedging instruments:			
Amount occurred during the year	653	(653)	(5,901)
Reclassification adjustments	212	212	1,922
Amount before tax effect	866	(440)	(3,979)
Tax effect	(259)	140	1,268
Deferred gains (losses) on hedging instruments	606	(300)	(2,710)
Foreign currency translation adjustments:			
Amount occurred during the year	0	1	15
Share of other comprehensive income of associates accounted for using the equity method:			
Amount occurred during the year	19	(3,037)	(27,434)
Total other comprehensive income	¥(64,798)	¥ 306,214	\$ 2,765,918

Note 18 Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2020

(1) Type and number of issued shares and treasury shares

Year ended March 31, 2020	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Issued shares:				
Common stock	655,000,000	—	22,000,000	633,000,000
Treasury shares:				
Common stock	43,041,691	11,481,980	22,212,230	32,311,441

Notes:

- Issued shares of common stock decreased due to the following reason:
 - Retirement of treasury shares based on the resolution made at the Board of Directors' meeting held on November 14, 2019: 22,000,000 shares
- Treasury shares of common stock increased due to the following reasons:
 - Purchase of treasury shares based on the resolution made at the Board of Directors' meeting held on May 15, 2019: 11,469,900 shares
 - Purchase of odd-lot shares: 12,080 shares
- Treasury shares of common stock decreased due to the following reasons:
 - Retirement of treasury shares based on the resolution made at the Board of Directors' meeting held on November 14, 2019: 22,000,000 shares
 - Exercise of stock option : 182,200 shares
 - Purchase request of odd-lot shares: 530 shares
 - Decrease by the BIP Trust: 29,500 shares
- The number of treasury shares of common stock includes 798,400 shares of the Company's treasury share owned by the BIP Trust as of the end of the fiscal year. (827,900 share as of beginning of the fiscal year.)

(2) Subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year
		¥ millions
The Company	Share subscription rights as stock options	¥876

(3) Shareholder dividends**a. Shareholder dividends paid**

Date of resolution	Type of shares	Amount of shareholder dividends	Shareholder dividends per share	Record date	Effective date
		¥ millions	¥		
Ordinary General Meeting of Shareholders held on June 26, 2019	Common stock	¥13,481	¥22.0	March 31, 2019	June 27, 2019
Board of Directors' meeting held on November 14, 2019	Common stock	¥13,232	¥22.0	September 30, 2019	December 6, 2019

Notes:

1. The total amount of shareholder dividends, which based on the resolution made at the Ordinary General Meeting of Shareholders held on June 26, 2019, includes ¥18 million of the dividends for the Company's treasury share owned by the BIP Trust.
2. The total amount of shareholder dividends, which based on the resolution made at the Board of Directors' meeting held on November 14, 2019, includes ¥17 million of the dividends for the Company's treasury share owned by the BIP Trust.

b. Shareholder dividends whose record date was in the fiscal year ended March 31, 2020, while their effective date is in the fiscal year ending March 31, 2021

Date of resolution	Type of shares	Amount of shareholder dividends	Underlying assets	Shareholder dividends per share	Record date	Effective date
		¥ millions		¥		
Ordinary General Meeting of Shareholders held on June 25, 2020	Common stock	¥13,232	Retained earnings	¥22.0	March 31, 2020	June 26, 2020

Notes:

1. It is planned to submit the bill to the Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2020.
2. The total amount of shareholder dividends includes ¥17 million of the dividends for the Company's treasury share owned by the BIP Trust.

For the year ended March 31, 2021**(1) Type and number of issued shares and treasury shares**

Year ended March 31, 2021	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Issued shares:				
Common stock	633,000,000	—	—	633,000,000
Treasury shares:				
Common stock	32,311,441	10,552,455	225,790	42,638,106

Notes:

1. Treasury shares of common stock increased due to the following reasons:
 - Purchase of treasury shares based on the resolution made at the Board of Directors' meeting held on November 13, 2020: 10,540,600 shares
 - Purchase of odd-lot shares: 11,855 shares
2. Treasury shares of common stock decreased due to the following reasons:
 - Exercise of stock option : 170,200 shares
 - Purchase request of odd-lot shares: 90 shares
 - Decrease by the BIP Trust: 55,500 shares
3. The number of treasury shares of common stock includes 742,900 shares of the Company's treasury share owned by the BIP Trust as of the end of the fiscal year. (798,400 share as of the beginning of the fiscal year.)

(2) Subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year
		¥ millions US\$ thousands
The Company	Share subscription rights as stock options	¥689 \$6,226

(3) Shareholder dividends**a. Shareholder dividends paid**

Date of resolution	Type of shares	Amount of shareholder dividends	Shareholder dividends per share	Record date	Effective date
		¥ millions US\$ thousands	¥ US\$		
Ordinary General Meeting of Shareholders held on June 25, 2020	Common stock	¥13,232 \$119,525	¥22.0 \$0.19	March 31, 2020	June 26, 2020
Board of Directors' meeting held on November 13, 2020	Common stock	¥13,236 \$119,558	¥22.0 \$0.19	September 30, 2020	December 4, 2020

Notes:

1. The total amount of shareholder dividends, which based on the resolution made at the Ordinary General Meeting of Shareholders held on June 25, 2020, includes ¥17 million of the dividends for the Company's treasury share owned by the BIP Trust.
2. The total amount of shareholder dividends, which based on the resolution made at the Board of Directors' meeting held on November 13, 2020, includes ¥16 million of the dividends for the Company's treasury share owned by the BIP Trust.

b. Shareholder dividends whose record date is in the fiscal year ended March 31, 2021, while their effective date is in the fiscal year ending March 31, 2022

Date of resolution	Type of shares	Amount of shareholder dividends		Underlying assets	Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands		¥	US\$		
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	¥14,186	\$128,141	Retained earnings	¥24.0	\$0.21	March 31, 2021	June 28, 2021

Notes:

1. It is planned to submit the bill to the Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2021.
2. The total amount of shareholder dividends includes ¥17 million of the dividends for the Company's treasury share owned by the BIP Trust.

Note 19 Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and cash deposits as stated in the consolidated balance sheet.

		¥ millions	US\$ thousands
As of March 31,	2020	2021	2021
Cash and deposits	¥ 861,770	¥ 1,020,246	\$ 9,215,490
Less: deposits with an original maturity of more than three months	(10,210)	(37,310)	(337,006)
Call loans	35,669	40,737	367,961
Monetary claims purchased	135,313	181,191	1,636,628
Less: monetary claims purchased other than cash equivalents	(115,313)	(126,192)	(1,139,847)
Monetary trusts	970,622	1,139,054	10,288,631
Less: monetary trusts other than cash equivalents	(959,911)	(1,132,161)	(10,226,369)
Cash and cash equivalents	¥ 917,940	¥ 1,085,565	\$ 9,805,487

Note 20 Lease Transactions

[As lessee]

(1) Finance leases

- Ownership-transfer finance leases
 - Details of lease assets
 - Intangible fixed assets: software
 - Depreciation method for lease assets
 - The same depreciation method applied to self-owned fixed assets is applied.
- Non-ownership-transfer finance leases
 - Details of lease assets
 - Tangible fixed assets: office appliances such as computer servers
 - Intangible fixed assets: software
 - Depreciation method for lease assets
 - Straight-line method over the lease period is applied.

(2) Operating leases

Future lease payments under non-cancellable operating leases are as follows:

		¥ millions	US\$ thousands
As of March 31,	2020	2021	2021
Due within one year	¥5	¥ 4	\$ 42
Due after one year	4	12	111
Total	¥9	¥17	\$154

[As lessor]**(1) Details of Lease investment assets**

Other assets

As of March 31,	2020	¥ millions 2021	US\$ thousands 2021
Other:			
Lease income receivables	¥41,994	¥43,217	\$390,362
Estimated residual value	106	122	1,109
Interest income	(3,459)	(3,677)	(33,214)
Total lease investment assets	¥38,640	¥39,662	\$358,257

(2) Projected collection amounts of lease income receivables related to lease receivables and lease investment assets after the consolidated closing dates

Other assets

	¥ millions		US\$ thousands	
As of March 31, 2020	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
Due within one year	¥1,744	¥10,041	\$15,491	\$94,522
Due after one year through two years	1,410	8,687	13,013	81,911
Due after two years through three years	1,139	7,282	10,683	69,309
Due after three years through four years	894	5,871	8,472	53,423
Due after four years through five years	670	4,116	6,174	37,265
Due after five years	1,280	5,994	10,953	53,930

As of March 31, 2021	¥ millions		US\$ thousands	
As of March 31, 2021	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
Due within one year	¥1,715	¥10,464	\$15,491	\$94,522
Due after one year through two years	1,440	9,068	13,013	81,911
Due after two years through three years	1,182	7,673	10,683	69,309
Due after three years through four years	938	5,914	8,472	53,423
Due after four years through five years	683	4,125	6,174	37,265
Due after five years	1,212	5,970	10,953	53,930

Note 21 Tax-Effect Accounting**(1) Breakdown of the accrual of deferred tax assets and liabilities by main causes**

As of March 31,	2020	¥ millions 2021	US\$ thousands 2021
Deferred tax assets:			
Reserve for price fluctuations	¥ 67,950	¥ 70,303	\$ 635,019
Policy reserves	62,278	61,746	557,732
Net defined benefit liability	29,915	29,121	263,042
Devaluation losses on securities	17,911	19,067	172,232
Losses on disposal of fixed assets	5,361	6,024	54,417
Valuation difference on available-for-sale securities	0	2,652	23,963
Provision for bonuses	2,243	2,455	22,179
Reserve for possible loan losses	609	1,046	9,452
Tax loss carry-forward	754	836	7,556
Others	12,756	13,228	119,485
Subtotal	199,781	206,483	1,865,082
Valuation allowance	(18,262)	(18,643)	(168,396)
Total deferred tax assets	181,519	187,840	1,696,685
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(99,076)	(216,450)	(1,955,108)
Accrued dividend income	(2,617)	(2,325)	(21,008)
Deferred gain on reduction of carrying amount of real estate	(709)	(702)	(6,348)
Others	(1,150)	(4,527)	(40,897)
Total deferred tax liabilities	(103,553)	(224,006)	(2,023,362)
Net deferred tax assets (liabilities)	¥ 77,965	¥ (36,166)	\$ (326,677)

(2) Breakdown of important differences between the statutory effective tax rate and the corporate tax rate, etc., after applying tax-effect accounting by main item of the causes

Years ended March 31,	2020	2021
Effective statutory tax rate	28.0%	28.0%
(Adjustments)		
Valuation allowance	2.6	0.2
Permanent non-deductible items including entertainment expense, etc.	0.5	0.2
Equity in earnings (losses) of affiliates	0.1	(16.5)
Retained earnings of subsidiaries and affiliates	—	1.3
Others	(0.1)	1.4
Corporate tax rate, etc., after applying tax-effect accounting	31.1%	14.6%

Note 22 Financial Instruments

(1) Matters related to the condition of financial instruments

a. Policy for handling financial instruments

T&D Insurance Group's main business is life insurance business. The Group underwrites various classes of life insurance and invests the money collected as insurance premiums in financial assets including securities and loans.

In order to efficiently invest the insurance premiums trusted to us by the policyholders, the Group's asset management policy aims to build a portfolio which ensures long-term stable returns considering the characteristics of obligations involved in life insurance policies, based on the concept of ERM which integrally manages capital, profit, and risk, and at the same time, paying adequate attention to the soundness and public nature of the investments.

Derivative financial instruments are used to hedge fluctuation risks involved in our investment in financial instruments, as well as partially complement physical assets.

Furthermore, in order to pursue greater financial soundness, the Group has been financing the subordinated-class capital (bonds and borrowings).

b. Details and risks of financial instruments

Financial assets held by the Group mainly comprise securities and loans.

Securities include public and corporate bonds, stocks and investment trusts offered at home and abroad that are held on a long-term basis for the purpose of investment geared to market prospects to ensure stable returns. These financial instruments are exposed to credit risks of the issuing entities and market risks associated with fluctuations in interest rate, exchange rates and stock prices, as well as market liquidity risks.

Loans here include policy loans for policyholders and commercial loans (non-policy loans) provided mainly to domestic businesses and individuals. Commercial loans,

though intended to ensure stable returns, are exposed to credit risks of borrowers' default. A policy loan is provided within the surrender value of each insurance policy, thus its credit risk is minimal.

Derivative transactions including stock index futures contracts, forward exchange contracts and interest rate swap agreements are used primarily to hedge price fluctuation risks of our financial assets, and partially to complement physical assets by, for example, providing a solution to the time constraint prior to the inclusion of physical assets into our portfolio. Accordingly, the Group does not enter into those transactions for speculative purposes.

Stringent risk management is in place for derivative transactions, by clearly defining tolerable allowances in terms of the details, hedged items and trading limits of the transactions as well as by properly controlling their status.

Hedge accounting is appropriately practiced in interest rate swap agreements for loans and forward exchange contracts for foreign currency-denominated assets, under the internal rules clearly defining qualifications, applicable types of transactions, methods of evaluation of its effectiveness and methods of its designation. Effectiveness of hedging is determined by ratio analysis methodology comparing the movements of fair values of the hedged items and hedging instruments.

c. Risk management system for financial instruments

(i) Overall risk management system

The Group, in consideration of the social and public nature of the life insurance business which is its main business, defines precise identification and management of risks as one of the crucial management tasks for ensuring the soundness and adequacy of management, where the Company, as the Group's holding company, has developed a "Group Risk Management Policy" which sets out the basic risk management philosophy within

the Group and provides the appropriate risk management structure according to the business characteristics and risk profiles of each of the Company including the Three Life Insurance Companies.

As an organizational structure, the Group Risk Management Committee has been established for the purpose of coordinated management of risks within the Group, and has a clear understanding of the status of various risks at each company including the Three Life Insurance Companies, through reports prepared on a regular or as-needed basis at each company using the unified risk management criteria. Further, the Company provides guidance and advice as appropriate to companies including the Three Life Insurance Companies, to carry out thorough risk management at each company and strengthen the Group's entire risk management system.

At each of the Three Life Insurance Companies, a committee has been established to supervise company-wide risk management at an enhanced level, while a mutual check-and-balance system is in place under the internal organizational arrangement including the separation of the investment and loan execution function from the administration function within the investment division, independence of the credit check function and implementation of the internal audits by the Internal Auditing Department.

Furthermore, the Group has established the ERM committee to manage risks integrally with profit and capital on an economic value basis. Through the promotion and enhancement of ERM, the Group aims for steady and sustainable growth in its corporate value.

(ii) Management of market risk

Market risks are properly controlled according to the risk characteristic of each asset based on a precise understanding of the sensitivity of investment assets to parameters reflecting changes in the investment environment, including interest rate, stock prices and exchange rates, as well as by reviewing asset allocation and risk hedging based on identification of the overall risk of the portfolio using the Value at Risk criterion (hereafter referred to as "VaR").

(iii) Management of credit risk

Credit risk of the entire portfolio is identified and controlled through its quantification by the use of VaR based on an internal rating for individual borrowers. Meanwhile, the aggregate amount of investment and loans is capped by each industry sector or by group of companies according to the corresponding risks, whereby concentration of loans to specific industry sectors or groups of companies is restrained.

(iv) Management of liquidity risk

Liquidity risks are properly managed by ensuring a constant amount of liquidity based on the Risk Management Department's precise understanding of the latest risk information, including the share of highly liquid assets, cash flow situation, trends of the general financial/securities markets and the status of individual financial instruments, as well as by developing a management structure that enables smooth liquidation of assets for financing.

d. Supplementary notes concerning the matters related to fair value, etc., of financial instruments

Fair value is based on market price or rationally estimated fair value if the market price is not readily available.

Estimation of fair value requires the use of certain assumptions, etc. Therefore, the use of different assumptions, etc. may lead to a different value.

In addition, notional amounts of derivative financial instruments shown in "(2) Matters related to fair value, etc., of financial instruments" do not represent exposure to market risks.

(2) Matters related to fair value, etc., of financial instruments

The following tables show consolidated balance sheet amounts, fair values and differences. Financial instruments deemed extremely difficult to determine fair value are not included. (See Annotation 2.)

	¥ millions		
As of March 31, 2020	Consolidated balance sheet amount	Fair value	Difference
Cash and deposits	¥ 861,770	¥ 861,770	¥ —
Treated as securities	65,500	65,500	—
Available-for-sale securities	65,500	65,500	—
Others	796,270	796,270	—
Call loans	35,669	35,669	—
Monetary claims purchased	135,313	137,600	2,286
Treated as securities	131,756	133,905	2,148
Held-to-maturity bonds	49,186	51,335	2,148
Available-for-sale securities	82,570	82,570	—
Others	3,557	3,694	137
Monetary trusts	970,622	1,059,719	89,096
Monetary trusts for trading purposes	5,173	5,173	—
Monetary trusts for held-to-maturity purposes	30,022	31,767	1,745
Monetary trusts for policy reserve-matching purposes	615,739	703,090	87,351
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	319,687	319,687	—
Securities	11,800,219	12,520,770	720,550
Trading securities	26,419	26,419	—
Held-to-maturity bonds	1,048,128	1,251,165	203,036
Policy reserve-matching bonds	3,674,053	4,191,567	517,514
Available-for-sale securities	7,051,617	7,051,617	—
Loans	1,696,347	1,738,682	42,334
Policy loans* ¹	126,925	140,550	13,633
Commercial loans* ¹	1,570,613	1,598,132	28,701
Reserve for possible loan losses* ²	(1,191)	—	—
Total assets	15,499,943	16,354,212	854,269
Short-term debentures	5,999	5,999	—
Bonds	187,005	186,467	(537)
Cash collateral received for bond-lending transactions within other liabilities	389,338	389,338	—
Borrowings within other liabilities	48,957	48,986	29
Total liabilities	631,300	630,792	(508)
Derivative financial instruments* ³ :			
Hedge accounting not applied	16,997	16,997	—
Hedge accounting applied	(8,141)	(7,494)	646
Total derivative financial instruments	¥ 8,856	¥ 9,502	¥ 646

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in the consolidated balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

¥ millions

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Cash and deposits	¥ 1,020,246	¥ 1,020,246	¥ —
Treated as securities	76,000	76,000	—
Available-for-sale securities	76,000	76,000	—
Others	944,246	944,246	—
Call loans	40,737	40,737	—
Monetary claims purchased	181,191	182,600	1,409
Treated as securities	177,830	179,127	1,296
Held-to-maturity bonds	98,207	99,503	1,296
Available-for-sale securities	79,623	79,623	—
Others	3,360	3,472	112
Monetary trusts	1,139,054	1,194,495	55,441
Monetary trusts for trading purposes	4,840	4,840	—
Monetary trusts for held-to-maturity purposes	30,176	30,951	774
Monetary trusts for policy reserve-matching purposes	694,770	749,437	54,666
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	409,265	409,265	—
Securities	12,585,841	13,123,463	537,622
Trading securities	30,105	30,105	—
Held-to-maturity bonds	1,014,956	1,184,092	169,136
Policy reserve-matching bonds	4,079,227	4,447,712	368,485
Available-for-sale securities	7,461,552	7,461,552	—
Loans	1,731,960	1,761,690	29,730
Policy loans* ¹	105,944	115,706	9,768
Commercial loans* ¹	1,628,733	1,645,984	19,961
Reserve for possible loan losses* ²	(2,717)	—	—
Total assets	16,699,031	17,323,234	624,202
Short-term debentures	5,999	5,999	—
Bonds	157,000	157,158	158
Cash collateral received for bond-lending transactions within other liabilities	709,666	709,666	—
Borrowings within other liabilities	46,921	46,959	37
Total liabilities	919,587	919,783	195
Derivative financial instruments* ³ :			
Hedge accounting not applied	6,645	6,645	—
Hedge accounting applied	(113,021)	(112,510)	511
Total derivative financial instruments	¥ (106,375)	¥ (105,864)	¥ 511

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Cash and deposits	\$ 9,215,490	\$ 9,215,490	\$ —
Treated as securities	686,478	686,478	—
Available-for-sale securities	686,478	686,478	—
Others	8,529,012	8,529,012	—
Call loans	367,961	367,961	—
Monetary claims purchased	1,636,628	1,649,356	12,728
Treated as securities	1,606,277	1,617,986	11,709
Held-to-maturity bonds	887,066	898,775	11,709
Available-for-sale securities	719,210	719,210	—
Others	30,351	31,369	1,018
Monetary trusts	10,288,631	10,789,413	500,782
Monetary trusts for trading purposes	43,723	43,723	—
Monetary trusts for held-to-maturity purposes	272,576	279,574	6,997
Monetary trusts for policy reserve-matching purposes	6,275,592	6,769,376	493,784
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	3,696,738	3,696,738	—
Securities	113,682,970	118,539,099	4,856,128
Trading securities	271,930	271,930	—
Held-to-maturity bonds	9,167,699	10,695,446	1,527,747
Policy reserve-matching bonds	36,846,062	40,174,443	3,328,381
Available-for-sale securities	67,397,278	67,397,278	—
Loans	15,644,118	15,912,659	268,540
Policy loans* ¹	956,959	1,045,129	88,235
Commercial loans* ¹	14,711,708	14,867,529	180,305
Reserve for possible loan losses* ²	(24,549)	—	—
Total assets	150,835,800	156,473,980	5,638,180
Short-term debentures	54,193	54,193	—
Bonds	1,418,119	1,419,546	1,427
Cash collateral received for bond-lending transactions within other liabilities	6,410,136	6,410,136	—
Borrowings within other liabilities	423,823	424,165	341
Total liabilities	8,306,273	8,308,042	1,769
Derivative financial instruments* ³ :			
Hedge accounting not applied	60,030	60,030	—
Hedge accounting applied	(1,020,880)	(1,016,264)	4,615
Total derivative financial instruments	\$ (960,850)	\$ (956,234)	\$ 4,615

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in the consolidated balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

Annotation 1

Matters relating to the calculation method for the fair value of financial instruments as well as securities and derivative transactions.

Assets

- a. Cash and deposits: mainly recorded in carrying amounts as their fair values are proximate to the carrying amounts.
- b. Call loans: recorded in carrying amounts as these are settled in a short period, thus their fair values are proximate to the carrying amounts.

- c. Monetary claims purchased: Those which are deemed appropriate to treat as securities are recorded in the same way as securities, while others which are deemed appropriate to treat as loan receivable are recorded in the same way as loans.
- d. Monetary trusts: Monetary trusts which are mainly invested in securities are recorded in the same way as securities, while monetary trusts which have similar nature with cash and deposits are recorded in carrying amounts. In addition, currency options and stock index option contracts, etc., are used in monetary trusts where their fair values are calculated based on prices quoted by the counterparty financial institutions.

- e. Securities: Fair values of securities are mainly based on their prices quoted on the stock exchange concerned, while those of bonds are based on the statistics for reference published by the Japan Securities Dealers Association or on the prices quoted by the underwriting financial institutions. Fair values of investment trusts are based on the published base prices, etc.

See “Note 23 Securities” for notes related to securities by holding purposes.

- f. Loans:

- (i) Policy loans: Fair value is calculated by discounting the expected future cash flow derived from the repayment rate based on the past actual repayment performance by the risk-free rate.
- (ii) Commercial loans: A variable interest rate loan reflects the market interest rate in a short period. Therefore, it is recorded at carrying amount as its fair value is proximate to the carrying amount unless the borrower's credit standing significantly changes after the loan is provided.

Fair value of fixed interest rate loans is calculated by discounting the total of principal and interest by risk-free rates weighted by credit risks involved.

For loans to bankrupt companies, loans to effectively bankrupt companies and loans to potentially bankrupt companies, since estimated uncollectable amounts are calculated based on the present value of the estimated future cash flows or estimated amounts recoverable through pledge or guarantee, fair values are proximate

to consolidated balance sheet amounts less uncollectable amounts at the consolidated closing date. These values are recorded as fair values.

However, for compound financial instruments, fair values are based on their prices quoted by the underwriting financial institutions.

Liabilities

- a. Short-term debentures: Recorded in carrying amounts. Fair values are proximate to carrying amounts because these are settled in a short period.
- b. Bonds: Fair values are based on the statistics for reference published by the Japan Securities Dealers Association or on the prices quoted by the underwriting financial institutions or calculated by discounting the total of principal and interest by risk-free rates weighted by credit risks involved.
- c. Cash collateral received for bond-lending transactions: Recorded in carrying amounts. Fair values are proximate to carrying amounts because these are short-term transactions.
- d. Borrowings: Fair values are calculated by discounting the total of principal and interest by risk-free rates weighted by credit risks involved.

Derivative transactions: see “Note 25 Derivative Transactions.”

Annotation 2

The balance sheet amounts of financial instruments deemed extremely difficult to determine fair value, which are not included in “e. Securities” of “Assets” are summarized as follows:

		¥ millions	US\$ thousands
As of March 31,	2020	2021	2021
Investments in affiliates	¥ 1,087	¥179,675	\$1,622,942
Available-for-sale securities	220,198	267,229	2,413,777
Unlisted stocks *1, *2	17,071	18,126	163,726
Foreign securities *1, *2, *3	176,102	221,281	1,998,744
Other securities *2, *3	27,023	27,822	251,306

*1. Unlisted stocks are exempt from disclosure of fair value because fair value is considered extremely difficult to obtain due to the lack of market value.

*2. Impairment losses:

– For the year ended March 31, 2020: foreign securities of ¥1,390 million, other securities of ¥105 million and unlisted stocks of ¥6 million.

– For the year ended March 31, 2021: foreign securities of ¥2,299 million [\$20,766 thousand], other securities of ¥694 million [\$6,271 thousand] and unlisted stocks of ¥392 million [\$3,547 thousand].

*3. Investment in capital of partnership is exempt from disclosure of fair value because the partnership assets comprise financial instruments deemed extremely difficult to determine fair value such as unlisted stocks.

Annotation 3

Scheduled redemption amounts after the consolidated closing date for monetary claims and fixed-maturity securities are as follows:

	¥ millions			
As of March 31, 2020	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥861,634	¥ —	¥ —	¥ —
Call loans	35,669	—	—	—
Monetary claims purchased	20,132	1,870	1,383	105,881
Securities:				
Held-to-maturity bonds:				
Government bonds	57,702	237,047	41,589	535,875
Municipal bonds	—	664	3,120	27,586
Corporate bonds	11,604	42,656	—	101,214
Foreign securities	—	—	—	4,542
Policy reserve-matching bonds:				
Government bonds	3,183	158,950	208,517	1,908,648
Municipal bonds	—	14,161	44,974	214,972
Corporate bonds	11,000	120,330	149,245	769,312
Foreign securities	—	3,444	21,112	11,458
Available-for-sale fixed maturity securities:				
Government bonds	11,171	85,565	45,030	385,748
Municipal bonds	6,119	12,316	21,630	16,384
Corporate bonds	91,647	313,060	297,606	182,938
Foreign securities	236,968	736,246	892,218	577,428
Other securities	—	20	2	—
Loans	169,722	644,052	513,644	227,254

* Securities without contractual maturity dates in the amount of ¥1,153,825 million are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥143,051 million are not included.

	¥ millions			
As of March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥1,020,132	¥ —	¥ —	¥ —
Call loans	40,737	—	—	—
Monetary claims purchased	55,166	3,188	3,781	114,293
Securities:				
Held-to-maturity bonds:				
Government bonds	133,604	112,296	235,365	353,246
Municipal bonds	36	811	4,493	35,105
Corporate bonds	17,971	24,685	10,935	97,654
Foreign securities	—	—	—	3,536
Policy reserve-matching bonds:				
Government bonds	15,828	194,166	240,679	2,139,636
Municipal bonds	85	31,810	30,520	230,584
Corporate bonds	20,500	115,369	177,032	811,527
Foreign securities	—	8,123	31,685	8,608
Available-for-sale fixed maturity securities:				
Government bonds	55,400	33,525	41,870	359,848
Municipal bonds	3,602	12,817	19,066	16,031
Corporate bonds	70,227	317,482	258,755	190,138
Foreign securities	83,227	929,891	693,914	671,765
Other securities	—	6	459	—
Loans	177,942	656,817	541,091	227,456

US\$ thousands

As of March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	\$9,214,461	\$ —	\$ —	\$ —
Call loans	367,961	—	—	—
Monetary claims purchased	498,297	28,800	34,153	1,032,372
Securities:				
Held-to-maturity bonds:				
Government bonds	1,206,794	1,014,331	2,125,966	3,190,735
Municipal bonds	331	7,325	40,584	317,096
Corporate bonds	162,324	222,975	98,774	882,073
Foreign securities	—	—	—	31,947
Policy reserve-matching bonds:				
Government bonds	142,968	1,753,825	2,173,958	19,326,492
Municipal bonds	773	287,327	275,683	2,082,777
Corporate bonds	185,168	1,042,083	1,599,062	7,330,209
Foreign securities	—	73,376	286,200	77,755
Available-for-sale fixed maturity securities:				
Government bonds	500,406	302,818	378,196	3,250,371
Municipal bonds	32,540	115,774	172,219	144,807
Corporate bonds	634,340	2,867,697	2,337,241	1,717,450
Foreign securities	751,763	8,399,349	6,267,860	6,067,796
Other securities	—	57	4,150	—
Loans	1,607,285	5,932,778	4,887,471	2,054,521

* Securities without contractual maturity dates in the amount of ¥1,286,416 million [\$11,619,698 thousand] are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥131,526 million [\$1,188,031 thousand] are not included.

Annotation 4

Scheduled repayment amounts after the consolidated closing date for bonds, borrowings, and other liabilities are as follows:

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
As of March 31, 2020	¥ 5,999	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term debenture	¥ 5,999	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	30,000	—	—	—	—	157,000
Cash collateral received for bond-lending transactions within other liabilities	389,338	—	—	—	—	—
Borrowings within other liabilities	10,792	8,063	6,176	4,916	3,546	15,463

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
As of March 31, 2021	¥ 6,000	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term debenture	¥ 6,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	—	157,000
Cash collateral received for bond-lending transactions within other liabilities	709,666	—	—	—	—	—
Borrowings within other liabilities	9,622	7,735	6,475	5,106	2,723	15,257

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
As of March 31, 2021	\$ 54,195	\$ —	\$ —	\$ —	\$ —	\$ —
Short-term debenture	\$ 54,195	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—	—	1,418,119
Cash collateral received for bond-lending transactions within other liabilities	6,410,136	—	—	—	—	—
Borrowings within other liabilities	86,917	69,873	58,492	46,125	24,599	137,816

Note 23 Securities
(1) Trading securities

		¥ millions	US\$ thousands
As of March 31,	2020	2021	2021
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥(10,115)	¥4,392	\$39,671

(2) Held-to-maturity bonds

		¥ millions	
As of March 31, 2020	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥1,040,049	¥1,243,100	¥203,051
Government bonds	854,917	1,022,633	167,715
Municipal bonds	30,750	38,976	8,225
Corporate bonds	154,381	181,491	27,110
Foreign securities	4,695	4,785	90
Foreign bonds	4,695	4,785	90
Other securities	42,811	45,022	2,210
Total	1,087,557	1,292,909	205,351
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	3,383	3,278	(104)
Government bonds	1,083	1,019	(64)
Municipal bonds	1,000	993	(6)
Corporate bonds	1,300	1,265	(34)
Other securities	6,374	6,312	(61)
Total	9,757	9,591	(166)
Grand total	¥1,097,314	¥1,302,500	¥205,185

Note: Other securities include beneficiary trust certificates (consolidated balance sheet amount of ¥49,186 million) which are represented as monetary claims purchased in the consolidated balance sheet.

		¥ millions	
As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥ 960,568	¥1,130,602	¥170,033
Government bonds	796,028	935,574	139,546
Municipal bonds	30,174	37,594	7,419
Corporate bonds	134,365	157,433	23,068
Foreign securities	2,058	2,104	45
Foreign bonds	2,058	2,104	45
Other securities	46,512	48,088	1,575
Total	1,009,139	1,180,795	171,655
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	50,785	49,842	(942)
Government bonds	23,060	22,872	(187)
Municipal bonds	10,623	10,531	(92)
Corporate bonds	17,101	16,438	(662)
Foreign securities	1,543	1,543	(0)
Foreign bonds	1,543	1,543	(0)
Other securities	51,694	51,415	(279)
Total	104,023	102,801	(1,222)
Grand total	¥1,113,163	¥1,283,596	¥170,433

US\$ thousands

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	\$ 8,676,439	\$10,212,287	\$1,535,847
Government bonds	7,190,214	8,450,678	1,260,464
Municipal bonds	272,558	339,572	67,014
Corporate bonds	1,213,667	1,422,036	208,368
Foreign securities	18,594	19,008	414
Foreign bonds	18,594	19,008	414
Other securities	420,129	434,363	14,233
Total	9,115,164	10,665,659	1,550,495
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	458,725	450,211	(8,514)
Government bonds	208,296	206,600	(1,696)
Municipal bonds	95,956	95,124	(831)
Corporate bonds	154,472	148,486	(5,985)
Foreign securities	13,939	13,939	(0)
Foreign bonds	13,939	13,939	(0)
Other securities	466,936	464,412	(2,524)
Total	939,601	928,563	(11,038)
Grand total	\$10,054,765	\$11,594,222	\$1,539,456

Note: Other securities include commercial paper (consolidated balance sheet amount of ¥34,998 million [\$316,130 thousand]) and beneficiary trust certificates (consolidated balance sheet amount of ¥63,208 million [\$570,935 thousand]) which are represented as monetary claims purchased in the consolidated balance sheet.

(3) Policy reserve-matching bonds

¥ millions

As of March 31, 2020	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥3,072,405	¥3,595,042	¥522,636
Government bonds	1,973,801	2,336,137	362,336
Municipal bonds	217,593	247,806	30,213
Corporate bonds	881,010	1,011,097	130,086
Foreign securities	37,021	42,993	5,972
Foreign bonds	37,021	42,993	5,972
Total	3,109,427	3,638,035	528,608
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	562,975	551,913	(11,062)
Government bonds	326,897	321,116	(5,781)
Municipal bonds	57,906	56,464	(1,442)
Corporate bonds	178,171	174,332	(3,839)
Foreign securities	1,650	1,618	(31)
Foreign bonds	1,650	1,618	(31)
Total	564,626	553,532	(11,094)
Grand total	¥3,674,053	¥4,191,567	¥517,514

¥ millions

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥2,822,710	¥3,236,625	¥413,915
Government bonds	1,881,855	2,167,918	286,062
Municipal bonds	189,352	213,897	24,544
Corporate bonds	751,501	854,809	103,307
Foreign securities	40,159	43,751	3,591
Foreign bonds	40,159	43,751	3,591
Total	2,862,870	3,280,377	417,506
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	1,205,313	1,156,911	(48,401)
Government bonds	718,541	688,766	(29,774)
Municipal bonds	105,036	100,601	(4,435)
Corporate bonds	381,735	367,543	(14,191)
Foreign securities	11,043	10,423	(619)
Foreign bonds	11,043	10,423	(619)
Total	1,216,357	1,167,335	(49,021)
Grand total	¥4,079,227	¥4,447,712	¥368,485

US\$ thousands

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	\$25,496,437	\$29,235,170	\$3,738,733
Government bonds	16,998,065	19,581,957	2,583,891
Municipal bonds	1,710,350	1,932,053	221,703
Corporate bonds	6,788,021	7,721,160	933,138
Foreign securities	362,746	395,189	32,442
Foreign bonds	362,746	395,189	32,442
Total	25,859,184	29,630,360	3,771,176
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	10,887,126	10,449,930	(437,195)
Government bonds	6,490,303	6,221,359	(268,943)
Municipal bonds	948,754	908,692	(40,061)
Corporate bonds	3,448,068	3,319,878	(128,190)
Foreign securities	99,751	94,152	(5,599)
Foreign bonds	99,751	94,152	(5,599)
Total	10,986,878	10,544,083	(442,794)
Grand total	\$36,846,062	\$40,174,443	\$3,328,381

(4) Available-for-sale securities

¥ millions

As of March 31, 2020	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	¥1,534,867	¥1,460,004	¥ 74,863
Government bonds	381,231	358,037	23,194
Municipal bonds	49,078	44,486	4,592
Corporate bonds	1,104,557	1,057,480	47,077
Domestic equities	353,924	187,850	166,074
Foreign securities	2,842,046	2,652,532	189,513
Foreign bonds	2,261,281	2,095,946	165,335
Foreign equities	1	1	0
Foreign other securities	580,762	556,584	24,178
Other securities	170,451	146,749	23,702
Total	4,901,290	4,447,136	454,154
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	445,938	455,536	(9,597)
Government bonds	205,266	211,051	(5,785)
Municipal bonds	11,760	12,258	(498)
Corporate bonds	228,912	232,226	(3,314)
Domestic equities	230,175	264,750	(34,574)
Foreign securities	1,343,406	1,419,373	(75,966)
Foreign bonds	508,957	538,162	(29,204)
Foreign equities	17,236	19,175	(1,939)
Foreign other securities	817,212	862,035	(44,822)
Other securities	278,876	300,555	(21,679)
Total	2,298,397	2,440,215	(141,818)
Grand total	¥7,199,688	¥6,887,352	¥ 312,335

Note: Other securities include certificates of deposit (consolidated balance sheet amount of ¥65,500 million) which are represented as cash and deposits, commercial paper (consolidated balance sheet amount of ¥19,999 million) and beneficiary trust certificates (consolidated balance sheet amount of ¥62,570 million) which are represented as monetary claims purchased in the consolidated balance sheet.

¥ millions

As of March 31, 2021	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	¥1,559,072	¥1,488,597	¥ 70,474
Government bonds	341,044	321,736	19,308
Municipal bonds	45,754	41,945	3,808
Corporate bonds	1,172,273	1,124,915	47,357
Domestic equities	732,871	416,209	316,661
Foreign securities	3,643,381	3,340,857	302,523
Foreign bonds	2,028,223	1,901,926	126,296
Foreign equities	21,616	19,736	1,880
Foreign other securities	1,593,541	1,419,194	174,346
Other securities	392,582	320,452	72,129
Total	6,327,907	5,566,117	761,789
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	331,465	342,121	(10,655)
Government bonds	196,239	204,827	(8,587)
Municipal bonds	9,174	9,761	(587)
Corporate bonds	126,051	127,533	(1,481)
Domestic equities	47,200	51,213	(4,012)
Foreign securities	758,423	775,825	(17,402)
Foreign bonds	571,554	585,459	(13,904)
Foreign equities	422	432	(9)
Foreign other securities	186,446	189,934	(3,487)
Other securities	152,179	153,385	(1,206)
Total	1,289,269	1,322,546	(33,277)
Grand total	¥7,617,176	¥6,888,663	¥728,512

As of March 31, 2021	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	\$14,082,486	\$13,445,913	\$ 636,572
Government bonds	3,080,522	2,906,120	174,402
Municipal bonds	413,281	378,876	34,404
Corporate bonds	10,588,682	10,160,916	427,766
Domestic equities	6,619,738	3,759,457	2,860,280
Foreign securities	32,909,234	30,176,656	2,732,578
Foreign bonds	18,320,144	17,179,356	1,140,788
Foreign equities	195,256	178,273	16,982
Foreign other securities	14,393,833	12,819,026	1,574,807
Other securities	3,546,042	2,894,525	651,517
Total	57,157,501	50,276,552	6,880,949
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	2,994,001	3,090,252	(96,250)
Government bonds	1,772,558	1,850,126	(77,567)
Municipal bonds	82,866	88,168	(5,302)
Corporate bonds	1,138,576	1,151,956	(13,380)
Domestic equities	426,344	462,591	(36,246)
Foreign securities	6,850,541	7,007,726	(157,185)
Foreign bonds	5,162,627	5,288,223	(125,595)
Foreign equities	3,816	3,902	(85)
Foreign other securities	1,684,096	1,715,601	(31,504)
Other securities	1,374,578	1,385,474	(10,895)
Total	11,645,465	11,946,044	(300,578)
Grand total	\$68,802,967	\$62,222,596	\$6,580,370

Note: Other securities include certificates of deposit (consolidated balance sheet amount of ¥76,000 million [\$686,478 thousand]) which are represented as cash and deposits, commercial paper (consolidated balance sheet amount of ¥19,999 million [\$180,649 thousand]) and beneficiary trust certificates (consolidated balance sheet amount of ¥59,624 million [\$538,560 thousand]) which are represented as monetary claims purchased in the consolidated balance sheet.

(5) Sales of securities classified as held-to-maturity bonds

- There were no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2020.
- There were no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2021.

(6) Sales of securities classified as policy reserve-matching bonds

	¥ millions		
Year ended March 31, 2020	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥121,570	¥24,465	¥ 0
Government bonds	118,403	24,004	0
Corporate bonds	3,166	460	—
Total	¥121,570	¥24,465	¥ 0

	¥ millions		
Year ended March 31, 2021	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥77,487	¥9,329	¥1,911
Government bonds	72,978	9,301	1,910
Corporate bonds	4,509	27	0
Foreign securities	¥ 172	¥ 40	¥ —
Foreign bonds	172	40	—
Total	¥77,660	¥9,370	¥1,911

	US\$ thousands		
Year ended March 31, 2021	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	\$699,917	\$84,269	\$17,264
Government bonds	659,186	84,017	17,258
Corporate bonds	40,730	252	6
Foreign securities	\$ 1,561	\$ 369	\$ —
Foreign bonds	1,561	369	—
Total	\$701,478	\$84,638	\$17,264

(7) Sales of securities classified as available-for-sale securities

	¥ millions		
Year ended March 31, 2020	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥ 43,233	¥ 8,244	¥ 0
Government bonds	5,206	761	—
Corporate bonds	38,026	7,482	0
Domestic equities	48,039	8,756	7,564
Foreign securities	617,712	24,064	17,265
Foreign bonds	542,889	18,541	12,462
Foreign equities	307	5	4
Foreign other securities	74,515	5,517	4,798
Other securities	24,395	1,633	2,676
Total	¥733,381	¥42,697	¥27,507

	¥ millions		
Year ended March 31, 2021	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥ 65,816	¥ 286	¥ 2,258
Government bonds	41,768	282	1,419
Municipal bonds	3,507	—	92
Corporate bonds	20,540	3	746
Domestic equities	30,012	11,050	1,016
Foreign securities	779,646	20,601	26,217
Foreign bonds	725,755	15,992	23,044
Foreign equities	1,344	23	186
Foreign other securities	52,545	4,585	2,985
Other securities	35,838	1,445	1,736
Total	¥911,314	¥33,382	¥31,228

Year ended March 31, 2021	US\$ thousands		
	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	\$ 594,498	\$ 2,586	\$ 20,398
Government bonds	377,275	2,552	12,818
Municipal bonds	31,684	—	834
Corporate bonds	185,538	34	6,745
Domestic equities	271,091	99,810	9,182
Foreign securities	7,042,236	186,081	236,809
Foreign bonds	6,555,468	144,451	208,154
Foreign equities	12,146	214	1,685
Foreign other securities	474,622	41,415	26,970
Other securities	323,718	13,054	15,681
Total	\$8,231,544	\$301,533	\$282,071

(8) Impairment of securities

The Company and its consolidated subsidiaries recognized ¥13,379 million and ¥2,249 million [\$20,319 thousand] as impairment losses for the available-for-sale securities with fair value

for the fiscal years ended March 31, 2020 and 2021, respectively.

The Company and its consolidated subsidiaries recognize impairment losses on the securities if fair value as of the end of the fiscal year declines by 30% or more from their acquisition cost.

Note 24 Monetary Trusts

(1) Monetary trusts for trading purposes

As of March 31,	2020	¥ millions	US\$ thousands
		2021	2021
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥2,125	¥(93)	\$(847)

(2) Monetary trusts for held-to-maturity purposes

As of March 31, 2020	¥ millions		
	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥30,022	¥31,767	¥1,745

As of March 31, 2021	¥ millions		
	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥30,176	¥30,951	¥774

As of March 31, 2021	US\$ thousands		
	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	\$272,576	\$279,574	\$6,997

(3) Monetary trusts for policy reserve-matching purposes

¥ millions

As of March 31, 2020	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥615,739	¥703,090	¥87,351

¥ millions

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥694,770	¥749,437	¥54,666

US\$ thousands

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	\$6,275,592	\$6,769,376	\$493,784

(4) Monetary trusts for those other than trading, held-to-maturity or policy reserve-matching purposes

¥ millions

As of March 31, 2020	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	¥319,687	¥319,114	¥573

¥ millions

As of March 31, 2021	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	¥409,265	¥400,862	¥8,403

US\$ thousands

As of March 31, 2021	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	\$3,696,738	\$3,620,832	\$75,906

Note 25 Derivative Transactions
(1) Derivative financial instruments for which hedge accounting is not applied
a. Currency-related transactions

¥ millions				
As of March 31, 2020	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥186,448	¥ —	¥ 2,452	¥ 2,452
U.S. dollar	76,327	—	(105)	(105)
Euro	55,724	—	164	164
British pound	13,412	—	475	475
Canadian dollar	771	—	42	42
Australian dollar	39,537	—	1,880	1,880
Swiss franc	674	—	(4)	(4)
Bought	29,235	—	(427)	(427)
U.S. dollar	7,869	—	(8)	(8)
Euro	1,456	—	0	0
British pound	3,593	—	(1)	(1)
Australian dollar	16,316	—	(417)	(417)
Currency swaps:				
Receive yen/pay foreign currency	13,916	—	2,615	2,615
Brazilian real	13,916	—	2,615	2,615
Receive foreign currency/pay yen	14,252	—	(1,217)	(1,217)
U.S. dollar	674	—	0	0
Australian dollar	13,577	—	(1,218)	(1,218)
Total				¥ 3,422

Notes:
1. Calculation method of fair value

Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

Currency swaps are carried out using management trusts and the fair value is calculated based on the price obtained from the trustee companies.

2. Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.

¥ millions				
As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥278,364	¥ —	¥(7,369)	¥(7,369)
U.S. dollar	98,402	—	(2,577)	(2,577)
Euro	30,239	—	(215)	(215)
British pound	53,997	—	(2,396)	(2,396)
Canadian dollar	2,848	—	(100)	(100)
Australian dollar	89,103	—	(2,080)	(2,080)
Swiss franc	3,772	—	0	0
Bought	51,261	—	465	465
U.S. dollar	39,361	—	340	340
Euro	1,860	—	5	5
Australian dollar	10,039	—	120	120
Currency swaps:				
Receive yen/pay foreign currency	4,357	—	(158)	(158)
Brazilian real	1,330	—	9	9
Indian Rupee	3,027	—	(167)	(167)
Receive foreign currency/pay yen	14,252	—	1,209	1,209
U.S. dollar	618	—	44	44
Australian dollar	13,633	—	1,164	1,164
Total				¥(5,853)

US\$ thousands

As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	\$2,514,354	\$ —	\$(66,562)	\$(66,562)
U.S. dollar	888,831	—	(23,281)	(23,281)
Euro	273,143	—	(1,945)	(1,945)
British pound	487,734	—	(21,643)	(21,643)
Canadian dollar	25,730	—	(908)	(908)
Australian dollar	804,835	—	(18,788)	(18,788)
Swiss franc	34,079	—	5	5
Bought	463,029	—	4,204	4,204
U.S. dollar	355,540	—	3,072	3,072
Euro	16,802	—	47	47
Australian dollar	90,685	—	1,085	1,085
Currency swaps:				
Receive yen/pay foreign currency	39,358	—	(1,434)	(1,434)
Brazilian real	12,015	—	81	81
Indian Rupee	27,342	—	(1,516)	(1,516)
Receive foreign currency/pay yen	128,737	—	10,923	10,923
U.S. dollar	5,587	—	401	401
Australian dollar	123,149	—	10,521	10,521
Total				\$(52,868)

Notes:

1. Calculation method of fair value

Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

Currency swaps are carried out using management trusts and the fair value is calculated based on the price obtained from the trustee companies.

2. Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.

b. Interest-related transactions

¥ millions

As of March 31, 2020	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	¥12,969	¥12,235	¥14,653	¥14,653
Total				¥14,653

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or based on prices obtained from counterparty financial institutions.

¥ millions

As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	¥15,449	¥14,546	¥12,497	¥12,497
Total				¥12,497

US\$ thousands

As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	\$139,549	\$131,391	\$112,888	\$112,888
Total				\$112,888

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or based on prices obtained from counterparty financial institutions.

c. Stock-related transactions

	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
As of March 31, 2020				¥ millions
Market transactions:				
Stock index futures:				
Sold:	¥29,721	¥ —	(2,070)	(2,070)
Stock index options:				
Bought:				
Put	¥36,135 [948]	¥ — [—]	992	43
Total				¥(2,027)

Notes:

1. Calculation method of fair value

Fair value is based on final prices at the main exchange or prices obtained from counterparty financial institutions.

2. Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
As of March 31, 2021				¥ millions
Market transactions:				
Stock index options:				
Bought:				
Put	¥17,504 [201]	¥ — [—]	1	(200)
Total				¥(200)

	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
As of March 31, 2021				US\$ thousands
Market transactions:				
Stock index options:				
Bought:				
Put	\$158,106 [1,823]	\$ — [—]	9	(1,813)
Total				\$(1,813)

Notes:

1. Calculation method of fair value

Fair value is based on final prices at the main exchange or prices obtained from counterparty financial institutions.

2. Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

T&D Financial Life uses monetary trusts to execute derivative transactions. The following tables show a summary of the notional amount and fair value of derivative financial instruments.

				¥ millions
As of March 31, 2020	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Currency-related transactions:				
Currency options:				
Bought:				
Put	1,438	1,114		
	[371]	[294]	107	(264)
U.S. dollar	786	634		
	[223]	[182]	53	(170)
Euro	652	480		
	[148]	[111]	53	(94)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	10	—		
	[2]	[—]	9	6
Put	2,845	2,257		
	[604]	[486]	247	(357)
Total				¥(614)

Notes:

1. Calculation method of fair value

Fair value is based on prices obtained from counterparty financial institutions.

2. Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

				¥ millions
As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Currency-related transactions:				
Currency options:				
Bought:				
Put	1,114	840		
	[294]	[225]	51	(242)
U.S. dollar	634	492		
	[182]	[144]	33	(149)
Euro	480	348		
	[111]	[81]	18	(93)
Stock-related transactions:				
Stock index options:				
Bought:				
Put	2,257	1,811		
	[486]	[395]	86	(399)
Total				¥(642)

US\$ thousands

As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Currency-related transactions:				
Currency options:				
Bought:				
Put	10,067	7,590		
	[2,657]	[2,038]	462	(2,194)
U.S. dollar	5,726	4,445		
	[1,650]	[1,305]	300	(1,350)
Euro	4,340	3,145		
	[1,006]	[732]	162	(843)
Stock-related transactions:				
Stock index options:				
Bought:				
Put	20,387	16,366		
	[4,392]	[3,575]	784	(3,608)
Total				\$(5,802)

Notes:

1. Calculation method of fair value

Fair value is based on prices obtained from counterparty financial institutions.

2. Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

(2) Derivative financial instruments for which hedge accounting is applied

a. Currency-related transactions

¥ millions

As of March 31, 2020	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:	Foreign currency-denominated assets			
Sold		¥3,649,756	¥ —	¥ (9,804)
U.S. dollar		2,480,429	—	(22,802)
Euro		902,558	—	3,600
British pound		116,819	—	1,664
Canadian dollar		82,768	—	4,970
Australian dollar		59,631	—	2,707
New Zealand dollar		5,101	—	6
Polish zloty		383	—	24
Danish krone		1,565	—	7
Singapore dollar		498	—	16
Bought		347,374	—	1,040
U.S. dollar		265,672	—	987
Euro		81,234	—	54
British pound		467	—	(1)
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:	Certificates of deposit in foreign currencies			
Sold		37,000	—	—
Australian dollar		37,000	—	—
Bought	Foreign currency-denominated stocks (forecasted transaction)	62,543	—	653
U.S. dollar		62,543	—	653
Currency swaps:	Foreign currency-denominated loans			
Receive yen/pay foreign currency		37,937	37,937	—
U.S. dollar		37,937	37,937	—
Total				¥ (8,109)

Notes:

1. Calculation method of fair value

Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

2. Fair value of foreign exchange contracts, etc., with allocation treatments (except for the contracts hedging the forecasted transaction) are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans because they are the hedged assets for each of these contracts and the assets are treated as a unit.

¥ millions

As of March 31, 2021	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:	Foreign currency-denominated assets			
Sold		¥3,737,389	¥ —	¥(113,716)
U.S. dollar		2,620,936	—	(87,260)
Euro		754,753	—	(15,153)
British pound		152,047	—	(3,284)
Canadian dollar		90,299	—	(3,684)
Swedish krona		334	—	(3)
Australian dollar		115,179	—	(4,261)
Polish zloty		1,413	—	23
Danish krone		713	—	(17)
Singapore dollar		1,600	—	(69)
Norwegian krone		111	—	(5)
Bought		384,300	—	644
U.S. dollar		303,342	—	292
Euro		19,284	—	81
British pound		30,708	—	193
Australian dollar		30,965	—	78
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:	Certificates of deposit in foreign currencies			
Sold		10,000	—	—
Australian dollar		10,000	—	—
Currency swaps:	Foreign currency-denominated loans			
Receive yen/pay foreign currency		37,937	37,937	—
U.S. dollar		37,937	37,937	—
Total				¥(113,071)

US\$ thousands

As of March 31, 2021	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:	Foreign currency-denominated assets			
Sold		\$33,758,372	\$ —	\$(1,027,154)
U.S. dollar		23,673,887	—	(788,193)
Euro		6,817,392	—	(136,872)
British pound		1,373,382	—	(29,666)
Canadian dollar		815,644	—	(33,277)
Swedish krona		3,018	—	(30)
Australian dollar		1,040,371	—	(38,488)
Polish zloty		12,768	—	209
Danish krone		6,449	—	(157)
Singapore dollar		14,452	—	(628)
Norwegian krone		1,005	—	(47)
Bought		3,471,236	—	5,823
U.S. dollar		2,739,972	—	2,639
Euro		174,193	—	734
British pound		277,374	—	1,744
Australian dollar		279,696	—	705
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:	Certificates of deposit in foreign currencies			
Sold		90,326	—	—
Australian dollar		90,326	—	—
Currency swaps:	Foreign currency-denominated loans			
Receive yen/pay foreign currency		342,674	342,674	—
U.S. dollar		342,674	342,674	—
Total				\$(1,021,330)

Notes:

1. Calculation method of fair value
Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.
2. Fair value of foreign exchange contracts, etc., with allocation treatments are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans because they are the hedged assets for each of these contracts and the assets are treated as a unit.

b. Interest-related transactions

¥ millions

As of March 31, 2020	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	¥32,731	¥26,584	¥646
Total				¥646

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or prices obtained from counterparty financial institutions.

¥ millions

		Notional amount		
As of March 31, 2021	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	¥26,199	¥26,199	¥511
Total				¥511

US\$ thousands

		Notional amount		Fair value
As of March 31, 2021	Hedged item	Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	\$236,653	\$200,522	\$4,615
Total				\$4,615

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or prices obtained from counterparty financial institutions.

c. Stock-related transactions

¥ millions

As of March 31, 2020	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	¥8,235	¥—	¥(31)
Total				¥(31)

Note: Calculation method of fair value

Fair value is calculated based on prices obtained from counterparty financial institutions.

¥ millions

As of March 31, 2021	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	¥8,885	¥—	¥49
Total				¥49

US\$ thousands

		Notional amount		
As of March 31, 2021	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	\$80,256	\$—	\$450
Total				\$450

Note: Calculation method of fair value

Fair value is calculated based on prices obtained from counterparty financial institutions.

Note 26 Employees' Retirement Benefits**(1) Overview of the retirement benefit plan adopted by the T&D Insurance Group**

Domestic consolidated subsidiaries have defined benefit retirement plans such as a defined benefit corporate pension plan, a retirement pension plan, and a retirement lump-sum payment plan. Further, certain subsidiaries have defined contribution pension plans as their defined contribution retirement plan as well as retirement benefit trusts.

(2) Defined benefit retirement plan

a. Reconciliations of the beginning- and end-of-the-year balances of retirement benefit obligations are as follows:

Years ended March 31,	2020	¥ millions 2021	US\$ thousands 2021
Balance at the beginning of the year	¥157,101	¥156,694	\$1,415,364
Service cost	6,551	6,589	59,518
Interest cost	633	621	5,612
Actuarial gains and losses	(840)	(1,771)	(16,001)
Retirement benefit paid	(6,833)	(7,308)	(66,016)
Accrual of past service costs	83	—	—
Balance at the end of the year	¥156,694	¥154,825	\$1,398,477

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is recorded in service cost.

b. Reconciliations of the beginning- and end-of-the-year balances of pension plan assets are as follows:

Years ended March 31,	2020	¥ millions 2021	US\$ thousands 2021
Balance at the beginning of the year	¥106,062	¥107,538	\$ 971,356
Expected return on plan assets	903	876	7,918
Net actuarial gains and losses	(1,508)	1,921	17,360
Employer contribution	7,281	6,433	58,111
Benefit obligation paid	(5,200)	(5,858)	(52,917)
Balance at the end of the year	¥107,538	¥110,912	\$1,001,829

c. Reconciliations of retirement benefit obligations and pension plan assets to net defined benefit liabilities and net defined benefit assets stated in the consolidated balance sheet are as follows:

As of March 31,	2020	¥ millions 2021	US\$ thousands 2021
Retirement benefit obligations for funded plans	¥ 129,894	¥ 128,287	\$ 1,158,773
Plan assets	(107,538)	(110,912)	(1,001,829)
Employee pension trusts	[(64,580)]	[(63,599)]	[(574,471)]
	22,355	17,375	156,944
Retirement benefit obligations for unfunded plans	26,800	26,537	239,704
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	49,156	43,912	396,648
Defined benefit liability	49,156	45,764	413,370
Defined benefit asset	—	(1,851)	(16,722)
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	¥ 49,156	¥ 43,912	\$ 396,648

d. Components of retirement benefit expense are as follows:

Years ended March 31,	2020	¥ millions 2021	US\$ thousands 2021
Service cost	¥6,551	¥ 6,589	\$ 59,518
Interest cost	633	621	5,612
Expected return on plan assets	(903)	(876)	(7,918)
Recognized actuarial gains and losses	668	(3,693)	(33,361)
Recognized past service costs	83	—	—
Retirement benefit expense relating to defined benefit retirement plan	¥7,032	¥ 2,640	\$ 23,850

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in service cost.

e. Matters related to pension plan assets

(i) Components of pension plan assets are as follows:

As of March 31,	2020	2021
Bonds	71.9%	68.6%
General account	11.9%	11.9%
Foreign securities	8.3%	10.2%
Stocks	3.3%	5.5%
Cash and deposits	3.9%	3.1%
Joint assets	0.7%	0.7%
Others	0.0%	0.0%
Total	100.0%	100.0%

Note: The total includes 60.1% and 57.3% of employee pension trusts set up for corporate pension plans for the fiscal years ended March 31, 2020 and 2021, respectively.

(ii) The setting method for long-term expected rate of return

The long-term expected rate of return on pension plan assets is set by considering the present and the prospective asset allocation of pension plan assets, as well as the present and the expected long-term rate of return arising from various assets that comprise the plan assets.

f. Matters related to actuarial basis

Years ended March 31,	2020	2021
Discount rate	0.07% – 0.80%	0.13% – 0.80%
Expected long-term rate of return on plan assets	0.10% – 2.13%	0.14% – 1.90%

[3] Defined contribution retirement plan

The required contribution for the defined contribution retirement plan of the Company and its consolidated subsidiaries amounted to ¥272 million and ¥274 million [\$2,479 thousand] for the fiscal years ended March 31, 2020 and 2021, respectively.

Note 27 **Stock Options**
(1) Amount of expenses related to stock options

There were no operating expenses related to stock options for the fiscal years ended March 31, 2020 and 2021.

(2) Details, size and status of stock options
a. Details of stock options

T&D Holdings, Inc. stock subscription rights (1st series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 7 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 40
Number of stock options by class*	Common stock: 449,600 shares
Grant date	July 31, 2012
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 1, 2012 to July 31, 2042

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (2nd series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 7 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 39
Number of stock options by class*	Common stock: 235,500 shares
Grant date	August 1, 2013
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2013 to August 1, 2043

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (3rd series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 6 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 41
Number of stock options by class*	Common stock: 231,300 shares
Grant date	August 1, 2014
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2014 to August 1, 2044

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (4th series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 15 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 43
Number of stock options by class*	Common stock: 170,700 shares
Grant date	August 3, 2015
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 4, 2015 to August 3, 2045

* Translated to the number of common stock.

	T&D Holdings, Inc. stock subscription rights (5th series)
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 10 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 48
Number of stock options by class*	Common stock: 379,800 shares
Grant date	August 1, 2016
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2016 to August 1, 2046

* Translated to the number of common stock.

	T&D Holdings, Inc. stock subscription rights (6th series)
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 10 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 47
Number of stock options by class*	Common stock: 208,200 shares
Grant date	August 1, 2017
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2017 to August 1, 2047

* Translated to the number of common stock.

b. Size and status of stock options

For stock options which existed during the consolidated fiscal year ended March 31, 2021, the number of stock options is translated to the number of common stock.

(i) Number of stock options

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	126,300 shares	78,500 shares	95,600 shares
Vested	—	—	—
Exercised	38,500 shares	22,000 shares	25,200 shares
Forfeited	—	—	—
Exercisable	87,800 shares	56,500 shares	70,400 shares

	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)	T&D Holdings, Inc. stock subscription rights (6th series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	88,200 shares	221,000 shares	159,200 shares
Vested	—	—	—
Exercised	18,500 shares	40,800 shares	25,200 shares
Forfeited	—	—	—
Exercisable	69,700 shares	180,200 shares	134,000 shares

(ii) Unit price information

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Exercise price	1 yen	1 yen	1 yen
Average stock price at the time of exercise	981 yen	981 yen	960 yen
Fair value at the granted date	685 yen	1,143 yen	1,153 yen

	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)	T&D Holdings, Inc. stock subscription rights (6th series)
Exercise price	1 yen	1 yen	1 yen
Average stock price at the time of exercise	940 yen	943 yen	934 yen
Fair value at the granted date	1,708 yen	918 yen	1,485 yen

(3) Method for estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

Note 28 Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheet are as follows:

(1) Overview of the asset retirement obligations

Asbestos removal obligations for office buildings and rental properties are recorded as asset retirement obligations.

(2) Calculation method for the amount of the asset retirement obligations

For the estimation of the present value of asset retirement obligations, 50 years from the acquisition of buildings is used as an estimated period before the cost will accrue and 2.11% as a discount rate.

(3) Increase or decrease of the total amount of the asset retirement obligations

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Balance at the beginning of the year	¥2,041	¥2,084	\$18,825
Time progress adjustment	43	44	398
Balance at the end of the year	¥2,084	¥2,128	\$19,224

Note 29 Real Estate for Rent

Some subsidiaries own real estate for rent, consisting mainly of office buildings in major cities in Japan. Their balance sheet amount, net increase or decrease and fair value at the end of the year are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Balance sheet amount:			
Balance at the beginning of the year	¥256,235	¥269,492	\$2,434,220
Net increase (decrease)	13,257	2,165	19,559
Balance at the end of the year	269,492	271,658	2,453,780
Fair value at the end of the year	¥366,328	¥371,033	\$3,351,396

Notes:

- Balance sheet amount represents acquisition cost less accumulated depreciation and accumulated impairment losses. Balances at the end of the year for the years ended March 31, 2020 and 2021 include amounts related to asset retirement obligations of ¥50 million and ¥24 million [\$222 thousand], respectively.
- For the year ended March 31, 2020, the increase mainly consisted of purchase of real estate totaling ¥18,933 million and the decrease mainly consisted of depreciation totaling ¥5,409 million. For the year ended March 31, 2021, the increase mainly consisted of purchase of real estate totaling ¥7,375 million [\$66,623 thousand] and the decrease mainly consisted of depreciation totaling ¥5,743 million [\$51,880 thousand].
- Fair value at the end of the year of major properties is calculated based on their appraisal value by external real estate appraisers. The value of other properties is calculated in-house based on the posted price.

Gains (losses) on real estate for rent are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Ordinary revenues	¥19,714	¥20,784	\$187,742
Ordinary expenses	12,224	12,588	113,702
Ordinary profit	7,489	8,196	74,039
Other gains (losses)	2,674	(145)	(1,316)

Notes:

1. Ordinary revenues and ordinary expenses constitute income from lease and corresponding expenses, such as depreciation, repair expenses, insurance expenses and taxes. These amounts are recorded in investment income and investment expenses.
2. For the year ended March 31, 2020, other gains were mainly gains on disposal of fixed assets, and these amounts are recorded in extraordinary gains.
For the year ended March 31, 2021, other losses were mainly losses on disposal of fixed assets and impairment losses, and these amounts are recorded in extraordinary losses.

Note 30 Segment Information

(1) Overview of reportable segments

The reportable segments of the Company are components of the Company for which separate financial information is available. These segments are subject to regular review by the Company's Board of Directors to determine the allocation of business resources and evaluate business performances.

The Company is an insurance holding company which manages life insurance companies and other subsidiaries in accordance with the Insurance Business Act. Under the Company, the Three Life Insurance Companies, with unique product strategies and sales strategies, operate life insurance business which is the Group's core business. Each of the Three Life Insurance Companies focuses on different markets. Taiyo Life focuses on the households market, Daido Life focuses on the small and medium enterprises market and T&D Financial Life focuses on independent insurance agents market and each company has different products under its unique marketing strategy.

As a part of diversification of business portfolio, T&D United Capital was established in 2019 to build up an effective and efficient investment process as a strategic initiative of the Group.

Therefore, the Company's four reportable segments are the Taiyo Life Insurance Company segment, the Daido Life Insurance Company segment, the T&D Financial Life Insurance Company segment and the T&D United Capital (consolidated) segment.

[Information related to the change in reportable segments]

From this consolidated fiscal year, T&D United Capital Company (consolidated) has been added to the reportable segments since T&D United Capital Co., Ltd. acquired equity interest of Fortitude Group Holdings, LLC and included it as an affiliated company over which the equity method is applied. This change in reportable segments has no impact on the segment information for the previous consolidated fiscal year.

(2) Method for calculating ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

The method for the accounting treatment of the reportable segments is the same as described in "Note 2. Summary of Significant Accounting Policies."

(3) Information on ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

Year ended March 31, 2020	Reportable segments						Adjustments	Amount on consolidated financial statements ¥ millions
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
Ordinary revenues	¥ 801,020	¥1,014,602	¥ 354,495	¥ 2,170,118	¥ 34,136	¥ 2,204,255	¥ (6,326)	¥ 2,197,928
Intersegment transfers	1,518	522	—	2,040	68,930	70,970	(70,970)	—
Total	802,538	1,015,124	354,495	2,172,158	103,067	2,275,225	(77,297)	2,197,928
Segment income (loss)	36,782	86,157	2,246	125,185	41,846	167,032	(41,609)	125,422
Segment assets	7,660,474	7,037,507	1,645,401	16,343,383	1,122,586	17,465,970	(945,832)	16,520,137
Segment liabilities	7,269,351	6,393,649	1,564,466	15,227,468	338,287	15,565,755	(168,767)	15,396,987
Others								
Depreciation of real estate for rent	3,559	2,618	—	6,177	—	6,177	(28)	6,149
Depreciation	6,896	4,522	454	11,873	687	12,561	(64)	12,497
Provision for (reversal of) policy reserve	43,419	214,759	172,504	430,684	308	430,993	—	430,993
Provision for (reversal of) reserve for policyholder dividends	10,197	11,687	(0)	21,883	—	21,883	—	21,883
Interest, dividends and income from real estate for rent	149,487	143,525	8,274	301,286	42,009	343,296	(43,532)	299,763
Interest expenses	981	12	6	999	799	1,798	(771)	1,027
Equity in earnings (losses) of affiliates	—	—	—	—	—	—	(287)	(287)
Extraordinary gains	3,380	551	—	3,932	106	4,038	—	4,038
Extraordinary losses	4,975	4,254	756	9,986	107	10,093	0	10,093
Impairment losses	803	—	—	803	—	803	—	803
Provision for reserve for price fluctuations	3,692	3,467	756	7,916	—	7,916	—	7,916
Taxes	9,172	20,315	424	29,913	426	30,340	3	30,343
Investments in affiliated companies	900	365	—	1,265	—	1,265	—	1,265
Increase in tangible fixed assets and intangible fixed assets	¥ 9,173	¥ 24,284	¥ 1,092	¥ 34,551	¥ 855	¥ 35,406	¥ (105)	¥ 35,300

Notes:

1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

- (1) The adjustment of ¥(6,326 million) to ordinary revenues is the transferred amount, which mainly consists of gains from derivatives, net of ¥2,907 million of ordinary revenues and reversal of provision for retirement benefits of ¥1,820 million of ordinary revenues which are included in ordinary expenses of the consolidated statement of operation as losses from derivatives, net and provision for retirement benefits, respectively, and provision for reserve for outstanding claims of ordinary expenses of ¥1,885 million of ordinary expenses which is included in ordinary revenues of the consolidated statement of operation as reversal of reserve for outstanding claims.
- (2) The adjustment of ¥(41,609 million) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.
- (3) The adjustment of ¥(945,832 million) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.
- (4) The adjustment of ¥(168,767 million) to segment liabilities is mainly due to the elimination of intersegment receivables and payables.
3. Segment income (loss) is adjusted to align with the ordinary profits set forth in the consolidated statement of operation.

Year ended March 31, 2021	Reportable segments					Others	Total	Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	Financial Life	T&D United Capital (consolidated)	Subtotal				
Ordinary revenues	¥ 796,107	¥1,022,193	¥ 460,661	¥102,991	¥ 2,381,953	¥ 36,930	¥ 2,418,884	¥ (4,930)	¥ 2,413,953
Intersegment transfers	1,194	641	—	—	1,835	69,469	71,305	(71,305)	—
Total	797,301	1,022,834	460,661	102,991	2,383,789	106,399	2,490,189	(76,236)	2,413,953
Segment income (loss)	31,606	95,905	(2,947)	101,287	225,852	42,196	268,049	(39,917)	228,132
Segment assets	8,235,372	7,554,346	1,850,918	190,216	17,830,855	1,091,890	18,922,745	(1,045,466)	17,877,278
Segment liabilities	7,708,881	6,701,219	1,782,638	82,565	16,275,304	316,301	16,591,606	(267,485)	16,324,121
Others									
Depreciation of real estate for rent	3,615	2,942	—	—	6,558	—	6,558	(28)	6,530
Depreciation	6,949	5,064	637	0	12,651	715	13,367	(55)	13,311
Provision for (reversal of) policy reserve	46,413	218,464	216,631	—	481,510	415	481,925	—	481,925
Provision for (reversal of) reserve for policyholder dividends	12,574	11,854	0	—	24,429	—	24,429	—	24,429
Interest, dividends and income from real estate for rent	144,708	140,496	7,295	79	292,580	40,384	332,964	(43,037)	289,927
Interest expenses	1,008	12	5	700	1,726	1,265	2,991	(1,437)	1,553
Equity in earnings (losses) of affiliates	—	—	—	102,850	102,850	—	102,850	64	102,914
Extraordinary gains	1,186	224	—	—	1,411	297	1,708	—	1,708
Extraordinary losses	5,779	7,347	868	—	13,995	276	14,272	27	14,300
Impairment losses	546	2,368	—	—	2,915	—	2,915	—	2,915
Provision for reserve for price fluctuations	3,844	3,659	868	—	8,371	—	8,371	—	8,371
Taxes	4,156	22,064	(1,031)	2,076	27,264	634	27,898	5	27,903
Investments in affiliated companies	900	365	—	78,743	80,009	—	80,009	—	80,009
Increase in tangible fixed assets and intangible fixed assets	¥ 11,810	¥ 8,970	¥ 905	¥ —	¥ 21,685	¥ 767	¥ 22,453	¥ (95)	¥ 22,357

US\$ thousands

Year ended March 31, 2021	Reportable segments					Others	Total	Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	Financial Life	T&D United Capital (consolidated)	Subtotal				
Ordinary revenues	\$ 7,190,925	\$ 9,233,071	\$ 4,160,976	\$ 930,282	\$ 21,515,255	\$ 333,576	\$ 21,848,831	\$ (44,539)	\$ 21,804,292
Intersegment transfers	10,789	5,790	—	—	16,580	627,492	644,073	(644,073)	—
Total	7,201,715	9,238,861	4,160,976	930,282	21,531,836	961,069	22,492,905	(688,612)	21,804,292
Segment income (loss)	285,489	866,278	(26,619)	914,889	2,040,037	381,148	2,421,186	(360,555)	2,060,630
Segment assets	74,386,890	68,235,452	16,718,621	1,718,153	161,059,118	9,862,618	170,921,736	(9,443,292)	161,478,444
Segment liabilities	69,631,300	60,529,487	16,101,873	745,782	147,008,444	2,857,030	149,865,474	(2,416,093)	147,449,381
Others									
Depreciation of real estate for rent	32,661	26,580	—	—	59,241	—	59,241	(254)	58,986
Depreciation	62,769	45,742	5,758	5	114,274	6,464	120,738	(501)	120,237
Provision for (reversal of) policy reserve	419,236	1,973,307	1,956,749	—	4,349,293	3,750	4,353,043	—	4,353,043
Provision for (reversal of) reserve for policyholder dividends	113,577	107,075	5	—	220,659	—	220,659	—	220,659
Interest, dividends and income from real estate for rent	1,307,091	1,269,051	65,899	720	2,642,761	364,775	3,007,537	(388,736)	2,618,800
Interest expenses	9,108	112	50	6,323	15,594	11,426	27,021	(12,986)	14,034
Equity in earnings (losses) of affiliates	—	—	—	929,005	929,005	—	929,005	578	929,584
Extraordinary gains	10,720	2,025	—	—	12,746	2,683	15,430	—	15,430
Extraordinary losses	52,201	66,371	7,845	—	126,418	2,501	128,919	247	129,166
Impairment losses	4,938	21,397	—	—	26,336	—	26,336	—	26,336
Provision for reserve for price fluctuations	34,722	33,050	7,845	—	75,618	—	75,618	—	75,618
Taxes	37,539	199,295	(9,318)	18,753	246,270	5,729	252,000	45	252,045
Investments in affiliated companies	8,134	3,300	—	711,258	722,693	—	722,693	—	722,693
Increase in tangible fixed assets and intangible fixed assets	\$ 106,676	\$ 81,026	\$ 8,175	\$ —	\$ 195,878	\$ 6,932	\$ 202,810	\$ (863)	\$ 201,946

Notes:

1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

The adjustment of ¥(4,930 million) [\$ (44,539 thousand)] to ordinary revenues is the transferred amount, which mainly consists of gains from derivatives, net of ¥3,287 million [\$29,694 thousand] of ordinary revenues and reversal of reserve for outstanding claims of ¥352 million [\$3,187 thousand] of ordinary revenues which are included in ordinary expenses of the consolidated statement of operation as losses from derivatives, net and provision for reserve for outstanding claims, respectively, and provision for defined benefits of ¥1,226 million [\$11,082 thousand] of ordinary expenses which is included in ordinary expenses of the consolidated statement of operation as reversal of provision for defined benefits.

The adjustment of ¥(39,917 million) [\$ (360,555 thousand)] to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.

The adjustment of ¥(1,045,466 million) [\$ (9,443,292 thousand)] to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.

The adjustment of ¥(267,485 million) [\$ (2,416,093 thousand)] to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary profits set forth in the consolidated statement of operation.

[Related information]

For the year ended March 31, 2020

1. Information by product and service

Sales to external customers

					¥ millions
Year ended March 31, 2020	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥593,679	¥818,070	¥335,910	¥5,847	¥1,753,508
Insurance premiums	593,475	816,488	323,017	5,847	1,738,828
Individual insurance and individual annuities	493,402	760,119	322,833	—	1,576,355
Group insurance	27,682	20,622	—	—	48,304
Group annuities	71,232	34,633	164	—	106,030
Others	1,158	1,112	19	5,847	8,137
Ceded reinsurance recoveries	¥ 204	¥ 1,581	¥ 12,893	¥ —	¥ 14,679

Note: Income from insurance premiums instead of net sales is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operation.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) to external customers in the consolidated statement of operation.

For the year ended March 31, 2021

1. Information by product and service

Sales to external customers

						¥ millions
Year ended March 31, 2021	Taiyo Life	Daido Life	T&D Financial Life	T&D United Capital (consolidated)	Others	Total
Income from insurance premiums	¥619,721	¥808,161	¥348,020	¥ —	¥7,465	¥1,783,369
Insurance premiums	619,493	804,536	331,443	—	7,465	1,762,939
Individual insurance and individual annuities	507,639	749,504	331,292	—	—	1,588,436
Group insurance	27,548	20,168	—	—	—	47,716
Group annuities	83,212	33,704	132	—	—	117,050
Others	1,092	1,159	18	—	7,465	9,735
Ceded reinsurance recoveries	¥ 228	¥ 3,624	¥ 16,577	¥ —	¥ —	¥ 20,429

						US\$ thousands
Year ended March 31, 2021	Taiyo Life	Daido Life	T&D Financial Life	T&D United Capital (consolidated)	Others	Total
Income from insurance premiums	\$5,597,701	\$7,299,803	\$3,143,536	\$ —	\$67,430	\$16,108,472
Insurance premiums	5,595,640	7,267,066	2,993,799	—	67,430	15,923,937
Individual insurance and individual annuities	4,585,307	6,769,982	2,992,435	—	—	14,347,725
Group insurance	248,835	182,170	—	—	—	431,005
Group annuities	751,630	304,443	1,195	—	—	1,057,268
Others	9,866	10,470	169	—	67,430	87,937
Ceded reinsurance recoveries	\$ 2,061	\$ 32,737	\$ 149,737	\$ —	\$ —	\$ 184,535

Note: Income from insurance premiums instead of net sales is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operation.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) to external customers in the consolidated statement of operation.

[Information on impairment losses on fixed assets by reportable segment]

For the years ended March 31, 2020 and 2021

Information on impairment losses on fixed assets by reportable segment is disclosed in "Note 30. Segment information."

[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]

For the years ended March 31, 2020 and 2021: Not applicable.

[Information on gains on negative goodwill by reportable segment]

For the years ended March 31, 2020: Not applicable.

For the years ended March 31, 2021:

[Significant gains on negative goodwill]

In the T&D United Capital (consolidated) segment, negative goodwill of ¥61,575 million [\$556,187 thousand] resulting from the inclusion of Fortitude Group Holdings, LLC in the scope of affiliated companies over which the equity method is applied has been recorded as equity in earnings of affiliates.

[Related party information]

1. Related party transactions

For the years ended March 31, 2020 and 2021: Not applicable.

2. Notes on the parent company or any important affiliated company

For the years ended March 31, 2020: Not applicable.

For the years ended March 31, 2021:

a. Notes on the parent company: Not applicable.

b. Summarized financial information of important affiliated company

For the consolidated fiscal year ended March 31, 2021, the important affiliated companies were Fortitude Group Holdings, LLC and Fortitude Reinsurance Company Ltd., a wholly owned subsidiary of Fortitude Group Holdings, LLC, and its summarized consolidated financial information (main consolidated balance sheet items and consolidated statement of operation items) is as follows.

The consolidated financial statements of the company have been prepared in accordance with U.S. GAAP.

	¥ millions	US\$ thousands
	Fortitude Group Holdings, LLC	Fortitude Group Holdings, LLC
Total assets	¥4,872,146	\$44,008,185
Total liabilities	¥4,157,960	\$37,557,225
Total net assets	¥ 714,185	\$ 6,450,959
Total revenues	¥ 513,673	\$ 4,639,810
Total expenses	¥ 400,366	\$ 3,616,349
Income before income taxes	¥ 113,307	\$ 1,023,460
Profit	¥ 89,400	\$ 807,519

Since T&D United Capital Co., Ltd. acquired equity interest of Fortitude Group Holdings, LLC in the consolidated fiscal year, Fortitude Group Holdings, LLC and Fortitude Reinsurance Company Ltd. are included in affiliated companies over which the equity method is applied. Therefore, both companies are considered important affiliated companies from the consolidated fiscal year.

Note 31 Per Share Information

		¥	US\$
Years ended March 31,	2020	2021	2021
Net assets per share	¥1,857.77	¥2,617.07	\$23.63
Net income per share	111.31	271.55	2.45
Net income per share (fully diluted)	109.07	271.26	2.45

Note: A summary of the net assets per share, the net income per share and the net income per share (fully diluted) computations is as follows:

(1) Net income per share and net income per share (fully diluted)

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Net income per share:			
Profit attributable to owners of parent	¥67,103	¥162,316	\$1,466,144
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shareholders	¥67,103	¥162,316	\$1,466,144

		Shares
Weighted-average number of common stocks outstanding	602,854,887	597,736,297

		¥ millions	US\$ thousands
Years ended March 31,	2020	2021	2021
Net income per share (fully diluted):			
Adjusted profit attributable to owners of parent	¥(20)	¥(3)	\$(31)
Amortization of bond premium (after tax)	¥(20)	¥(3)	\$(31)

		Shares
Increase in common stock	12,168,016	631,588
Convertible Bond	11,375,701	—
Subscription rights to shares	792,315	631,588
Summary of potential shares that are not included in computation of net income per share (fully diluted) due to lack of dilution effect	—	—

(2) Net assets per share

		¥ millions	US\$ thousands
As of March 31,	2020	2021	2021
Net assets	¥1,123,149	¥1,553,157	\$14,029,062
Deduction from net assets	7,208	8,138	73,515
Subscription rights to shares	876	689	6,226
Non-controlling interests	6,332	7,449	67,288
Net assets available to common shareholders	¥1,115,941	¥1,545,018	\$13,955,547

		Shares
The number of common stock outstanding	600,688,559	590,361,894

(3) The Company's shares remaining in the BIP (Board Incentive Plan) Trust, which are recorded as treasury shares in shareholders' equity, are included in treasury shares to be deducted in the calculation of the average number of shares during the period for calculation of net income per share and net income per share (fully diluted). Also, for the calculation of net assets per share, it is included in the number of treasury shares deducted from the total number of outstanding shares at the end of the fiscal year.

Accordingly, the average number of treasury shares to be

deducted in calculation of net income per share and net income per share (fully diluted) is 763,295, and the number of treasury shares to be deducted in calculation of net assets per share is 742,900 for the consolidated fiscal year ended March 31, 2021. Also, for the consolidated fiscal year ended March 31, 2020, the average number of treasury shares to be deducted in calculation of net income per share and net income per share (fully diluted) was 807,343, and the number of treasury shares to be deducted in calculation of net assets per share was 798,400.

Note 32 Significant Subsequent Events**[Equity in earnings or losses of affiliates with different closing date]**

In this consolidated fiscal year, Equity in earnings of affiliates related to Fortitude Group Holdings, LLC ("Fortitude") use the financial statements of Fortitude for the consolidated fiscal year (January 1, 2020 to December 31, 2020). Equity in losses of affiliates related to Fortitude for the first quarter accounting period (January 1, 2021 to March 31, 2021) of approximately ¥(57,000 million) [\$ (514,858 thousand)] will be recognized for the first quarter of the next consolidated fiscal year for the Company.

[Purchase of treasury shares]

The Company has resolved at its Board of Directors' meeting held on May 14, 2021, the acquisition of treasury shares under the provision Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same.

- a. Reasons for the purchase of treasury shares
To enhance shareholder return and improve capital efficiency.
- b. Details of the purchase
 - (i) Type of shares to be purchased: Shares of common stock
 - (ii) Number of shares to be purchased: Up to 14,000,000 shares
 - (iii) Total amount of purchase: Up to ¥10,000 million [\$90,326 thousand]
 - (iv) Period of purchase: From May 17, 2021, to July 30, 2021
 - (v) Method of purchase: Open-market repurchase by the trust method
- c. Results of the purchase
 - (i) Total number of purchased shares: 6,730,400 shares
 - (ii) Total cost of purchase: ¥9,999 million [\$90,317 thousand]
 - (iii) Period of purchase: From May 17, 2021 to June 8, 2021 on the basis of execution date

[Borrowing of a large amount of fund]

Based on the resolution made at the Board of Directors' meeting held on May 31, 2021, the Company plans to enter into a subordinated syndicated loan agreement ("the subordinated loan") of up to ¥13.5 billion [\$121,940 thousand] on June 23, 2021 and execute the borrowing on June 28, 2021.

- a. Amount of borrowing: Up to ¥13.5 billion [\$121,940 thousand]
- b. Date of agreement: June 23, 2021 (to be scheduled)
- c. Borrowing date: June 28, 2021 (to be scheduled)
- d. Repayment date: June 28, 2051 (to be scheduled, 30 years after the date of borrowing execution)
- e. Date of the first enabled prepayment: June 28, 2031 (to be scheduled, 10 years after the date of borrowing execution)
- f. Applicable interest rate: Base interest rate +spread (floating interest rate)
After the first prepayment date, 1.00% is added to the initial spread.
- g. Use of the funds: Sub-loan funds to T&D United Capital Co., Ltd., a subsidiary of the Company (The funds are limited to T&D United Capital's additional investment, etc. in Fortitude Group Holdings, LLC and T&D United Capital's working capital.)
- h. Voluntary suspension of interest payment: Payment of all or part of the subordinated loan can be deferred at the Company's discretion.
- i. Subordination covenant: The subordinated loan is subordinated in liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings and civil rehabilitation proceedings, or similar proceedings in foreign countries. Each article of the contract related to the subordinated loan must not be amended if the creditors of the senior debt suffer disadvantages in any way.
- j. Arranger: MUFG Bank, Ltd.
- k. Agent: MUFG Bank, Ltd.
- l. Participating financial institutions: Not determined yet

Independent Auditor's Report



Independent Auditor's Report

The Board of Directors
T&D Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of T&D Holdings, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Judgement on sufficiency of the policy reserve	
Description of Key Audit Matter	Auditor's Response
<p>As of March 31, 2021, the Group recorded the policy reserve of ¥14,619,797 million on the consolidated balance sheet. The policy reserve was a significant account, which accounted for 89.5% of the total liabilities of ¥16,324,121 million. As described in Note 2 (21) – “Significant Accounting Estimates” (a) - Policy reserve; for each accounting period, a life insurance company, based on Article 116, Paragraph 1 of the Insurance Business Act, must set aside a certain amount as policy reserve to prepare for future performance of obligations under its insurance policies for which contractual responsibilities have commenced before the fiscal year end in accordance with the calculation methodology specified in the statement of calculation procedures for insurance premiums and policy reserve (Article 4, Paragraph 2, Item 4 of the Insurance Business Act).</p> <p>In addition, if assumptions (base rates such as assumed incidence rate and assumed interest rate) specified in the statement of calculation procedures for insurance premiums and policy reserve significantly deviate from the latest actual rates and it is deemed to be insufficient to cover the performance of the future obligations, an additional policy reserve must be set aside in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.</p> <p>To prepare for the future performance of obligations under insurance policies, a policy reserve must be set aside based on sound actuarial practice including reasonable forecasts as at the fiscal year end, which reflects the occurrence of insured events, operating expenses and the performance of asset management, etc., to not hinder the future ability of making payments of a life insurance company. To judge the sufficiency of the policy reserve, it is</p>	<p>We evaluated the design and tested the operating effectiveness of the key internal controls over the policy reserve recording process and verified if the policy reserve was set aside based on Article 116 of the Insurance Business Act.</p> <p>In addition, we involved actuarial specialists from our network firm and performed the following audit procedures, as well as other procedures, to validate the Group's judgement on sufficiency of the policy reserve (future cashflow analysis and stress tests of third sector insurance) to assess if it is necessary to set aside an additional policy reserve in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in case the existing policy reserve was insufficient to cover the future performance of obligations:</p> <ul style="list-style-type: none"> • To validate the Group's judgement on the sufficiency of the policy reserve (future cashflow analysis and stress tests for third sector insurance), we verified if they were appropriately performed based on relevant laws, “Standards of Practice for Appointed Actuaries of Life Insurance Companies (The Institute of Actuaries of Japan)” and internal rules and compared the calculation results with the prior year's results. • We inspected the opinion of the appointed actuary described in the written opinions of Appointed Actuaries and the supplementary report. We carried out inquiries with the appointed actuary.

necessary to understand the economic and business environment, business policies such as sales and investments, consider their correlation and have the expertise in actuarial practice.

Based on the above factors, we have determined the judgement on sufficiency of the policy reserve as a key audit matter due to the significance of impact on the consolidated financial statements.

Reasonableness in the calculation of negative goodwill	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 30 – “Segment Information”, the Group recorded a gain on negative goodwill of ¥61,575 million which was included in Equity in earnings of affiliates for the year ended March 31, 2021.</p> <p>The gain on negative goodwill was recognized when “T&D United Capital Co. Ltd.”, one of the consolidated subsidiaries, acquired 25% of the outstanding shares of Fortitude Group Holdings, LLC on June 3, 2020.</p> <p>When it is expected that a negative goodwill will occur, the acquirer shall reassess whether all identifiable assets and liabilities have been appropriately identified and also review whether the acquisition cost is allocated reasonably. If the acquisition cost is still lower than the net amount allocated to the assets and liabilities, thereby resulting in a negative goodwill, it is recognized as gains in the year in which the negative goodwill occurs.</p> <p>Based on the above factors, we have determined the reasonableness in the calculation of negative goodwill as a key audit matter due to the significance of impact in the consolidated financial statements.</p>	<p>We performed the following audit procedures, as well as other procedures, to assess the reasonableness of the calculation of negative goodwill:</p> <ul style="list-style-type: none"> • We carried out inquiries with management to verify if the acquisition was based on rational reason in terms of the Group's business. • We reviewed relevant evidences and carried out inquiries with the department in charge of the calculation to verify the rationality of the calculation method for the acquisition cost. • We reviewed the financial due diligence report, analyzed the financial statements of the acquired company accounted for by the equity method at the base date of the acquisition and performed other procedures to verify the consistency with the assets and liabilities identified by management. We also carried out inquiries and discussed with the relevant employees to verify if there were additional costs or losses corresponding to specific events expected to occur after the acquisition. • We obtained the calculation sheet and verified the accuracy as well as the consistency with relevant evidences to verify the accuracy of the amount recorded as negative goodwill.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 17, 2021

臼倉 健司 

Kenji Usukura
Designated Engagement Partner
Certified Public Accountant

羽柴 則央 

Norio Hashiba
Designated Engagement Partner
Certified Public Accountant

Stock Information

As of March 31, 2021

BASIC INFORMATION

Stock Exchange Listings	Tokyo Stock Exchange
Industry and Security Code	Insurance, 8795
Trading Unit	100 shares
Number of Shares of Common Stock	Authorized: 1,932,000,000 Issued: 633,000,000
Fiscal Year-End	March 31 every year
Ordinary General Meeting of Shareholders	June every year
Date of Record	Ordinary General Meeting of Shareholders March 31 every year Dividends March 31 every year (interim dividend, when paid, on September 30)
Public Notice	<ul style="list-style-type: none"> • Electronic public notice (Japanese only) • URL: https://www.td-holdings.co.jp/information/public.html/ • If the Company is unable to issue an electronic public notice due to an accident or any other unavoidable reason, a public notice will be issued in the <i>Nihon Keizai Shimbun</i> (daily newspaper).
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan URL: https://www.tr.mufg.jp/english/
Number of Shareholders	219,229

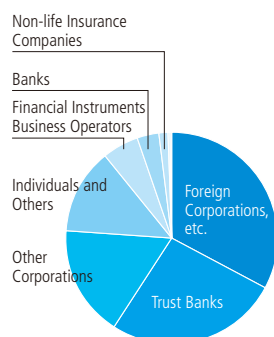
PRINCIPAL SHAREHOLDERS

Name of Shareholders	Number of Shares Held (Thousands of shares)	Percentage of Total Shares Outstanding (%)
The Master Trust Bank of Japan Ltd. (Trust Account)	57,852	9.79
Custody Bank of Japan, Ltd. (Trust Account)	30,274	5.12
Custody Bank of Japan, Ltd. (Trust Account7)	16,950	2.87
MUFG Bank, Ltd.	10,325	1.75
Custody Bank of Japan, Ltd. (Trust Account5)	9,041	1.53
JPMorgan Securities Japan Co., Ltd.	8,656	1.46
STATE STREET BANK WEST CLIENT – TREATY 505234	8,634	1.46
Custody Bank of Japan, Ltd. (Trust Account6)	8,012	1.36
SSBTC CLIENT OMNIBUS ACCOUNT	7,419	1.26
Custody Bank of Japan, Ltd. (Trust Account1)	7,190	1.22

Note: In addition to the above, the Company holds 41,895 thousands of shares in treasury shares, which are excluded from the principal shareholders stated above. Further, the percentage of total shares outstanding is calculated after deducting the treasury shares.

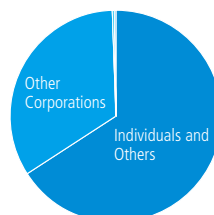
COMPOSITION OF SHAREHOLDERS AND SHARES

Proportion of Shares Held (%)



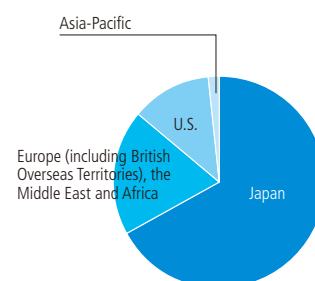
Foreign Corporations, etc.	32.79
Trust Banks	26.50
Other Corporations	16.95
Individuals and Others	12.97
Financial Instruments Business Operators	5.54
Banks	3.43
Non-life Insurance Companies	1.44
Other Financial Institutions	0.22
Life Insurance Companies	0.16
Government and Local Public Bodies	0.00

Composition of Shareholders (%)



Individuals and Others	65.98
Other Corporations	33.60
Foreign Corporations, etc.	0.36
Financial Instruments Business Operators	0.02
Trust Banks	0.01
Other Financial Institutions	0.01
Banks	0.01
Life Insurance Companies	0.01
Non-life Insurance Companies	0.00
Government and Local Public Bodies	0.00

Regional Distribution of Shares Held (%)



Japan	67.21
Europe (including British Overseas Territories), the Middle East and Africa	18.93
U.S.	12.41
Asia-Pacific	1.46
Others	0.00

Group Companies

As of July 1, 2021

The T&D Insurance Group comprised the holding company, 19 consolidated subsidiaries, and 6 affiliated companies as of July 1, 2021. Centered on the life insurance business, the T&D Insurance Group's operations are outlined below:

T&D Holdings, Inc.

Insurance & Insurance-related Businesses

[11 companies]

Insurance

- Taiyo Life Insurance Company (Life insurance business)
- Daido Life Insurance Company (Life insurance business)
- T&D Financial Life Insurance Company (Life insurance business)
- Pet & Family Insurance Co., Ltd. (Nonlife insurance Business)
- Capital Taiyo Life Insurance Limited (Life insurance Business)
- Fortitude Group Holdings, LLC (Insurance holding company)
- Fortitude Reinsurance Company Ltd. (Reinsurance business)

Insurance-related

- T&D Confirm Ltd. (Policyholder confirmation services)
- Toyo Insurance Agency Co., Ltd. (Insurance agent)
- Daido Management Service Co., Ltd. (Insurance agent)
- Taiyo Life Aging Society Institute (Survey and research on health and medical care)

Investment-related Businesses

[9 companies]

Investment Management and Advisory, etc.

- T&D Asset Management Co., Ltd. (Investment advisory and investment trust services)

Other Investment-related

- T&D United Capital Co., Ltd. (Principal investment, Investment management [administration])
 - T&D United Capital North America Inc. (Principal investment, Investment management [administration])
 - T&D Lease Co., Ltd. (Leasing)
 - Taiyo Credit Guarantee Co., Ltd. (Credit guarantee services)
 - Alternative Investment Capital Ltd. (Investment in private equity funds)
- Other subsidiaries and affiliated companies, etc.: 3 companies

Administration-related Businesses

[5 companies]

Administration-related

- T&D Customer Services Co., Ltd. (Life insurance policy clerical services, including drafting, amendment, custody and distribution of documents, and delivery of securities)

General Affairs and Calculation-related

- T&D Information Systems, Ltd. (Computer software and system services)
- Nihon System Shuno, Inc. (Premium collection)
- Zenkoku Business Center Co., Ltd. (Premium collection)
- Thuriya Ace Technology Company Limited (Designing and developing information technology, information technology systems, software solutions and business solutions for the insurance industry)

Companies marked by ■ are consolidated subsidiaries, and companies marked by ● are affiliated companies accounted for by the equity method.

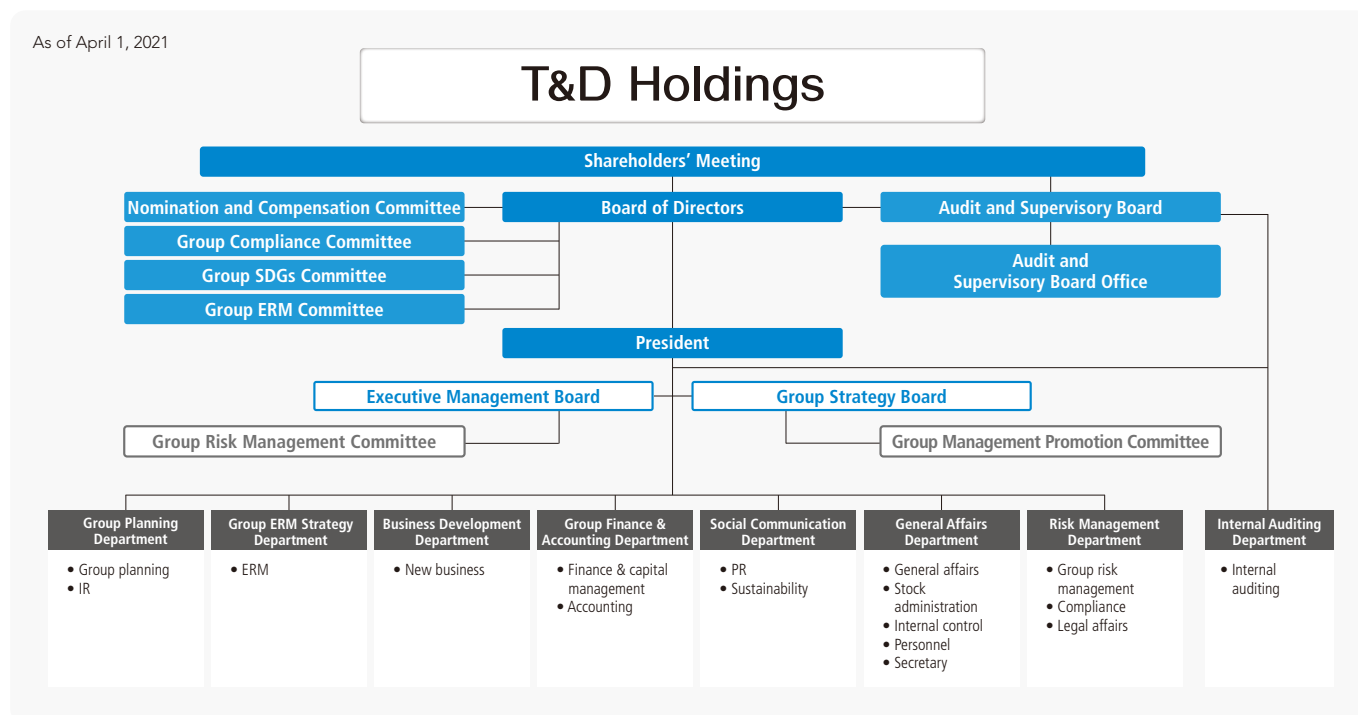
Corporate Overview

As of March 31, 2021

Company Name	T&D Holdings, Inc.
Date of Establishment	April 1, 2004
Location of Headquarters	2-7-1, Nihonbashi, Chuo-ku, Tokyo 103-6031, Japan Tel: +81-(0)3-3272-6110 Fax: +81-(0)3-3272-6552
Type of Business	Management control of life insurance subsidiaries under the Insurance Business Act of Japan and other laws and regulations, and other businesses associated with the above
Paid-in Capital	207,111.86 million yen
Security Code	8795
Stock Exchange Listings	Tokyo Stock Exchange (First Section)
Number of Common Stocks Issued	633,000,000 shares
Number of Employees	118

Organizational Structure

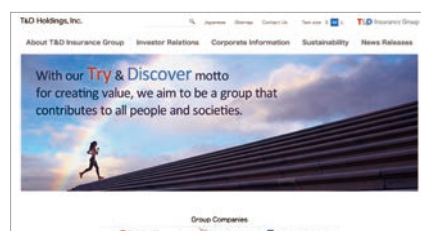
As of April 1, 2021



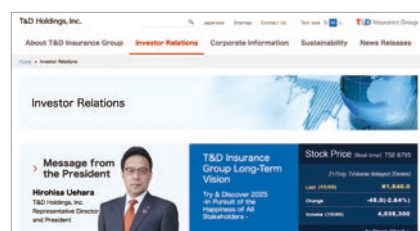
Websites

For more detailed information on the contents of this report, please see the Company's websites.

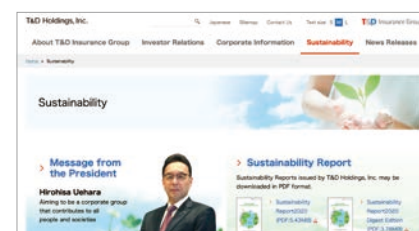
Website of T&D Holdings, Inc.
<https://www.td-holdings.co.jp/en/>



Investor Relations
<https://www.td-holdings.co.jp/en/ir/>



Sustainability
<https://www.td-holdings.co.jp/en/csr/>



T&D Holdings, Inc.

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Tel: +81 3 3272-6110 Fax: +81 3 3272-6552
<https://www.td-holdings.co.jp/en/>