

Roundtable Talk of Outside Directors

Focusing on improving the effectiveness of the Board of Directors, for further value creation

One year has passed since President Moriyama assumed office. In March 2025, T&D Holdings decided to invest in the German life insurance holding company Viridium. At the same time, the T&D Insurance Group's relationship with stakeholders took a new turn. Against this backdrop, discussions for the formulation of the Group's next long-term vision to be introduced from FY2026 have moved into high gear. We asked the outside directors to discuss from their perspective the issues to be addressed for value creation in the long term and the role that the Board of Directors must play.



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Looking back on the President Moriyama's first year in office

Watanabe I commend the fact that, over the past year, initiatives for the improvement of capital efficiency and suchlike have been steadily implemented along the lines indicated in the Group's long-term vision. I could already sense President Moriyama's strong determination and desire for reform when he was discussed as a candidate for next president at the Nomination and Compensation Committee back in the days of President Uehara. He has poured his energy into reforms, including the standardization of information systems and administrative processes, and personnel systems, and he has demonstrated leadership.

Kato It is a year since I became an outside director of T&D Holdings in June last year. During this time, the Group has achieved the financial KPIs set forth in the long-term vision one year ahead of schedule, and has also announced a new policy for shareholder returns. The results of these efforts are steadily becoming apparent in the Group's figures and I feel there has been a buildup of momentum. The challenge going forward will be to strike the right balance between mature businesses and growth businesses and to concentrate management resources in business areas where the Group has a competitive edge.

Taishido Since President Moriyama assumed office, initiatives to maximize group synergy have been implemented with a sense of urgency and I feel he has a strong desire to transform the entire Group. For example, he has also shown leadership in driving some very difficult and lengthy reforms, such as standardization of the Group's information systems and administrative processes. Under President Moriyama's leadership, we have started to review the Group's compensation for directors. We are in the process of holding discussions to develop a compensation structure that functions as an appropriate incentive for increasing corporate value over the medium and long term, promotes value sharing with shareholders and other stakeholders, and is more suited to the characteristics of the insurance business.

Yamada I was also involved in formulating the current long-term vision. Initially, there were areas where it was quite difficult to see what was actually meant by the phrase "the Group's

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Discussions on how to drive reform beyond 2030 are underway.
(Fuma)

integrated management.” I feel that there has been a gear change since President Moriyama assumed office, and there is now a greater sense of urgency.

Fuma I think that important goals for the Company at the moment are a shift in management perspective away from the short term to the long term and improvement of capital efficiency, and I feel that President Moriyama is strongly committed to both these goals. I welcome the fact that we are looking ahead to 2030 and beyond and discussing what action needs to be taken and what needs to be changed.

Nitto I have also been in office for one year, and the Group takes its corporate value more seriously than I imagined, which is commendable. Corporate value is, in a sense, a company’s stock price, and T&D Holdings also takes its stock price seriously. The Group considers the candid opinions of outside directors essential for increasing corporate value, and there has also been much discussion at meetings of the Board of Directors. In this sense, I feel that the Board of Directors functions effectively. Although the Board of Directors does, of course, have a supervisory role, I feel there is a strong desire to work with the executive side in determining how to increase corporate value and contribute to society.

Discussions for investment in German life insurance holding company Viridium

Nitto What worried me about the investment in Viridium was that the investment or the M&A deal would become the end in itself. In fact, there are countless examples where M&A activity has ended up damaging corporate value. On this occasion, we had the opportunity to discuss what the purpose of the investment was and how it would increase corporate value as well as the arguments for withdrawal and postponing the investment,

increasing the degree of certainty. I think that I was able to bring my personal experience as CFO to the table as well as my knowledge as an outside director at other companies.

Fuma I considered the appropriateness of the valuation to be an important discussion point. The clinching factor with an acquisition is whether the return will be commensurate with the price. Especially since this acquisition was a deal related to long-term insurance assets, I repeatedly sought confirmation at meetings of the Board of Directors as to whether the assumed scenario for the mortality rate margin including climate change and natural disaster was appropriate. As a result, I could see that the valuation was based on appropriate risk assumptions. I recognized that it was a good deal.

Yamada The Group has invested a total of 144 billion yen in Fortitude and, since entering the closed book business, has built up a five-year track record. We deliberated investment in Viridium, which is seen as another pillar of the closed book business, around 10 times, including at extraordinary meetings of the Board of Directors. I also believe that the valuation was a good judgment; although I did point out, from the perspective of a certified public accountant, that it would be advisable to obtain quarterly data under IFRS (International Financial Reporting Standards) and not under the accounting standards based on the German Commercial Code used by Viridium. The final judgment was reached once it was confirmed that this data was readily available.

Taishido My view was that, above all, the Board of Directors should properly verify “consistency with the Group’s overall strategy” and “the appropriateness of the valuation.” While it is a good investment that is consistent with the Group’s overall strategy, I was worried about the risk of buying at a high price in the midst of fiercely competitive negotiations. I was provided with information each time the status of negotiations changed to see whether the valuation was really appropriate and whether the expected IRR (internal rate of return) would exceed the hurdle rate, and I was convinced and cast my vote in favor of the acquisition.

Kato When this agenda item came up for the first time, I asked where this proposal had come from. But I was later won over when I learned that this was not a project brought to the table by

an investment bank. Rather, T&D’s involvement in the closed book business, where T&D can leverage its many years of experience and knowhow in the insurance business, had led to the acquisition proposal. Information about the closed book business is hard to come by unless you are in the inner circle; however, the T&D Group had been admitted to this inner circle through its experience of the closed book business in the United States, and was approached about this acquisition as a result. In M&A, the acquisition is not the goal. The question of how to manage the acquired entity going forward is important. I feel that T&D is using its Fortitude experience and making progress with the development of human resources. This investment in Viridium will increase the Group’s capacity for future business expansion through the accumulation of knowhow about overseas investment both in Europe and the United States and the development of human resources, and I feel that this is another advantage of the investment.

Watanabe Investment proposals are always being considered primarily by the Business Development Department. Investment is not a given and there are times when the Group has decided not to invest in the past. This proposal was carefully considered by the Board of Directors, taking into consideration geographic diversification and the usefulness of the business model and, following confirmation that the investment cleared the Group’s hurdle rate, it was concluded that the investment would help increase corporate value.

Tackling management issues through dialogue with stakeholders

Taishido At this year’s general meeting of shareholders, T&D Holdings received a shareholder proposal. I recognize that the

We will properly supervise whether management issues are being addressed at the correct pace.
(Taishido)



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management issues given as the reasons for the proposal are issues that have been discussed before by the Board of Directors; however, I believe that the issues of reducing strategic shareholdings and improving the profitability of Taiyo Life are being appropriately tackled by the execution side, even when seen from the perspective of an outside director. That said, it is not okay to stand by and do nothing and I think we need to properly supervise to see if the pace of initiatives is right. I think proper dialogue with institutional investors and shareholders to gain understanding for company initiatives is the only way forward.

Yamada In terms of dialogue, the Group deals courteously with investors and shareholders, engaging in dialogue with investors as part of IR activities four times a year to coincide with each quarterly financial results announcement, and also providing opportunities for SR meetings at the end of the year and before the general meeting of shareholders. For a listed company, enhancing information disclosure is extremely important. The FSA requested the disclosure of annual securities reports prior to general meetings of shareholders and the Group already began complying with this request from the fiscal year ended March 31, 2021. The information about strategic shareholdings and information about the activities of the Audit and Supervisory Committee contained in last year's annual securities report was included in a casebook of good practices published by the FSA. The Group is also endeavoring to increase understanding through this Integrated Report.

Watanabe In response to the shareholder proposal, we have spent a great deal of time at meetings of the Nomination and Compensation Committee and the Board of Directors seriously considering and discussing the matters raised. I believe that,



We need to continue to pursue infrastructure integration initiatives and demonstrate the point of the holding structure.
(Kato)

through this process, we have been able to organize our thoughts as outside directors in regard to whether there are any issues with the policies being pursued by the current Board members. I believe this has been a positive experience for the Company and has also helped strengthen IR.

Kato In the SR meetings I took part in, I felt that most investors do not want to see the kind of rapid growth that requires the Group to overstretch itself and they understand the Group's strengths as a "strong niche player" and its cautious approach. This made me realize that our initiatives are going in the right direction and that we need to keep going. To this end, I think it is also important to disclose specific measures and schedules more clearly. That said, we must not be complacent but must keep striving to improve corporate value from a long-term perspective. In the recent shareholder proposal, there was also criticism over the "conglomerate discount"; however, I think that each Group company's channels, selling methods and products are different and the criticism about overlapping and competing business and a lack of synergy is not necessarily justified. That said, we should continue to standardize information systems and administrative procedures and pursue asset management infrastructure integration initiatives. We must demonstrate the point of the holding structure.

Fuma Receiving a shareholder proposal is important. We do not see this in a negative light, but rather as an indication of shareholders' expectations of the T&D Group. We are constantly considering to what extent the Group can live up to these expectations. The shareholder proposal mentioned improvement in the P/EV ratio and RoEV and this is also something we consider to be important from a governance perspective. With reference to the opinions expressed in the shareholder proposal, we are currently holding impartial discussions at meetings of the Board of Directors, with a view to maximizing corporate value, which is the ultimate goal.

Nitto I also feel that the issues recognized in the shareholder proposal are not significantly different from our recognition. At a time when T&D is implementing certain initiatives to improve corporate value, I see the submission of such a proposal as encouragement. We must use this to strike the right balance and formulate the

Discussions about KPIs and monitoring progress for achievement of the next long-term vision are needed.
(Yamada)



next long-term vision.

Discussions for formulation of the next long-term vision

Nitto To increase corporate value, we will grasp the factors that are hampering improvement in corporate value, reflect all these in measures and implement measures in order of priority. Corporate value is defined as "profitability × growth potential". We will clearly set out a course for achieving this and make this a reality through an achievable plan.

Fuma In a world where the external environment will change dramatically, societal and market issues will emerge one after another. Looking at the life insurance market, which is T&D's core business, SMEs and general households, which are our main customer categories, are consumed by anxiety in face of the changing world. In the midst of all this, what can we do? We need to look at business growth beyond 2030 and constantly reassess our options including businesses other than the insurance business. Additionally, in our next long-term vision, we need to consider with a sense of urgency matters such as digitization, overseas business expansion, and the nature of governance and human capital for realizing these.

Yamada Although our current non-financial KPIs were well thought out five years ago, we have received feedback that they are somewhat difficult to understand. T&D set customer satisfaction and employee engagement score as KPIs but I feel there was not sufficient explanation about how these will lead to value. For the next long-term vision, we need to set KPIs and discuss how we will monitor progress.

Taishido While we will continue to increase the strength of the life insurance, which is the T&D Insurance Group's core business, we also need to hold further discussions to identify the Group's next source of growth, given that Japan's

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population is shrinking. We will have thorough discussions to ensure that the next long-term vision helps investors to see T&D's growth potential. Every year, we spend a great deal of time discussing the nature of the business portfolio, including intensive discussions that last a full day; however, we need to hold more in-depth discussions over the core aspects of strategies, and we will hold heated discussions on such aspects for development of the next long-term vision.

Kato We need to start from the realization that, over the coming five years, we will be operating in a business environment that is completely different from that in the past five years. I think we need to look ahead five years from this tumultuous present and discuss how the Group can evolve and develop. My experience as a manager tells me that we will not be able to come up with a proper vision unless we put customers at the center. We will pin down this point in our discussions.

Watanabe Our current long-term vision is rated by many investors as a vision that helps increase corporate value, and the next long-term vision will be a vision that is a continuation of this and that accelerates implementation. I will take part in discussions and monitor proceedings to check whether the messages received from investors through dialogue are taken seriously and incorporated into measures.

Role of outside directors in the period to 2030 and beyond

Yamada As an Audit and Supervisory Committee Member, I am responsible for accounting and finance and regard myself as someone working behind the scenes. In the insurance business, the way forward is unclear on the strength of finance and



The Group is central to the stakeholder value cycle and has an opportunity to make a unique contribution.
(Nitto)

accounting data alone and I think ambidextrous management which also has an eye on economic value is important. I believe my mission is to give advice at meetings of the Board of Directors to increase current profit and improve corporate value. Smaller in scale than Japan's four leading insurers and also a joint stock company, the T&D Group is in a position to make growth investments of a certain scale under strong governance, aiming for the goals we would like to achieve in 5 or 15 years from now. I will work hard to enable T&D to grow into a company that is more highly rated by stakeholders.

Taishido As a lawyer specializing in governance, risk management and internal control, I feel that "deep-rooted governance" as opposed to governance in form only is important. Governance is created only when companies are committed to fully understanding which systems are most suited to them and then introduce and make use of these systems. From the standpoint of an Audit and Supervisory Committee Member, I also attach importance to "defensive governance" which involves enhancing risk management, and I will check the effectiveness of both defensive and offensive governance. With respect to stakeholders, I think the best strategy is to create a win-win situation where we get employees to achieve self-fulfillment and where the results of their efforts make customers happy and also reward shareholders. Recently, I have been experiencing firsthand the cultivation of employees with a "One Group" mindset and I believe that the active participation of such individuals will foster the Group's integrated management and so, as an outside director, I will focus on supervising progress in this regard to ensure that we meet the expectations of stakeholders and investors.

Nitto The role of the Board of Directors is to determine how to help increase corporate value. It is important to be attentive to both increasing corporate value and avoiding damage to corporate value. I think that management issues are the gaps between the vision and the current status. The more ambitious the vision, the greater the issues, and the need for risk-taking emerges. In situations where those on the execution side hesitate, it is important that we as directors give them a gentle push. On such occasions, insight and knowledge of a range of

I will work alongside members with diverse experience and perspectives to improve the corporate value of the T&D Insurance Group.
(Watanabe)



matters besides insurance come into play in order to shut down risks or ideas that are likely to fail. I want us to aim to be a presence capable of meeting the expectations of all stakeholders in the medium and long term. In the stakeholder value cycle mentioned by Taishido-san, the T&D Insurance Group has an opportunity to play a central part and make a unique contribution.

Fuma I think that, in a dramatically changing external environment, a status quo bias is in itself an enormous management risk. Identifying medium-to-long-term changes and ensuring the capability to take action is an important role of an outside director, and I think that the role I play on the Board of Directors is to counter this status quo bias through advice and supervision. Additionally, T&D is both a listed company and an asset owner that owns long-term assets. Precisely because T&D has both of these faces, T&D must demonstrate to capital markets the way that the relationship between shareholders and issuers should be. I hope you will enjoy watching our evolution as a unique presence in Japan.

Kato In the skills matrix, I believe I can make a contribution with my long years of experience in the capital market and global domains. I especially think that the experience of failure as well as success is very important, and my role is to discuss various issues based on my experience of overcoming diverse challenges. The T&D Group has a great corporate philosophy "Try & Discover." I want T&D not to go on the defensive and to have the courage to try and discover from a new perspective.

Watanabe This is my fifth year as outside director and the lineup has changed significantly. Individuals with new and diverse experience and standpoints have joined the board and I feel that the balance of the Board of Directors has also evolved considerably. Together with these members, I will continue carefully monitoring business activities and working to improve corporate value, to achieve the T&D Insurance Group's vision.