



Group Long-Term Vision

Try & Discover 2025

- In Pursuit of the Happiness of All Stakeholders -

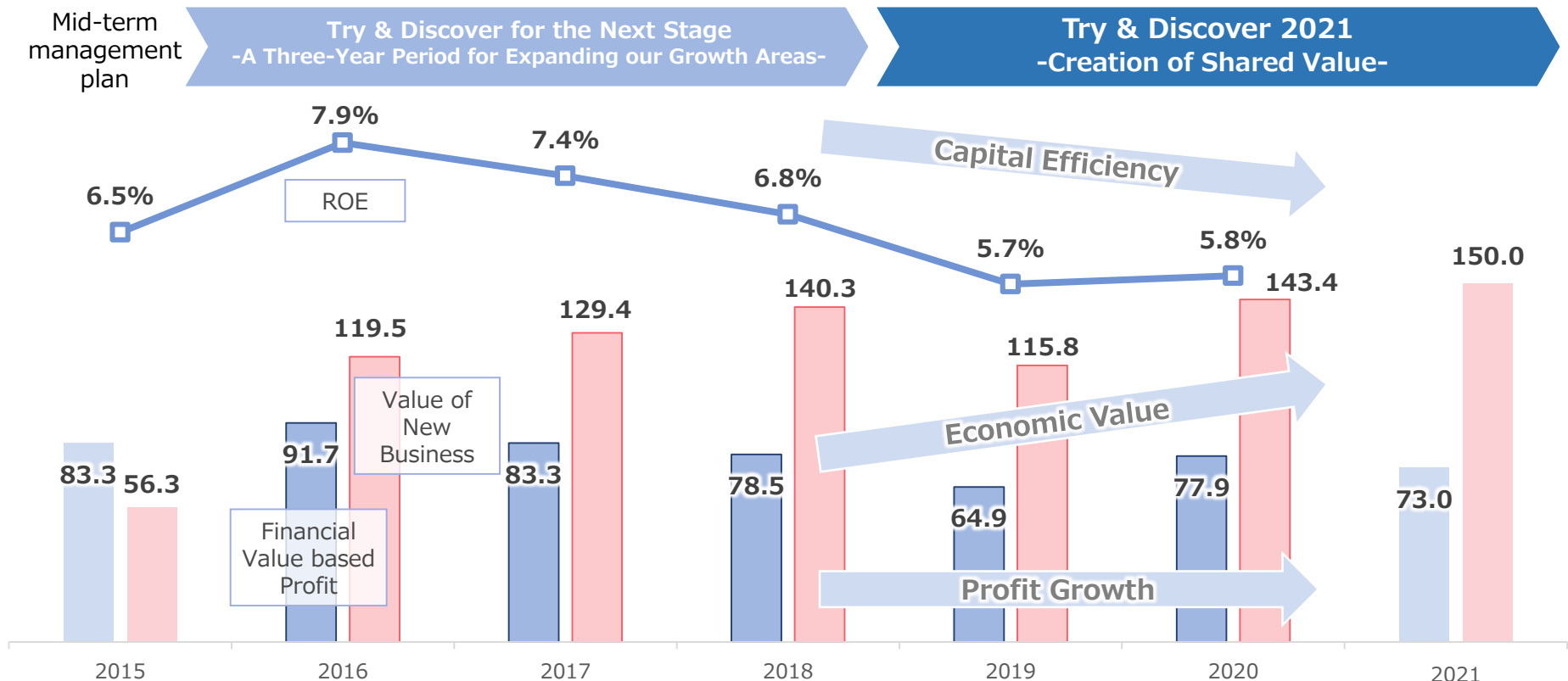
T&D Holdings, Inc.
May 2021

I . Review and Issues of Group Management

II . Group Long-Term Vision

Reviewing our Group Management

- Under the current mid-term management plan, in order to actualize the “creation of shared value” which aims for a balance of social value and economic value, we have achieved growth through refining each Group company’s own business model.
- While the economic value base shows a robust result, the financial value remains flat, and the capital efficiency is decreasing.

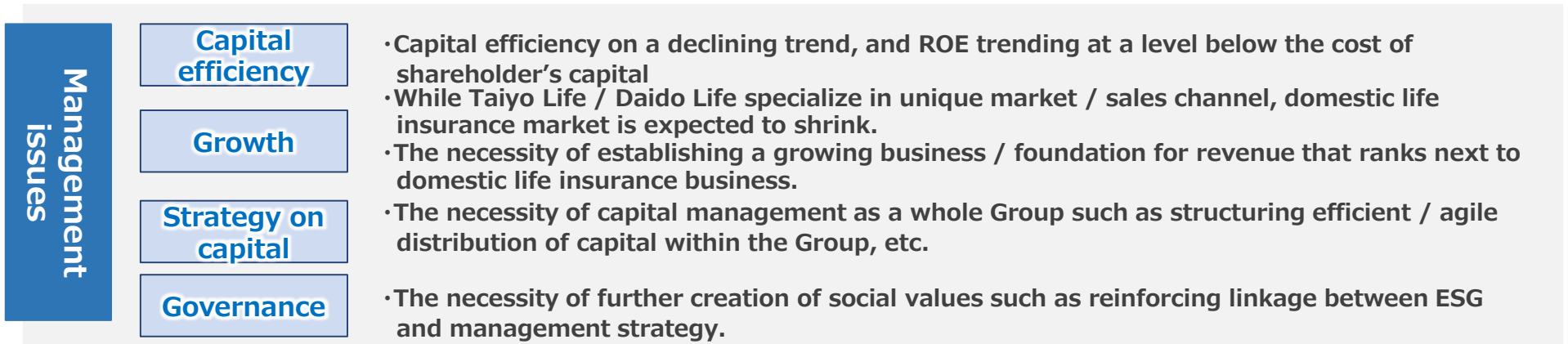
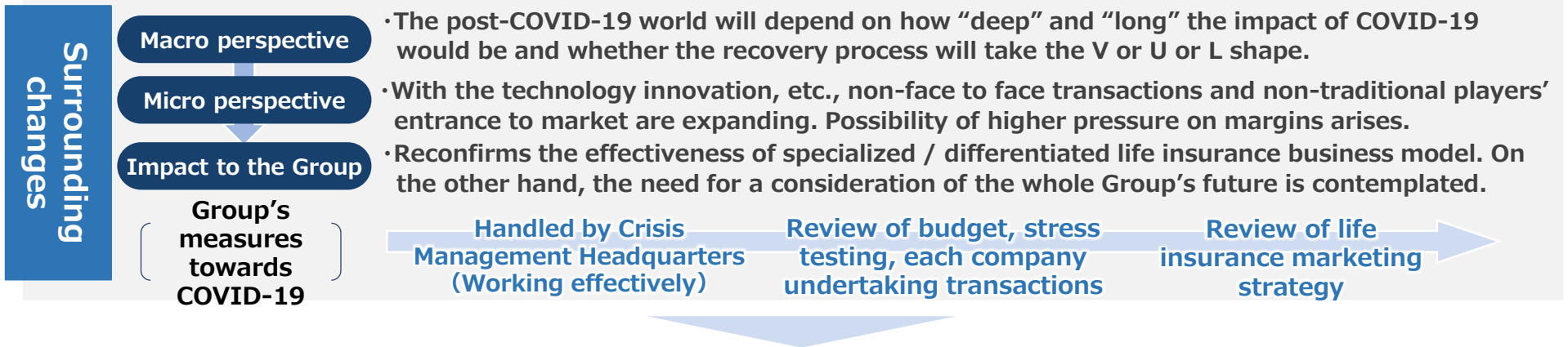


* ROE = Financial value based profit / Net asset (average of corresponding FY end and the previous FY end)

* Financial value based profit on and before FY2018 is Adjusted net income, on and after FY2019 is Group adjusted profit.

Changes in the Surrounding Environment and Issues of Group Management

- Surrounding environment has significantly changed due to digitization under COVID-19, progress in work-style reforms, etc.
- The importance of leading agility and flexibility-intensified management and to clear the way for “solution to management issues”.



Establishment of Group long-term vision

I . Review and Issues of Group Management

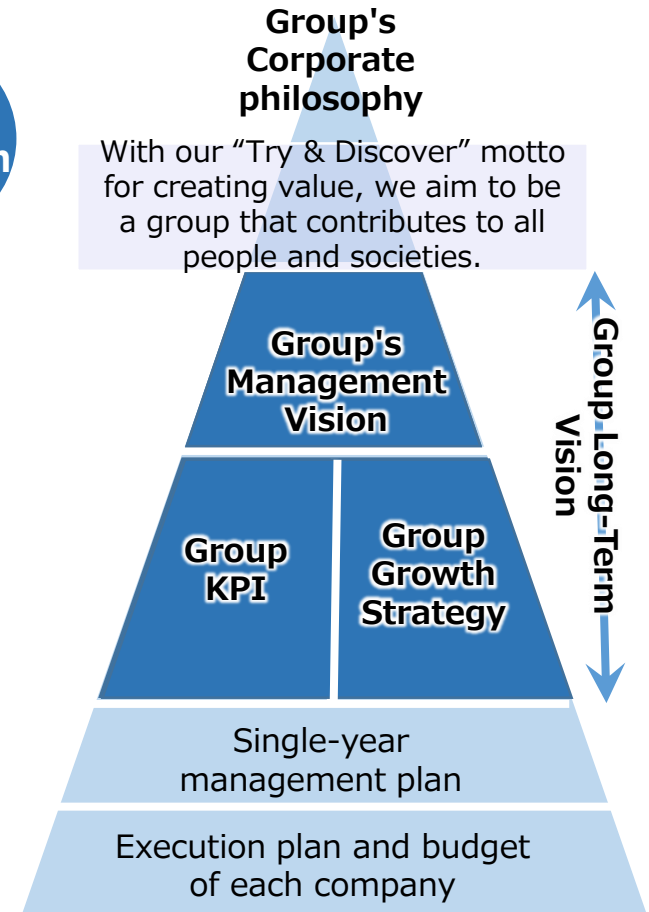
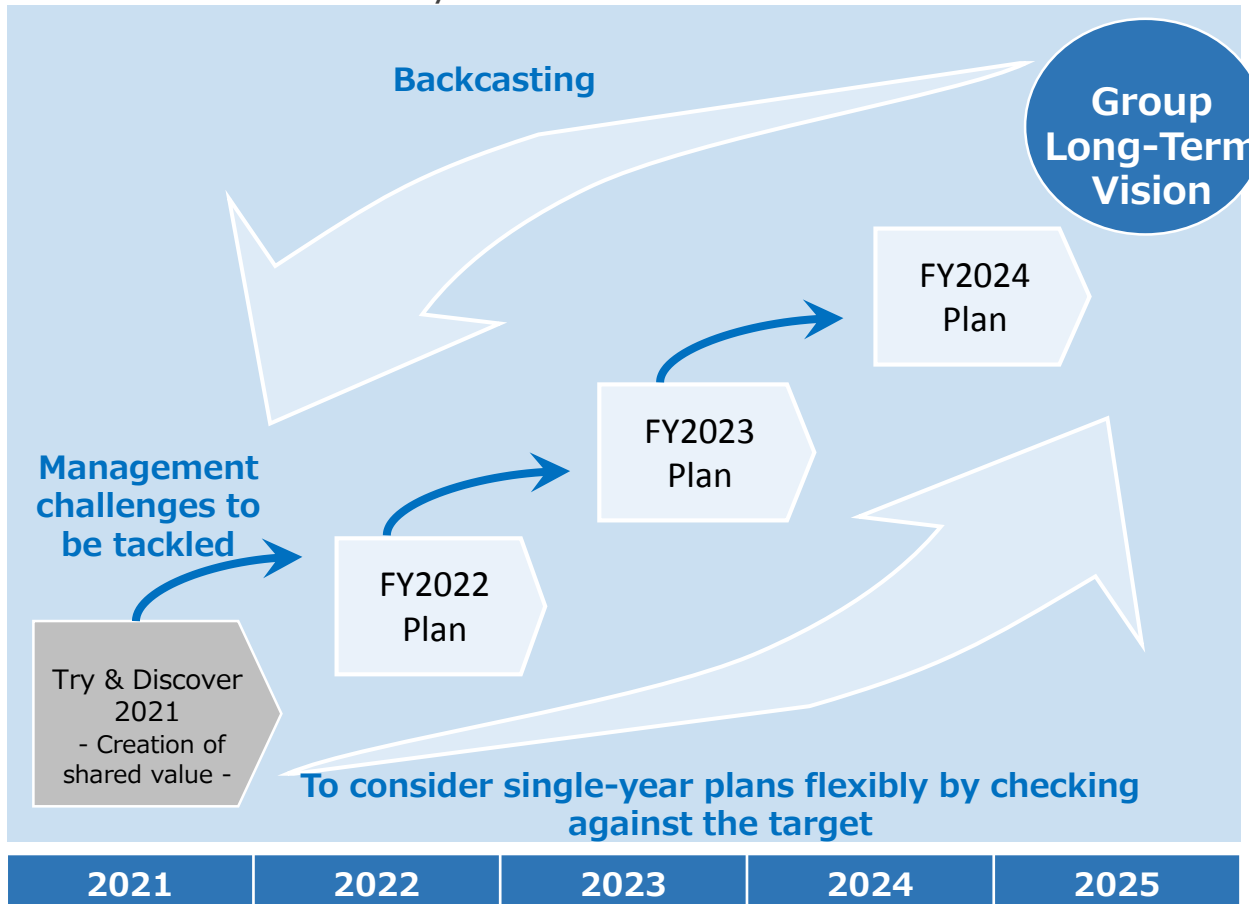
II . Group Long-Term Vision

Thoughts Leading to the Establishment of Group Long-Term Vision

- In the conventional medium-term management plan, we had analyzed the business environment both domestic / overseas, set management targets in anticipation of future surrounding changes based on past experience, and formulated actions (strategies) to be taken.
 - However, in today's increasing uncertainty, future forecasts are difficult, and while sticking to the strategy originally established may hamper growth, it is necessary to **shift corporate management** from "forward-looking management" to **"management based on the assumption that the future can't be read."**
 - In order to achieve this, it is important to **redefine "how we want to be (vision)" as a company that is not affected by surrounding changes**, contemplate what is effective in light of the vision (plan), and have a sense of flexibility and speed in the way of thinking and action to be put into practice.
 - Additionally, the U.S. Business Roundtable issued a statement that companies have a responsibility to bring economic benefits not only to shareholders, but also to all stakeholders, including employees and local communities, and the transition from shareholder capitalism to stakeholder capitalism is being explored, **again questioning the significance of a company's purpose.**
 - Furthermore, in the worldwide trend of SDGs, mainly among the Millennials and Generation Z, the value being fostered is that "good companies" are not only "creating profit" but also are "making society better" and are "able to coexist with society".
- **We will foster common group values by looking directly at changes in the surrounding business environment and clarifying the vision of the T&D Insurance Group with a forward-looking perspective. In addition, each company will implement an action plan in line with the Group vision, and the Group will work integrately to solve issues and survive the highly uncertain era of VUCA.**

Where Group Long-Term Vision Stands

- Long-Term Vision comprises of Group's Management Vision (mid-long-term target of corporate image and direction of the group), Group KPI (quantitative target in order to actualize the management vision) and Group Growth Strategy (strategies to achieve KPI).
- Aiming for the result profit-wise to be visible in 5 years by pursuing the measures under consideration one by one.



Group's Management Vision - Statement-

**保険を通じて、“ひとり”から、世の中のしあわせをつくる。
ていねいに向き合い、大胆に変えるグループへ。**

Sow happiness, make change with boldness

Group's Management Vision - 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 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.

The story of the Group's growth

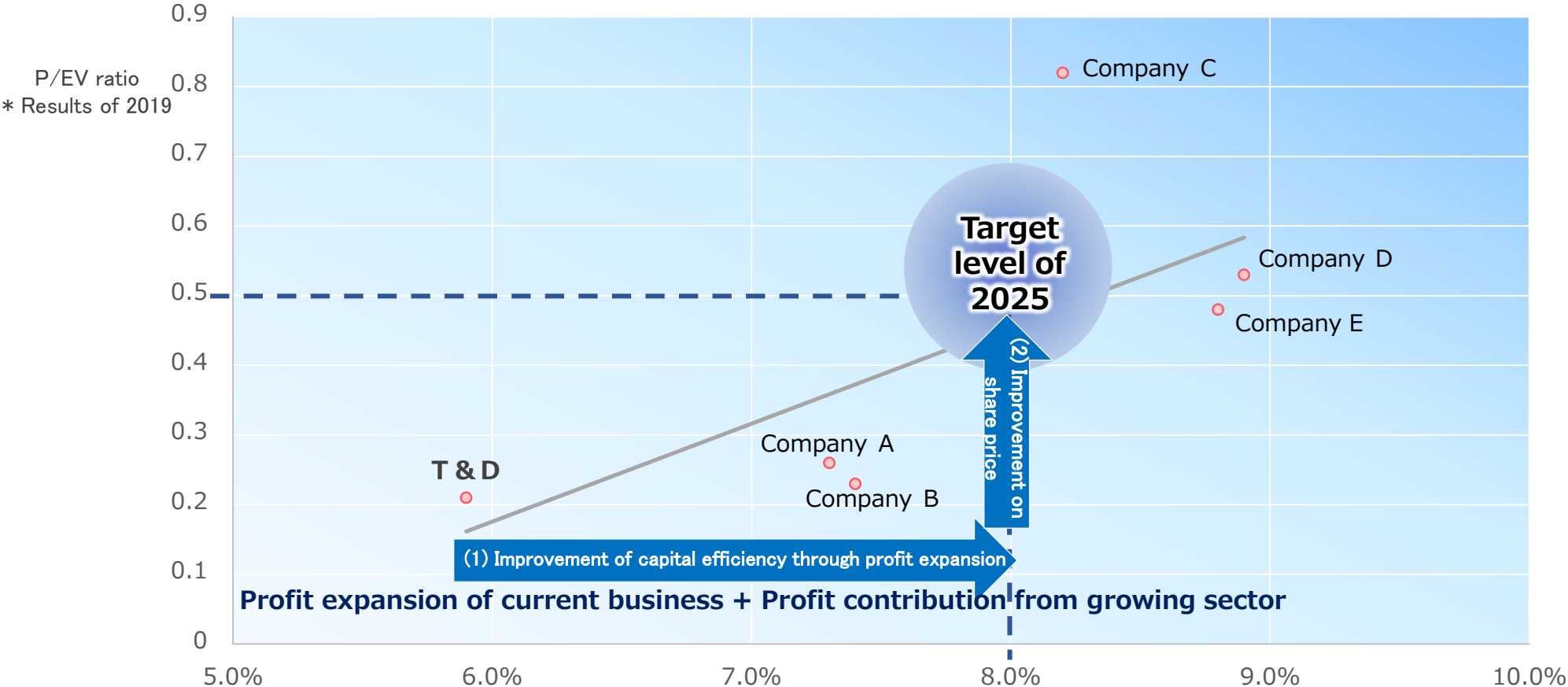
- Even under the pandemic, specialized and differentiated business model of the three life insurance companies have been functioning effectively.
- While aiming for sustainable profit growth in domestic life insurance business, utilizing the super-long and stable revenue base to distribute the group's resources to new business fields.
- By setting the "Group KPI," promoting the growth strategy that entails capital efficiency.
 - Creating leaner domestic life insurance business through ROE perspective (i.e. intensifying the specialization strategy)
 - Investing aggressively into new areas with high ROE and growth potential (i.e. searching for the growing sector)
 - A dramatic leap towards a new level of group management through pursuit of group synergy



**Improving capital efficiency through increasing profit,
leading to an improved valuation**

Target level of 2025

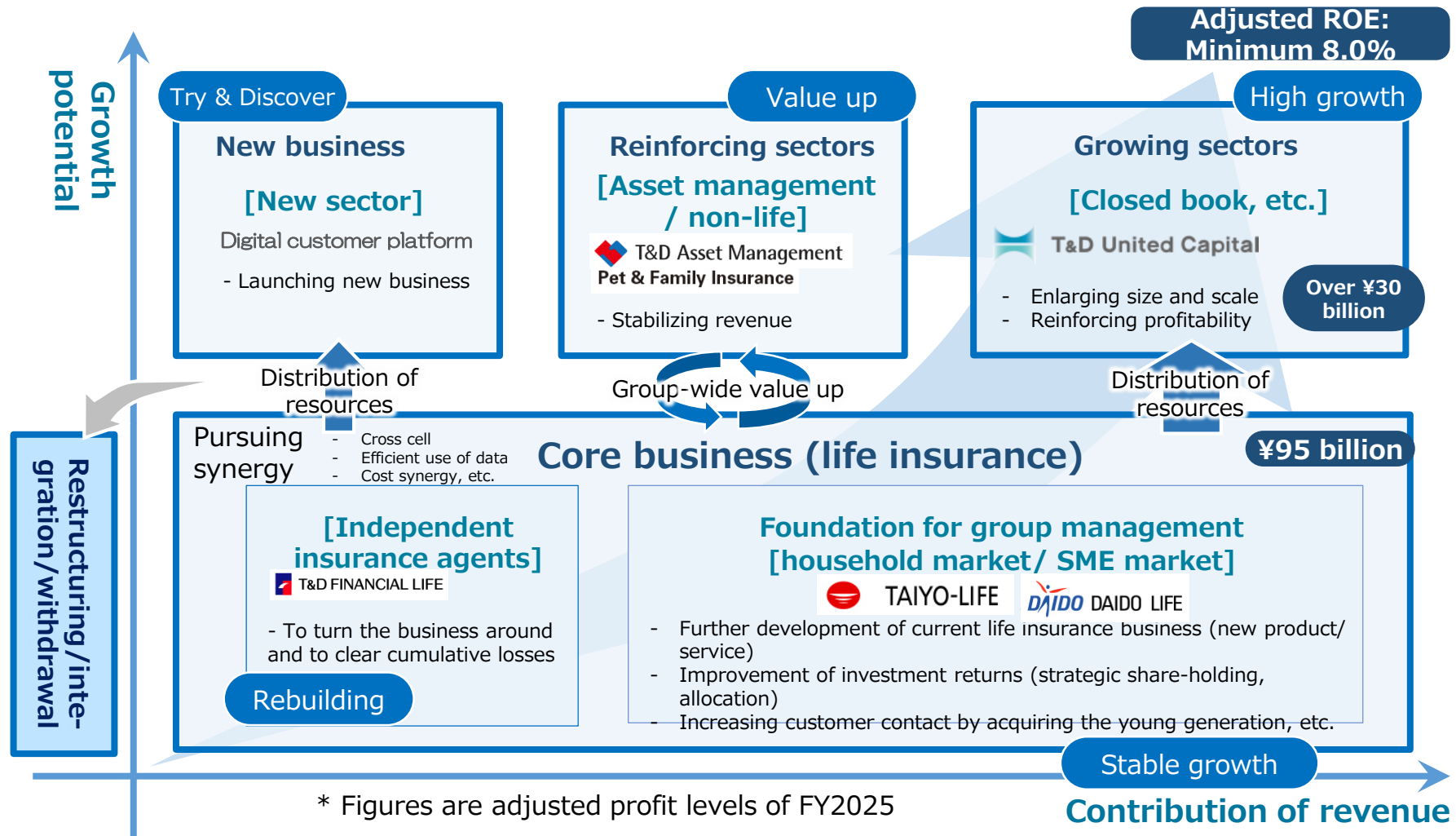
- Aiming for an improvement of valuation through an improved capital efficiency by profit expansion of current business with domestic life insurance business at its core, further advancement of capital management, and distributing group’s resources to growing sectors (e.g. closed book business).



Adjusted ROE = Adjusted profit / Net asset (average of beginning and end of FY) *Results of 2019

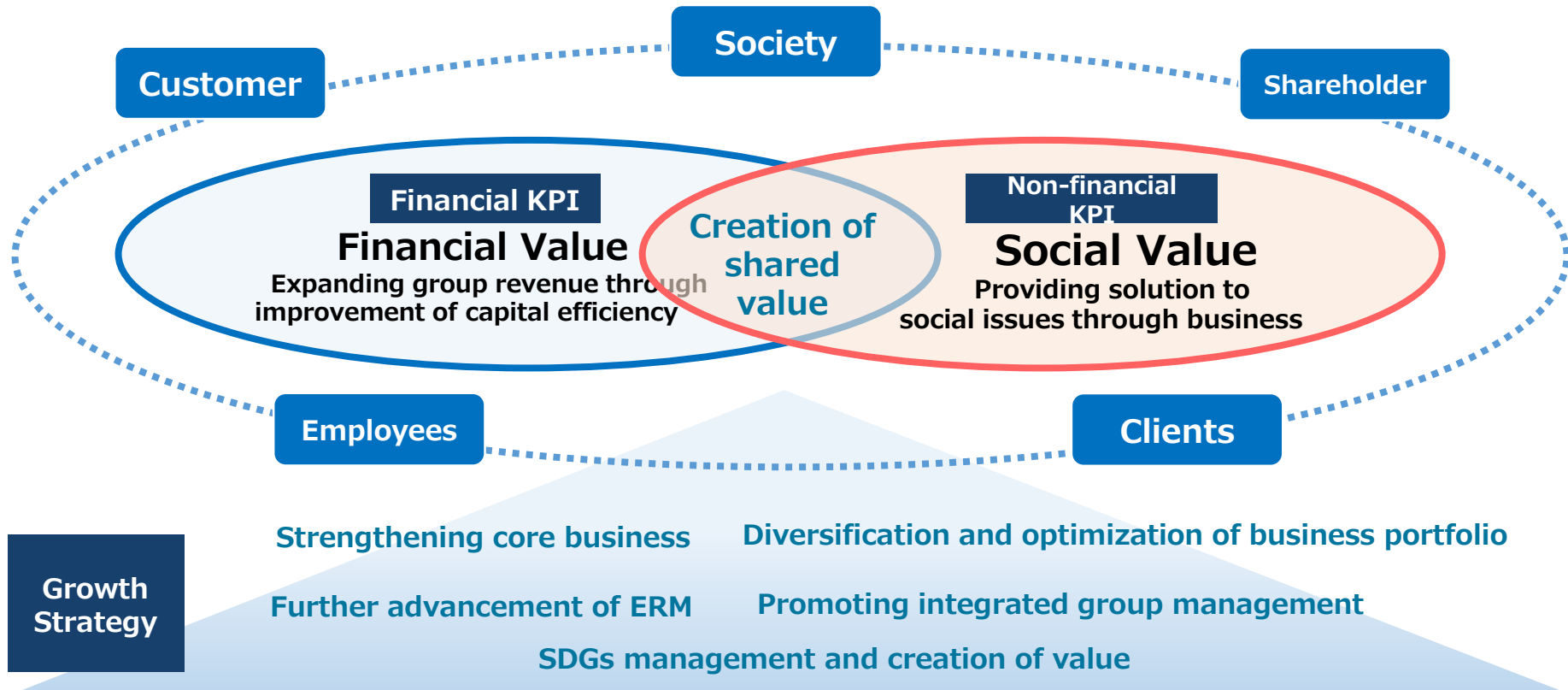
Group Growth Strategy –Strategy Maps-

- In order to realize a sustainable development that also responds to the surrounding changes, portfolio management as a whole group will be undertaken aggressively, while also taking appropriate governance measures towards various business sectors and organizations from both sides of offensive and defensive approaches.



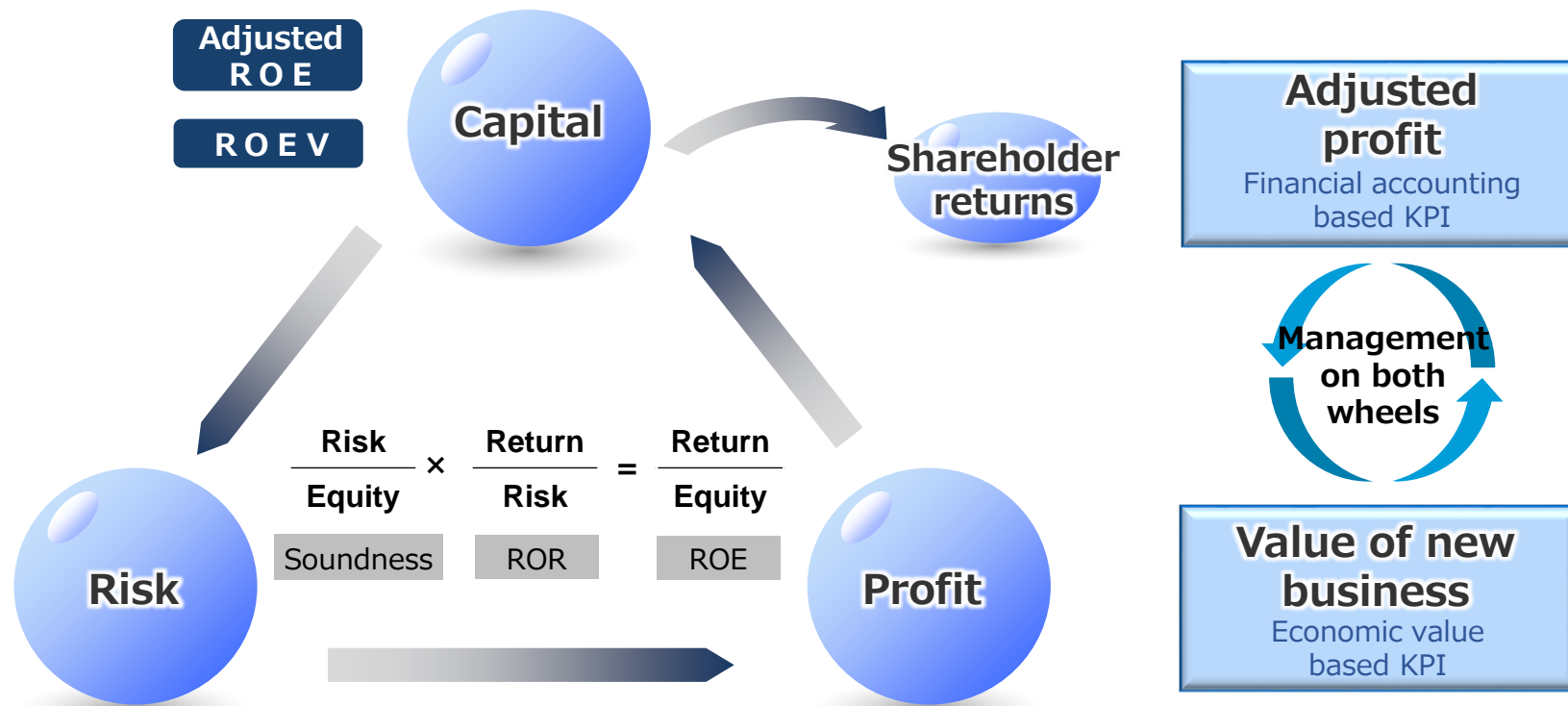
Group KPI -the whole picture-

- To continue being the customers' and the financial market's choice, we will pursue both financial value and social value.
- We will navigate our way through the uncertain times of VUCA by clarifying T&D Insurance Group's forward-looking vision which each company will implement as detailed action plan, reflecting on the social trends and the super-long characteristic of life insurance business.



Group KPI -Financial KPI-

- Shareholder returns: by efficiently utilizing capital from markets and maximizing profit through providing value to as many customers as possible. The continuation of this cycle will enhance the group's corporate value sustainably.



Towards sustainable development of the Group corporate value

Group KPI -Financial KPI-

	Result of FY 2020	FY 2021 target	FY 2025 target
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%

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.

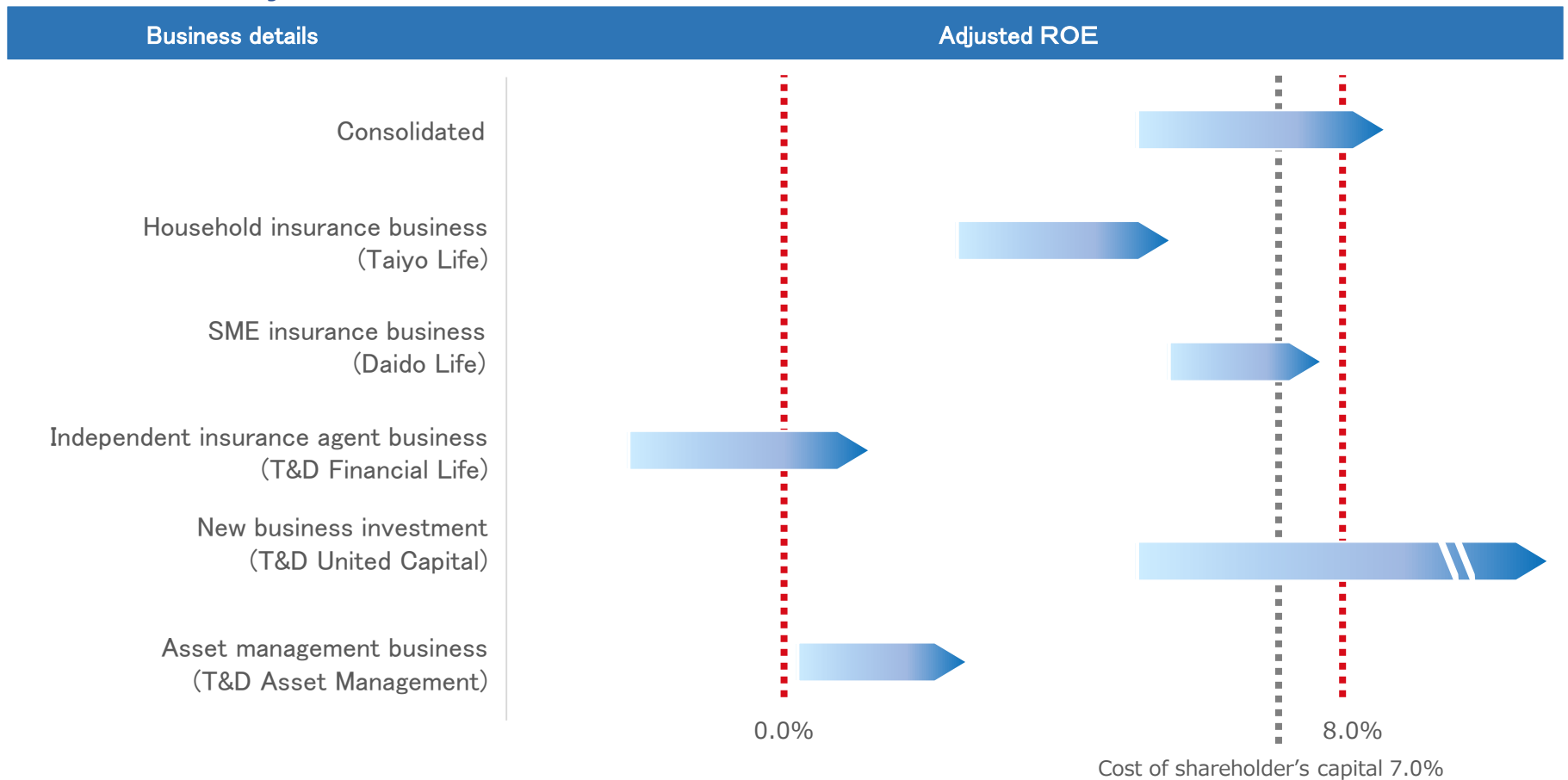
Adjusted ROE = Adjusted profit / Net asset (average of corresponding FY end and the previous FY end)

ROEV = Increase and decrease in EV / EV (average of corresponding FY end and the previous FY end)

Group KPI -Expected Returns of Main Businesses-

- Expected returns based on business characteristics, etc. are set. Aiming to achieve Adjusted ROE of 8.0% as a group-wide profitability through profit expansion of current businesses and profit contribution from growing businesses (e.g. closed book business.)

Distribution of Adjusted ROE

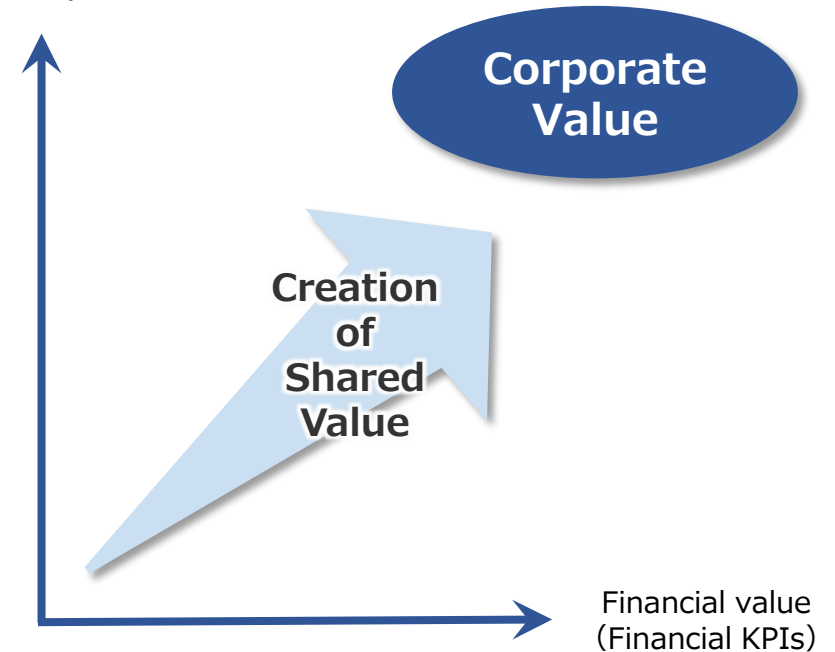


Group KPI -Non financials-

- As long as corporations are “public entities of society”, the society’s sustainability equals corporations’ sustainability. As a corporation that “exists with the society”, we will continue to promote “creation of shared value” under the existing mid-term management plan and further develop its purpose.
- In conjunction with aiming the achievement of non-financial KPIs, we will aim for an improvement of evaluations from external entities.

Category	Evaluation category	Target
Customer	Customer satisfaction	Minimum FY2020 level (Improvement from the current level is set as a target, as a relative assessment)
Employee	Employee satisfaction	Minimum FY2020 level (Improvement from the current level is set as a target, as a relative assessment)
Society	CO ₂ emissions	Reduction of 40% from FY2013 levels by FY2025 (A 5-year upfront target from The Life Insurance Association of Japan’s target)

Social value
(non-financial
KPIs)










Group Growth Strategy

- To actualize 11 strategic policies and improve capital efficiency to secure robust management foundation and competitive advantage

5 Critical Issues		11 Strategic policies
I	Strengthening of core business	<ul style="list-style-type: none"> ① Three life insurance companies to aim for becoming the number one player among each of their specialized markets through integration of real and digital sales activities, etc. (including DX strategies) ② To expand customer contacts among Millennials/ Generation Z.
II	Diversification and optimization of business portfolio	<ul style="list-style-type: none"> ③ To further develop current investment areas such as closed book business, etc. and in parallel, to consider tapping new areas of business to diversify revenue streams. ④ Aggressive business portfolio management.
III	Further advancement of ERM (Upgrading capital management)	<ul style="list-style-type: none"> ⑤ Shareholder returns based on new capital management measures. ⑥ To reinforce economic value-based management, taking into account the introduction of economic value-based solvency and IFRS trends. ⑦ Improve capital efficiency by allocating capital to businesses and assets with high return on risk while ensuring soundness.
IV	Promoting integrated group management	<ul style="list-style-type: none"> ⑧ In addition to consolidating asset management functions, to pursue new synergies that are not bound by conventional wisdom, transcending the boundaries of businesses such as life insurance, non-life, and asset management. ⑨ To realize "new working styles" in which diverse human resources can play an active role. ⑩ To strengthen group governance. To foster a new group culture.
V	SDGs management and creation of value	<ul style="list-style-type: none"> ⑪ By applying the underlying management concept of "creation of shared value" which creates both economic and social value, to contribute to a sustainable society by solving social issues through business activities.

Strengthening of Core Business –Intensifying Life Insurance Business–

- The three life insurance companies will continue to aim the number one player in their respective specialized markets by transforming sales activities through the integration of real and digital and providing optimal products and services that capture customer needs.

Company	Specialized market	Standard policy	Transforming sales activities
 Taiyo Life	Household market	<p>To become the number one player in senior market</p> <ul style="list-style-type: none"> - Product development ahead of the curve - Product-integrated service 	<p>Gathering and enhancing customer database  Distributing brochures to households (approval base)</p> <p>Appointment-based visits  New prospects</p> <p>Combination activity</p> <p>Utilization of digital platform and various data</p>
 Daido Life	SME market	<p>To become the partner for SMEs management</p> <ul style="list-style-type: none"> - Firm connections with partner institutions - Specialized channels in SME market - Supporting management and health issues 	<p>face-to-face / remote (person-to-person) / digital</p> <p>Hybrid sales structure</p> <p>sales representatives / tax accountants / financial institutions</p> <p>Digital platform for SMEs</p> <p>All administration transformed to non face-to-face </p>
 T&D Financial Life	Independent insurance agents market	<p>To mark a bigger presence within independent insurance agents market</p> <ul style="list-style-type: none"> - Network within financial institution agents - Flexibility and speed in product development 	<p>face-to-face consulting  Digital tools e.g. online meetings</p> <p>Independent insurance agents</p> <p>Banks, etc. Insurance shops</p> <p>Agents on favorable terms with financial institutions Agents specialized in sales visits</p>

Strengthening of Core Business –Intensifying Life Insurance Business–

- By utilizing technology to its full potential, to work on digital transformation of both customer service (front desk business) and internal transformation (back operations), which will lead to competitive advantage.

DX of sales activities / service

Customer contact

- Hybrid sales activities of real x digital
- Digital platform for SMEs

Convenience in policy administration

- Reform of My Page functions
- Expansion of non face-to-face administrations

Data utilization

- Expansion of customer database
- Synchronous data utilization platforms

Focused investment in IT systems
¥40 billion as group total
(cumulative of 5 years)

- Promotion of remote work and virtual sales activities
- Promotion of abolishment of seal stamping and reduction of paper usage

Operation

- Establishment of full-time DX organization
- Establishment of agile software development structure

Organization system

- Aggressive employment of digital human resources
- Requirement of obtaining IT related qualifications

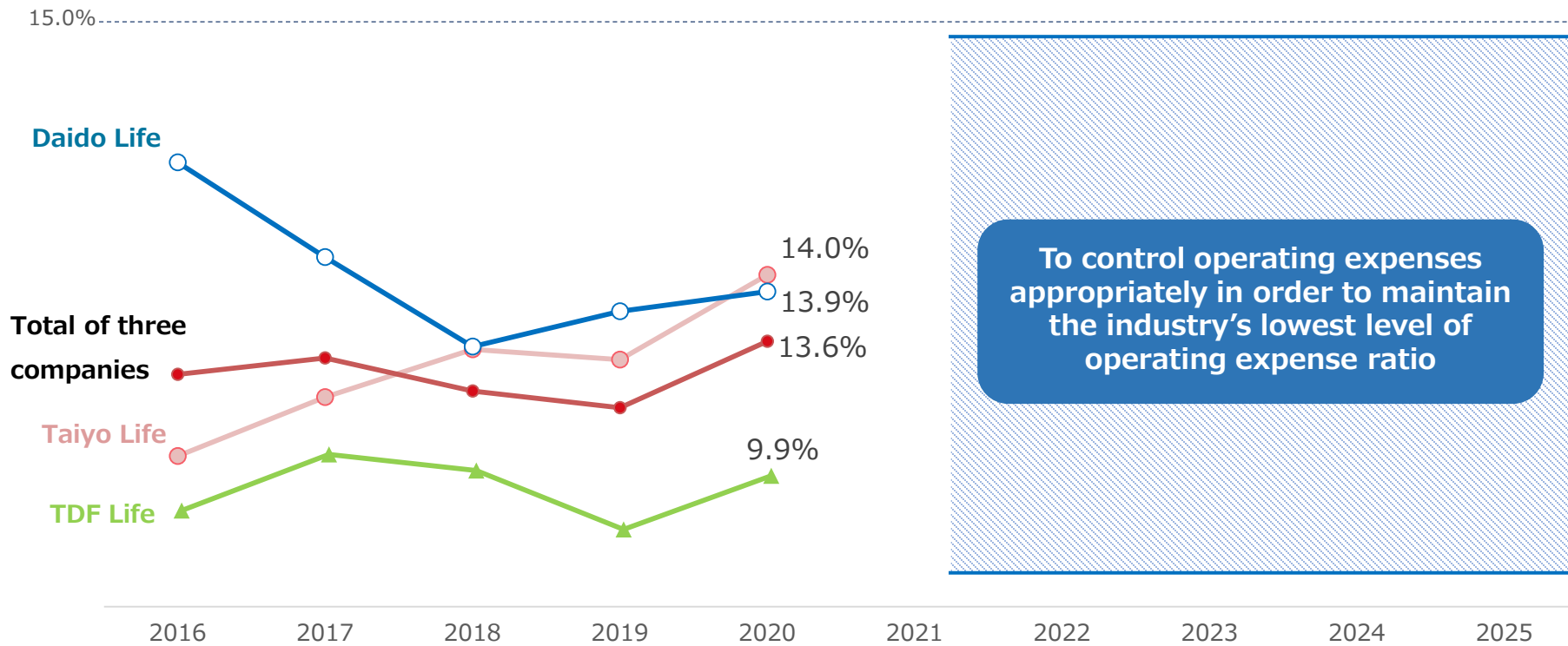
Training human resources

DX of corporate reforms

Strengthening of Core Business –Controlling operating expenses-

- Although DX-related system investment is on an expanding trend going forward, we will continue to implement appropriate operating expense cost control to maintain the industry's lowest operating expense ratio.

Trend of Operating expense ratio
(based on annualized premiums of
policies in force)



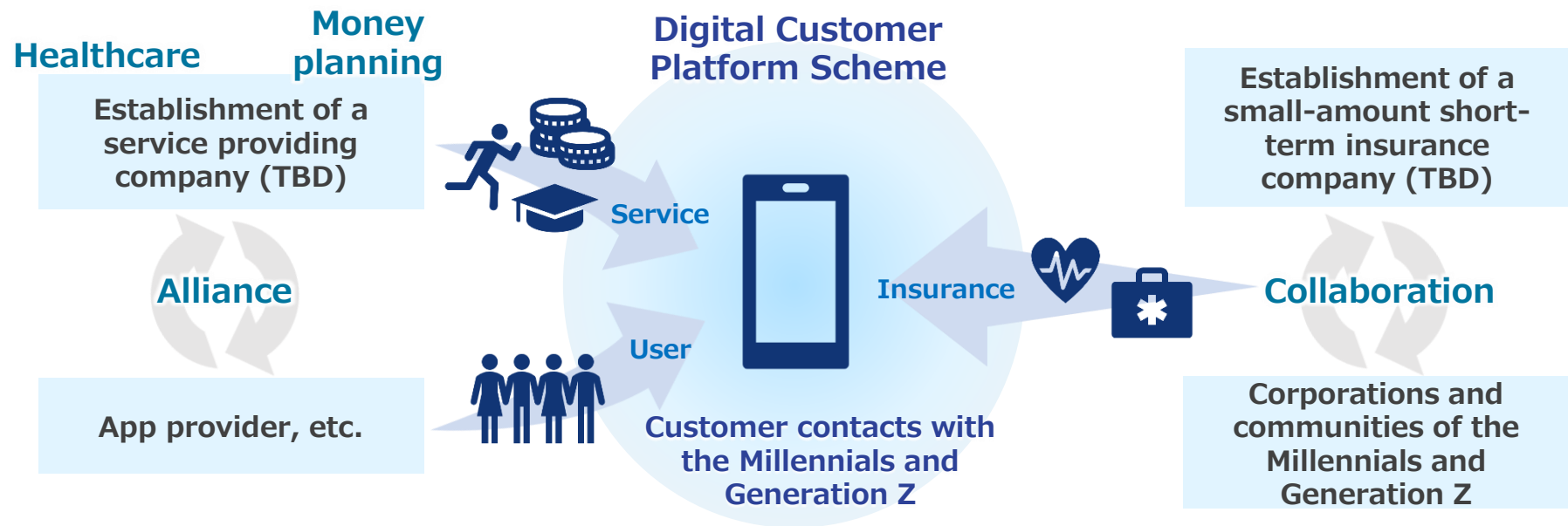
To control operating expenses appropriately in order to maintain the industry's lowest level of operating expense ratio

Operating expense ratio = (Operating expense + depreciation) / Annualized premiums of policies in force (average of previous year end and the corresponding year end)

* For T&D Financial Life, expenses related to reinsurance was deducted.

Strengthening of Core Business –Searching New Sector-

- To shape a new economic zone centered on "digital" to create customer contacts with the Millennials and Generation Z, who will lead the next generation
- In the future, while establishing long and stable relationships with the customers through providing insurance products specialized in the economic zone, we will also contribute to the diversification of customer contacts throughout the Group by sharing the established customer platforms and channels with group companies.



To create new customer contacts

Diversification and Optimization of Business Portfolio – Closed Book Business -

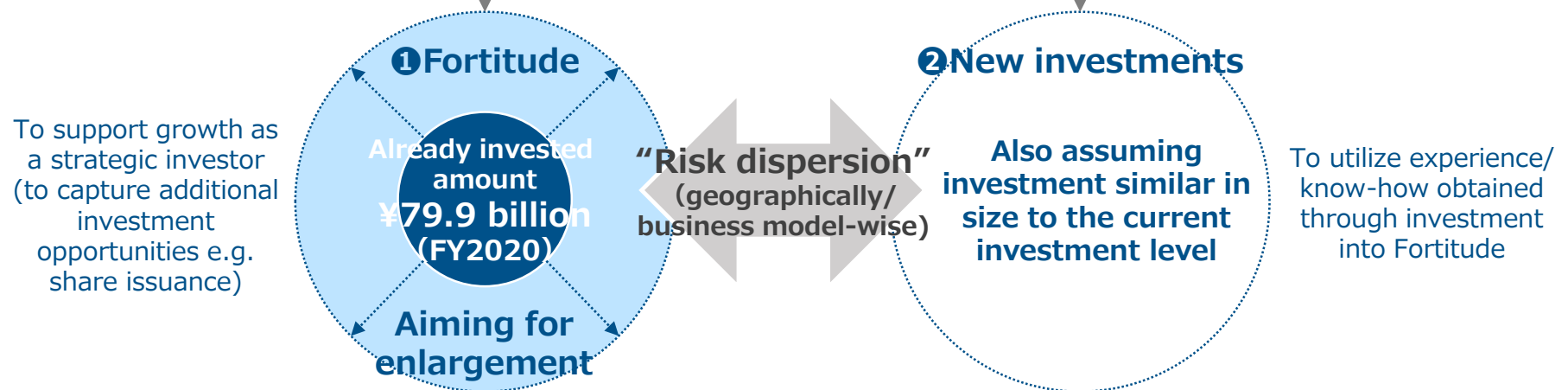
- The closed book business is a priority field from the viewpoint of market growth potential and capital efficiency, capable of becoming the Group's "opportunity" and "strength", where know-how and knowledge such as life insurance underwriting, investment, risk management, etc. can be utilized.
- In addition to additional investment opportunities in Fortitude, we will pursue new investment opportunities that are expected to have a risk dispersion effect, aiming to increase profit contribution and optimize our business portfolio.

Diversification and optimization of business portfolio

(Investment in growth sectors + risk dispersion with domestic life insurance

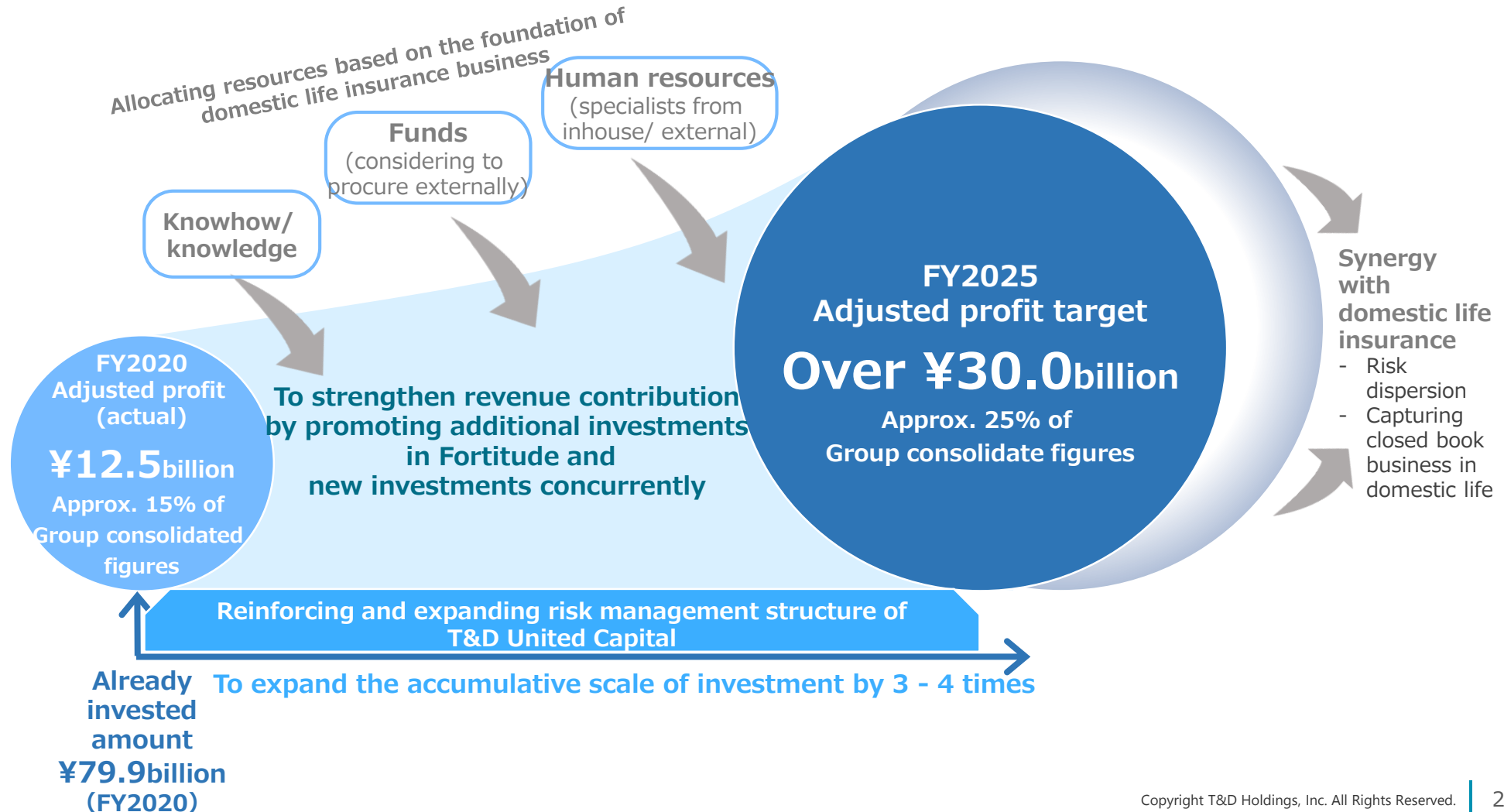
➔ contribution to profit expansion leading to improvement of capital efficiency)

Closed book business determined as a priority



Diversification and Optimization of Business Portfolio – Closed Book Business -

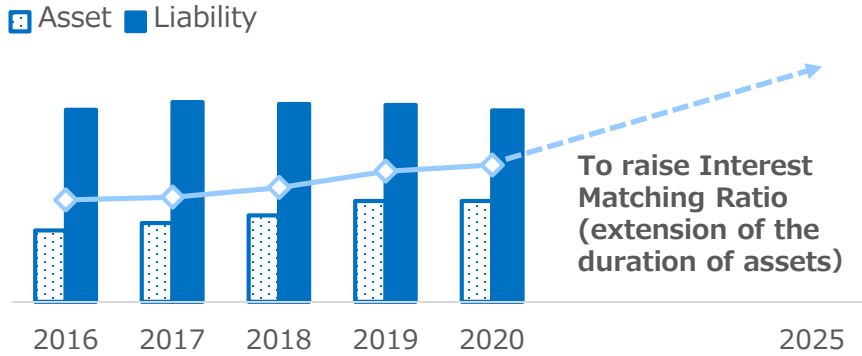
- In order to expand and reinforce closed book business investment, we will promote allocation of resources and strengthening of the Group structure, aiming to strengthen profit contribution and earn strategic benefits.



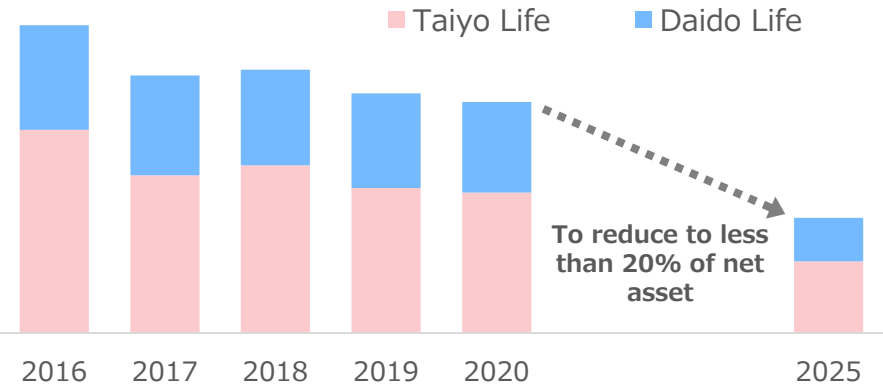
Group Risk Management

- In anticipation of the introduction of economic value based solvency, we have reduced interest rate risk and strategic share-holdings, that are high in uncertainty and low returns on risk. While controlling investment risks, we will expand the amount of risk through business investments and pursue to optimally balance insurance risk, investment risk, and overseas business investment risk.

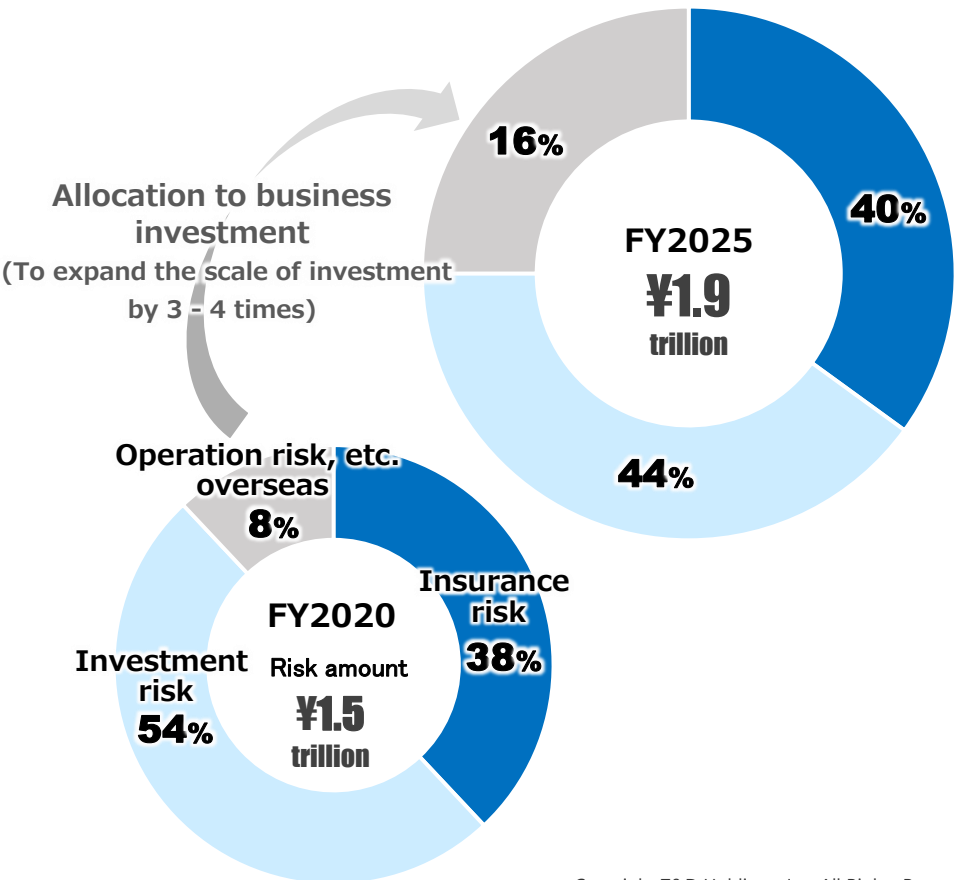
Reduction of Interest Rate Risk(Daido Life)



Reduction of Strategic Shareholdings

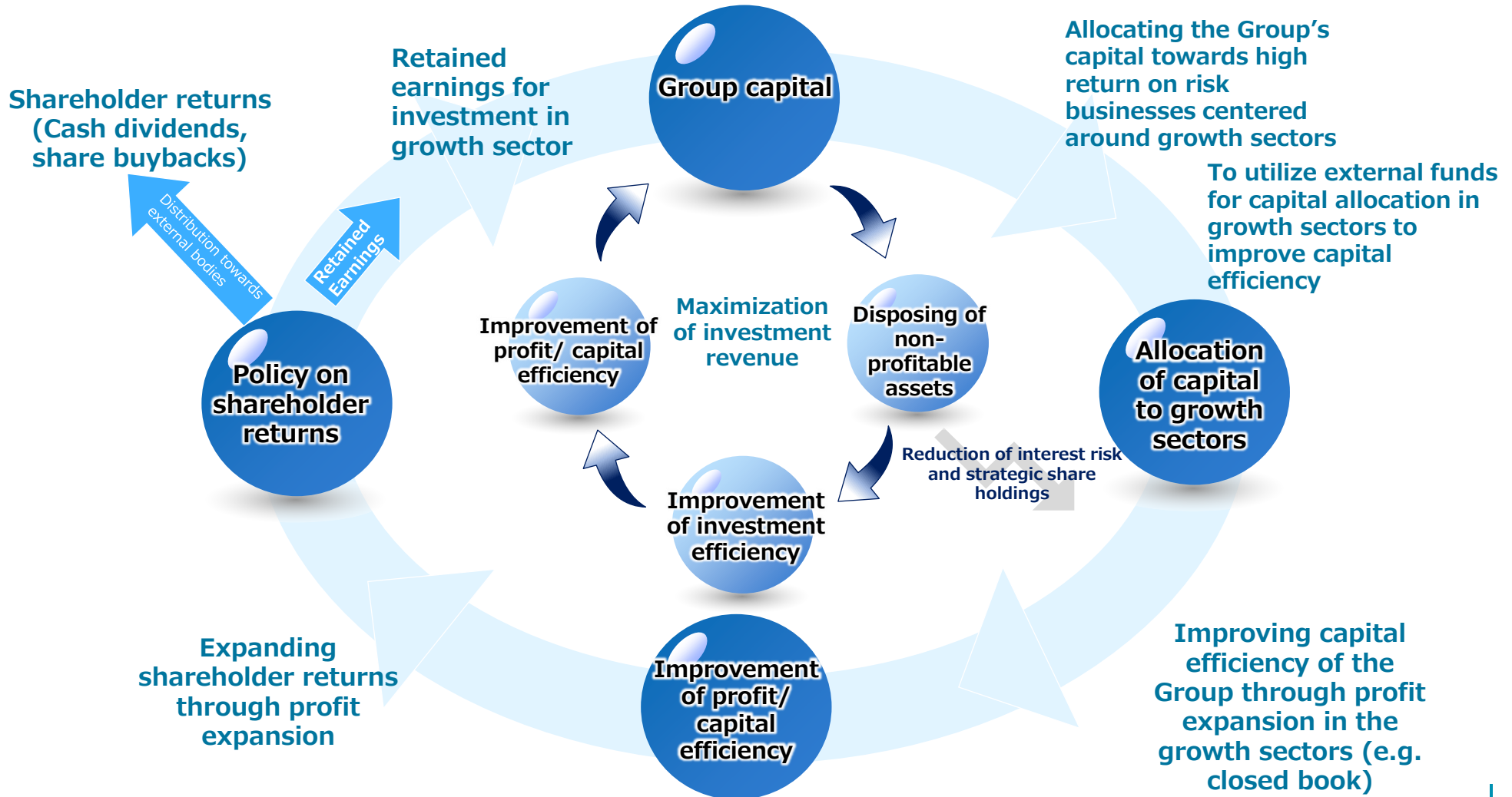


Consolidated Risk Amount



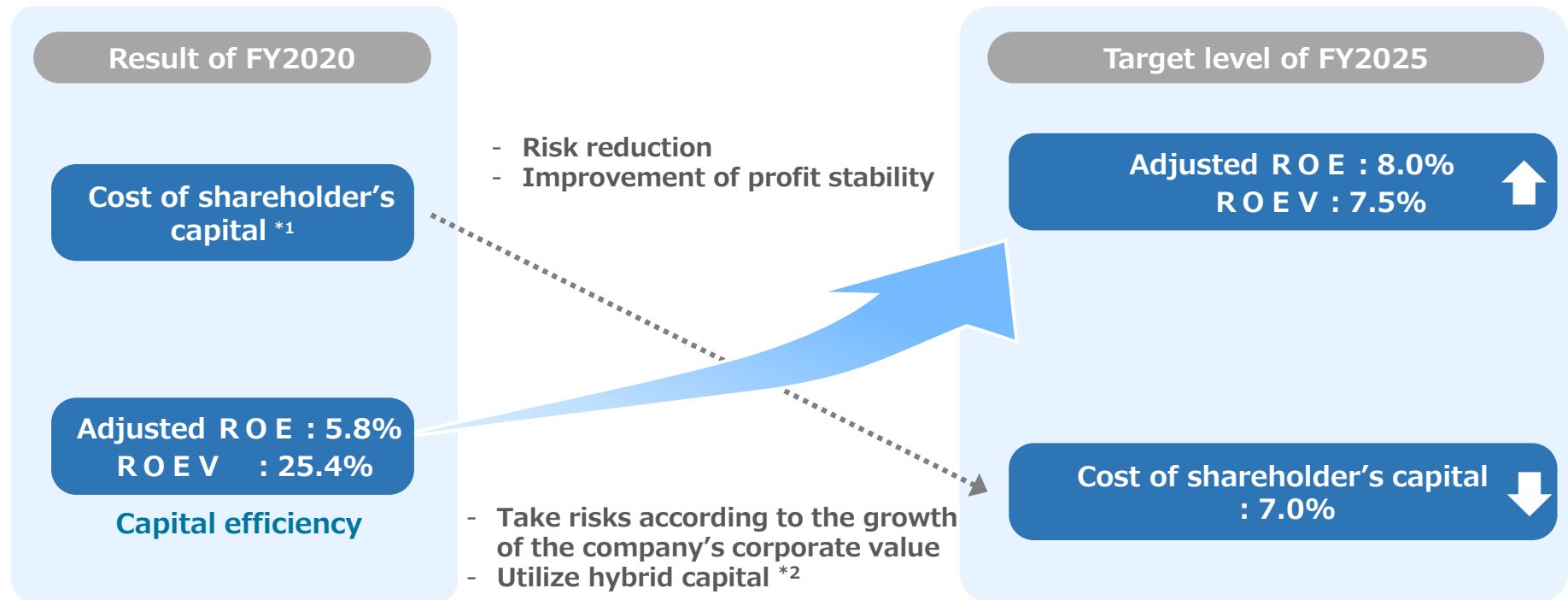
Further advancement of ERM -Group Capital Management-

- To generate stable revenue in the domestic life insurance business and allocate capital to the development of growth sector and new businesses. To implement the Group capital management cycle and improve capital efficiency by making effective use of capital.



Further advancement of ERM -Cost of Shareholder's Capital-

- Pursuing to cut down on cost of shareholder's capital by reducing risks and improving profit stability, etc.
- In view of improving capital efficiency, to proactively utilize external funds (hybrid capital) as much as possible.



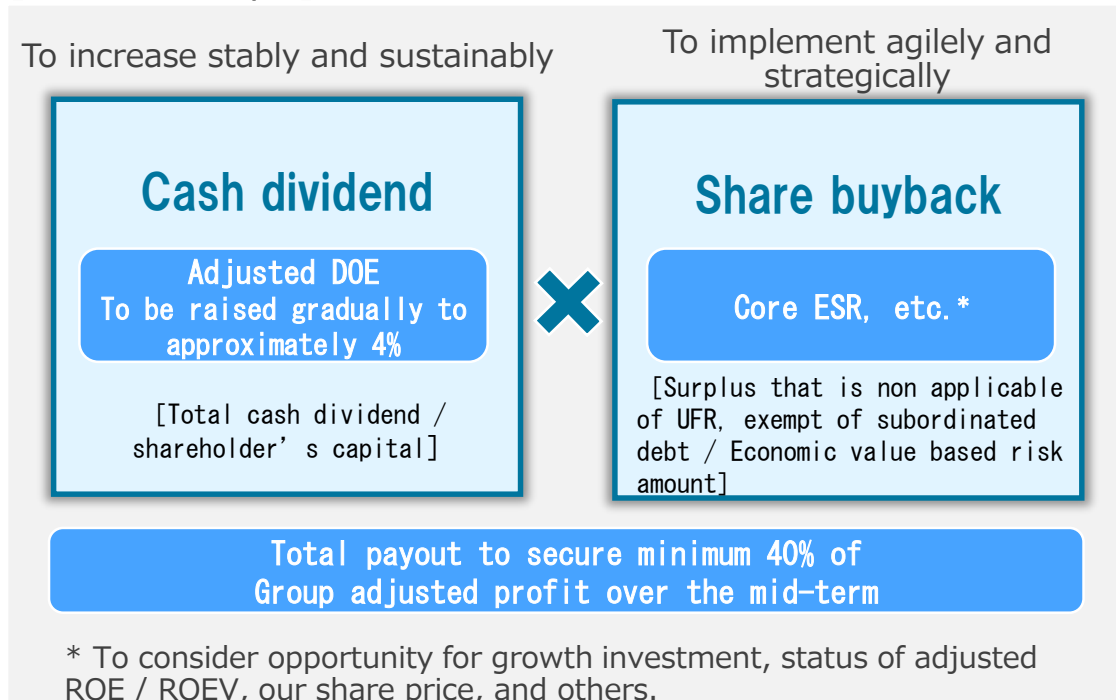
*1: Cost of shareholder's capital is set based on CAPM (Capital Asset Pricing Model), etc. (currently approximately 8%).

*2: Currently Group's balance of subordinated debt is ¥170 billion. To utilize hybrid capital to the amount that does not negatively impact the Group's ratings and in consideration of the market's supply and demand, etc.

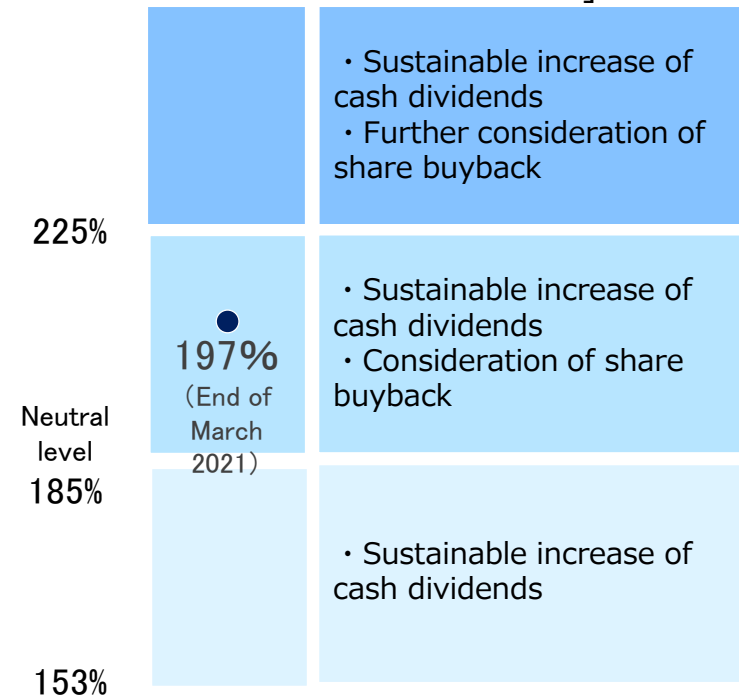
Further advancement of ERM -Policy on Shareholder Returns-

- By shifting from “returns based on single-year profit” to “returns based on capital”, to implement shareholder returns that is stable and sustainable.
 - (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.

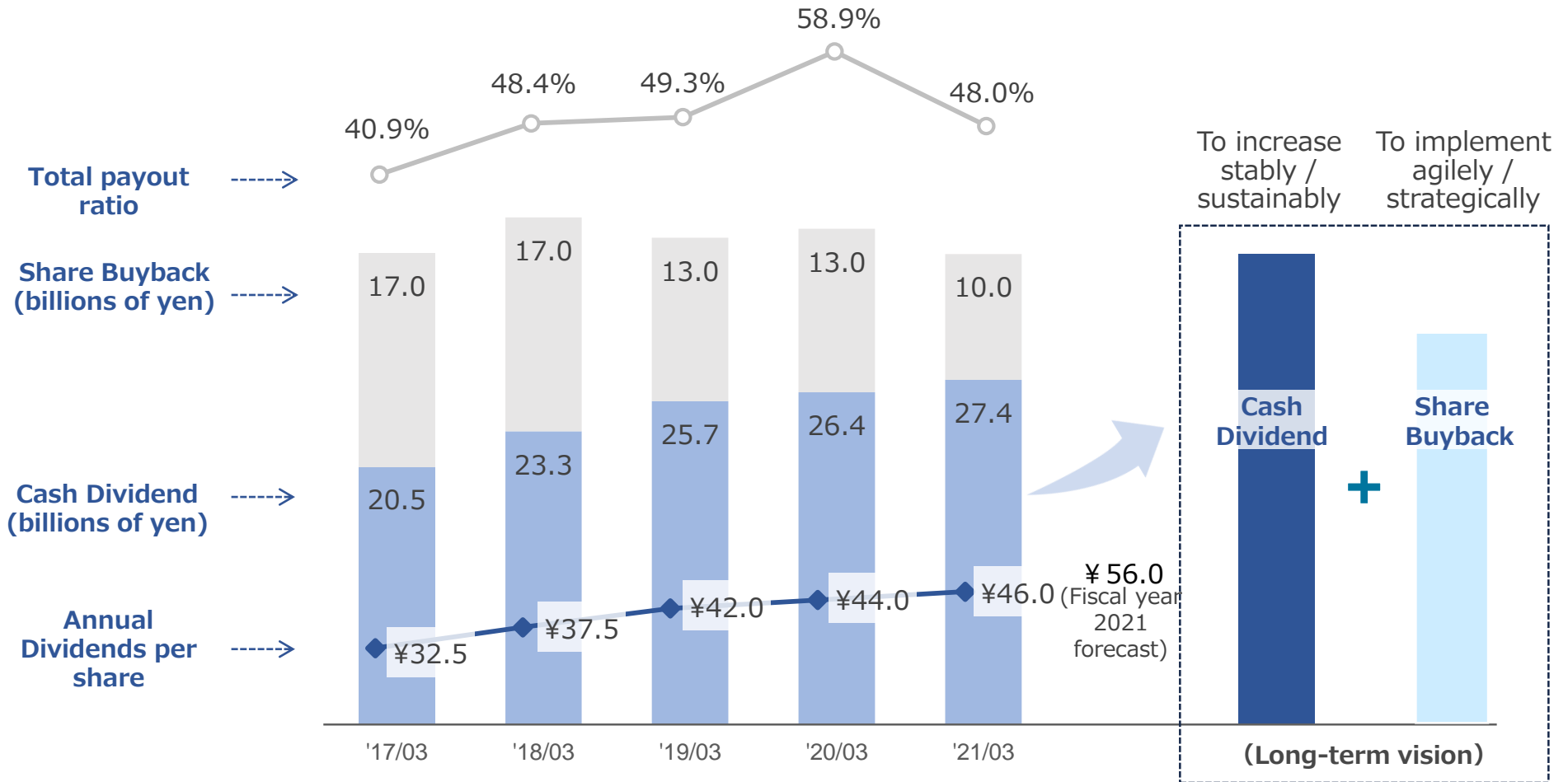
[Basic concept]



[Relationship between core ESR and shareholder returns]



Further advancement of ERM [Reference] Trend of Shareholder Returns



Promoting integrated group management

- It is necessary to efficiently utilize Group resources as much as possible in order to address highly uncertain management environment.
- To pursue new synergy that is not bound by the conventional ways, beyond the boundaries of businesses such as life insurance, non-life insurance and asset management.

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

- Further expansion of cross-cell, sales of P&F as agents, incorporating TDAM products into insurance products, etc.
- Effective / efficient sales activities by mutually using customer database

2 Upgrading life insurance investment and reinforcing asset management

- By gathering the Group's asset management function / human resources to TDAM, to actualize upgrading of life insurance investment and reinforcing of asset management

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

- Promotion of cost synergy (e.g. mutual use of already-owned real estate, etc.)
- Provision of social infrastructure (e.g. nursing homes, etc.)

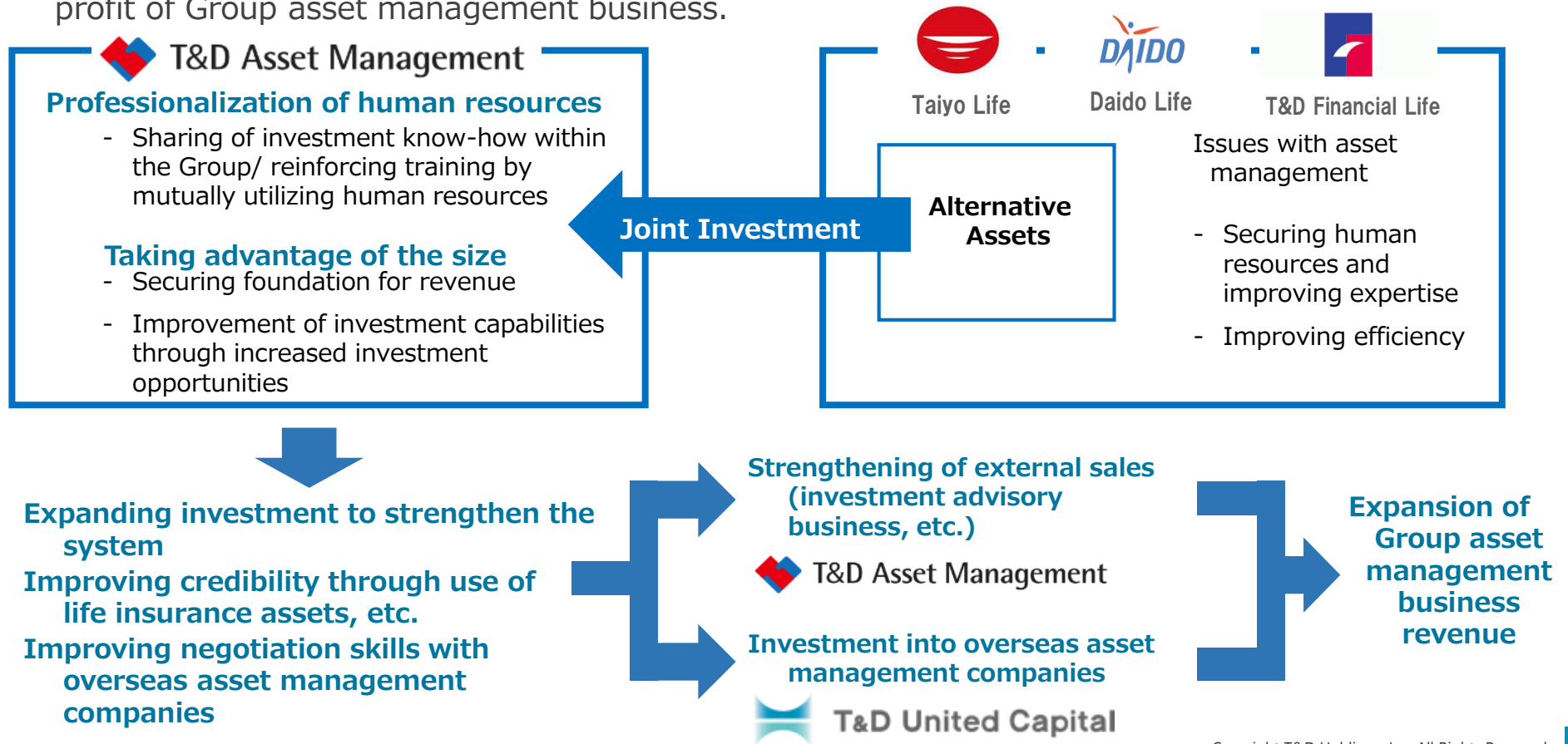
4 Strengthening the Group's corporate governance

- Making use of the location of HQs and encouraging interaction of human resources
- Fostering Group's corporate culture, improving sense of belonging to the Group

Promoting integrated group management

-Group Cooperation on Asset Management Function-

- Establishment of Group cooperation system regarding alternative investments to streamline and improve efficiency by expanding the size of investment and by reinforcing training.
- In addition to upgrading life insurance asset management, we strengthened and expanded our investment advisory business by improving our external appeal using life insurance funds as a catalyst and strengthening partnerships with overseas asset management companies. Moreover, by pursuing investment opportunity into overseas asset management companies, aim to expand profit of Group asset management business.



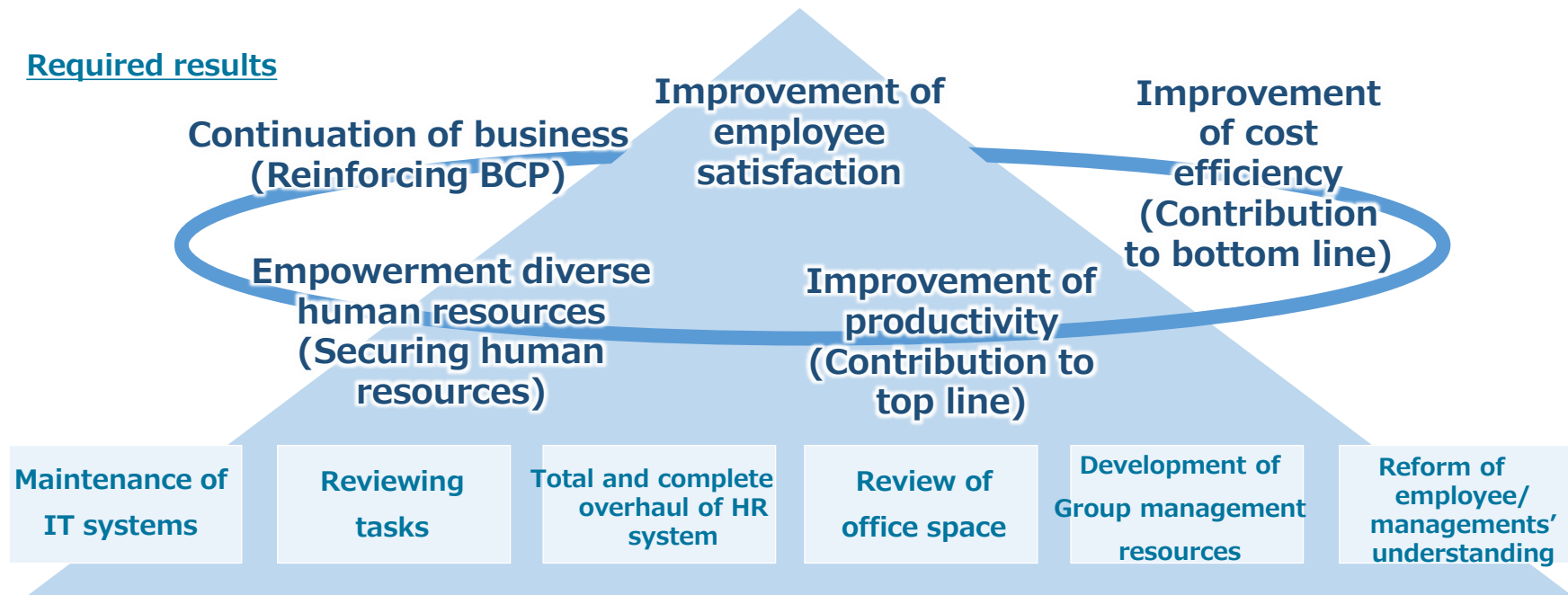
Promoting integrated group management -Work style reforms-

- A common "direction" and "required results" have been set as a group, and each company is promoting work style reforms according to their business characteristics, etc. Realizing a "new way of working" in which diverse human resources can play an active role.

The direction of work style reforms

By utilizing our experience under COVID-19 and advancing the transformation of the processes and flows of previous work style, we will realize a highly productive "new way of working" in which diverse human resources can play an active role.

Required results



SDGs Management and Creation of Value -Creation of Social Value-

Sustainability Basic Policy 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



Achievement of non-financial KPIs

Measures for promoting sustainability

Addressing social issues through life insurance business
Providing better product/service

Checking the conformity to the Human Rights Policy and disclosure of its outcome
Human rights due diligence
Promotion of diverse work style

Reduction of business-induced environmental impact
RE100 participant (using renewable energy)
Complete disclosure of TCFD, etc.

Exercising ESG investment based on PRI
Group ESG Investment Policy
Supporting carbon-intensive companies to decarbonize

Sustainability Priority Themes (materiality)

Promote healthy and abundant lives for all people

Provide workplace environments that enable all people to participate actively

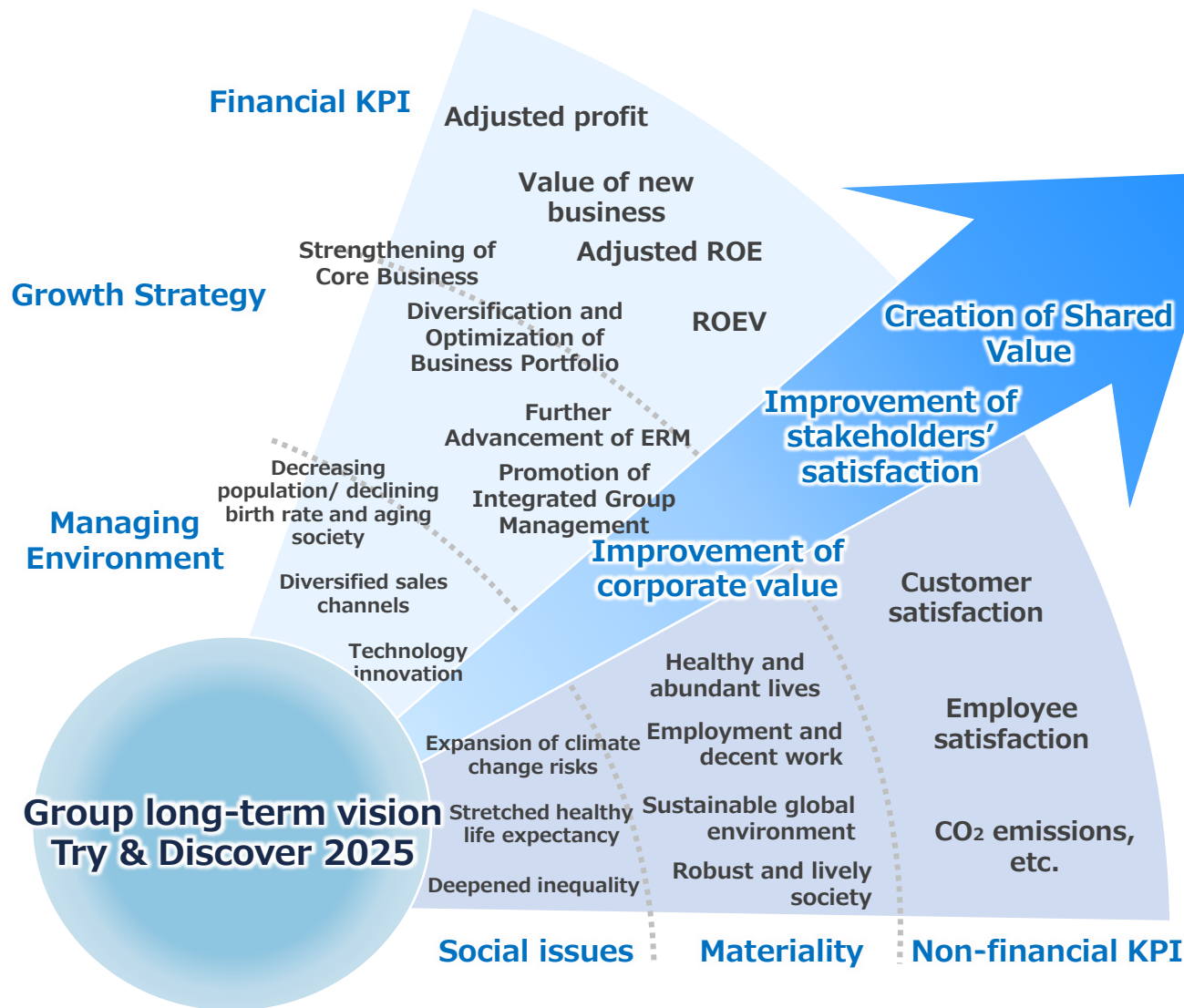
Help mitigate and adapt to climate change

Invest to help build a sustainable society



Current evaluation MSCI evaluation: Recipient of ESG evaluation A (Constituent of MSCI Japan Empowering Women Index (WIN)) FTSE evaluation: Total evaluation score of 4.0

SDGs Management and Creation of Value -the Whole Picture-



Cultivating Society's Happiness

