

CEO's Letter

The Tokio Marine Group aspires to become a robust and agile organization that is able to support customers and society in their times of need in every era.

Through this quest, we will achieve growth and become a "Good Company" that is truly deemed necessary by our stakeholders now and for the next 100 years.



A handwritten signature in black ink, appearing to read "G. Komiya". The signature is fluid and cursive, written in a professional style.

President and Group CEO

Review of Fiscal 2018—A Year of Supporting Customers and Society in Their Times of Need after Natural Disasters

With climate change resulting from global warming, demographic changes, technological progress, and trade disputes between the United States and China, we are witnessing rapid changes in society, the economy, and the operating environment.

In the midst of such change, fiscal 2018 saw some of the largest natural disasters ever, including the 2018 northern Osaka earthquake in June, the West Japan Heavy Rain in July, and the 2018 Hokkaido Eastern Iburi earthquake in September. Japan was also struck by Typhoon 21, Typhoon 24, and several other large-scale typhoons.

The insurance claims associated with disasters exceeded ¥1.7 trillion when looking at the non-life insurance industry as a whole. Tokio Marine Group was responsible for making ¥550.0 billion of these claims payments.

The purpose of Tokio Marine Group's business is to support customers and society in times of need; part of accomplishing this purpose is to protect customers after the accidents and disasters of today and to support them in tackling new challenges for tomorrow. Fiscal 2018 was thus a year in which our employees banded together with agents to pay the claims of customers that had been impacted by natural disasters in our home market of Japan.

Japan has one of the disaster-prone country in the world.

In fact, it is estimated that between 10% and 20% of losses resulting from natural catastrophes around the world are concentrated in Japan.

The insurance business is the business of assuming responsibility for the risks facing customers and society. We therefore must diversify these risks in order to stabilize our business and ensure that we are able to offer support in times of need.

To ensure that we are always able to accomplish our business purpose, we have been gradually growing our international insurance business over the past 15 years. Today, the international insurance business has grown to produce roughly half of our total profit.

These efforts were reflected in the Company's financial results for fiscal 2018. Japan was struck by several massive natural disasters, but overall financial results were supported by the strong performance of our international insurance business. We managed to keep net incurred losses relating to catastrophes exceeding our average budget to just 30% of profits of the whole Group.

Our ability to continue to stably operate our business, even in a year with such a high frequency of natural disasters, has earned us great praise from our various shareholders.

Tokio Marine Group's Business purpose and Value Creation Story

Tokio Marine Group celebrated the 140th anniversary of its founding in 2019. In the year of this important milestone, the mantle of the Group CEO was passed on from Tsuyoshi Nagano to myself. I therefore would like to use this opportunity to take an in-depth look at the purpose of our business.

In recent years, there has been an increasing focus on the importance of companies contributing to society through their business activities, particularly in Europe and the United States, as seen in the emphasis on the United Nations Sustainable Development Goals and on environmental, social, and governance (ESG) factors. However, I believe that this principle of companies contributing to the resolution of social issues, or, in other words, existing for the sake of society, is a principle that has long been engrained in Japan.

This principle is most clearly seen in Japan's traditional business value of working for the good of the seller, the



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buyer, and society. In addition, Eiichi Shibusawa, an individual widely known today as the "father of Japanese capitalism" who played a major role in the Company's establishment, asserts in his philosophy of the union of morality and the economy that, while accepting that it is the purpose of companies to pursue profits, this pursuit must be grounded in a sense of morality and companies must take responsibility for the prosperity of their country or of humanity as a whole. Another prime example of this principle is the Mitsubishi Group's Three Principles—its corporate code of conduct—of "Shoki Hoko (Corporate Responsibility to Society)," "Shoji Komei (Integrity and Fairness)," and "Ritsugyo Boeki (Global Understanding through Business)."

Founded in 1879, Tokio Marine Group got its start providing marine insurance for protecting the cargo that was so crucial to Japan's modernization at the time from maritime accidents. In this manner, we have been charged with the mission of addressing social issues to contribute to the development of the Japanese economy since our founding.

In the years that followed, this mission led us to issue the first automobile insurance policy in Japan in 1914 and then to release Japan's first liability insurance in 1959 in reflection of rising liability compensation awareness and the development of regulatory frameworks.

Our history has truly been one of growing by contributing to the resolution of the issues faced by customers and society. I would thus like to take some time to explain a few more recent examples of these efforts.

Recent Examples of Initiatives

Addressing natural disasters is a major social issue in Japan.

As I stated earlier, Japan was struck by a number of such disasters in 2018. As a result, the number of natural catastrophe insurance claims received in fiscal 2018 reached

roughly 420,000, exceeding the level seen after the Great East Japan Earthquake.

Putting forth a clear policy of prioritizing swift claims payments above all else, we mobilized an aggregate number of more than 50,000 employees to respond to these disasters.

Those of us in management were deeply moved by the dedication seen in our employees and agents as they worked diligently to deliver peace of mind to our customers by making claims payments as quickly as possible.

I felt that this dedication was born out of a desire to protect the things that are of the most importance.

The next area of initiatives I would like to talk about is our response to automobile accidents. Such accidents are among the most important issues faced in a driving society. Particular to Japan, accidents by senior citizens and tailgating have recently been becoming serious issues.

To address these issues, Tokio Marine & Nichido began offering *Drive Agent Personal (DAP)*, an industry-first drive recorder service for individual customers. More than 200,000 policies are using *DAP* already. In addition to recording accident footage, *DAP* helps prevent accidents by providing real-time warnings about dangerous areas based on the user's driving behavior and characteristics.

Furthermore, if the drive recorder registers a collision exceeding a predetermined threshold, it will automatically send notification to a call center. This feature helps expedite response measures, including calling an ambulance should it be necessary.

Next, I would like to talk about the need for regional revitalization, another major issue in Japan, which is unique among developed countries in the sheer number of issues that it faces.

Recently, the population of Japan is becoming concentrated in Tokyo, diminishing consumption and economic capabilities in outlying regions. Tokio Marine Group hopes to assist, in whatever small capacity it can, in curbing this negative trend. To this end, a dedicated organization was set up at Tokio Marine & Nichido to promote regional revitalization across Japan in 2016.

The Group also seeks to help regional companies undertake new business challenges. For example, we offer multilingual telephone interpretation and medical interpretation services as a form of support in response to the sharp increase in demand from inbound travelers to Japan in regions outside of Tokyo. For companies looking



to expand overseas, we offer advice on how to address risks in overseas markets, which differ from those faced in Japan. In addition, we provide support for formulating business continuity plans for realizing swift recoveries from disasters and accidents.

Health and productivity management is another area in which we are active. Population aging and birthrate declines in Japan are causing serious labor shortages, and these shortages are projected to grow ever more serious going forward. Accordingly, a major social issue is the need for companies to offer support for enabling employees to continue working in good physical and mental health—or, in other words, to practice health and productivity management.

For four consecutive years, Tokio Marine Holdings has

been included in the Health & Productivity Stock Selection program, which is jointly administered by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. Of course, insurance has always been a field that is closely associated with health.

Tokio Marine & Nichido has a dedicated organization in place to support the health and productivity management initiatives of customers. For example, we provide support to companies that aim to acquire certification under the Certified Health and Productivity Management Organization Recognition Program.

These initiatives have earned us additional support from our customers, with many citing how our efforts have contributed to increased employee morale or to a stronger ability to recruit new graduates.

Consistent and Evolving Elements of Tokio Marine Group

As can be seen in these initiatives, our mission of supporting customers and society in their times of need is a fundamental element of Tokio Marine Group that will remain consistent, no matter how times may change.

We aim to be an indispensable partner to customers around the world by making greater contributions to society and continuously providing value to customers and markets. At the same time, we hope to lend our full support to people and companies that, believing in their potential, are undertaking new challenges to shape the future, working alongside them as they craft tomorrow.

Tokio Marine Group holds the vision of becoming a "Good Company." This vision is to be realized by having all Group employees around the world share this commitment as they earnestly and faithfully carry out their duties to contribute to the accomplishment of our purpose.

There is no end for our efforts to become a "Good Company," and we will continue to pursue this vision, never becoming complacent with our current state. This never-ending quest is encapsulated in the "To Be" part of our core identity of "To Be a Good Company," which is our globally shared Group value.

Going forward, Tokio Marine Group will continue to heighten its corporate value by resolving social issues through its business.

Currently, we also recognize that our operating environment is transforming rapidly.

As global warming triggers further climate change, it is possible that we will see even larger natural disasters. Meanwhile, demographic changes are expected to add a new dimension of complexity to social issues related to medicine, health, and nursing care. At the same time, the growth of the young digital native generation is changing the needs of the market. We can also anticipate that progress in autonomous driving and other technologies will necessitate that insurance business models be adapted in response to these technologies.

As indicated by these changes, society is evolving. We recognize that changes in the operating environment will result in changes in the needs of and risks faced by customers and society. It is therefore crucial for us to pursue swift and ongoing self-transformation in order to boldly evolve our methods of resolving customer and social issues, staying a step ahead of such change whenever possible.

Guided by our core identity of "To Be a Good Company," we will concentrate the passion and wisdom of employees around the world toward the resolution of social issues while simultaneously transforming Tokio Marine Group in conjunction with changes in the times and in our operating environment.

Through these efforts, we will contribute to the realization of a sustainable society and, as a result, achieve profits and growth for Tokio Marine Group. This cycle constitutes our value creation story.

"To Be a Good Company 2020" Mid-Term Business Plan

Launched in fiscal 2018, the "To Be a Good Company 2020" mid-term business plan expresses the commitments, actions, and targets based on which we will realize our value creation story.

This plan defines three priorities: further diversification of our portfolio, enhancement of our business structure, and strengthening of aligned Group management. I would now like to explain some of the details of our initiatives pertaining to these priorities and our progress therein.

First, I will discuss initiatives targeting the further diversification of our portfolio.

To reiterate, Japan, our home market, is frequently hit by natural disasters. As such, ensuring that we are able to support customers and societies around the world in their times of need requires that we diversify risks in both geographical and business terms.

For this reason, we have been diversifying the risks we face through overseas M&As, etc. since 2008.

We have thereby been able to claim a position as a top player in the specialty insurance market of the United States, the largest target of our international insurance business. Furthermore, all companies that have been incorporated into the Group through M&As are posting growth rates that outperform the market.

Recently, we have been aggressively conducting bolt-on M&As for the purpose of complementing and strengthening existing businesses while also driving business diversification. Successes are achieved through these activities on a yearly basis.

As for geographical diversification, we are advancing initiatives in emerging countries. At the moment, only around 10% of our profits in the international insurance business comes from emerging countries. However, we aim to raise this ratio to the level of 20%, the same seen in other global insurance businesses, while also effectively capitalizing on the growth in these countries.

On this front, we acquired Safety Insurance of Thailand, which is the largest non-life insurance market in Southeast Asia, in fiscal 2018. This move earned us the No. 3 position overall in this country in terms of insurance premiums and the No. 1 position among foreign companies. In addition, the Company commenced business investment to claim a 22.5% share in Hollard Holdings, the No. 2 company in the rapidly growing South African market.

Tokio Marine Group has made good progress in developing the desired portfolio, but I still see room for further risk diversification. We will therefore be moving ahead

with further geographical and business diversification through organic growth and M&As.

As another priority of the mid-term business plan, we plan to assemble digital technology representatives from around the world to leverage technologies as we work to enhance our business structure.

However, Tokio Marine is an insurance company, and not a technology company. Therefore, what is important is that we use the latest technologies to enhance our business structure and to increase the value that we deliver to customers and societies. Once again, using technology is not, itself, our purpose; technology is rather a tool that will be fully utilized to achieve our business purpose and to fulfill our mission. This distinction is critical.

This mission-driven approach constitutes our basic strategy for utilizing technology. Implementing this strategy will require that we thoroughly research the issues faced by customers and society and carefully examine these issues to determine what value Tokio Marine Group can create and what value we should supply.

In this undertaking, it will be crucial that we continue to adhere to our focus on the pertinent locations, articles, and frontline sites that has guided us thus far. All the necessary hints for fostering innovation can be gleaned from the front lines of operations. From this perspective, we will see that the key to winning out in this era of digital and artificial intelligence (AI) technologies can be found by focusing on the work that only people can do.

Tokio Marine Group has an extensive overseas network that grants it access to various sales channels and markets. Group employees around the world go about testing innovations and hypotheses for resolving the social issues for which they are responsible as part of their daily work. These self-driven initiatives are gaining steam as employees sit down at the digital roundtable and other forums to share their experiences, discuss, and mutually drive each other's growth. This cycle of growth is in place at Tokio Marine Group, and it is one of our greatest strengths.

As one initiative in pursuit of innovation, we formed an alliance with Orbital Insight Inc. in fiscal 2018. Through this alliance, we seek to ensure that we are always able to make swift claims payments to customers, even after large-scale natural disasters. Orbital Insight boasts strengths in analyses of satellite image big data, and this alliance has made it possible for us to use AI in combination with satellites to survey disaster damage.

Another alliance was formed with Metromile Inc., a U.S. automobile insurance company that aspires to deliver the

world's highest level of response to automobile accidents. Metromile uses its world-leading technologies to automate the automobile insurance claims service process to the greatest degree possible. We are currently examining how specifically we can introduce this innovation to Japan.

Going forward, Tokio Marine Group will continue to tackle the challenges placed before it to create genuine value.

Furthermore, strengthening of aligned Group management is also our priority of the mid-term business plan.

As I explained, the expansion of our international insurance business was not simply a form of overseas investment. The greatest benefit of the overseas M&As conducted to date is that they have enabled us to acquire talented human resources and specialized expertise.

The world is interconnected and the speed of change in the operating environment is blinding. It is therefore no longer possible to resolve social issues by focusing purely on Japan or on non-life insurance.

We also realize that diversity is indispensable to the resolution of social issues. For this reason, we have appointed senior managers of overseas Group companies to the positions of Co-Head of International Business and Group Co-Chief Investment Officer, granting them responsibility for their respective areas on a Groupwide basis. We have positioned other overseas talent in the most ideal posts, with non-Japanese individuals placed in Groupwide internal audit, insurance reserving, human resource, and risk management positions. Tokio Marine Group also has global committees related to areas such as enterprise risk

management and insurance underwriting that engage in exhaustive discussion from global and Groupwide perspectives to formulate strategies for these areas.

A major strength of Tokio Marine Group is this ability to effectively incorporate its diverse talent and specialized expertise into its strategies.

To ensure that our 40,000 diverse employees are united, it is crucial for us to disseminate our shared value—our core identity of "To Be a Good Company." If we view our management foundation as a matrix with the vertical axis formed by diversity, then the horizontal axis would be our core identity. To entrench the core identity as such, we hold town hall meetings in Japan and overseas to provide venues for communication in which members of senior management engage in a global dialogue with employees. The results of these efforts are clear as the score for the question on the pride that employees feel for working at Tokio Marine Group in the culture and values survey administered to all of our 40,000 employees was 4.1 out of 5.

Tokio Marine Group's aligned Group management approach is unprecedented among its peers.

This approach is also producing quantitative benefits through Group synergies. These benefits, which appear in the four categories of revenue, investment, capital, and cost, have produced total profit contributions of ¥33.0 billion, and the rate of growth of these contributions is accelerating.

We will continue to evolve this aligned Group management approach going forward in order to augment our ability to contribute to the resolution of social issues.

In Closing

In 2019, we celebrated the 140th anniversary of Tokio Marine Group's founding. We will continue to support customers and society in their times of need with the aim of ensuring that the Group remains an indispensable partner to its customers even 100 years from now.

To accomplish this purpose, I hope that Tokio Marine Group will become an entity that is second to none in the world in its passion and its unity. Furthermore, I aspire to build a robust and agile organization that is capable of concentrating the passion and wisdom of all Group employees to steadily improve corporate value and achieve brisk, global growth under any circumstances.

Leading us toward these lofty purpose is my role, and by doing so, I believe that we can live up to the expectations of and fulfill our obligations to our shareholders and other stakeholders.

I ask for your continued support as we move forward.

