

We are dedicated to providing expertise and solutions to support our customers and society in their times of need

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Tackling the issues and delivering progress

Prepared for the next growth phase with globalized management and an optimized portfolio

The insurance industry is facing difficult challenges, including natural disasters around the world, the COVID-19 pandemic, social inflation^{*1} in the United States, and low interest rates. Our company is no exception. These past three fiscal years (April 2018 to March 2021), which coincided with the previous mid-term business plan, have been particularly demanding. By successfully meeting these challenges we have also enhanced our management capabilities and confidence, which will serve us well as a global insurance company. Two of these successes are worth highlighting.

First, and foremost, is the major progress in Integrated Group Management. We have been globalizing not only our business, but also our management. We expect the top management of acquired companies to contribute to our group as a whole while demonstrating competitive edge through a distinctive market-driven business model. We also have appointed Group Company leaders as Group Co-Heads of asset management and international insurance businesses. In addition we have assigned talents to assume inter-company roles and responsibilities, appointing TMHCC's CFO to TMK's CEO, for example. Taking the best of Western and Japanese management styles, we optimize allocation of human resources within Japan and worldwide, leveraging talent and expertise in a united Tokio Marine "One Team" effort.

The Group has benefited from these global management skills applied to our previous Mid-Term Business Plan in many ways. To take one example, we established a global task force to identify changes and challenges post-COVID-19, and review existing strategies. We incorporated the implications of our findings into global and local strategies to capture next-growth opportunities. We also responded to increasing natural disaster risk by revising our retention/reinsurance strategy^{*2} through Global Retention Strategy Committee discussion and implementation of measures that go to the heart of the issues.

It goes without saying that a global business faces many challenges. Yet as long as we share a strong culture and understanding of our Purpose—the answer to *What is our business for?*—we will overcome obstacles by tapping into the expertise and knowledge of diverse talent pool. With mutual trust among our global colleagues, we can face any crisis, tackle new initiatives, and gain fresh insights.

The second success was strengthening our insurance business portfolio. Looking ahead, it is imperative that we optimize our portfolio based on diversification and growth potential.

Under the previous Mid-Term Business Plan and as growth drivers of our book, we acquired the Pure Group, made strategic investments in emerging economies, notably Brazil and Thailand, as well as in the renewable energy sector. Meanwhile, we divested TMR, our reinsurance subsidiary, which was our steppingstone for international market expansion. This rebalancing has honed our portfolio management capabilities while sowing the seeds of vigorous and profitable growth.

The challenges posed by the business environment under the previous Mid-Term Business Plan called for problem solving of a high order. Surmounting these obstacles has been a strength-builder for our management team, preparing us to go full-bore into the next stage of growth and make the new Mid-Term Business Plan a resounding success.

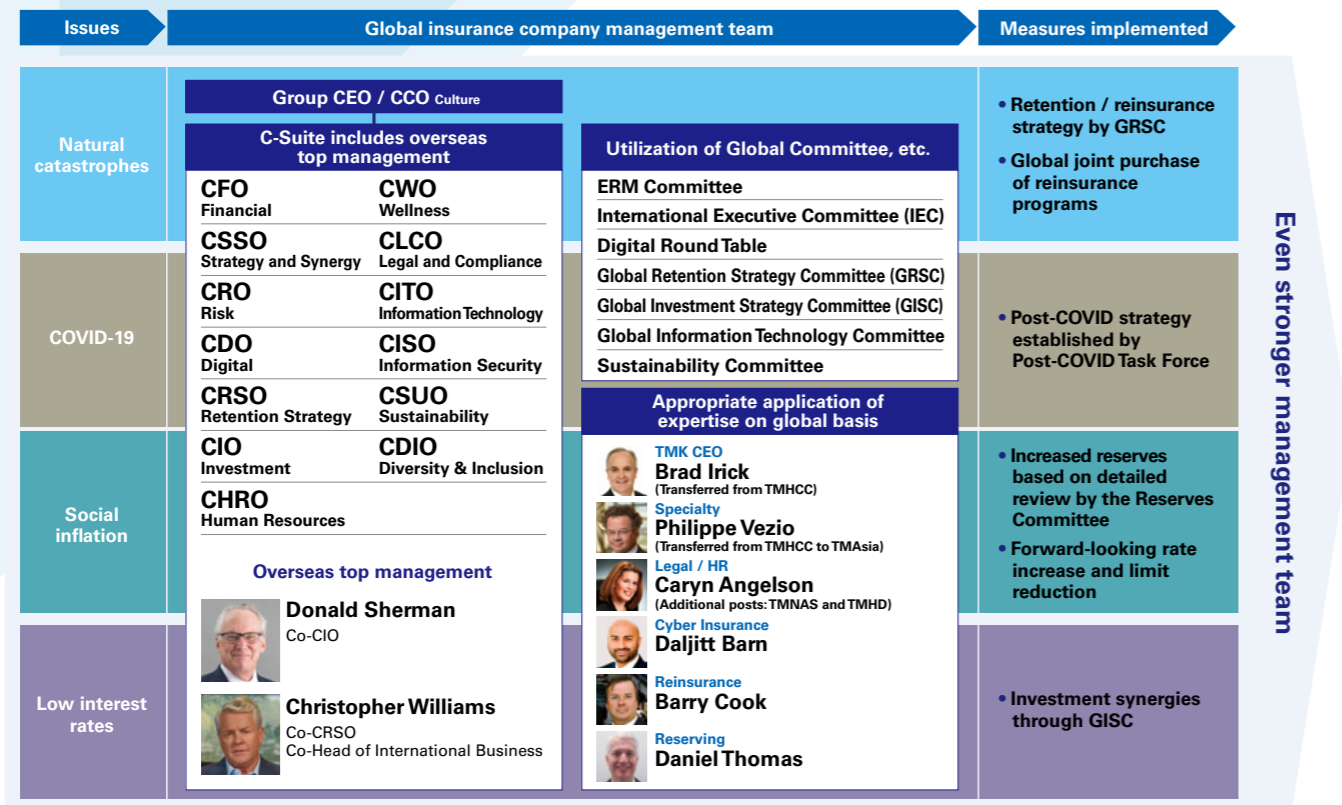
^{*1}: Skyrocketing compensatory awards resulting from aggressive litigation practices, plaintiff-friendly jury composition, and other trends.

Integrated Group Management
See pp. 22–25

^{*2}: Risk diversification through transfer of a portion of exposure to another insurer.

Portfolio Management Ability
See pp. 18–21

Enhancement of Global Management Team



3-year plan to innovate and tackle challenges with a sense of crisis

2+1 Growth Strategy puts ¥500bn+ adjusted net income, 12% adjusted ROE within reach

The COVID-19 pandemic has accelerated digital transformation (DX) across industries and sectors. Customer needs have also shifted dramatically. Such changes were in progress, but the pandemic has brought them into focus. Although the pre- and post-pandemic issues are largely unchanged, the speed of change has doubled or tripled, constraining projections and ruling out predictions, even two or three years ahead. In this age of high discontinuity, neither received wisdom nor past success apply. Rather, outcomes that defy logic and expectations are the norm.

The role of insurance becomes critical in these turbulent times of escalating and evolving risks for customers and society. "Business as usual" will neither sustain our Group nor serve our clients and communities we are committed to protecting. Meaningful change depends on reimagining ourselves to meet the changing expectations of all whom we support through our products and services, while never forgetting our core purpose, our roots, our passionate dedication. By changing ourselves first, we can refine our approach and strengthen our impact on social issues while solidifying our foundation for sustainable growth. In this context, we place solving social issues at the center of our strategy in the new Mid-Term Business Plan (April 2021 to March 2024) and implement the 2+1 Growth Strategy with a sense of urgency and speed.

The 2+1 Growth Strategy is first about identifying new markets and designing new approaches based on accurate and insightful understanding of how customer needs are

changing. The global shift to renewable energy and the rise in cyber risks are but two examples that demand attention. Another is Japan's declining birthrate and aging population which has put enormous pressure on healthcare, where issues are snowballing and rural industries and economies are on a steep downhill slope. The importance of these social issues will only increase over the next two decades. We are intent, therefore, upon discovering new opportunities and markets created by this evolving environment.

With this perspective, we will respond not only to emerging risk, but also to risks previously considered unsuitable for underwriting. Digital technology and data tools can enhance our value proposition and expand our coverage to support loss prevention, damage mitigation, rapid recovery, and deterrence. We will also determine the best mix of face-to-face and remote customer interaction. In terms of providing value, we want the name Tokio Marine to evoke the frontrunner in renewable energy and cyber risk, as well as healthcare and SME.

The second thrust of the 2+1 strategy is to boost profitability of our core insurance business by revising premiums and raising business efficiency. In this way, we will continue to deliver the value our customers seek, and secure appropriate profits in the face of low interest rates, frequent natural disasters, and other challenges.

Revising insurance premiums is an urgent task if we are to achieve profitability for fire insurance, which, in Japan, is perpetually in the red. Although the overall Japanese portfolio is in the black, this neither reduces our obligations to our shareholders, nor permits us to neglect an unsound situation in terms of fairness to policyholders.

The frequency of natural disasters in Japan makes fire insurance indispensable and has led to a chronic deficit becoming the status quo. We are committed to rebuilding fire insurance into a sustainable system, a goal premised upon cutting operating costs. This goal also calls for revising premium levels and products, strengthening underwriting, and enhancing disaster resilience through prevention, mitigation, and early recovery.

Outside Japan, the market is hardening^{*3} largely due to uncertainty caused by COVID-19 and social inflation. In this hardening market environment, simply increasing topline is easy. The difficulty lies in disciplined underwriting amid rising loss costs^{*4}. If our underwriting rates do not rise accordingly, we will end up regretting it in a few years as we face profit deterioration due to the need to increase the claims reserve^{*5}. We will, therefore, continue to maintain our bottom line focus and boost our underwriting profit by not only raising premiums to exceed future loss costs but also achieving steady growth that outperforms the market.

Next is to improve business efficiency. We will reduce administrative tasks by applying digital technology, which particularly suits and benefits our retail business concentrated in Japan and Asia. The point is not to get by with fewer personnel. Rather, it is to liberate time and resources for tasks best performed with a human touch, such as tackling social issues, enhancing our value proposition, developing talent, and getting closer to customers. By integrating people power and digital technology in this way, we will also seek to reduce loss costs and drive growth.

I have, so far, covered two thrusts of the 2+1 strategy: first, new markets and new approaches, and second, boosting profitability of our core insurance business. The +1 part of the strategy builds on these by focusing on business investment for the next growth stage through M&A and the launch of new businesses. In short, we will take measures that consider our current situation as well as the long-term horizon. Both must be taken into account if we are to deliver value that supports our customers and society on an ongoing basis, at home and worldwide.

To take on the financial risk of our customers, we must make sure that our business foundation stands firm, whatever happens. To buttress our strength and stability, we have been globally diversifying the Group's risk portfolio since the beginning of this century. The past several years have been characterized by natural disasters of unusual frequency and severity, and by the COVID-19 pandemic. Although we have succeeded in limiting the impact of these

Approach to material issues (Special Feature 3-1, 2, 3)
See pp. 78-83

Improving Fire Insurance Earnings
See p. 55

Developed Markets Strategy
See pp. 59-61

*3: A period of rising premiums

*4: The total costs of covering claims

*5: Funds set aside to settle future claims

Achieving Sustainable Growth by Improving Business Efficiency
See p. 56

Special Feature 2: Response to COVID-19
See pp. 68-69

Overview of New Mid-Term Business Plan
See pp. 48-49

*6: Share of claims related to COVID-19 and above-average natural catastrophes in total Group income (FY2020)

adverse events on our profits to about 20%*6, we can never be too prepared nor too resilient. The more complex the risks and social issues we face, the more diversification we will need, not only in risk exposure but also in revenue sources. This is why I am intent upon exploring investment opportunities with a five to ten year horizon.

I will also consider opportunities beyond the insurance domain if they fortify our business foundation by speaking to our strengths and creating synergies.

Implementing the 2+1 Growth Strategy, we have set KPI targets for the new MTP at an adjusted net income CAGR of +3 to 7% and an adjusted ROE of around 12%. This refers to internal cumulative growth, without factoring in M&A, and puts us within reach of the milestones we set in 2017 of JPY +500 billion adjusted net profit and around 12% adjusted ROE. If we are successful with a large-scale M&A, we may see even greater growth or achieve our goals earlier than projected.

True to our purpose at a time of historic change

Raising social value and economic value (profit) by linking business activities to social solutions in a virtuous circle

The new Mid-Term Business Plan details our strategy for continued growth amid turbulent change. This is not, however, an objective in itself, but rather a means to an end. Since our founding 142 years ago, one purpose has driven us: to protect our customers and society in their time of need.

In 1879, people in the insurance industry did not think in terms of concepts like "sustainability" and "ESG." But since our founding, we have grown sustainably by identifying the social issues of the times and contributing to their resolution. We run our business in a way that addresses social issues, such that profit and social solutions go hand in hand, benefiting everyone, everywhere we operate.

Today, business is at a turning point as corporations worldwide are recognizing that sustainability is essential to keep civilization afloat. Solving social problems through our

business is an ongoing journey where our efforts are repaid in profit and quality of life for all.

Social issues change with the times, as do the solutions. It is critical, therefore, to accurately grasp the issues, propose hypotheses, and rigorously test their validity in a rapid cycle. Only then can we hope to responsibly implement solutions with confidence, speed and effectiveness.

In April 2021 we configured an organizational platform to manage this approach to social issues and solutions. The new position of Group Chief Sustainability Officer (CSUO) was created along with a global Sustainability Committee, consisting of our C-suite executives. As part of our corporate social responsibility the Group has a duty to pass on to future generations a sustainable global environment. By accepting this duty, we have positioned future



generations as stakeholders, together with customers, society, employees, and shareholders and investors. After reviewing the Group's sustainability action materiality in light of our purpose, we identified four core challenges for our business and for addressing stakeholder concerns and expectations. These four are: to promote climate actions, enhance disaster resilience, support wellness and healthy living, and promote innovative applications of digital technology.

Of these four, two are of particular importance as social issues in our home market of Japan, given its history of natural disasters. These are promotion of climate actions and enhancement of disaster resilience. They are also issues in common with many other areas of the world. We are committed to tackling these issues head-on around the globe as part of our mission to serve society. Our ideal is to realize a world where everyone can benefit from a shared resilience to natural disaster risk and an enhanced ability to coexist with it. In this capacity we will continue to move forward with counter-measures, leveraging the entire Group's strengths in our effort to respond to natural disasters and climate change.

Domestically, we see opportunities to address longevity risk, asset formation, and other mounting needs of the world's most aged population. Globally, people's health concerns and awareness have been heightened by the COVID-19 pandemic. With our integrated business model for life and non-life, healthcare is a segment where we can demonstrate proven competence in protecting our customers throughout their lives and thereafter. Using digital technology and data analysis, we innovate products and services that cover the full range of customer risk, including presymptomatic illness and prevention, as well as promotion of fitness and wellness. Group-wide, we are committed to a future where everyone can confidently live their life to the fullest.

By linking business activities to social solutions in a virtuous circle, we will continue to simultaneously enhance the Group's economic value (profit) and social value in this way.

Through D&I and by understanding our Purpose, we will refocus and re-energize our 40,000+ workforce

Our people and culture are our foundation for sustainable growth and the resolution of social issues. Insurance has been called a business of paper, pencils, and people, because its products are intangible. Technology has made pencils and paper irrelevant. Now people are paramount; they are the engine of our business.

This is why I place such a high priority on developing and leveraging the full potential of Group employees. Innovation is essential for Group growth. Innovation is created through the cross-fertilization of ideas, which happens when people of diverse expertise and experience come together to discuss issues and solutions. In other words, innovation grows out of D&I.

Studying in the U.S. I experienced firsthand how D&I catalyzes innovation. My circle at the time included people of various ethnicities, racial groups and other identities, as well as both recent graduates and mid-career professionals. Since we did not share a common background, we could not anticipate each other's opinions or reactions. To be understood we had to express our thoughts lucidly and concisely, without ambiguity or circumlocution.

Based on the premise that everyone's ideas were different, we engaged in vigorous intellectual combat, constructively arguing for or against each opinion. On numerous occasions, I witnessed the birth of a smart new idea in a flash of inspiration, as if a chemical reaction had occurred, though I could not have even imagined it on my own.

After a bitterly fought argument over one issue, they switch effortlessly to a constructive discussion of the next, without a hint of animosity carrying over. This kind of communication is deep, fast, and effective for high-quality decision-making.

Our company operates in 46 countries and regions with a diverse workforce, over 40,000-strong. We are also blessed with an open and dynamic corporate culture that has sustained us since our founding.

Sustainability Management
See pp. 70-77

Special Feature 3-1:
Promoting the Shift to Renewable Energy
See pp. 78-79

Information Disclosure Following TCFD Recommendations
See pp. 84-91

Special Feature 3-3:
Providing Solutions for the Healthcare Sector
See pp. 82-83

Message from the Group CDIO
See pp. 66-67

By combining these strengths of diversity and a liberal culture we can create an idea-generating platform that is ideal for innovation. This is why we have made D&I our top-priority growth strategy and are ramping up efforts to put D&I into practice, group-wide and globally. As I always say, there's no such thing as too much communication.

On the flip side, a group may be diverse and its discussion lively, but the results won't be gratifying unless the members are aiming for the same goal. This is why an inclusive cross-organizational culture that brings diverse people together as a team is so important.

As Group Chief Culture Officer (CCO) I used to travel the world, pre-COVID-19, and now interact remotely with our employees in distant locations. Discussing the question "What is our business for?" helps everyone feel connected to our Group purpose through their work.

Human beings are not motivated by logic and authority, nor by directives and orders. The key is to focus their human desire and enthusiasm behind our Purpose. When we are aligned in motivation and purpose then we can soar to new heights, transcending invisible limitations on growth. I am convinced that this creates a force beyond words.

I experienced this when the Great East Japan Earthquake of 2011 struck 10 years ago. At the time, I headed the Personal Lines Marketing Department for our retail business. Outside-the-box thinking was needed to settle as many claims as possible, as quickly as possible. This led to ideas that weren't in any manual, executed flexibly and energetically at critical moments. Driven by a group-wide sense of unified purpose, we found new solutions which ultimately gave the Group a powerful competitive advantage. I still remember it vividly.

I want the Group to overflow with enthusiasm and team spirit, thereby strengthening bonds of unity and anchoring the Group's purpose which underpins our standards for everything from individual actions to management decisions.

In this era of discontinuity and disruption in the business environment, enhanced flexibility and resilience are needed to transform our company. At the same time, agility is essential to respond to unpredictable change so that we can sustain strong growth without wavering from our purpose.

Partnering with customers to prepare for their times of need and to support new endeavors

By supporting our customers and society under normal conditions we evolve closer to our "Good Company" vision

Expectations are rising for insurance companies to expand their role as social infrastructure, driven by increasingly frequent and severe natural disasters, compounded by the COVID-19 pandemic. To stay relevant, we must evolve to meet the changing needs and expectations of our customers, leaving the traditional insurance model behind. This means expanding the scope of our value proposition by linking individual product "points" into "lines" of services and products, then connecting the lines into an integrated platform "plane."

Simply paying out claims for natural disasters and cyber-incidents, for example, is no longer enough to meet customer expectations. Certainly, settling claims is an insurance company's central function and calls for flawless execution. But in the customer's ideal world, accidents wouldn't happen in the first place, and if they did, damage would be minimal and recovery quick.

Digital technology and data analysis will dramatically expand the scope of our value proposition to address such wishes. This will include damage prevention and mitigation for natural disasters, presymptomatic and preventive support for healthcare, as well as

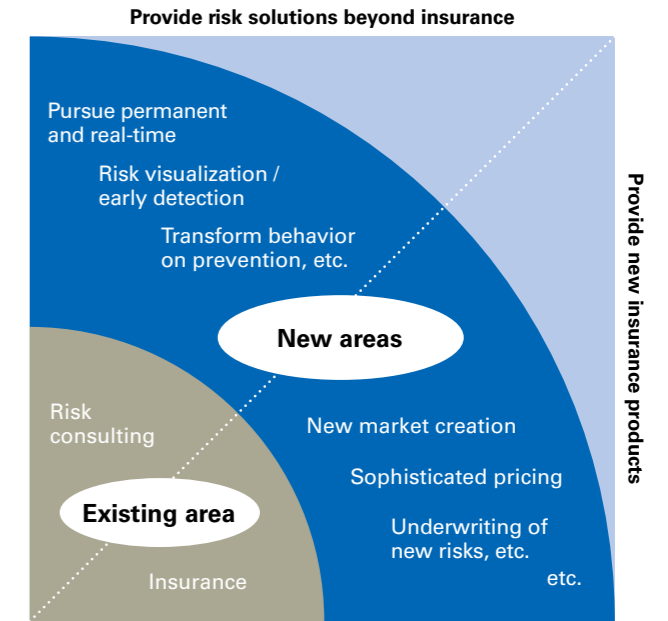
cybersecurity and mobility plans beyond auto.

Recognizing the growing importance of becoming a total solution provider, we will reshape insurance to go beyond claims settlement. This means attending to more concerns and risks, and offering peace of mind that begins before any incident occurs. Through ongoing partnership in normal times, we will be better prepared to support our customers and society in their times of need, as is our corporate purpose. To this end, we launched the Tokio Marine dR platform in July, 2021.

Though the road ahead won't always be smooth, we have faced and overcome many challenges in the past 142 years by correctly identifying the core issues and taking effective measures to address them. Dealing with obstacles is our job and we have a proven history of success. I have full confidence that we will keep moving forward, fueled by enthusiasm, a cheerful attitude, and a shared purpose.

I would like to express once again my deep gratitude to our shareholders, investors, customers and employees for their support, which gives our business life. I promise to continue creating opportunities to engage you in dialogue, and incorporate your valuable opinions and requests to improve our management and refine our business model.

We are committed to providing value to all stakeholders by tackling social issues and advancing ever closer to our ideal of a "Good Company" that is viewed as essential and trusted by all. Your support in these endeavors makes all the difference to our company's future and means the world to me, personally.



Special Feature 1:
What Tokio Marine
Aims For in the
Future

See pp. 28-29