



**Satoru Komiya**  
President and Group CEO

## Through 143 years of deep-rooted sustainability management, we will continue to support our customers and society in times of need.

### Management Discussion and Analysis of Our Business Environment and Our Group's Management Strategy

#### Focusing on “Global Risk Diversification” and “Integrated Group Management”

In these uncertain times, where conventional wisdom and past experiences no longer apply, we must confront complex issues directly. In Japan, we continue to feel the effects of typhoons, extreme snowstorms, earthquakes, and coronavirus (COVID-19). Meanwhile, overseas, geopolitical and geo-economic risks are ever-increasing, including the constant threat posed by North Korea, the growing antagonism between the United States and China, and Russia's invasion of Ukraine. These phenomena are all interlinked, bringing with them a cascade of global consequences and matters of national security, including an energy crisis, supply chain disruption, and cost-push inflation. In response, central banks, for instance, are hiking rates and overall market volatility is on the rise.

Tokio Marine Holdings is expanding its business globally, so no matter where in the world events happen, they are likely to impact us. The implication of this is that we must fundamentally base our strategy on global risk diversification and manage and operate our businesses on the assumption that such events will occur. Specifically, over the last 20 years, we have been reducing risk through the sale of business-related equities and using that capital to fund overseas M&As. We have thus increased overseas insurance risk, which has a low correlation with the domestic non-life business. We have also made efforts to reduce interest rate risk, for which we have no appetite, by terminating sales of savings-type products and by increasing the hedging ratio. The Group has built a diversified business portfolio that can stand strong in the face of global risk, and we have been working to curb volatility in profits and capital while increasing our corporate value. This success can be seen in our results: Despite the large-scale natural disasters that Japan suffered in both fiscal 2018 and fiscal 2019, and the emergence of COVID-19 and subsequent global pandemic in fiscal 2020, we have been able to limit the impact of these events on profits to only 20%–30%. Furthermore, although we cannot predict with complete certainty, we currently anticipate that the impact on business related to Russia and Ukraine will be limited. However, bottom line impact of 20%–30% is still significant, and we will further promote global risk diversification and risk reduction, which I believe there is still room for us to do that.

On the other hand, it is also true that conglomerate discount is applied when firms diversify into low correlated businesses for the sake of risk diversification. During our IR, some institutional investors have pointed out that institutional investors can effectively accomplish their own portfolio diversification through investing in a diversified set of insurance companies. Thus, investors prefer each company to concentrate its management resources and improve its operational efficiency. Our Group perspective on this is that, as each Group company, as a stand-alone entity, becomes the most favored and trusted company in the region, and as we exploit and expand synergies among our Group companies, we can achieve a conglomerate premium. We have been communicating our strategy to institutional investors through IR conferences and one-on-one dialogues, and I believe that this message is gaining acceptance. By also communicating this same message to each Group company, we are making efforts to both further increase the stand-alone value of each company and accelerate synergies.

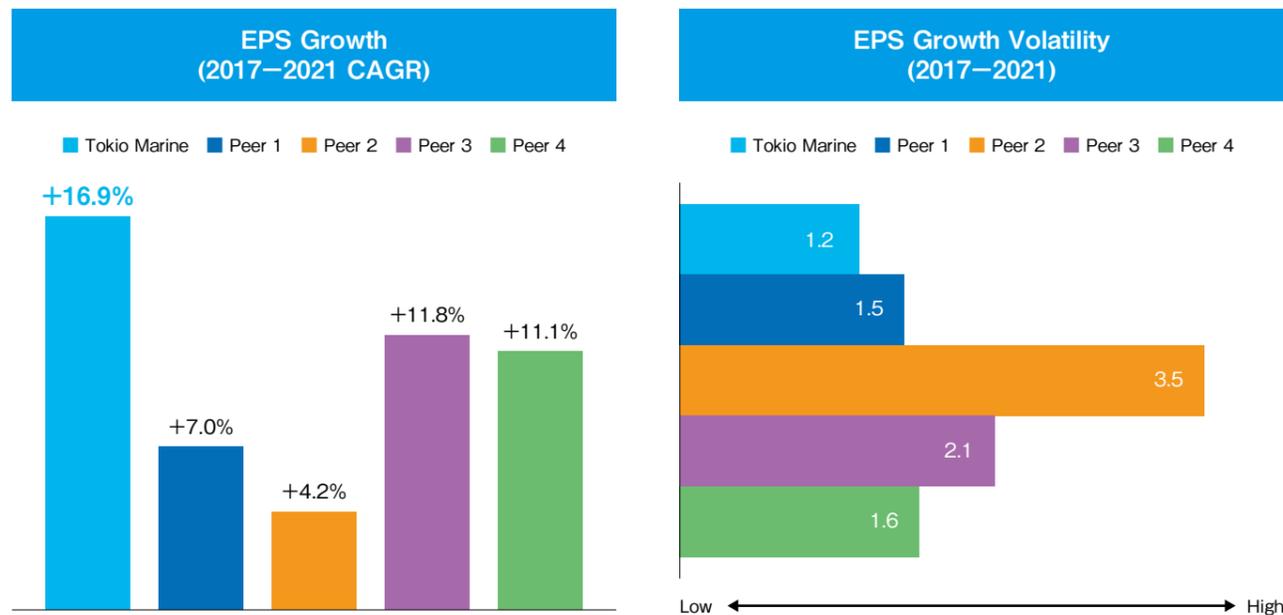
In addition to global risk diversification, global integrated group management is one of the Group's unique management strengths. We have invested six years designing a management structure tailored to our organization. Specifically, as a global insurance company, we believe that executive decisions should not solely rest on the shoulders of Japanese management, but rather leverage aggregated global knowledge to enable better decision-making and execute upon those decisions.

In fiscal 2022, the Co-CIO (Chief Investment Officer) and CEO of Delphi Financial Group, Inc. (DFG), Donald Sherman, and the Co-Head of International Business and Co-CRSO (Chief Retention Strategy Officer), Christopher Williams, were promoted to Vice President Executive Officers, for their various insights beyond overseas business, insurance underwriting, and asset management. They, along with the Japan C-suite and myself, meet twice a week to discuss key Group-wide issues. No longer is it just Japanese management members making key decisions. We continue to raise the bar on our management strategy and accelerate the speed of our decision-making. Refined middle point of Western and Japanese management philosophy that take the best approaches of both is what we aim as our integrated group management. With the current management team, I am confident in our ability as a world-class global insurance company to continue to grow and develop to our full potential.

### Entering a New Stage by Executing Our Strategies

I believe we are seeing success of solid execution on the strategies outlined in our current Mid-Term Business Plan based on our global risk diversification, global integrated group management, and on the founding principle of achieving sustainability management that aims to solve social issues while ensuring profit growth. In fact, adjusted net income for the first year of the Mid-Term Business Plan, fiscal 2021, was a record 578.3 billion yen. This was driven by strong insurance underwriting profits in Japan and overseas, with a tailwind of fewer natural disasters than previous years. Even on a normalized basis, excluding nonrecurring items, profits were 505.4 billion yen, exceeding our milestone target set in 2017 of 500 billion yen. For fiscal 2022, our forecast is set to 550 billion yen. Our adjusted ROE for fiscal 2021 was 14.4% on an actual basis and 12.7% on a normalized basis. For fiscal 2022, we are aiming for 12.5%, which exceeds our medium- to long-term target of 12%. We are entering a new stage in which, for the first time, we can target our next level of growth. We recognize, however, that fiscal 2022 will be a critical year for us.

As to what lies ahead, we are currently taking a broad-minded approach in evaluating our new target. What I can say concretely is that as we anticipate that social issues will only continue to escalate, and that we must do our utmost to support our customers and society in their times of need. The fruits of these efforts will be reflected in our EPS growth. Our current EPS has achieved world-class growth while curbing volatility. Our Mid-Term Business Plan calls for organic growth at a world-class standard above 5%, and we would like to achieve a strong Delta. At the same time, we are aware that despite our improved ROE, it remains low compared to our peers. To improve ROE, we plan to prioritize profit growth while further reducing the business-related equity balance and rigorously controlling net assets.



EPS: Profit in numerator is adjusted net income for Tokio Marine and KPI for peers; Volatility: Coefficient of variation; Peers: Allianz, AXA, Chubb, Zurich  
Sources: Company data, Bloomberg

## Supporting Both Existing and Future Needs

### Responding to Change through Enhanced Risk Literacy

Looking ahead, we will focus on enhancing our risk literacy with the additional support of the world-class advisors we retain. As I mentioned above, we live in a time of rapid social change, and what individuals, businesses, and societies perceive as “risk” is transforming in tandem. With the need to address both new risks and growing existing risks, the Group must continue to rise to the expectations of our customers and society. Our Group-level Market Intelligence, and broader Intelligence Function, will be enhanced to support our ability to make agile and precise judgments. We will adapt to external changes as well as challenge ourselves to create the changes (imperative to supporting both existing and future needs).

Every company has its “moment of truth” that defines the value of its existence. In this age of volatility, uncertainty, complexity, and ambiguity (“VUCA”), we must again question our business purpose. That is, the Group’s “moment of truth” is that we must be there to protect our customers and society in their times of need. This has been our purpose since our company was founded in 1879. Even before “ESG” existed as a concept, our Group’s reason for existence has been to achieve sustainable growth through contributing to the resolution of social issues.

The origins of the word “risk” lie in the Latin word “risicare,” which meant “to attempt with bravery (with the preparedness and understanding that something might occur).” Throughout the history of mankind, the stories of individuals who have faced challenges with bravery are numerous—and continue to this day. As an insurance company, we want to exist to support individuals as they face their challenges, whenever those challenges might arise. Thus, by continuing to challenge ourselves to alleviate social issues, we contribute to the further development of humankind and the resilience of society. This is what I believe to be true of insurance companies.

### Humanity’s Greatest Need Is to Urgently Address Climate Change

The greatest priority now for all of humankind’s future is to address climate change. In the last year alone, there were a series of tornadoes in Central and South America, flooding that caused damage in more than 12 European countries, a Category 5 typhoon that struck the Philippines, flash flooding in Nepal and several areas of India, flooding in South Africa, and numerous other large-scale natural disasters that can be attributed to the effects of climate change. These disasters have greatly impacted economic activity and the stability of people’s lives.

Large-scale disasters affect not only the Group’s P/L but also have the potential to impact the B/S as well. However, no matter what, we will fulfill our commitments to our stakeholders. We must strengthen our financial soundness, but more important, balance that with our capital efficiency. It is rather easy to improve financial soundness with capital accumulation. However, to be resilient in sustainably delivering values to our stakeholders, we must also improve the quality of our operations through global risk diversification, and raise our ROE to enhance capital recovery upon times of crisis.

Furthermore, it is critical that we take steps now to improve the profitability of fire insurance business in Japan which is invariably “in the red.” We are the stewards of the entrusted shareholder capital, and overall profitability does not justify individual business lines to make constant losses. There was a time when the Group struggled with the profitability of its auto book in Japan, but, today, the combined ratio is now in the low 90% range and maintaining a solid level of profitability. Auto insurance and fire insurance are different lines, to be sure, but we can apply lessons learned from one to the other. We are determined to make fire insurance—critical for Japan as a natural disaster-prone nation—a sustainable product.

As an insurance company, we also need to view climate change as an opportunity for growth. Take the example of renewable energy: Renewable energy is the best tool we have to achieve decarbonization, and we anticipate significant future developments in the field. Insurance will be indispensable to the energy’s widespread adoption, but the risks associated with the renewable energy business are substantially different from those of conventional power plant and energy businesses. The accident and loss trends differ for each type of renewable energy: wind, hydro, biomass, geothermal, and wave. Thus, to handle renewable energy-related insurance, we must develop a sophisticated level of underwriting and claims service capabilities. In May 2020, we acquired GCube, a global leader in renewable energy insurance underwriting. Through this acquisition, we now possess an extensive set of loss data that enables us to conduct definitive insurance premium calculations and risk selections. We are pleased to now have industry-leading underwriting capabilities. We have also welcomed claims adjusters specializing in renewable energy to our Group and are now able to provide clients with expert advice regarding risk reduction. We will further optimize our rating models and expand synergies between GCube and other Group companies while contributing to global decarbonization efforts through a specialized renewable energies business, and in doing so, sustainably grow the Company.

In addition, there is a “protection gap” when it comes to what climate change risks are covered—and the proportion of the risk covered by insurance is still relatively small. In the face of growing climate change risks, the need for natural disaster protection and mitigation is also increasing. We focus on this as an opportunity for growth.

The Group, whose origins lie in natural disaster-prone Japan, is proud to have world-leading insurance underwriting expertise in this area. Climate change is a global issue, and we have a role to play in building resilience in the face of the increasing risk of natural disasters. As an industry leader, the Group will put its full effort into alleviating the effects of natural disasters and implementing climate change countermeasures.

Yet, climate change is not an issue that can be solved by any one person or company alone. The Group will continue its steady effort to combat climate change and will coordinate with industries and the world to align our efforts to jointly ensure a bright future for generations to come. The Group has joined the Net-Zero Insurance Alliance (NZIA), a global initiative, as the first Japanese member, to initiate industry-based discussions on climate actions. As a representative of resource-scarce Japan, it is clear to me that I must advocate not only for divestment in fossil fuels but also engage others in setting goals to achieve a decarbonized society.

### Aiming to Be a Good Company and Investing in Intellectual and Human Capital

To become a “Good Company” that will still be trusted 100 years from now and considered essential for society, we must continue to improve the quality of our management and refine our three strengths: our ability to provide support in times of need and to be always there, our portfolio management capabilities, and our global integrated group management. To achieve this, we must leverage and invest in both our intellectual and human capital. These are going to be our key success factors for future growth during these complex and rapidly changing times. These are the foundations of an agile and robust company, which I’ve often said since stepping into this role.

#### ► Leveraging Digital Technology, Proprietary Data, and an Ability to Execute M&A and PMI, Expand Our Business Domains

The Group’s intellectual capital is our digital technology and proprietary data assembled for our insurance business, and our ability to execute on M&A and PMI (Post-Merger Integration). By leveraging and investing in these strengths, we will increase our capabilities in conventional insurance businesses while simultaneously expanding to new business domains. Collaboration with a range of partners will be essential to further accelerate progress on these fronts.

To achieve this, in July 2021 we established Tokio Marine dR with the goal of marshaling all our Group’s digital capabilities in one location. The Group is promoting R&D and innovation through the aggregation and analysis of our proprietary accident and risk data. In 2020, we established AlgoNaut in collaboration with PKSHA Technology, which has expertise in natural language processing and deep machine learning. The company name was coined as a portmanteau of the words “Algorithm” and “Argonaut,”—the latter from the heroes of Greek mythology who boarded the ship Argo in search of the Golden Fleece. AlgoNaut was established to provide digital risk solutions, based on algorithms, to address pressing social issues. In addition, the Group is engaging with external partners, including start-ups, to expand into domains, including disaster prevention and disaster mitigation, healthcare, cyber, and mobility, whereby we believe we can provide unique added value. In the area of disaster prevention and disaster mitigation, the Group launched a cross-disciplinary and multi-industry disaster prevention consortium called CORE. Utilizing natural catastrophe risk data and research results, we will unite private-sector and public-sector efforts to build a resilient society while also generating new business opportunities. In the cyber field, we are contributing to raising our customers’ cyber defenses by conducting quantitative evaluations of cyber risks in coordination with Guidewire Software Inc. in the United States. In healthcare, we are making efforts to promote the early detection of cancer and the management of diabetes. Meanwhile, in mobility, we are involved in accident prediction services. Over the next 10 years, I would like to grow these businesses to be strong pillars of earnings with the ability to generate tens of billions of yen in profit, alongside our existing business lines.

Alongside the development of humankind, social issues are also likely to increase. The Group will invest robustly in intellectual capital aimed at solving these issues. To date, we have invested tens of billions of yen, including the Corporate Venture Capital Fund launched in the United States in April 2022, and we have invested more than 100 million yen in the past year alone to nurture our digital-talent bench.

#### ► Strengthening Human Capital by Instilling a Sense of Purpose and Promoting D&I

Due to the nature of insurance itself, human capital development is a key success factor for us. Insurance has no tangible form, thus the individuals who handle the business play a vital role. This is why the insurance industry is sometimes called a “people business.” The Group is implementing wide-ranging measures aimed at strengthening this important human capital factor. As CEO, I would like to emphasize our efforts to instill a sense of purpose and highlight our Diversity & Inclusion (D&I) program.

D&I is the foundation of innovative thinking, and it leads to the generation of new value through ideas, hypotheses, and theories. It enables our global integrated group management—one of our key strengths—to maximize its capabilities and is the engine that drives the Group’s purpose and commitment to our stakeholders. I came to appreciate the value and strength of diversity anew during the year I spent as a visiting researcher at Columbia University in the United States. While studying abroad and interacting with a diverse set of students and faculty, I had the opportunity to revise some of my cognitive biases from my career track in Japan. It turned out to be a valuable experience when I later came to lead the diverse group of individuals that comprise Tokio Marine Group. D&I is not simply some minimum requirement or rule that we must meet as a company. Rather, it is the “heart of management,” the wellspring of growth and the bedrock of our business. Knowing that the very places where social issues exist are the domains where we can contribute, the Group’s growth strategy must be founded on the mindset to leverage diverse cultures, experiences, and backgrounds to develop ideas and devise innovative solutions to problems. At this stage, we recognize that the Group’s D&I program is still a work in progress. Thus, in 2021, we established a Diversity Council comprising diverse individuals from top management to individual contributors, and created CDIO (Chief Diversity & Inclusion Officer) as a new C-suite role. We will accelerate our efforts around diversity with an eye toward global standards.

Ultimately, the most important element is always to instill a sense of purpose. We have all suffered to a greater or lesser extent from the effects of COVID-19 and restrictions on personal and business lives. But regardless of the situation, all our Group companies are connected by a sense of purpose, and we do not waver in our goal to generate new value in each region. As the head of this organization, and as CCO (Chief Culture Officer), I am fully committed to empowering our more than 40,000 employees worldwide to live up to their full potential and to instilling a sense of purpose which unites Tokio Marine in “One Team.” During the pandemic, I have continued 1on1 in-person or online dialogues with the top management team who lead the Group. We discuss our sense of purpose and the work to align our efforts behind that purpose at our worldwide CEO meetings. Among employees, we conduct an annual culture and value survey and endeavor to understand the engagement levels of our diverse workforce. Management team members—myself included—aim to instill a sense of purpose through events such as “Maji kira kai (where employees can talk about serious matters in a casual setting).” It was encouraging to see our employee engagement score increase this year, despite the ongoing pandemic. On the other hand, time spent together in-person and direct communications are imperative to foster new ways of thinking and generate new value. Being mindful of this ongoing pandemic and with appropriate infection prevention measures, I am returning to a pre-COVID travel schedule to visit management and employees instead of remote meetings. Leveraging all modes of communication, we will build a group that is actively united under the sense of purpose that is infused into everyone’s daily work and management decision-making.

### Conclusion

When the Great East Japan Earthquake struck, CEO at that time said, “In the time of this unprecedented event, we will dispense with the normal processes for the sake of our customers in need and aim to complete disaster response in approximately two months.” It was a decision that might have appeared rash at the time. More than 10,000 employees assembled in the disaster-affected area from across Japan, and the employees who remained in the office played their respective roles. Together, we set out to settle more than 180,000 payments in two months. Under normal circumstances, that would have taken about a year to complete. We proved to ourselves that if each employee believes in our purpose and acts accordingly, together we can achieve unimaginable results.

The harder Tokio Marine Group works, the greater the positive effects for society. The more society develops, the more we will grow. This sustainability management ethos is deeply rooted in our company, and I would like to ensure that remains so in the future.

We must constantly seek out emerging social issues, provide tailored solutions for our customers and society, and generate value for all our stakeholders, including future generations. If we do so, we can and will achieve the growth necessary to be a leading global insurance company. This is Tokio Marine Group’s “Endless Journey.” A century from now, we will still be essential to our stakeholders.

