

To Be a **Good Company**

# Tokio Marine Group Business Strategy

November 26, 2021



TOKIO MARINE

Tokio Marine Holdings



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◆Abbreviations used in this material

TMNF: Tokio Marine & Nichido Fire Insurance Co., Ltd.

NF: Nisshin Fire & Marine Insurance Co., Ltd.

TMNL: Tokio Marine & Nichido Life Insurance Co., Ltd.

PHLY: Philadelphia

DFG: Delphi

TMHCC: Tokio Marine HCC

TMK: Tokio Marine Kiln

TMSR: Tokio Marine Seguradora

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## Sustainable Profit Growth

- ◆ Top-class EPS growth target among global peers (at least +5%<sup>\*1</sup> from OG<sup>\*2</sup>)
- ◆ Risk diversification strategy resulted in upward revision of FY2021 projection by JPY 66.0bn, which led to an increase in FY2023 projection (well exceeding JPY 500.0bn)
- ◆ Sustainably raise profits and ROE in FY2023 and beyond

## Sustainable Increase of Shareholder Return

- ◆ Accelerate schedule to increase dividend payout ratio to 50% in FY2023 based on the certainty of profit growth (over JPY 500.0bn profit in a stable manner)
- ◆ Continue to increase dividend per share, driven by profit growth (no reduction, in principle)
- ◆ Flexibly execute capital level adjustment in view of ESR, M&A pipeline, ROE targets, etc.

## High-Quality Management

- ◆ Pursue global risk diversification and appropriate risk control for further growth
- ◆ Key management issues to be addressed by the “Integrated Group Management”
- ◆ Continue to grow over the next century by implementing sustainable management based on our purpose

\*1: 2023 projection explained at IR Conference held in May 2021

\*2: Organic Growth



# Sustainable Profit Growth



# Global Comparison of EPS Growth

- Delivering a robust EPS growth track record
- Top-class EPS growth target among global peers

## Track Record (2012 - 2020)

■ Tokio Marine ■ Peer 1 ■ Peer 2 ■ Peer 3 ■ Peer 4

10.8%

2.8%

0.7%

0.3%

-0.6%

**Profit** +9.5% +1.6% +0.0% +3.0% +0.5%

**Number of Shares\*1** -1.2% -1.1% -0.7% +3.6% +0.1%

\*1: Share buyback / capital increase

\*2: 2023 projection explained at IR Conference held in May 2021

## Plan (Based on MTPs disclosed by each company)

**Tokio Marine**

5% or more (OG)\*<sup>2</sup>  
+ Share buyback

**Peer 1**

4% or more (OG)  
+ Share buyback

**Peer 2**

3-7%

**Peer 3**

(Undisclosed)

**Peer 4**

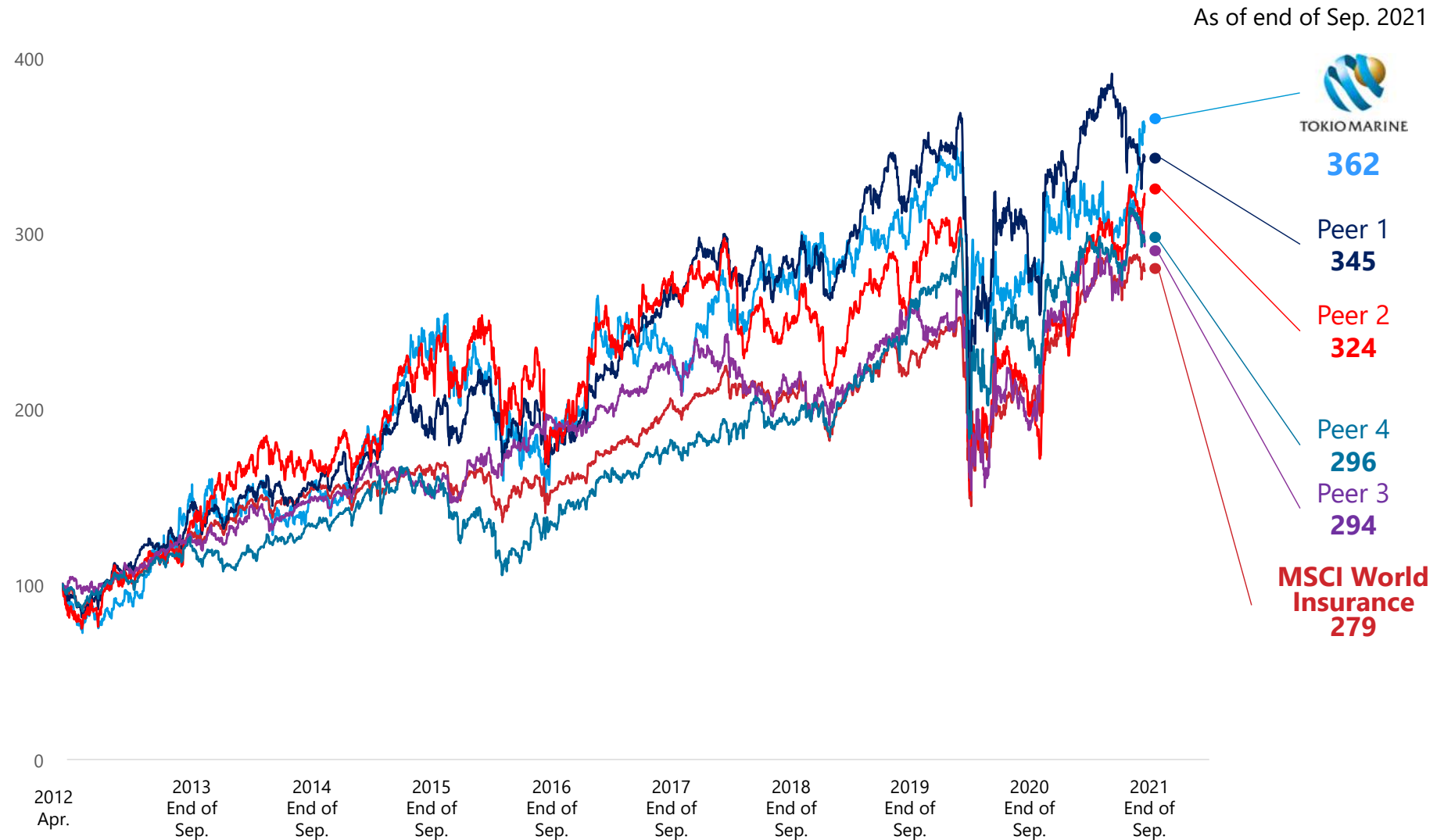
5% or more (OG)  
+ Share buyback

Peer: Allianz, AXA, Chubb, Zurich

EPS profit: KPI profit for peers (adjusted net income for Tokio Marine) (Source: Bloomberg, company data)

# Global Comparison of TSR

## ● Resulted in high TSR\* above-market

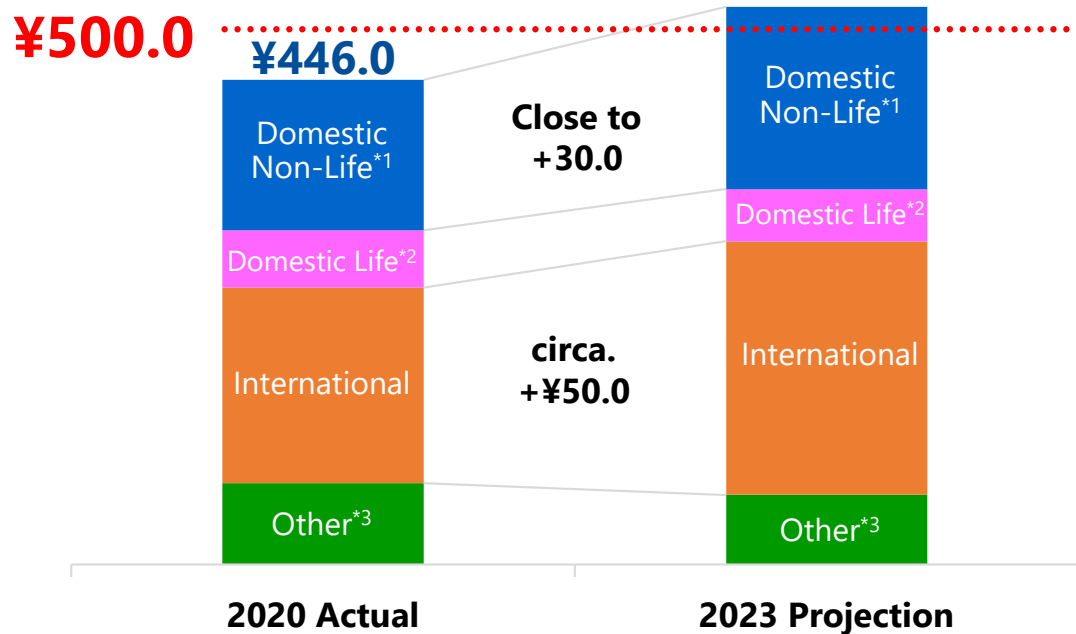


# Become World's Top Class P&C Company by Steadily Achieving MTP

- Adjusted net income to well exceed JPY 500.0bn in FY2023 to be world's top class P&C company

## <Adjusted Net Income (billions of JPY)>

\*Business Unit profit breakdown



(Ref.)

## P&C Profit Ranking<sup>\*4</sup>

2016~2020 (Ave.)

2023 Projection

	Company	Profit (billions of JPY)		Company	Profit
1	Allianz	963.5			
2	AXA	561.4			
3	Chubb	444.7			
4	Zurich	426.3			
5	Allstate	394.6			
6	<b>Tokio Marine</b>	<b>343.1</b>		<b>Tokio Marine</b>	
7	Progressive	332.5			
8	PICC	325.2			
9	China Pacific	320.0			
10	Generali	286.5			

\*1: Domestic Non-Life: TMNF (same applies hereafter)

\*2: Domestic Life: TMNL (same applies hereafter)

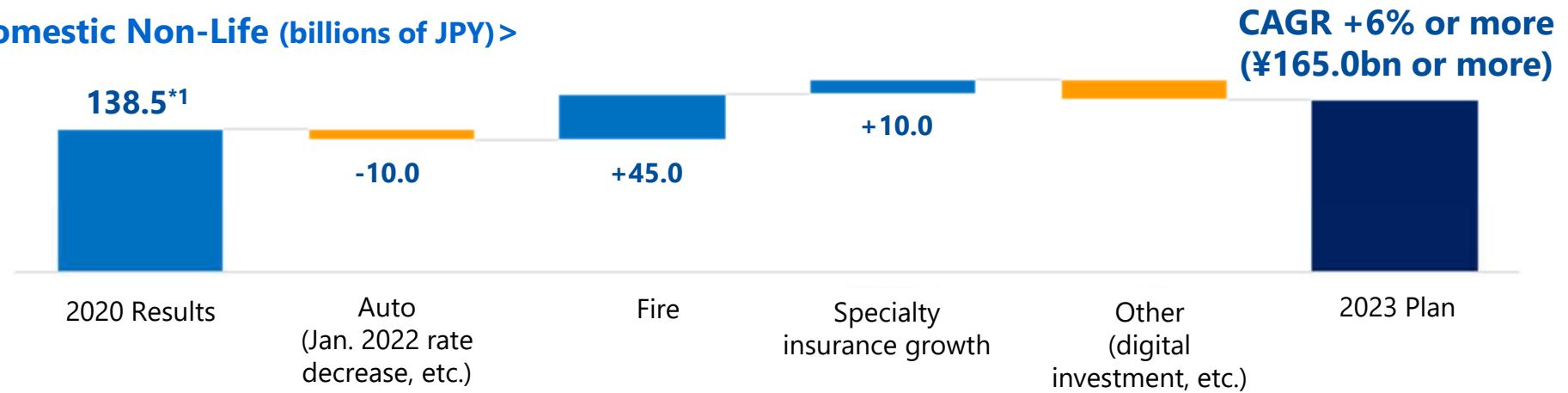
\*3: Other domestic non-life, financial and other businesses, and sale of business-related equities (not included in Business Unit profits), etc. (same applies hereafter)

\*4: Adjusted net income for Tokio Marine, Others are based on financial accounting (IFRS, USGAAP, etc.) FX as of September 30, 2021

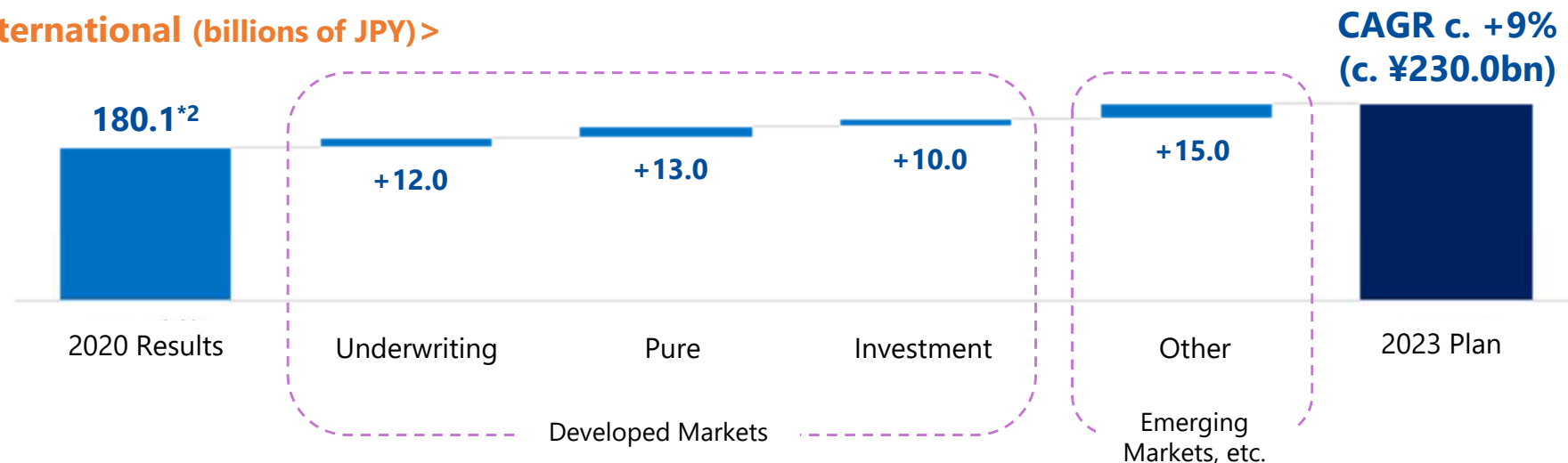
## Reference: Road Map for Ensuring Achievement of MTP by Business Unit

- Domestic non-life (close to JPY 30.0bn) is driven by profitability improvement of fire and growth of specialty insurance
- International (c. JPY 50.0bn) is driven by rate increase, profitability improvement, and profit growth in Pure and investment

### <Domestic Non-Life (billions of JPY)>



### <International (billions of JPY)>



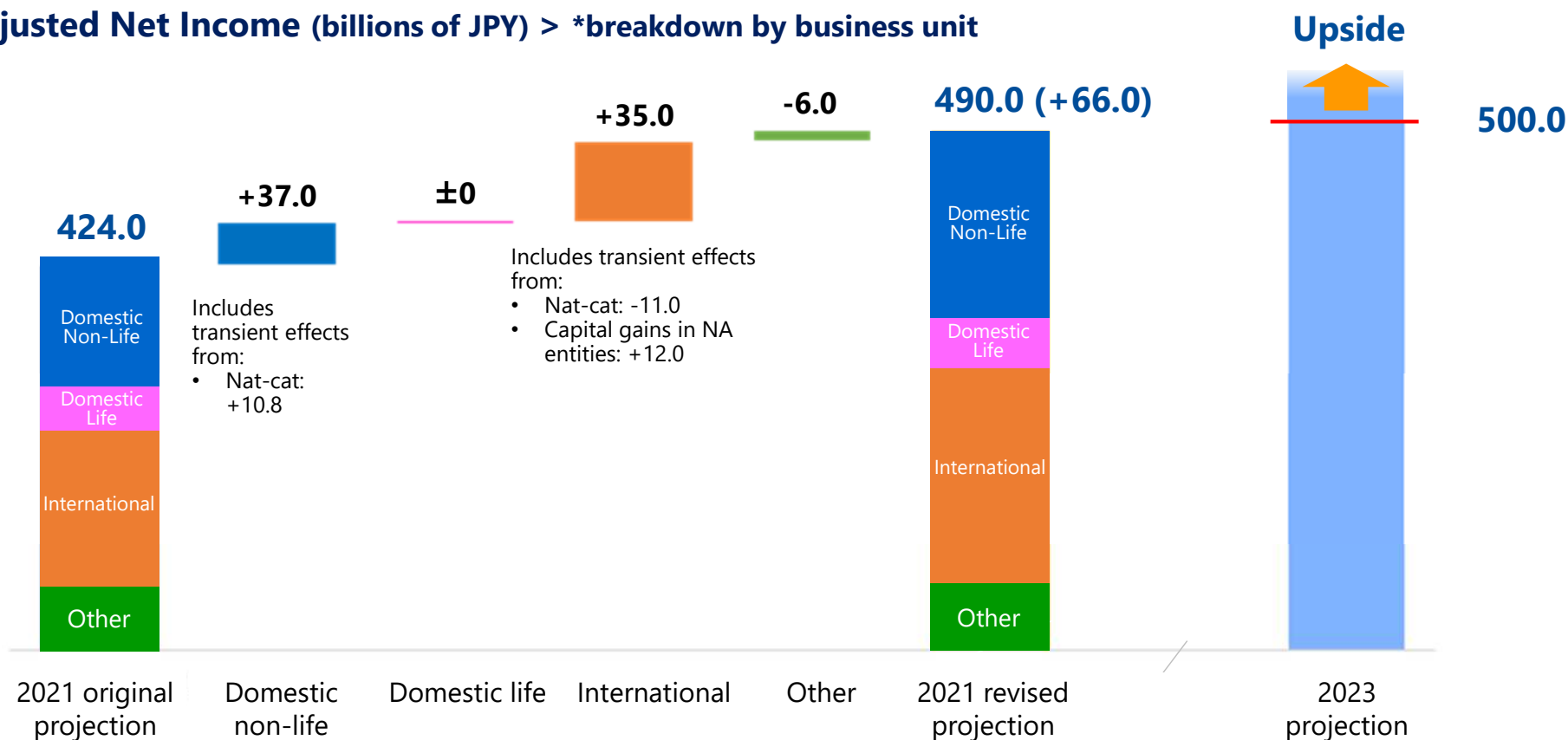
\*1: Impacts of natural catastrophes normalized to average annual level and excluding COVID-19 impacts

\*2: In addition to \*1, excludes the impact of FX.

# Upward Revision of Full-Year Projection for FY2021 and the Background

- FY2021 projection revised up by JPY 66.0bn, despite the impact of natural catastrophes including Texas winter storm and Hurricane Ida
- Likely to raise FY2023 projection to surpass JPY 500.0bn given our current performance (Risk factors for FY2023 incl. natural catastrophes and financial crisis are not unique to us)

<Adjusted Net Income (billions of JPY) > \*breakdown by business unit

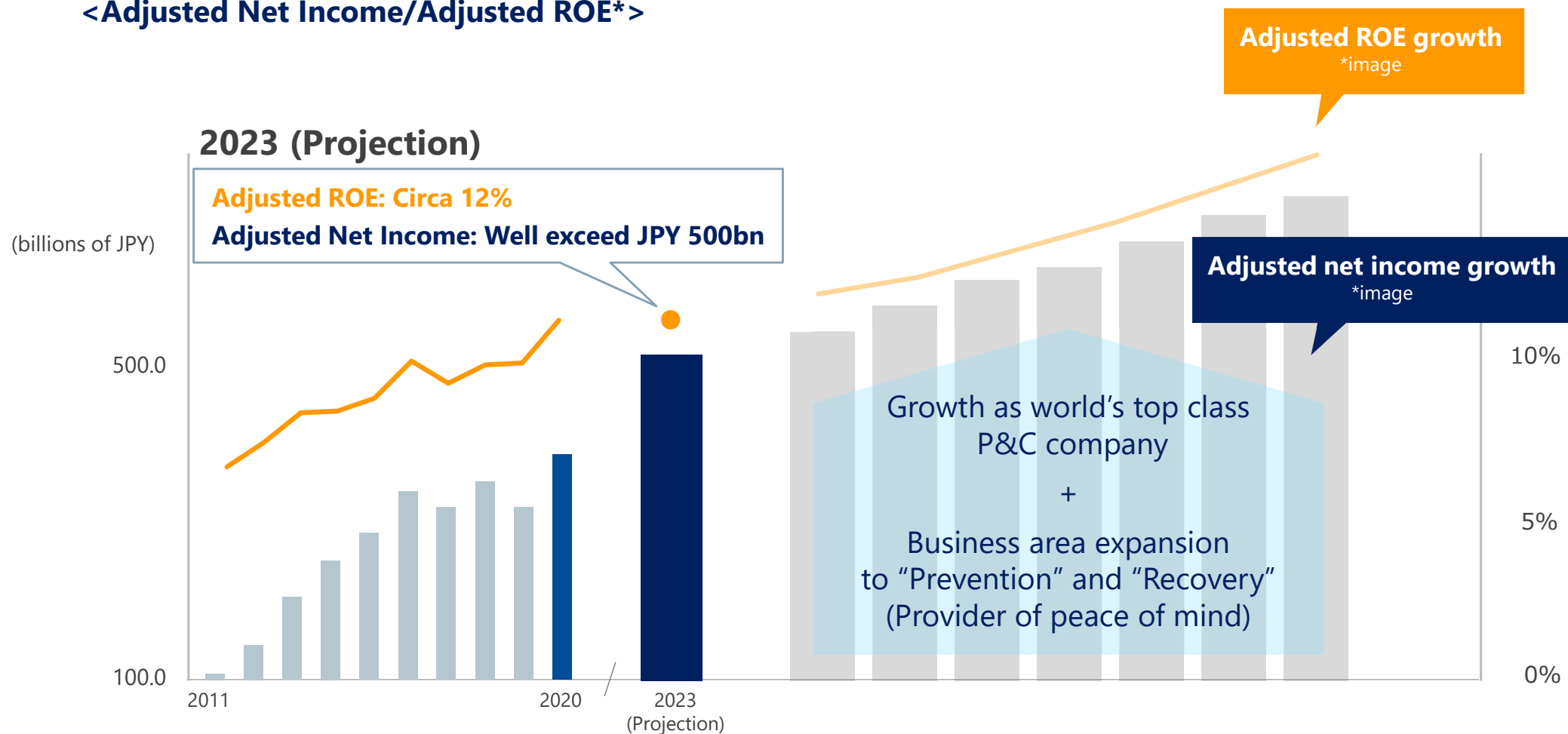


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# Vision for Further Growth from FY2023 Onwards

- After achieving FY2023 projections, continue to increase profit and ROE through growth in insurance business as well as business area expansion

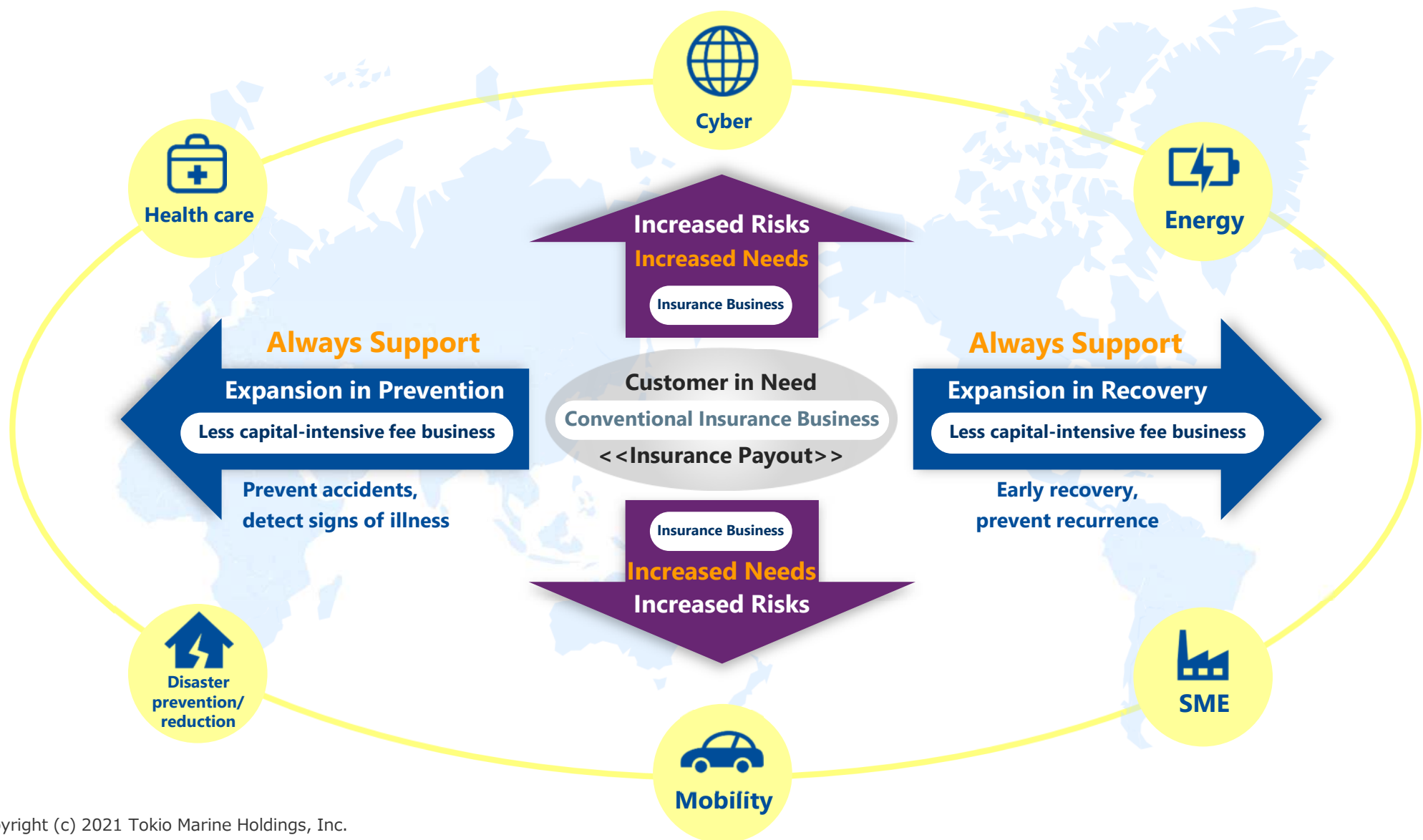
## <Adjusted Net Income/Adjusted ROE\*>



\*: Normalizing natural catastrophes to an average annual level, and excluding impact of COVID-19 and FX for 2020 (based on new definition)

## Room for Growth in Profit and ROE

- With the increase in social issues that require solution, room for growth for us also expands  
(To be a partner “always” by your side at the time of “sudden” incident)





# Sustainable Increase of Shareholder Return

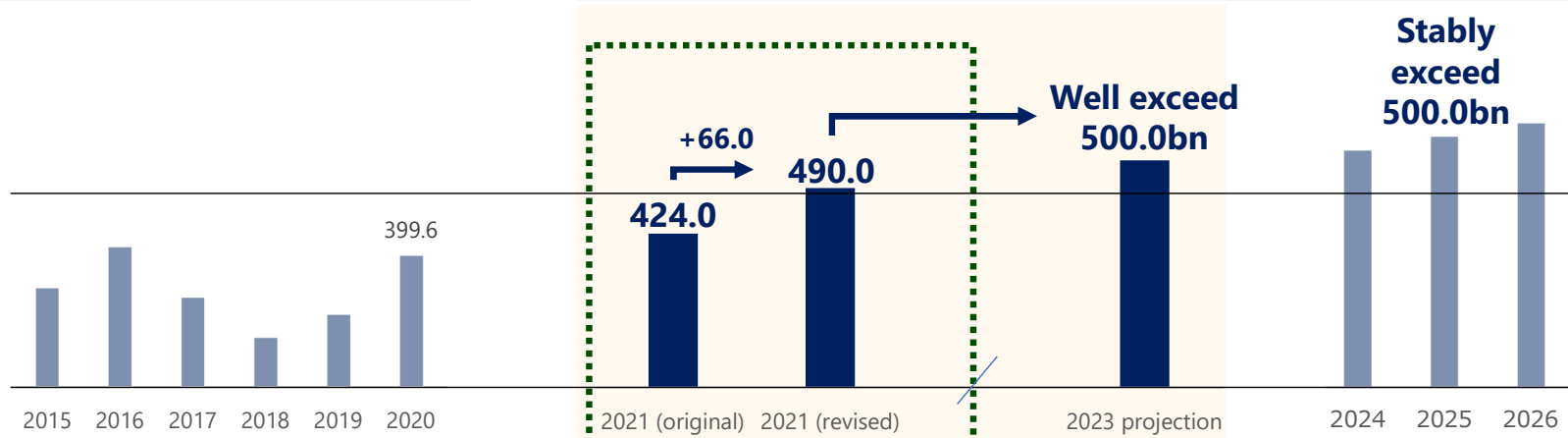


## Steady increase in ordinary dividend and future policy

- Ordinary dividend based on adjusted net income (5-year average)
- Considering the current enhancement of management and business capabilities and resulting certainties of profit growth (FY2023 profit will well exceed JPY500bn), accelerate the schedule of increasing payout ratio to 50% in FY2023  
(Continue to increase DPS with profit growth with no decrease in dividends in principle)

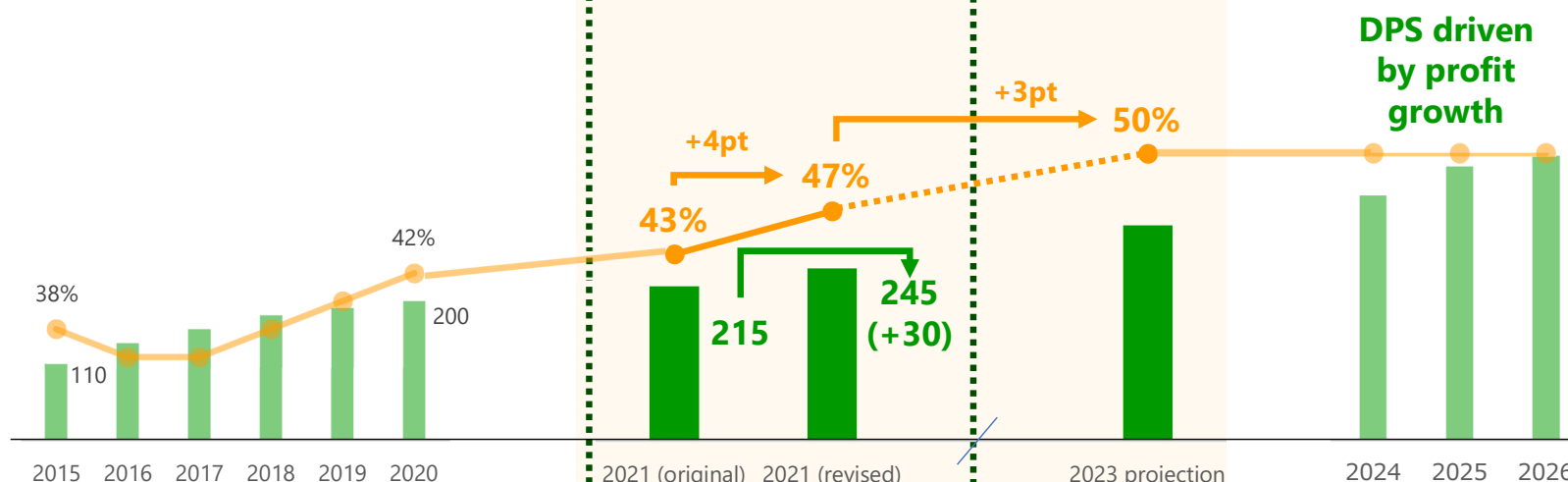
Adjusted Net Income  
(billions of JPY)

500.0



Dividend Payout

DPS\*  
(JPY)

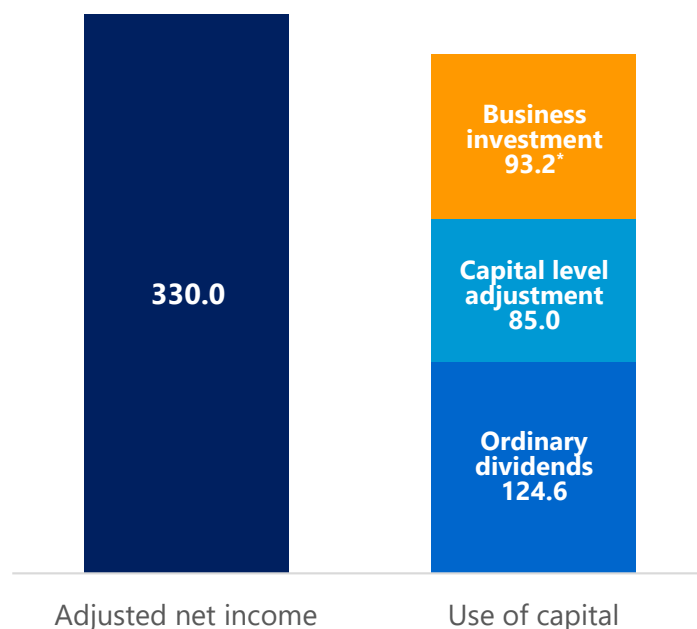


## Disciplined Capital Policy

- Utilize generated capital for business investment and shareholder returns from medium- to long-term perspective
- Maintain disciplined capital policies (incl. capital level adjustments) to improve adjusted ROE

### 5-Year Average (2016-2020)

(billions of JPY)

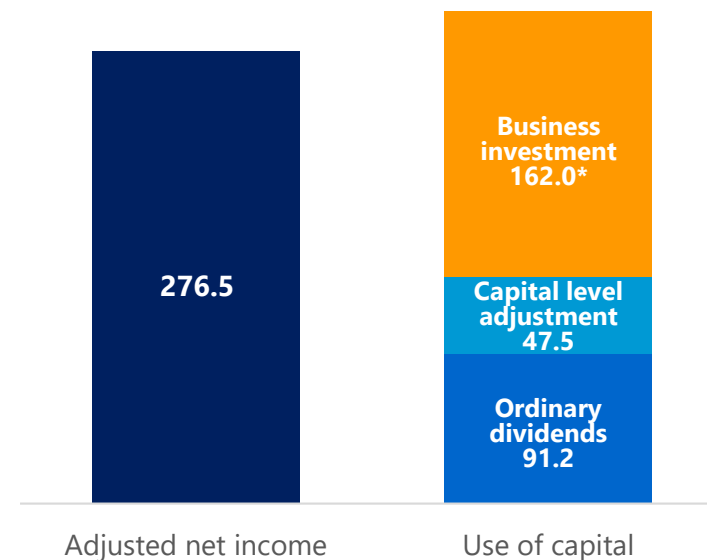


Adjusted  
ROE  
growth

9.3%

### 10-Year Average (2011-2020)

(billions of JPY)

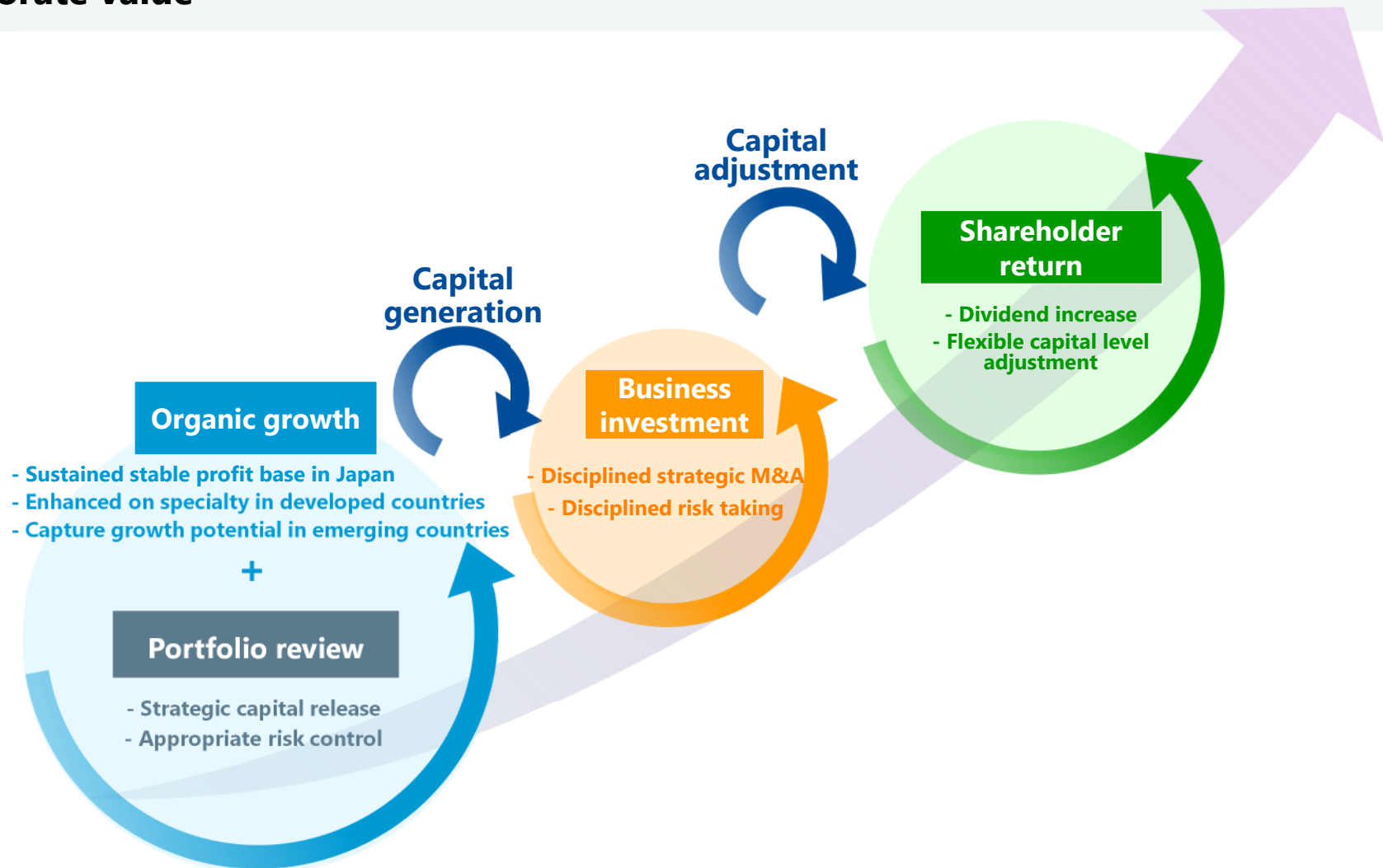


8.1%

\*: Total of published figures (source: Refinitive Eikon)

## Reference: Capital Circulation Cycle

- Utilize generated capital for business investment and shareholder returns and sustain increase in corporate value



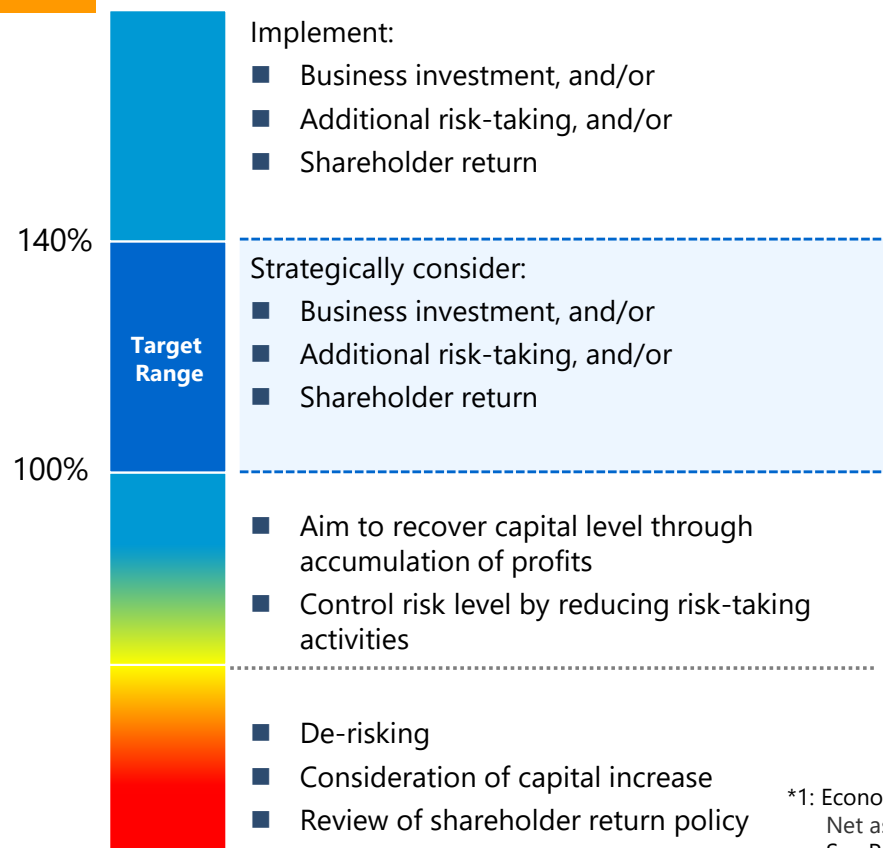
ESG for sustainable growth

# Reference: Capital Policy Approach

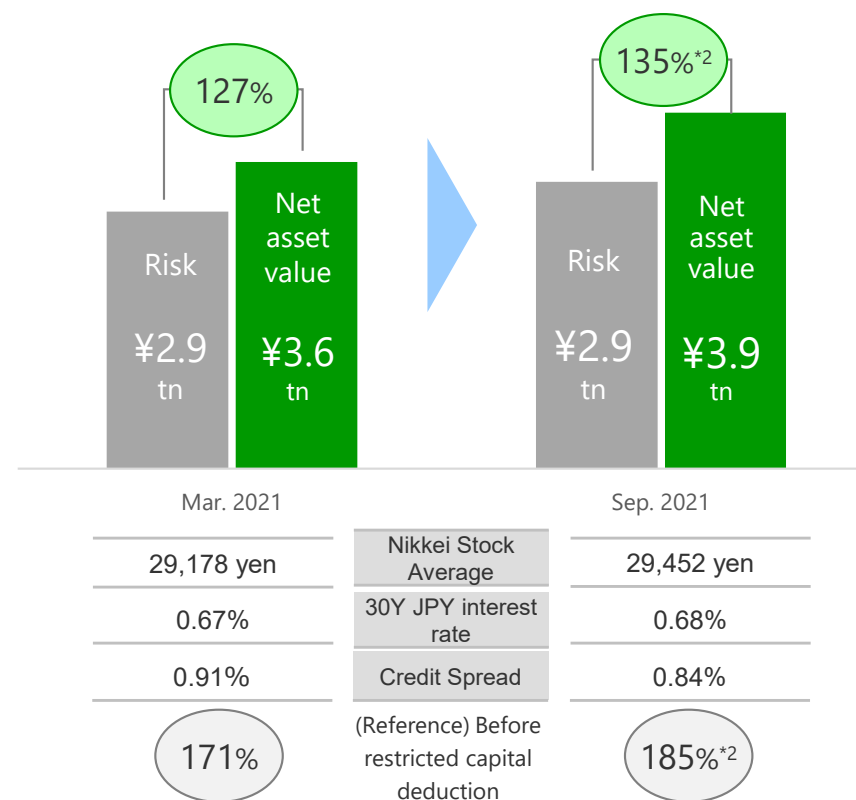
- Execute capital level adjustment with share buybacks, etc., based on comprehensive consideration including the level of ESR, M&A pipeline, business environment, and ROE targets

## Target range

ESR\*1



## ESR



\*1: Economic Solvency Ratio (Risk is calculated using a model based on 99.95%VaR (AA credit rating equivalent)).  
Net asset value of overseas subsidiaries shows the balance as of three months earlier (Dec. 31, 2020 and Jun. 30, 2021)  
See P.68 for sensitivity

\*2: 133% after deducting JPY 40bn of a budget for annual capital level adjustments. (184% before restricted capital deduction)



III

# High-Quality Management

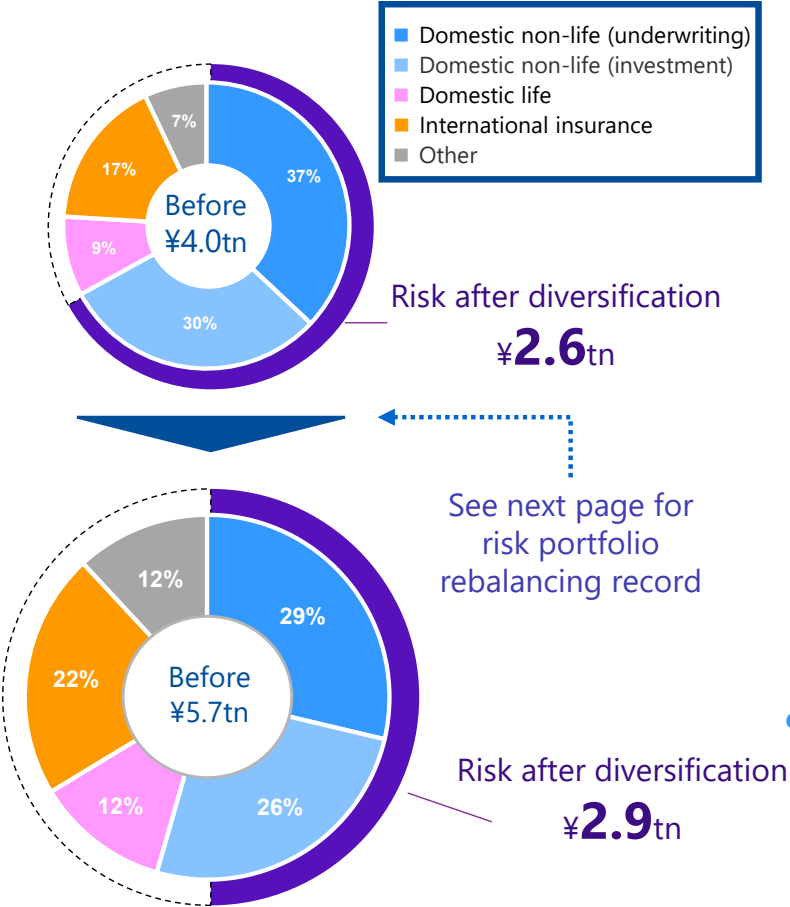
# Enterprise Risk Management

- Enhance corporate value via rebalancing of risk portfolio while reducing volatility in ROE
- Continue to accelerate growth with global risk diversification and appropriate risk control

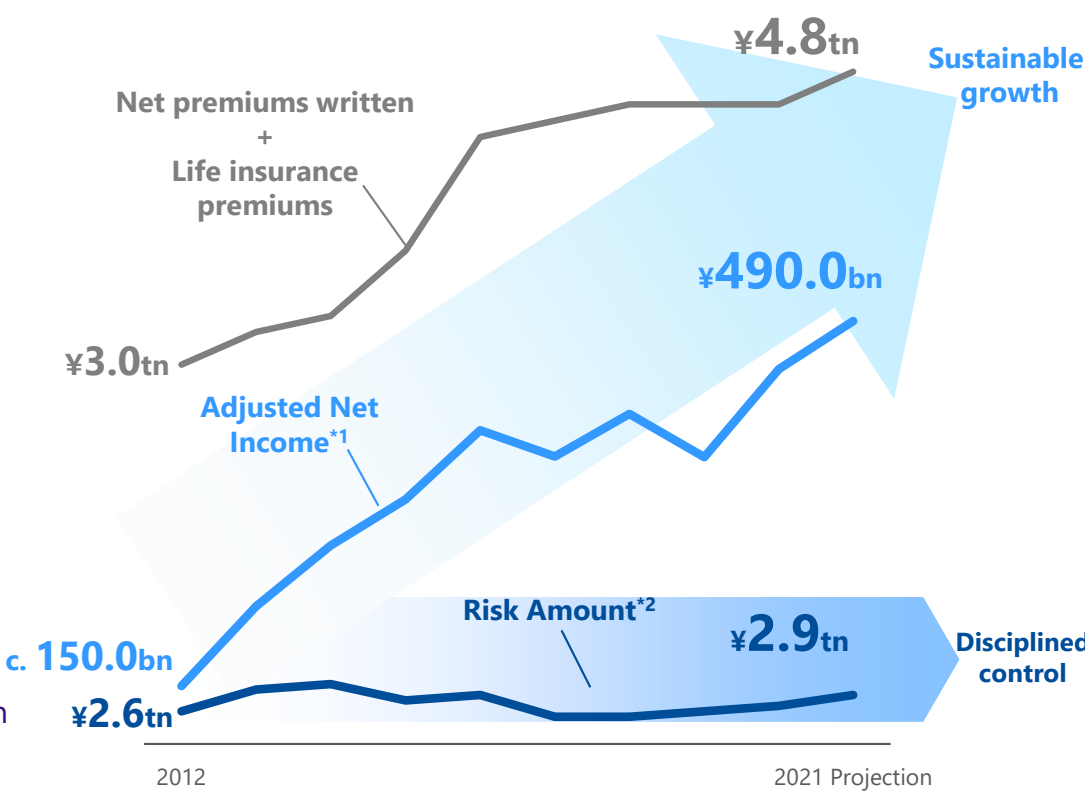
## Risk diversification

FY2012  
Diversification  
effect  
36%

FY2021  
Diversification  
effect  
50%



## Trends of adjusted net income\*1 and risks\*2



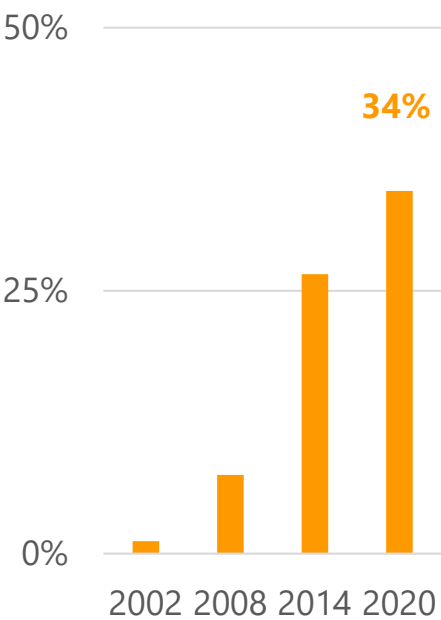
\*1: Normalized natural catastrophes to an average annual level and in 2020 excluded COVID-19 impact and FX effect  
 \*2: ESR risk (99.95% VaR, after tax, original projection basis)

# Rebalancing of Risk Portfolio

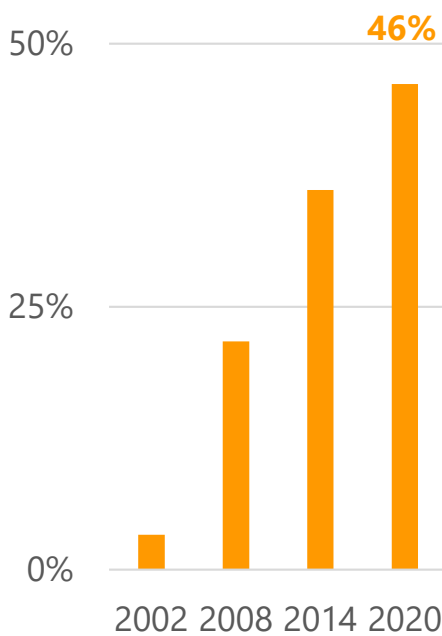
## Risk diversification with expansion of int'l business

## Reduction and control of risk

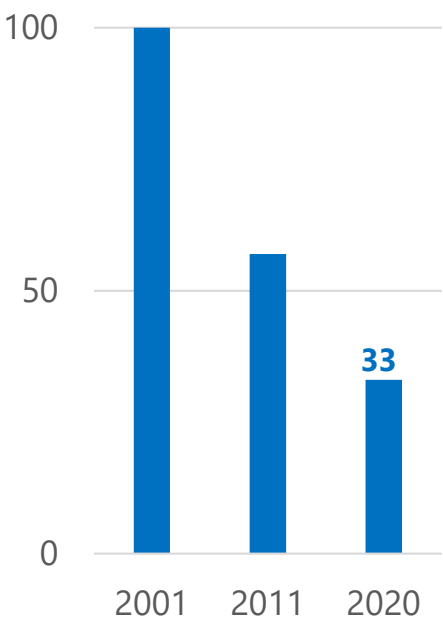
International business:  
premium contribution\*1



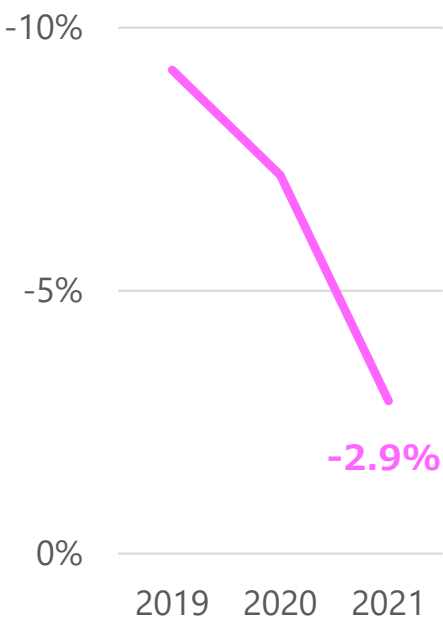
International business:  
profit contribution\*2



TMNF: Book value of  
business-related equities\*3



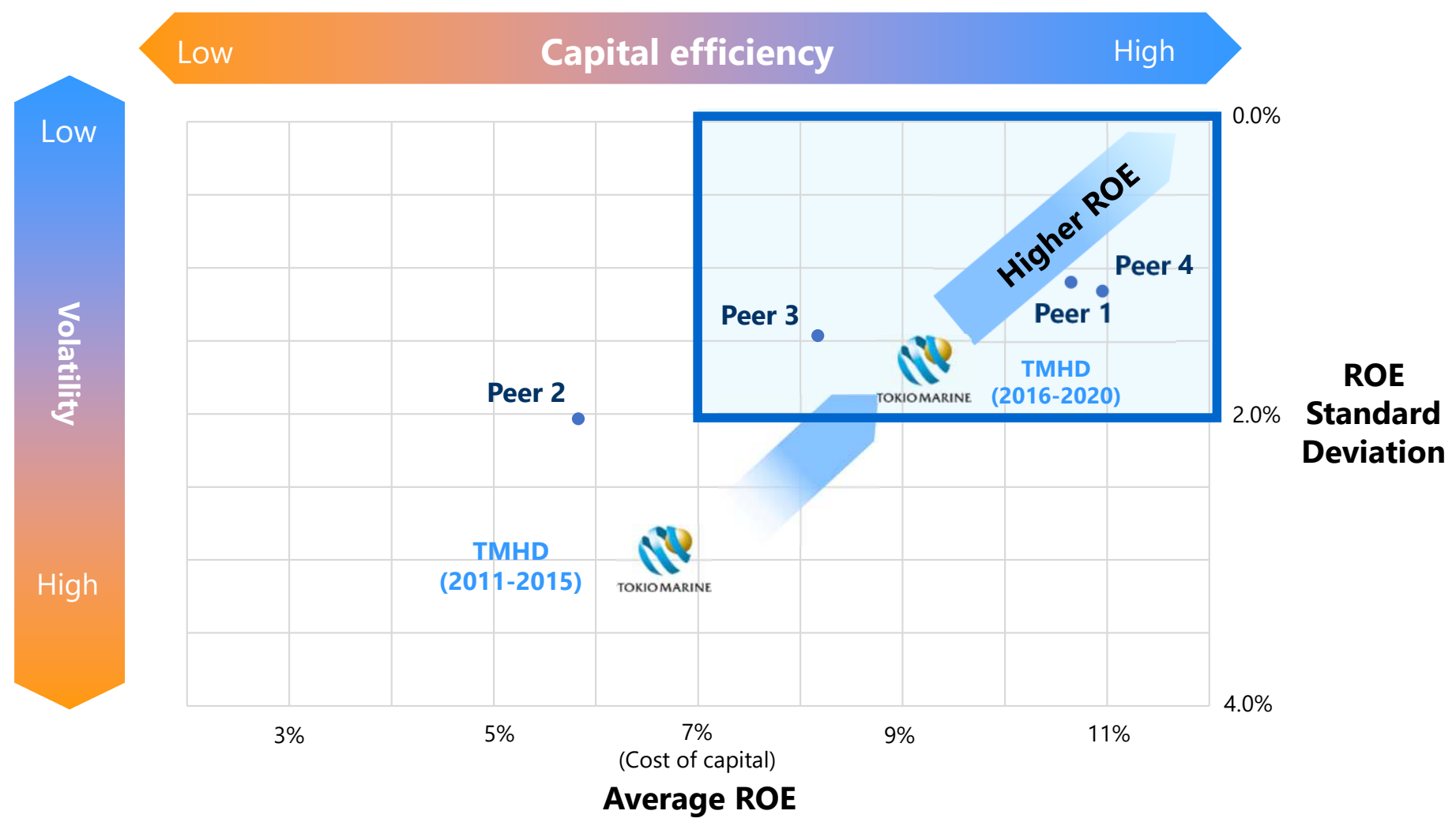
Interest Rate Impact\*4



\*1: Direct net premiums written  
\*2: Business unit profit (original projection)

\*3: Indexed to 2001 as 100.  
\*4: Declining rate on ESR (before deducting restricted capital) with interest rate down by -50bp

# Stable ROE Improvement



ROE for TMHD is on adjusted basis, peers are 2016-2020 average on financial accounting basis (2017 excluded for AXA)  
Peer: Allianz, AXA, Chubb, Zurich Source: Bloomberg

# Disciplined M&A Strategy

- M&A should be executed with strict discipline and limited to transactions that contribute to risk diversification, profit growth, and corporate value increase
- Engage in forward-looking & disciplined portfolio review

## Strict acquisition criteria



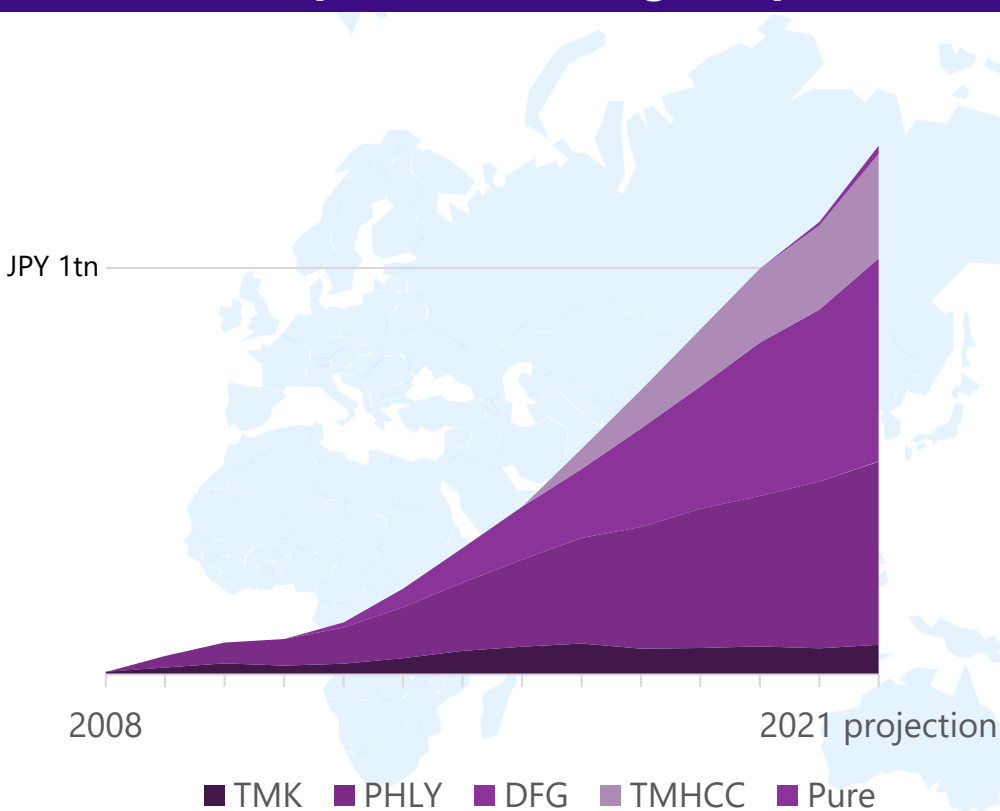
## Forward-looking & disciplined portfolio review



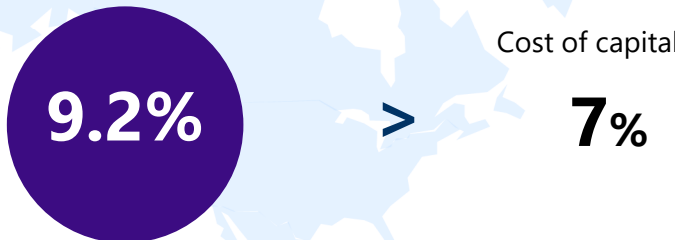
# M&A Track Record

- Large-scale M&As have been the driver for risk diversification and profit growth
- Achieved synergies in addition to high ROI on stand-alone basis

Cumulative profits from large acquisitions\*1



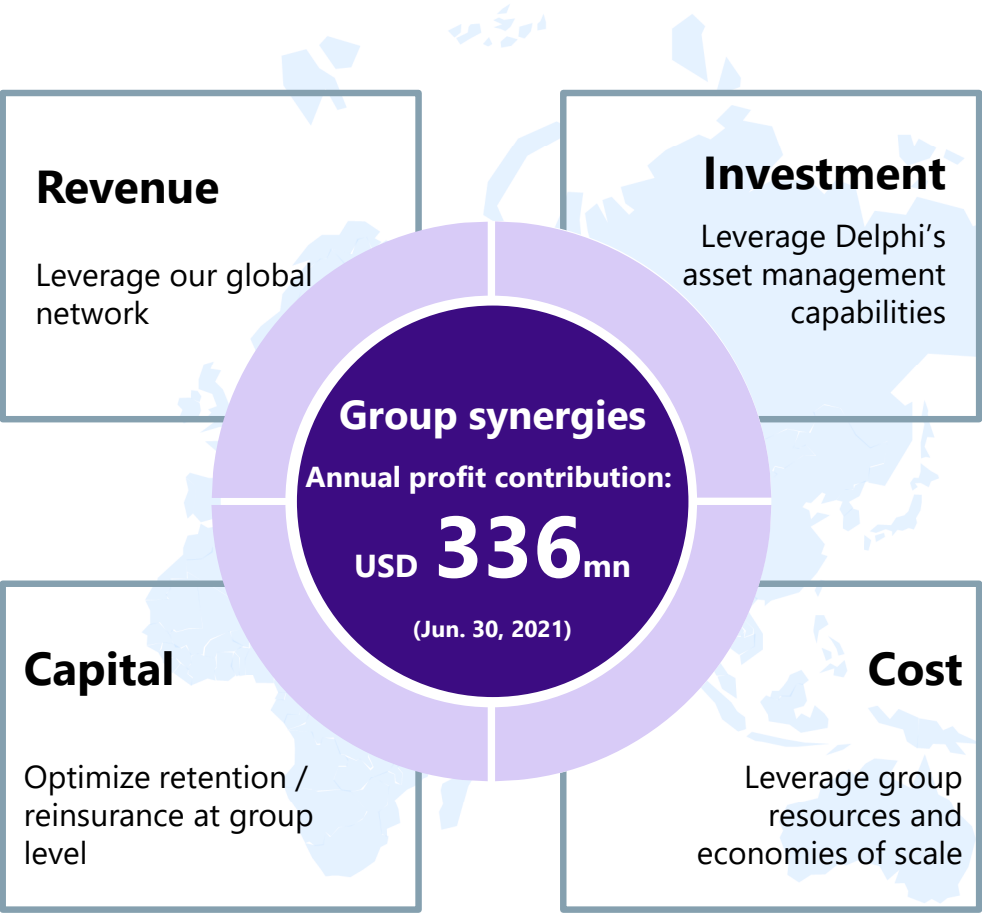
ROI for large acquisitions\*2



\*1: Business unit profit for TMK, PHLY, DFG, TMHCC, and Pure  
\*2: ROI for TMK, PHLY, DFG, TMHCC, and Pure. Numerator is FY2021 projection of business unit profit, denominator is acquisition price.

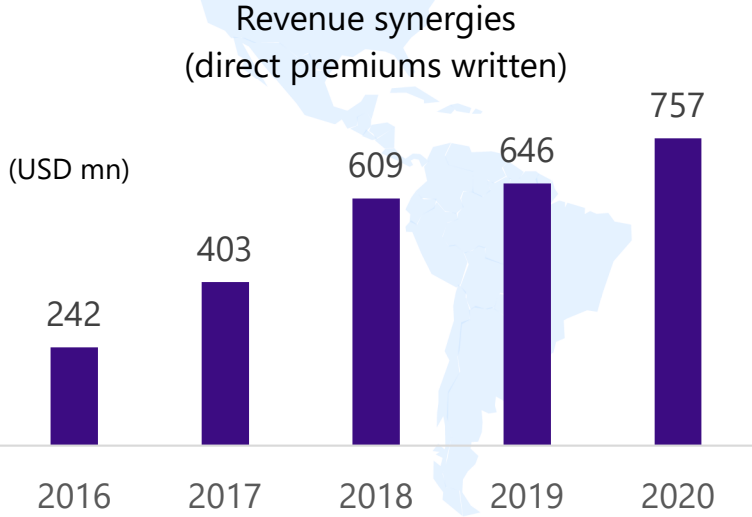
# Synergy Effect

## Group synergies



## Reference: Example of revenue synergy

- Customer referral
  - Cross-sell reference among group companies
- Enhance product line
  - Provide specialty products and capacity with sophisticated underwriting expertise



# Global Group Integrated Management

- Leveraging global talent and knowledge to decide and implement important management actions

Issues	Appropriate application of expertise on global basis		Measures implemented
<b>Underwriting</b>	<b>International top management</b>  <b>Robert O'Leary</b> Managing Executive Officer  <b>Donald Sherman</b> Senior Managing Executive Officer Co-CIO  <b>Christopher Williams</b> Senior Managing Executive Officer Co-CRSO Co-Head of Int'l Business  <b>José Adalberto Ferrara</b> Executive Officer  <b>Susan Rivera</b> Executive Officer	<b>Application of expertise</b> <b>Specialty</b>  <b>Philippe Vezio</b> (Transferred from TMHCC to TMAsia) <b>Reinsurance</b>  <b>Barry Cook</b> <b>TMK CEO</b>  <b>Brad Irick</b> (Transferred from TMHCC) <b>Reserving</b>  <b>Daniel Thomas</b> <b>Cyber Insurance</b>  <b>Daljitt Barn</b> <b>Legal / HR</b>  <b>Caryn Angelson</b> (Additional posts: TMNAS and TMHD)	<ul style="list-style-type: none"> <li>Created revenue synergies</li> <li>Established and implemented group retention / reinsurance strategy</li> </ul>
<b>Investment</b>			<ul style="list-style-type: none"> <li>Created investment synergy</li> <li>Appropriate control of interest rate risks</li> </ul>
<b>Business environment</b>			<ul style="list-style-type: none"> <li>Established Post-COVID strategy</li> <li>Established reserve review system</li> </ul>
<b>Digital/ Cyber</b>			<ul style="list-style-type: none"> <li>Integrated group's sophisticated digital capabilities</li> <li>Managed cyber risk for the entire group</li> </ul>
<b>Sustainability/ D&amp;I</b>			<ul style="list-style-type: none"> <li>Established group strategy and target on sustainability</li> <li>Established Diversity Council</li> </ul>

\*See P.77 for major global committees

# Spreading the Core Identity

- Unite diverse talent with shared corporate culture

## Spreading the core identity

- CEO held a remote world tour during the pandemic
- By penetrating the corporate culture, engrave our corporate purpose in all acts from individual action to management decision making (essence of governance)



Remote world tour by CEO Komiya  
(CEO Meeting)

## Creation of Exciting and Rewarding Work Environment

Culture & value survey\*  
(84% response ratio)

<Priority Items>

Group Attachment: **4.3** points out of 5  
Culture & Look Beyond Profit: **4.2** points out of 5

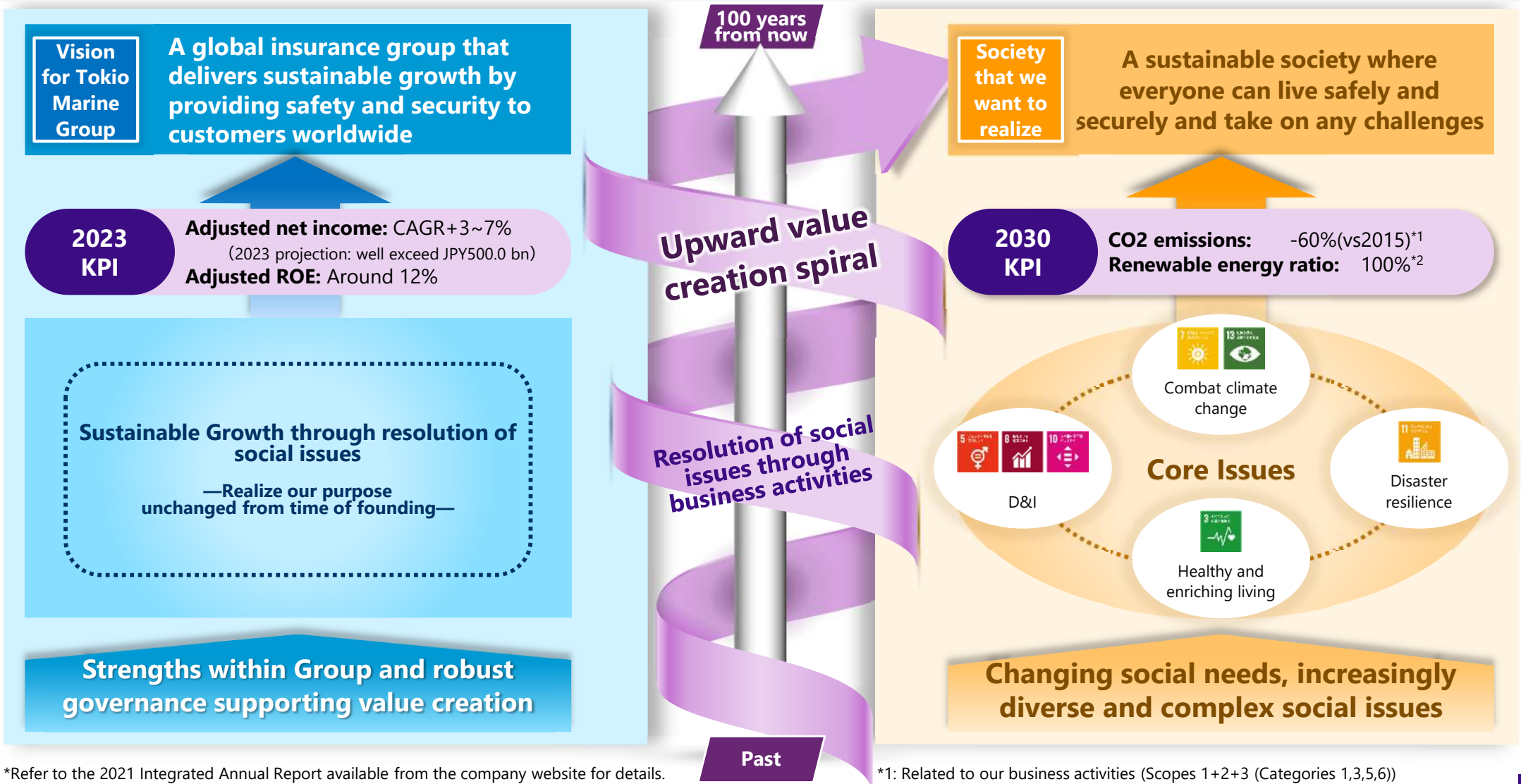


Placing in best place to work rankings around the world  
(Ranked No.2 in Brazil's Great Place to Work Award 2021)

\*: FY2020 survey result (total for domestic and overseas group company and TMHD)

# Sustainability Management for the Next Century

- By being true to our purpose and resolving the expanding and complex social issues, continue profit growth over the next century  
(simultaneously enhance social value and economic value (profit))



\*Refer to the 2021 Integrated Annual Report available from the company website for details.

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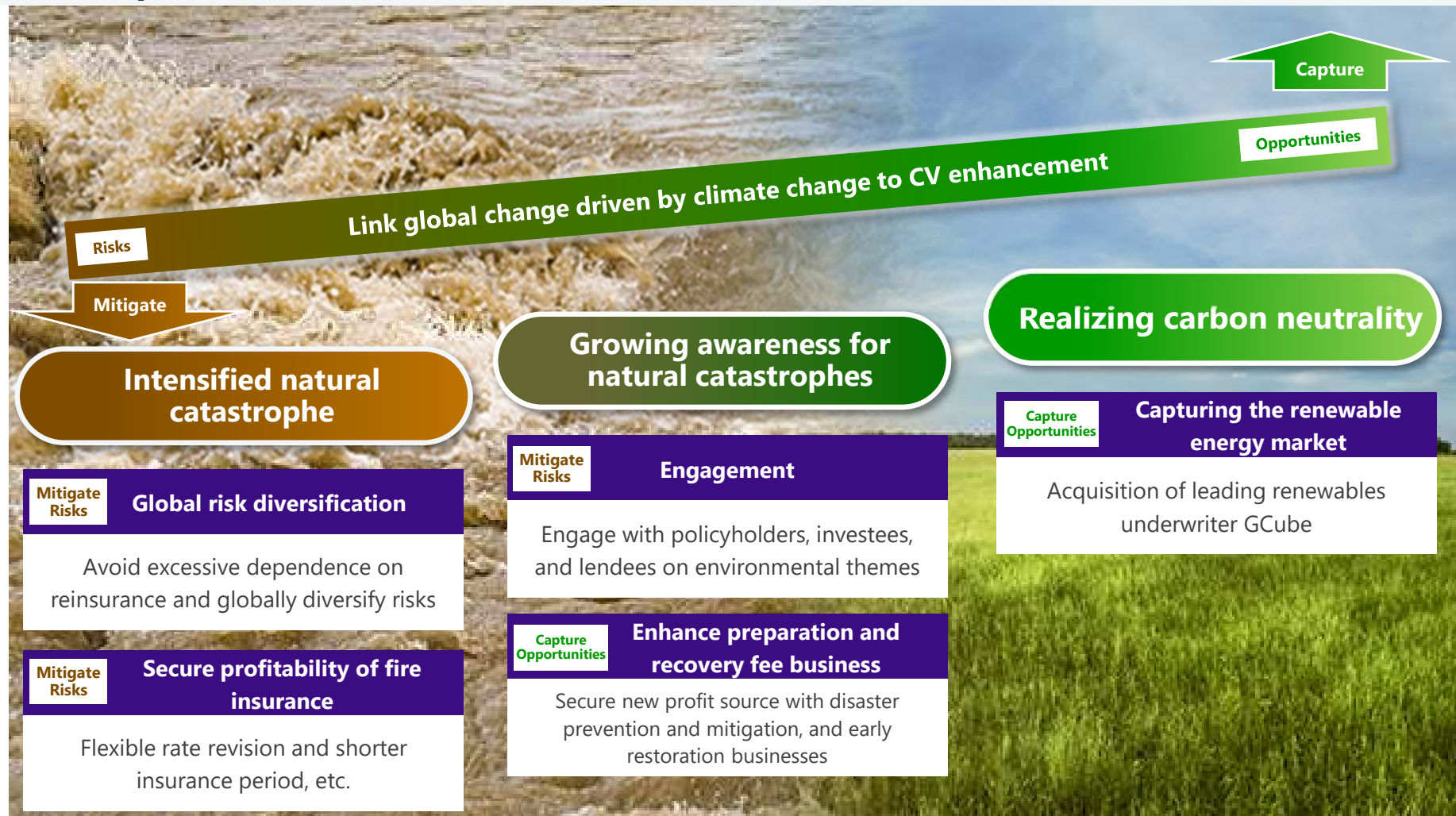
\*1: Related to our business activities (Scopes 1+2+3 (Categories 1,3,5,6))

\*2: Ratio of renewable energy in electricity consumption at main business locations

28

# Make Climate Change a Pillar for Profits

- Climate change presents risks and opportunities to the insurance industry
- Link the global tide towards carbon neutral to enhance our corporate value (regularly discussed at global committees including the Sustainability Committee, GRSC\*1, and GISC\*2 to implement action)



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