# Tokio Marine Group Business Strategy

May 27, 2020



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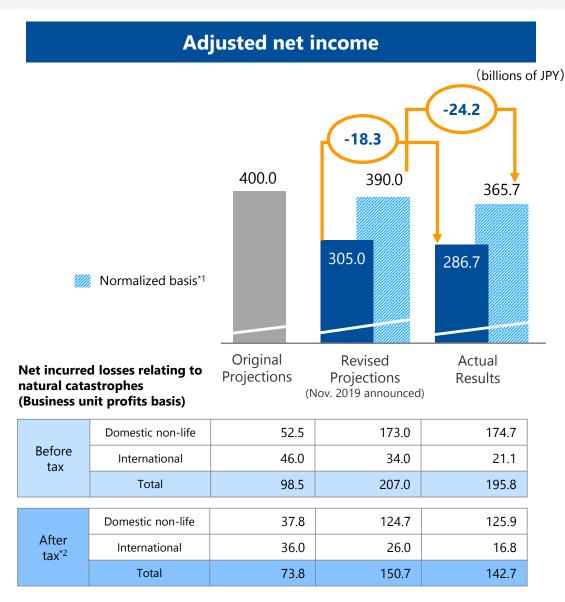
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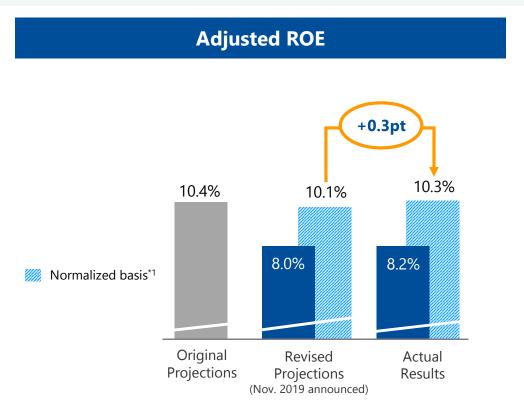


# **FY2019 Financial Results**

I. Results

# Almost as projected excluding impairment losses due to falls in stock price at the end of year





#### Main difference from revised projections

Increased impairment losses due to falls in stock price (Japan)

Approx. -17.0bn yen\*2

<sup>\*1:</sup> Net incurred losses relating to natural catastrophes are normalized to an average annual level and the impact of reinstatement premiums is excluded.

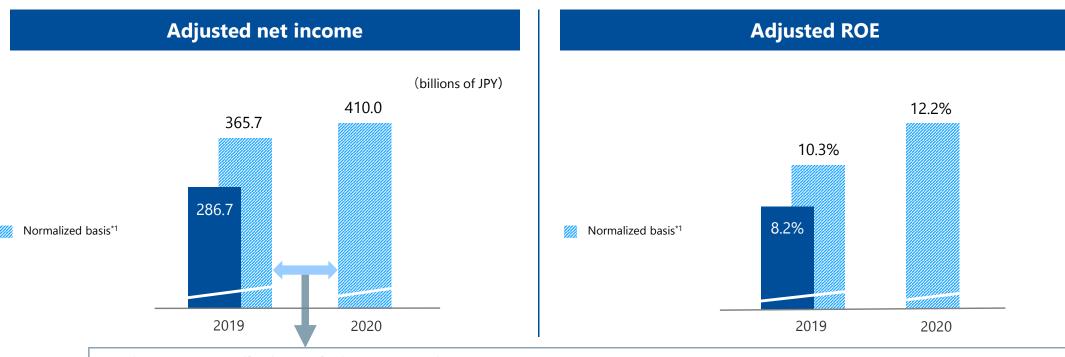
<sup>\*2:</sup> Figure is estimate.

I. Results



# **FY2020 Profits (Pre COVID-19 Basis)**

Figures based on our actual capabilities, excluding the impact of COVID-19, are in line with our target (FY2020 target on adjusted net income is CAGR+3-7% and our progress is projected CAGR+4%)



#### Major Factors contributing to the improvement in FY2020<sup>-2</sup>

- Non-recurring items
  - FY2019 reserve increase due to social inflation (PHLY)
  - FY2019 reserve increase for crop / medical stop-loss (TMHCC)
  - FY2019 asset impairment due to stock price decline (Japan)
- Contribution from the newly consolidated Pure Group
- Anticipated reduction in investment income from international business (mainly DFG) before the COVID-19 pandemic

Approx. +23.0bn yen

Approx. +11.0bn yen

Approx. +20.0bn yen

Approx. + 9.0bn yen

Approx. -20.0bn yen

\*1: 2019: Net incurred losses relating to natural catastrophes are normalized to an average annual level and the impact of reinstatement premiums is excluded.

<sup>2020:</sup> The impact of COVID-19 is excluded. (Pre COVID-19 Basis)

<sup>\*2:</sup> Figure is estimate.

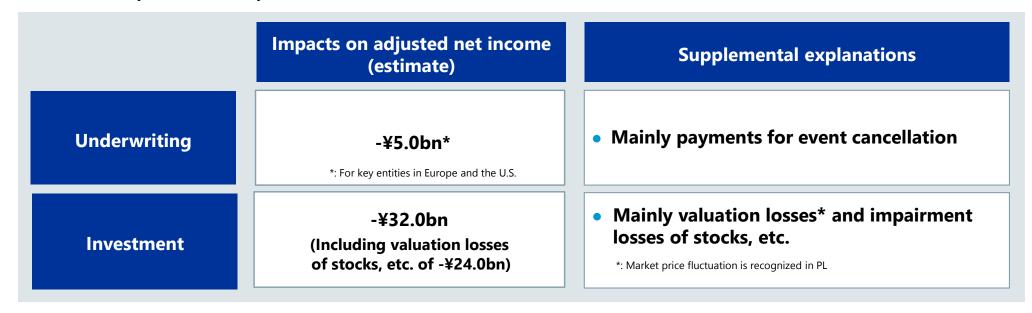


# **FY2020 Profits (Impacts of COVID-19)**

## Impact of COVID-19 from January to March in 2020 is as below

Overseas (1Q in FY2020)

I. Results



Japan (4Q in FY2019)

Underwriting	-¥4.0bn	Mainly payments for special products
Investment	-¥20.0bn	Mainly impairment losses of stocks, etc.

# **Main Impacts of COVID-19 and Our Responses**

#### **Main impacts**

#### Japan (TMNF)

- •Auto: NPW will decrease due to a smaller number of new vehicle sales Meanwhile, net incurred losses will shrink as the traffic volume decreases
- P.A.: NPW will shrink in travel insurance with the smaller number of travelers
- Marine: NPW in cargo insurance will decline as the global distribution volume drops
- Specialty: Expect payments for some riders (specific industries, etc.) that explicitly cover communicable diseases

#### **Overseas**

- Event Cancellation: Expect certain payments for medium and large-size events
- BI: Expect payments for limited contracts that explicitly cover communicable diseases
- Credit / Surety: The impact will depend on the degree of economic recessions

#### **Our situation/policy**

The impact of COVID-19 is expected to be controlled to a certain level through risk controls based on appropriate retention policy and business diversification

# Investment

Underwriting

- Income yield may drop due to lower interest rates
- Valuation losses under U.S. GAAP due to falls in stock prices
- Impairment losses to credit risk assets following the rising default rate

Continue seeking long-term, stable income based on the characteristics of insurance liabilities regardless of market **fluctuations** 

II. Shareholder Return III. Management Strategy

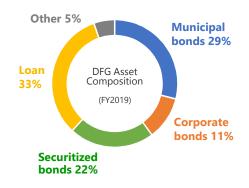
# (Reference) DFG Asset Management Strategy

#### Long-term investment style

- Invest in interest rate assets such as bonds and loans that match the cash flow structure of the long-term, stable insurance liabilities (liquidity risk is acceptable)
- Hold to maturity based on ALM regardless of short-term market fluctuation (average duration: 4 years for assets, 5 years for liabilities)

Category		Amount (FY2019)
Group Total Assets		¥25.2 trillion
Of which DFG AUM*1	DFG Proprietary assets	Approx. ¥2.7 trillion
	Group company entrusted assets	Approx. ¥1.4 trillion

I. Results



\*1: Amount as of end of Mar 2020, with JPY / USD rate as of end of March

#### **Balanced investment framework**

#### Strength of the investment team

- A team that has experienced numerous market events including the collapse of Lehman Brothers, and produced stable returns throughout the market cycles
- · Data gathering and analysis using the broad network
- Continuous portfolio rebalancing in response to the economy, etc.

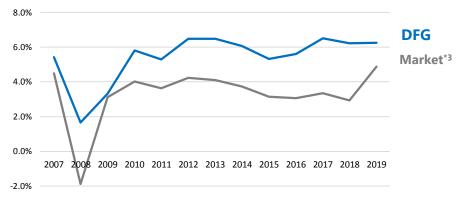
#### Governance Framework

 Group-based risk management through investment plan approval, risk limits, real-time monitoring of risk volume, periodic stress testing, and market information sharing

#### Stable track record

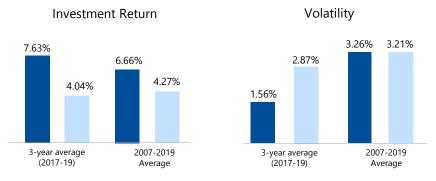
#### [Investment Returns\*2]

 Secured positive returns throughout the period despite some negative effects such as collapse of Lehman Brothers



- \*2: (Income + gains / losses on sale + impairment loss) / AUM
- \*3: Average of US P&C insurance companies (market cap \$10bn+) (Source) SNL, Factset

#### [Track record vs. index]





# **Response to Natural Catastrophe Risk**

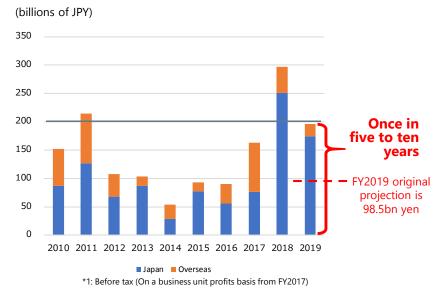
# Implement risk management with enhancement of natural catastrophe risk measurement methods and appropriate risk control

## Our risk recognition and model upgrading

I. Results

- The total of net incurred losses relating to natural catastrophes in domestic and overseas for FY2019 is estimated to reach levels expected once in five to ten years
- Based on the rise of sea surface temperature and natural catastrophe cases, review our risk model as appropriate and continue to upgrade the model

#### < Net incurred losses relating to natural catastrophes by year\*1 >



## **Appropriate risk control**

Risk diversification

 Managed natural catastrophe risk through geographical and business diversification and limited the impact on income to approx. 20% for FY2019

<Impact of natural catastrophe on adjusted net income\*2>

2011 Approx. -80%

2019

Approx. -20%

\*2: Impact is calculated as net incurred losses exceeding initial natural catastrophe fund

- Reinsurance
- Catastrophe loss reserves
- Natural catastrophe fund
- Appropriate reinsurance arrangement and preparation catastrophe loss reserves based on natural catastrophe risk and reinsurance market environment
- Considering the recent natural catastrophe occurrence, etc., increased natural catastrophe fund (TMNF) by 5 billion yen

Profitability improvement of fire insurance

- Take action based on advisory rate revision in FY2020
- Efforts to address long-term contracts

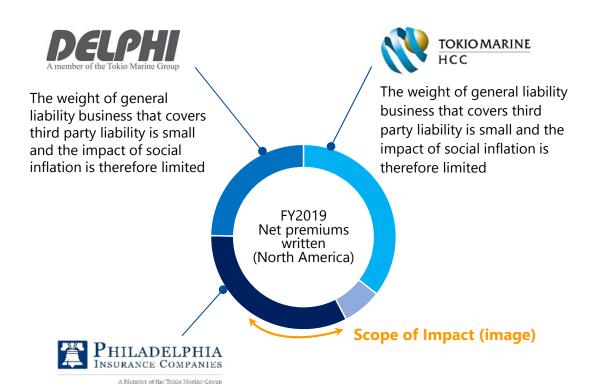
I. Results



# Social Inflation in the U.S. and Our Initiative

# Affects part of North America GC; strengthened reserves and implemented initiatives including rates increase in FY2019

#### **Impact on Tokio Marine Group**



PHLY markets package insurance products to companies / organizations, of which general liability and auto liability are affected by social inflation

#### **Actions by PHLY**

#### Reserves

- Reviewed reserves for all policies in FY2019
- Incorporated loss cost increase trend precisely, with reserves strengthened on best estimate-basis based on review by HD Reserving Team

#### **■** Rates increase

 Commercial lines increased rates above market level and projected rise in loss cost

<Rate increase (Oct.-Dec. 2019)>

PHLY	9.1%
Market*	Over 6%

<sup>\*</sup>US P&C commercial market (source: Willis Towers Watson)

#### **■** Enhance underwriting disciplines

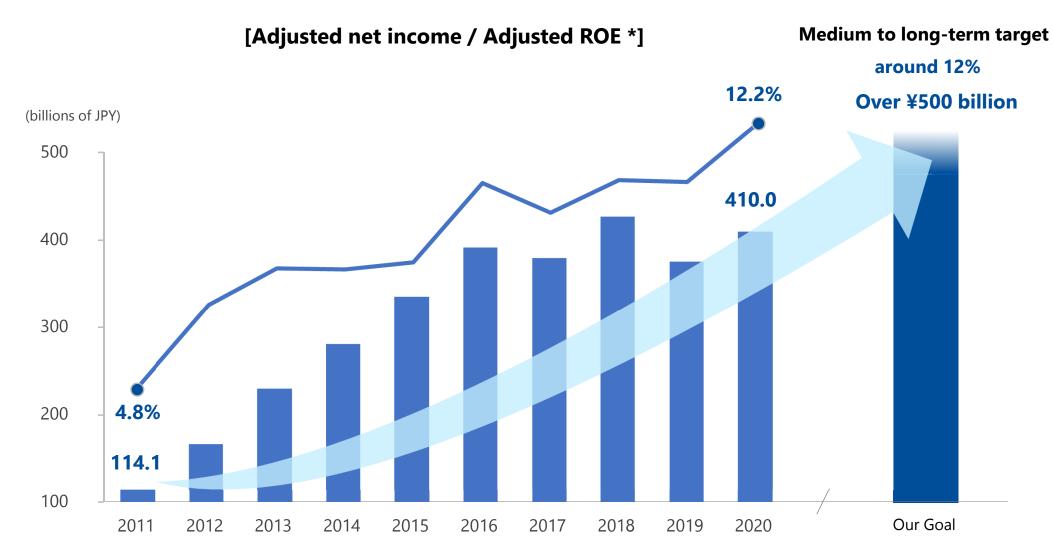
- Improve terms and conditions including reduction of limit ,etc.
- Strict management of product lines easily affected by social inflation

I. Results



# **Sustained Enhancement of our actual capabilities**

We have sustainably enhanced our actual capabilities through steady implementation of management strategies and addressing issues



<sup>\*:</sup> Natural catastrophe normalized to 2020 funds level, impact of reinstatement premiums is excluded for 2018 and 2019. 2020 figures exclude the impact of COVID-19.



# **Shareholder Return Policy**

I. Results

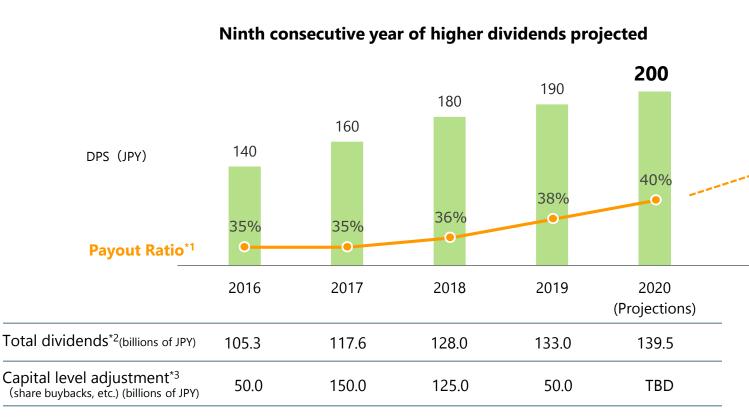
# Our primary means of shareholder return is dividends and we plan to sustainably increase total dividends along with profit growth

#### **Dividends**

- Payout ratio is at or above 35% of the 5-year average adjusted net income
- Gradually increase the payout ratio\*1 to levels that are on par with global peers to achieve mid-term goal

#### **Capital level adjustment**

 Adjust capital levels flexibly through share buybacks, etc. based on a comprehensive consideration of the market environment, business investment opportunities, etc.



## High level shareholder return

Global Peer Level\*4

\*1: Payout ratio based on the original projection basis.

**Our Goal** 

- \*2: The figure for 2020 (projection) is before reflecting share buybacks.
- \*3: Total amount approved by the announcement date of financial results of each fiscal year. The figures for 2018 and 2019 include one-time dividends of approx. 50.0bn yen and approx. 25.0bn yen, respectively.

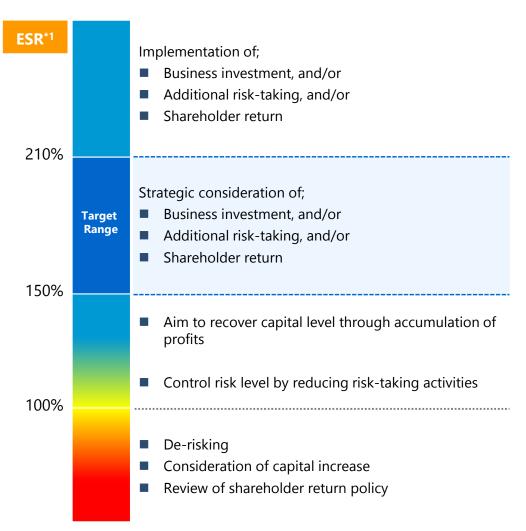
<sup>\*4:</sup> Payout ratio of global peers is currently approx. 50%.



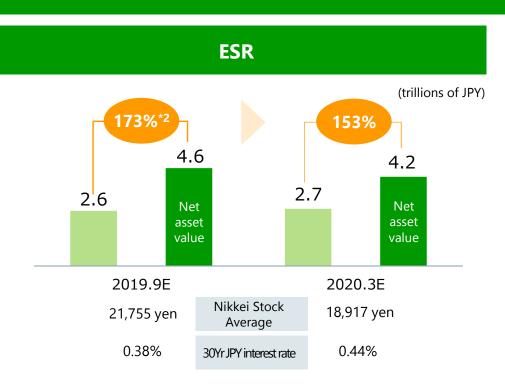
# **Disciplined Capital Policy**

I. Results

## **Capital policy based on ESR**



<sup>\*1:</sup> Economic Solvency Ratio (Risk is calculated using a model based on 99.95%VaR (AA credit rating equivalent).)



<sup>\*2:</sup> ESR after the acquisition of the Pure Group and issuance of hybrid bonds is 169%

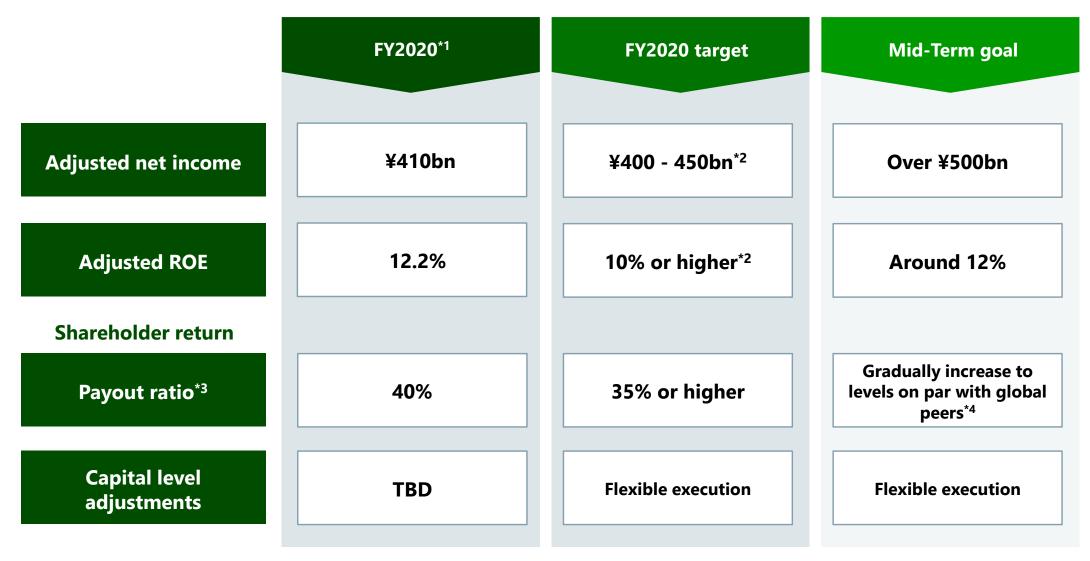
# **ESR sensitivity (End of Mar 2020)**

Stock	Interest rate	FX rate
+30%	+50bp	10% appreciation
+6pt	+4pt	+1pt
-30%	-50bp	10% depreciation
-6pt	-11pt	-1pt



# **Our Target KPIs**

I. Results



<sup>\*1:</sup> Pre COVID-19 Basis.

<sup>\*2:</sup> Calculated based on FY2017 normalized basis of 372bn yen.

Specifically, net incurred losses relating to natural catastrophes are normalized to an average annual level, and the impact of FX fluctuations and the one-time impact of U.S. tax reforms are excluded.

<sup>\*3:</sup> Payout ratio is based on the five-year average adjusted net income. Based on original projections.

<sup>\*4:</sup> Payout ratio of global peers is currently approx. 50%.

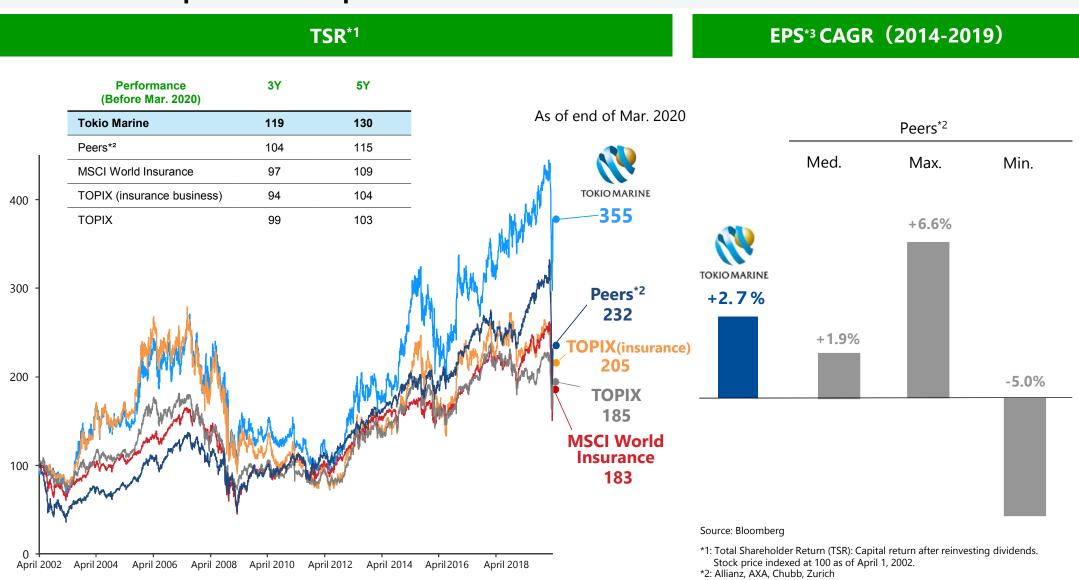
\*3: Financial accounting basis



# **Strong Track Record**

I. Results

# Our steady implementation of management strategies has resulted in above-market TSR and an EPS that is comparable to our peers



II. Shareholder Return

III. Management Strategy IV. Business Strategy

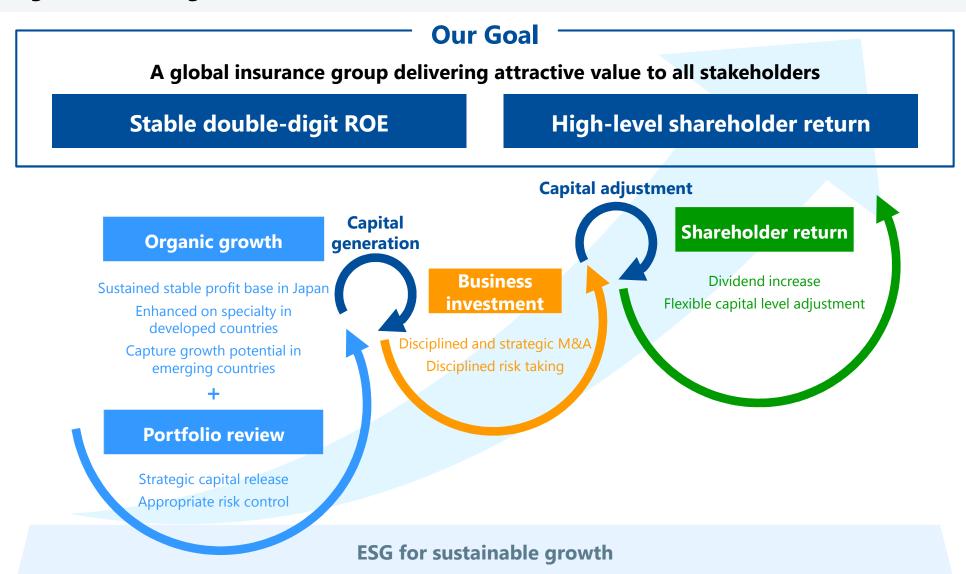
V. M&A Strategy



# **Our Goal and Strategy**

I. Results

Continue the existing management strategy and turn the growth cycle at a fast and planned pace heading towards our goal

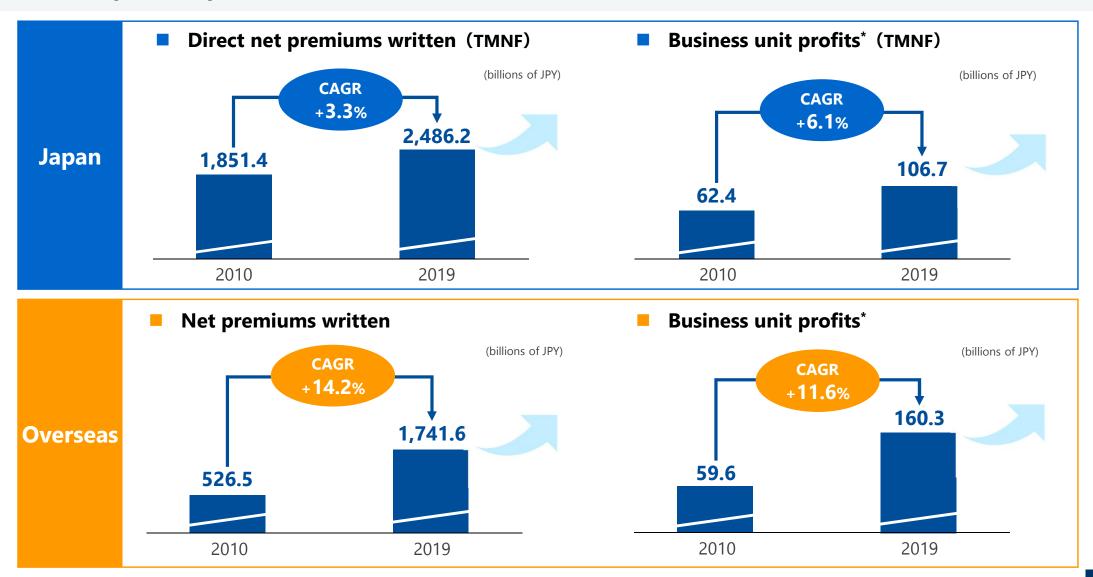


I. Results



# **Tokio Marine Group's Growth Track Record**

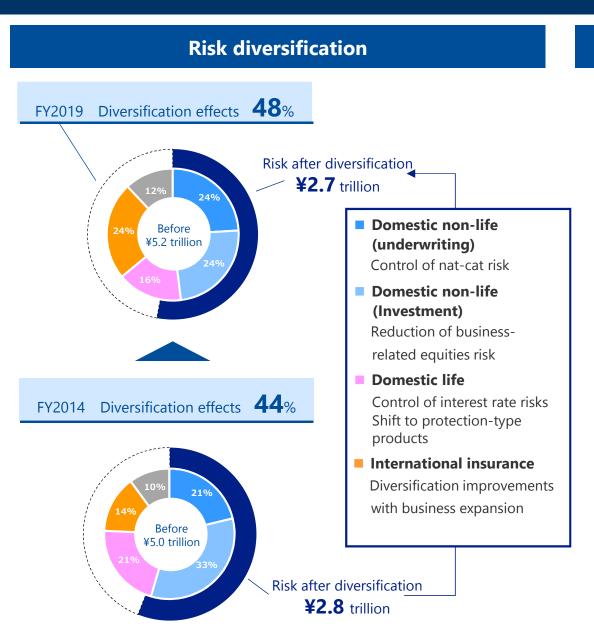
Achieved high growth at Japan and overseas through executing the management strategy at a fast and planned pace



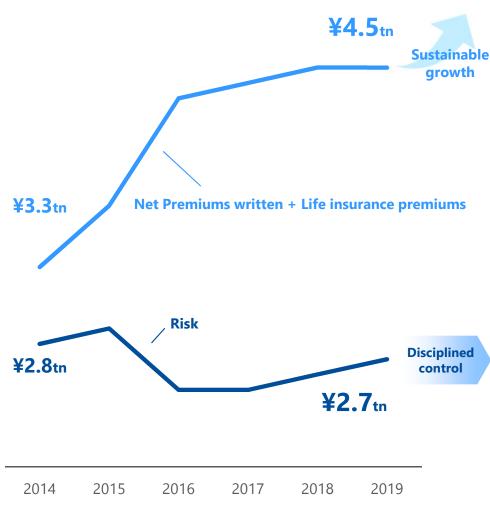


# **Portfolio Diversification**

I. Results



# Trends of premiums and risk\*



<sup>\*:</sup> ESR risk (99.95%VaR, after tax basis)

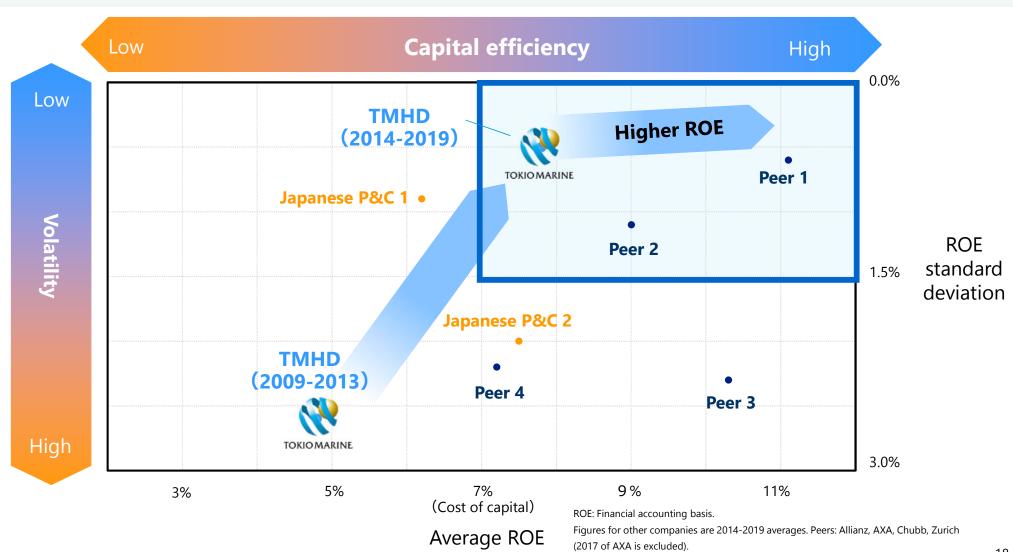
Others: Financial and General businesses, FX risk derived from net capital investments, etc.



# **Stable Business Platform**

I. Results

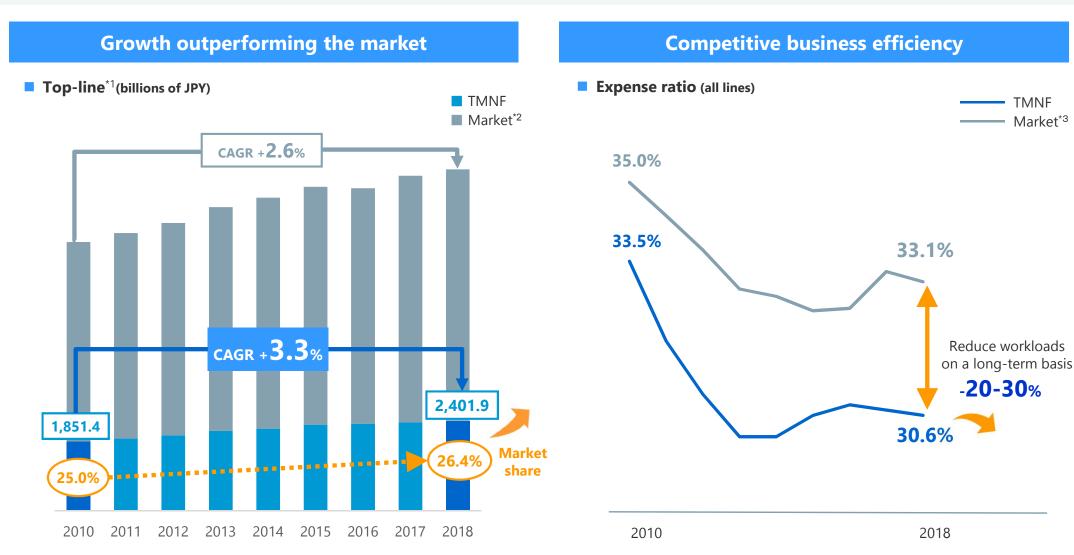
- We have increased ROE by enhancing profitability and risk diversification through large-scale Mergers & Acquisitions in the U.S. and Europe
- We will continue to further increase ROE towards our goal



Source: Bloomberg

# **Domestic Non-Life: Stable growth market**

Secure business efficiency advantages and steadily increase share in the domestic market with stable growth potential



<sup>\*1:</sup> Direct net premiums written

I. Results

<sup>\*2:</sup> Total of the members of The General Insurance Association of Japan. Source: Insurance Statistics (Sonpo Toukeigo).

<sup>\*3:</sup> Total of the members of The General Insurance Association of Japan (excluding TMNF). Source: Website of the General Insurance Association of Japan.

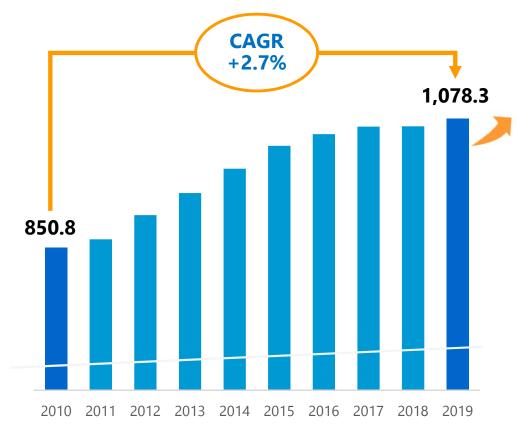
# **Domestic Non-Life: Growth in auto insurance**

# Steady growth expected through increased number of policies and enhanced coverage / services

#### **Auto insurance growth potential (TMNF)**

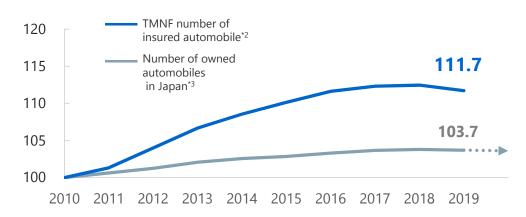
■ **Top-line**\*1(billions of JPY)

I. Results



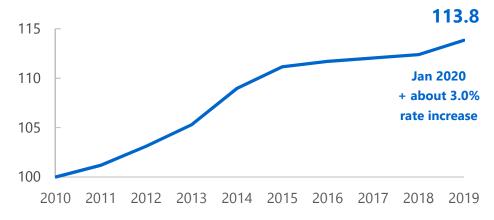
- \*1:Net premiums written
- \*2:On a managerial accounting basis.
- \*3: Source: Automobile Dealer Vision (FY2018).

#### **Number of policies outperforming the market**



#### **Solid unit premiums growth**

 $\ensuremath{\mathbb{X}}$  Growth rate, non-fleet unit premiums in FY2010 is set at index value of 100





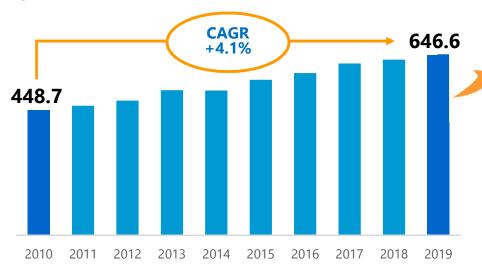
# **Domestic Non-Life: Growth in specialty insurance**

# Realize sustainable growth through expansion of specialty insurance with high growth potential

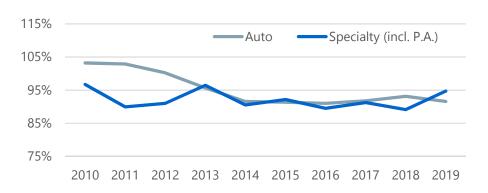


■ **Top-line**\*1(billions of JPY)

I. Results

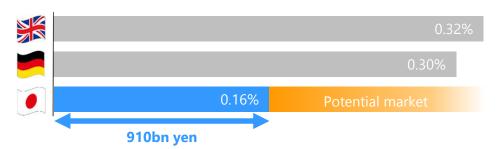


■ [Reference] Combined ratio\*2

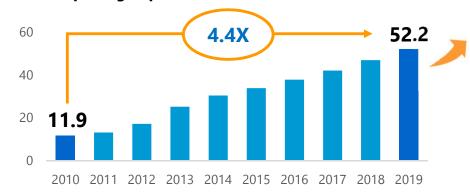


#### **Enhance efforts in growth markets**

■ Penetration rate of liability and workers' compensation\*3 (2018)



Enhance packaged products for SMEs (TMNF, billions of JPY)



- Cultivate / defend clients with sophisticated loss prevention products based on ergonomics, etc.
  - <Number of loss prevention service products> FY2017:403 FY2018:791 FY2019:1,094

<sup>\*1:</sup> Direct net premiums written, including P.A. \*2: E/I loss ratio + W/P expense ratio

<sup>\*3:</sup> Direct premiums written for liability/workers' compensation insurance/GDP (FY2018) Source: Created by Tokio Marine based on Japan's commercial insurance market 2019 by Swiss Re Institute.

*metromile* 

# **Domestic Non-Life: Further improve business efficiency**

#### Further improve business efficiency with pursuit of business models and work-style that stay ahead of the times

Reduced about 30% office work mainly in sales-related area through business process reform project / work-style reform started in FY2008. Further reduce 20-30% by FY2026 by accelerating the project with use of digitalization from FY2020

#### 2008-2014

sales

#### 2020 onwards

#### Business process reform project

Simplify business process with streamlined products / administration / IT systems (policy reporting / credit management, etc.)

Empowering employees

I. Results

Rotating employees from administrative positions to sales

#### Work-style reform

 Business process reform
 Use of AI for responding to inquiries, centralized administration, use of RPA, promotion of paperless policy

2015-2019

Utilization of IT
Promote use of tablets, etc.

#### Business process reform (apply digitalization)

Sales: Reduce administration / customer inquiry response; Upgrade agents' systems

Claims: Increase areas to be completed by customers;

Extensive reduction of administrative workload



Upgrade internal communication tools / office environment; Reform of work styles including response to COVID 19

# **Fects**

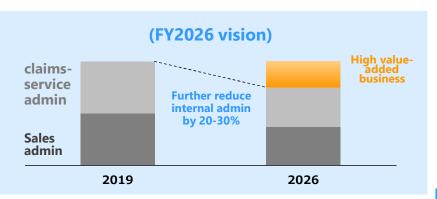
**Projects** 

- Reduce sales administration by approx. 20%
- Increase area course sales force

FY2008: 120 FY2014: 1,493

- Reduce sales administration by approx. 10%
- Increase area course sales force

FY2014: 1,493 FY2019: 1,951



I. Results

# **International: Profitable Business Model in Developed Market**

Achieve high profit growth and profitability exceeding the market by establishing robust specialty franchises in the U.S.

## **Robust specialty franchises**



#### **Bottom line focus**

(High profit growth and profitability exceeding the market)

<Bottom-line\*2>
2015-2019 CAGR

6.6%

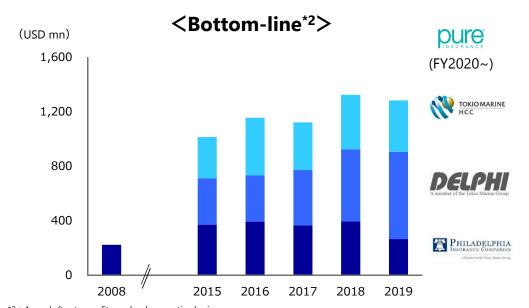
vs Market\*3 **+4.7**pt

<Combined ratio>

2015-2019 Ave.

95.5%

vs Market\*3 **4.0**pt Favorable



- \*2 : Annual after-tax profit on a local accounting basis.
  For 2017, the one-time impact of U.S. tax reforms was excluded.
- \*3: Source: S&P Global



# **International: Pure Group**

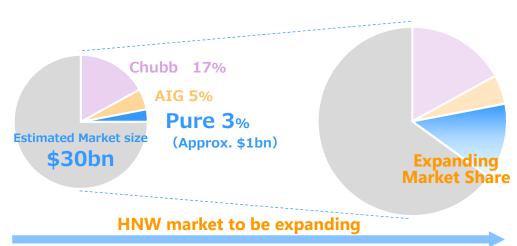
I. Results

# Achieved strong profit growth. Aim at further profit growth with steady PMI and synergy effects

(Time)

# **Strong profit growth**

■ HNW market has room for growth\*1



#### Strong profit growth\*2



#### \*1: Source: Dowling & Partners

# **Steady PMI (acquire expertise)**

- Completed the transaction in Feb. 2020
- Existing management with strong knowledge and track record to continue business operation



#### **Ross Buchmueller**

Founder and CEO

**Experience in HNW Business** 

30+ years

# **Synergy effect**

- Expanding customer base with improved credit rating for Pure Group
  - ✓ Significant increase in YoY new business growth with A.M. Best upgrading in 2018

Ratings	A-	A
YoY New business premium growth	1 1 7 70	+50% (Aug-Dec 2018)

- ✓ Further upgrading and increased income expected by joining Tokio Marine Group
- Top management from each company to discuss synergy opportunities for Group cross-selling

Copyright (c) 2020 Tokio Marine Holdings, Inc. \*2: Annual after tax profit on a local accounting basis

I. Results

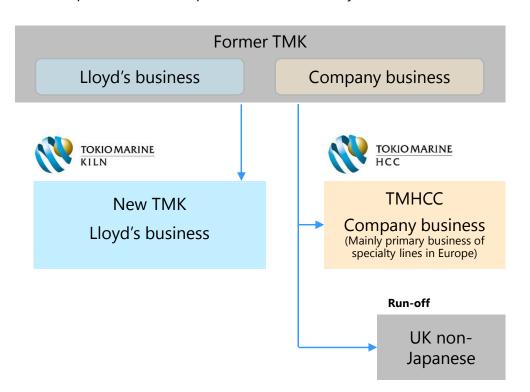


# **International: Improve profitability of TMK**

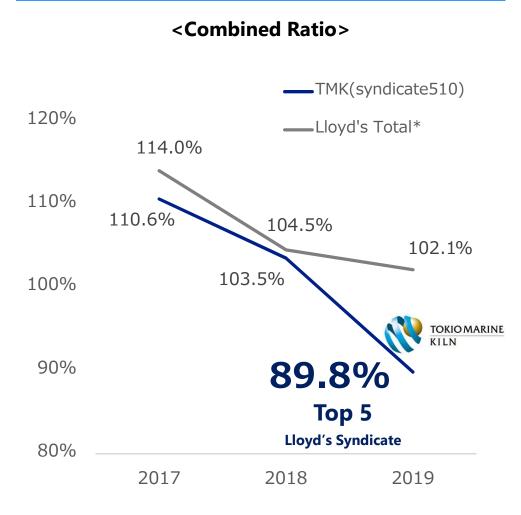
# Restructured European business and improved profitability

# **Restructuring of European operations**

- TMK to return focus on Lloyd's business. Improve profitability by focusing on areas / products where TMK has expertise. Increase innovation by collaborating with Lloyd's including for development of new risk underwriting, etc.
- TMHCC to engage in the company business leveraging on its strength on primary business of specialty lines. Run-off unprofitable non-Japanese UK business by TMK



# Improve profitability for new TMK (Lloyd's)



\*: Source: Lloyd's Annual Report 2019

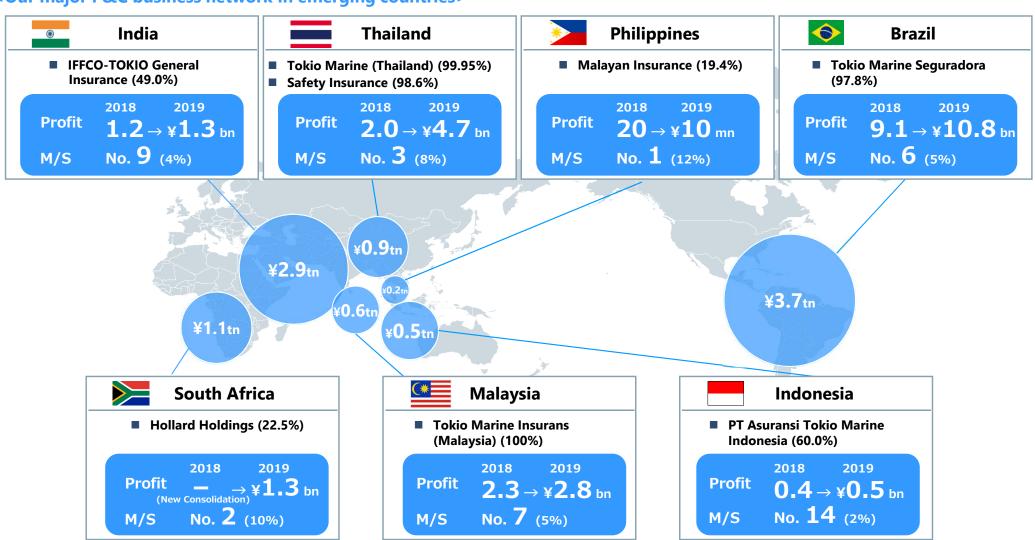
I. Results



# International: Far-Reaching Business Expansion in Emerging Countries

# Develop businesses generating ¥10bn-level profit in a stable manner through strategic expansion focusing on markets with high growth potential

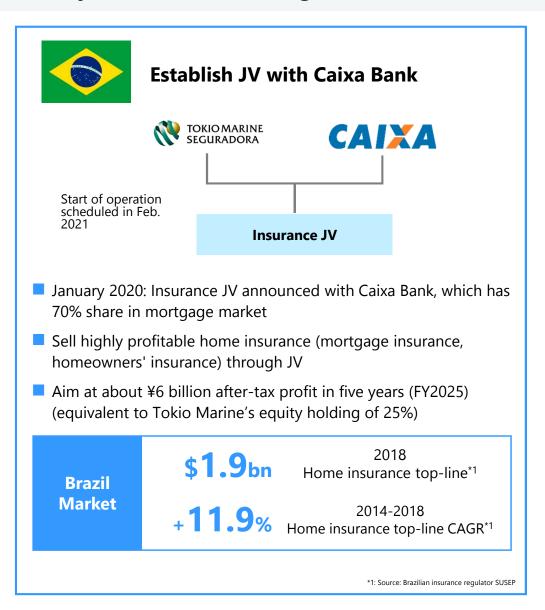
<Our major P&C business network in emerging countries>

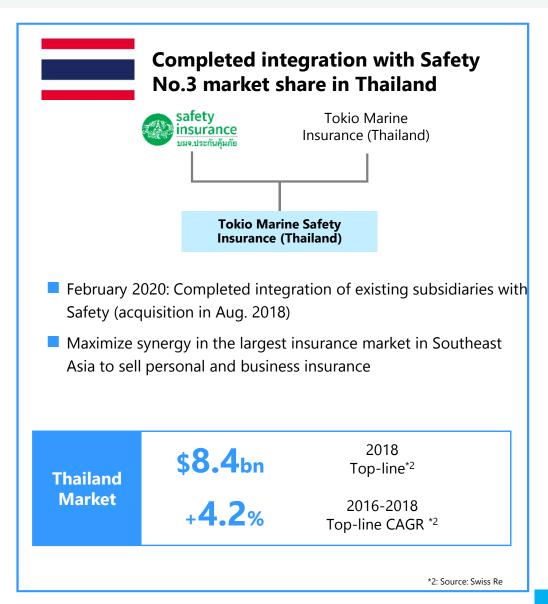




# **International: Progress in Emerging Market M&A**

# Steady execution of strategies to increase future profit





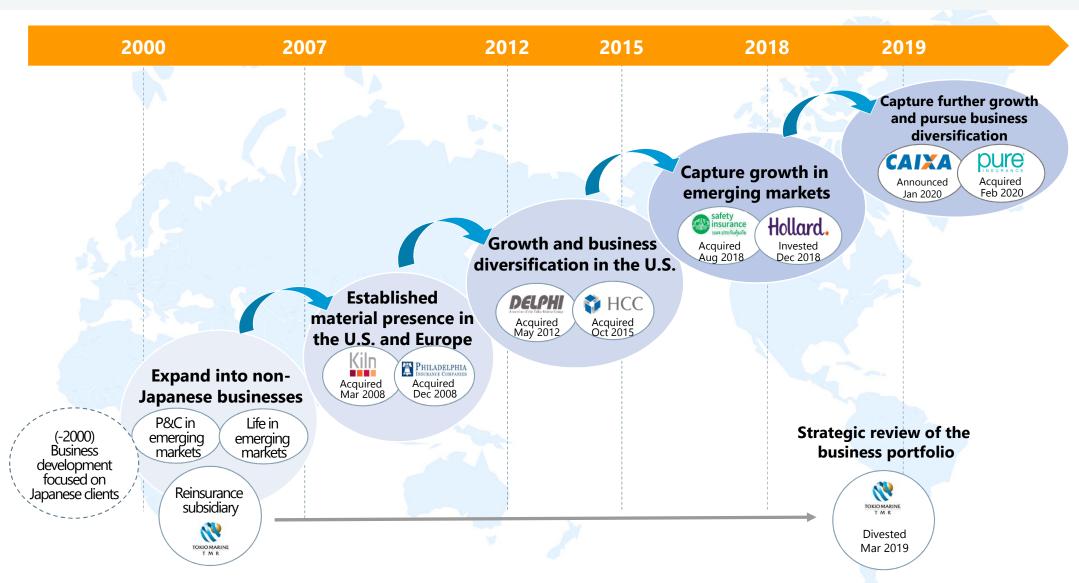
I. Results

II. Shareholder Return III. Management Strategy IV. Business V. M&A Strategy VI. ESG

# **Development of International Business**

I. Results

# Established strong growth and profit diversification led by key cross-border M&A

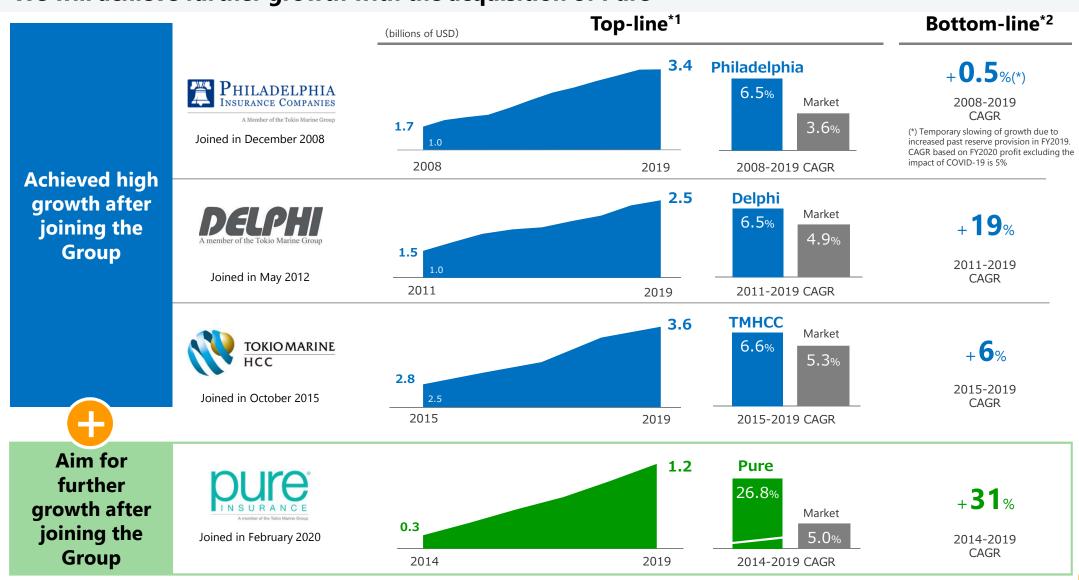




# **Strong M&A Track Record**

I. Results

# The three U.S. companies exceeded market growth after joining Tokio Marine Group We will achieve further growth with the acquisition of Pure



<sup>\*1:</sup> Net premiums written on a local accounting basis. (For Pure, premiums under management company)
\*2: After-tax profit on a local accounting basis.

II. Shareholder Return V. M&A Strategy V. M&A Strategy

# TOKIO MARINI

VI. ESG

# **Bolt-on M&As**

I. Results

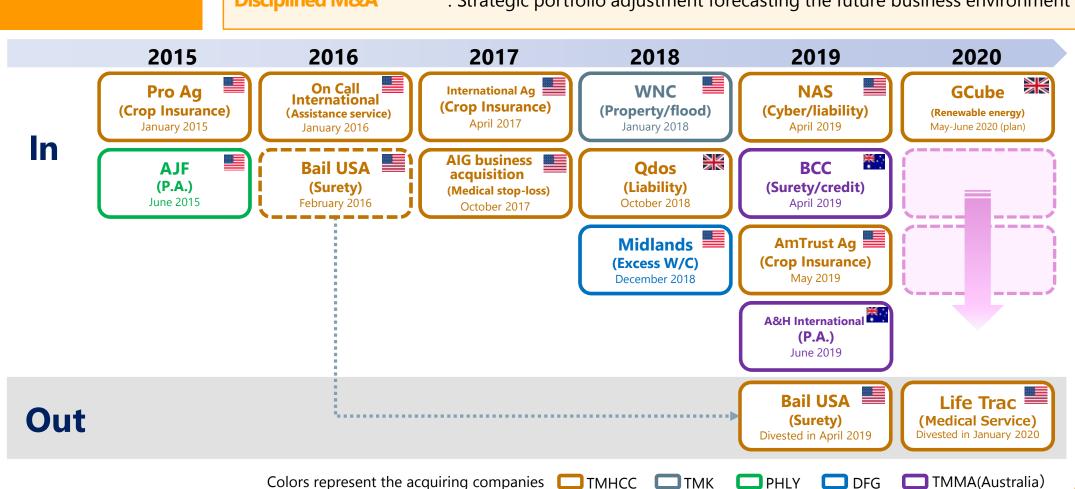
# Execute strategic bolt-on M&As leveraging our international group companies' insight and experience

Advantages of bolt-on M&A

High success rate : In-depth understanding based on a long-term business relationship

Accumulated know-how: TMHCC has executed over 50 bolt-on M&As

Disciplined M&A : Strategic portfolio adjustment forecasting the future business environment





# **Our M&A Strategy and Criteria**

I. Results

# Capture further growth and pursue business diversification through strategic and disciplined M&A

# M&A strategy

#### **Developed markets**

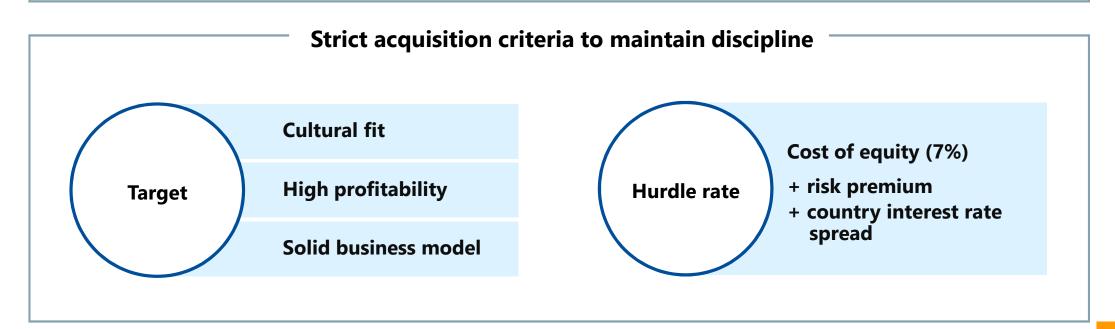
# M&A including bolt-on M&A

(Pursue growth opportunities and risk diversification)

#### **Emerging markets**

#### M&A

(Capture high market growth and pursue risk diversification)



II. Shareholder Return III. Management Strategy IV. Business Strategy V. M&A Strategy

# TOKIO MARINE

VI. ESG

# **Our Group Synergies**

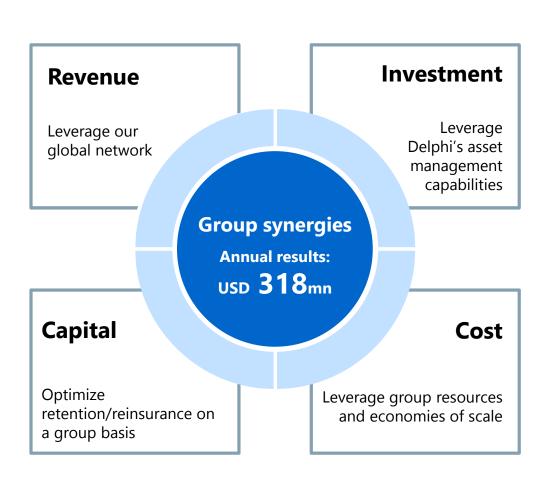
I. Results

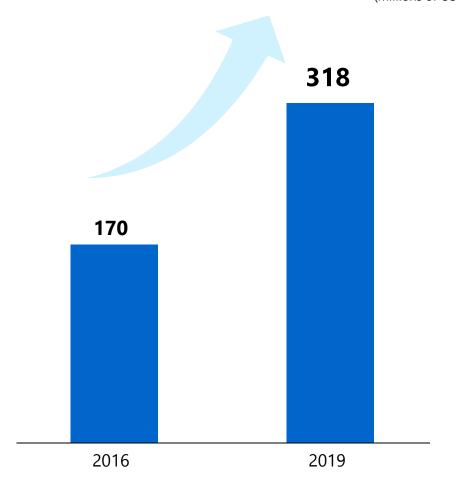
# Expand synergies by leveraging our global network and Group-wide expertise, etc.



Impact on profits from expanded group synergies

(millions of USD)







# **Our Sustainability**

I. Results

Providing solution for various social issues through business activities results in sustainable growth for the company

Our initiatives on sustainability matches our business purpose

**Long-term vision** 

A global insurance group that delivers sustainable growth by providing safety to customers worldwide

- Our timeless endeavor to be a Good Company -

#### **Japan**

#### 1914

First auto insurance in Japan



Support motorization after the war

#### 1959

First liability insurance in Japan



Minimize consumer losses

#### 1998

First auto insurance with coverage for personal injury in Japan



Provide insurance payment as quickly as possible

#### 2012

First One Day Auto Insurance in Japan



Support safe and secure car-life

#### **Overseas**

North America (TMHCC) Medical stop-loss



Asia (IFFCO) Microinsurance

South America (TMSR) Auto insurance using wireless technology



Support for expensive medical costs



**Create safe and secure network society** 



**Solve poverty issues** 



**Prevent car theft** 

Continue to solve various social issues through business activities and contribute to creation of a sustainable society



# **Initiatives on Climate Change**

Especially on climate change, squarely face the issue as an insurance company, an institutional investor and a global leader, and actively engage in creation of environment and society where people may live in comfort

#### **Efforts as an insurance company**

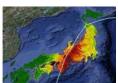
#### Support of victims through insurance



I. Results

- Utilization of satellite images / drones
- Decide start selling of earthquake index insurance (first in Japan)
- ⇒ Quick damage assessment and quick consolations and insurance payment

#### Contribute to creation of a disaster resilient society



- TRC to provide disaster education and training services
- Support municipal governments and corporate BCP preparation
- ⇒ Support disaster prevention / reduction and early recovery
- Consider creating a sustainable fire insurance

#### ■ Contribute to sustainable global environment



- Actively offer insurance cover to clean energy business
- Encourage wider use of environmentally-friendly drones
- M&A strategy incorporating ESG perspectives (GCube)
- Achieve carbon neutral
- ⇒ Control global warming

#### **Efforts as an institutional investor**





- Promotion of ESG investment and lending (ESG engagement, investment decisions with consideration to ESG)
- Tokio Marine & Nichido and Tokio Marine Asset Management are signatories of PRI
- Origination of fund for supporting clean energy business

#### **Commitment as a global leader**







- Lead discussion on "Climate Change and Emerging Environmental Topics" as joint-chair of WG
- Lead discussion on disaster risk finance program at APEC "Disaster Risk Finance and Insurance Solutions" WG
- Reviewed approach towards climate related information disclosure by insurance companies in accordance with TCFD recommendations at UNEPFI



# **Governance (Promotion of diversity)**

# Utilize diverse human resources and place the right person in the right place for globally leveraging excellent personnel and expertise of the Group

#### **Appointment as Co-Head**



I. Results

**Donald Sherman** 

Co-CIO (Group Co-Chief Investment Officer) Delphi Financial Group CEO



**Christopher Williams** 

Co-Head of International Business Co-CRSO (Group Co-Chief Retention Strategy Officer)

#### **Expertise across the Group**

#### <Internal Audit>



**Desmond Yeo** 

TM Asia Regional Head of Internal Audit (additional post: HD)





**Philippe Vezio** 

TM Asia Deputy CEO & Chief U/W Officer (Transferred form TMHCC Barcelona)

#### <Reinsurance>



**Barry Cook** 

CEO of International Group at TMHCC (TMHD Global Reinsurance Advisor)

#### <Reserving>



**Daniel Thomas** 

Chairperson of International P&C Reserving Actuary Committee

#### <HR>



**Caryn Angelson** 

TMNAS CHRO & CLO (additional post: HD))

#### <Cyber Insurance>



**Daljitt Barn** 

Cyber Centre of Excellence Global Head of Cyber Risk

#### **Global Committee**, etc.

ERM Committee Retent Strate

International Insurance Committee Investment Insurance Digital Round Table IT

Retention
Strategy
Committee

Global Investment
Strategy
Committee

Global Information Technology Committee

#### **Aligned group initiatives**

 One Team initiatives implemented for US credit investment through appointment of representative to DFG, installation of DFG Tokyo office and frequent teleconferencing between US/Japan



#### **Expansion of diversity**

- Promotion of active participation by women
- Accelerate initiatives to appoint female managers
- Founding career college (motivated gathering)



Support voluntary efforts to take on the challenge of our group's change





#### **Governance (spreading our core identity)**

#### Further enhance governance by spreading the culture among people with shared value

#### **Key group values since foundation**

Spreading our core identity

I. Results

To Be a **Good Company** 



To be a "Good Company" that supports customers and local community in times of need in 100 years time

#### Communication with employees to spread the core identity

- CEO to engage in town hall meetings (Majikira discussions) in Japan and overseas to engage in a global dialogue with employees
- Promote spread of group culture through town hall meetings to further enhance group governance



Town hall meeting (PHLY)

#### Improve employee engagement

**Culture & value survey\*** 

4.3 points out of 5

(Proud to work for Tokio Marine Group)

\*FY2019 survey result (total of overseas and HD).



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#### First half: Supplement

- Mid-term Business Plan Group Management Framework
- Robust Business Model
- Top-line, Bottom-line of Each Business Domain
- Basic Information (each business)
- Progress in Autonomous Driving Technology
- Group Strategy for Retention and Reinsurance
- Group Asset Management
- ESR and Sensitivity
- Further Growth with Flexible Capital Strategy
- Digital Strategy Promotion
- ESG (Sustainable Enhancement of Corporate Value)
- Management Resource Development

#### **Second half: Data**

- Tokio Marine Holdings Key Statistics
- Return to Shareholders
- Adjusted Net Income and Business Unit Profit
- Definition of Terms
- Adjusted Net Income
- Adjusted Net Assets / Adjusted ROE
- Reconciliation of Business Unit Profits
- International Insurance (Results by regions)
- Impact of FX Rate Change on the Group's Financial Results

All of the figures of FY2020 in "Reference" are on a pre COVID-19 basis.

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.

TMHCC: Tokio Marine HCC
TMK: Tokio Marine Kiln

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#### Mid-Term Business Plan Group Management Framework



# Based on ERM, realize profit growth while maintaining financial soundness and strategically allocating capital

#### **Generate profits**

#### **Sustainable profit growth**

#### **Domestic non-life insurance business**

- Sustainable growth as the Group core business
- Change our portfolio by sales expansion of specialty insurance

#### **Domestic life insurance business**

- Expand corporate value based on the economic value as a growth driver contributing to the long-term profit for the Group
- Increase in protection-type products

#### **International insurance business**

 Realize high organic growth and implement new business investment as a growth driver of the Group

#### The Group total

- Generate further synergy effect
- Appropriate control of business expenses



#### **Efficient deployment of capital**

#### **Invest for growth**

- Invest in new business with diversification effects
- Prior investment to establish future profit base (new products/new technology)

#### **Risk reduction/control**

 Continuing sales of business-related equities, control of the risk of nat-cat losses and interest rates

#### Shareholder return

- Raise level of shareholder dividend
- Adjustment to the appropriate level of capital via flexible share buybacks, etc.

Strategic capital allocation

**Profit growth** 



**Enhancement of shareholder return** 

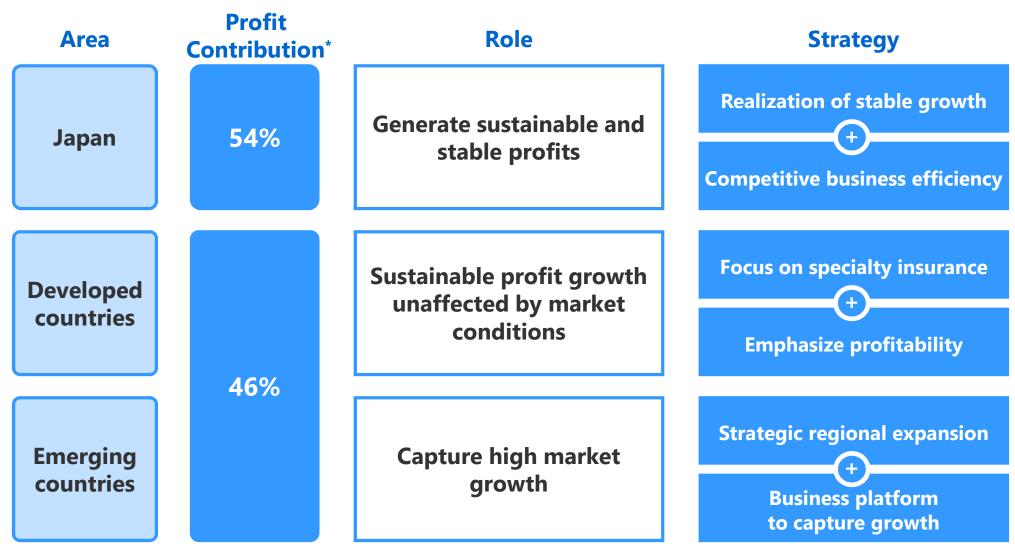


Maintain financial soundness

#### **Robust Business Model**



Realize further growth through well diversified business model with a stable profit base in Japan as well as a strong specialty franchise in developed countries and a business footprint capturing high market growth in emerging countries



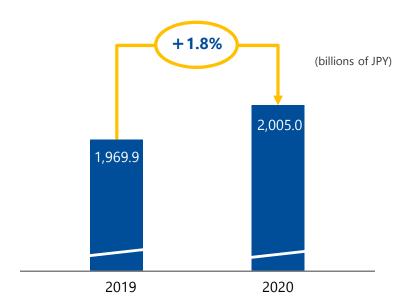
<sup>\*:</sup> Ratio of business unit profit in FY2020 (Pre COVID-19 basis).

#### **Domestic Non-Life: Top-line, Bottom-line (Pre COVID-19 Basis)**



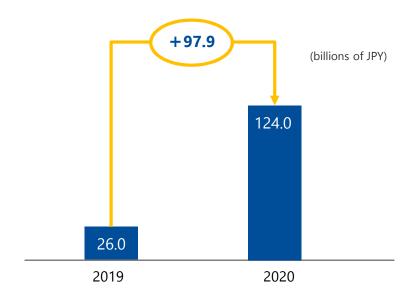
#### **Net premiums written**

 Expecting +1.8% YoY revenue growth through increased coverage for auto insurance and sales expansion of insurance packages for SMEs, etc.



#### **Business unit profits**

• Expecting ¥97.9 billion YoY profit growth from decrease in incurred losses due to natural catastrophes, etc.

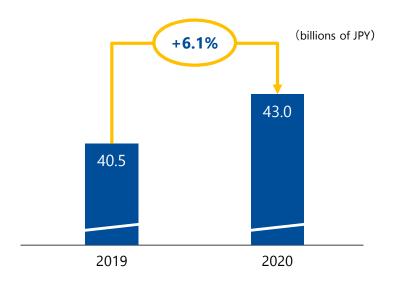


#### **Domestic Life: Top-line, Bottom-line (Pre COVID-19 Basis)**



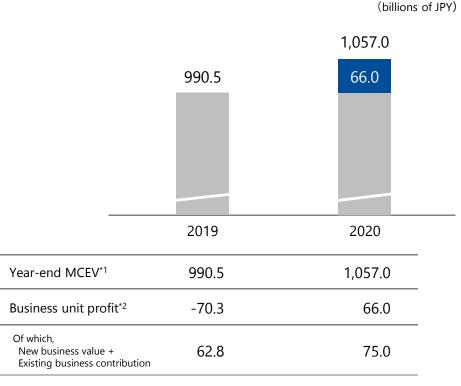
#### **New policies ANP**

 Projected +6.1% YoY revenue growth through sales promotion of protection-type products and installment variable annuities, etc.



#### **Business unit profit**

 Projected business unit profits to improve from -¥70.3 bn to ¥66.0 bn through reversal effect from smaller profits in FY2019 due to lower interest rate and increase in new policies



<sup>\*1:</sup> FY2019 figures are after paying dividends to shareholders, FY2020 figures are before dividend payouts to shareholders.

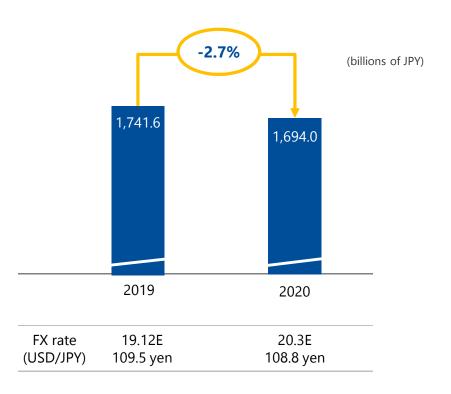
<sup>\*2:</sup> Figures before paying dividends to shareholders

#### **International Insurance: Top-line, Bottom-line (Pre COVID-19 Basis)**



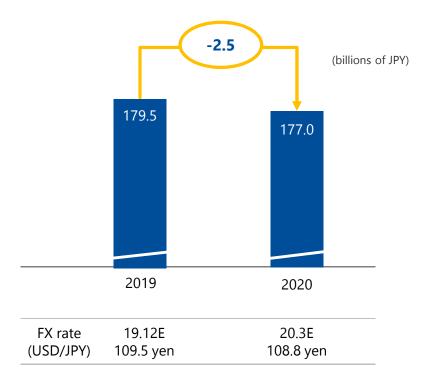
#### **Net premiums written**

• Expecting growth of +1.8% YoY on a local currency basis thanks to factors such as the execution of growth measures in each business and rate increases, but decrease of 2.7% from the impact of the appreciation of yen (-¥78.1 billion)



#### **Business unit profits**

 Despite the negative factors including average natural catastrophes (-¥18.6 billion) and fall in investment income, growth of +1.9% YoY on a local currency basis from consolidation of Pure and reversal effect from increased reserve in FY2019. Expecting fall in profits of ¥2.5 billion due to the impact of the appreciation of yen (-¥5.7 billion)



#### **Basic Information: Domestic Non-Life (TMNF)**



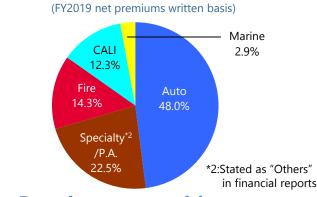
#### ● Trends of net premiums written (all lines; billions of JPY) and C/R\*1 (private insurance E/I basis) ● Premium composition by line



#### Breakdown of C/R\*1 (private insurance E/I basis)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
C/R*1	101.4%	103.8%	99.6%	97.2%	90.6%	92.7%	90.4%	93.9%	102.2%	98.7%
E/I loss ratio	66.2%	69.8%	66.8%	65.0%	58.5%	60.1%	57.7%	61.4%	70.0%	66.3%
(nat-cat normalized to an average annual level basis)	62.2%	63.5%	64.7%	62.2%	59.2%	58.2%	57.3%	59.1%	59.9%	60.4%
W/P expense ratio	35.1%	34.0%	32.8%	32.2%	32.2%	32.6%	32.7%	32.5%	32.3%	32.4%

<sup>\*1</sup> C/R = E/I loss ratio + W/P expense ratio



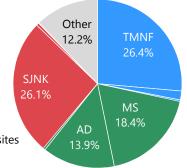
#### Premium composition by sales channel

(FY2019 managerial accounting basis)



#### Market share\*3

(FY2018 direct net premiums written basis)



<sup>\*3:</sup> Total members of the General Insurance Association of Japan Source: General Insurance Association of Japan and company websites

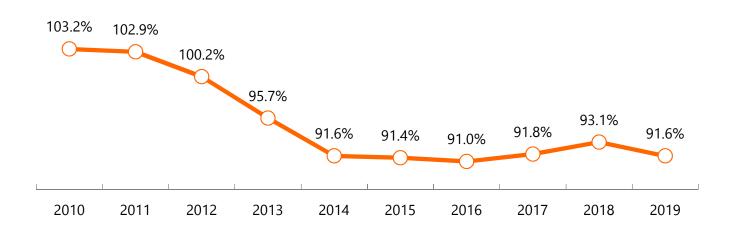
#### **Basic Information: Domestic Non-Life (TMNF)**

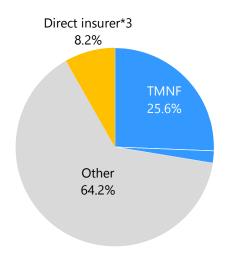


#### ● Trends of C/R\*1 (private insurance E/I basis) in Auto insurance

#### Auto insurance market share\*2

#### (FY2018 direct net premiums written basis)





#### ● Breakdown of C/R\*1 (private insurance E/I basis) in Auto insurance

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
C/R*1	103.2%	102.9%	100.2%	95.7%	91.6%	91.4%	91.0%	91.8%	93.1%	91.6%
E/I loss ratio	70.4%	70.7%	69.4%	65.3%	61.1%	60.5%	60.2%	60.8%	62.3%	60.8%
(nat-cat normalized to an average annual level basis)	70.5%	70.3%	69.3%	64.4%	61.2%	60.4%	60.5%	60.6%	61.0%	60.0%
W/P expense ratio	32.8%	32.2%	30.8%	30.4%	30.5%	30.9%	30.8%	31.0%	30.9%	30.8%

<sup>\*1:</sup> C/R = E/I loss ratio + W/P expense ratio

<sup>\*2:</sup> Source: Insurance Statistics (Sonpo Toukeigo)

<sup>\*3:</sup> Companies include Sony, American Home, AXA, Mitsui Direct, Saison, SBI, E.design, Sompo 24, Zurich.

#### **Basic Information: Domestic Life (TMNL's Growth Track Record)**



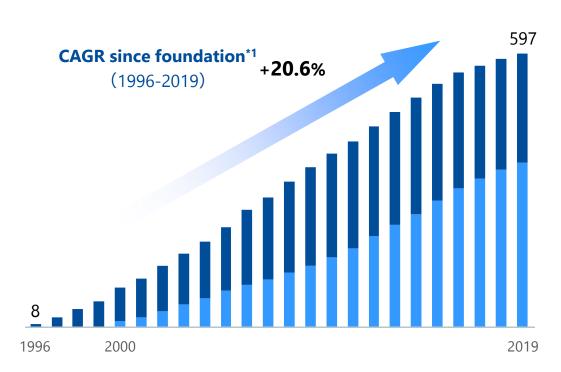
#### Continue achieving high growth and increase new business margin amidst the low interest rate environment by expanding protection-type products

#### **Growth at an industry-leading speed**

#### **Number of in-force policies** (Total of individual insurance + individual annuities)

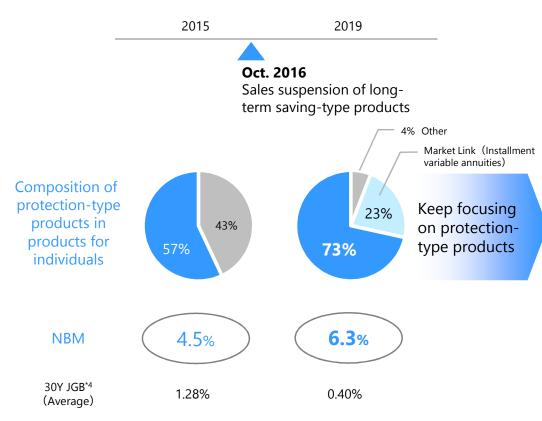
Of these, number of protection-type product

(Ten thousands of policy)



#### **Shift to protection-type products**

#### Composition of protection-type products<sup>2</sup> and new business margin\*3



<sup>\*1:</sup> After merger basis between TMNL and former FL

<sup>\*2:</sup> New policies ANP basis, excluding business insurance

<sup>\*3:</sup> Value of new business / present value of new business premiums

#### **Basic Information: Domestic Life (TMNL Major Products)**



Product line responding to the social issue of extending healthy life expectancy and asset life expectancy in the era of the 100-year lifespan

#### **Living Protection**

**Asset Accumulation** 

Support the untapped areas not covered by conventional medical and life insurance products

Contribute to "health incentive" by increasing future refunds by maintaining health

Support asset accumulation with long-term diversified investment using life insurance

 Household Income Term Insurance NEO (Disability Plan) Plus

イプレミアムシリーズト



Receive a certain amount of benefits in times of needs
Enhanced coverage for inability to work

- Medical Kit R
- Cancer Insurance R

リプレミアムシリーズト



Return the balance of premiums paid excluding benefits, etc. (refund benefits to health)

After payment of refund benefits to health, lifelong coverage provided with same premium as the time of enrollment Market Link



Variable annuities for asset accumulation while securing coverage in time of needs

Increase assets while controlling investment risks with long-term diversified investment

**Industry leading sales record** 

Above 1 million policies sold in 5 years from launch

More than 150% YoY growth

> Premium Series are living protection products that are unique and include extensive coverage

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# Basic Information: International Insurance (Establish a business foundation for further growth)

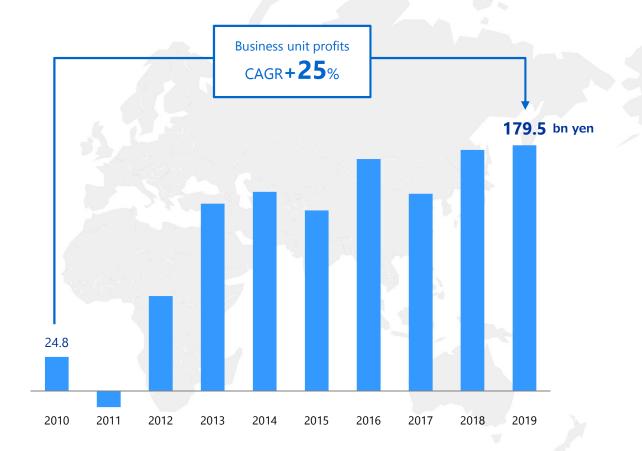


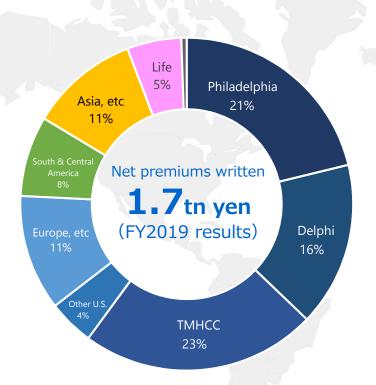
Established a stable business foundation through high growth Aim for further growth by leveraging a superior capital strength



Diversified business portfolio

**Superior capital strength Establish appropriate ERM** 



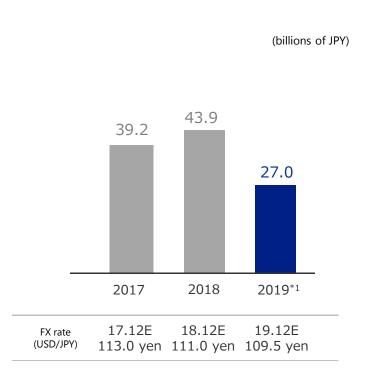






A Member of the Tokio Marine Group

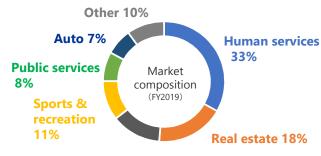
#### **Business unit profit**



#### \*1: Including the impact of reserve provision due to social inflation (-23.1bn yen)

#### **Strategies**

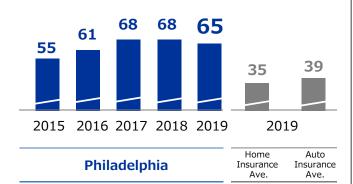
#### Focus on niche markets



Non profit organization D&O E&O 13%

#### Strong customer loyalty

**Net Promoter Score\*2** 

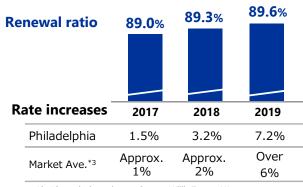


<sup>\*2:</sup> Indicator to measure customer loyalty and their willingness to use products/services continuously. It shows how likely a customer recommends a brand to others.

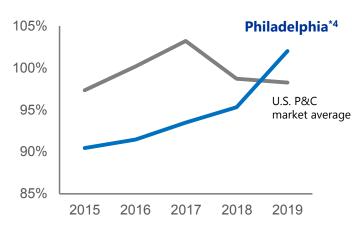
Source: NICE Satmetrix 2019 Consumer Net Promoter Benchmark Study

#### **Results**

#### High renewal ratio and rate increases



<sup>\*3: 4</sup>Q results in each year. Source: Willis Towers Watson

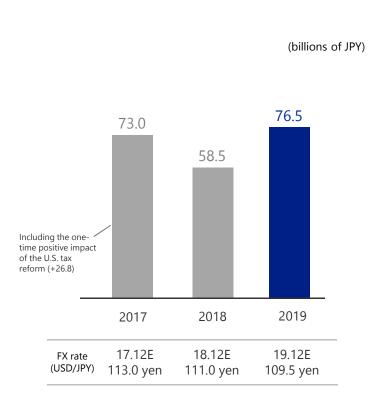


<sup>\*4:</sup> Local management accounting basis. 2019 shows a one-time increase due to the past reserve provision but this improves to 94.8% for the period of January to March 2020



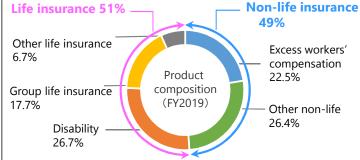


#### **Business unit profit**



#### **Strategies**

Strength in employee benefits and retirement products/services



#### Diversified investment portfolio

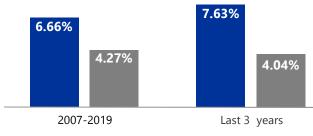


- Abilities of gathering and analyzing information, leveraging its extensive networks such as external investment managers
- · Cautiously balance the investment portfolio, reflecting changes in financial environments

#### **Results**

#### High investment returns

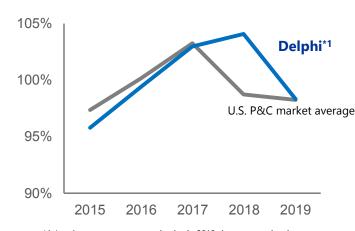
Average returns compared with the market



Delphi

■ Benchmark

(Barclays Aggregate Index)



<sup>\*1:</sup> Local management accounting basis. 2018 shows a one-time increase due to reserve adjustments.

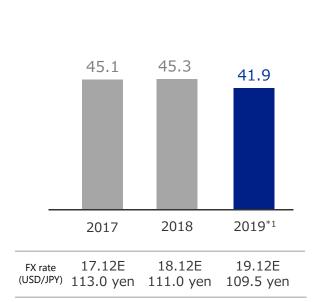


50



#### **Business unit profit**

(billions of JPY)



#### Strategies

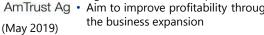
#### ■ Bolt-on M&A to reinforce our strengths

(Apr. 2019)

- A US-based Managing General Agent, which mainly offers cyber and professional Indemnity insurance
- · Wholly owned in order to capture high profitability and growth potential



 A US-based Crop Managing General Agent of AmTrust Group Aim to improve profitability through

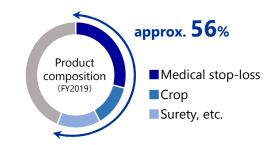




(Planned in May-June 2020)

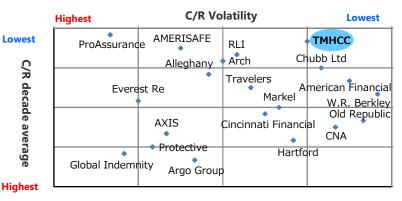
- · UK insurance agent handling insurance in the area of renewable energy business
- Aim to improve profitability while promoting creation of a sustainable future through insurance business

#### Specialty insurance that are less dependent on the P&C market cycles

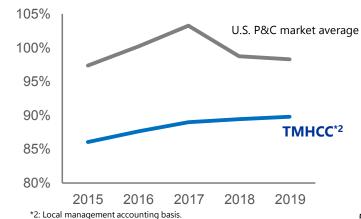


#### Results

#### Stable profitability



Source: Created by Tokio Marine from Company Reports, Dowling & Partners Analysis (based on data through Dec. 31, 2019)

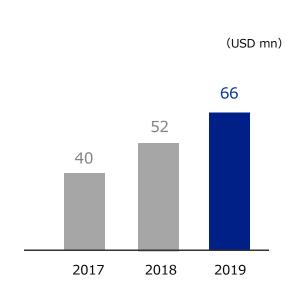


<sup>\*1:</sup> Including the impact of deteriorating loss ratios in crop insurance from unstable weather and other factors and in medical stop-loss from rising medical costs.





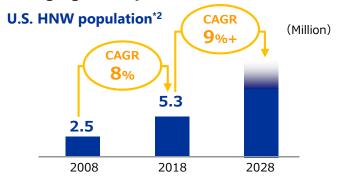
#### After-tax profit\*1



#### \*1: Local accounting basis, new consolidation from FY2020.

#### **Strategies** (Pure Reciprocal Exchange)

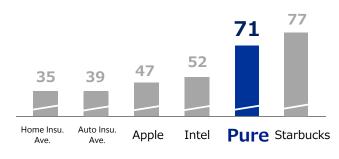
#### Focus on HNW market with high growth potential



\*2: Estimated from past 10 year growth of U.S. HNW population (i.e. population with investable asset of more than USD 1M) etc. based on data from Capgemini, BMI, Euro monitor.

#### Strong customer loyalty

#### Net Promoter Score\*3

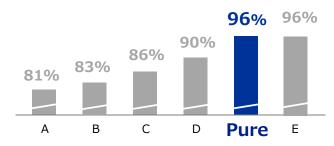


<sup>\*3:</sup> Indicator to measure customer loyalty and their willingness to use products/services continuously. It shows how likely a customer recommends a brand to others.

#### **Results**

(Pure Reciprocal Exchange)

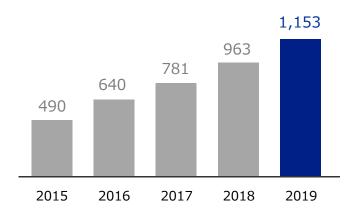
■ Top tier renewal ratio in the U.S. P&C industry\*4



\*4: 2019 results. A-E are all major players. Source: Company disclosure materials

#### ■ Top-line\*5

(USD mn)



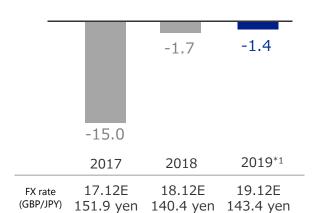
Source: Customer GURU, NICE Satmetrix 2019 Consumer Net Promoter Benchmark Study





#### **Business unit profit**

(billions of JPY)



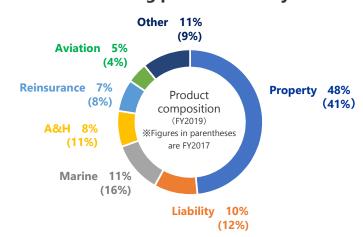
#### \*1: Including the impact of large losses at TMK non-Lloyd's operation.

#### **Strategies**

#### Restructuring of European operations

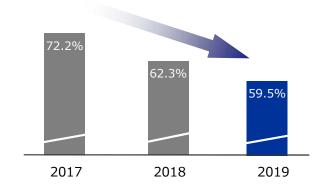
- Announced restructuring the European operations in June 2019 for TMK to focus on businesses in Lloyd's
- Narrow down underwriting of unprofitable lines such as A&H and marine
- Focus on underwriting Lloyd's specialty lines such as property and cyber insurance in the U.S., U.K., Asia, etc.

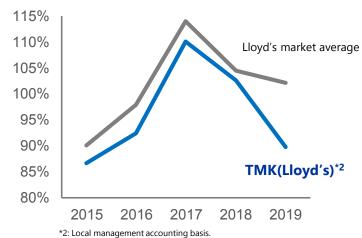
#### Underwriting products in Lloyd's



#### **Results**

#### Improve loss ratio

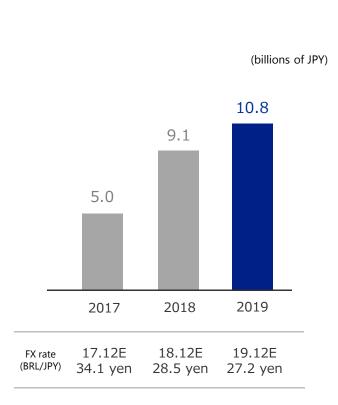






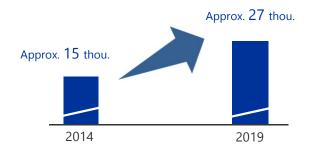


#### **Business unit profit**



#### **Strategies**

#### Expanding the number of brokers



• Provide systems and contact centers to support sales activities of brokers

#### **■ Product & Service strategies**

- Realize growth with profitability by flexibly adjusting premium rates
- Utilize wireless technology to reduce theft risk and develop specialized products
- Enhance service quality by providing inhouse contact center of road assistance service

#### **Results**

#### Growth exceeding the market

Growth rate of gross premiums with 2015 set as 100



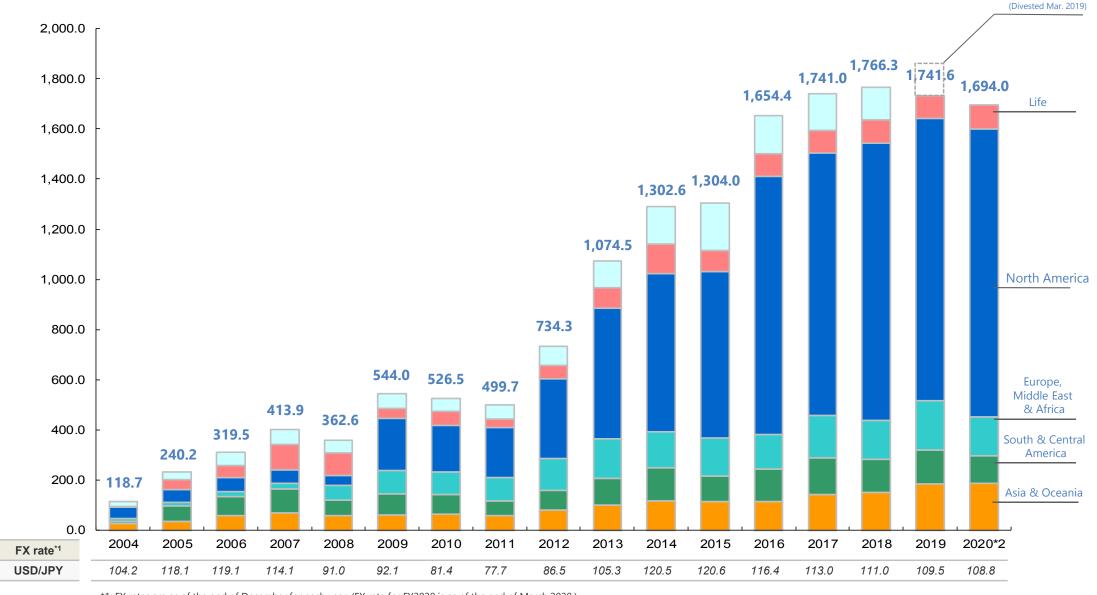


#### **Basic Information: International Insurance (Net Premiums Written)**



Reinsurance

• Net premiums written in international insurance business (billions of JPY)



<sup>\*1:</sup> FX rates are as of the end of December for each year. (FX rate for FY2020 is as of the end of March 2020.)

<sup>\*2:</sup> Excluding the impact of COVID-19

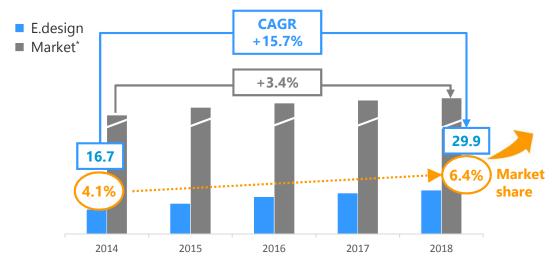
#### **Basic Information: Domestic Non-Life (E.design Insurance)**



#### Steady growth by creating new experiences for customers in direct sales market

#### **Strong growth in the direct sales market**

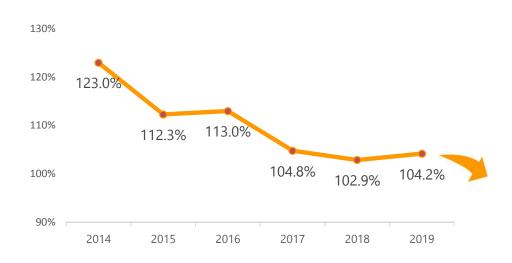
#### < Direct net premiums written (billions of JPY) >



<sup>\*:</sup> Sony, American Home, AXA, Mitsui Direct, Saison, SBI, E.design, Sompo 24, Zurich (Source: Insurance Statistics (Sonpo Toukeigo), company websites)

#### **Profitability improved while pursuing growth**

#### < Combined ratio (private insurance E/I basis) >



#### **Glowing external reviews**





#### One-click insurance premium quote for auto insurance

30 clicks



1 click

In the past, obtaining a quote for insurance required around 30 clicks. E.design has narrowed down questions and created a new customer experience where a quote can be obtained with just one click



Ranked No.1 in the auto insurance ranking chosen by experts for six consecutive years



Three stars (highest) in the non-life insurance industry online support ranking for seven consecutive years

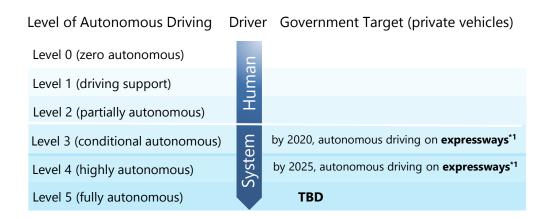
#### **Progress in Autonomous Driving Technology**



Auto insurance market will contract gradually with the progress in autonomous driving technology, etc., but expectations rise for insurance companies as social infrastructure against the backdrop of advance of automobiles and complex liabilities

Autonomous driving technology is making certain progress but universal deployment will take considerable time (short-time changes are limited)

Progress in autonomous driving technology

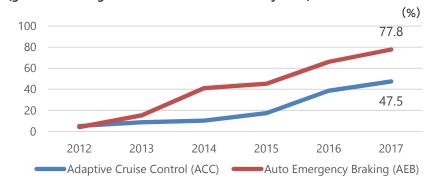


Rising expectations for insurance companies as social infrastructure

#### **Expectations on quick relief for victims with complex liabilities**

- Current positioning of auto insurance Operator liability to be maintained for initial migration period\*4
- Our action
   Launched coverage riders for expenses for saving victims in FY2017 [First in industry]

ASV installation ratio for new cars\*2
(government target for automatic brakes: 90% by 2020)



Average car ownership: 9 years Replacement of all vehicles will take more than 15 years\*3

No significant changes to claims cost for the time being



- Lower accident frequency >
- Higher insurance unit price 7
  - Higher repair cost due to expensive parts
  - Possible increase in assessment cost

<sup>\*1:</sup> Based on our data, insurance payment for expressway accidents comprises about 3% of all accidents.

<sup>\*2: &</sup>quot;Efforts of Road Transport Bureau, MLIT For Automated Driving" November 13, 2019, Ministry of Land, Infrastructure, Transport and Tourism.

<sup>\*3:</sup> Public-Private ITS Initiative / Roadmaps 2019.

<sup>\*4:</sup> March 2018, MLIT Research Group on Liability for Accident Compensation concerning Autonomous Driving.

#### **Group Strategy for Retention and Reinsurance**



#### Leverage on global knowledge to optimize retention and reinsurance in Japan and overseas

#### **Group based retention / reinsurance strategy**

#### **Discussion at GRSC (retention / reinsurance strategy)**



**Group CRSO**Shingo
Kawaguchi



**Group Co-CRSO**Christopher Williams

#### **Group based optimization of retention / reinsurance**

- Use group reinsurance program to consolidate to retention offices in Japan and overseas
- Global reinsurance cover

Efficient reinsurance arrangement with attention to RoR

**Economic rationale-based decision-making on use of reinsurance and provision for catastrophe loss reserves** 

#### Reinsurance

#### Positioning Prepare for massive natural catastrophe of a scale expected once in several centuries and secure stable profits

Actions in FY2020
Complete arrangement for necessary cover based on the balance of occurrence of natural catastrophe, risks, reinsurance cost and catastrophe loss reserves balance, etc.

#### **Catastrophe loss reserves**

## Positioning Scheduled reserve under the Insurance Business Act

Actions in FY2019 Implemented special provision based on reinsurance cost, etc.

#### **Review natural catastrophe fund**

#### Natural catastrophe fund

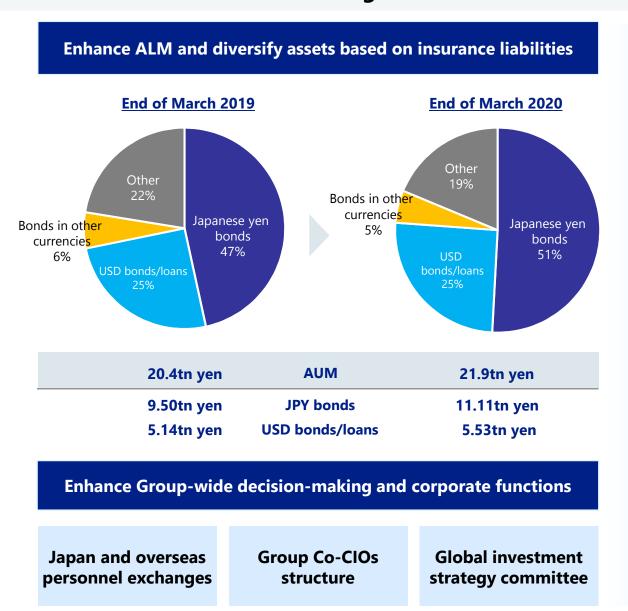
# Positioning Funding under the business plan based on past payouts and risk models, etc.

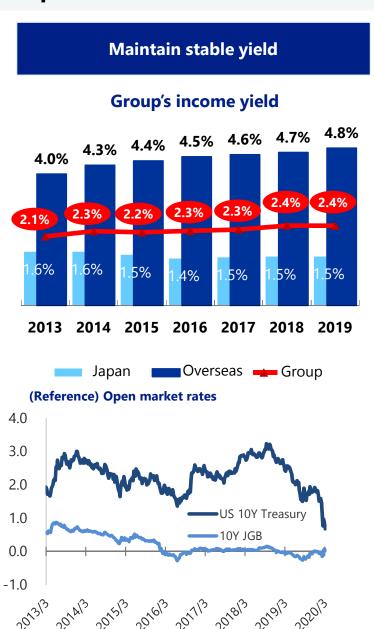
# Actions in FY2020 TMNF increased ¥5.0 billion based on natural catastrophe occurrences, etc. (total increase of ¥8.5 billion globally)

#### **Group Asset Management**



Secure long-term and stable investment income under a policy reflecting the characteristics of insurance liabilities with ALM at the core while enhancing investment structures across the Group





#### **Group Asset Management**

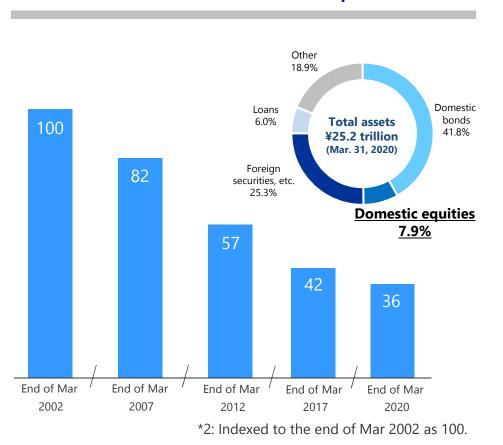


#### Ongoing efforts to reduce business-related equities

- Book value of business-related equities declined to 36% from Mar. 31, 2002 through steady action
- Sold total amount of approx. ¥2.2tn\*¹ since FY2002
- In this mid-term business plan, we will also plan to sell ¥100bn or more a year

\*1: Market price at the time of sale

#### Book value of business-related equities\*2



#### **Sales amount**

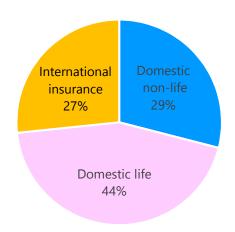
	Fiscal year	Plan	Results		
Previous	2015		122.0bn yen		
Mid-Term Business	2016	100.0bn yen or more	117.0bn yen		
Plan	2017		108.0bn yen		
Current Mid-Term Business Plan	2018		107.0bn yen		
	2019	100.0bn yen or more	107.0bn yen		
	2020		_		

#### **Group Asset Management**

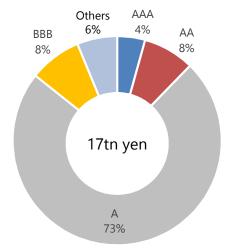


#### **Investment Portfolio (End of Mar 2020)**

#### By business segment



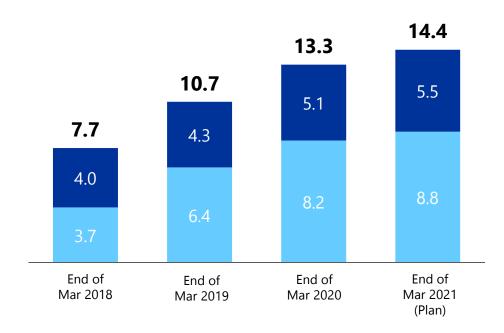
#### Bonds and similar assets by rating



#### **Investment synergy with Delphi**

#### AUM in Delphi (excl. Delphi's own AUM)

(billions of USD)



Domestic subsidiaries: TMNF, TMNL, NF

Overseas subsidiaries: Philadelphia, TMHCC, TMAIC,

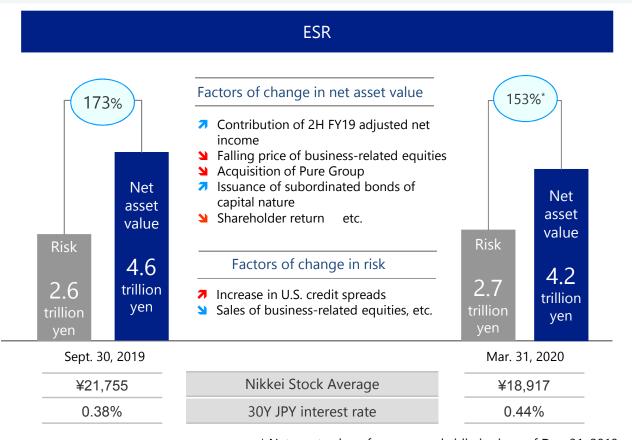
Tokio Millennium Re (AUM is zero from the end of Mar 2019 related to divestment)

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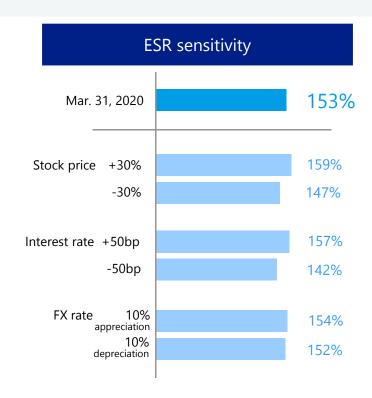
#### **ESR and Sensitivity**



ESR declined to 153% (within target range) due to larger credit spreads in the U.S., acquisition of the Pure Group, and shareholder return, etc., despite the positive impact of profit contribution in 2H FY19



<sup>\*</sup> Net asset value of overseas subsidiaries is as of Dec. 31, 2019.



Stock price: Continue selling business-related equities

Interest rate: Control the impact of interest rate

fluctuations through ALM

FX rate: Limited impact on ESR

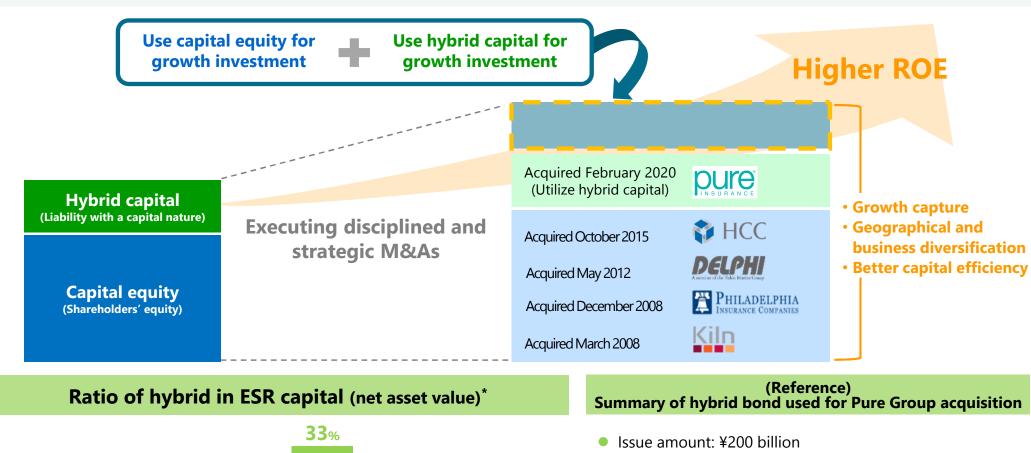
#### (Ref.) Definition of Net Asset Value

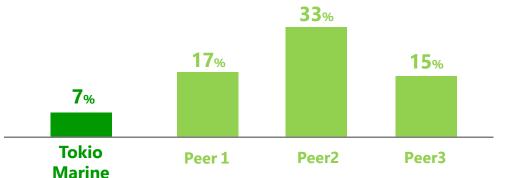


#### **Further Growth with Flexible Capital Strategy**



## Utilize hybrid capital to realize further growth strategy including M&A Avoid dilution and maintain appropriate capital level to achieve long-term ROE enhancement





- Currency: JPY
- Coupon: 0.96% p.a. (Fixed until December 24, 2029)
- Maturity: 60 years
   (early redemption permissible from December 24, 2029)

#### **Digital Strategy Promotion**



Collaborate with diverse partners and pursue new value provision while capturing the change in the environment based on three concepts: "Mission Driven," "Fusion of People's Power and Technologies" and "Global Digital Synergies"

Mission

**Partner** 

**Latest Key Initiatives** 

Increase contact points with customers



In response to the growth of digital natives, launched "One Day Auto Insurance," the first product in Japan that can be purchased using voice commands with Alexa



In response to the increase in senior population, rising interest in health care, and the coronavirus pandemic, online medical consultation service "Medical Note" is being provided free of charge for limited time

Enhance products and services



**Leveraging on the progress in IoT and MaaS in the mobility area**, enhance underwriting and develop products and services for hull insurance using navigation / equipment sensor data; and consider development of new products and services for future autonomous / unmanned navigation



**In response to emerging new risks (including cyber risk),** gather information on latest technology with investment in VC with strength in cyber area such as JVP (Israel) and ALLEGIS (US), and consider PoCs using such technology

Enhance claims services and improve business efficiency



**In response to intensifying natural catastrophe,** applied AI satellite image analysis technology by Orbital Insight to quickly identify flooded area to realize prompt insurance payment to all policyholders



**Leveraging on the progress in IoT and MaaS in the mobility area,** realized pleasant CX with simple and speedy insurance payment using the latest digital technology of Metromile



**Leveraging on the progress in IoT and MaaS in the mobility area,** realized quick resolution and insurance payment for auto accidents by introducing accident re-enactment system using Al technology and drive recorder images



**Leveraging on the progress in IoT and MaaS in the mobility area,** conducting trial of quick insurance payment by using AI to determine the appropriateness of images of damage to the vehicle and quote for repair

#### ESG (Sustainable Enhancement of Corporate Value) - External Evaluation -



## Tokio Marine Group has promoted ESG (Environment, Society and Governance) through our business activities and has received numerous awards and praises in Japan and overseas

#### **SRI/ESG indices including Tokio Marine Group**



**FTSE Blossom** 











#### **Awards received in Japan**







 Our Company was selected as one of the 2020 Health & Productivity Stocks (5 consecutive years), as well as an Excellent Enterprise of Health and Productivity Management / Large Enterprise Category together with nine Group companies, of which six were recognized as White 500 enterprise



"Special Award" at 2019
 Sustainable Finance Awards hosted by the Research Institute for Environmental Finance (RIEF)

#### Awards received overseas



Selected as 2019 Climate Change A List company by the international non-profit environmental organization CDP



 Our overseas Group companies were selected as one of the "Best Places to Work in Insurance" in the U.S. and one of the "Best Workplaces for Women" in Brazil

#### NADE SHIR 8

 Selected as a Nadeshiko Brand in FY2018 following from FY2013, 2015 and 2017 (In FY2019, selected as a Semi-Nadeshiko Brand)



#### 地方創生

 Commended as a model example of financial institution initiatives for revitalizing regional economies for three consecutive years



2019 Award for Excellence in Corporate Disclosure — Industries —

Received the Award for Excellence in Corporate Disclosure in the Insurance / Securities industry



Awards related to disclosure



 Our IR site received high evaluations from external evaluators

#### **ESG** – **Promoting ESG** –



Participate in various international initiatives and conduct surveys, researches and proposals in order to solving social issues. Also, contribute to achieve SDGs by solving social issues utilizing our expertise in insurance and risk consulting

#### **Initiatives Tokio Marine Group is participating**



#### **UN Global Compact**

- Expressed continuous support since becoming a signatory in 2005
- Participated in "Disaster Risk Reduction Working Group",
   "Reporting Study Group", etc. in 2019



#### **Principles for Responsible Investment**

In Tokio Marine Group, Tokio Marine & Nichido and Tokio Marine Asset Management became signatories to promote responsible and sustainable investment



#### **United Nations Environment Programme Finance Initiative (UNEP FI)**

- Participating in the insurance committee as a representative director of the Asian region
- Lead discussion on disaster risk finance program at APEC "Disaster Risk Finance and Insurance Solutions" WG



#### **Principles for Sustainable Insurance**

 Became a signatory in 2012 as a drafting committee member. Joined the PSI TCFD Insurer Pilot Working Group in FY2018 to promote the creation of a framework for climate-related information disclosure in line with TCFD recommendations

Principles For Financial Action for the 21st century





**CDP** 

IDF

Japan Sustainable Investment Forum



UNISDR Private Sector Alliance for Disaster Resilient Societies











Asia-Pacific Financial Forum





Task Force on Climaterelated Financial Disclosures



**Eco First** 



CHOICE



**30% Club Japan** 



energy

policies

friendly drones

environmental values through our business

■ Create a green society as an insurance company

Offer special insurance and services for solar/geothermal/offshore

Offer drone insurance to encourage wider use of environmentally-

Promote web-based insurance contracts and paperless insurance

wind power companies to contribute to the spread of clean

• Contribute to the protection of the natural environment by

■ Create a green society as a management company

Provide funds\* that invest in renewal energy generation facilities to facilitate the introduction of clean energy

■ Initiatives to reduce environmental footprint

Achieve carbon neutral by planting mangroves and promoting the use of natural energy as well as

Total economic value created by mangrove planting project started nearly two decades ago is about

offering environment liability insurance

\* TM Japan Solar Energy Fund 2012, 2013, 2014,

working on CO2 emissions reduction

¥118.5 billion (as of end of March 2019)

TM Japan Renewable Energy Fund 2017

Contribute

to

9

sustainable environment

(1,000 tons)

2018

# Renewable energy fund's track record (as of the end of Mar. 2020) Committed amount: approx. ¥45.0bn Constructed: 42 plants Carbon neutral for 6 consecutive years

2014

2015

2016

 $\square$  CO<sub>2</sub> emissions  $\square$  CO<sub>2</sub> fixation/reduction effects

2017

Actively contribute to environmental protection, biodiversity preservation and the creation of

# Our environmental initiatives

# Our social initiatives

#### Contribute to solving social issues by providing safety and security to customers and society through our business

#### ■ Response to natural disasters that are increasingly becoming larger in scale

- Help customers in times of need and support the efforts to restore the affected areas and the livelihood of the disaster victims
- Build a structure that focuses on response to disaster victims in order to deliver insurance payment as soon as possible to provide a sense of security
- Realized prompt insurance payment by quickly capturing the affected area using satellite images and drones
- Decide start selling of earthquake index insurance to provide consolations immediately after the catastrophe



- Developed the industry's first insurance coverage in response to the progress in autonomous driving technology
- Providing further safety and security by utilizing our original drive recorder device

#### ■ Support for long and healthy lives and health anxiety

- Support customers' efforts to get healthier by offering *Aruku Hoken* that rewards those who try to remain healthy
- In response to COVID-19 pandemic, provided our customers with access to part of the online medical consultation services offered by our affiliate Medical Note, Inc. some free of charge to reduce anxiety over health

#### ■ Contribution to eliminate of poverty in society

 Provide farmers in India with low-cost insurance products to help solve the problem of poverty





Damage assessment Disaster management task force





Loading relief supplies onto a truck

Checking customers' damage









# ontribute to solving social through our business issues

# Our social initiatives

# ontribute to solving social issues through our business

#### **■ Promote health & productivity management**

- Steadily implement PDCA to improve employees' health, revitalize the organization, and enhance corporate value under Tokio Marine Group Wellness Charter
- Support customers' health & productivity management utilizing the know-how accumulated in the Group
- Considering offering a technology-based total health solution in collaboration with affiliates

#### **■ Support regional revitalization**

- Assist SMEs in stabilizing their business through local governments, chambers, associations of commerce and industry, and others
- Actively support inbound business and overseas business development of local companies

#### **■** Promote active and equal participation of women

- Organize various systems to promote active and equal participation of women and provide them with opportunities to take on challenges
- Accelerate initiatives to appoint female managers and nurture female management candidates
- Establish "Career College" as a place of learning to support more lively and active participation

Companies supporting health & productivity management

FY2019 approx. 1,800 companies

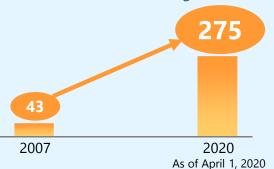
\*Based on our survey.

Companies TMNF helped develop BCP

Cumulative total of approx. 1,500 companies

\*FY2016-2017 (Based on our survey)

Number of female managers (TMNF)



#### ■ Develop future generations and promote the building of an inclusive society

- Set donation budget of totally 1 billion yen for support against COVID-19
- Offer on-site lessons and seminars to raise awareness of disaster reduction
- Hold dementia support training programs nationwide and offer products that support people with dementia
- Support the Japanese Para-Sports Association, Japan Inclusive Football Federation, and Special Olympics Nippon Foundation





#### **ESG – Governance –**



Solve Group's management challenges by leveraging global expertise and knowledge through function-based Chief Officer system and committees, etc.

The CEO focuses on management of Group as well as promote initiatives to spread our Group culture

# Globalize and enhance our management structure TOKIOMARINE GROUP

#### **Group CEO / CCO**

**Chief Culture Officer** 

Group Chief Officers	Responsible dept.
CFO	
Financial	Corporate
CSSO	Planning
Strategy and Synergy	
CRO	Risk
Risk	Management
CDO	Digital
Digital	Strategy
CRSO	<b>Global Retention</b>
<b>Retention Strategy</b>	Strategy
CIO	Financial
Investment	Planning
CHRO	_
<b>Human Resources</b>	Human
CWO	Resources
Wellness	
CLCO	Legal and
Legal and Compliance	Compliance
CITO	
Information Technology	— IT Planning
CISO	ii Fiaiiiiig
Information Security	

- Focus on Group management
- Initiatives to spread our Group culture

#### **Committees**

Top management both in Japan and overseas discuss various Group management issues

ERM	Committee

International Executive Committee (IEC)

Global Retention Strategy Committee (GRSC)

Global Investment Strategy Committee (GISC)

Global Information Technology Committee (GITC)

### Unleash the Group's total power

- Create synergies across the international borders and share best practices
- Combine the knowledge of the Group to solve Group-wide problems
- Involve overseas personnel in Group management

#### Build effective corporate governance system that balances the skills of diverse outside officers

Struct ure\*1 # of outside officer
4 out of 12

Audit & Supervisory

Board

# of outside officer

3 out of 5

Nomination
Committee
# of outside officer
4 out of 6

Compensation
Committee
# of outside officer
4 out of 5

Management
Meeting
# of non-Japanese member
4 out of 25

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Pc	Pc			Skills and experiences							
Position	Name	Name Gen der Major concurrent post		Corporate Management	Finance & Economy	Accounting	Legal & Compliance	Human resources	Governance & Risk Management	Technology	Internatio- nality
	Akio Mimura	Male	Senior Advisor, Honorary Chairman of Nippon Steel Corporation	•	•				•		•
	Masako Egawa	Fem ale	Professor, Graduate School of Business Administration, Hitotsubashi University		•				•		
Directors	Takashi Mitachi	Male	Senior Advisor of The Boston Consulting Group	•	•	•			•	•	•
	Nobuhiro Endo	Male	Chairman of the Board of NEC Corporation	•	•					•	•
	Shinya Katanozaka*2	Male	President & CEO of ANA HOLDINGS INC.	•	•			•	•		
	Akinari Horii	Male	Director and Special Advisor of The Canon Institute for Global Studies		•				•		
Audits	Akihiro Wani	Male	Lawyer		•		•		•		
	Nana Otsuki	Fem ale	Executive Officer and Chief Analyst of Monex, Inc.			•					

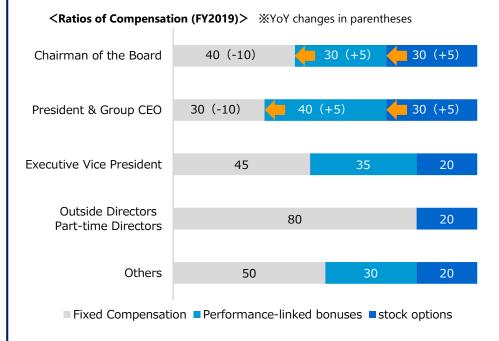
#### **ESG – Governance –**



## Compensation system for Directors is linked to performance and stock price to give incentive for sustainable growth

#### **Compensation System for Directors**

- Consists of fixed compensation, performance-linked bonuses, and stock option
- In principle, ratio of performance-linked bonuses and stock option increases in conjunction with the rank of Directors
- Ratio of performance-linked bonuses and stock option increased for Chairman of the Board and President & Group CEO in FY2019



#### <Performance-linked bonuses>

- Linked to the individual performance and company business performance (adjusted within a range of 0% to 200% on the degree of accomplishment of targets)
- Increase the incentive of Directors to improve the performance

Individual
<b>Performance</b>

Decided based on coefficients linked to the degree of accomplishment of previously set individual performance targets

Company Business performance Decided based on coefficients linked to the degree of accomplishment of targets for the following performance indicators in each year of mid-term plan

Performance	FY	FY2020	
Indicator*1	Targets	Results	Targets
Adjusted ROE	10.4%	8.2%	
Adjusted net income	400bn yen	286.7bn yen	TBD
Improvement in expected ROR*2	14.1%	15.0%	

<sup>\*1</sup> Certain changes are made to the indictors used for calculating the bonuses of Directors responsible for the international business to reflect the results of this business

#### <Stock options>

- Increase the link between compensation and our stock price to have Directors share the benefits and risks of stock price movements with shareholders
- Increase Directors' motivation to contribute to improvements in the stock price and our performance

<sup>\*2</sup> Ratio of improvement in ROR in the plan for a given fiscal year in comparison with ROR from the plan for the previous fiscal year

# **Management Resource Development**



## Resource development programs for all levels to enhance sustainability of Group management

### **Global Executive Program**

- Program for Senior managers from Japan and overseas
- Spending time together in a difficult environment, build strong relationships of trust between participants and increase Group-wide synergies



Hard training scene on the coast of Samoa



Onboard accommodation

#### **Middle Global Leadership Development Program**

- Middle management training for overseas employees
- Visit Tohoku area affected by the Great East Japan Earthquake and Tsunami to understand the actions and emotions at the time of the disaster, and experience the significance of insurance and a "Good Company"
- Make a presentation to the management on Group synergy, and increase actual synergies



Visiting areas affected by the Great East Japan Earthquake



Management presentation

## **Management Academy**

- Training for mid / young leaders in Japan
- Experience the process of creating a new business to improve the innovative mind and skills required for management



Debate on a new business proposal



Final presentation

## **Management School**

- Training for young leaders in Japan
- Nine-month extensive global leadership training program
- Acquire broad perspectives and abilities for reform required for management through many hands-on programs



Discussion on leadership

# **Tokio Marine Holdings Key Statistics**



		FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
	Net income (billions of yen)*1	23.1	128.4	71.9	6.0	129.5	184.1	247.4	254.5	273.8	284.1	274.5	259.7
	Shareholders' equity after tax (billions of yen)	1,627.8	2,169.0	1,886.5	1,839.6	2,340.7	2,712.7	3,578.7	3,484.7	3,542.1	3,805.1	3,574.2	3,372.1
Financial accounting	EPS (yen)	29	163	92	7	168	239	323	337	363	382	383	369
basis	BPS (yen)	2,067	2,754	2,460	2,399	3,052	3,536	4,742	4,617	4,722	5,245	5,058	4,832
	ROE	1.1%	6.8%	3.5%	0.3%	6.2%	7.3%	7.9%	7.2%	7.8%	7.7%	7.4%	7.5%
	PBR	1.16	0.96	0.90	0.95	0.87	0.88	0.96	0.82	0.99	0.90	1.06	1.02
	Adjusted net income (billions of yen)	-	-	-	30.7	163.1	243.7	323.3	351.9	406.7	341.4	280.9	286.7
	Adjusted net assets (billions of yen)	-	-	-	2,301.6	2,746.5	3,172.5	4,103.4	3,599.3	3,812.4	4,086.4	3,763.1	3,228.9
KDI	Adjusted EPS (yen)	-	-	-	40	212	317	423	466	539	459	391	408
KPI	Adjusted BPS (yen)	-	-	-	3,001	3,580	4,135	5,437	4,769	5,082	5,633	5,325	4,626
	Adjusted ROE	-	-	-	1.3%	6.5%	8.2%	8.9%	9.1%	11.0%	8.6%	7.2%	8.2%
	Adjusted PBR	-	-	-	0.76	0.74	0.75	0.83	0.80	0.92	0.84	1.01	1.07
	Domestic non-life insurance business	5.1	46.2	20.4	-26.1	48.3	34.0	122.5	126.0	167.6	144.3	18.9	25.9
Business Unit	Domestic life insurance business	-57.2	52.0	27.5	15.9	110.3	104.5	139.8	-188.1	373.5	98.4	-158.6	-70.3
Profits*2 (billions of yen)	International insurance business	20.8	76.5	24.8	-11.9	69.2	136.9	145.5	131.8	169.5	144.1	176.2	179.5
	Financial and general businesses	-21.1	-9.4	-0.7	2.6	-18.7	2.5	4.0	7.3	6.6	7.2	6.8	5.3
Sales of business- (billons of yen)	-related equity holdings	50	95	187	206	115	109	112	122	117	108	107	107
		2009/3E	2010/3E	2011/3E	2012/3E	2013/3E	2014/3E	2015/3E	2016/3E	2017/3E	2018/3E	2019/3E	2020/3E
Adjusted number of (thousands of share)	of issued and outstanding shares <sup>*3</sup> res)	787,562	787,605	766,820	766,928	767,034	767,218	754,599	754,685	750,112	725,433	706,557	697,870
Market capitalizati	ion (billions of yen)	1,926.8	2,118.3	1,789.3	1,827.1	2,039.2	2,383.9	3,438.0	2,878.6	3,536.2	3,541.9	3,807.0	3,474.9
Share price (yen)		2,395	2,633	2,224	2,271	2,650	3,098	4,538.5	3,800.0	4,696.0	4,735.0	5,362.0	4,950.0
Percentage c	change	- 34.9%	9.9%	- 15.5%	2.1%	16.7%	16.9%	46.5%	- 16.3%	23.6%	0.8%	13.2%	- 7.7%
(Reference)	TOPIX	773.66	978.81	869.38	854.35	1,034.71	1,202.89	1,543.11	1,347.20	1,512.60	1,716.30	1,591.64	1,403.04
	Percentage change	- 36.2%	26.5%	- 11.2%	- 1.7%	21.1%	16.3%	28.3%	- 12.7%	12.3%	13.5%	- 7.3%	- 11.8%

<sup>\*1:</sup> From FY2015: The figure is "Net income attributable to owners of the parent"

<sup>\*2:</sup> Until FY2014: The figures are "Adjusted earnings" (Former KPI), domestic life insurance business is presented on TEV (Traditional Embedded Value) basis

<sup>\*3:</sup> All figures exclude the number of treasury shares held from the total number of the shares issued

# **Return to Shareholders**



	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 Projections
Dividends per share	48yen	50yen	50yen	50yen	55yen	70yen	95yen	110yen	140yen	160yen	180yen	190yen	200yen
Dividends total	38.0bn yen	39.4bn yen	38.6bn yen	38.3bn yen	42.2bn yen	53.7bn yen	72.2bn yen	83.0bn yen	105.3bn yen	117.6bn yen	128.0bn yen	133.0bn yen	139.5bn yen <sup>*3</sup>
Capital level adjustment <sup>*1</sup> (share buybacks, etc.)	50.0bn yen	-	50.0bn yen	-	-	-	50.0bn yen	-	50.0bn yen	150.0bn yen	125.0bn yen	50.0bn yen	TBD
Total distributions to shareholders	88.0bn yen	39.4bn yen	88.6bn yen	38.3bn yen	42.2bn yen	53.7bn yen	122.2bn yen	83.0bn yen	155.3bn yen	267.6bn yen	253.0bn yen	183.0bn yen	TBD
			·										
Adjusted net income				30.7bn yen	163.1bn yen	243.7bn yen	323.3bn yen	351.9bn yen	406.7bn yen	341.4bn yen	280.9bn yen	286.7bn yen	410.0bn yen
Average adjusted net income	Adjusted net in	come was adop	oted as a new KI	PI in FY2015.	l in FY2015.			220.0bn yen	295.0bn yen	330.0bn yen	340.0bn yen	330.0bn yen	345.0bn yen
Payout ratio <sup>*2</sup>	(Figures from F	FY2011 to FY20	14 were calcula	ted as a refere	nce)			38%	36%	36%	38%	40%	40%
< Reference : Financial accounting bas	is>												
Net income (Consolidated)	23.1bn yen	128.4bn yen	71.9bn yen	6.0bn yen	129.5bn yen	184.1bn yen	247.4bn yen	254.5bn yen	273.8bn yen	284.1bn yen	274.5bn yen	259.7bn yen	290.0bn yen
Payout ratio	165%	31%	54%	639%	33%	29%	29%	33%	39%	42%	47%	51%	48%
Total shareholder return ratio	381%	31%	123%	639%	33%	29%	49%	33%	57%	94%	92%	70%	TBD

<sup>\*1:</sup> Total amount approved by the announcement date of financial results of each fiscal year. The figures for FY2018 and FY2019 include one-time dividends of approx. 50.0bn yen and approx. 25.0bn yen, respectively.

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<sup>\*2:</sup> Payout ratio to average adjusted net income.

<sup>\*3:</sup> Before reflecting share buybacks.

# **Adjusted Net Income and Business Unit Profit**



## **Adjusted Net Income (Group total)**

# Enhancing transparency and comparability / Linking with shareholder return

- For the Group total, "Adjusted Net Income"
  based on financial accounting is used from the
  perspective of enhancing transparency and
  comparability as well as linking with shareholder
  return
- Profit indicator for the Group total as the base for calculating capital efficiency (adjusted ROE) and source of dividends

#### **Business Unit Profits**

#### **Creating long-term corporate value**

- For each business domain, "Business Unit Profits" is used from the perspective of accurately assessing corporate value including economic value, etc. for the purpose of longterm expansion
- Use MCEV (market-consistent embedded value) for domestic life, which reflects the economic value of the business more accurately

#### <Main differences>

		Adjusted Net Income	Business Unit Profits
Domestic non-life	Gains or losses on sales of business-related equities	Included	Excluded
	Provision for reserves of capital nature, etc.	Excluded	Excluded
Domestic life		Adjust the financial accounting basis net income	Increase in MCEV during the current fiscal year
Other than the above	Amortization of goodwill and other intangible fixed assets	Excluded	Excluded

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## **Definition of Terms**



#### **Definition of Adjusted Net Income / Adjusted Net Assets / Adjusted ROE**

Adjusted Net Income\*1 = Net income (consolidated)\*2

Provision for catastrophe loss reserves\*3 Provision for contingency reserves\*3 Provision for price fluctuation reserves\*3 Gains or losses on sales or valuation of ALM\*4 bonds and interest rate swaps

Amortization of goodwill and other intangible fixed assets

Gains or losses on sales or valuation of fixed assets and business investment equities Other extraordinary gains/losses, valuation allowances, etc.

Adjusted Net Assets \*1 Net assets (consolidated)

Catastrophe loss reserves

Contingency reserves

Price fluctuation reserves

Goodwill and other intangible fixed assets

Adjusted ROE = Adjusted Net Income Adjusted Net Assets (average balance basis)

#### Net Assets

#### **Definition of Business Unit Profits**

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Non-life insurance business

Business Unit Profits\*1

Net income Provision for catastrophe loss reserves\*3 Provision for price fluctuation reserves\*3

Gains or losses on sales or valuation of ALM\*4 bonds and interest rate swaps

- \*1: Each adjustment is on an after-tax basis
- \*2: Net income attributable to owners of the parent in the consolidated financial statements
- \*3: In case of reversal, it is subtracted from the equation
- \*4: ALM: Asset Liability Management. Excluded since it is counter balance of ALM related
- \*5: For some of the life insurance companies, Business Unit Profits is calculated by using the definition in Other businesses (head office expenses, etc. are deducted from profits)
- \*6: EV: Embedded Value. An index that shows the sum of the net present value of profits to be gained from policies in-force and the net asset value

Life insurance business\*5

=

Business Unit Profits\*1 Increase in EV\*6

during the current
fiscal year

Capital transactions such as capital increase Gains or losses on sales or valuation of fixed assets, business-related equities and business investment equities

Other extraordinary gains/losses, valuation allowances, etc.

Other businesses

Net income determined in accordance with financial accounting principles

#### **Definition of Net Asset Value**

Net Asset Value \*1

Net assets (consolidated)

ets + Catastrophe loss reserves

Contingency reserves

Price fluctuation reserves

Goodwill and other intangible fixed assets

Planned distribution to shareholders Value of life insurance policies in-force

Others

=

# **Adjusted Net Income (Group Total): FY2019 Results**



## Adjusted Net Income for FY2019 rose ¥5.7bn YoY to ¥286.7bn

econciliation*1 ote: Factors positive to profit are showed		(b	(billions of JPY)	
th "plus signs"	FY2018 Results	FY2019 Results	YoY Change	
income attributable to owners of the parent nsolidated)	274.5	259.7	-14.8	
Provision for catastrophe loss reserves*2	-97.6	-49.7	47.8	
Provision for contingency reserves <sup>*2</sup>	+1.0	+0.8	-0.2	
Provision for price fluctuation reserves 2	+5.7	+6.9	1.2	
Gains or losses on sales or valuation of ALM <sup>*3</sup> bonds and interest rate swaps	+1.2	-12.5	-13. <sup>·</sup>	
Gains or losses on sales or valuation of fixed assets and business investment equities	+25.4	+8.5	-16.9	
Amortization of goodwill and other intangible fixed assets	+69.7	+77.7	8.0	
Other extraordinary gains/losses, valuation allowances, etc.	+0.7	-4.8	-5.0	
usted Net Income	280.9	286.7	5.7	

Major YoY changes in reconciliation

- Provision for catastrophe loss reserves
  - Increase mainly due to a drop in net incurred losses relating to natural catastrophes in Domestic Non-Life (increases reconciling amount)
- Gains or losses on sales or valuation of ALM bonds and interest rate swaps
  - Sales of domestic bonds for the sake of ALMrelated position change to corporate bonds (decreases reconciling amount)
- Gains or losses on sales or valuation of fixed assets and business investment equities
  - → The reversal effect of the deduction of loss on the divestment of reinsurance businesses in FY2018 (decreases reconciling amount)

<sup>\*1</sup> Each adjustment is on the after-tax basis.

<sup>\*2</sup> Reversals are subtracted.

<sup>\*3</sup> ALM: Asset Liability Management. Excluded since it is a counter-balance of ALM related liabilities.

# **Adjusted Net Assets / Adjusted ROE**



## Adjusted Net Assets\*1

		FY2018 Results	FY2019 Results	YoY Change
Ne	t assets(consolidated)	3,574.2	3,372.1	-202.0
	Catastrophe loss reserves	+741.1	+691.5	-49.6
	Contingency reserves	+40.8	+41.6	0.8
	Price fluctuation reserves	+78.1	+85.1	6.9
	Goodwill and other intangible fixed assets	-671.3	-949.5	-278.1
Ad	justed Net Assets	3,763.1	3,240.9	-522.2

<sup>\*1</sup> Each adjustment is on an after-tax basis

## Adjusted ROE

	FY2018 Results	FY2019 Results	YoY Change
Net income(consolidated)	274.5	259.7	-14.8
Net assets(consolidated) <sup>*2</sup>	3,689.7	3,473.1	-216.5
Financial acccounting basis ROE	7.4%	7.5%	0pt
	FY2018 Results	FY2019 Results	YoY Change
Adjusted Net Income	280.9	286.7	5.7

3,924.7

7.2%

3,502.0

8.2%

-422.7

1.0pt

**Adjusted ROE** 

Adjusted Net Assets\*2

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<sup>\*2</sup> average balance basis

## **Reconciliation of Business Unit Profits**



(billions of JPY)

#### Domestic Non-Life\*1 (TMNF)

	FY2018 Results	FY2019 Results	YoY
Net income for accounting purposes	261.3	169.9	-91.4
Provision for catastrophe loss reserves <sup>*2</sup>	-93.8	-47.0	46.7
Provision for price fluctuation reserves <sup>*2</sup>	+3.9	+4.3	0.4
Gains or losses on sales or valuation of ALM*3 bonds and interest rate swaps	+0.7	-12.6	-13.4
Gains or losses on sales or valuation of fixed assets, business-related equities, and business investment equities	-66.0	-41.7	24.3
Intra-group dividends	-96.8	-58.6	38.1
Other extraordinary gains/losses, valuation allowances, etc	+9.5	+11.9	2.3
Business Unit Profits	18.7	26.0	7.2

<sup>\*1:</sup> Each adjustment is on an after-tax basis

#### International Insurance\*1

FY2018 Results	FY2019 Results
155.1	144.3
-1.2	+8.1
-1.5	-2.5
-1.4	+0.6
+25.4	+28.9
176.2	179.5
	-1.2 -1.5 -1.4 +25.4

<sup>\*2:</sup> In case of reversal, it is subtracted from the equation

<sup>\*3:</sup> ALM: Asset Liability Management. Excluded since it is counter balance of ALM related liabilities

<sup>\*4:</sup> Amortization of other intangible fixed assets, head office expenses, etc.

# **International Insurance (Results by regions)**



	FY2018	FY2019	YO	Υ
Net Premiums Written (billions of JPY)	Actual	Actual	YoY Changes	YoY %
North America <sup>*1</sup>	1,107.9	1,124.0	16.0	1.5%
Philadelphia	373.0	369.2	-3.7	-1.0%
Delphi	270.7	278.2	7.5	2.8%
TMHCC	387.2	399.1	11.8	3.1%
Europe & Middle East & Africa*2	153.2	196.1	42.8	28.0%
South & Central America	134.3	136.0	1.6	1.3%
Asia & Oceania	149.3	184.5	35.1	23.6%
Reinsurance*3	129.7		-129.7	-
Total Non-Life'4	1,674.6	1,649.5	-25.0	-1.5%
Life	91.7	92.0	0.2	0.3%
Total	1,766.3	1,741.6	-24.7	-1.4%

	FY2018	FY2019	YC	Υ
Business Unit Profits (billions of JPY)	Actual	Actual	YoY Changes	YoY %
North America <sup>*1</sup>	153.0	147.2	-5.7	-3.8%
Philadelphia	43.9	27.0	-16.8	-38.5%
Delphi	58.5	76.5	18.0	30.7%
TMHCC	45.3	41.9	-3.4	-7.6%
Europe & Middle East & Africa <sup>*2</sup>	-0.1	2.2	2.4	-
South & Central America	9.2	10.8	1.5	16.7%
Asia & Oceania	12.0	16.6	4.5	38.0%
Reinsurance*3	13.0		-13.0	
Total Non-Life'4	187.8	179.0	-8.7	-4.7%
Life	-0.7	12.9	13.6	-
Total <sup>*5</sup>	176.2	179.5	3.2	1.8%

	FY2018	FY2019	
Applied FX rate	Actual	Actual	
	As of end- Dec. 2018	As of end- Dec. 2019	
USD / JPY	¥111.0	¥109.5	
GBP / JPY	¥140.4	¥143.4	
Brazilian Real / JPY	¥28.5	¥27.2	
Malaysian Ringgit / JPY	¥26.8	¥26.7	

C/R	FY2018	FY2019	
North America <sup>*1</sup>	96.1%	98.2%	
Philadelphia	96.3%	102.8%	
Delphi	104.2%	98.3%	
TMHCC	89.4%	91.9%	
Europe & Middle East & Africa <sup>*2</sup>	106.3%	105.3%	
South & Central America	94.2%	93.5%	
Asia & Oceania	96.4%	95.8%	
Reinsurance*3	90.7%	-	
Total Non-Life <sup>'4</sup>	96.5%	98.3%	
Life	-	-	
otal	96.5%	98.3%	

<sup>\*1:</sup> North American figures include European and Reinsurance businesses of TMHCC, but not include North American business of TMK

<sup>\*2:</sup> European & Middle East & Africa figures include North American business of TMK, but not include European and Reinsurance businesses of TMHCC

<sup>\*3:</sup> Reinsurance figures are those of TMR and other Reinsurance companies

<sup>\*4:</sup> Total Non-Life figures include some life insurance figures of composite overseas subsidiaries

<sup>\*5:</sup> After adjustment of head office expenses

# Impact of FX Rate Change on the Group's Financial Results

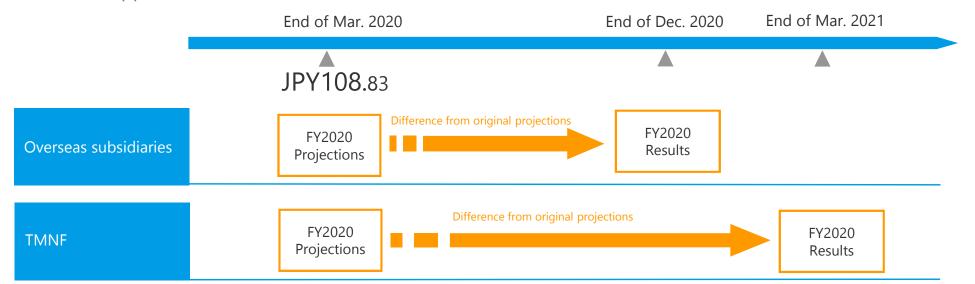


Estimated impact of the appreciation of JPY to USD by 1 yen\*1

# Impact on net income on financial accounting basis\*2 ■ Decrease in overseas subsidiaries profit: Approx. -¥0.9bn ■ Decrease in profit from local subsidiaries Decrease in amortization of intangible fixed assets and goodwill ■ Change in reserves for foreign currency denominated outstanding claims and FX derivatives income at TMNF: ■ Total: Approx. +¥1.2bn

Impact on adjusted net income*2	
■ Decrease in overseas subsidiaries profit: (Of the factors stated in the left, amortization of intangible fixed assets and goodwill has no impact as it is added back to adjusted net income)	Approx¥1.6bn
Change in reserves for foreign currency denominated outstanding claims and FX derivatives income at TMNF:	Approx. +¥1.2bn
Total:	Approx¥0.4bn

Reference: applied FX rate (USD/JPY)



<sup>\*1:</sup> Assumes the FX rate of each currency changes by the same margin as USD.

<sup>\*2:</sup> Estimated impact on the FY2019 results on an after-tax basis.

# **MEMO**


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For further information...

Investor Relations Group, Corporate Planning Dept. Tokio Marine Holdings, Inc.

**URL**: <u>www.tokiomarinehd.com/en/inquiry/</u>

TEL: +81-3-3285-0350

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