



TOKIO MARINE



2021 Integrated Annual Report

*To Be a **Good Company***

Tokio Marine Holdings, Inc.

SINCE 1879

Supporting customers and society in times of need

Japan's first insurance company, key to the nation's rapid modernization and industrialization

With the advent of the Meiji era (1868-1912), Japan charted a course of rapid modernization fueled by foreign trade. Ships and their cargoes required protection against maritime accidents on long voyages to and from distant lands. This led to the launch of Japan's first insurance company, Tokio Marine, in 1879. In this capacity we played a crucial role in developing Japan's economy and resolving attendant social issues. Our Group purpose is to support customers and society in times of need. We have stayed true to this commitment since our founding 142 years ago.



"For every challenge there is risk. For every risk there is insurance." Tokio Marine & Nichido advertisement

An open and dynamic corporate culture encourages everyone to take on challenges

1894: Overseas expansion encounters financial distress

Young employees come to the rescue

A year after our founding we opened an office in London. At first our UK business showed steady growth, but in 1894 it encountered financial distress. Two younger employees, Kenkichi Kagami and Hachisaburo Hirao, took up the challenge of unearthing what went wrong. It became clear that the UK office had been miscalculating the risk associated with major properties. Kagami and Hirao went on to scrutinize the firm's underwriting and accounting systems. They prescribed fundamental changes to assure rigorous risk management and reliable accounting that put the company firmly back on a growth track. Employee initiatives such as these are encouraged by our open and dynamic corporate culture, which has been part of our DNA from the beginning.



The early years of our London office
Kenkichi Kagami (front and center), Hachisaburo Hirao (front, far left)

A Group spirit that drives us to do the right thing, always

1923

1923: The Great Kanto Earthquake

Going beyond the call of duty in a national emergency

The Great Kanto Earthquake of 1923 devastated a wide area centering on Tokyo. More than half the capital city's population and countless more in surrounding areas were rendered homeless and destitute. Huge fires ignited by the quake caused the greatest damage and tragedy because most structures were made of wood. Fire insurance contracts, however, clearly state that coverage does not extend to fires or other damage from earthquakes. Against deepening socio-economic despair, Tokio Marine's Kenkichi Kagami, who chaired the insurance industry association at the time, coordinated funding so that all members could help policyholders by paying out 10% of the insured amount as consolation to aid national recovery. This action, which transcended contractual obligations, was taken in recognition of the public nature of insurance as social infrastructure.



2011

2011: Great East Japan Earthquake

Giving strength for recovery

On March 11, 2011 a very strong earthquake struck the east coast of Japan and triggered a massive tsunami. The disaster left more than 20,000 people dead or missing and caused economic losses totaling approximately 17 trillion yen, the worst on historical record worldwide. Such an unprecedented situation called for an unprecedented response. We settled more than 180,000 claims in less than two months. Many of us were personally affected by the disaster but we wanted to do everything we could for our customers and society. Every Tokio Marine employee knew in their heart that they were on a mission to give strength and support to all who needed it. The entire Group recognized that this relief effort deserved the highest priority in all areas.



Photo source: Tohoku Regional Bureau

Creating value to drive the future

1914

1914: Japan's first automobile insurance

Assisting rapid motorization in the second half of the 20th century

Tokio Marine launched Japan's first auto insurance in 1914 when there were only about 1,000 vehicles in the entire country. Rapid motorization accompanied the period of high economic growth in the post-war decades, backed by the availability of auto insurance.



Tokyo's central business district of Marunouchi about 100 years ago
Image used with permission of National Diet Library

2021

2021: First dual-camera integrated drive recorder for auto insurance in Japan

Extending insurance value to support customers in all ways, *always*

Automobile insurance evolves to meet the changing risks and needs of our customers. At Tokio Marine we want to deliver value by supporting our customers not only at the claims stage but also through accident prevention, emergency response support, and accelerated resolution. We will make this kind of pre- and post-accident peace of mind increasingly available in other areas of risk coverage, as we evolve into an insurance company that supports customers in all ways, *always*.



CORPORATE PHILOSOPHY

With customer trust as the foundation for all its activities, Tokio Marine Group continually strives to raise corporate value.

Through the provision of the highest quality products and services, Tokio Marine Group aims to deliver safety and security to all our customers.

By developing sound, profitable and growing businesses throughout the world, Tokio Marine Group will fulfill its mandate to shareholders.

Tokio Marine Group will continue to build an open and dynamic corporate culture that enables each and every employee to demonstrate his or her creative potential.

Acting as a good corporate citizen through fair and responsible management, Tokio Marine Group will broadly contribute to the development of society.

Editorial Policy

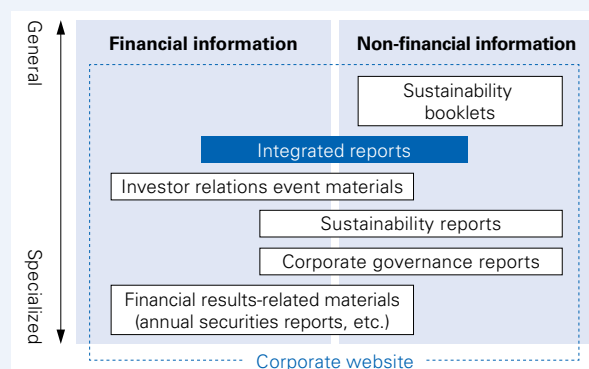
Throughout the 142 years since our founding, we have contributed to the resolution of social issues by continuing to adhere to our purpose, which has led to sustainable growth. In this report, while we have taken the story of our purpose as the basis, as with last year's edition, we have placed a focus on forward-looking measures. We have endeavored to provide clear explanations for the measures that we are presently engaging in to ensure robust growth in this age of VUCA*. These include our new Mid-Term Business Plan based on our long-term aspiration, our digital/data strategy for the evolution of our business, our human resources strategy focused on diversity and inclusion, and our climate change strategy that complies with the TFCF recommendations.

In preparing this report, we have referred to the International Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation advocated by Japan's Ministry of Economy, Trade and Industry. We also took heed of the opinions offered by investors and other stakeholders and sought to include a more extensive range of information. This report is for disclosure (explanatory material regarding the status of operations and assets) and was prepared based on the Insurance Business Act (Article 271-25) and the Ordinance for Enforcement of the Insurance Business Act (Article 210-10-2).

* VUCA is an acronym for volatility, uncertainty, complexity, and ambiguity.



Positioning of this integrated report



The materials listed above can be found on our website.
URL: <https://www.tokiomarinehd.com/en/>



Tokio Marine Holdings

Integrated Annual Report 2021

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Abbreviations used in this material

- TMNF: Tokio Marine & Nichido Fire Insurance Co., Ltd.
- TMNL: Tokio Marine & Nichido Life Insurance Co., Ltd.
- PHLY: Philadelphia
- DFG: Delphi
- TMHCC: Tokio Marine HCC
- TMK: Tokio Marine Kiln

Forward-Looking Statements

This report contains information on forecasts, targets, and other matters that are not based on historical fact. These forward-looking statements include a certain degree of risk and uncertainty, and, accordingly, actual results and performance may differ materially from the information provided in this report.

Question

Why do we exist?

Answer

The Group's purpose is to protect our customers and society in times of need.

Tokio Marine Group was founded in 1879, making it Japan's first insurance company. In an era where the concept of insurance was still foreign, Eiichi Shibusawa, considered the father of modern capitalism in Japan, was deeply involved in the establishment of the Company after soliciting investment from various parties, calling insurance a national business.

Shibusawa discussed the close relationship between morality and the economy in his writings. The philosophy of companies contributing to the resolution of social issues, or, in other words, existing for the sake of society, has been part of our DNA since our founding. When we were first established, our mission was to contribute to the development of Japan's economy and society by protecting trade cargo from maritime accidents through ocean marine insurance. This aspiration to help society has been passed down over the years until the present day.

Protecting our customers and society in times of need. This has been our unwavering purpose since our founding, no matter the era. Our business itself represents a solution to social issues. The more we grow our business, the better society will become through the solutions we provide. We engage in

business with this commitment and mission in mind.

To realize this purpose, we have worked to ensure a bright and vibrant place of work for our employees and collaborated with agents to help resolve a number of issues facing customers and society throughout our 142-year history. As a result, we have sought to achieve sustainable profit growth and return gains commensurate with investment to shareholders and investors. It is precisely because of these social issues that we have been able to hone our ability to resolve these issues and become a stronger company, which in turn has benefited all of our stakeholders and driven our business growth.

Currently, the business environment is changing rapidly and social issues, too, have become more complex. The needs of customers and society, along with the issues, are constantly influx as the times and business environment changes. For this reason, our efforts to achieve our purpose will never end.

Continually providing all our stakeholders with value is hardly a simple task, but we will never stop trying to find the right solutions. With this conviction, we will continue to explore this path well into the future. The status quo is not an option; we must constantly seek to become a "Good Company."

Eiichi Shibusawa
who was deeply
involved in the
Company's founding
(collection of
Shibusawa
Memorial Museum)



Provision of Value to Stakeholders



Question

Why will we be able to realize its purpose?

Answer

Our success is built on three strengths which we continuously strive to enhance.

We have been able to realize our purpose and as a result achieve sustainable growth because of the many challenges we have undertaken and difficulties we have overcome during the course of our 142-year history, which has enabled us to cultivate three unique strengths that we have continued to refine over the years.

First, we have the ability to deliver safety and greatly increase security.

To resolve the issues of customers and society even in times of immense change, we need to develop and ensure the accessibility of products and services that address these issues and needs. Having continuously resolved social issues in the past, Tokio Marine has the ability to detect issues, the ability to develop products and services that resolve these issues, and the ability to deliver these products and services. Currently, we are building upon these abilities using digitalization and data to expand the peace of mind we offer to customers and society.

Second, we have the ability to manage our business portfolio.

No matter how good a product or service may be, if

our business platform is not rock solid as the underwriter of risk, we will not be able to protect customers in their times of need. In this sense, our businesses must be sustainable, and toward this end Tokio Marine needs to prepare for these times of need by diversifying risk and stabilizing our business portfolio. Tokio Marine reviews its business portfolio using a forward-looking mindset to optimize its insurance businesses, which enables us to balance risk diversification and business growth as well as strengthen our business platform.

Third, we have the ability of integrated group management.

To adapt to global issues and continue to grow as a Group, it is vital that we work to resolve issues using the collective strengths of our diverse workforce. Tokio Marine deploys its diverse and talented workforce optimally inside and outside of Japan to incorporate and utilize their expertise and wisdom directly into the Group's strategy and across the Group, which enhances our ability to resolve issues and to generate synergies.

The Ability to Deliver Security and Expand Safety Pages 14–17



Portfolio Management Ability Pages 18–21



Integrated Group Management Pages 22–25



The Ability to Deliver Security and Expand Safety

By developing and providing innovative products and services that help resolve social issues, Tokio Marine has become a chosen favorite among customers, thus stimulating consistent growth. Currently, we are using digitalization and data to further expand safety of all our customers.

Ability to Detect Issues for Customers and Society

The business environment is undergoing major and rapid changes, including natural disasters that are more severe, acceleration of DX spurred on by the COVID-19 pandemic, and changes in customers' behavior patterns. Under these circumstances, continuing to meet the expectations of customers and society requires us to correctly and quickly identify changes in the environment and the challenges facing customers and society.

Tokio Marine shares information on indications of change and business matters from the frontline of its operations closest to customers and markets within the Group in a timely manner, with a focus on pertinent locations, articles and frontline sites.

We have established a system to collect the voices of customers and

agents so that product and service developments and improvements are made through analysis that also involves consumer advisors.

At the same time, a medium- to long-term approach is also required when responding to new risks and needs.

Consequently, we are working to research medium- to long-term environmental changes and risks and opportunities arising from such through the use of industry-academia collaboration, the Group's think tank, and outside research institutions. In actuality, the new three-year Mid-Term Business Plan launched in fiscal 2021 was formulated using backcasting from medium- to long-term business environment scenarios, in addition to current environmental changes (please see pages 34–36, 43 and 48–51).

The Ability to Develop Products and Services that Resolve Issues

To develop products and services that can clear up challenges facing customers and society, and to transform these into viable businesses, it is necessary to have appropriate premiums commensurate with risk and the ability to underwrite it stably.

In terms of appropriate premiums, our actuaries*1 analyze past accident data and outside data to quantify the frequency of accident occurrence and expected risks such as damages, which allows us to set the appropriate premiums in terms of ROR*2. In recent years, we are also utilizing digitalization and data, such as Predictive Analytics*3 by TMHCC and big data analysis by TMNF and TMNL, to further enhance our risk analysis and pricing.

In addition, in terms of stably underwriting risk, Tokio Marine controls risk amounts appropriately using both global risk diversification and reinsurance in response to capital events*4.

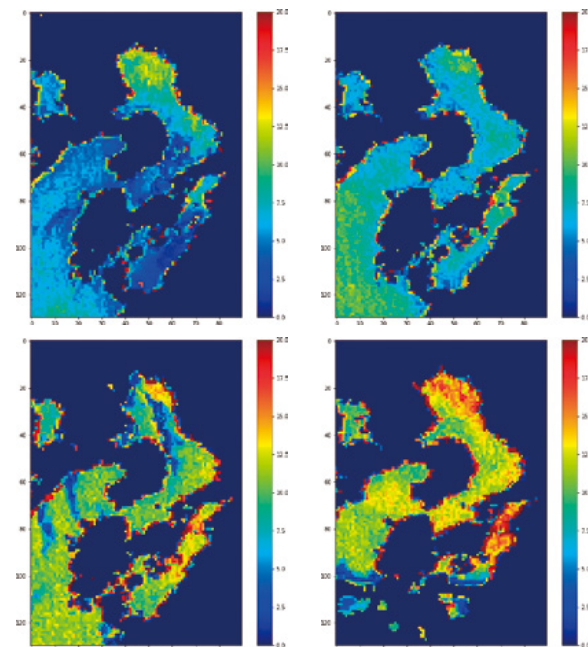
In this manner, our consistent and disciplined underwriting have earned us the highest ratings in the world from major ratings agencies with regard to our financial soundness.

*1: A person who compiles and analyzes statistics and uses them to calculate insurance risks and premiums

*2: Return on Risk

*3: Analysis for predicting the future by applying statistical methods to data

*4: An event that can damage an insurance company's capital, such as a large natural disaster that happens only once every few hundred years



We are researching ways to prevent and mitigate red tide damages using satellite imagery and ocean data

The Ability to Deliver to Customers

There is no use developing a great product or service if it never makes its way to market. We believe the key lies in delivering the right coverage (products and services) to customers using methods that suit their needs.

In terms of right coverage, given the heightened intensity of natural disasters in recent years, we are conducting a nationwide campaign to check the details of customer policies so that we can propose to them the right amount of coverage needed. Amid the growing diversity and complexity of risks including cyber risk, we are proposing the right coverage particularly to SMEs, which tend to have a low insurance enrollment rate, by raising awareness of risks through tie-ups with commerce and industry associations.

In terms of delivery methods, for example, we are mixing both face-to-face and contactless services based on customer needs, from enhanced face-to-face consulting to enabling customers to use their smartphone to carry out procedures, to achieve the best possible customer service for each individual customer.

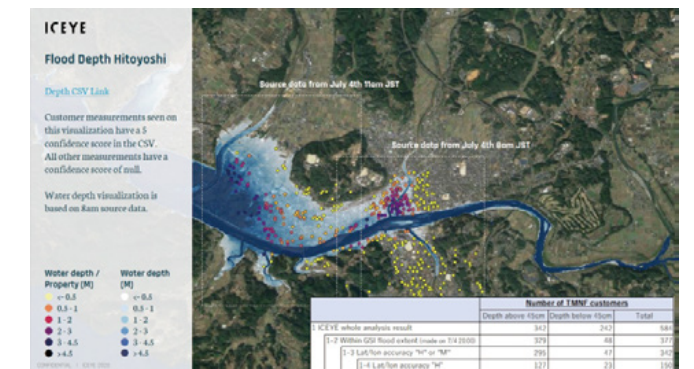
Policy procedures by smartphone



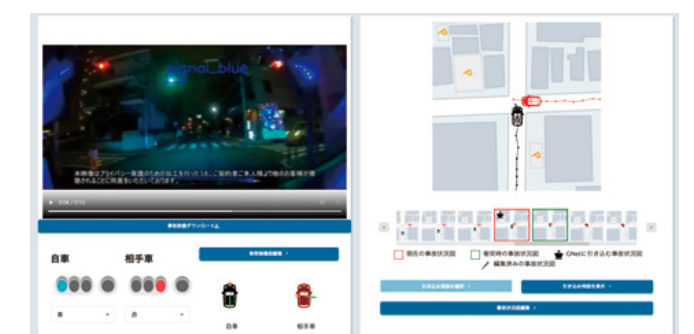
The ability to deliver does not stop with insurance policy procedures. We swiftly pay out insurance claims in the event of an emergency by utilizing digitalization to a high degree in quickly identifying damages through AI-driven analysis of satellite imagery or reenacting accidents using drive recorder data based on AI analysis.

The time created from these initiatives is allocated to operations only people can perform, such as loss prevention and addressing customer needs in a familiar and honest manner. This ensures that we continue to enhance the quality of the services we provide.

Examples of high-quality services in response to accidents



Satellite image with an overlay of AI-generated flood assessment



Use of AI for vehicle accident reenactment

History of Resolving Social Issues and Sustainable Growth by Delivering Security

For people and for the world—Tokio Marine is strongly committed to contributing to the resolution of social issues. Based on this commitment, since our founding in 1879, we have quickly and accurately identified the issues facing customers and society through the changing eras, and developed a series of innovative products and services that resolve these issues. We have also worked diligently to deliver these products and services and to give customers greater safety.

As a result, we have gained the trust and recognition of customers, enabling us to grow sustainably and provide value to all shareholders.

Direct Net Premiums Written*1 (bar graph) and Total Dividends (line graph)

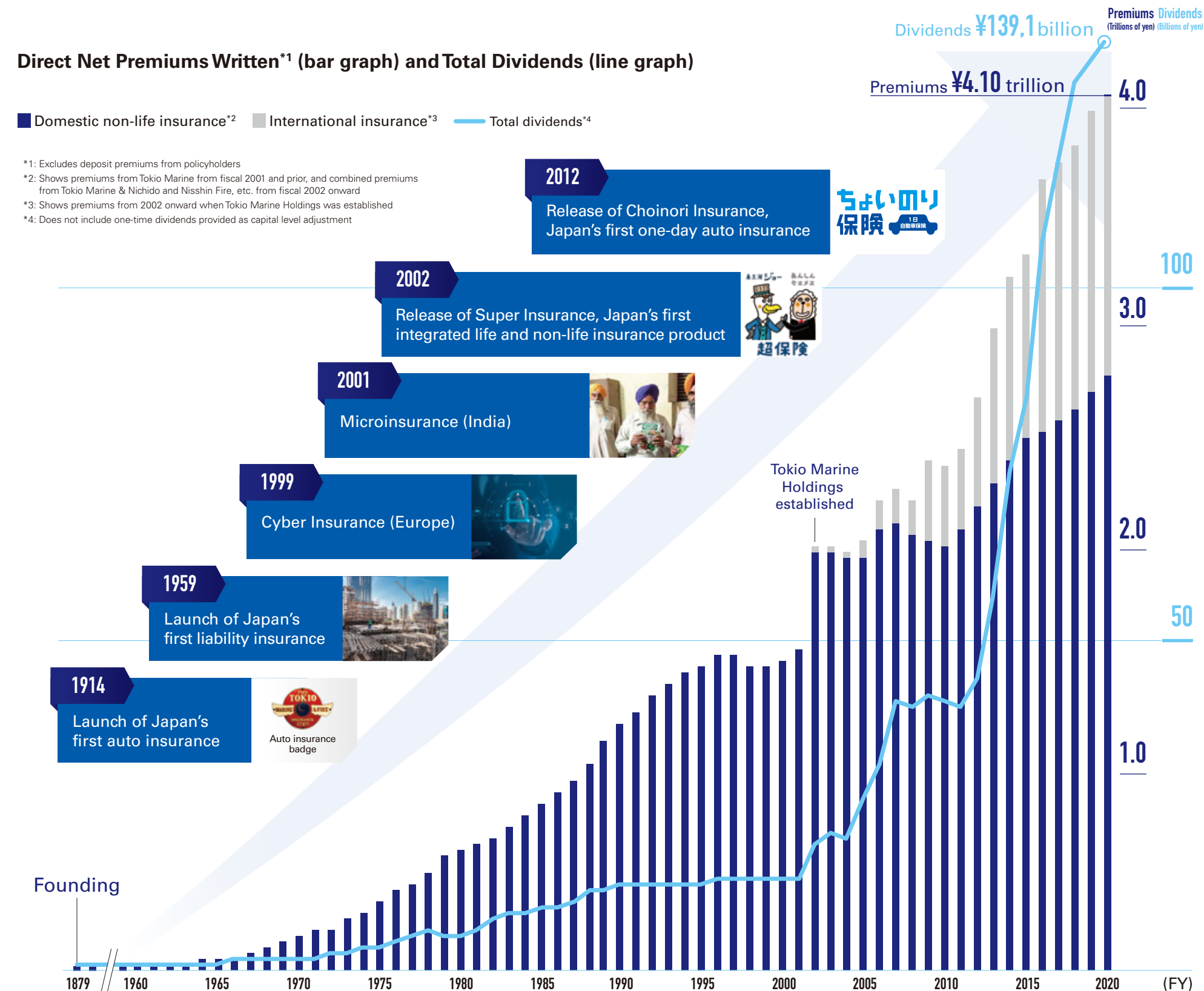
■ Domestic non-life insurance*2 ■ International insurance*3 — Total dividends*4

*1: Excludes deposit premiums from policyholders

*2: Shows premiums from Tokio Marine from fiscal 2001 and prior, and combined premiums from Tokio Marine & Nichido and Nisshin Fire, etc. from fiscal 2002 onward

*3: Shows premiums from 2002 onward when Tokio Marine Holdings was established

*4: Does not include one-time dividends provided as capital level adjustment



Recent Examples of Issue Resolution

(1) 2017 Automobile insurance, "coverage riders for expenses for saving victims"

Saving Victims Promptly Ahead of the Spread of Autonomous Driving

We were the first in Japan to develop a rider to facilitate payment of insurance proceeds to victims even in the event of an accident where liability is unclear due to progress in autonomous driving technologies (please see page 53).

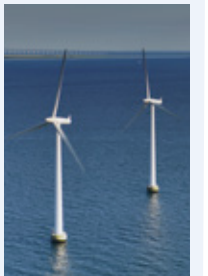


(2) 2020 Acquired GCube to provide specialized insurance solutions to offshore wind power generators

Supports the spread of renewable energy

To support the shift to renewable energy, we acquired GCube, a global leader in the field. Also, in Japan, we developed insurance that seamlessly compensates the risk associated with offshore wind power generation projects, thereby supporting operators from the perspective of insurance (Please see pages 78–79).

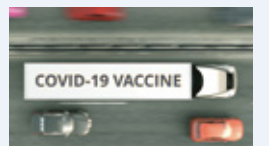
We received the SDGs Strategy and Economic Value Award at the 2nd Annual Nikkei SDGs Management Grand Prix for our development of this product.



(3) 2020 Cargo insurance for transport of COVID-19 vaccines (UK)

Supporting Shipments of COVID-19 Vaccines to Developing Countries

It is typically difficult to underwrite insurance for vaccines because they can no longer be used if they are not kept at the right temperature. However, TMK of the U.K. together with Lloyd's developed cargo insurance that compensates the risk associated with temperature fluctuations during vaccine transport by installing IoT devices on vaccine transport vehicles. The insurance pays out claims in less than three days in case vaccines are not kept at the optimal temperature, which facilitates transport of vaccines to developing countries.



(4) 2020 Medical KitYell (medical insurance with relaxed underwriting criteria)

Helping Extend the Healthy Life Expectancy of Seniors with Chronic Disease

We developed a new medical insurance product for seniors with chronic disease or health concerns, for which underwriting was previously difficult, using AI for big data analysis. We also offer services that help to prevent health conditions from becoming severe in response to the health needs of seniors (Please see page 29).



(5) 2021 Automobile insurance Drive Agent Personal

Achieving a Safer and More Secure Automotive Lifestyle

We were the first in Japan to provide customers with a dual-camera driving recorder with telecommunication function. In addition to various support after an accident, we deliver peace of mind whenever driving as the driving recorder helps to guard against dangerous tailgating and other road-rage incidents because it captures video from the front, rear and sides.



Portfolio Management Ability

Our strength is found in our ability to manage our portfolio for the insurance business. We are balancing business diversification and growth through forward-looking M&A aimed at portfolio optimization.

CEO Ross Buchmueller of PURE Group visits Japan following the acquisition agreement



Perspective as the Co-Head of International Business

Christopher Williams

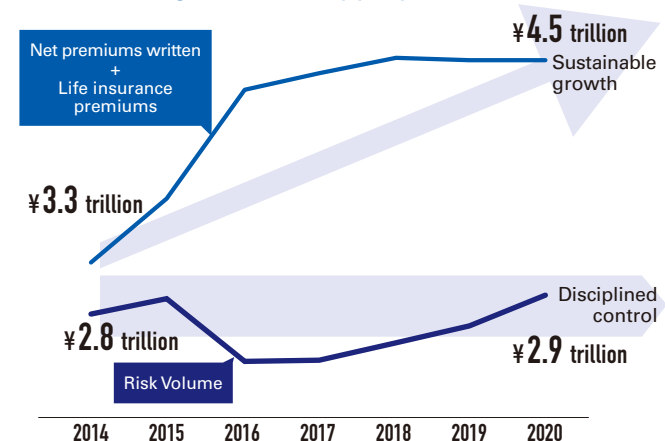
More than five years have already passed since HCC Insurance Holdings, Inc. (HCC), where I was CEO, became a member of Tokio Marine Group. I am now leading Tokio Marine's global operations as the Co-Head of International Business. Here, I would like to talk about our strength that comes from our portfolio management ability while highlighting some of my own personal experiences.

Track Record of Portfolio Management

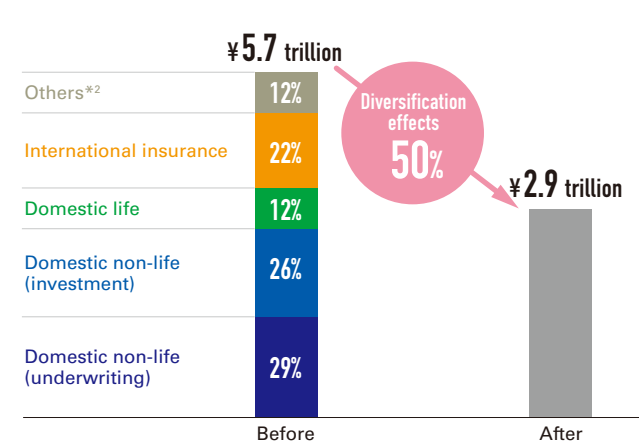
Insurance is a business that underwrites risk. Under no circumstances can we allow the foundations of our business to be shaken. This is why the Group has spent some 20 years working to expand its insurance business overseas where there is a low correlation with natural disasters in Japan. These efforts are intended to balance appropriate control of risk amount and sustainable growth by diversifying risks across geographic areas, businesses, and

products. Moreover, we not only acquire businesses, but on occasion we also divest them with a forward-looking approach, with the capital or funds raised from these transactions allocated to future acquisitions, leading to further risk diversification and business growth. Through this form of portfolio management, we have increased risk diversification effects up to 50% as of late, and as a result, our adjusted ROE has increased to 11.5% (FY2020).

Sustainable growth and appropriate control of risk^{*1}

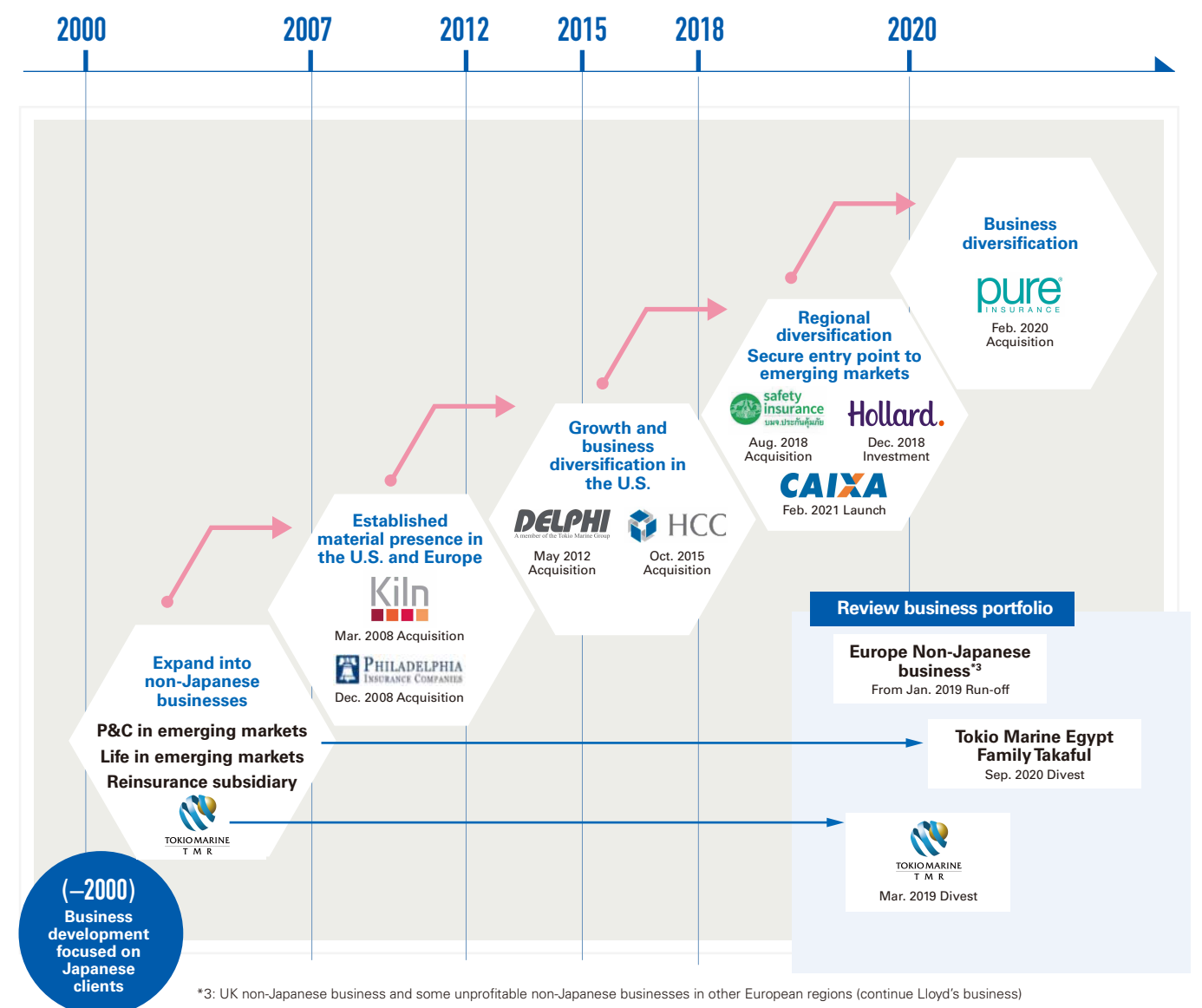


Risk^{*1} diversification effects (as of March 31, 2021)



*1: ESR risk (99.95%VaR, after tax basis) *2: Financial and other businesses, FX risk derived from net capital investments, etc.

Portfolio management to date



*3: UK non-Japanese business and some unprofitable non-Japanese businesses in other European regions (continue Lloyd's business)

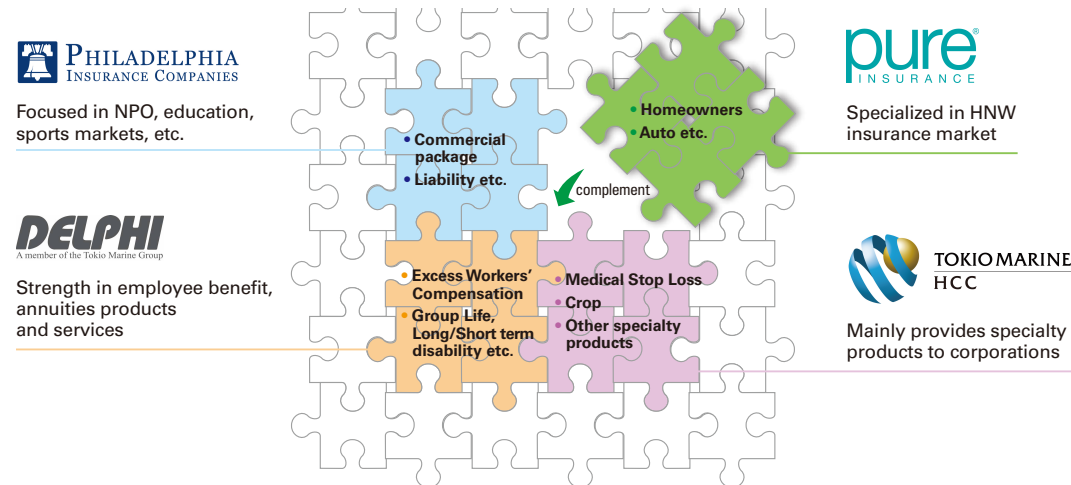
Strength 2 Portfolio Management Ability

Domains and Companies Targeted in M&A

For Tokio Marine Group, M&A is not a goal but a method for global risk diversification. Aimed at achieving this goal, our main M&A targets in developed countries in Europe and North America are companies with little overlap with our existing businesses in terms of customer base and products in the field of specialty insurance^{*1} while in emerging countries are those companies mainly with a

personal line of non-life insurance in regions with large market size and high growth potential. Furthermore, while more than 80% of the profits of our overseas insurance business come from North America, we have been able to diversify risks because there is very little overlap in terms of customer base and products of our Group companies, even within the same region.

^{*1}: Special insurance provided to corporations such as liability insurance and medical insurance, differentiated from standard auto insurance and fire insurance



Stringent Acquisition Guidelines Emphasizing Cultural Fit

We have established the stringent acquisition guidelines of cultural fit, high profitability, and strong business models in order to execute disciplined M&A. Among these, we value cultural fit the most. Looking back, culture was perhaps the single greatest factor in HCC joining Tokio Marine Group.

We have a market intelligence (MI) function internally to identify deals and then compile long and short lists. Based on this list, the International Executive Committee (IEC), comprised of the Group's C-suite and head of the overseas insurance business holds discussions around 10 times annually to carefully screen acquisition candidates, but using quantitative metrics is not sufficient to judge

an acquisition. More in-depth due diligence is needed to confirm cultural fit. During the Pure acquisition, I met directly with CEO Ross Buchmueller of PURE Group on several occasions. Once we even attended a Boston Red Sox baseball game as he is a big fan. As a result, the deciding factor for this acquisition became the strong sense of shared direction and chemistry fit gained from these dialogue.

Tokio Marine has executed M&A deals giving top priority to cultural fit, so conversely, there have been several deals that did not materialize because the cultural fit was not there, even though the guideline for high profitability was met.

Business Oversight Respecting Autonomy and High Growth of Target Companies

In addition to cultural fit, another characteristic of our M&A style that remains unchanged today is that we respect the autonomy of the target company and avoid invasive acquisitions. There are few companies in the world with a federated model for Group business operations like Tokio Marine. I believe that our integrated Group management under a federated model represents a unique business model.

On occasion, I am asked about consolidating business of an acquired company, but this would destroy the unique DNA of these companies. Since we acquire "good companies" with a strong business model and high profitability, maintaining the target company's autonomy and having them fully utilize their own strengths lead to further growth after they join the Group. This is

something I am convinced of from my time as CEO of Tokio Marine HCC (TMHCC), which in many cases used bolt-on M&A. In actuality, our large acquisitions of Philadelphia Consolidated Holding Corp. (PHLY), Delphi Financial Group, Inc. (DFG) and TMHCC, which drive overseas profits, have shown growth above and beyond the market after joining the Group, and I believe Pure will soon join these three companies. This has enabled us to establish a top 10 position in commercial lines for Tokio Marine Group in the North American market, the world's largest insurance market. In particular, we are a leading player in the specialty insurance field.

At the time of the acquisition of HCC, Tokio Marine Group promised to respect the autonomy of HCC, and, of course, this promise has been kept to this day.

Strong growth for four North American companies



*2: Net premiums written on a local accounting basis (For Pure, premiums under management company) *3: After-tax profit on a local accounting basis

Forward-Looking Business Divestments

Optimizing our business portfolio is an ongoing process of not only acquisition but also forward-looking divestments, to strategically interchange the portfolio. For example, Tokio Millennium Re AG (TMR), a reinsurance subsidiary established in 2000, was an important company forming the base of our full-fledged overseas expansion. We established TMR for global risk diversification through reinsurance and for learning about management of overseas companies. For the following reasons, however, we sold TMR in March 2019 after determining that it had served its purpose.

1. We were able to achieve risk diversification through primary insurance businesses from large acquisitions executed since 2008;

2. The earnings outlook in the reinsurance market is challenging due to the influx of third-party capital, and TMR, which generated profits of ¥10 billion, would have difficulty securing satisfactory return on risk (ROR) in the future; and
3. We felt that selling the business while healthy management is secured, which is important for employees and for the company.

We are able to use the capital and cash generated from the divestment to fund business investment that benefits further risk diversification and growth. Going forward, we will continue to review our portfolio in a flexible manner comprehensively incorporating the changes in business environment and business forecasts.

Closing

Our proven M&A track record and reputation will help us find the next great M&A opportunity. This is one of our major strengths that few competitors can easily match. When I made the decision for HCC to join Tokio Marine Group, I, of course, saw the success of TMK, PHLY and DFG, but the fact I was able to talk to each CEO to learn the appeal of the Tokio Marine Group was also a major supporting factor. I believe that we can continue to grow together with the colleagues that have joined us in recent years, including CEO Ross Buchmueller of PURE Group.

We are able to simultaneously achieve risk diversification and business growth by acquiring "good companies" with low risk correlation and little overlap in terms of customer base and products. At the same time, we divest businesses and reallocate the capital and cash generated for further diversification and growth. By continually engaging in this disciplined form of portfolio management and evolving this approach based on changes in the business environment, we aim for sustainable growth while controlling risks and as a result increase the capital efficiency of the entire Company.