



MILLEA

To our shareholders and investors

# Asset Management Strategy

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MILLEA

# I. Asset Management Strategy

# Asset Management

Improve ROE through implementing the following strategies  
in accordance with the characteristics of respective asset classes

### Composition of assets under management

	End of Mar. 2002	End of Mar. 2003	End of Sep. 2003
Business-related investments	39%	31%	35%
ALM	38%	46%	43%
Pure investment	5%	7%	6%
Real estate	4%	4%	4%
Others (cash equivalents, etc.)	13%	12%	12%

(Tokio Marine + Nichido Fire)

(Unit: ¥ bn)

	End of Mar. 2002		End of Mar. 2003		End of Sep. 2003	
Domestic bonds	1,890.9	(23%)	2,564.6	(33%)	2,371.8	(29%)
Domestic equities	3,117.3	(37%)	2,263.1	(29%)	2,691.2	(33%)
Foreign bonds	500.7	(6%)	394.6	(5%)	371.4	(5%)
Foreign equities	217.9	(3%)	205.3	(3%)	178.6	(2%)
Loans	827.6	(10%)	790.9	(10%)	761.3	(9%)
Real estate	354.7	(4%)	330.8	(4%)	324.6	(4%)
Others	1,464.0	(17%)	1,228.6	(16%)	1,449.1	(18%)
Total	8,373.1	(100%)	7,777.9	(100%)	8,147.9	(100%)

(Tokio Marine + Nichido Fire)

### Business-related investment

Manage the overall profitability of the insurance business and financial investments  
To improve capital efficiency, sell business-related equity holdings by **approx. 10%** by the end of FY05

### ALM

Control interest rate risk embedded in assets and liabilities, for saving-type non-life insurance products  
Steadily increase surplus value (assets minus liabilities) on a marked-to-market value basis

### Pure investment

Improve ROE by making diversified investments, ranging from conventional financial markets to alternative investments  
Introduced sophisticated risk allocation


# Business-related Investment

- Millea Group has continuously decreased business-related equity holdings.  
In FY02, Tokio Marine implemented a considerable amount of liquidation by utilizing ETF (Exchange Traded Funds)
- Sell approximately another 10% of business-related equity holdings by the end of FY05

<Actual results and plan of business-related equity holdings liquidation>

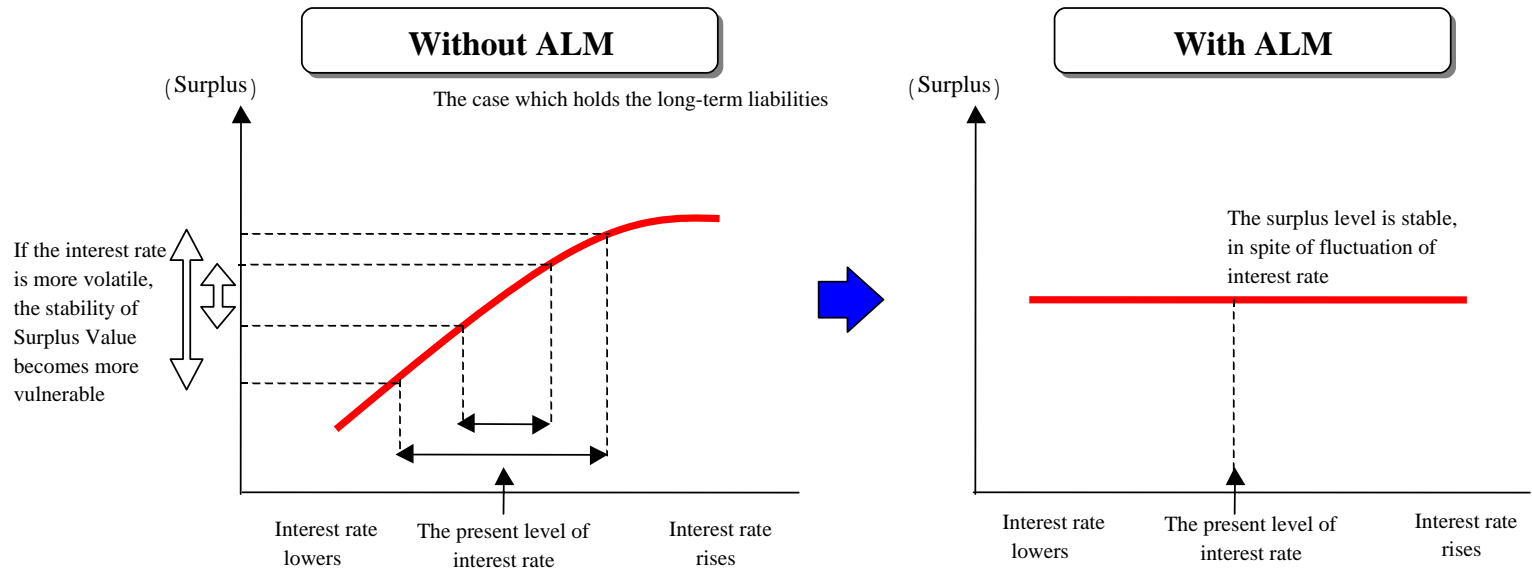
(Unit: ¥ bn)

	End of FY 02 actual	1st half of FY03 actual	By the end of FY05 plan
<b>Tokio Marine + Nichido Fire</b>	approx. 260	approx. 60	Liquidate approx.10% of outstanding



# ALM (1)

- Stabilizing “Surplus Value” (= investment assets - insurance liabilities) is essential for managing saving-type non-life insurance products
- The major risk that fluctuates the value of our insurance liabilities is yen-denominated interest rate risk. Therefore, controlling the interest rate risk with balancing assets and liabilities is vital for ensuring the stability of Surplus Value --- This is our ALM (Assets and Liabilities Management)



- The objective of ALM is stabilizing Surplus Value by hedging interest rate risk as much as possible, regardless of fluctuations of interest rate.

# ALM (2)

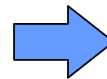
- The objective of ALM is to keep a risk-neutral position against yen-denominated interest rate risk, by hedging interest rate risk to balance assets and liabilities

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- In addition, we target steadily increasing Surplus Value mainly through investing in Japanese Government Bonds (JGBs) and higher-rated corporate bonds

The risk embedded in savings-type insurance liabilities

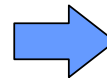
= Interest rate risk



Take a risk-neutral position against yen-denominated interest rate risk

The risk accompanied with investments

= Credit risk, etc.



Steadily increase Surplus Value mainly through investing in JGBs and higher-rated corporate bonds

# Influence of Rising Interest Rate

## ALM assets

- The overall influence of rising interest rate is not significant. --- Much of bonds are held for ALM purposes. Although the fair market value of the bonds declines with rising interest rate, the fair value of the insurance liabilities declines at the same time

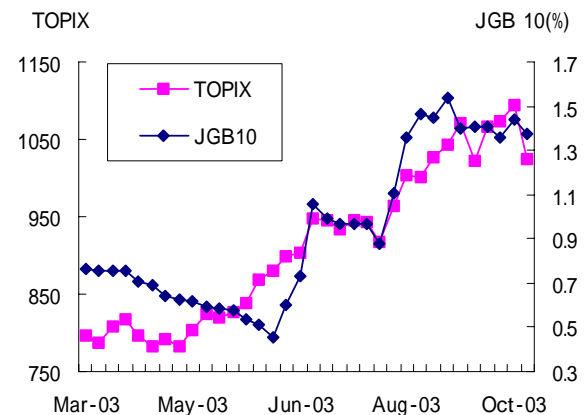
## Assets for other than ALM purposes

- In the short-term, a limited contribution, but in the long run, a certain degree of positive effect --- since higher yields can be expected in newly invested bonds and money market products

< Unrealized gains on bonds and equities >

(Yen in 100 millions)

	End of March	End of September	Difference
Bonds	25,646	23,718	1,928
(Unrealized gains )	( 1,658 )	( 296 )	( 1,362 )
Equities	22,631	26,912	4,280
(Unrealized gains )	( 9,838 )	( 14,687 )	( + 4,849 )



# Pure Investment

- Our objective is to improve ROE through investing in broad and diversified assets/products
- We focus on -- (I) sophistication of risk allocation, (II) expansion of scope of investments and continuous investments in new assets/products and (III) diversification of fund managers

### Risk allocation

- Allocation of risk-based capital, considering the diversification of risks embedded in invested assets/products
- Achieve a higher ROE by establishing a more profitable portfolio against the embedded risks

### Scope of investments

- Global investments in a wide range of assets/products, including alternative investments
- Continuous investments in new assets/products to expand the scope of investment

### Fund managers

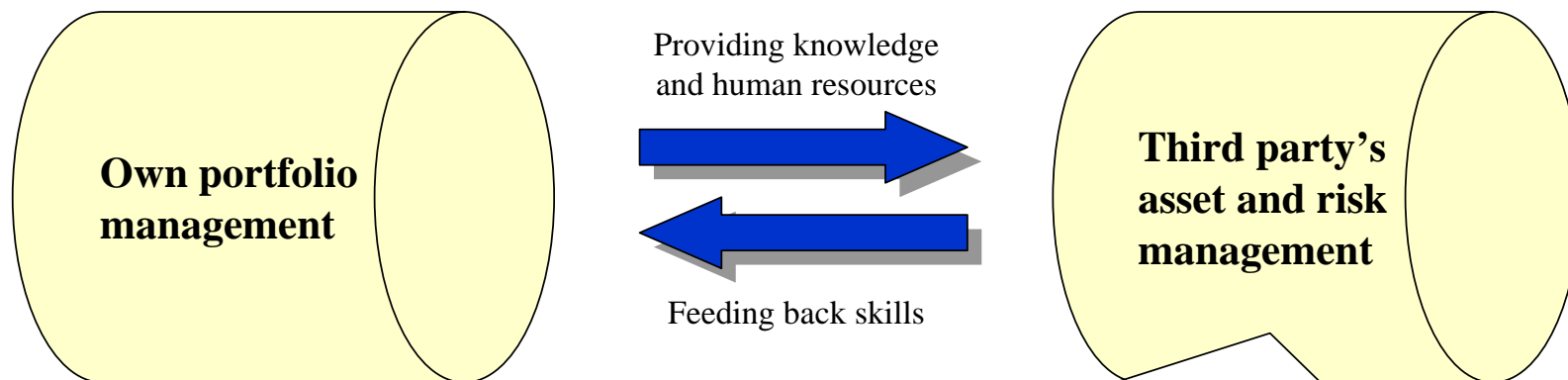
- Diversifying the style of investments through balancing in-house fund managers, who have proprietary asset management skill, and utilizing external fund managers, leveraging our expertise in third-party manager selection



## **II. Asset Management and Financial Services for Third Party**

# Asset Management & Financial Services Business

- Capitalizing on the knowledge and skills that we have earned through managing our own portfolio, we have entered into the following asset management and financial services businesses



Group Members	<ul style="list-style-type: none"><li>Managing third party funds<ul style="list-style-type: none"><li>Tokio Marine Asset Management</li><li>Tokio Marine Capital</li><li>Millea Real Estate Risk Management</li></ul></li><li>Providing customers with risk solutions based on derivative tools.<ul style="list-style-type: none"><li>Tokio Marine Financial Solutions</li></ul></li></ul>
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Affiliates	<ul style="list-style-type: none"><li>Japan Real Estate Asset Management</li><li>Mitsubishi Asset Brains</li></ul>
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# Group Companies and Affiliates

### **Tokio Marine Asset Management** <Asset Management>

- Established in December, 1985
- Recognized as one of the top-tier active portfolio manager of Japanese equity
- Entered into mutual funds management business in 1998
- Formed a joint venture with Rogge Global Partners, a highly-rated global fixed income investment manager, in October 2003
- Asset under management: ¥1.07 trillion

### **Tokio Marine Capital** <Private Equity>

- Established in December 1991
- Managing venture capital and buyout funds
- Fund size: approximately ¥37.5 billion

### **Millea Real Estate Risk Management** <Real Estate>

- Established in February 2003
- A real estate investment advisory company
- Organizing and managing real estate investment funds for institutional investors and real estate companies

### **Tokio Marine Financial Solutions** <Derivatives>

- Established in December 1997
- Formally known as “First Chicago Tokio Marine Financial Products”
- Purchased all shares of JV counterpart, Bank One, in November 2002
- Utilizing both insurance knowledge and financial technology, the company provides unique and innovative derivative products including commodity derivatives and weather derivatives

### **Japan Real Estate Asset Management** <Real Estate>

- Established in October 2000.
- A joint venture with Mitsubishi Real Estate, Dai-ichi Life, and Mitsui & Co. Managing REIT listed on the Tokyo Stock Exchange
- Property under management: ¥183.5 billion as of the end of March, 2003

### **Mitsubishi Asset Brains** <Mutual Funds Assessment>

- A joint venture with the Bank of Tokyo-Mitsubishi, Mitsubishi Trust and Banking and Meiji Life
- Assessed more than 300 Japanese mutual funds

# Asset Management Operations

- Our goal is to increase profit from the asset management business through accumulating assets under management

## Wholesale business

- Tokio Marine Asset Management is marketing its private equity fund of funds to institutional investors and pensions
- Tokio Marine Asset Management has established a joint venture with Rogge Global Partners to provide global fixed income investment services to Japanese customers
- Tokio Marine Capital is preparing to launch its next private equity fund
- Millea Real Estate Risk Management will continuously launch real estate investment funds



Expanding the scope of business

## Retail business

- Improve product development functions to provide unique and customer-oriented mutual funds and other financial products
- Strengthen relationships with regional banks and securities companies to expand distribution channels
- Provide customers with various financial products through insurance agents



Doubling the size of assets under management

# Improving Global Fixed Income Investment Services

Tokio Marine Asset Management (TMA) and Rogge Global Partners have established a Joint Venture based in London, which provides global fixed income services to investors in Japan

## Purpose of JV

- Providing global fixed income investment services to institutional investors and meeting the diversified needs of customers in this asset class

## Rogge Global Partners

- A global investment house registered in London. Since its inception in 1984 the firm has one of the longest and most competitive investment track records in the area of global fixed income management
- Established partnership relationships with investors in U.S., Japan, Europe and South Africa.

## Tokio Marine Rogge Asset Management

- Utilizing the existing leading skills and capabilities of Rogge's investment team combined with an additional portfolio manager from TMA
- TMA will serve as a custody of Japanese investors for Tokio Marine Rogge Asset Management

