

**The Toa Reinsurance Company, Limited
and Subsidiaries**

Consolidated Financial Statements
For the years ended 31st March 2016 and 2015

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Balance Sheet
As of 31st March 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Assets			
Cash and deposits	¥ 9,877	¥ 12,829	\$ 87,655
Monetary receivables bought	2,999	2,999	26,615
Money held in trust	7,609	6,072	67,527
Securities (Notes 5(2) and (4))	561,795	573,798	4,985,756
Loans (Note 5(3))	700	671	6,212
Tangible fixed assets (Note 5(1))			
Land	6,755	6,755	59,948
Buildings	3,176	3,357	28,186
Leased assets	194	237	1,721
Other tangible fixed assets	244	168	2,165
	<u>10,371</u>	<u>10,519</u>	<u>92,039</u>
Intangible fixed assets			
Software	244	-	2,165
Software in progress	959	473	8,510
Other intangible fixed assets	2	1	17
	<u>1,207</u>	<u>474</u>	<u>10,711</u>
Other assets			
Foreign reinsurance accounts receivable	36,763	35,698	326,260
Rest of other assets	21,894	21,642	194,302
	<u>58,657</u>	<u>57,340</u>	<u>520,562</u>
Deferred tax assets	35,086	25,000	311,377
Less: Allowance for doubtful accounts	(63)	(75)	(559)
Total assets	<u>¥ 688,242</u>	<u>¥ 689,631</u>	<u>\$ 6,107,933</u>

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Balance Sheet, continued
As of 31st March 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Liabilities			
Underwriting funds			
Outstanding claims	¥ 229,336	¥ 224,281	\$ 2,035,285
Underwriting reserves	206,363	196,412	1,831,407
	<u>435,700</u>	<u>420,694</u>	<u>3,866,702</u>
Corporate bonds	30,000	30,000	266,240
Other liabilities	24,713	23,688	219,320
Net defined benefit liabilities	8,191	6,738	72,692
Accrued retirement benefits for directors	135	164	1,198
Reserve under the special law			
Reserve for price fluctuation	8,020	8,027	71,175
	<u>8,020</u>	<u>8,027</u>	<u>71,175</u>
Deferred tax liabilities	655	983	5,812
Total liabilities	<u>507,416</u>	<u>490,296</u>	<u>4,503,159</u>
Net assets			
Shareholders' equity			
Capital stock	5,000	5,000	44,373
Capital surplus	27	21	239
Retained earnings	113,370	108,346	1,006,123
Treasury stock	(4,233)	(4,324)	(37,566)
	<u>114,165</u>	<u>109,043</u>	<u>1,013,178</u>
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	57,475	78,661	510,072
Net foreign currency translation adjustments	11,093	12,549	98,446
Remeasurements of defined benefit plans	(1,908)	(920)	(16,932)
	<u>66,661</u>	<u>90,290</u>	<u>591,595</u>
Total net assets	<u>180,826</u>	<u>199,334</u>	<u>1,604,774</u>
Total liabilities and net assets	<u>¥ 688,242</u>	<u>¥ 689,631</u>	<u>\$ 6,107,933</u>

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Statement of Income
For the years ended 31st March 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Ordinary income and expenses:			
Ordinary income			
Underwriting income			
Net premiums written	¥ 223,786	¥ 208,962	\$ 1,986,031
Investment income on deposit premiums	261	231	2,316
Reversal of outstanding claims	-	17,059	-
Other underwriting income	0	1,173	0
	224,048	227,428	1,988,356
Investment income			
Interest and dividends income	14,366	13,097	127,493
Gain on money held in trust	3	161	26
Gain on sales of securities	6,662	5,469	59,123
Gain on redemption of securities	55	114	488
Other investment income	0	12	0
Transfer of investment income on deposit premiums	(261)	(231)	(2,316)
	20,826	18,623	184,824
Other ordinary income	239	213	2,121
	245,114	246,264	2,175,310
Ordinary expenses			
Underwriting expenses			
Net claims paid	155,574	160,692	1,380,670
Commissions and brokerage (Note 6(1))	44,325	40,388	393,370
Provision for outstanding claims	4,992	-	44,302
Provision for underwriting reserves	9,809	12,679	87,051
Other underwriting expenses	1,492	5	13,241
	216,194	213,767	1,918,654
Investment expenses			
Loss on money held in trust	458	-	4,064
Loss on sales of securities	3,026	676	26,854
Impairment losses on securities	668	17	5,928
Loss on redemption of securities	165	90	1,464
Loss on derivatives	549	-	4,872
Other investment expenses	1,340	174	11,892
	6,208	958	55,094
Operating and general administrative expenses (Note 6(1))	11,394	10,799	101,118
Other ordinary expenses			
Interest expenses	1,606	1,602	14,252
Loss on bad debts	6	0	53
Other expenses	47	23	417
	1,661	1,626	14,740
	235,459	227,152	2,089,625
Ordinary profit	¥ 9,655	¥ 19,112	\$ 85,685

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Statement of Income, continued
For the years ended 31st March 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Extraordinary income and loss:			
Extraordinary income			
Gain on disposal of fixed assets	¥ 1	¥ -	\$ 8
Reversal of reserve under the special law			
Reversal of reserve for price fluctuation	6	-	53
	<u>8</u>	<u>-</u>	<u>70</u>
Extraordinary loss			
Loss on disposal of fixed assets	3	4	26
Provision for reserve under the special law			
Provision for reserve for price fluctuation	-	231	-
	<u>3</u>	<u>235</u>	<u>26</u>
Income before income taxes	<u>9,659</u>	<u>18,877</u>	<u>85,720</u>
Income taxes:			
Current	3,451	3,000	30,626
Deferred	533	10,070	4,730
	<u>3,985</u>	<u>13,071</u>	<u>35,365</u>
Net income	<u>5,674</u>	<u>5,805</u>	<u>50,354</u>
Net income attributable to owners of the parent	<u>¥ 5,674</u>	<u>¥ 5,805</u>	<u>\$ 50,354</u>

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Statement of Comprehensive Income
For the year ended 31st March 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Comprehensive income			
Net income	¥ 5,674	¥ 5,805	\$ 50,354
Other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	(21,185)	23,611	(188,010)
Net foreign currency translation adjustments	(1,455)	10,259	(12,912)
Remeasurements of defined benefit plans, net of tax	(988)	(538)	(8,768)
Total other comprehensive income (Note 7(1))	<u>(23,629)</u>	<u>33,333</u>	<u>(209,700)</u>
	<u>¥ (17,955)</u>	<u>¥ 39,139</u>	<u>\$ (159,345)</u>
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥ (17,955)	¥ 39,139	\$ (159,345)
Comprehensive income attributable to non-controlling interests	-	-	-

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
For the years ended 31st March 2016 and 2015

For the year ended 31st March 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥ 5,000	¥ 21	¥ 108,346	¥ (4,324)	¥ 109,043
Cumulative effects of changes in accounting policies					-
Restated balance	5,000	21	108,346	(4,324)	109,043
Changes during the period					
Dividends from retained earnings			(650)		(650)
Net income attributable to owners of the parent			5,674		5,674
Disposal of treasury stock		6		90	97
Net changes in items other than shareholders' equity					
Total changes during the period	-	6	5,024	90	5,121
Balance at the end of the period	¥ 5,000	¥ 27	¥ 113,370	¥ (4,233)	¥ 114,165

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on available-for-sale securities, net of taxes	Net foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the period	¥ 78,661	¥ 12,549	¥ (920)	¥ 90,290	¥ 199,334
Cumulative effects of changes in accounting policies					-
Restated balance	78,661	12,549	(920)	90,290	199,334
Changes during the period					
Dividends from retained earnings					(650)
Net income attributable to owners of the parent					5,674
Disposal of treasury stock					97
Net changes in items other than shareholders' equity	(21,185)	(1,455)	(988)	(23,629)	(23,629)
Total changes during the period	(21,185)	(1,455)	(988)	(23,629)	(18,508)
Balance at the end of the period	¥ 57,475	¥ 11,093	¥ (1,908)	¥ 66,661	¥ 180,826

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity, continued
For the years ended 31st March 2016 and 2015

(Thousands of U.S. dollars (Note 1(2)))

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	\$ 44,373	\$ 186	\$ 961,537	\$ (38,374)	\$ 967,722
Cumulative effects of changes in accounting policies					-
Restated balance	44,373	186	961,537	(38,374)	967,722
Changes during the period					
Dividends from retained earnings			(5,768)		(5,768)
Net income attributable to owners of the parent			50,354		50,354
Disposal of treasury stock		53		798	860
Net changes in items other than shareholders' equity					
Total changes during the period	-	53	44,586	798	45,447
Balance at the end of the period	\$ 44,373	\$ 239	\$ 1,006,123	\$ (37,566)	\$ 1,013,178

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on available-for-sale securities, net of taxes	Net foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the period	\$ 698,091	\$ 111,368	\$ (8,164)	\$ 801,295	\$ 1,769,027
Cumulative effects of changes in accounting policies					-
Restated balance	698,091	111,368	(8,164)	801,295	1,769,027
Changes during the period					
Dividends from retained earnings					(5,768)
Net income attributable to owners of the parent					50,354
Disposal of treasury stock					860
Net changes in items other than shareholders' equity	(188,010)	(12,912)	(8,768)	(209,700)	(209,700)
Total changes during the period	(188,010)	(12,912)	(8,768)	(209,700)	(164,252)
Balance at the end of the period	\$ 510,072	\$ 98,446	\$ (16,932)	\$ 591,595	\$ 1,604,774

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity, continued
For the years ended 31st March 2016 and 2015

For the year ended 31st March 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥ 5,000	¥ 0	¥ 103,293	¥ (4,961)	¥ 103,332
Cumulative effects of changes in accounting policies			(109)		(109)
Restated balance	5,000	0	103,183	(4,961)	103,222
Changes during the period					
Dividends from retained earnings			(642)		(642)
Net income attributable to owners of the parent			5,805		5,805
Disposal of treasury stock		21		636	658
Net changes in items other than shareholders' equity					
Total changes during the period	-	21	5,162	636	5,821
Balance at the end of the period	¥ 5,000	¥ 21	¥ 108,346	¥ (4,324)	¥ 109,043

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on available-for-sale securities, net of taxes	Net foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the period	¥ 55,049	¥ 2,289	¥ (382)	¥ 56,957	¥ 160,289
Cumulative effects of changes in accounting policies					(109)
Restated balance	55,049	2,289	(382)	56,957	160,179
Changes during the period					
Dividends from retained earnings					(642)
Net income attributable to owners of the parent					5,805
Disposal of treasury stock					658
Net changes in items other than shareholders' equity	23,611	10,259	(538)	33,333	33,333
Total changes during the period	23,611	10,259	(538)	33,333	39,154
Balance at the end of the period	¥ 78,661	¥ 12,549	¥ (920)	¥ 90,290	¥ 199,334

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended 31st March 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥ 9,659	¥ 18,877	\$ 85,720
Depreciation and amortization	389	352	3,452
Increase (decrease) in outstanding claims	4,992	(17,059)	44,302
Increase (decrease) in underwriting reserves	9,809	12,679	87,051
Increase (decrease) in allowance for doubtful accounts	(10)	(11)	(88)
Increase (decrease) in accrued retirement benefits for directors	(29)	32	(257)
Increase (decrease) in accrued bonuses for employees	(11)	21	(97)
Increase (decrease) in net defined benefit liabilities	21	(112)	186
Increase (decrease) in reserve for price fluctuation	(6)	231	(53)
Interest and dividends income	(14,366)	(13,097)	(127,493)
Loss (gain) on securities	(2,854)	(4,806)	(25,328)
Interest expenses	1,606	1,602	14,252
Foreign exchange loss (gain)	128	(467)	1,135
Loss (gain) on tangible fixed assets	2	4	17
Loss (gain) on money held in trust	454	(161)	4,029
Decrease (increase) in other assets (other than investing and financing activities)	(908)	1,490	(8,058)
Increase (decrease) in other liabilities (other than investing and financing activities)	480	(2,427)	4,259
Others, net	214	33	1,899
Subtotal	9,574	(2,819)	84,966
Interest and dividends received	16,382	15,101	145,385
Interest paid	(1,602)	(1,602)	(14,217)
Income taxes paid	(3,185)	(4,859)	(28,265)
Net cash provided by (used in) operating activities	21,168	5,820	187,859
Cash flows from investing activities			
Net decrease (increase) in deposits	12	(145)	106
Increase in money held in trust	(2,000)	-	(17,749)
Purchases of securities	(159,989)	(118,380)	(1,419,852)
Proceeds from sales or redemption of securities	144,265	102,392	1,280,307
Loans made	(37)	(501)	(328)
Proceeds from collection of loans	8	528	70
Total of net cash provided by (used in) investment transactions	(17,740)	(16,106)	(157,436)
Total of net cash provided by (used in) operating activities and investment transactions	3,428	(10,286)	30,422
Purchase of tangible fixed assets	(165)	(92)	(1,464)
Proceeds from sales of tangible fixed assets	1	-	8
Purchase of intangible fixed assets	(634)	(437)	(5,626)
Net cash provided by (used in) investing activities	(18,539)	(16,636)	(164,527)
Cash flows from financing activities			
Dividends paid	(650)	(642)	(5,768)
Repayment for lease liabilities	(105)	(82)	(931)
Proceeds from disposal of treasury stock	97	658	860
Net cash provided by (used in) financing activities	(658)	(66)	(5,839)
Effect of exchange rate changes on cash and cash equivalents	(140)	2,127	(1,242)
Net increase (decrease) in cash and cash equivalents	1,830	(8,755)	16,240
Cash and cash equivalents at the beginning of the period	21,001	29,757	186,377
Cash and cash equivalents at the end of the period (Note 9(1))	¥ 22,832	¥ 21,001	\$ 202,626

The accompanying notes are an integral part of the statements.

The Toa Reinsurance Company, Limited and Subsidiaries

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

- (1) The accompanying consolidated financial statements of The Toa Reinsurance Company, Limited (the “Company”) and its subsidiaries (collectively, the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to both application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan.

- (2) Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112.68 = US\$1, the rate of exchange on 31st March 2016, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.
- (3) Fractional amounts of less than ¥1 million or \$1 thousand have been rounded down. Accordingly, the totals in yen and US dollars do not necessarily agree with the sum of the individual amounts.

2. Principal Matters for Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

A. Consolidated Subsidiaries

Of the Company’s subsidiaries, two subsidiaries are consolidated. The names of the consolidated subsidiaries are as follows:

- The Toa Reinsurance Co. of America (U.S.A.)
- The Toa 21st Century Reinsurance Co., Ltd. (Switzerland)

B. Non-consolidated Subsidiary

The other subsidiary is a small-scale operation, in terms of total assets, ordinary profit (loss), net income (loss) for the year and retained earnings, and is excluded from the scope of consolidation, due to its insignificant effect on the consolidated financial statements of the Company as a whole. The name of the non-consolidated subsidiary is as follows:

- Sundai Company, Limited.

(2) Application of the Equity Method

Since the effect of the non-consolidated subsidiary on the net income (loss) for the year and the retained earnings is negligible and it is considered immaterial, this company is not accounted for by the equity method.

(3) Fiscal Years of Consolidated Subsidiaries

The fiscal year ends of both consolidated subsidiaries are 31st December. Since the differences in the fiscal year ends do not exceed three months, financial statements as of the fiscal year end of each subsidiary are used in preparing the consolidated financial statements. As for significant transactions occurring between that date and the date of the Company's fiscal year end, necessary adjustments are made upon consolidation.

(4) Significant Accounting Policies

A. Financial Instruments

(a) Stocks of Non-consolidated Subsidiaries not Accounted for by the Equity Method

Stocks of non-consolidated subsidiaries not accounted for by the equity method are recorded at cost determined by the moving-average method.

(b) Securities

Available-for-sale securities with fair value are carried at fair value based on the prices prevailing in the market on the balance sheet date and others. Unrealized gains or losses, net of tax are included in a separate component of net assets. Cost of sales is calculated using cost determined by the moving-average method. Available-for-sale securities extremely difficult to measure fair value are recorded at cost or amortized cost determined by the moving-average method.

(c) Money Held in Trust

Securities included in money held in trust are carried at fair value.

(d) Derivatives

Derivatives are carried at fair value.

B. Depreciation Method for Fixed Assets

(a) Tangible Fixed Assets (Except for Leased Assets)

Depreciation of tangible fixed assets (except for leased assets) held by the Company is calculated by the declining balance method.

However, the depreciation of buildings, except for their attached facilities, acquired on or subsequent to 1st April 1998, is calculated by the straight-line method.

Depreciation of property and equipment held by consolidated subsidiaries is calculated by the straight-line method.

(b) Intangible Fixed Assets (Except for Leased Assets)

Amortization of intangible fixed assets (except for leased assets) is calculated by the straight-line method. Amortization of software for internal use is calculated by the straight-line method over its estimated useful life (5 years).

(c) Leased Assets

Depreciation of leased assets held by the Company with regard to finance leases for which ownership does not transfer to the lessees is calculated by the straight-line method over a period up to the length of the relevant lease contracts with no residual value.

C. Accounting Policies for Major Reserves

(a) Allowance for Doubtful Accounts

The Company books an allowance for doubtful accounts, in accordance with the standard for self-assessment of assets and rules for write-offs and provisions, as follows:

- (i) For debts of debtors who are legally or formally bankrupt (due to bankruptcy, special liquidation or suspension of service at clearing houses, etc.) or virtually bankrupt, a reserve is provided based on the amount that remains after anticipated proceeds from the disposal of collateral and the anticipated recovery of debt through guarantees are deducted from the debt balances.
- (ii) For debts of debtors who are likely to become bankrupt, a reserve is provided based on the amount considered to be necessary to cover the amount that remains after anticipated proceeds from the disposal of collateral and the anticipated recovery of debt through guarantees are deducted from the debt balances. This reserve amount is based on an overall judgment regarding the solvency status of each debtor.
- (iii) For debts other than those described above, a reserve is provided for an amount determined by multiplying debt balances by the default rate, which is computed based on historical loan loss experience in certain previous period.

All debts are assessed by each asset management department of the Company in accordance with the standard for self-assessment of assets. The allowance for doubtful accounts mentioned above is computed based on the result of this assessment and rules for write-offs and provisions. These results are audited by the Internal Audit Department which is independent from each department.

(b) Accrued Retirement Benefits for Directors

Accrued retirement benefits for directors are provided on the basis of the estimated amounts to be paid based on internally established rules at the end of the fiscal year.

(c) Reserve for Price Fluctuation

The Company books a reserve for price fluctuation in accordance with Article 115 of the Insurance Business Law to provide for contingent losses caused by price fluctuation on stocks and other investments.

D. Retirement Benefits

(a) Method of Attributing Expected Retirement Benefits to Periods

In calculating retirement benefit obligations, the method of attributing the expected retirement benefits to the period ended 31st March 2016 is mainly based on the benefit formula method.

(b) Method for Amortizing Actuarial Differences and Prior Service Costs

The Company fully amortizes actuarial differences in the following fiscal year.

The consolidated subsidiaries amortize prior service costs using the straight-line method over a certain period within the average remaining service period of employees at the time of occurrence (9.4 years).

E. Hedge Accounting

With regard to forward foreign exchange contracts utilized to hedge future foreign exchange risk associated with monetary credits and debts, etc. denominated in foreign currencies, the Company applies the allocation method. As the forward foreign exchange contract meets the required condition to apply the allocation method, the Company omits the hedge accounting effectiveness testing. The allocation method requires foreign currency assets and liabilities to be recorded using the corresponding foreign exchange contract rates.

F. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand, deposits able to be withdrawn on demand and short-term investments such as time deposits with original maturities of three months or less and which have minimal risk of fluctuation in value.

G. Other Significant Accounting Policies

Consumption Tax Accounting Treatment

Consumption tax is accounted for separately from the transactions subject to such tax. However, the consumption tax on certain expenses, such as operating and general administrative expenses, is included in those expenses. Non-deductible consumption tax on the purchase of assets is included in "Rest of other assets" and amortized evenly over a period of five years.

3. Changes in Accounting Policies

The Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on 13rd September 2013, the "Business Combinations Accounting Standard"), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on 13rd September 2013, the "Consolidation Accounting Standard"), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on 13rd September 2013, the "Business Divestitures Accounting Standard") and other related standards effective from the year ended 31st March 2016. Under these accounting standards, the Company has implemented new accounting methods where differences due to changes in the Company's ownership interests in subsidiaries continuously under control are accounted for as capital surplus and where acquisition-related costs are expensed for the fiscal year when the costs incurred. Regarding business combinations occurring at or after the beginning of the year ended 31st March 2016, the Company has also implemented a new accounting method where the reviewed allocation of acquisition costs due to the finalization of the provisional accounting treatment are reflected in the consolidated financial statements for the accounting period in which business combination occurs. In addition, the Company changed the presentation of net income and other related items. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect these changes in the presentation.

The Accounting Standard for Business Combinations and other standards have been applied in accordance with the transitional accounting treatments prescribed in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidation Accounting Standard and paragraph 57-4 (4) of the Business Divestitures Accounting Standard. The Company has applied these standards prospectively from the year ended 31st March 2016.

These changes had no impact on the consolidated financial statements for the year ended 31st March 2016.

4. Accounting Standards Issued but Not Yet Adopted

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued on 28th March 2016)

(1) Outline

In regard to the treatment of the recoverability of deferred tax assets, ASBJ Guidance No. 26 basically applied the framework used in “Auditing Treatment for Judgment of Recoverability of Deferred Tax Assets” (Japanese Institute of Certified Public Accountants Audit Committee Report No. 66), which is to say, a framework where companies are categorized into five categories and the amount of deferred tax assets to be recorded is estimated based on the category, but certain necessary revisions were made to the following treatments.

- A. Treatment of companies that do not satisfy any of the categorization requirements for (Category 1) through (Category 5)
- B. Categorization criteria related to (Category 2) and (Category 3)
- C. Treatment of unscheduled deductible temporary differences for (Category 2)
- D. Treatment of reasonably estimable periods for taxable income before adjusting temporary differences for (Category 3)
- E. Treatment of companies that satisfy the categorization requirements for (Category 4) in cases where they qualify as (Category 2) or (Category 3)

(2) Date of Adoption

The Company plans to adopt the Implementation Guidance from the beginning of the year ended 31st March 2017.

(3) Impact of Adopting the Implementation Guidance

The impact of adopting the Implementation Guidance on the consolidated financial statements is now under assessment.

5. Notes to the Consolidated Balance Sheet

- (1) The amounts of accumulated depreciation and advanced depreciation of tangible fixed assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Accumulated depreciation	¥ 9,422	¥ 9,137	\$ 83,617
Advanced depreciation	29	29	257

- (2) The carrying amounts of stocks of a non-consolidated subsidiary are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Securities	¥ 10	¥ 10	\$ 88

(3) Impaired Loans

There is no balance of impaired loans, including loans to borrowers under bankruptcy proceedings, overdue loans, loans past due for three months or more and loans with altered lending conditions, as of 31st March 2016 and 2015.

The definitions of impaired loans are as follows:

- A. "Loans to borrowers under bankruptcy proceedings" are non-accrual loans (excluding loans written off) which apply to circumstances as stated in Article 96, paragraph 1, subparagraph 3 or Article 96, paragraph 1, subparagraph 4 of the Order for Enforcement of the Corporation Tax Act (Government Ordinance No. 97, 1965) which have no prospects for recovery or repayment of principal or interest because payment of principal or interest has not been received for a substantial period or for other reasons.
- B. "Overdue loans" are those loans on which accrued interest income has not been recognized, excluding loans to borrowers under bankruptcy proceedings and excluding loans for which interest payments have been rescheduled with the aim of providing restructuring assistance and support.
- C. "Loans past due for three months or more" are those loans for which payments of principal or interest has not been received for a period of three months or more, beginning with the next day following the last due date for such payments, and are not included in loans to borrowers under bankruptcy proceedings or overdue loans.
- D. "Loans with altered lending conditions" are those loans for which the Company has provided more favorable terms and conditions than those contained in the original loan agreement (including reducing interest rates, rescheduling interest and principal payments, or the waiving of claims on the borrowers) to the borrowers with the aim of providing restructuring assistance and support. Such loans exclude loans to borrowers under bankruptcy proceedings, overdue loans and loans past due for three months or more.

(4) The carrying amounts of assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Securities	¥ 29,209	¥ 34,225	\$ 259,220

These securities are pledged to deposit for overseas operations and to establish letters of credit.

6. Notes to the Consolidated Statement of Income

(1) The significant components of business expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Commissions, net of reinsurance ceded	¥ 44,325	¥ 40,388	\$ 393,370

Business expenses are the total of "Operating and general administrative expenses" and "Commissions and brokerage" in the consolidated statement of income.

7. Notes to the Consolidated Statement of Comprehensive Income

(1) Reclassification Adjustments and Income Tax Effects of Other Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Net unrealized gains (losses) on available-for-sale securities, net of tax:			
Gains (losses) arising during the period	¥ (28,048)	¥ 36,570	\$ (248,917)
Reclassification adjustments	(2,857)	(4,829)	(25,354)
Before income tax effect adjustments	(30,906)	31,740	(274,281)
Income tax effects	9,720	(8,128)	86,261
Net unrealized gains (losses) on available-for-sale securities, net of tax	(21,185)	23,611	(188,010)
Net foreign currency translation adjustments:			
Gains (losses) arising during the period	(3,846)	8,973	(34,132)
Reclassification adjustments	1,623	570	14,403
Before income tax effect adjustments	(2,223)	9,544	(19,728)
Income tax effects	767	715	6,806
Net foreign currency translation adjustments	(1,455)	10,259	(12,912)
Remeasurements of defined benefit plans, net of tax:			
Gains (losses) arising during the period	(1,466)	(748)	(13,010)
Reclassification adjustments	35	(79)	310
Before income tax effect adjustments	(1,430)	(828)	(12,690)
Income tax effects	442	290	3,922
Remeasurements of defined benefit plans, net of tax	(988)	(538)	(8,768)
Total other comprehensive income	¥ (23,629)	¥ 33,333	\$ (209,700)

8. Notes to the Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31st March 2016

(1) Detailed Information for Outstanding Shares and Treasury Stock

	(Thousand shares)			
	Number of shares as of 1st April 2015	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of 31st March 2016
Outstanding shares				
Common stock	100,000	-	-	100,000
Total	100,000	-	-	100,000
Treasury stock				
Common stock	7,128	-	150	6,978
Total	7,128	-	150	6,978

The number of shares decreased during the period in common treasury stock is 150 thousand shares, as a result of disposal by third party allotment.

(2) Detailed Information for Cash Dividends

Dividends paid

	Type of shares	Total dividends	Dividend per share	Dividend record date	Effective date
General meeting of shareholders on 26th June 2015	Common stock	¥650 million \$5,768 thousand (Note 1(2))	¥7 \$0.06 (Note 1(2))	31st March 2015	29th June 2015

Of dividends with record date within the year ended 31st March 2016, dividends with the effective date after 31st March 2016

	Type of shares	Total dividends	Source of dividends	Dividend per share	Dividend record date	Effective date
General meeting of shareholders on 28th June 2016	Common stock	¥930 million \$8,253 thousand (Note 1(2))	Retained earnings	¥10 \$0.08 (Note 1(2))	31st March 2016	29th June 2016

For the year ended 31st March 2015

(1) Detailed Information for Outstanding Shares and Treasury Stock

(Thousand shares)

	Number of shares as of 1st April 2014	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of 31st March 2015
Outstanding shares				
Common stock	100,000	-	-	100,000
Total	100,000	-	-	100,000
Treasury stock				
Common stock	8,178	-	1,050	7,128
Total	8,178	-	1,050	7,128

The number of shares decreased during the period in common treasury stock is 1,050 thousand shares, as a result of disposal by third party allotment.

(2) Detailed Information for Cash Dividends

Dividends paid

	Type of shares	Total dividends	Dividend per share	Dividend record date	Effective date
General meeting of shareholders on 27th June 2014	Common stock	¥642 million	¥7	31st March 2014	30th June 2014

Of dividends with record date within the year ended 31st March 2015, dividends with the effective date after 31st March 2015

	Type of shares	Total dividends	Source of dividends	Dividend per share	Dividend record date	Effective date
General meeting of shareholders on 26th June 2015	Common stock	¥650 million	Retained earnings	¥7	31st March 2015	29th June 2015

9. Notes to the Consolidated Statement of Cash Flows

- (1) Reconciliation of the balance of cash and cash equivalents at the end of the period to the amounts shown in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Cash and deposits	¥ 9,877	¥ 12,829	\$ 87,655
Monetary receivables bought	2,999	2,999	26,615
Securities	561,795	573,798	4,985,756
Time deposits with original maturities of more than three months	(189)	(202)	(1,677)
Securities other than cash equivalents	(551,650)	(568,422)	(4,895,722)
Cash and cash equivalents	<u>¥ 22,832</u>	<u>¥ 21,001</u>	<u>\$ 202,626</u>

- (2) Cash flows from investing activities include those related to insurance business.

10. Leases

Future lease payments due under non-cancelable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Within one year	¥ -	¥ 0	\$ -
Over one year	-	-	-
Total	<u>¥ -</u>	<u>¥ 0</u>	<u>\$ -</u>

11. Financial Instruments

- (1) Outline of Financial Instruments

A. Policy for Financial Instruments

The Company underwrites non-life reinsurance (such as Fire, Marine, Personal accident, Motor, General liabilities reinsurance) and life reinsurance. The Company invests in financial instruments paying attention to adequate safety, liquidity and profitability, as a funding source of the reinsurance claims to be paid securely and promptly.

The Company maintains Enterprise Risk Management system to control investment risk, to keep adequate solvency in case of the risk occurrence.

Additionally, in order to further strengthen financial foundation, the Company substantially enhanced capital adequacy by issuing subordinated notes with an established equity content level recognized by major rating companies.

B. Types of Financial Instruments and Related Risk

The Company holds financial instruments mainly for the purpose of investment and business cooperation. Main components of the instruments are bonds, stocks and investment trust funds, which are exposed to price risk due to market fluctuation (interest rate, foreign exchange rate and stock price), and credit risk of the issuers.

Derivatives utilized by the Company are forward foreign exchange contracts. Forward foreign exchange contracts are utilized for hedging fluctuation risk in future foreign exchange rates, regarding to redemptions and interests arising from foreign bonds.

Derivatives are only taken out with counterparties or referenced entities with a high credit rating.

Loans are exposed to credit risk due to breach of contracts.

Subordinated notes issued by the Company are exposed to market risk due to interest-rate fluctuation.

C. Risk Management for Financial Instruments

The board of directors establishes risk management policies and internal rules for investment, and defines risk management department to be responsible for risk managements, management processes and management methodologies. The department in charge performs the risk managements in accordance with the policies and the rules, and condition of the risk is reported to the board regularly or properly, to enable the board to recognize the actual condition of the risk.

Foreign consolidated subsidiaries establish investment policies and manage the risk in accordance with the policies, and hold investment committee and other meetings regularly to discuss condition of risk management and future investment policies. The third party investment management arrangements are made in accordance with the investment guidelines and compliance with the guidelines is monitored.

As part of the audit for the risk management, Internal Audit Department performs internal audit under its internal audit plan for the risk management mentioned above.

(a) Market risk management

(i) Interest rate risk management

The department in charge recognizes risk amount by “Value at Risk” (hereafter “VaR”), sensitivity analysis for interest rate and other methods, and monitors the compliance with the rules. Then it reports to the board regularly.

(ii) Foreign exchange risk management

The department in charge recognizes risk amount by VaR of foreign bonds, sensitivity analysis and other methods, and monitors the compliance with the rules. In addition, the department in charge of integrated risk management recognizes overall foreign exchange risk amount (offsetting foreign currency assets and liabilities). Then they report to the board regularly.

(iii) Price fluctuation risk management

The department in charge recognizes risk amount by VaR, sensitivity analysis for market and other methods, and monitor the compliance with the rules. Then it reports to the board regularly.

(b) Credit risk management

With respect to credit risk of bond issuer, the department in charge regularly recognizes market environments, financial condition, credit information and fair value. For loans, the department in charge performs credit management such as credit screening, requiring collaterals and guarantees, on individual debtor basis.

Compliance with the rules is reported to the board regularly.

(c) Liquidity risk management

The Company performs management for liquidity risk by holding assets with adequate liquidity, obtaining committed lines of credit from several financial institutions and others in order to pay the reinsurance claims securely and promptly in addition to appropriate fund management.

Liquidity risk is monitored by the department in charge, and reported to the board regularly.

D. Supplementary Explanation for the Fair Value of Financial Instruments.

The fair value of financial instruments includes market price and price measured reasonably by the Company if market price is not available. Because measurement for price of financial instruments depends on certain assumptions, the use of different assumptions could result in a different price.

(2) Fair Value of Financial Instruments

The carrying amount, fair value and unrealized gain (loss) of financial instruments as of 31st March 2016 and 2015 is as follows. Financial instruments extremely difficult to measure fair value are not included in the table. Also please see note (b) below.

As of 31st March 2016

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	¥ 9,877	¥ 9,877	¥ -
Money held in trust	7,609	7,609	-
Securities			
Available for sale	555,150	555,150	-
Total assets	¥ 572,638	¥ 572,638	¥ -
Corporate bonds	¥ 30,000	¥ 30,192	¥ 192
Total liabilities	¥ 30,000	¥ 30,192	¥ 192

	Thousands of U.S. dollars (Note 1(2))		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	\$ 87,655	\$ 87,655	\$ -
Money held in trust	67,527	67,527	-
Securities			
Available for sale	4,926,783	4,926,783	-
Total assets	\$ 5,081,984	\$ 5,081,984	\$ -
Corporate bonds	\$ 266,240	\$ 267,944	\$ 1,703
Total liabilities	\$ 266,240	\$ 267,944	\$ 1,703

As of 31st March 2015

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	¥ 12,829	¥ 12,829	¥ -
Securities			
Available for sale	570,226	570,226	-
Total assets	¥ 583,055	¥ 583,055	¥ -
Corporate bonds	¥ 30,000	¥ 30,188	¥ 188
Total liabilities	¥ 30,000	¥ 30,188	¥ 188

(Notes)

(a) Measuring method for fair value of financial instruments

(i) Assets

Cash and deposits

Fair value of cash and deposits is deemed as book value since it is scheduled to be settled in a short period of time and fair value approximates book value.

Money held in trust

Fair value of the financial instruments managed as trust asset is as follows. Fair value of deposits is deemed as book value since it is scheduled to be settled in a short period of time and fair value approximates book value. Fair value of stocks is based on market quoted price. Fair value of bonds is based on market quoted price, price released by Japan Securities Dealers Association, price quoted by counterparty financial institutions and the over-the-counter average price released by the price vendors. Fair value of quoted derivative is based on market quoted price.

Securities

Fair value of stocks is based on market quoted price. Fair value of bonds is based on market quoted price, price released by Japan Securities Dealers Association, price quoted by counterparty financial institutions and the over-the-counter average price released by the price vendors. Fair value of investment trust funds is based on publicly announced price or unit price provided by counterparty financial institutions. With respect to investment in partnership, partnership's property is measured at fair value if available, and then the part of the Company's share is recorded to balance sheet as fair value.

(ii) Liabilities

Corporate bonds

Fair value of corporate bonds is calculated by counterparty financial institutions as the amount of future cash flow discounted at the risk free rate for the corresponding period, adding rates to be considered the factors of market environment and other similar securities with an established equity content level.

- (b) Financial instruments extremely difficult to measure fair value are as follows and are not included in “Securities” in the above table:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Foreign bonds	¥ 2	¥ 3	\$ 17
Other securities	4,601	1,800	40,832
Non-listed stocks	2,040	1,767	18,104
Total	¥ 6,644	¥ 3,571	\$ 58,963

Above mentioned financial instruments where there are no available market prices and extremely difficult to measure fair value, are not subject to disclosure of fair value.

- (c) The redemption schedules as of 31st March 2016 and 2015 for monetary receivables and available-for-sale securities with maturities are as follows:

As of 31st March 2016

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	¥ 9,877	¥ -	¥ -	¥ -
Securities				
Available-for-sale securities with maturities				
Government bonds	21,310	29,470	3,600	-
Municipal bonds	2,200	2,262	-	-
Corporate bonds	21,584	72,846	4,063	400
Foreign securities	33,630	107,622	63,140	59,342
Total	¥ 88,602	¥ 212,201	¥ 70,803	¥ 59,742

	Thousands of U.S. dollars (Note 1(2))			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	\$ 87,655	\$ -	\$ -	\$ -
Securities				
Available-for-sale securities with maturities				
Government bonds	189,119	261,537	31,948	-
Municipal bonds	19,524	20,074	-	-
Corporate bonds	191,551	646,485	36,057	3,549
Foreign securities	298,455	955,111	560,347	526,641
Total	\$ 786,315	\$ 1,883,217	\$ 628,354	\$ 530,191

As of 31st March 2015

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	¥ 12,828	¥ -	¥ -	¥ -
Securities				
Available-for-sale securities with maturities				
Government bonds	16,310	44,580	1,700	-
Municipal bonds	-	4,170	-	-
Corporate bonds	16,003	56,408	3,600	-
Foreign securities	39,245	110,545	62,743	53,182
Total	<u>¥ 84,388</u>	<u>¥ 215,704</u>	<u>¥ 68,044</u>	<u>¥ 53,182</u>

(d) The repayment schedules as of 31st March 2016 and 2015 for corporate bonds are as follows:

As of 31st March 2016

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Corporate bonds	-	-	-	-	-	¥ 30,000

(Thousands of U.S. dollars (Note 1(2)))

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Corporate bonds	-	-	-	-	-	\$ 266,240

As of 31st March 2015

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Corporate bonds	-	-	-	-	-	¥ 30,000

12. Investments in Securities

- (1) There are neither trading securities nor held-to-maturity securities.
- (2) Information regarding available-for-sale securities with fair value as of 31st March 2016 and 2015 are as follows:

As of 31st March 2016

	Millions of yen		
	Carrying amount	Cost	Unrealized gain (loss)
Securities for which carrying amount exceeds their cost			
Government, municipal and corporate bonds	¥ 152,116	¥ 148,556	¥ 3,559
Stocks	77,363	17,323	60,039
Foreign securities	218,190	196,923	21,266
Others	438	437	1
Subtotal	448,108	363,240	84,867
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	10,188	10,271	(82)
Stocks	2,101	2,266	(165)
Foreign securities	92,828	96,428	(3,599)
Others	4,923	4,976	(52)
Subtotal	110,042	113,942	(3,900)
Total	¥ 558,150	¥ 477,183	¥ 80,967

	Thousands of U.S. dollars (Note 1(2))		
	Carrying amount	Cost	Unrealized gain (loss)
Securities for which carrying amount exceeds their cost			
Government, municipal and corporate bonds	\$ 1,349,982	\$ 1,318,388	\$ 31,585
Stocks	686,572	153,736	532,827
Foreign securities	1,936,368	1,747,630	188,729
Others	3,887	3,878	8
Subtotal	3,976,819	3,223,642	753,168
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	90,415	91,151	(727)
Stocks	18,645	20,110	(1,464)
Foreign securities	823,819	855,768	(31,940)
Others	43,690	44,160	(461)
Subtotal	976,588	1,011,199	(34,611)
Total	\$ 4,953,407	\$ 4,234,850	\$ 718,556

* Available-for-sale securities which are extremely difficult to measure fair value are not included in the above table.

** Commercial papers classified as “Monetary receivables bought” in the consolidated balance sheet are included in “Others” above.

As of 31st March 2015

	Millions of yen		
	Carrying amount	Cost	Unrealized gain (loss)
Securities for which carrying amount exceeds their cost			
Government, municipal and corporate bonds	¥ 135,682	¥ 130,127	¥ 5,555
Stocks	96,024	19,628	76,395
Foreign securities	270,805	239,257	31,548
Others	1,528	1,506	22
Subtotal	<u>504,041</u>	<u>390,519</u>	<u>113,521</u>
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	12,059	12,086	(26)
Stocks	958	998	(40)
Foreign securities	52,172	53,748	(1,576)
Others	3,994	3,999	(5)
Subtotal	<u>69,184</u>	<u>70,833</u>	<u>(1,649)</u>
Total	<u>¥ 573,226</u>	<u>¥ 461,353</u>	<u>¥ 111,872</u>

* Available-for-sale securities which are extremely difficult to measure fair value are not included in the above table.

** Commercial papers classified as “Monetary receivables bought” in the consolidated balance sheet are included in “Others” above.

(3) Sales of securities classified as available-for-sale and the aggregate gain and loss are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Proceeds from sales			
Government, municipal and corporate bonds	¥ 2,208	¥ 657	\$ 19,595
Stocks	2,241	1,169	19,888
Foreign securities	65,145	43,837	578,141
Others	-	-	-
Total	<u>¥ 69,594</u>	<u>¥ 45,664</u>	<u>\$ 617,625</u>
Gain on sales			
Government, municipal and corporate bonds	¥ 615	¥ 117	\$ 5,457
Stocks	229	71	2,032
Foreign securities	5,817	5,279	51,624
Others	-	-	-
Total	<u>¥ 6,662</u>	<u>¥ 5,469</u>	<u>\$ 59,123</u>
Loss on sales			
Government, municipal and corporate bonds	¥ -	¥ -	\$ -
Stocks	83	8	736
Foreign securities	2,942	667	26,109
Others	-	-	-
Total	<u>¥ 3,026</u>	<u>¥ 676</u>	<u>\$ 26,854</u>

(4) Securities for which impairment losses are recognized

For the year ended 31st March 2016, consolidated subsidiaries recognized impairment losses regarding available-for-sale securities with fair value (Foreign securities) in the amount of ¥668 million (\$5,928 thousand) in the consolidated statement of income.

For the year ended 31st March 2015, the Company recognized impairment losses regarding available-for-sale securities with fair value (Stocks) in the amount of ¥8 million in the consolidated statement of income. Consolidated subsidiaries recognized impairment losses regarding available-for-sale securities with fair value (Foreign securities) in the amount of ¥8 million in the consolidated statement of income.

In principle, impairment losses on available-for-sale securities with fair value held by the Company are recognized when the fair value has declined by 30% or more of their book value. Impairment losses on available-for-sale securities with fair value held by consolidated subsidiaries are recognized when the fair value has declined below their book value and the decline in fair value is deemed to be other than temporary.

13. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Net unrealized gains (losses) recognized for the fiscal year	¥ (355)	¥ 76	\$ (3,150)

(2) Money Held in Trust for Being Held to Maturity

None.

(3) Money Held in Trust Not for Trading Purposes or Not Being Held to Maturity

None.

14. Derivatives

None.

15. Retirement Benefits

(1) Outline of Retirement Benefit Plans

The Company and consolidated subsidiaries have funded and unfunded defined retirement benefit plans covering substantially all employees.

For defined benefit retirement plans, the benefit based on an employee's salary and years of service are paid in the form of lump-sum payment and pension.

For lump-sum payment retirement plans which are all unfunded plans, the benefit based on an employee's salary and years of service are paid in the form of lump-sum payment.

(2) Defined Benefit Plan

A. Changes in the retirement benefit obligations during the period

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Retirement benefit obligations at the beginning of the period	¥ 14,466	¥ 12,219	\$ 128,381
Cumulative effects of changes in accounting policies	-	158	-
Restated balance	14,466	12,377	128,381
Service cost	670	603	5,946
Interest cost	384	345	3,407
Actuarial differences	1,247	628	11,066
Benefit paid	(384)	(338)	(3,407)
Others	0	850	0
Retirement benefit obligations at the end of the period	¥ 16,384	¥ 14,466	\$ 145,402

B. Changes in the plan assets during the period

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Plan assets at the beginning of the period	¥ 7,728	¥ 6,651	\$ 68,583
Expected return on plan assets	254	203	2,254
Actuarial differences	(219)	70	(1,943)
Employer contributions	746	723	6,620
Benefit paid	(317)	(284)	(2,813)
Others	1	362	8
Plan assets at the end of the period	¥ 8,193	¥ 7,728	\$ 72,710

C. Reconciliations of retirement benefit obligations and plan assets to net defined benefit liabilities and assets recognized in the consolidated balance sheet at the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Retirement benefit obligations for funded plan	¥ 13,503	¥ 11,973	\$ 119,834
Plan assets	(8,193)	(7,728)	(72,710)
	5,309	4,245	47,115
Retirement benefit obligations for unfunded plan	2,881	2,492	25,567
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥ 8,191	¥ 6,738	\$ 72,692
Net defined benefit liabilities	¥ 8,191	¥ 6,738	\$ 72,692
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 8,191	¥ 6,738	\$ 72,692

D. Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Service cost	¥ 670	¥ 603	\$ 5,946
Interest cost	384	345	3,407
Expected return on plan assets	(254)	(203)	(2,254)
Amortization of actuarial differences	34	(81)	301
Amortization of prior service costs	2	1	17
Retirement benefit cost for defined benefit plan	¥ 835	¥ 665	\$ 7,410

E. Remeasurements of defined benefit plans included in other comprehensive income

Components of remeasurements of defined benefit plans included in other comprehensive income before tax effect are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Prior service costs	¥ 2	¥ 1	\$ 17
Actuarial differences	(1,433)	(639)	(12,717)
Others	1	(190)	8
Total	¥ (1,430)	¥ (828)	\$ (12,690)

F. Remeasurements of defined benefit plans included in accumulated other comprehensive income

Components of remeasurements of defined benefit plans included in accumulated other comprehensive income before tax effect are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Unrecognized prior service costs	¥ (0)	¥ (2)	\$ (0)
Unrecognized actuarial differences	(2,853)	(1,420)	(25,319)
Total	¥ (2,854)	¥ (1,423)	\$ (25,328)

G. Plan assets

(a) Major Components of plan assets

Percentages of total plan assets by major categories are as follows:

	2016	2015
Bonds	22%	22%
Stocks	12	13
General accounts	64	63
Others	2	2
Total	100%	100%

(b) Determination of long-term expected rate of return

The long-term expected rate of return on plan assets has been estimated based on the current and anticipated allocation to each asset class and the current and anticipated long-term rates of returns on assets held in each category.

H. Actuarial assumptions

Major actuarial assumptions (based on weighted average) are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	Mainly 0.6%	Mainly 1.5%
Long-term expected rate of return	Mainly 1.5%	Mainly 1.3%

16. Deferred Tax

(1) Major Components of Net Deferred Tax Assets

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars (Note 1(2))</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>
Deferred tax assets			
Underwriting reserves	¥ 30,250	¥ 29,265	\$ 268,459
Outstanding claims	12,875	12,360	114,261
Tax loss carryforwards	12,756	14,762	113,205
Net defined benefit liabilities	2,625	2,181	23,296
Reserve for price fluctuation	2,245	2,315	19,923
Others	3,646	2,762	32,357
Subtotal of deferred tax assets	<u>64,399</u>	<u>63,649</u>	<u>571,521</u>
Valuation allowance	<u>(4,908)</u>	<u>(5,007)</u>	<u>(43,556)</u>
Total deferred tax assets	<u>59,491</u>	<u>58,642</u>	<u>527,964</u>
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	(23,491)	(33,212)	(208,475)
Others	<u>(1,569)</u>	<u>(1,412)</u>	<u>(13,924)</u>
Total deferred tax liabilities	<u>(25,061)</u>	<u>(34,625)</u>	<u>(222,408)</u>
Net deferred tax assets	<u>¥ 34,430</u>	<u>¥ 24,016</u>	<u>\$ 305,555</u>

(2) The reconciliation of the statutory income tax rate to the effective income tax rate for the years ended 31st March 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Effective statutory income tax rate of the Company	28.9%	30.8%
(Adjustments)		
Valuation allowance	(1.0)	20.7
Effect of changes in the tax rate	16.0	19.9
Non-taxable revenue such as dividends received	(25.8)	(13.5)
Elimination of dividends received from consolidated subsidiaries	17.8	9.9
Undistributed profits of foreign subsidiaries, etc.	2.5	-
Others	2.9	1.4
Effective income tax rate of the Companies	<u>41.3%</u>	<u>69.2%</u>

(3) Impact of Changes in the Corporate Tax Rate

Following the enactment of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15, 2016) by the National Diet on 29th March 2016, reduction in the rate of Japanese Corporation Tax is effective for the years beginning on or after 1st April 2016. Accordingly, the effective statutory income tax rate used to calculate deferred tax assets and liabilities will change from 28.9% used previously, to 28.2% for temporary differences expected to be reversed in the years beginning on 1st April 2016 and 2017, and 28.0% for that expected to be reversed in the years beginning on or after 1st April 2018.

As a result as of and for the year ended 31st March 2016, deferred tax assets after offsetting deferred tax liabilities decreased by ¥843 million (\$7,481 thousand), underwriting reserves decreased by ¥14 million (\$124 thousand), net unrealized gains on available-for-sale securities, net of tax increased by ¥558 million (\$4,952 thousand), deferred income taxes increased by ¥1,401 million (\$12,433 thousand) and net income attributable to owners of the parent decreased by ¥1,387 million (\$12,309 thousand), respectively.

Additionally, the use of tax loss carryforwards will be limited to the equivalent of 60% of taxable income before the application of loss carried forward for the year beginning on 1st April 2016, then to the equivalent of 55% for the year beginning on 1st April 2017 and then to the equivalent of 50% for the years beginning on or after 1st April 2018. As a result, deferred tax assets increased by ¥79 million (\$701 thousand) and net income attributable to owners of the parent increased by ¥79 million (\$701 thousand) as of and for the year ended 31st March 2016, respectively.

17. Segment Information

(1) Outline of Reportable Segments

The Companies' reportable segments are components of the Companies about which separate financial information is available that is evaluated regularly by the management in deciding how to allocate resources and in assessing performance.

Our reportable segments are "The Toa Reinsurance Company, Limited (hereinafter Toa)", "The Toa Reinsurance Co. of America (TRA)" and "The Toa 21st Century Reinsurance Co., Ltd (TTFC)".

The Companies' business is assuming reinsurance, and within the company TRA is in charge of North America area, Toa and TTFC are in charge of others in the main.

(2) Measurement of Sales, Profit or Loss, Assets, Liabilities, and Other Items for Each Reportable Segment

Accounting policies of each reported segment are in a manner consistent with that in the "Principal Matters for Preparation of Consolidated Financial Statements"

Profit of each reportable segment shown in the following table represents "Net income attributable to owners of the parent".

Inter-segment revenues are measured on the basis of market transactions on arm's length terms.

(3) Information about Sales, Profit or Loss, Assets, Liabilities, and Other Items on Each Reportable Segment

For the year ended 31st March 2016

(Millions of yen)

	Reportable segments			
	Toa	TRA	TTFC	Total
Sales				
Sales to external customers	¥ 171,620	¥ 52,249	¥ (83)	¥ 223,786
Inter-segment sales or transfers	2,012	(8,207)	5,676	(518)
Total	173,632	44,042	5,592	223,267
Profit by reportable segments	2,191	6,773	2,807	11,772
Assets by reportable segments	491,993	213,601	51,920	757,514
Liabilities by reportable segments	382,319	125,748	9,379	517,447
Other items				
Depreciation	313	75	-	389
Interest and dividends income	13,722	5,792	801	20,316
Interest expenses	1,606	-	-	1,606
Extraordinary income	8	-	-	8
Reversal of reserve under the special law	6	-	-	6
Extraordinary loss	3	-	-	3
Loss on disposal of fixed assets	3	-	-	3
Income tax expense	1,087	2,685	738	4,511

(Thousands of U.S. dollars (Note 1(2)))

	Reportable segments			
	Toa	TRA	TTFC	Total
Sales				
Sales to external customers	\$ 1,523,074	\$ 463,693	\$ (736)	\$ 1,986,031
Inter-segment sales or transfers	17,855	(72,834)	50,372	(4,597)
Total	1,540,930	390,859	49,627	1,981,425
Profit by reportable segments	19,444	60,108	24,911	104,472
Assets by reportable segments	4,366,285	1,895,642	460,773	6,722,701
Liabilities by reportable segments	3,392,962	1,115,974	83,235	4,592,181
Other items				
Depreciation	2,777	665	-	3,452
Interest and dividends income	121,778	51,402	7,108	180,298
Interest expenses	14,252	-	-	14,252
Extraordinary income	70	-	-	70
Reversal of reserve under the special law	53	-	-	53
Extraordinary loss	26	-	-	26
Loss on disposal of fixed assets	26	-	-	26
Income tax expense	9,646	23,828	6,549	40,033

* Sales represent "Net premiums written".

For the year ended 31st March 2015

(Millions of yen)

	Reportable segments			
	Toa	TRA	TTFC	Total
Sales				
Sales to external customers	¥ 164,519	¥ 44,598	¥ (155)	¥ 208,962
Inter-segment sales or transfers	978	(7,624)	5,628	(1,017)
Total	165,497	36,974	5,473	207,945
Profit by reportable segments	2,634	7,474	1,598	11,707
Assets by reportable segments	489,561	220,453	50,798	760,813
Liabilities by reportable segments	364,201	128,075	10,519	502,796
Other items				
Depreciation	287	64	-	352
Interest and dividends income	13,557	4,871	737	19,166
Interest expenses	1,602	-	-	1,602
Extraordinary loss	234	0	-	235
Provision for reserve under the special law	231	-	-	231
Income tax expense	8,699	3,197	420	12,317

* Sales represent “Net premiums written”.

(5) Reconciliations of Total Reportable Segments Amount to Amount Presented in Financial Statements and Descriptions of Reconciliations

A. Sales

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Total of reportable segments	¥ 223,267	¥ 207,945	\$ 1,981,425
Elimination of inter-segment transactions	518	1,017	4,597
Sales in consolidated financial statements	<u>¥ 223,786</u>	<u>¥ 208,962</u>	<u>\$ 1,986,031</u>

* Sales represent “Net premiums written”.

B. Profit

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Total of reportable segments	¥ 11,772	¥ 11,707	\$ 104,472
Elimination of inter-segment transactions	(6,097)	(5,902)	(54,108)
Net income attributable to owners of the parent in consolidated financial statements	<u>¥ 5,674</u>	<u>¥ 5,805</u>	<u>\$ 50,354</u>

C. Assets

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
Total of reportable segments	¥ 757,514	¥ 760,813	\$ 6,722,701
Elimination of inter-segment transactions	(69,272)	(71,182)	(614,767)
Total assets in consolidated financial statements	<u>¥ 688,242</u>	<u>¥ 689,631</u>	<u>\$ 6,107,933</u>

D. Liabilities

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
	Total of reportable segments	¥ 517,447	¥ 502,796
Elimination of inter-segment transactions	(10,031)	(12,500)	(89,022)
Total liabilities in consolidated financial statements	¥ 507,416	¥ 490,296	\$ 4,503,159

E. Other items

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2016	2015	2016
	Interest and dividends income		
Total of reportable segments	¥ 20,316	¥ 19,166	\$ 180,298
Adjustments*	(5,950)	(6,069)	(52,804)
Amounts in consolidated financial statements	¥ 14,366	¥ 13,097	\$ 127,493
Income tax expense			
Total of reportable segments	¥ 4,511	¥ 12,317	\$ 40,033
Adjustments*	(525)	753	(4,659)
Amounts in consolidated financial statements	¥ 3,985	¥ 13,071	\$ 35,365

* Adjustment represents “elimination of inter-segment transactions”.

(6) Related Information

For the year ended 31st March 2016

A. Information about revenue derived from its products or services

(Millions of yen)

	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	¥69,918	¥9,447	¥11,467	¥23,434	¥30,459	¥62,168	¥16,890	¥223,786

(Thousands of U.S. dollars (Note 1(2)))

	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	\$620,500	\$83,839	\$101,766	\$207,969	\$270,314	\$551,721	\$149,893	\$1,986,031

* Sales represent “Net premiums written”.

B. Information by geographic area

(a) Sales

(Millions of yen)

Japan	United States	Others	Total
¥ 111,895	¥ 65,892	¥ 45,999	¥ 223,786

(Thousands of U.S. dollars (Note 1(2)))

Japan	United States	Others	Total
\$ 993,033	\$ 584,771	\$ 408,226	\$ 1,986,031

* Sales are classified by country based on the geographic area of customers.

** Sales represent “Net premiums written”.

(b) Tangible fixed assets

(Millions of yen)

Japan	Others	Total
¥ 9,295	¥ 1,075	¥ 10,371

(Thousands of U.S. dollars (Note 1(2)))

Japan	Others	Total
\$ 82,490	\$ 9,540	\$ 92,039

C. Information about major customers

None.

For the year ended 31st March 2015

A. Information about revenue derived from its products or services

(Millions of yen)

	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	¥64,187	¥9,824	¥12,812	¥20,076	¥27,393	¥56,275	¥18,391	¥208,962

* Sales represent "Net premiums written".

B. Information by geographic area

(a) Sales

(Millions of yen)

Japan	United States	Others	Total
¥ 110,624	¥ 53,809	¥ 44,529	¥ 208,962

* Sales are classified by country based on the geographic area of customers.

** Sales represent "Net premiums written".

(b) Tangible fixed assets

(Millions of yen)

Japan	Others	Total
¥ 9,505	¥ 1,013	¥ 10,519

C. Information about major customers

None.

(7) Information about Impairment Losses on Fixed Assets by Reportable Segments

None.

(8) Information about Amortization of Goodwill and Carrying Amount by Reportable Segments

None.

(9) Information about Gains on Negative Goodwill by Reportable Segments

None.

18. Related Party Transactions

There are no material transactions with related parties to report for the years ended 31st March 2016 and 2015.

19. Per Share Information

	Yen		U.S. dollars (Note 1(2))
	2016	2015	2016
Net assets per share	¥ 1,943.90	¥ 2,146.33	\$ 17.25
Net income per share	61.07	62.94	0.54

* There are no potential common shares, therefore diluted net income per share is not described.

** Basis for computing net income per share is as follows:

	For the year ended 31st March 2016	For the year ended 31st March 2015
Net income attributable to owners of the parent (Millions of yen)	¥ 5,674	¥ 5,805
Amounts not attributable to common shareholders (Millions of yen)	-	-
Net income attributable to owners of the parent related to common shareholders (Millions of yen)	¥ 5,674	¥ 5,805
Average number of common shares outstanding for the year (Thousand shares)	92,915	92,231

20. Significant Subsequent Events after Balance Sheet Date

The Company has resolved to transfer the treasury stock by third party allotment for the purpose of the capital adequacy at the general shareholders' meeting held on 28th June 2016.

The details of the resolution are as follows:

(1) Type of the shares to be transferred

Common stock

(2) Number of the shares to be transferred

5,000,000 shares (the upper limit)

(3) Transfer price

¥660 per share (the lower limit)

The Board of Directors of the Company has been delegated on the decision of specific conditions regarding this transfer.

The Toa Reinsurance Company, Limited and Subsidiaries

Related Information to the Consolidated Financial Statements

1. Detailed Information for Corporate Bonds

Issuer	Series	Issue Date	As of 1st April 2015	As of 31st March 2016	Coupon (%)	Collateral	Maturity
The Toa Reinsurance Company, Limited	Toa Reinsurance #1 Step-up Callable Subordinated Notes (only for Qualified Institutional Investors)	21st March 2012	¥30,000 million \$266,240 thousand (Note 1(2))	¥30,000 million \$266,240 thousand (Note 1(2))	5.34	None	20th July 2062

(Note) There is no amount to mature within 5 years after 31st March 2016.

2. Detailed Information for Borrowings

(Millions of yen)

	As of 1st April 2015	As of 31st March 2016	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	¥ 101	¥ 103	-	-
Lease liabilities (except for those due in 1 year or less)	149	101	-	From 8th April 2017 to 30th April 2021
Total	¥ 251	¥ 204	-	-

(Thousands of U.S. dollars (Note 1(2)))

	As of 1st April 2015	As of 31st March 2016	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	\$ 896	\$ 914	-	-
Lease liabilities (except for those due in 1 year or less)	1,322	896	-	From 8th April 2017 to 30th April 2021
Total	\$ 2,227	\$ 1,810	-	-

(Notes)

- (a) The above amount is included in “Other liabilities” in the consolidated balance sheet.
- (b) “Average interest rate” on lease liabilities is not stated above because lease liabilities in the consolidated balance sheet are recognized without deducting lease interest included in the total lease charges.
- (c) The repayment for the lease liabilities (except for those due in 1 year or less) scheduled within 5 years following the consolidated balance sheet date are as follows:

(Millions of yen)

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Lease liabilities	¥ 57	¥ 29	¥ 12	¥ 1

(Thousands of U.S. dollars (Note 1(2)))

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Lease liabilities	\$ 505	\$ 257	\$ 106	\$ 8

3. Detailed Information for Asset Retirement Obligations

None.