

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

Consolidated Financial Statements
For the years ended 31st March 2017 and 2016

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Balance Sheet
As of 31st March 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Assets			
Cash and deposits	¥ 12,684	¥ 9,877	\$ 113,058
Monetary receivables bought	5,999	2,999	53,471
Money held in trust	7,628	7,609	67,991
Securities (Notes 5(2), (4) and (5))	564,544	561,795	5,032,034
Loans (Note 5(3))	583	700	5,196
Tangible fixed assets (Note 5(1))			
Land	6,747	6,755	60,139
Buildings	3,172	3,176	28,273
Leased assets	185	194	1,648
Other tangible fixed assets	223	244	1,987
	10,329	10,371	92,067
Intangible fixed assets			
Software	297	244	2,647
Software in progress	1,462	959	13,031
Other intangible fixed assets	2	2	17
	1,762	1,207	15,705
Other assets			
Foreign reinsurance accounts receivable	39,812	36,763	354,862
Rest of other assets	20,686	21,894	184,383
	60,499	58,657	539,254
Deferred tax assets	34,440	35,086	306,979
Less: Allowance for doubtful accounts	(54)	(63)	(481)
Total assets	¥ 698,418	¥ 688,242	\$ 6,225,314

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 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Liabilities			
Underwriting funds			
Outstanding claims	¥ 215,854	¥ 229,336	\$ 1,924,003
Underwriting reserves	216,780	206,363	1,932,257
	432,634	435,700	3,856,261
Corporate bonds	30,000	30,000	267,403
Other liabilities	24,053	24,713	214,395
Net defined benefit liabilities	8,156	8,191	72,698
Accrued retirement benefits for directors	153	135	1,363
Reserve under the special law			
Reserve for price fluctuation	10,683	8,020	95,222
	10,683	8,020	95,222
Deferred tax liabilities	830	655	7,398
Total liabilities	506,510	507,416	4,514,751
Net assets			
Shareholders' equity			
Capital stock	5,000	5,000	44,567
Capital surplus	124	27	1,105
Retained earnings	122,952	113,370	1,095,926
Treasury stock	(3,132)	(4,233)	(27,916)
	124,944	114,165	1,113,682
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	61,478	57,475	547,981
Net foreign currency translation adjustments	6,755	11,093	60,210
Remeasurements of defined benefit plans	(1,270)	(1,908)	(11,320)
	66,963	66,661	596,871
Total net assets	191,907	180,826	1,710,553
Total liabilities and net assets	¥ 698,418	¥ 688,242	\$ 6,225,314

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 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Ordinary income and expenses:			
Ordinary income			
Underwriting income			
Net premiums written	¥ 223,749	¥ 223,786	\$ 1,994,375
Investment income on deposit premiums	207	261	1,845
Reversal of outstanding claims	10,073	-	89,785
Other underwriting income	-	0	-
	<u>234,030</u>	<u>224,048</u>	<u>2,086,014</u>
Investment income			
Interest and dividends income	11,705	14,366	104,331
Gain on money held in trust	45	3	401
Gain on sales of securities	5,476	6,662	48,810
Gain on redemption of securities	124	55	1,105
Gain on derivatives	73	-	650
Other investment income	0	0	0
Transfer of investment income on deposit premiums	(207)	(261)	(1,845)
	<u>17,217</u>	<u>20,826</u>	<u>153,462</u>
Other ordinary income	<u>214</u>	<u>239</u>	<u>1,907</u>
	<u>251,462</u>	<u>245,114</u>	<u>2,241,394</u>
Ordinary expenses			
Underwriting expenses			
Net claims paid	161,419	155,574	1,438,800
Commissions and brokerage (Note 6(1))	45,171	44,325	402,629
Provision for outstanding claims	-	4,992	-
Provision for underwriting reserves	11,104	9,809	98,974
Other underwriting expenses	640	1,492	5,704
	<u>218,336</u>	<u>216,194</u>	<u>1,946,127</u>
Investment expenses			
Loss on money held in trust	7	458	62
Loss on sales of securities	3,800	3,026	33,871
Impairment losses on securities	150	668	1,337
Loss on redemption of securities	178	165	1,586
Loss on derivatives	-	549	-
Other investment expenses	1,082	1,340	9,644
	<u>5,219</u>	<u>6,208</u>	<u>46,519</u>
Operating and general administrative expenses (Note 6(1))	<u>12,215</u>	<u>11,394</u>	<u>108,877</u>
Other ordinary expenses			
Interest expenses	1,598	1,606	14,243
Loss on bad debts	17	6	151
Other expenses	52	47	463
	<u>1,667</u>	<u>1,661</u>	<u>14,858</u>
	<u>237,439</u>	<u>235,459</u>	<u>2,116,400</u>
Ordinary profit	<u>¥ 14,022</u>	<u>¥ 9,655</u>	<u>\$ 124,984</u>

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 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Extraordinary income and loss:			
Extraordinary income			
Gain on disposal of fixed assets	¥ 1	¥ 1	\$ 8
Reversal of reserve under the special law			
Reversal of reserve for price fluctuation	-	6	-
	1	8	8
Extraordinary loss			
Loss on disposal of fixed assets	17	3	151
Provision for reserve under the special law			
Provision for reserve for price fluctuation	2,663	-	23,736
	2,680	3	23,888
Income before income taxes	11,343	9,659	101,105
Income taxes:			
Current	2,432	3,451	21,677
Deferred	(1,601)	533	(14,270)
	831	3,985	7,407
Net income	10,512	5,674	93,698
Net income attributable to owners of the parent	¥ 10,512	¥ 5,674	\$ 93,698

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 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Comprehensive income			
Net income	¥ 10,512	¥ 5,674	\$ 93,698
Other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	4,002	(21,185)	35,671
Net foreign currency translation adjustments	(4,338)	(1,455)	(38,666)
Remeasurements of defined benefit plans, net of tax	637	(988)	5,677
Total other comprehensive income (Note 7(1))	302	(23,629)	2,691
	<u>¥ 10,814</u>	<u>¥ (17,955)</u>	<u>\$ 96,390</u>
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥ 10,814	¥ (17,955)	\$ 96,390
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 2017 and 2016

For the year ended 31st March 2017

(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	¥ 27	¥ 113,370	¥ (4,233)	¥ 114,165
Changes during the period					
Dividends from retained earnings			(930)		(930)
Net income attributable to owners of the parent			10,512		10,512
Disposal of treasury stock		96		1,100	1,197
Net changes in items other than shareholders' equity					
Total changes during the period	-	96	9,582	1,100	10,779
Balance at the end of the period	¥ 5,000	¥ 124	¥ 122,952	¥ (3,132)	¥ 124,944

	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	¥ 57,475	¥ 11,093	¥ (1,908)	¥ 66,661	¥ 180,826
Changes during the period					
Dividends from retained earnings					(930)
Net income attributable to owners of the parent					10,512
Disposal of treasury stock					1,197
Net changes in items other than shareholders' equity	4,002	(4,338)	637	302	302
Total changes during the period	4,002	(4,338)	637	302	11,081
Balance at the end of the period	¥ 61,478	¥ 6,755	¥ (1,270)	¥ 66,963	¥ 191,907

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 2017 and 2016

(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	\$ 44,567	\$ 240	\$ 1,010,517	\$ (37,730)	\$ 1,017,604
Changes during the period					
Dividends from retained earnings			(8,289)		(8,289)
Net income attributable to owners of the parent			93,698		93,698
Disposal of treasury stock		855		9,804	10,669
Net changes in items other than shareholders' equity					
Total changes during the period	-	855	85,408	9,804	96,078
Balance at the end of the period	\$ 44,567	\$ 1,105	\$ 1,095,926	\$ (27,916)	\$ 1,113,682

	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	\$ 512,300	\$ 98,876	\$ (17,006)	\$ 594,179	\$ 1,611,783
Changes during the period					
Dividends from retained earnings					(8,289)
Net income attributable to owners of the parent					93,698
Disposal of treasury stock					10,669
Net changes in items other than shareholders' equity	35,671	(38,666)	5,677	2,691	2,691
Total changes during the period	35,671	(38,666)	5,677	2,691	98,769
Balance at the end of the period	\$ 547,981	\$ 60,210	\$ (11,320)	\$ 596,871	\$ 1,710,553

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 2017 and 2016

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
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
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 Cash Flows
For the years ended 31st March 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Cash flows from operating activities			
Income before income taxes	¥ 11,343	¥ 9,659	\$ 101,105
Depreciation and amortization	428	389	3,814
Increase (decrease) in outstanding claims	(10,073)	4,992	(89,785)
Increase (decrease) in underwriting reserves	11,104	9,809	98,974
Increase (decrease) in allowance for doubtful accounts	(1)	(10)	(8)
Increase (decrease) in accrued retirement benefits for directors	17	(29)	151
Increase (decrease) in accrued bonuses for employees	(2)	(11)	(17)
Increase (decrease) in net defined benefit liabilities	933	21	8,316
Increase (decrease) in reserve for price fluctuation	2,663	(6)	23,736
Interest and dividends income	(11,705)	(14,366)	(104,331)
Loss (gain) on securities	(1,469)	(2,854)	(13,093)
Interest expenses	1,598	1,606	14,243
Foreign exchange loss (gain)	105	128	935
Loss (gain) on tangible fixed assets	15	2	133
Loss (gain) on money held in trust	(38)	454	(338)
Decrease (increase) in other assets (other than investing and financing activities)	(3,103)	(908)	(27,658)
Increase (decrease) in other liabilities (other than investing and financing activities)	(880)	480	(7,843)
Others, net	261	214	2,326
Subtotal	1,199	9,574	10,687
Interest and dividends received	13,197	16,382	117,630
Interest paid	(1,602)	(1,602)	(14,279)
Income taxes paid	(1,858)	(3,185)	(16,561)
Net cash provided by (used in) operating activities	10,936	21,168	97,477
Cash flows from investing activities			
Net decrease (increase) in deposits	141	12	1,256
Increase in money held in trust	-	(2,000)	-
Purchases of securities	(167,638)	(159,989)	(1,494,232)
Proceeds from sales or redemption of securities	159,829	144,265	1,424,627
Loans made	-	(37)	-
Proceeds from collection of loans	117	8	1,042
Total of net cash provided by (used in) investment transactions	(7,550)	(17,740)	(67,296)
Total of net cash provided by (used in) operating activities and investment transactions	3,385	3,428	30,172
Purchase of tangible fixed assets	(260)	(165)	(2,317)
Proceeds from sales of tangible fixed assets	6	1	53
Purchase of intangible fixed assets	(700)	(634)	(6,239)
Net cash provided by (used in) investing activities	(8,505)	(18,539)	(75,808)
Cash flows from financing activities			
Dividends paid	(930)	(650)	(8,289)
Repayment for lease liabilities	(126)	(105)	(1,123)
Proceeds from disposal of treasury stock	1,197	97	10,669
Net cash provided by (used in) financing activities	140	(658)	1,247
Effect of exchange rate changes on cash and cash equivalents	(792)	(140)	(7,059)
Net increase (decrease) in cash and cash equivalents	1,778	1,830	15,848
Cash and cash equivalents at the beginning of the period	22,832	21,001	203,511
Cash and cash equivalents at the end of the period (Note 9(1))	¥ 24,611	¥ 22,832	\$ 219,368

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 ¥112.19 = US\$1, the rate of exchange on 31st March 2017, 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 fixtures attached to buildings) acquired on or after 1st April 1998, and the depreciation of fixtures attached to buildings and structures acquired on or after 1st April 2016, are 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 periods 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

The fair value hedge accounting and the assignment accounting are applied to certain forward foreign exchange contracts utilized to hedge future foreign exchange risk associated with monetary credits and debts, etc. denominated in foreign currencies. Assessment of hedge effectiveness is omitted since the hedge is highly effective because the principal conditions of the hedging instruments and the hedged items are identical, and meets the required conditions to apply the assignment accounting.

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

In accordance with the amendment in the Corporation Tax Act, the Company has adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issue Task Force No. 32, issued on 17th June 2016) from the year ended 31st March 2017, and has changed the depreciation method for fixtures attached to buildings and structures acquired on or after 1st April 2016, from the declining balance method to the straight-line method.

The effect of this change on the ordinary profit and income before income taxes for the year ended 31st March 2017 is immaterial.

4. Additional Information

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on 28th March 2016) from the year ended 31st March 2017.

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))
	2017	2016	2017
Accumulated depreciation	¥ 9,513	¥ 9,422	\$ 84,793
Advanced depreciation	29	29	258

- (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))
	2017	2016	2017
Securities	¥ 10	¥ 10	\$ 89

- (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 2017 and 2016.

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))
	2017	2016	2017
Securities	¥ 29,466	¥ 29,209	\$ 262,643

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

- (5) The amounts of securities lent under loan agreements are as follows:

Millions of yen		Thousands of U.S. dollars (Note 1(2))
2017	2016	2017
¥ 1,647	¥ -	\$ 14,680

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))
2017	2016	2017
Commissions, net of reinsurance ceded	¥ 45,171 ¥ 44,325	\$ 402,629

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))
2017	2016	2017
Net unrealized gains (losses) on available-for-sale securities, net of tax:		
Gains (losses) arising during the period	¥ 6,909 ¥ (28,048)	\$ 61,583
Reclassification adjustments	(1,447) (2,857)	(12,897)
Before income tax effect adjustments	5,461 (30,906)	48,676
Income tax effects	(1,459) 9,720	(13,004)
Net unrealized gains (losses) on available-for-sale securities, net of tax	4,002 (21,185)	35,671
Net foreign currency translation adjustments:		
Gains (losses) arising during the period	(4,841) (3,846)	(43,150)
Reclassification adjustments	1,063 1,623	9,474
Before income tax effect adjustments	(3,778) (2,223)	(33,675)
Income tax effects	(559) 767	(4,982)
Net foreign currency translation adjustments	(4,338) (1,455)	(38,666)
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) arising during the period	(56) (1,466)	(499)
Reclassification adjustments	952 35	8,485
Before income tax effect adjustments	896 (1,430)	7,986
Income tax effects	(258) 442	(2,299)
Remeasurements of defined benefit plans, net of tax	637 (988)	5,677
Total other comprehensive income	¥ 302 ¥ (23,629)	\$ 2,691

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

For the year ended 31st March 2017

(1) Detailed Information for Outstanding Shares and Treasury Stock

(Thousand shares)

	Number of shares as of 1st April 2016	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of 31st March 2017
Outstanding shares				
Common stock	100,000	-	-	100,000
Total	100,000	-	-	100,000
Treasury stock				
Common stock	6,978	-	1,814	5,164
Total	6,978	-	1,814	5,164

The number of shares decreased during the period in common treasury stock is 1,814 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 28th June 2016	Common stock	¥930 million \$8,289 thousand (Note 1(2))	¥10 \$0.09 (Note 1(2))	31st March 2016	29th June 2016

Of dividends with record date within the year ended 31st March 2017, dividends with the effective date after 31st March 2017

	Type of shares	Total dividends	Source of dividends	Dividend per share	Dividend record date	Effective date
General meeting of shareholders on 29th June 2017	Common stock	¥1,043 million \$9,296 thousand (Note 1(2))	Retained earnings	¥11 \$0.10 (Note 1(2))	31st March 2017	30th June 2017

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	¥7	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	Retained earnings	¥10	31st March 2016	29th June 2016

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))
	2017	2016	2017
Cash and deposits	¥ 12,684	¥ 9,877	\$ 113,058
Monetary receivables bought	5,999	2,999	53,471
Securities	564,544	561,795	5,032,034
Time deposits with original maturities of more than three months	(48)	(189)	(427)
Securities other than cash equivalents	(558,568)	(551,650)	(4,978,768)
Cash and cash equivalents	<u>¥ 24,611</u>	<u>¥ 22,832</u>	<u>\$ 219,368</u>

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

10. 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, arising from foreign bonds. The hedge accounting is applied to certain forward foreign exchange contracts. Additionally, derivatives applying the hedge accounting are described in “Principal Matters for Preparation of Consolidated Financial Statements”.

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 2017 and 2016 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 2017

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	¥ 12,684	¥ 12,684	¥ -
Money held in trust	7,628	7,628	-
Securities			
Available for sale	562,465	562,465	-
Total assets	¥ 582,779	¥ 582,779	¥ -
Corporate bonds	¥ 30,000	¥ 30,028	¥ 28
Total liabilities	¥ 30,000	¥ 30,028	¥ 28

Thousands of U.S. dollars (Note 1(2))			
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	\$ 113,058	\$ 113,058	\$ -
Money held in trust	67,991	67,991	-
Securities			
Available for sale	5,013,503	5,013,503	-
Total assets	<u>\$ 5,194,571</u>	<u>\$ 5,194,571</u>	<u>\$ -</u>
Corporate bonds	\$ 267,403	\$ 267,653	\$ 249
Total liabilities	<u>\$ 267,403</u>	<u>\$ 267,653</u>	<u>\$ 249</u>

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	<u>¥ 572,638</u>	<u>¥ 572,638</u>	<u>¥ -</u>
Corporate bonds	¥ 30,000	¥ 30,192	¥ 192
Total liabilities	<u>¥ 30,000</u>	<u>¥ 30,192</u>	<u>¥ 192</u>

(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))
	2017	2016	2017
Foreign bonds	¥ 2	¥ 2	\$ 17
Other securities	-	4,601	-
Non-listed stocks	2,076	2,040	18,504
Total	¥ 2,078	¥ 6,644	\$ 18,522

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 2017 and 2016 for monetary receivables and available-for-sale securities with maturities are as follows:

As of 31st March 2017

	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	¥ 12,684	¥ -	¥ -	¥ -
Securities				
Available-for-sale securities with maturities				
Government bonds	12,170	20,900	-	-
Municipal bonds	650	1,948	-	-
Corporate bonds	23,559	82,996	5,936	1,000
Foreign securities	29,589	101,434	67,516	68,725
Total	¥ 78,653	¥ 207,279	¥ 73,452	¥ 69,725

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	\$ 113,058	\$ -	\$ -	\$ -
Securities				
Available-for-sale securities with maturities				
Government bonds	108,476	186,291	-	-
Municipal bonds	5,793	17,363	-	-
Corporate bonds	209,991	739,780	52,910	8,913
Foreign securities	263,740	904,126	601,800	612,576
Total	<u>\$ 701,069</u>	<u>\$ 1,847,571</u>	<u>\$ 654,710</u>	<u>\$ 621,490</u>

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	<u>¥ 88,602</u>	<u>¥ 212,201</u>	<u>¥ 70,803</u>	<u>¥ 59,742</u>

(d) The repayment schedules as of 31st March 2017 and 2016 for corporate bonds are as follows:

As of 31st March 2017

(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	\$ 267,403	-	-	-	-	-

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

11. 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 2017 and 2016 are as follows:

As of 31st March 2017

	Millions of yen		
	Carrying amount	Cost	Unrealized gain (loss)
Securities for which carrying amount exceeds their cost			
Government, municipal and corporate bonds	¥ 118,037	¥ 116,523	¥ 1,514
Stocks	92,173	19,621	72,552
Foreign securities	177,109	161,245	15,863
Others	1,913	1,881	31
Subtotal	389,233	299,271	89,961
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	35,334	35,492	(158)
Stocks	786	817	(31)
Foreign securities	135,827	139,167	(3,399)
Others	7,282	7,286	(3)
Subtotal	179,231	182,764	(3,532)
Total	¥ 568,465	¥ 482,036	¥ 86,429

	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	\$ 1,052,116	\$ 1,038,621	\$ 13,494
Stocks	821,579	174,890	646,688
Foreign securities	1,578,652	1,437,249	141,394
Others	17,051	16,766	276
Subtotal	3,469,409	2,667,537	801,862
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	314,947	316,356	(1,408)
Stocks	7,005	7,282	(276)
Foreign securities	1,210,687	1,240,458	(30,296)
Others	64,907	64,943	(26)
Subtotal	1,597,566	1,629,057	(31,482)
Total	\$ 5,066,984	\$ 4,296,603	\$ 770,380

* 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 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

* 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))
	2017	2016	2017
Proceeds from sales			
Government, municipal and corporate bonds	¥ 15,286	¥ 2,208	\$ 136,251
Stocks	155	2,241	1,381
Foreign securities	83,122	65,145	740,903
Others	445	-	3,966
Total	¥ 99,010	¥ 69,594	\$ 882,520
Gain on sales			
Government, municipal and corporate bonds	¥ 995	¥ 615	\$ 8,868
Stocks	23	229	205
Foreign securities	4,456	5,817	39,718
Others	-	-	-
Total	¥ 5,476	¥ 6,662	\$ 48,810
Loss on sales			
Government, municipal and corporate bonds	¥ 137	¥ -	\$ 1,221
Stocks	67	83	597
Foreign securities	3,540	2,942	31,553
Others	53	-	472
Total	¥ 3,800	¥ 3,026	\$ 33,871

(4) Securities for which impairment losses are recognized

For the year ended 31st March 2017, consolidated subsidiaries recognized impairment losses regarding available-for-sale securities with fair value (Foreign securities) in the amount of ¥150 million (\$1,337 thousand) in the consolidated statement of income.

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 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.

12. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Net unrealized gains (losses) recognized for the fiscal year	¥ 307	¥ (355)	\$ 2,736

(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.

13. Derivatives

None.

14. 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))
	2017	2016	2017
Retirement benefit obligations at the beginning of the period	¥ 16,384	¥ 14,466	\$ 146,037
Service cost	669	670	5,963
Interest cost	342	384	3,048
Actuarial differences	146	1,247	1,301
Benefit paid	(359)	(384)	(3,199)
Others	(222)	0	(1,978)
Retirement benefit obligations at the end of the period	¥ 16,961	¥ 16,384	\$ 151,181

B. Changes in the plan assets during the period

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Plan assets at the beginning of the period	¥ 8,193	¥ 7,728	\$ 73,027
Expected return on plan assets	244	254	2,174
Actuarial differences	19	(219)	169
Employer contributions	723	746	6,444
Benefit paid	(295)	(317)	(2,629)
Others	(79)	1	(704)
Plan assets at the end of the period	¥ 8,805	¥ 8,193	\$ 78,482

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))
	2017	2016	2017
Retirement benefit obligations for funded plan	¥ 13,964	¥ 13,503	\$ 124,467
Plan assets	(8,805)	(8,193)	(78,482)
	5,159	5,309	45,984
Retirement benefit obligations for unfunded plan	2,996	2,881	26,704
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥ 8,156	¥ 8,191	\$ 72,698
Net defined benefit liabilities	¥ 8,156	¥ 8,191	\$ 72,698
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 8,156	¥ 8,191	\$ 72,698

D. Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Service cost	¥ 669	¥ 670	\$ 5,963
Interest cost	342	384	3,048
Expected return on plan assets	(244)	(254)	(2,174)
Amortization of actuarial differences	952	34	8,485
Amortization of prior service costs	0	2	0
Retirement benefit cost for defined benefit plan	¥ 1,720	¥ 835	\$ 15,331

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))
	2017	2016	2017
Prior service costs	¥ 0	¥ 2	\$ 0
Actuarial differences	824	(1,433)	7,344
Others	71	1	632
Total	¥ 896	¥ (1,430)	\$ 7,986

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))
	2017	2016	2017
Unrecognized prior service costs	¥ -	¥ (0)	\$ -
Unrecognized actuarial differences	(1,957)	(2,853)	(17,443)
Total	¥ (1,957)	¥ (2,854)	\$ (17,443)

G. Plan assets

(a) Major Components of plan assets

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

	2017	2016
Bonds	23%	22%
Stocks	13	12
General accounts	63	64
Others	1	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:

	2017	2016
Discount rate	Mainly 0.6%	Mainly 0.6%
Long-term expected rate of return	Mainly 1.6%	Mainly 1.5%

15. Deferred Tax

(1) Major Components of Net Deferred Tax Assets

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Deferred tax assets			
Underwriting reserves	¥ 32,867	¥ 30,250	\$ 292,958
Outstanding claims	11,392	12,875	101,542
Tax loss carryforwards	9,904	12,756	88,278
Reserve for price fluctuation	2,991	2,245	26,660
Net defined benefit liabilities	2,621	2,625	23,362
Others	3,465	3,646	30,885
Subtotal of deferred tax assets	63,242	64,399	563,704
Valuation allowance	(2,663)	(4,908)	(23,736)
Total deferred tax assets	60,579	59,491	539,967
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	(24,950)	(23,491)	(222,390)
Others	(2,017)	(1,569)	(17,978)
Total deferred tax liabilities	(26,968)	(25,061)	(240,377)
Net deferred tax assets	¥ 33,610	¥ 34,430	\$ 299,581

(2) The reconciliation of the statutory income tax rate to the effective income tax rate for the years ended 31st March 2017 and 2016 is as follows:

	2017	2016
Effective statutory income tax rate of the Company	28.2%	28.9%
(Adjustments)		
Valuation allowance	(19.8)	(1.0)
Effect of changes in the tax rate	-	16.0
Non-taxable revenue such as dividends received	(20.8)	(25.8)
Elimination of dividends received from consolidated subsidiaries	14.5	17.8
Undistributed profits of foreign subsidiaries, etc.	2.8	2.5
Others	2.4	2.9
Effective income tax rate of the Companies	7.3%	41.3%

16. 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 2017

(Millions of yen)

	Reportable segments			
	Toa	TRA	TTFC	Total
Sales				
Sales to external customers	¥ 172,418	¥ 51,437	¥ (106)	¥ 223,749
Inter-segment sales or transfers	2,551	(7,849)	5,288	(9)
Total	174,970	43,588	5,182	223,740
Profit by reportable segments	11,066	2,773	2,051	15,891
Assets by reportable segments	507,469	210,492	49,747	767,708
Liabilities by reportable segments	380,341	128,810	8,482	517,634
Other items				
Depreciation	353	75	-	428
Interest and dividends income	11,662	5,192	671	17,526
Interest expenses	1,598	-	-	1,598
Extraordinary income	1	-	-	1
Gain on disposal of fixed assets	1	-	-	1
Extraordinary loss	2,679	1	-	2,680
Loss on disposal of fixed assets	16	1	-	17
Reversal of reserve under the special law	2,663	-	-	2,663
Income tax expense	(628)	740	703	815

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

	Reportable segments			
	Toa	TRA	TTFC	Total
Sales				
Sales to external customers	\$ 1,536,839	\$ 458,481	\$ (944)	\$ 1,994,375
Inter-segment sales or transfers	22,738	(69,961)	47,134	(80)
Total	1,559,586	388,519	46,189	1,994,295
Profit by reportable segments	98,636	24,716	18,281	141,643
Assets by reportable segments	4,523,299	1,876,210	443,417	6,842,927
Liabilities by reportable segments	3,390,150	1,148,141	75,603	4,613,904
Other items				
Depreciation	3,146	668	-	3,814
Interest and dividends income	103,948	46,278	5,980	156,217
Interest expenses	14,243	-	-	14,243
Extraordinary income	8	-	-	8
Gain on disposal of fixed assets	8	-	-	8
Extraordinary loss	23,879	8	-	23,888
Loss on disposal of fixed assets	142	8	-	151
Reversal of reserve under the special law	23,736	-	-	23,736
Income tax expense	(5,597)	6,595	6,266	7,264

* Sales represent “Net premiums written”.

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

* Sales represent “Net premiums written”.

(4) 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))
	2017	2016	2017
Total of reportable segments	¥ 223,740	¥ 223,267	\$ 1,994,295
Elimination of inter-segment transactions	9	518	80
Sales in consolidated financial statements	<u>¥ 223,749</u>	<u>¥ 223,786</u>	<u>\$ 1,994,375</u>

* Sales represent “Net premiums written”.

B. Profit

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Total of reportable segments	¥ 15,891	¥ 11,772	\$ 141,643
Elimination of inter-segment transactions	(5,378)	(6,097)	(47,936)
Net income attributable to owners of the parent in consolidated financial statements	<u>¥ 10,512</u>	<u>¥ 5,674</u>	<u>\$ 93,698</u>

C. Assets

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Total of reportable segments	¥ 767,708	¥ 757,514	\$ 6,842,927
Elimination of inter-segment transactions	(69,290)	(69,272)	(617,612)
Total assets in consolidated financial statements	<u>¥ 698,418</u>	<u>¥ 688,242</u>	<u>\$ 6,225,314</u>

D. Liabilities

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Total of reportable segments	¥ 517,634	¥ 517,447	\$ 4,613,904
Elimination of inter-segment transactions	(11,123)	(10,031)	(99,144)
Total liabilities in consolidated financial statements	<u>¥ 506,510</u>	<u>¥ 507,416</u>	<u>\$ 4,514,751</u>

E. Other items

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2017	2016	2017
Interest and dividends income			
Total of reportable segments	¥ 17,526	¥ 20,316	\$ 156,217
Adjustments*	(5,821)	(5,950)	(51,885)
Amounts in consolidated financial statements	¥ 11,705	¥ 14,366	\$ 104,331
Income tax expense			
Total of reportable segments	¥ 815	¥ 4,511	\$ 7,264
Adjustments*	15	(525)	133
Amounts in consolidated financial statements	¥ 831	¥ 3,985	\$ 7,407

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

(5) Related Information

For the year ended 31st March 2017

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	¥65,442	¥8,730	¥1,866	¥28,101	¥29,407	¥70,931	¥19,268	¥223,749

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

	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	\$583,314	\$77,814	\$16,632	\$250,476	\$262,117	\$632,239	\$171,744	\$1,994,375

* Sales represent “Net premiums written”.

B. Information by geographic area

(a) Sales

(Millions of yen)

Japan	United States	Others	Total
¥ 125,254	¥ 65,629	¥ 32,865	¥ 223,749

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

Japan	United States	Others	Total
\$ 1,116,445	\$ 584,980	\$ 292,940	\$ 1,994,375

* 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
¥ 9,318	¥ 1,010	¥ 10,329

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

Japan	Others	Total
\$ 83,055	\$ 9,002	\$ 92,067

C. Information about major customers

None.

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

* 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

* 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

C. Information about major customers

None.

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

None.

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

None.

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

None.

17. Related Party Transactions

There are no material transactions with related parties to report for the years ended 31st March 2017 and 2016.

18. Per Share Information

	Yen		U.S. dollars (Note 1(2))
	2017	2016	2017
Net assets per share	¥ 2,023.57	¥ 1,943.90	\$ 18.04
Net income per share	112.42	61.07	1.00

* 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 2017	For the year ended 31st March 2016
Net income attributable to owners of the parent (Millions of yen)	¥ 10,512	¥ 5,674
Amounts not attributable to common shareholders (Millions of yen)	-	-
Net income attributable to owners of the parent related to common shareholders (Millions of yen)	¥ 10,512	¥ 5,674
Average number of common shares outstanding for the year (Thousand shares)	93,507	92,915

19. Significant Subsequent Events after Balance Sheet Date

(1) Prepayment of Corporate Bonds

The Company has resolved at the meeting of its board of directors held on 10th May 2017 to redeem the full amount of Toa Reinsurance #1 Step-up Callable Subordinated Notes (only for Qualified Institutional Investors) (hereinafter the “Bonds”) issued on 21st March 2012 prior to maturity.

The details of the resolution are as follows:

A. Reason for the prepayment

The Bonds are attached with a provision that allows prepayment (Paragraph 9 of the Terms and Conditions of Bonds). As capital adequacy was strengthened by securing profit subsequent to the issuance date, the Company decided to conduct the prepayment.

B. Securities subject to prepayment

Toa Reinsurance #1 Step-up Callable Subordinated Notes (only for Qualified Institutional Investors)

C. Amount of prepayment

¥30,000 million (¥100 per par value of ¥100)
\$267,403 thousand (\$0.89 per par value of \$0.89) (Note 1(2))

D. Date of prepayment

20th July 2017

E. Method of prepayment

Prepayment of the full amount of the outstanding balance

F. Funding of repayment

Repayment entirely by the Company's own funds

G. Expected decrease in interest expenses resulting from repayment

¥1,543 million per annum

\$13,753 thousand per annum (Note 1(2))

(2) Repurchase of Treasury Stock

The Company has resolved at its general shareholders' meeting held on 29th June 2017 to repurchase the treasury stock from certain shareholders pursuant to provisions of Article 156, paragraph 1 and Article 160, paragraph 1 of the Companies Act.

Upon receiving an inquiry from some shareholders that they wish to sell the Company's stock they hold, the Company comprehensively considered factors such as the volume of the stock subject to repurchase, the peculiarity of the Company's business and changes in the business environment, and determined to conduct a repurchase of treasury stock via negotiated transaction.

Details of the repurchase resolved at the general shareholders' meeting are as follows:

A. Type of shares subject to repurchase

Common stock

B. Total number of shares to be repurchased

4,960,000 shares (maximum)

C. Total amount of shares to be repurchased:

¥3,799 million (maximum)

\$33,862 thousand (maximum) (Note 1(2))

D. Repurchase period

From 29th June 2017 to 31st March 2018

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 2016	As of 31st March 2017	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 \$267,403 thousand (Note 1(2))	¥30,000 million (¥30,000 million) \$267,403 thousand (Note 1(2))	5.34	None	20th July 2062

(Notes)

- (1) The figures denoted within () in the columns for the balances as of 31st March 2017 are the amounts of corporate bonds to be redeemed within 1 year.
- (2) Principal amounts to be redeemed within 5 years following the consolidated balance sheet date are as follows:

(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
¥ 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
\$ 267,403	-	-	-	-

2. Detailed Information for Borrowings

(Millions of yen)

	As of 1st April 2016	As of 31st March 2017	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	¥ 103	¥ 84	-	-
Lease liabilities (except for those due in 1 year or less)	101	111	-	From 8th April 2018 to 31st July 2022
Total	¥ 204	¥ 196	-	-

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

	As of 1st April 2016	As of 31st March 2017	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	\$ 918	\$ 748	-	-
Lease liabilities (except for those due in 1 year or less)	900	989	-	From 8th April 2018 to 31st July 2022
Total	\$ 1,818	\$ 1,747	-	-

(Notes)

- (1) The above amount is included in “Other liabilities” in the consolidated balance sheet.
- (2) “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.
- (3) 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	¥ 39	¥ 10	¥ 4

(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	\$ 508	\$ 347	\$ 89	\$ 35

3. Detailed Information for Asset Retirement Obligations

None.