

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

Consolidated Financial Statements
For the years ended 31st March 2018 and 2017

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Balance Sheet
As of 31st March 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Assets			
Cash and deposits	¥ 24,059	¥ 12,684	\$ 226,458
Monetary receivables bought	10,999	5,999	103,529
Money held in trust	8,187	7,628	77,061
Securities (Notes 3(2), (4) and (5))	532,344	564,544	5,010,768
Loans (Note 3(3))	564	583	5,308
Tangible fixed assets (Note 3(1))			
Land	6,740	6,747	63,441
Buildings	3,042	3,172	28,633
Leased assets	173	185	1,628
Other tangible fixed assets	225	223	2,117
	<u>10,181</u>	<u>10,329</u>	<u>95,830</u>
Intangible fixed assets			
Software	220	297	2,070
Software in progress	2,300	1,462	21,649
Other intangible fixed assets	2	2	18
	<u>2,524</u>	<u>1,762</u>	<u>23,757</u>
Other assets			
Foreign reinsurance accounts receivable	42,429	39,812	399,369
Rest of other assets	23,108	20,686	217,507
	<u>65,537</u>	<u>60,499</u>	<u>616,876</u>
Deferred tax assets	33,619	34,440	316,443
Less: Allowance for doubtful accounts	(67)	(54)	(630)
Total assets	<u>¥ 687,950</u>	<u>¥ 698,418</u>	<u>\$ 6,475,432</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 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Liabilities			
Underwriting funds			
Outstanding claims	¥ 213,279	¥ 215,854	\$ 2,007,520
Underwriting reserves	229,914	216,780	2,164,100
	<u>443,194</u>	<u>432,634</u>	<u>4,171,630</u>
Corporate bonds	-	30,000	-
Other liabilities	23,932	24,053	225,263
Net defined benefit liabilities	8,381	8,156	78,887
Accrued retirement benefits for directors	168	153	1,581
Reserve under the special law			
Reserve for price fluctuation	10,913	10,683	102,720
	<u>10,913</u>	<u>10,683</u>	<u>102,720</u>
Deferred tax liabilities	809	830	7,614
Total liabilities	<u>487,400</u>	<u>506,510</u>	<u>4,587,725</u>
Net assets			
Shareholders' equity			
Capital stock	5,000	5,000	47,063
Capital surplus	124	124	1,167
Retained earnings	129,496	122,952	1,218,900
Treasury stock	(6,931)	(3,132)	(65,239)
	<u>127,688</u>	<u>124,944</u>	<u>1,201,882</u>
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	68,411	61,478	643,928
Net foreign currency translation adjustments	6,390	6,755	60,146
Remeasurements of defined benefit plans	(1,940)	(1,270)	(18,260)
	<u>72,861</u>	<u>66,963</u>	<u>685,815</u>
Total net assets	<u>200,550</u>	<u>191,907</u>	<u>1,887,707</u>
Total liabilities and net assets	<u>¥ 687,950</u>	<u>¥ 698,418</u>	<u>\$ 6,475,432</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 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Ordinary income and expenses:			
Ordinary income			
Underwriting income			
Net premiums written	¥ 237,911	¥ 223,749	\$ 2,239,373
Investment income on deposit premiums	210	207	1,976
Reversal of outstanding claims	-	10,073	-
Other underwriting income	26	-	244
	<u>238,149</u>	<u>234,030</u>	<u>2,241,613</u>
Investment income			
Interest and dividends income	12,211	11,705	114,937
Gain on money held in trust	572	45	5,384
Gain on sales of securities	3,883	5,476	36,549
Gain on redemption of securities	110	124	1,035
Gain on derivatives	-	73	-
Other investment income	0	0	0
Transfer of investment income on deposit premiums	(210)	(207)	(1,976)
	<u>16,567</u>	<u>17,217</u>	<u>155,939</u>
Other ordinary income	217	214	2,042
	<u>254,934</u>	<u>251,462</u>	<u>2,399,604</u>
Ordinary expenses			
Underwriting expenses			
Net claims paid	165,854	161,419	1,561,125
Commissions and brokerage (Note 4(1))	49,913	45,171	469,813
Provision for outstanding claims	283	-	2,663
Provision for underwriting reserves	13,420	11,104	126,317
Other underwriting expenses	263	640	2,475
	<u>229,735</u>	<u>218,336</u>	<u>2,162,415</u>
Investment expenses			
Loss on money held in trust	-	7	-
Loss on sales of securities	1,548	3,800	14,570
Impairment losses on securities	85	150	800
Loss on redemption of securities	210	178	1,976
Loss on derivatives	95	-	894
Other investment expenses	964	1,082	9,073
	<u>2,902</u>	<u>5,219</u>	<u>27,315</u>
Operating and general administrative expenses (Note 4(1))	11,901	12,215	112,019
Other ordinary expenses			
Interest expenses	487	1,598	4,583
Provision for allowance for doubtful accounts	19	-	178
Loss on bad debts	-	17	-
Other expenses	31	52	291
	<u>537</u>	<u>1,667</u>	<u>5,054</u>
	<u>245,077</u>	<u>237,439</u>	<u>2,306,824</u>
Ordinary profit	<u>¥ 9,857</u>	<u>¥ 14,022</u>	<u>\$ 92,780</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 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Extraordinary income and loss:			
Extraordinary income			
Gain on disposal of fixed assets	¥ -	¥ 1	\$ -
	-	1	-
Extraordinary loss			
Loss on disposal of fixed assets	11	17	103
Provision for reserve under the special law			
Provision for reserve for price fluctuation	229	2,663	2,155
	241	2,680	2,268
Income before income taxes	9,616	11,343	90,512
Income taxes:			
Current	2,411	2,432	22,693
Deferred	(1,986)	(1,601)	(18,693)
	425	831	4,000
Net income	9,191	10,512	86,511
Net income attributable to owners of the parent	¥ 9,191	¥ 10,512	\$ 86,511

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 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Comprehensive income			
Net income	¥ 9,191	¥ 10,512	\$ 86,511
Other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	4,716	4,002	44,390
Net foreign currency translation adjustments	(89)	(4,338)	(837)
Remeasurements of defined benefit plans, net of tax	(334)	637	(3,143)
Total other comprehensive income (Note 5(1))	4,293	302	40,408
	¥ 13,484	¥ 10,814	\$ 126,920
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥ 13,484	¥ 10,814	\$ 126,920
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 2018 and 2017

For the year ended 31st March 2018

(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	¥ 124	¥ 122,952	¥ (3,132)	¥ 124,944
Changes during the period					
Dividends from retained earnings			(1,043)		(1,043)
Net income attributable to owners of the parent			9,191		9,191
Purchase of treasury stock				(3,799)	(3,799)
Disposal of treasury stock					-
Changes based on generally accepted accounting standards adopted by overseas subsidiaries			(1,604)		(1,604)
Net changes in items other than shareholders' equity					
Total changes during the period	-	-	6,543	(3,799)	2,743
Balance at the end of the period	¥ 5,000	¥ 124	¥ 129,496	¥ (6,931)	¥ 127,688

	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	¥ 61,478	¥ 6,755	¥ (1,270)	¥ 66,963	¥ 191,907
Changes during the period					
Dividends from retained earnings					(1,043)
Net income attributable to owners of the parent					9,191
Purchase of treasury stock					(3,799)
Disposal of treasury stock					-
Changes based on generally accepted accounting standards adopted by overseas subsidiaries	2,216	(276)	(335)	1,604	-
Net changes in items other than shareholders' equity	4,716	(89)	(334)	4,293	4,293
Total changes during the period	6,932	(365)	(669)	5,898	8,642
Balance at the end of the period	¥ 68,411	¥ 6,390	¥ (1,940)	¥ 72,861	¥ 200,550

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 2018 and 2017

(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	\$ 47,063	\$ 1,167	\$ 1,157,304	\$ (29,480)	\$ 1,176,054
Changes during the period					
Dividends from retained earnings			(9,817)		(9,817)
Net income attributable to owners of the parent			86,511		86,511
Purchase of treasury stock				(35,758)	(35,758)
Disposal of treasury stock					-
Changes based on generally accepted accounting standards adopted by overseas subsidiaries			(15,097)		(15,097)
Net changes in items other than shareholders' equity					
Total changes during the period	-	-	61,586	(35,758)	25,818
Balance at the end of the period	\$ 47,063	\$ 1,167	\$ 1,218,900	\$ (65,239)	\$ 1,201,882

	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	\$ 578,670	\$ 63,582	\$ (11,954)	\$ 630,299	\$ 1,806,353
Changes during the period					
Dividends from retained earnings					(9,817)
Net income attributable to owners of the parent					86,511
Purchase of treasury stock					(35,758)
Disposal of treasury stock					-
Changes based on generally accepted accounting standards adopted by overseas subsidiaries	20,858	(2,597)	(3,153)	15,097	-
Net changes in items other than shareholders' equity	44,390	(837)	(3,143)	40,408	40,408
Total changes during the period	65,248	(3,435)	(6,297)	55,515	81,344
Balance at the end of the period	\$ 643,928	\$ 60,146	\$ (18,260)	\$ 685,815	\$ 1,887,707

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 2018 and 2017

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
Purchase of treasury stock					-
Disposal of treasury stock		96		1,100	1,197
Changes based on generally accepted accounting standards adopted by overseas subsidiaries					-
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
Purchase of treasury stock					-
Disposal of treasury stock					1,197
Changes based on generally accepted accounting standards adopted by overseas subsidiaries				-	-
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 Cash Flows
For the years ended 31st March 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Cash flows from operating activities			
Income before income taxes	¥ 9,616	¥ 11,343	\$ 90,512
Depreciation and amortization	428	428	4,028
Increase (decrease) in outstanding claims	283	(10,073)	2,663
Increase (decrease) in underwriting reserves	13,420	11,104	126,317
Increase (decrease) in allowance for doubtful accounts	19	(1)	178
Increase (decrease) in accrued retirement benefits for directors	15	17	141
Increase (decrease) in accrued bonuses for employees	16	(2)	150
Increase (decrease) in net defined benefit liabilities	141	933	1,327
Increase (decrease) in reserve for price fluctuation	229	2,663	2,155
Interest and dividends income	(12,211)	(11,705)	(114,937)
Loss (gain) on securities	(2,150)	(1,469)	(20,237)
Interest expenses	487	1,598	4,583
Foreign exchange loss (gain)	(96)	105	(903)
Loss (gain) on tangible fixed assets	11	15	103
Loss (gain) on money held in trust	(572)	(38)	(5,384)
Decrease (increase) in other assets (other than investing and financing activities)	(4,908)	(3,103)	(46,197)
Increase (decrease) in other liabilities (other than investing and financing activities)	2,639	(880)	24,839
Others, net	(541)	261	(5,092)
Subtotal	6,828	1,199	64,269
Interest and dividends received	13,516	13,197	127,221
Interest paid	(1,602)	(1,602)	(15,079)
Income taxes paid	(3,054)	(1,858)	(28,746)
Net cash provided by (used in) operating activities	15,688	10,936	147,665
Cash flows from investing activities			
Net decrease (increase) in deposits	(96)	141	(903)
Purchases of securities	(108,368)	(167,638)	(1,020,030)
Proceeds from sales or redemption of securities	145,167	159,829	1,366,406
Proceeds from collection of loans	19	117	178
Total of net cash provided by (used in) investment transactions	36,722	(7,550)	345,651
Total of net cash provided by (used in) operating activities and investment transactions	52,411	3,385	493,326
Purchase of tangible fixed assets	(141)	(260)	(1,327)
Proceeds from sales of tangible fixed assets	1	6	9
Purchase of intangible fixed assets	(847)	(700)	(7,972)
Net cash provided by (used in) investing activities	35,734	(8,505)	336,351
Cash flows from financing activities			
Redemption of bonds	(30,000)	-	(282,379)
Purchase of treasury stock	(3,799)	-	(35,758)
Proceeds from disposal of treasury stock	-	1,197	-
Dividends paid	(1,043)	(930)	(9,817)
Repayment for lease liabilities	(99)	(126)	(931)
Net cash provided by (used in) financing activities	(34,941)	140	(328,887)
Effect of exchange rate changes on cash and cash equivalents	(5)	(792)	(47)
Net increase (decrease) in cash and cash equivalents	16,476	1,778	155,082
Cash and cash equivalents at the beginning of the period	24,611	22,832	231,654
Cash and cash equivalents at the end of the period (Note 7(1))	¥ 41,087	¥ 24,611	\$ 386,737

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 ¥106.24 = US\$1, the rate of exchange on 31st March 2018, 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

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

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. 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))
	2018	2017	2018
Accumulated depreciation	¥ 9,498	¥ 9,513	\$ 89,401
Advanced depreciation	29	29	272

- (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))
	2018	2017	2018
Securities	¥ 10	¥ 10	\$ 94

- (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 2018 and 2017.

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))
	2018	2017	2018
Securities	¥ 28,561	¥ 29,466	\$ 268,834

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))
	2018	2017	2018
	¥ 14,409	¥ 1,647	\$ 135,626

4. 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))
	2018	2017	2018
Commissions, net of reinsurance ceded	¥ 49,913	¥ 45,171	\$ 469,813

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

5. 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))
	2018	2017	2018
Net unrealized gains (losses) on available-for-sale securities, net of tax:			
Gains (losses) arising during the period	¥ 8,801	¥ 6,909	\$ 82,840
Reclassification adjustments	(2,039)	(1,447)	(19,192)
Before income tax effect adjustments	6,761	5,461	63,638
Income tax effects	(2,045)	(1,459)	(19,248)
Net unrealized gains (losses) on available-for-sale securities, net of tax	4,716	4,002	44,390
Net foreign currency translation adjustments:			
Gains (losses) arising during the period	(56)	(4,841)	(527)
Reclassification adjustments	780	1,063	7,341
Before income tax effect adjustments	723	(3,778)	6,805
Income tax effects	(813)	(559)	(7,652)
Net foreign currency translation adjustments	(89)	(4,338)	(837)
Remeasurements of defined benefit plans, net of tax:			
Gains (losses) arising during the period	(649)	(56)	(6,108)
Reclassification adjustments	145	952	1,364
Before income tax effect adjustments	(504)	896	(4,743)
Income tax effects	169	(258)	1,590
Remeasurements of defined benefit plans, net of tax	(334)	637	(3,143)
Total other comprehensive income	¥ 4,293	¥ 302	\$ 40,408

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

For the year ended 31st March 2018

(1) Detailed Information for Outstanding Shares and Treasury Stock

	(Thousand shares)			
	Number of shares as of 1st April 2017	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of 31st March 2018
Outstanding shares				
Common stock	100,000	-	1,930	98,070
Class A stock	-	1,930	-	1,930
Total	100,000	1,930	1,930	100,000
Treasury stock				
Common stock	5,164	4,960	-	10,124
Total	5,164	4,960	-	10,124

* The number of shares decreased during the period in common stock is 1,930 thousand shares, as a result of converting into class A stock.

** The number of shares increased during the period in class A stock is 1,930 thousand shares, as a result of converting from common stock.

*** The number of shares increased during the period in common treasury stock is 4,960 thousand shares, as a result of purchase from specific stockholders.

(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 29th June 2017	Common stock	¥1,043million \$9,817 thousand (Note 1(2))	¥11 \$0.10 (Note 1(2))	31st March 2017	30th June 2017

Of dividends with record date within the year ended 31st March 2018, dividends with the effective date after 31st March 2018

	Type of shares	Total dividends	Source of dividends	Dividend per share	Dividend record date	Effective date
General meeting of shareholders on 28th June 2018	Common stock	¥1,099 million \$10,344 thousand (Note 1(2))	Retained earnings	¥12.5 \$0.11 (Note 1(2))	31st March 2018	29th June 2018
General meeting of shareholders on 28th June 2018	Class A stock	¥24 million \$225 thousand (Note 1(2))	Retained earnings	¥12.5 \$0.11 (Note 1(2))	31st March 2018	29th June 2018

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	¥10	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	Retained earnings	¥11	31st March 2017	30th June 2017

7. Notes to the Consolidated Statement of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Cash and deposits	¥ 24,059	¥ 12,684	\$ 226,458
Monetary receivables bought	10,999	5,999	103,529
Securities	532,344	564,544	5,010,768
Time deposits with original maturities of more than three months	(145)	(48)	(1,364)
Securities other than cash equivalents	(526,171)	(558,568)	(4,952,663)
Cash and cash equivalents	¥ 41,087	¥ 24,611	\$ 386,737

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

8. 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.

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.

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 amounts, fair value and unrealized gain (loss) of financial instruments as of 31st March 2018 and 2017 are 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 2018

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	¥ 24,059	¥ 24,059	¥ -
Monetary receivables bought	10,999	10,999	-
Money held in trust	8,187	8,187	-
Securities			
Available for sale	529,842	529,842	-
Total assets	¥ 573,089	¥ 573,089	¥ -

	Thousands of U.S. dollars (Note 1(2))		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	\$ 226,458	\$ 226,458	\$ -
Monetary receivables bought	103,529	103,529	-
Money held in trust	77,061	77,061	-
Securities			
Available for sale	4,987,217	4,987,217	-
Total assets	\$ 5,394,286	\$ 5,394,286	\$ -

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

(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.

Monetary receivables bought

Fair value of monetary receivables bought is based on price provided by financial institution.

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))
	2018	2017	2018
Foreign bonds	¥ 2	¥ 2	\$ 18
Non-listed stocks	2,499	2,076	23,522
Total	¥ 2,502	¥ 2,078	\$ 23,550

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 2018 and 2017 for monetary receivables and available-for-sale securities with maturities are as follows:

As of 31st March 2018

	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	¥ 24,059	¥ -	¥ -	¥ -
Monetary receivables bought	11,000	-	-	-
Securities				
Available-for-sale securities with maturities				
Government bonds	5,000	15,900	-	-
Municipal bonds	-	1,924	-	-
Corporate bonds	9,586	80,365	7,037	1,300
Foreign securities	22,899	93,503	69,554	64,716
Total	¥ 72,545	¥ 191,694	¥ 76,592	¥ 66,016

	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	\$ 226,458	\$ -	\$ -	\$ -
Monetary receivables bought	103,539	-	-	-
Securities				
Available-for-sale securities with maturities				
Government bonds	47,063	149,661	-	-
Municipal bonds	-	18,109	-	-
Corporate bonds	90,229	756,447	66,236	12,236
Foreign securities	215,540	880,111	654,687	609,149
Total	\$ 682,840	\$ 1,804,348	\$ 720,933	\$ 621,385

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

(d) The repayment schedules as of 31st March 2018 and 2017 for corporate bonds are as follows:

As of 31st March 2018

None.

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	-	-	-	-	-

9. 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 2018 and 2017 is as follows:

As of 31st March 2018

	Millions of yen		
	Carrying amount	Cost	Unrealized gain (loss)
Securities for which carrying amount exceeds their cost			
Government, municipal and corporate bonds	¥ 87,798	¥ 87,064	¥ 733
Stocks	96,500	19,824	76,676
Foreign securities	185,833	166,774	19,058
Others	2,801	2,736	65
Subtotal	372,933	276,400	96,533
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	38,013	38,264	(251)
Stocks	563	610	(47)
Foreign securities	115,277	118,301	(3,024)
Others	14,054	14,073	(19)
Subtotal	167,907	171,249	(3,341)
Total	¥ 540,841	¥ 447,650	¥ 93,191

	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	\$ 826,411	\$ 819,503	\$ 6,899
Stocks	908,320	186,596	721,724
Foreign securities	1,749,181	1,569,785	179,386
Others	26,364	25,753	611
Subtotal	<u>3,510,288</u>	<u>2,601,656</u>	<u>908,631</u>
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	357,803	360,165	(2,362)
Stocks	5,299	5,741	(442)
Foreign securities	1,085,062	1,113,525	(28,463)
Others	132,285	132,464	(178)
Subtotal	<u>1,580,449</u>	<u>1,611,907</u>	<u>(31,447)</u>
Total	<u>\$ 5,090,747</u>	<u>\$ 4,213,573</u>	<u>\$ 877,174</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.

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	<u>389,233</u>	<u>299,271</u>	<u>89,961</u>
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	<u>179,231</u>	<u>182,764</u>	<u>(3,532)</u>
Total	<u>¥ 568,465</u>	<u>¥ 482,036</u>	<u>¥ 86,429</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))
	2018	2017	2018
Proceeds from sales			
Government, municipal and corporate bonds	¥ 8,873	¥ 15,286	\$ 83,518
Stocks	561	155	5,280
Foreign securities	58,880	83,122	554,216
Others	494	445	4,649
Total	¥ 68,810	¥ 99,010	\$ 647,684
Gain on sales			
Government, municipal and corporate bonds	¥ 285	¥ 995	\$ 2,682
Stocks	134	23	1,261
Foreign securities	3,463	4,456	32,596
Others	-	-	-
Total	¥ 3,883	¥ 5,476	\$ 36,549
Loss on sales			
Government, municipal and corporate bonds	¥ 62	¥ 137	\$ 583
Stocks	-	67	-
Foreign securities	1,485	3,540	13,977
Others	-	53	-
Total	¥ 1,548	¥ 3,800	\$ 14,570

(4) Securities for which impairment losses are recognized

For the year ended 31st March 2018, consolidated subsidiaries recognized impairment losses regarding available-for-sale securities with fair value (Foreign securities) in the amount of ¥85 million (\$800 thousand) in the consolidated statement of income.

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 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.

10. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Net unrealized gains (losses) recognized for the fiscal year	¥ (87)	¥ 307	\$ (818)

(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.

11. Derivatives

None.

12. 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))
	2018	2017	2018
Retirement benefit obligations at the beginning of the period	¥ 16,961	¥ 16,384	\$ 159,647
Service cost	677	669	6,372
Interest cost	369	342	3,473
Actuarial differences	989	146	9,309
Benefit paid	(427)	(359)	(4,019)
Others	(231)	(222)	(2,174)
Retirement benefit obligations at the end of the period	¥ 18,338	¥ 16,961	\$ 172,609

B. Changes in the plan assets during the period

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Plan assets at the beginning of the period	¥ 8,805	¥ 8,193	\$ 82,878
Expected return on plan assets	277	244	2,607
Actuarial differences	282	19	2,654
Employer contributions	1,020	723	9,600
Benefit paid	(339)	(295)	(3,190)
Others	(90)	(79)	(847)
Plan assets at the end of the period	¥ 9,956	¥ 8,805	\$ 93,712

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))
	2018	2017	2018
Retirement benefit obligations for funded plan	¥ 14,740	¥ 13,964	\$ 138,742
Plan assets	(9,956)	(8,805)	(93,712)
	4,784	5,159	45,030
Retirement benefit obligations for unfunded plan	3,597	2,996	33,857
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥ 8,381	¥ 8,156	\$ 78,887
Net defined benefit liabilities	¥ 8,381	¥ 8,156	\$ 78,887
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 8,381	¥ 8,156	\$ 78,887

D. Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Service cost	¥ 677	¥ 669	\$ 6,372
Interest cost	369	342	3,473
Expected return on plan assets	(277)	(244)	(2,607)
Amortization of actuarial differences	145	952	1,364
Amortization of prior service costs	-	0	-
Retirement benefit cost for defined benefit plan	¥ 915	¥ 1,720	\$ 8,612

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))
	2018	2017	2018
Prior service costs	¥ -	¥ 0	\$ -
Actuarial differences	(560)	824	(5,271)
Others	56	71	527
Total	¥ (504)	¥ 896	\$ (4,743)

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))
	2018	2017	2018
Unrecognized actuarial differences	¥ (2,461)	¥ (1,957)	\$ (23,164)

G. Plan assets

(a) Major Components of plan assets

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

	2018	2017
Bonds	24%	23%
Stocks	15	13
General accounts	60	63
Others	1	1
Total	<u>100%</u>	<u>100%</u>

(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:

	2018	2017
Discount rate	Mainly 0.6%	Mainly 0.6%
Long-term expected rate of return	Mainly 1.5%	Mainly 1.6%

13. Deferred Tax

(1) Major Components of Net Deferred Tax Assets

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Deferred tax assets			
Underwriting reserves	¥ 35,303	¥ 32,867	\$ 332,294
Outstanding claims	10,381	11,392	97,712
Tax loss carryforwards	7,338	9,904	69,070
Reserve for price fluctuation	3,055	2,991	28,755
Net defined benefit liabilities	1,988	2,621	18,712
Others	1,892	3,465	17,808
Subtotal of deferred tax assets	<u>59,960</u>	<u>63,242</u>	<u>564,382</u>
Valuation allowance	<u>(1,285)</u>	<u>(2,663)</u>	<u>(12,095)</u>
Total deferred tax assets	<u>58,674</u>	<u>60,579</u>	<u>552,277</u>
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	(24,779)	(24,950)	(233,236)
Others	(1,085)	(2,017)	(10,212)
Total deferred tax liabilities	<u>(25,865)</u>	<u>(26,968)</u>	<u>(243,458)</u>
Net deferred tax assets	<u>¥ 32,809</u>	<u>¥ 33,610</u>	<u>\$ 308,819</u>

- (2) The reconciliations of the statutory income tax rate to the effective income tax rate for the years ended 31st March 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Effective statutory income tax rate of the Company	28.2%	28.2%
(Adjustments)		
Valuation allowance	(14.3)	(19.8)
Effect of changes in the tax rate	(6.6)	-
Non-taxable revenue such as dividends received	(10.4)	(20.8)
Elimination of dividends received from consolidated subsidiaries	2.5	14.5
Undistributed profits of foreign subsidiaries, etc.	5.9	2.8
Others	(0.9)	2.4
Effective income tax rate of the Companies	<u>4.4%</u>	<u>7.3%</u>

- (3) Impact of Changes in the Corporate Tax Rate

In accordance with enactment of "The Tax Cuts and Jobs Act of 2017" on 22nd December 2017 in the U.S., federal corporate income tax rate in the U.S. was reduced from 35% to 21% from the fiscal year commencing on 1st January 2018.

Accordingly, deferred tax assets and deferred tax liabilities for the Company's U.S. consolidated subsidiary are calculated using an effective tax rate based on a revised tax rate.

As a result of the reduction of the tax rate, deferred tax liabilities (the amount after deducting deferred tax assets) has been decreased by ¥415 million (\$3,906 thousand) and income taxes-deferred has been decreased by ¥412 million (\$3,878 thousand).

14. 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 in the main, 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 2018

(Millions of yen)

	Reportable segments			
	Toa	TRA	TTFC	Total
Sales				
Sales to external customers	¥ 183,055	¥ 54,945	¥ (88)	¥ 237,911
Inter-segment sales or transfers	2,515	(7,348)	4,998	165
Total	185,570	47,597	4,909	238,076
Profit by reportable segments	4,987	2,621	2,525	10,134
Assets by reportable segments	490,545	212,215	50,250	753,011
Liabilities by reportable segments	361,616	131,617	6,203	499,437
Other items				
Depreciation	343	84	-	428
Interest and dividends income	7,065	5,393	601	13,060
Interest expenses	487	-	-	487
Extraordinary loss	241	-	-	241
Loss on disposal of fixed assets	11	-	-	11
Reversal of reserve under the special law	229	-	-	229
Income tax expense	(113)	320	(85)	121

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

	Reportable segments			
	Toa	TRA	TTFC	Total
Sales				
Sales to external customers	\$ 1,723,032	\$ 517,178	\$ (828)	\$ 2,239,373
Inter-segment sales or transfers	23,672	(69,164)	47,044	1,553
Total	1,746,705	448,013	46,206	2,240,926
Profit by reportable segments	46,940	24,670	23,766	95,387
Assets by reportable segments	4,617,328	1,997,505	472,985	7,087,829
Liabilities by reportable segments	3,403,765	1,238,864	58,386	4,701,025
Other items				
Depreciation	3,228	790	-	4,028
Interest and dividends income	66,500	50,762	5,657	122,929
Interest expenses	4,583	-	-	4,583
Extraordinary loss	2,268	-	-	2,268
Loss on disposal of fixed assets	103	-	-	103
Reversal of reserve under the special law	2,155	-	-	2,155
Income tax expense	(1,063)	3,012	(800)	1,138

* Sales represent "Net premiums written".

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

* 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))
	2018	2017	2018
Total of reportable segments	¥ 238,076	¥ 223,740	\$ 2,240,926
Elimination of inter-segment transactions	(165)	9	(1,553)
Sales in consolidated financial statements	<u>¥ 237,911</u>	<u>¥ 223,749</u>	<u>\$ 2,239,373</u>

* Sales represent “Net premiums written”.

B. Profit

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
Total of reportable segments	¥ 10,134	¥ 15,891	\$ 95,387
Elimination of inter-segment transactions	(943)	(5,378)	(8,876)
Net income attributable to owners of the parent in consolidated financial statements	<u>¥ 9,191</u>	<u>¥ 10,512</u>	<u>\$ 86,511</u>

C. Assets

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
	Total of reportable segments	¥ 753,011	¥ 767,708
Elimination of inter-segment transactions	(65,061)	(69,290)	(612,396)
Total assets in consolidated financial statements	<u>¥ 687,950</u>	<u>¥ 698,418</u>	<u>\$ 6,475,432</u>

D. Liabilities

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
	Total of reportable segments	¥ 499,437	¥ 517,634
Elimination of inter-segment transactions	(12,037)	(11,123)	(113,300)
Total liabilities in consolidated financial statements	<u>¥ 487,400</u>	<u>¥ 506,510</u>	<u>\$ 4,587,725</u>

E. Other items

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2018	2017	2018
	Interest and dividends income		
Total of reportable segments	¥ 13,060	¥ 17,526	\$ 122,929
Adjustments*	(848)	(5,821)	(7,981)
Amounts in consolidated financial statements	<u>¥ 12,211</u>	<u>¥ 11,705</u>	<u>\$ 114,937</u>
Income tax expense			
Total of reportable segments	¥ 121	¥ 815	\$ 1,138
Adjustments*	303	15	2,852
Amounts in consolidated financial statements	<u>¥ 425</u>	<u>¥ 831</u>	<u>\$ 4,000</u>

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

(5) Related Information

For the year ended 31st March 2018

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	¥65,912	¥8,508	¥2,247	¥32,001	¥32,791	¥78,360	¥18,088	¥237,911

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

	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	\$620,406	\$80,082	\$21,150	\$301,214	\$308,650	\$737,575	\$170,256	\$2,239,373

* Sales represent “Net premiums written”.

B. Information by geographic area

(a) Sales

(Millions of yen)

Japan	United States	Others	Total
¥ 131,327	¥ 70,449	¥ 36,134	¥ 237,911

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

Japan	United States	Others	Total
\$ 1,236,135	\$ 663,111	\$ 340,116	\$ 2,239,373

* 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
¥ 9,210	¥ 970	¥ 10,181

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

Japan	Others	Total
\$ 86,690	\$ 9,130	\$ 95,830

C. Information about major customers

None.

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

* 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

* 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

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.

15. Related Party Transactions

There are no material transactions with related parties to report for the years ended 31st March 2018 and 2017.

16. Per Share Information

	Yen		U.S. dollars (Note 1(2))
	2018	2017	2018
Net assets per share	¥ 2,231.40	¥ 2,023.57	\$ 21.00
Net income per share	99.86	112.42	0.93

* 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 2018		For the year ended 31st March 2017	
Net income attributable to owners of the parent (Millions of yen)	¥ 9,191		¥ 10,512	
Amounts not attributable to common shareholders (Millions of yen)	-		-	
Net income attributable to owners of the parent related to common shareholders (Millions of yen)	¥ 9,191		¥ 10,512	
Average number of common shares outstanding for the year (Thousand shares)	92,036		93,507	
Major Components of Average number of common shares outstanding and equivalent for the year (Thousand shares)	Common Stock	90,577	Common Stock	93,507
	Class A Stock	1,459	Class A Stock	-

17. 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 2018.

The details of the resolution are as follows:

- (1) Type of the shares to be transferred
Common stock
- (2) Total number of the shares to be transferred
5,000,000 shares (maximum)
- (3) Transfer price
¥871 per share (minimum)
\$8.19 per share (minimum) (Note 1(2))

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

None.

2. Detailed Information for Borrowings

(Millions of yen)

	As of 1st April 2017	As of 31st March 2018	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	¥ 84	¥ 77	-	-
Lease liabilities (except for those due in 1 year or less)	111	107	-	From 8th April 2019 to 31st December 2023
Total	¥ 196	¥ 185	-	-

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

	As of 1st April 2017	As of 31st March 2018	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	\$ 790	\$ 724	-	-
Lease liabilities (except for those due in 1 year or less)	1,044	1,007	-	From 8th April 2019 to 31st December 2023
Total	\$ 1,844	\$ 1,741	-	-

(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 is 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	¥ 60	¥ 31	¥ 12	¥ 3

(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	\$ 564	\$ 291	\$ 112	\$ 28

3. Detailed Information for Asset Retirement Obligations

None.