

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

**Consolidated Financial Statements**  
For the years ended 31st March 2019 and 2018

**The Toa Reinsurance Company, Limited and Subsidiaries**  
Consolidated Balance Sheet  
As of 31st March 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
<b>Assets</b>			
Cash and deposits	¥ 25,289	¥ 24,059	\$ 227,849
Monetary receivables bought	1,999	10,999	18,010
Money held in trust	8,684	8,187	78,241
Securities (Notes 3(2), (4) and (5))	515,874	532,344	4,647,932
Loans (Note 3(3))	517	564	4,658
Tangible fixed assets (Note 3(1))			
Land	6,736	6,740	60,690
Buildings	2,954	3,042	26,615
Leased assets	129	173	1,162
Other tangible fixed assets	200	225	1,801
	<u>10,021</u>	<u>10,181</u>	<u>90,287</u>
Intangible fixed assets			
Software	2,504	220	22,560
Software in progress	-	2,300	-
Other intangible fixed assets	2	2	18
	<u>2,507</u>	<u>2,524</u>	<u>22,587</u>
Other assets			
Foreign reinsurance accounts receivable	64,597	42,429	582,007
Rest of other assets	29,766	23,108	268,186
	<u>94,364</u>	<u>65,537</u>	<u>850,202</u>
Deferred tax assets	34,896	33,619	314,406
Less: Allowance for doubtful accounts	(66)	(67)	(594)
Total assets	<u>¥ 694,088</u>	<u>¥ 687,950</u>	<u>\$ 6,253,608</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 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
<b>Liabilities</b>			
Underwriting funds			
Outstanding claims	¥ 231,920	¥ 213,279	\$ 2,089,557
Underwriting reserves	228,698	229,914	2,060,527
	460,619	443,194	4,150,094
Other liabilities	35,076	23,932	316,028
Net defined benefit liabilities	7,871	8,381	70,916
Accrued retirement benefits for directors	151	168	1,360
Reserve under the special law			
Reserve for price fluctuation	10,424	10,913	93,918
	10,424	10,913	93,918
Deferred tax liabilities	-	809	-
Total liabilities	514,144	487,400	4,632,345
<b>Net assets</b>			
Shareholders' equity			
Capital stock	5,000	5,000	45,049
Capital surplus	219	124	1,973
Retained earnings	121,005	129,496	1,090,233
Treasury stock	(6,581)	(6,931)	(59,293)
	119,644	127,688	1,077,970
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	58,095	68,411	523,425
Net foreign currency translation adjustments	3,829	6,390	34,498
Remeasurements of defined benefit plans	(1,624)	(1,940)	(14,631)
	60,300	72,861	543,292
Total net assets	179,944	200,550	1,621,263
Total liabilities and net assets	¥ 694,088	¥ 687,950	\$ 6,253,608

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 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
Ordinary income and expenses:			
Ordinary income			
Underwriting income			
Net premiums written	¥ 248,288	¥ 237,911	\$ 2,237,030
Investment income on deposit premiums	220	210	1,982
Reversal of underwriting reserves	869	-	7,829
Other underwriting income	4	26	36
	<u>249,383</u>	<u>238,149</u>	<u>2,246,896</u>
Investment income			
Interest and dividends income	12,858	12,211	115,848
Gain on money held in trust	-	572	-
Gain on sales of securities	4,290	3,883	38,652
Gain on redemption of securities	61	110	549
Other investment income	1	0	9
Transfer of investment income on deposit premiums	(220)	(210)	(1,982)
	<u>16,991</u>	<u>16,567</u>	<u>153,085</u>
Other ordinary income	250	217	2,252
	<u>266,625</u>	<u>254,934</u>	<u>2,402,243</u>
Ordinary expenses			
Underwriting expenses			
Net claims paid	183,922	165,854	1,657,104
Commissions and brokerage (Note 4(1))	52,731	49,913	475,096
Provision for outstanding claims	21,213	283	191,125
Provision for underwriting reserves	-	13,420	-
Other underwriting expenses	159	263	1,432
	<u>258,026</u>	<u>229,735</u>	<u>2,324,767</u>
Investment expenses			
Loss on money held in trust	491	-	4,423
Loss on sales of securities	1,324	1,548	11,929
Impairment losses on securities	264	85	2,378
Loss on redemption of securities	172	210	1,549
Loss on derivatives	51	95	459
Other investment expenses	834	964	7,514
	<u>3,139</u>	<u>2,902</u>	<u>28,281</u>
Operating and general administrative expenses (Note 4(1))	12,820	11,901	115,505
Other ordinary expenses			
Interest expenses	0	487	0
Provision for allowance for doubtful accounts	-	19	-
Other expenses	29	31	261
	<u>29</u>	<u>537</u>	<u>261</u>
	<u>274,015</u>	<u>245,077</u>	<u>2,468,826</u>
Ordinary profit(loss)	<u>¥ (7,390)</u>	<u>¥ 9,857</u>	<u>\$ (66,582)</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 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
Extraordinary income and loss:			
Extraordinary income			
Gain on disposal of fixed assets	¥ 0	¥ -	\$ 0
Reversal of reserve under the special law			
Reversal of reserve for price fluctuation	488	-	4,396
	<u>488</u>	<u>-</u>	<u>4,396</u>
Extraordinary loss			
Loss on disposal of fixed assets	13	11	117
Provision for reserve under the special law			
Provision for reserve for price fluctuation	-	229	-
	<u>13</u>	<u>241</u>	<u>117</u>
Income (loss) before income taxes	<u>(6,915)</u>	<u>9,616</u>	<u>(62,302)</u>
Income taxes:			
Current	(366)	2,411	(3,297)
Deferred	601	(1,986)	5,414
	<u>235</u>	<u>425</u>	<u>2,117</u>
Net income (loss)	<u>(7,150)</u>	<u>9,191</u>	<u>(64,420)</u>
Net income (loss) attributable to owners of the parent	<u>¥ (7,150)</u>	<u>¥ 9,191</u>	<u>\$ (64,420)</u>

The accompanying notes are an integral part of the statements.

**The Toa Reinsurance Company, Limited and Subsidiaries**  
Consolidated Statement of Comprehensive Income  
For the year ended 31st March 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
Comprehensive income			
Net income (loss)	¥ (7,150)	¥ 9,191	\$ (64,420)
Other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax	(10,315)	4,716	(92,936)
Net foreign currency translation adjustments	(2,560)	(89)	(23,065)
Remeasurements of defined benefit plans, net of tax	315	(334)	2,838
Total other comprehensive income (Note 5(1))	(12,560)	4,293	(113,163)
	<u>¥ (19,711)</u>	<u>¥ 13,484</u>	<u>\$ (177,592)</u>
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥ (19,711)	¥ 13,484	\$ (177,592)
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 2019 and 2018**

For the year ended 31st March 2019

(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	¥ 129,496	¥ (6,931)	¥ 127,688
Changes during the period					
Dividends from retained earnings			(1,123)		(1,123)
Net income (loss) attributable to owners of the parent			(7,150)		(7,150)
Purchase of treasury stock					-
Disposal of treasury stock		95		350	445
Changes based on generally accepted accounting standards adopted by overseas subsidiaries					-
Others			(216)		(216)
Net changes in items other than shareholders' equity					
Total changes during the period	-	95	(8,490)	350	(8,044)
Balance at the end of the period	¥ 5,000	¥ 219	¥ 121,005	¥ (6,581)	¥ 119,644

	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	¥ 68,411	¥ 6,390	¥ (1,940)	¥ 72,861	¥ 200,550
Changes during the period					
Dividends from retained earnings					(1,123)
Net income (loss) attributable to owners of the parent					(7,150)
Purchase of treasury stock					-
Disposal of treasury stock					445
Changes based on generally accepted accounting standards adopted by overseas subsidiaries				-	-
Others					(216)
Net changes in items other than shareholders' equity	(10,315)	(2,560)	315	(12,560)	(12,560)
Total changes during the period	(10,315)	(2,560)	315	(12,560)	(20,605)
Balance at the end of the period	¥ 58,095	¥ 3,829	¥ (1,624)	¥ 60,300	¥ 179,944

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 2019 and 2018

(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	\$ 45,049	\$ 1,117	\$ 1,166,735	\$ (62,447)	\$ 1,150,445
Changes during the period					
Dividends from retained earnings			(10,118)		(10,118)
Net income (loss) attributable to owners of the parent			(64,420)		(64,420)
Purchase of treasury stock					-
Disposal of treasury stock		855		3,153	4,009
Changes based on generally accepted accounting standards adopted by overseas subsidiaries					-
Others			(1,946)		(1,946)
Net changes in items other than shareholders' equity					
Total changes during the period	-	855	(76,493)	3,153	(72,474)
Balance at the end of the period	\$ 45,049	\$ 1,973	\$ 1,090,233	\$ (59,293)	\$ 1,077,970

	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	\$ 616,370	\$ 57,572	\$ (17,479)	\$ 656,464	\$ 1,806,919
Changes during the period					
Dividends from retained earnings					(10,118)
Net income (loss) attributable to owners of the parent					(64,420)
Purchase of treasury stock					-
Disposal of treasury stock					4,009
Changes based on generally accepted accounting standards adopted by overseas subsidiaries				-	-
Others					(1,946)
Net changes in items other than shareholders' equity	(92,936)	(23,065)	2,838	(113,163)	(113,163)
Total changes during the period	(92,936)	(23,065)	2,838	(113,163)	(185,647)
Balance at the end of the period	\$ 523,425	\$ 34,498	\$ (14,631)	\$ 543,292	\$ 1,621,263

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 2019 and 2018

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)
Others					-
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	-
Others					-
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 Cash Flows  
For the years ended 31st March 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes	¥ (6,915)	¥ 9,616	\$ (62,302)
Depreciation and amortization	630	428	5,676
Increase (decrease) in outstanding claims	20,469	283	184,422
Increase (decrease) in underwriting reserves	(935)	13,420	(8,424)
Increase (decrease) in allowance for doubtful accounts	(1)	19	(9)
Increase (decrease) in accrued retirement benefits for directors	(16)	15	(144)
Increase (decrease) in accrued bonuses for employees	(1)	16	(9)
Increase (decrease) in net defined benefit liabilities	(51)	141	(459)
Increase (decrease) in reserve for price fluctuation	(488)	229	(4,396)
Interest and dividends income	(12,858)	(12,211)	(115,848)
Loss (gain) on securities	(2,590)	(2,150)	(23,335)
Interest expenses	0	487	0
Foreign exchange loss (gain)	91	(96)	819
Loss (gain) on tangible fixed assets	13	11	117
Loss (gain) on money held in trust	491	(572)	4,423
Decrease (increase) in other assets (other than investing and financing activities)	(26,234)	(4,908)	(236,363)
Increase (decrease) in other liabilities (other than investing and financing activities)	11,429	2,639	102,973
Others, net	131	(541)	1,180
Subtotal	(16,835)	6,828	(151,680)
Interest and dividends received	13,562	13,516	122,191
Interest paid	(0)	(1,602)	(0)
Income taxes paid	(2,709)	(3,054)	(24,407)
Net cash provided by (used in) operating activities	(5,982)	15,688	(53,896)
<b>Cash flows from investing activities</b>			
Net decrease (increase) in deposits	(91)	(96)	(819)
Increase in money held in trust	(1,000)	-	(9,009)
Purchases of securities	(99,895)	(108,368)	(900,036)
Proceeds from sales or redemption of securities	100,990	145,167	909,901
Proceeds from collection of loans	46	19	414
Total of net cash provided by (used in) investment transactions	50	36,722	450
Total of net cash provided by (used in) operating activities and investment transactions	(5,932)	52,411	(53,446)
Purchase of tangible fixed assets	(177)	(141)	(1,594)
Proceeds from sales of tangible fixed assets	1	1	9
Purchase of intangible fixed assets	(338)	(847)	(3,045)
Purchase of shares of subsidiaries resulting in change in the scope of consolidation (Note 7(2))	(16)	-	(144)
Net cash provided by (used in) investing activities	(481)	35,734	(4,333)
<b>Cash flows from financing activities</b>			
Redemption of bonds	-	(30,000)	-
Purchase of treasury stock	-	(3,799)	-
Proceeds from disposal of treasury stock	445	-	4,009
Dividends paid	(1,123)	(1,043)	(10,118)
Repayment for lease liabilities	(83)	(99)	(747)
Net cash provided by (used in) financing activities	(760)	(34,941)	(6,847)
Effect of exchange rate changes on cash and cash equivalents	(575)	(5)	(5,180)
Net increase (decrease) in cash and cash equivalents	(7,800)	16,476	(70,276)
Cash and cash equivalents at the beginning of the period	41,087	24,611	370,186
Cash and cash equivalents at the end of the period (Note 7(1))	¥ 33,287	¥ 41,087	\$ 299,909

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 ¥110.99 = US\$1, the rate of exchange on 31st March 2019, 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, three 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)
- Toa Re Corporate Member Limited (United Kingdom)

Toa Re Corporate Member Limited is included as consolidated subsidiaries from the fiscal year 2018 due to the acquisition of shares.

###### 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 all 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))
	2019	2018	2019
Accumulated depreciation	¥ 9,673	¥ 9,498	\$ 87,151
Advanced depreciation	29	29	261

- (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))
	2019	2018	2019
Securities	¥ 10	¥ 10	\$ 90

- (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 2019 and 2018.

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))
	2019	2018	2019
Securities	¥ 25,627	¥ 28,561	\$ 230,894

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))
	2019	2018	2019
	¥ 4,436	¥ 14,409	\$ 39,967

#### 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))
	2019	2018	2019
Commissions, net of reinsurance ceded	¥ 52,731	¥ 49,913	\$ 475,096

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))
	2019	2018	2019
Net unrealized gains (losses) on available-for-sale securities, net of tax:			
Gains (losses) arising during the period	¥ (10,575)	¥ 8,801	\$ (95,278)
Reclassification adjustments	(2,586)	(2,039)	(23,299)
Before income tax effect adjustments	(13,161)	6,761	(118,578)
Income tax effects	2,846	(2,045)	25,641
Net unrealized gains (losses) on available-for-sale securities, net of tax	(10,315)	4,716	(92,936)
Net foreign currency translation adjustments:			
Gains (losses) arising during the period	(3,276)	(56)	(29,516)
Reclassification adjustments	802	780	7,225
Before income tax effect adjustments	(2,473)	723	(22,281)
Income tax effects	(86)	(813)	(774)
Net foreign currency translation adjustments	(2,560)	(89)	(23,065)
Remeasurements of defined benefit plans, net of tax:			
Gains (losses) arising during the period	130	(649)	1,171
Reclassification adjustments	280	145	2,522
Before income tax effect adjustments	410	(504)	3,694
Income tax effects	(95)	169	(855)
Remeasurements of defined benefit plans, net of tax	315	(334)	2,838
Total other comprehensive income	¥ (12,560)	¥ 4,293	\$ (113,163)

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

For the year ended 31st March 2019

### (1) Detailed Information for Outstanding Shares and Treasury Stock

(Thousand shares)

	Number of shares as of 1st April 2018	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of 31st March 2019
Outstanding shares				
Common stock	98,070	-	-	98,070
Class A stock	1,930	-	-	1,930
Total	100,000	-	-	100,000
Treasury stock				
Common stock	10,124	-	512	9,612
Total	10,124	-	512	9,612

The number of shares decreased during the period in common treasury stock is 512 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 2018	Common stock	¥1,099million \$9,901 thousand (Note 1(2))	¥12.5 \$0.11 (Note 1(2))	31st March 2018	29th June 2018
General meeting of shareholders on 28th June 2018	Class A stock	¥24million \$216 thousand (Note 1(2))	¥12.5 \$0.11 (Note 1(2))	31st March 2018	29th June 2018

Of dividends with record date within the year ended 31st March 2019, dividends with the effective date after 31st March 2019

	Type of shares	Total dividends	Source of dividends	Dividend per share	Dividend record date	Effective date
General meeting of shareholders on 27th June 2019	Common stock	¥1,105 million \$9,955 thousand (Note 1(2))	Retained earnings	¥12.5 \$0.11 (Note 1(2))	31st March 2019	28th June 2019
General meeting of shareholders on 27th June 2019	Class A stock	¥24 million \$216 thousand (Note 1(2))	Retained earnings	¥12.5 \$0.11 (Note 1(2))	31st March 2019	28h June 2019

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	¥11	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	Retained earnings	¥12.5	31st March 2018	29th June 2018
General meeting of shareholders on 28th June 2018	Class A stock	¥24 million	Retained earnings	¥12.5	31st March 2018	29th June 2018

## 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))
	2019	2018	2019
Cash and deposits	¥ 25,289	¥ 24,059	\$ 227,849
Monetary receivables bought	1,999	10,999	18,010
Securities	515,874	532,344	4,647,932
Time deposits with original maturities of more than three months	(237)	(145)	(2,135)
Securities other than cash equivalents	(509,638)	(526,171)	(4,591,747)
Cash and cash equivalents	<u>¥ 33,287</u>	<u>¥ 41,087</u>	<u>\$ 299,909</u>

- (2) Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

For the year ended 31st March 2019

Toa Re Corporate Member Limited (hereinafter TRCM) is included in the scope of consolidation due to acquisition of shares. The components of assets and liabilities at the acquisition date, the acquisition cost of TRCM's shares and net consideration paid for acquisition of TRCM are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	¥		\$
Total assets	¥ 2,393		\$ 21,560
Foreign reinsurance accounts receivable	2,372		21,371
Total liabilities	2,376		21,407
Foreign reinsurance accounts payable	2,372		21,371
Acquisition cost of TRCM's shares	16		144
Cash and cash equivalents held at TRCM	-		-
Net consideration paid for acquisition of TRCM	<u>¥ 16</u>		<u>\$ 144</u>

- (3) 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 2019 and 2018 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 2019

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	¥ 25,289	¥ 25,289	¥ -
Money held in trust	8,684	8,684	-
Securities			
Available for sale	512,980	512,980	-
Total assets	¥ 546,954	¥ 546,954	¥ -

	Thousands of U.S. dollars (Note 1(2))		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits	\$ 227,849	\$ 227,849	\$ -
Money held in trust	78,241	78,241	-
Securities			
Available for sale	4,621,857	4,621,857	-
Total assets	\$ 4,927,957	\$ 4,927,957	\$ -

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	¥ -

(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.

(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))
	2019	2018	2019
Foreign bonds	¥ 2	¥ 2	\$ 18
Non-listed stocks	2,891	2,499	26,047
Total	¥ 2,893	¥ 2,502	\$ 26,065

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 2019 and 2018 for monetary receivables and securities with maturities are as follows:

As of 31st March 2019

	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	¥ 25,288	¥ -	¥ -	¥ -
Securities				
Available-for-sale securities with maturities				
Government bonds	6,100	9,800	-	-
Municipal bonds	900	443	-	-
Corporate bonds	22,546	62,352	6,332	3,200
Foreign securities	19,659	102,361	66,730	64,953
Total	¥ 74,495	¥ 174,957	¥ 73,063	¥ 68,153

	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	\$ 227,840	\$ -	\$ -	\$ -
Securities				
Available-for-sale securities with maturities				
Government bonds	54,959	88,296	-	-
Municipal bonds	8,108	3,991	-	-
Corporate bonds	203,135	561,780	57,050	28,831
Foreign securities	177,124	922,254	601,225	585,214
Total	\$ 671,186	\$ 1,576,331	\$ 658,284	\$ 614,046

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

## 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 2019 and 2018 is as follows:

As of 31st March 2019

	Millions of yen		
	Carrying amount	Cost	Unrealized gain (loss)
Securities for which carrying amount exceeds their cost			
Government, municipal and corporate bonds	¥ 95,141	¥ 94,584	¥ 557
Stocks	89,378	17,172	72,205
Foreign securities	147,131	134,458	12,673
Others	3,925	3,776	148
Subtotal	335,577	249,992	85,585
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	21,290	21,350	(59)
Stocks	3,772	4,131	(359)
Foreign securities	148,795	153,848	(5,052)
Others	5,543	5,626	(83)
Subtotal	179,402	184,957	(5,554)
Total	¥ 514,980	¥ 434,950	¥ 80,030

	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	\$ 857,203	\$ 852,184	\$ 5,018
Stocks	805,279	154,716	650,554
Foreign securities	1,325,623	1,211,442	114,181
Others	35,363	34,021	1,333
Subtotal	3,023,488	2,252,383	771,105
Securities for which carrying amount does not exceed their cost			
Government, municipal and corporate bonds	191,819	192,359	(531)
Stocks	33,985	37,219	(3,234)
Foreign securities	1,340,616	1,386,142	(45,517)
Others	49,941	50,689	(747)
Subtotal	1,616,379	1,666,429	(50,040)
Total	\$ 4,639,877	\$ 3,918,821	\$ 721,055

\* 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 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

\* 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))
	2019	2018	2019
Proceeds from sales			
Government, municipal and corporate bonds	¥ 7,058	¥ 8,873	\$ 63,591
Stocks	254	561	2,288
Foreign securities	55,886	58,880	503,522
Others	-	494	-
Total	¥ 63,199	¥ 68,810	\$ 569,411
Gain on sales			
Government, municipal and corporate bonds	¥ 7	¥ 285	\$ 63
Stocks	11	134	99
Foreign securities	4,272	3,463	38,489
Others	-	-	-
Total	¥ 4,290	¥ 3,883	\$ 38,652
Loss on sales			
Government, municipal and corporate bonds	¥ 12	¥ 62	\$ 108
Stocks	-	-	-
Foreign securities	1,311	1,485	11,811
Others	-	-	-
Total	¥ 1,324	¥ 1,548	\$ 11,929

(4) Securities for which impairment losses are recognized

For the year ended 31st March 2019, the Company recognized impairment losses regarding available-for-sale securities with fair value (Stocks) in the amount of ¥184 million (\$1,657 thousand) in the consolidated statement of income. Consolidated subsidiaries recognized impairment losses regarding available-for-sale securities with fair value (Foreign securities) in the amount of ¥79 million (\$711 thousand) in the consolidated statement of income.



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 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))
	2019	2018	2019
Net unrealized gains (losses) recognized for the fiscal year	¥ (51)	¥ (87)	\$ (459)

### (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 mainly 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))
	2019	2018	2019
Retirement benefit obligations at the beginning of the period	¥ 18,338	¥ 16,961	\$ 165,222
Service cost	740	677	6,667
Interest cost	384	369	3,459
Actuarial differences	(566)	989	(5,099)
Benefit paid	(571)	(427)	(5,144)
Others	(161)	(231)	(1,450)
Retirement benefit obligations at the end of the period	¥ 18,163	¥ 18,338	\$ 163,645

B. Changes in the plan assets during the period

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
Plan assets at the beginning of the period	¥ 9,956	¥ 8,805	\$ 89,701
Expected return on plan assets	326	277	2,937
Actuarial differences	(479)	282	(4,315)
Employer contributions	1,033	1,020	9,307
Benefit paid	(475)	(339)	(4,279)
Others	(69)	(90)	(621)
Plan assets at the end of the period	¥ 10,292	¥ 9,956	\$ 92,729

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))
	2019	2018	2019
Retirement benefit obligations for funded plan	¥ 14,741	¥ 14,740	\$ 132,813
Plan assets	(10,292)	(9,956)	(92,729)
	4,448	4,784	40,075
Retirement benefit obligations for unfunded plan	3,422	3,597	30,831
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥ 7,871	¥ 8,381	\$ 70,916
Net defined benefit liabilities	¥ 7,871	¥ 8,381	\$ 70,916
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 7,871	¥ 8,381	\$ 70,916

D. Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
Service cost	¥ 740	¥ 677	\$ 6,667
Interest cost	384	369	3,459
Expected return on plan assets	(326)	(277)	(2,937)
Amortization of actuarial differences	280	145	2,522
Retirement benefit cost for defined benefit plan	<u>¥ 1,078</u>	<u>¥ 915</u>	<u>\$ 9,712</u>

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))
	2019	2018	2019
Actuarial differences	¥ 367	¥ (560)	\$ 3,306
Others	43	56	387
Total	<u>¥ 410</u>	<u>¥ (504)</u>	<u>\$ 3,694</u>

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))
	2019	2018	2019
Unrecognized actuarial differences	¥ (2,050)	¥ (2,461)	\$ (18,470)

G. Plan assets

(a) Major Components of plan assets

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

	2019	2018
Bonds	26%	24%
Stocks	13	15
General accounts	60	60
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:

	2019	2018
Discount rate	Mainly 0.6%	Mainly 0.6%
Long-term expected rate of return	Mainly 1.4%	Mainly 1.5%

## 13. Deferred Tax

### (1) Major Components of Net Deferred Tax Assets

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
Deferred tax assets			
Underwriting reserves	¥ 34,691	¥ 35,303	\$ 312,559
Outstanding claims	9,952	10,381	89,665
Tax loss carryforwards **	9,518	7,338	85,755
Reserve for price fluctuation	2,918	3,055	26,290
Net defined benefit liabilities	1,865	1,988	16,803
Others	2,347	1,892	21,146
Subtotal of deferred tax assets	61,294	59,960	552,247
Valuation allowance related to tax loss carryforwards **	(3,065)	-	(27,615)
Valuation allowance related to total deductible temporary differences, etc.	(191)	-	(1,720)
Subtotal of Valuation allowance *	(3,256)	(1,285)	(29,335)
Total deferred tax assets	58,037	58,674	522,902
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	(21,933)	(24,779)	(197,612)
Others	(1,207)	(1,085)	(10,874)
Total deferred tax liabilities	(23,140)	(25,865)	(208,487)
Net deferred tax assets	¥ 34,896	¥ 32,809	\$ 314,406

(Notes)

\* Valuation allowance increased by ¥1,970 million (\$17,749 thousand). The main reason of this increase is due to increase the valuation allowance related to the Company's tax loss carryforwards

\*\* Amounts of tax loss carryforwards and related deferred tax assets by tax loss carryforwards

As of 31st March 2019

	Millions of yen						Total
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years	
Tax loss carryforwards	¥ -	4,267	3,104	-	-	2,145	¥ 9,518
Valuation allowance	¥ -	1,215	1,849	-	-	-	¥ 3,065
Deferred tax assets	¥ -	3,052	1,255	-	-	2,145	¥ 6,453

Thousands of U.S. dollars (Note 1(2))							
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years	Total
Tax loss carryforwards	\$ -	38,444	27,966	-	-	19,326	\$ 85,755
Valuation allowance	\$ -	10,946	16,659	-	-	-	\$ 27,615
Deferred tax assets	\$ -	27,497	11,307	-	-	19,326	\$ 58,140

(Notes)

- (a) Figures for tax loss carryforwards were the amounts multiplied by effective statutory tax rate.
- (b) For the tax loss carryforward of ¥ 9,518 million (\$85,755 thousand) (amount multiplied by effective statutory tax rate), deferred tax assets of ¥ 6,453 million (\$58,140 thousand) were recorded. The tax loss carryforwards were determined to be recoverable as future taxable income is anticipated, and therefore valuation allowance was not recognized.

(2) Change in presentation

Change due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting ”

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, issued on 16th February 2018 (hereinafter the “Statement No.28”)) from the fiscal year ended 31st March 2019 and the note related to tax effect accounting additionally included those described in note 8 (excluding total amount of valuation allowance), and 9 of “Accounting Standard for Tax Effect Accounting”, which are required in Paragraph 3 to Paragraph 5 of Statement No.28.

However, those additional information corresponding to the previous fiscal year is not disclosed, according to the transitional treatments prescribed in Paragraph 7 of Statement No.28.

- (3) The reconciliation of the statutory income tax rate to the effective income tax rate for the year ended 31st March 2019 is not shown due to loss before income taxes.

The reconciliation of the statutory income tax rate to the effective income tax rate for the years ended 31st March 2018 is as follows:

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

#### 14. Business combination

(Business combination through acquisition)

(1) Overview of business combination

A Name and business description of acquired company

Name of acquired company: Barbican Corporate Member (No.4) Limited

Description of business: Non-life insurance business

B Primary reasons for business combination

The Company aims to expand our non-life reinsurance business base in Europe, and strive to achieve more sustainable growth of our group.

C Date of business combination

30th July 2018

D Legal form of business combination

Acquisition of shares

E Name of acquired company after the business combination

Toa Re Corporate Member Limited

F Percentage share of voting rights acquired

100%

G Primary reasons for determination of controlling company

The Company is the controlling entity, as the Company acquired 100% of the voting rights of Toa Re Corporate Member Limited

(2) Period of the acquired company's financial results included in the Consolidated Statement of Income

The acquired company's fiscal year end is 31st December and the intervening period does not exceed three months from the Company's fiscal year end, therefore the Company uses the financial statements of the acquired company as of 31st December 2018 for consolidation purposes. The acquired company's financial results from 1st July 2018 to 31st December 2018 are included in the consolidated statement of income for the year ended 31st March 2019, because the deemed acquisition date was 30th June 2018.

(3) Acquisition cost and breakdown by class of consideration

	Millions of yen	Thousands of U.S. dollars (Note 1(2))
Consideration for acquisition Cash	¥ 16	\$ 144
Total acquisition cost	¥ 16	\$ 144

(4) Amounts of assets acquired and liabilities assumed on the acquisition date and their major components

	Millions of yen	Thousands of U.S. dollars (Note 1(2))
Total assets	¥ 2,393	\$ 21,560
Foreign reinsurance accounts receivable	2,372	21,371
Total liabilities	2,376	21,407
Foreign reinsurance accounts payable	¥ 2,372	\$ 21,371

## 15. 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)", "The Toa 21st Century Reinsurance Co., Ltd (TRE)" and "Toa Re Corporate Member Limited (TRCM)".

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

From the fiscal year ended 31st March 2019, the Company changed the name of segments from "TTFC" to "TRE". Segment information for the previous consolidated fiscal year also described in the new name. As this change is a change in the name of segment, the reportable segment remains unchanged.

### (2) Changes in reportable segment

From the fiscal year ended 31st March 2019, since "TRCM" became a consolidated subsidiary, the Company changed its three reportable segments from "Toa", "TRA", "TRE" to four reportable segment which "TRCM" was added. The segment information for the previous consolidated fiscal year was described based on the segmentation method after change.

### (3) 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 or loss of each reportable segment shown in the following table represents "Net income attributable to owners of the parent" or "Net loss attributable to owners of the parent".

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

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

For the year ended 31st March 2019

(Millions of yen)

	Reportable segments				
	Toa	TRA	TRE	TRCM	Total
Sales					
Sales to external customers	¥ 195,118	¥ 53,148	¥ 21	¥ -	¥ 248,288
Inter-segment sales or transfers	(166)	(4,489)	4,205	-	(450)
Total	194,952	48,658	4,227	-	247,838
Profit or loss by reportable segments	1,686	(2,727)	(6,050)	-	(7,091)
Assets by reportable segments	505,486	203,735	50,796	3,096	763,115
Liabilities by reportable segments	377,901	135,067	14,434	3,080	530,484
Other items					
Depreciation	540	87	3	-	630
Interest and dividends income	6,475	5,903	479	-	12,858
Interest expenses	0	-	-	-	0
Extraordinary profit	488	-	-	-	488
Reversal of reserve under the special law	488	-	-	-	488
Extraordinary loss	13	-	-	-	13
Loss on disposal of fixed assets	13	-	-	-	13
Income tax expense	2,877	(1,218)	(1,378)	-	280

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

	Reportable segments				
	Toa	TRA	TRE	TRCM	Total
Sales					
Sales to external customers	\$ 1,757,978	\$ 478,853	\$ 189	\$ -	\$ 2,237,030
Inter-segment sales or transfers	(1,495)	(40,445)	37,886	-	(4,054)
Total	1,756,482	438,399	38,084	-	2,232,975
Profit or loss by reportable segments	15,190	(24,569)	(54,509)	-	(63,888)
Assets by reportable segments	4,554,338	1,835,615	457,662	27,894	6,875,529
Liabilities by reportable segments	3,404,820	1,216,929	130,047	27,750	4,779,565
Other items					
Depreciation	4,865	783	27	-	5,676
Interest and dividends income	58,338	53,184	4,315	-	115,848
Interest expenses	0	-	-	-	0
Extraordinary profit	4,396	-	-	-	4,396
Reversal of reserve under the special law	4,396	-	-	-	4,396
Extraordinary loss	117	-	-	-	117
Loss on disposal of fixed assets	117	-	-	-	117
Income tax expense	25,921	(10,973)	(12,415)	-	2,522

\* Sales represent "Net premiums written".

For the year ended 31st March 2018

(Millions of yen)

	Reportable segments				
	Toa	TRA	TRE	TRCM	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
Provisional of reserve under the special law	229	-	-	-	229
Income tax expense	(113)	320	(85)	-	121

\* Sales represent "Net premiums written".

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

## A. Sales

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
Total of reportable segments	¥ 247,838	¥ 238,076	\$ 2,232,975
Elimination of inter-segment transactions	450	(165)	4,054
Sales in consolidated financial statements	¥ 248,288	¥ 237,911	\$ 2,237,030

\* Sales represent "Net premiums written".



B. Profit or loss

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
	Total of reportable segments	¥ (7,091)	¥ 10,134
Elimination of inter-segment transactions	(58)	(943)	(522)
Net income (loss) attributable to owners of the parent in consolidated financial statements	¥ (7,150)	¥ 9,191	\$ (64,420)

C. Assets

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
	Total of reportable segments	¥ 763,115	¥ 753,011
Elimination of inter-segment transactions	(69,026)	(65,061)	(621,911)
Total assets in consolidated financial statements	¥ 694,088	¥ 687,950	\$ 6,253,608

D. Liabilities

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
	Total of reportable segments	¥ 530,484	¥ 499,437
Elimination of inter-segment transactions	(16,340)	(12,037)	(147,220)
Total liabilities in consolidated financial statements	¥ 514,144	¥ 487,400	\$ 4,632,345

E. Other items

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
	Interest and dividends income		
Total of reportable segments	¥ 12,858	¥ 13,060	\$ 115,848
Adjustments*	-	(848)	-
Amounts in consolidated financial statements	¥ 12,858	¥ 12,211	\$ 115,848
Income tax expense			
Total of reportable segments	¥ 280	¥ 121	\$ 2,522
Adjustments*	(45)	303	(405)
Amounts in consolidated financial statements	¥ 235	¥ 425	\$ 2,117

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

(6) Related Information

For the year ended 31st March 2019

A. Information about revenue derived from its products or services

(Millions of yen)

	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	¥64,270	¥10,035	¥2,787	¥32,229	¥32,121	¥88,027	¥18,816	¥248,288

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

	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	\$579,061	\$90,413	\$25,110	\$290,377	\$289,404	\$793,107	\$169,528	\$2,237,030

\* Sales represent "Net premiums written".

B. Information by geographic area

(a) Sales

(Millions of yen)

Japan	United States	Others	Total
¥ 136,008	¥ 67,555	¥ 44,724	¥ 248,288

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

Japan	United States	Others	Total
\$ 1,225,407	\$ 608,658	\$ 402,955	\$ 2,237,030

\* 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
¥ 9,090	¥ 930	¥ 10,021

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

Japan	Others	Total
\$ 81,899	\$ 8,379	\$ 90,287

C. Information about major customers

None.

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

\* 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

\* 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

## C. Information about major customers

None.

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

None.

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

None.

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

None.

## 16. Related Party Transactions

There are no material transactions with related parties to report for the years ended 31st March 2019 and 2018.

## 17. Per Share Information

	Yen		U.S. dollars (Note 1(2))
	2019	2018	2019
Net assets per share	¥ 1,990.80	¥ 2,231.40	\$ 17.94
Net income (loss) per share	(79.45)	99.86	(0.72)

\* There are net loss per share and no potential common shares, therefore diluted net income per share is not described for the fiscal year ended 31st March 2019.

\*\* There are no potential common shares, therefore diluted net income per share is not described for the fiscal year ended 31st March 2018.

\*\*\* Basis for computing net income (loss) per share is as follows:

	For the year ended 31st March 2019	For the year ended 31st March 2018
Net income (loss) attributable to owners of the parent (Millions of yen)	¥ (7,150)	¥ 9,191
Amounts not attributable to common shareholders (Millions of yen)	-	-
Net income (loss) attributable to owners of the parent related to common shareholders (Millions of yen)	¥ (7,150)	¥ 9,191
Average number of common shares outstanding for the year (Thousand shares)	89,995	92,036
Major Components of Average number of common shares outstanding and equivalent for the year (Thousand shares)	Common Stock 88,065 Class A Stock 1,930	Common Stock 90,577 Class A Stock 1,459

## 18. Significant Subsequent Events after Balance Sheet Date

### (1) Business combination

The Toa 21st Century Reinsurance Co., Ltd. , a wholly owned consolidated subsidiary company, acquired of all shares of CEDIMAR AG held by Alparfin AG on 14th June 2019.

At the same date, The Toa 21st Century Reinsurance Co., Ltd. conducted absorption merger, with The Toa 21st Century Reinsurance Co., Ltd. as the surviving company and CEDIMAR AG, as the dissolving company.

#### A Overview of business combination

##### (a) Name and business description of acquired company

Name of acquired company: CEDIMAR AG

Description of business: Non-life insurance business

##### (b) Primary reasons for business combination

The ALCOPA Group (including Alparfin AG), which owns CEDIMAR AG, has decided to suspend the use of CEDIMAR AG, which was using as a captive to underwrite the insurance risk of its own group.

Therefore, The ALCOPA Group wanted to sell it and The Toa 21st Century Reinsurance Co.,Ltd. agreed with them on the acquisition of all shares of CEDIMAR AG.

##### (c) Date of business combination

14th June, 2019

##### (d) Legal form of business combination

Acquisition of shares and Absorption-type merger

##### (e) Name of acquired company after the business combination

The Toa 21st Century Reinsurance Co., Ltd.

(f) Percentage share of voting rights acquired

100%

(g) Primary reasons for determination of controlling company

The Toa 21st Century Reinsurance Co., Ltd. is the controlling entity, as The Toa 21st Century Reinsurance Co., Ltd. acquired 100% of the voting rights of CEDIMAR AG.

B Acquisition cost and breakdown by class of consideration

	<u>Millions of CHF</u>
Consideration for acquisition Cash	CHF 39
Total acquisition cost	<u>CHF 42</u>

C Description and amount of major acquisition-related costs

Advisory fee and others CHF 0 millions

D Amount and source of goodwill and amortization method and period

Undetermined at the present time.

E Amounts of assets acquired and liabilities assumed on the acquisition date and their major components

Undetermined at the present time.

F Acquisition cost allocation

The acquisition cost allocation is currently undetermined since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been completed.

(2) Disposal of treasury stock

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 27th June 2019.

The details of the resolution are as follows:

A Type of the shares to be transferred

Common stock

B Total number of the shares to be transferred

5,000,000 shares (maximum)

C Transfer price

¥767 per share (minimum)

\$6.91 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 2018	As of 31st March 2019	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	¥ 77	¥ 69	-	-
Lease liabilities (except for those due in 1 year or less)	107	70	-	From 8th April 2020 to 31st December 2023
Total	¥ 185	¥ 139	-	-

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

	As of 1st April 2018	As of 31st March 2019	Average interest rate (%)	The term of repayment
Lease liabilities due in 1 year or less	\$ 693	\$ 621	-	-
Lease liabilities (except for those due in 1 year or less)	964	630	-	From 8th April 2020 to 31st December 2023
Total	\$ 1,666	\$ 1,252	-	-

(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	¥ 40	¥ 21	¥ 7	¥ 1

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Lease liabilities	\$ 360	\$ 189	\$ 63	\$ 9

3. Detailed Information for Asset Retirement Obligations

None.