

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

Consolidated Financial Statements
For the years ended 31st March 2021 and 2020

The Toa Reinsurance Company, Limited and Subsidiaries
Consolidated Balance Sheet
As of 31st March 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|---|------------------|------------------|---|
| | 2021 | 2020 | 2021 |
| Assets | | | |
| Cash and deposits | ¥ 37,440 | ¥ 48,900 | \$ 338,180 |
| Call loans | 1,000 | - | 9,032 |
| Monetary receivables bought | 8,998 | 4,999 | 81,275 |
| Money held in trust | 8,873 | 8,433 | 80,146 |
| Securities (Notes 6(2), (4) and (5)) | 558,529 | 506,766 | 5,044,973 |
| Loans (Note 6 (3)) | 513 | 515 | 4,633 |
| Tangible fixed assets (Note 6 (1)) | | | |
| Land | 6,721 | 6,733 | 60,708 |
| Buildings | 2,669 | 2,810 | 24,108 |
| Leased assets | 382 | 263 | 3,450 |
| Other tangible fixed assets | 201 | 167 | 1,815 |
| | <u>9,974</u> | <u>9,973</u> | <u>90,091</u> |
| Intangible fixed assets | | | |
| Software | 2,249 | 1,912 | 20,314 |
| Software in progress | - | 301 | - |
| Other intangible fixed assets | 2 | 2 | 18 |
| | <u>2,251</u> | <u>2,217</u> | <u>20,332</u> |
| Other assets | | | |
| Foreign reinsurance accounts receivable | 76,412 | 62,596 | 690,199 |
| Rest of other assets | 34,819 | 30,172 | 314,506 |
| | <u>111,232</u> | <u>92,769</u> | <u>1,004,715</u> |
| Deferred tax assets | 33,332 | 37,161 | 301,074 |
| Less: Allowance for doubtful accounts | (39) | (46) | (352) |
| Total assets | <u>¥ 772,108</u> | <u>¥ 711,690</u> | <u>\$ 6,974,148</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 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|------------------|------------------|---|
| | 2021 | 2020 | 2021 |
| Liabilities | | | |
| Underwriting funds | | | |
| Outstanding claims | ¥ 273,411 | ¥ 254,740 | \$ 2,469,614 |
| Underwriting reserves | 253,347 | 236,841 | 2,288,384 |
| | <u>526,758</u> | <u>491,581</u> | <u>4,757,998</u> |
| Other liabilities | 42,003 | 33,393 | 379,396 |
| Net defined benefit liabilities | 9,586 | 8,705 | 86,586 |
| Accrued retirement benefits for directors | 106 | 178 | 957 |
| Reserve under the special law | | | |
| Reserve for price fluctuation | 10,958 | 10,688 | 98,979 |
| | <u>10,958</u> | <u>10,688</u> | <u>98,979</u> |
| Deferred tax liabilities | 437 | - | 3,947 |
| Total liabilities | <u>589,851</u> | <u>544,548</u> | <u>5,327,892</u> |
| Net assets | | | |
| Shareholders' equity | | | |
| Capital stock | 5,000 | 5,000 | 45,163 |
| Capital surplus | 456 | 313 | 4,118 |
| Retained earnings | 124,224 | 122,778 | 1,122,066 |
| Treasury stock | (4,649) | (5,796) | (41,992) |
| | <u>125,031</u> | <u>122,295</u> | <u>1,129,355</u> |
| Accumulated other comprehensive income | | | |
| Net unrealized gains on available-for-sale securities, net of tax | 58,745 | 43,116 | 530,620 |
| Net foreign currency translation adjustments | 1,564 | 4,018 | 14,126 |
| Remeasurements of defined benefit plans | (3,084) | (2,288) | (27,856) |
| | <u>57,226</u> | <u>44,845</u> | <u>516,900</u> |
| Total net assets | <u>182,257</u> | <u>167,141</u> | <u>1,646,255</u> |
| Total liabilities and net assets | <u>¥ 772,108</u> | <u>¥ 711,690</u> | <u>\$ 6,974,148</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 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|---|-----------------|----------------|---|
| | 2021 | 2020 | 2021 |
| Ordinary income and expenses: | | | |
| Ordinary income | | | |
| Underwriting income | | | |
| Net premiums written | ¥ 287,547 | ¥ 270,252 | \$ 2,597,299 |
| Investment income on deposit premiums | 178 | 198 | 1,607 |
| Other underwriting income | 2,324 | - | 20,991 |
| | <u>290,050</u> | <u>270,450</u> | <u>2,619,907</u> |
| Investment income | | | |
| Interest and dividends income | 11,326 | 12,162 | 102,303 |
| Gain on money held in trust | 448 | - | 4,046 |
| Gain on trading securities | 3,573 | 6,763 | 32,273 |
| Gain on sales of securities | 6,038 | 7,953 | 54,538 |
| Gain on redemption of securities | 120 | 80 | 1,083 |
| Gain on derivatives | - | 263 | - |
| Other investment income | 397 | 3 | 3,585 |
| Transfer of investment income on deposit premiums | (178) | (198) | (1,607) |
| | <u>21,726</u> | <u>27,028</u> | <u>196,242</u> |
| Other ordinary income | 324 | 278 | 2,926 |
| | <u>312,101</u> | <u>297,757</u> | <u>2,819,085</u> |
| Ordinary expenses | | | |
| Underwriting expenses | | | |
| Net claims paid | 188,492 | 191,017 | 1,702,574 |
| Commissions and brokerage (Note 7(1)) | 62,952 | 56,101 | 568,620 |
| Provision for outstanding claims | 25,372 | 23,652 | 229,175 |
| Provision for underwriting reserves | 17,157 | 8,164 | 154,972 |
| Other underwriting expenses | - | 1,404 | - |
| | <u>293,975</u> | <u>280,340</u> | <u>2,655,360</u> |
| Investment expenses | | | |
| Loss on money held in trust | - | 240 | - |
| Loss on sales of securities | 1,092 | 832 | 9,863 |
| Impairment losses on securities | - | 363 | - |
| Loss on redemption of securities | 494 | 191 | 4,462 |
| Loss on derivatives | 212 | - | 1,914 |
| Other investment expenses | 48 | 1,354 | 433 |
| | <u>1,848</u> | <u>2,982</u> | <u>16,692</u> |
| Operating and general administrative expenses (Note 7 (1)) | 14,096 | 14,306 | 127,323 |
| Other ordinary expenses | | | |
| Interest expenses | 0 | 0 | 0 |
| Loss on bad debts | - | 1 | - |
| Other expenses | 17 | 38 | 153 |
| | <u>17</u> | <u>39</u> | <u>153</u> |
| | <u>309,937</u> | <u>297,668</u> | <u>2,799,539</u> |
| Ordinary profit | <u>¥ 2,164</u> | <u>¥ 88</u> | <u>\$ 19,546</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 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|-----------------|-----------|---|
| | 2021 | 2020 | 2021 |
| Extraordinary income and loss: | | | |
| Extraordinary income | | | |
| Gain on disposal of fixed assets | ¥ - | ¥ 1 | \$ - |
| Gain on negative goodwill | - | 339 | - |
| | - | 341 | - |
| Extraordinary loss | | | |
| Loss on disposal of fixed assets | 9 | 6 | 81 |
| Provision for reserve under the special law | | | |
| Provision for reserve for price fluctuation | 269 | 264 | 2,429 |
| | 279 | 270 | 2,520 |
| Income before income taxes | 1,884 | 159 | 17,017 |
| Income taxes: | | | |
| Current | 50 | 321 | 451 |
| Deferred | (911) | 1,979 | (8,228) |
| | (860) | 2,300 | (7,768) |
| Net income (loss) | 2,745 | (2,141) | 24,794 |
| Net income (loss) attributable to owners of the parent | ¥ 2,745 | ¥ (2,141) | \$ 24,794 |

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 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|---|-----------------|------------|---|
| | 2021 | 2020 | 2021 |
| Comprehensive income | | | |
| Net income (loss) | ¥ 2,745 | ¥ (2,141) | \$ 24,794 |
| Other comprehensive income | | | |
| Net unrealized gains on available-for-sale securities, net of tax | 15,628 | (9,934) | 141,161 |
| Net foreign currency translation adjustments | (2,453) | 188 | (22,156) |
| Remeasurements of defined benefit plans, net of tax | (795) | (664) | (7,180) |
| Total other comprehensive income (Note 8(1)) | 12,380 | (10,410) | 111,823 |
| | ¥ 15,125 | ¥ (12,552) | \$ 136,618 |
| (Breakdown) | | | |
| Comprehensive income attributable to owners of the parent | ¥ 15,125 | ¥ (12,552) | \$ 136,618 |
| 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 2021 and 2020

For the year ended 31st March 2021

(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 | ¥ 313 | ¥ 122,778 | ¥ (5,796) | ¥ 122,295 |
| Cumulative effects of changes in accounting policies | | | | | - |
| Restated balance | 5,000 | 313 | 122,778 | (5,796) | 122,295 |
| Changes during the period | | | | | |
| Dividends from retained earnings | | | (1,144) | | (1,144) |
| Net income attributable to owners of the parent | | | 2,745 | | 2,745 |
| Disposal of treasury stock | | 142 | | 1,146 | 1,289 |
| Changes in the scope of consolidation | | | (156) | | (156) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the period | - | 142 | 1,445 | 1,146 | 2,735 |
| Balance at the end of the period | ¥ 5,000 | ¥ 456 | ¥ 124,224 | ¥ (4,649) | ¥ 125,031 |

| | 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 | ¥ 43,116 | ¥ 4,018 | ¥ (2,288) | ¥ 44,845 | ¥ 167,141 |
| Cumulative effects of changes in accounting policies | | | | | - |
| Restated balance | 43,116 | 4,018 | (2,288) | 44,845 | 167,141 |
| Changes during the period | | | | | |
| Dividends from retained earnings | | | | | (1,144) |
| Net income attributable to owners of the parent | | | | | 2,745 |
| Disposal of treasury stock | | | | | 1,289 |
| Changes in the scope of consolidation | | | | | (156) |
| Net changes in items other than shareholders' equity | 15,628 | (2,453) | (795) | 12,380 | 12,380 |
| Total changes during the period | 15,628 | (2,453) | (795) | 12,380 | 15,115 |
| Balance at the end of the period | ¥ 58,745 | ¥ 1,564 | ¥ (3,084) | ¥ 57,226 | ¥ 182,257 |

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 2021 and 2020

(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 | \$ 45,163 | \$ 2,827 | \$ 1,109,005 | \$ (52,352) | \$ 1,104,642 |
| Cumulative effects of changes in accounting policies | | | | | - |
| Restated balance | 45,163 | 2,827 | 1,109,005 | (52,352) | 1,104,642 |
| Changes during the period | | | | | |
| Dividends from retained earnings | | | (10,333) | | (10,333) |
| Net income attributable to owners of the parent | | | 24,794 | | 24,794 |
| Disposal of treasury stock | | 1,282 | | 10,351 | 11,643 |
| Changes in the scope of consolidation | | | (1,409) | | (1,409) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the period | - | 1,282 | 13,052 | 10,351 | 24,704 |
| Balance at the end of the period | \$ 45,163 | \$ 4,118 | \$ 1,122,066 | \$ (41,992) | \$ 1,129,355 |

| | 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 | \$ 389,449 | \$ 36,293 | \$ (20,666) | \$ 405,067 | \$ 1,509,719 |
| Cumulative effects of changes in accounting policies | | | | | - |
| Restated balance | 389,449 | 36,293 | (20,666) | 405,067 | 1,509,719 |
| Changes during the period | | | | | |
| Dividends from retained earnings | | | | | (10,333) |
| Net income attributable to owners of the parent | | | | | 24,794 |
| Disposal of treasury stock | | | | | 11,643 |
| Changes in the scope of consolidation | | | | | (1,409) |
| Net changes in items other than shareholders' equity | 141,161 | (22,156) | (7,180) | 111,823 | 111,823 |
| Total changes during the period | 141,161 | (22,156) | (7,180) | 111,823 | 136,527 |
| Balance at the end of the period | \$ 530,620 | \$ 14,126 | \$ (27,856) | \$ 516,900 | \$ 1,646,255 |

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 2021 and 2020

For the year ended 31st March 2020

(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 | ¥ 219 | ¥ 121,005 | ¥ (6,581) | ¥ 119,644 |
| Cumulative effects of changes in accounting policies | | | 5,044 | | 5,044 |
| Restated balance | 5,000 | 219 | 126,049 | (6,581) | 124,688 |
| Changes during the period | | | | | |
| Dividends from retained earnings | | | (1,129) | | (1,129) |
| Net loss attributable to owners of the parent | | | (2,141) | | (2,141) |
| Disposal of treasury stock | | 94 | | 784 | 878 |
| Changes in the scope of consolidation | | | | | - |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the period | - | 94 | (3,271) | 784 | (2,392) |
| Balance at the end of the period | ¥ 5,000 | ¥ 313 | ¥ 122,778 | ¥ (5,796) | ¥ 122,295 |

| | 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 | ¥ 58,095 | ¥ 3,829 | ¥ (1,624) | ¥ 60,300 | ¥ 179,944 |
| Cumulative effects of changes in accounting policies | (5,044) | | | (5,044) | - |
| Restated balance | 53,051 | 3,829 | (1,624) | 55,256 | 179,944 |
| Changes during the period | | | | | |
| Dividends from retained earnings | | | | | (1,129) |
| Net loss attributable to owners of the parent | | | | | (2,141) |
| Disposal of treasury stock | | | | | 878 |
| Changes in the scope of consolidation | | | | | - |
| Net changes in items other than shareholders' equity | (9,934) | 188 | (664) | (10,410) | (10,410) |
| Total changes during the period | (9,934) | 188 | (664) | (10,410) | (12,802) |
| Balance at the end of the period | ¥ 43,116 | ¥ 4,018 | ¥ (2,288) | ¥ 44,845 | ¥ 167,141 |

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 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|---|-----------------|-----------|---|
| | 2021 | 2020 | 2021 |
| Cash flows from operating activities | | | |
| Income before income taxes | ¥ 1,884 | ¥ 159 | \$ 17,017 |
| Depreciation and amortization | 915 | 913 | 8,264 |
| Gain on negative goodwill | - | (339) | - |
| Increase (decrease) in outstanding claims | 25,153 | 24,041 | 227,197 |
| Increase (decrease) in underwriting reserves | 16,994 | 8,236 | 153,500 |
| Increase (decrease) in allowance for doubtful accounts | (8) | (17) | (72) |
| Increase (decrease) in accrued retirement benefits for directors | (71) | 26 | (641) |
| Increase (decrease) in accrued bonuses for employees | 1 | 1 | 9 |
| Increase (decrease) in net defined benefit liabilities | 20 | 25 | 180 |
| Increase (decrease) in reserve for price fluctuation | 269 | 264 | 2,429 |
| Interest and dividends income | (11,326) | (12,162) | (102,303) |
| Loss (gain) on securities | (8,160) | (13,409) | (73,706) |
| Interest expenses | 0 | 0 | 0 |
| Foreign exchange loss (gain) | 310 | 470 | 2,800 |
| Loss (gain) on tangible fixed assets | 1 | 4 | 9 |
| Loss (gain) on money held in trust | (448) | 240 | (4,046) |
| Decrease (increase) in other assets (other than investing and financing activities) | (20,327) | 2,678 | (183,605) |
| Increase (decrease) in other liabilities (other than investing and financing activities) | 9,510 | (8,995) | 85,900 |
| Others, net | 3 | 142 | 27 |
| Subtotal | 14,722 | 2,279 | 132,978 |
| Interest and dividends received | 12,309 | 13,374 | 111,182 |
| Interest paid | (0) | (0) | (0) |
| Income taxes paid | (1,294) | (160) | (11,688) |
| Income taxes refund | 1,956 | 1,102 | 17,667 |
| Net cash provided by (used in) operating activities | 27,693 | 16,596 | 250,140 |
| Cash flows from investing activities | | | |
| Net decrease (increase) in deposits | (139) | 48 | (1,255) |
| Increase in money held in trust | (2,900) | - | (26,194) |
| Decrease in money held in trust | 2,900 | - | 26,194 |
| Purchases of securities | (234,875) | (152,681) | (2,121,533) |
| Proceeds from sales or redemption of securities | 207,975 | 165,304 | 1,878,556 |
| Loans made | - | (500) | - |
| Proceeds from collection of loans | 1 | 501 | 9 |
| Total of net cash provided by (used in) investment transactions | (27,038) | 12,673 | (244,223) |
| Total of net cash provided by (used in) operating activities and investment transactions | 654 | 29,269 | 5,907 |
| Purchase of tangible fixed assets | (142) | (86) | (1,282) |
| Proceeds from sales of tangible fixed assets | - | 12 | - |
| Purchase of intangible fixed assets | (671) | (241) | (6,060) |
| Others, net (Note 10(2)) | - | 793 | - |
| Net cash provided by (used in) investing activities | (27,852) | 13,152 | (251,576) |
| Cash flows from financing activities | | | |
| Proceeds from disposal of treasury stock | 1,289 | 878 | 11,643 |
| Dividends paid | (1,144) | (1,129) | (10,333) |
| Repayment for lease liabilities | (111) | (84) | (1,002) |
| Net cash provided by (used in) financing activities | 33 | (334) | 298 |
| Effect of exchange rate changes on cash and cash equivalents | 616 | (504) | 5,564 |
| Net increase (decrease) in cash and cash equivalents | 492 | 28,908 | 4,444 |
| Cash and cash equivalents at the beginning of the period | 62,195 | 33,287 | 561,783 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | (16) | - | (144) |
| Cash and cash equivalents at the end of the period (Note 10(1)) | ¥ 62,671 | ¥ 62,195 | \$ 566,082 |

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 ¥110.71 = US\$1, the rate of exchange on 31st March 2021, 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)

Toa Re Corporate Member Limited (United Kingdom) has been excluded from the scope of consolidation since the fiscal year ended 31st March 2021 due to a decrease in its materiality.

B. Non-consolidated Subsidiaries

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

- Sundai Company, Limited.
- Toa Re Corporate Member Limited (United Kingdom)

- (2) Application of the Equity Method

Since the effect of the non-consolidated subsidiaries on the net income (loss) for the year and the retained earnings is negligible and it is considered immaterial, these companies are 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) Trading Securities

Trading securities are carried at fair value. Cost of sales is calculated using cost determined by the moving-average method.

(b) 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.

(c) Available-for-sale 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 whose fair value cannot be measured reliably are recorded at cost or amortized cost determined by the moving-average method.

(d) Money Held in Trust

Securities held in individually managed money trusts that are mainly invested in securities for trading are carried at fair value.

(e) 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 mainly 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.

H. Accounting Treatments Pertaining to Insurance Contracts

With regard to accounting treatments pertaining to insurance contracts, including net premiums written, outstanding claims and underwriting reserves, the Company complies with the provisions of laws and regulations, such as the Insurance Business Law.

3. Significant Accounting Estimates

(1) Deferred Tax Assets

A. Amount recorded in the consolidated financial statements for the fiscal year ended 31st March 2021: ¥ 33,332 million (\$ 301,074 thousand)

B. Information on the details of significant accounting estimates pertaining to identified items

(a) Calculation method of estimates and principal assumptions used for calculation

The recoverability of deferred tax assets is judged by estimating the amount of taxable income that will be available against deductible temporary differences, on the basis of future forecasts of profit and loss.

Net premiums written, net claims paid and provision for outstanding claims, which serve as the principal assumptions of future forecasts of profit and loss, are calculated based on past business results and budgets formulated based on the medium-term management plan. These amounts of estimates in the future forecasts of profit and loss will affect the taxable income in and after the following fiscal year.

With regard to the impact of the COVID-19 pandemic on net claims paid and provision for outstanding claims, the Company made an estimate of the fiscal year in which part of the outstanding claims incurred in the current fiscal year will be included in deductible expenses, and of the amount of net claims paid and provision for outstanding claims that will be newly incurred in and after the following fiscal year (forecast based on the publicly announced number of deaths in life reinsurance, actual payments made by the Company, etc.).

(b) Impact on the consolidated financial statements for the following fiscal year

Currently, the Company has tax loss carryforwards, and deferred tax assets or valuation allowance on the said tax loss carryforwards is calculated by the method stated in (a). The recoverable amount of deferred tax assets, however, could fluctuate in cases where the estimate of taxable income fluctuates due to major changes in the environment surrounding the Company and other factors.

(2) Outstanding Claims

A. Amount recorded in the consolidated financial statements for the fiscal year ended 31st March 2021: ¥ 273,411 million (\$ 2,469,614 thousand)

B. Information on the details of significant accounting estimates pertaining to identified items

(a) Calculation method of estimates and principal assumptions used for calculation

Pursuant to the provisions of laws and regulations, such as the Insurance Business Law, with regard to insurance claims, etc. for which the obligation of payment has occurred based on insurance contracts

(including those for which suits are pending pertaining to the said payment obligation), but that have not been recorded as expenditures in each accounting period (hereinafter “ordinary outstanding claims”), the cedants, etc. will estimate the amount required for such payment, and the Company will record the amount based on the written notices on outstanding claims, etc. which reflect the results of estimates made by the cedants, etc. and submitted to the Company.

Likewise, with regard to insurance claims, etc. for which causes for payment specified in insurance contracts are considered to have arisen but no report on the occurrence of such causes for payment have been received (hereinafter “IBNR reserves”), the Company records the amounts necessary for the said payments, which are rationally calculated by a statistical estimating method on the basis of claims paid, ordinary outstanding claims, etc.

(b) Impact on the consolidated financial statements for the following fiscal year

Outstanding claims could fluctuate from the initial amounts of estimates necessary for the said payments in cases where they are affected by future changes in circumstances such as judicial precedents pertaining to each cause for payment, revisions of laws and regulations and fluctuations in exchange rates. In addition, IBNR reserves could fluctuate in or after the following fiscal year since it is calculated using a statistical estimating method.

4. Accounting Standards and Guidance Issued but not yet Effective

- Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Statement No. 30, 4th July 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, 4th July 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, 4th July 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, 31st March 2020)

(1) Outline

“Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter collectively the “Accounting Standards for Fair Value Measurement, etc.”) were developed to improve comparability with international accounting standards, and thereby guidance, etc. for the method of fair value measurement were established. The Accounting Standards for Fair Value Measurement, etc. shall be applied to the fair value of the following items.

- Financial instruments in the “Accounting Standard for Financial Instruments”

Additionally, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised, and notes such as breakdown per levels of fair value of financial instruments were established.

(2) Scheduled Date of Application

The Accounting Standards for Fair Value Measurement, etc. and the revised implementation guidance are scheduled to be applied from the beginning of the fiscal year ending 31st March 2022.

(3) Effects of Application of the Accounting Standards

The effects of the application on the consolidated financial statements are currently undetermined.

5. Change in Presentation

- Application of the “Accounting Standard for Disclosure of Accounting Estimates”

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, 31st March 2020) has been applied starting from the consolidated financial statements pertaining to the end of the fiscal year ended 31st March 2021, and notes on significant accounting estimates are provided in the consolidated financial statements.

However, the details pertaining to the previous fiscal year have not been provided in the said notes, pursuant to the transitional treatment specified in the proviso of Paragraph 11 of the said accounting standard.

6. 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)) |
|--------------------------|-----------------|---------|---|
| | 2021 | 2020 | 2021 |
| Accumulated depreciation | ¥ 9,961 | ¥ 9,863 | \$ 89,973 |
| Advanced depreciation | 29 | 29 | 261 |

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|------------|-----------------|------|---|
| | 2021 | 2020 | 2021 |
| Securities | ¥ 26 | ¥ 10 | \$ 234 |

- (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 2021 and 2020.

The definitions of impaired loans are as follows:

- “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.
- “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.
- “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.
- “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)) |
|------------|-----------------|----------|---|
| | 2021 | 2020 | 2021 |
| Securities | ¥ 28,711 | ¥ 25,944 | \$ 259,335 |

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)) |
|--|-----------------|---------|---|
| | 2021 | 2020 | 2021 |
| | ¥ 1,818 | ¥ 6,057 | \$ 16,421 |

7. 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)) |
|---------------------------------------|-----------------|----------|---|
| | 2021 | 2020 | 2021 |
| Commissions, net of reinsurance ceded | ¥ 62,952 | ¥ 56,101 | \$ 568,620 |

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

8. 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)) |
|--|-----------------|------------|---|
| | 2021 | 2020 | 2021 |
| Net unrealized gains on available-for-sale securities, net of tax: | | | |
| Gains (losses) arising during the period | ¥ 25,637 | ¥ (7,595) | \$ 231,568 |
| Reclassification adjustments | (4,584) | (6,646) | (41,405) |
| Before income tax effect adjustments | 21,053 | (14,241) | 190,163 |
| Income tax effects | (5,424) | 4,307 | (48,992) |
| Net unrealized gains on available-for-sale securities, net of tax | 15,628 | (9,934) | 141,161 |
| Net foreign currency translation adjustments: | | | |
| Gains (losses) arising during the period | (2,621) | (70) | (23,674) |
| Reclassification adjustments | 263 | 506 | 2,375 |
| Before income tax effect adjustments | (2,358) | 435 | (21,298) |
| Income tax effects | (95) | (247) | (858) |
| Net foreign currency translation adjustments | (2,453) | 188 | (22,156) |
| Remeasurements of defined benefit plans, net of tax: | | | |
| Gains (losses) arising during the period | (1,295) | (975) | (11,697) |
| Reclassification adjustments | 264 | 132 | 2,384 |
| Before income tax effect adjustments | (1,030) | (843) | (9,303) |
| Income tax effects | 235 | 178 | 2,122 |
| Remeasurements of defined benefit plans, net of tax | (795) | (664) | (7,180) |
| Total other comprehensive income | ¥ 12,380 | ¥ (10,410) | \$ 111,823 |

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

For the year ended 31st March 2021

(1) Detailed Information for Outstanding Shares and Treasury Stock

(Thousand shares)

| | Number of shares as of 1st April 2020 | Number of shares increased during the period | Number of shares decreased during the period | Number of shares as of 31st March 2021 |
|--------------------|---------------------------------------|--|--|--|
| Outstanding shares | | | | |
| Common stock | 98,070 | - | - | 98,070 |
| Class A stock | 1,930 | - | - | 1,930 |
| Total | 100,000 | - | - | 100,000 |
| Treasury stock | | | | |
| Common stock | 8,466 | - | 1,675 | 6,791 |
| Total | 8,466 | - | 1,675 | 6,791 |

The number of shares decreased during the period in common treasury stock is 1,675 thousand shares, as a result of disposal by third party allotment.

(2) Detailed Information for Cash Dividends

Dividends paid

| | Type of shares | Total dividends | Dividend per share | Dividend record date | Effective date |
|---|----------------|---|-------------------------------|----------------------|----------------|
| General meeting of shareholders on 26th June 2020 | Common stock | ¥ 1,120million \$ 10,116 thousand (Note 1(2)) | ¥ 12.5 \$ 0.11 (Note 1(2)) | 31st March 2020 | 29th June 2020 |
| General meeting of shareholders on 26th June 2020 | Class A stock | ¥ 24million \$ 216 thousand (Note 1(2)) | ¥ 12.5 \$ 0.11 (Note 1(2)) | 31st March 2020 | 29th June 2020 |

Of dividends with record date within the year ended 31st March 2021, dividends with the effective date after 31st March 2021

| | Type of shares | Total dividends | Source of dividends | Dividend per share | Dividend record date | Effective date |
|---|----------------|--|---------------------|-------------------------------|----------------------|----------------|
| General meeting of shareholders on 29th June 2021 | Common stock | ¥ 1,140 million \$ 10,297 thousand (Note 1(2)) | Retained earnings | ¥ 12.5 \$ 0.11 (Note 1(2)) | 31st March 2021 | 30th June 2021 |
| General meeting of shareholders on 29th June 2021 | Class A stock | ¥ 24 million \$ 216 thousand (Note 1(2)) | Retained earnings | ¥ 12.5 \$ 0.11 (Note 1(2)) | 31st March 2021 | 30th June 2021 |

For the year ended 31st March 2020

(1) Detailed Information for Outstanding Shares and Treasury Stock

(Thousand shares)

| | Number of shares as of 1st April 2019 | Number of shares increased during the period | Number of shares decreased during the period | Number of shares as of 31st March 2020 |
|--------------------|---------------------------------------|--|--|--|
| Outstanding shares | | | | |
| Common stock | 98,070 | - | - | 98,070 |
| Class A stock | 1,930 | - | - | 1,930 |
| Total | 100,000 | - | - | 100,000 |
| Treasury stock | | | | |
| Common stock | 9,612 | - | 1,146 | 8,466 |
| Total | 9,612 | - | 1,146 | 8,466 |

The number of shares decreased during the period in common treasury stock is 1,146 thousand shares, as a result of disposal by third party allotment.

(2) Detailed Information for Cash Dividends

Dividends paid

| | Type of shares | Total dividends | Dividend per share | Dividend record date | Effective date |
|---|----------------|-----------------|--------------------|----------------------|----------------|
| General meeting of shareholders on 27th June 2019 | Common stock | ¥ 1,105million | ¥ 12.5 | 31st March 2019 | 28th June 2019 |
| General meeting of shareholders on 27th June 2019 | Class A stock | ¥ 24million | ¥ 12.5 | 31st March 2019 | 28th June 2019 |

Of dividends with record date within the year ended 31st March 2020, dividends with the effective date after 31st March 2020

| | Type of shares | Total dividends | Source of dividends | Dividend per share | Dividend record date | Effective date |
|---|----------------|-----------------|---------------------|--------------------|----------------------|----------------|
| General meeting of shareholders on 26th June 2020 | Common stock | ¥ 1,120 million | Retained earnings | ¥ 12.5 | 31st March 2020 | 29th June 2020 |
| General meeting of shareholders on 26th June 2020 | Class A stock | ¥ 24 million | Retained earnings | ¥ 12.5 | 31st March 2020 | 29h June 2020 |

10. 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)) |
|--|-----------------|-----------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Cash and deposits | ¥ 37,440 | ¥ 48,900 | \$ 338,180 |
| Call loans | 1,000 | - | 9,032 |
| Monetary receivables bought | 8,998 | 4,999 | 81,275 |
| Securities | 558,529 | 506,766 | 5,044,973 |
| Time deposits with original maturities of more than three months | (328) | (188) | (2,962) |
| Securities other than cash equivalents | (542,969) | (498,282) | (4,904,425) |
| Cash and cash equivalents | ¥ 62,671 | ¥ 62,195 | \$ 566,082 |

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

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.

Therefore, "Others, net" in investing activities include net proceeds for acquisition and merger of CEDIMAR AG. Assets and liabilities at the acquisition and merger date, the acquisition cost of CEDIMAR AG's shares and net proceeds for acquisition and merger of CEDIMAR AG are as follows:

| | Millions of yen |
|---|-----------------|
| Total assets | ¥ 5,033 |
| Cash and deposits | 5,000 |
| Total liabilities | (486) |
| Accrued income taxes | (329) |
| Gain on negative goodwill | (339) |
| Acquisition cost of CEDIMAR AG's shares | 4,207 |
| Cash and cash equivalents held at CEDIMAR AG | (5,000) |
| Net proceeds for acquisition and merger of CEDIMAR AG | ¥ 793 |

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

11. Financial Instruments

(1) Outline of Financial Instruments

A. Policy for Financial Instruments

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

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

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 2021 and 2020 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 2021

| | Millions of yen | | |
|-----------------------------|-----------------|------------|------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and deposits | ¥ 37,440 | ¥ 37,440 | ¥ - |
| Monetary receivables bought | 8,998 | 8,998 | - |
| Money held in trust | 8,873 | 8,873 | - |
| Securities | | | |
| Trading | 31,294 | 31,294 | - |
| Available for sale | 524,143 | 524,143 | - |
| Total assets | ¥ 610,751 | ¥ 610,751 | ¥ - |

| | Thousands of U.S. dollars (Note 1(2)) | | |
|-----------------------------|---------------------------------------|--------------|------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and deposits | \$ 338,180 | \$ 338,180 | \$ - |
| Monetary receivables bought | 81,275 | 81,275 | - |
| Money held in trust | 80,146 | 80,146 | - |
| Securities | | | |
| Trading | 282,666 | 282,666 | - |
| Available for sale | 4,734,378 | 4,734,378 | - |
| Total assets | \$ 5,516,674 | \$ 5,516,674 | \$ - |

As of 31st March 2020

| | Millions of yen | | | | |
|---------------------|-----------------|---------|------------|---------|------------------------|
| | Carrying amount | | Fair value | | Unrealized gain (loss) |
| Cash and deposits | ¥ | 48,900 | ¥ | 48,900 | ¥ - |
| Money held in trust | | 8,433 | | 8,433 | - |
| Securities | | | | | |
| Trading | | 18,848 | | 18,848 | - |
| Available for sale | | 484,952 | | 484,952 | - |
| Total assets | ¥ | 561,135 | ¥ | 561,135 | ¥ - |

(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 counterparty 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)) |
|-------|-------------------|-------|-------|-------|---------------------------------------|
| | 2021 | | 2020 | | 2021 |
| | Non-listed stocks | ¥ | 3,091 | ¥ | 2,964 |
| Total | ¥ | 3,091 | ¥ | 2,964 | \$ 27,919 |

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 2021 and 2020 for monetary receivables and securities with maturities are as follows:

As of 31st March 2021

| | 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 | ¥ 37,440 | ¥ - | ¥ - | ¥ - |
| Monetary receivables bought | 9,000 | - | - | - |
| Securities | | | | |
| Available-for-sale securities with maturities | | | | |
| Government bonds | 3,600 | - | 6,480 | - |
| Municipal bonds | - | - | - | - |
| Corporate bonds | 23,918 | 76,914 | 6,707 | 5,000 |
| Foreign securities | 25,925 | 102,365 | 60,180 | 81,246 |
| Total | ¥ 99,884 | ¥ 179,280 | ¥ 73,367 | ¥ 86,246 |

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

| | 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 | \$ 338,180 | \$ - | \$ - | \$ - |
| Monetary receivables bought | 81,293 | - | - | - |
| Securities | | | | |
| Available-for-sale securities with maturities | | | | |
| Government bonds | 32,517 | - | 58,531 | - |
| Municipal bonds | - | - | - | - |
| Corporate bonds | 216,041 | 694,733 | 60,581 | 45,163 |
| Foreign securities | 234,170 | 924,622 | 543,582 | 733,863 |
| Total | \$ 902,212 | \$ 1,619,365 | \$ 662,695 | \$ 779,026 |

As of 31st March 2020

| | 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 | ¥ 48,900 | ¥ - | ¥ - | ¥ - |
| Securities | | | | |
| Available-for-sale securities with maturities | | | | |
| Government bonds | 6,200 | 3,600 | - | - |
| Municipal bonds | 435 | - | - | - |
| Corporate bonds | 17,600 | 68,219 | 5,506 | 4,900 |
| Foreign securities | 26,714 | 107,105 | 52,642 | 70,040 |
| Total | ¥ 99,850 | ¥ 178,925 | ¥ 58,149 | ¥ 74,940 |

12. Investments in Securities

(1) Information regarding trading securities as of 31st March 2021 and 2020 is as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|-----------------|-------|---|
| | 2021 | 2020 | 2021 |
| Net unrealized gains (losses) recognized for the fiscal year | ¥ 118 | ¥ 978 | \$ 1,065 |

(2) There are no held-to-maturity securities.

(3) Information regarding available-for-sale securities with fair value as of 31st March 2021 and 2020 is as follows:

As of 31st March 2021

| | Millions of yen | | |
|---|-----------------|-----------|------------------------|
| | Carrying amount | Cost | Unrealized gain (loss) |
| Securities for which carrying amount exceeds their cost | | | |
| Government, municipal and corporate bonds | ¥ 54,344 | ¥ 53,767 | ¥ 577 |
| Stocks | 82,676 | 16,903 | 65,772 |
| Foreign securities | 259,152 | 244,002 | 15,149 |
| Others | 9,476 | 9,103 | 372 |
| Subtotal | 405,649 | 323,776 | 81,873 |
| Securities for which carrying amount does not exceed their cost | | | |
| Government, municipal and corporate bonds | 72,280 | 72,420 | (139) |
| Stocks | 1,259 | 1,365 | (106) |
| Foreign securities | 40,980 | 42,134 | (1,153) |
| Others | 12,973 | 12,991 | (18) |
| Subtotal | 127,493 | 128,910 | (1,417) |
| Total | ¥ 533,142 | ¥ 452,686 | ¥ 80,455 |

| | 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 | \$ 490,868 | \$ 485,656 | \$ 5,211 |
| Stocks | 746,779 | 152,678 | 594,092 |
| Foreign securities | 2,340,818 | 2,203,974 | 136,834 |
| Others | 85,592 | 82,223 | 3,360 |
| Subtotal | 3,664,068 | 2,924,541 | 739,526 |
| Securities for which carrying amount does not exceed their cost | | | |
| Government, municipal and corporate bonds | 652,876 | 654,141 | (1,255) |
| Stocks | 11,372 | 12,329 | (957) |
| Foreign securities | 370,156 | 380,579 | (10,414) |
| Others | 117,180 | 117,342 | (162) |
| Subtotal | 1,151,594 | 1,164,393 | (12,799) |
| Total | \$ 4,815,662 | \$ 4,088,935 | \$ 726,718 |

* 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 2020

| | Millions of yen | | |
|---|-----------------|-----------|------------------------|
| | Carrying amount | Cost | Unrealized gain (loss) |
| Securities for which carrying amount exceeds their cost | | | |
| Government, municipal and corporate bonds | ¥ 38,064 | ¥ 37,780 | ¥ 284 |
| Stocks | 72,147 | 15,887 | 56,260 |
| Foreign securities | 174,263 | 167,108 | 7,154 |
| Others | 5,311 | 5,044 | 266 |
| Subtotal | 289,787 | 225,821 | 63,966 |
| Securities for which carrying amount does not exceed their cost | | | |
| Government, municipal and corporate bonds | 72,797 | 73,182 | (385) |
| Stocks | 2,752 | 3,216 | (464) |
| Foreign securities | 111,925 | 115,263 | (3,338) |
| Others | 12,688 | 13,064 | (375) |
| Subtotal | 200,164 | 204,728 | (4,564) |
| Total | ¥ 489,952 | ¥ 430,550 | ¥ 59,402 |

* 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.

(4) 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)) |
|---|-----------------|----------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Proceeds from sales | | | |
| Government, municipal and corporate bonds | ¥ 6,380 | ¥ 5,867 | \$ 57,628 |
| Stocks | 5,555 | 6,356 | 50,176 |
| Foreign securities | 114,238 | 82,671 | 1,031,867 |
| Others | 2,378 | 52 | 21,479 |
| Total | ¥ 128,552 | ¥ 94,947 | \$ 1,161,159 |
| Gain on sales | | | |
| Government, municipal and corporate bonds | ¥ 11 | ¥ 32 | \$ 99 |
| Stocks | 3,469 | 4,292 | 31,334 |
| Foreign securities | 2,247 | 3,624 | 20,296 |
| Others | 310 | 3 | 2,800 |
| Total | ¥ 6,038 | ¥ 7,953 | \$ 54,538 |
| Loss on sales | | | |
| Government, municipal and corporate bonds | ¥ 249 | ¥ 100 | \$ 2,249 |
| Stocks | 33 | 295 | 298 |
| Foreign securities | 808 | 436 | 7,298 |
| Others | 0 | 0 | 0 |
| Total | ¥ 1,092 | ¥ 832 | \$ 9,863 |

(5) Securities for which impairment losses are recognized

For the year ended 31st March 2021, the Company and consolidated subsidiaries recognized no impairment losses regarding available-for-sale securities with fair value in the consolidated statement of income.

For the year ended 31st March 2020, the Company recognized impairment losses regarding available-for-sale securities with fair value (Stocks) in the amount of ¥ 363 million in the consolidated statement of income.

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

13. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|-----------------|--------|---|
| | 2021 | 2020 | 2021 |
| Net unrealized gains (losses) recognized for the fiscal year | ¥ 121 | ¥ (96) | \$ 1,092 |

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

None.

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

None.

14. Derivatives

None.

15. Retirement Benefits

(1) Outline of Retirement Benefit Plans

The Company and consolidated subsidiaries 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)) |
|---|-----------------|----------|---|
| | 2021 | 2020 | 2021 |
| Retirement benefit obligations at the beginning of the period | ¥ 20,092 | ¥ 18,163 | \$ 181,483 |
| Service cost | 781 | 732 | 7,054 |
| Interest cost | 381 | 412 | 3,441 |
| Actuarial differences | 1,752 | 1,589 | 15,825 |
| Benefit paid | (550) | (694) | (4,967) |
| Others | (656) | (111) | (5,925) |
| Retirement benefit obligations at the end of the period | ¥ 21,801 | ¥ 20,092 | \$ 196,919 |

B. Changes in the plan assets during the period

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|-----------------|----------|---|
| | 2021 | 2020 | 2021 |
| Plan assets at the beginning of the period | ¥ 11,386 | ¥ 10,292 | \$ 102,845 |
| Expected return on plan assets | 363 | 322 | 3,278 |
| Actuarial differences | 264 | 588 | 2,384 |
| Employer contributions | 917 | 814 | 8,282 |
| Benefit paid | (424) | (578) | (3,829) |
| Others | (293) | (50) | (2,646) |
| Plan assets at the end of the period | ¥ 12,214 | ¥ 11,386 | \$ 110,324 |

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)) |
|---|-----------------|----------|---|
| | 2021 | 2020 | 2021 |
| Retirement benefit obligations for funded plan | ¥ 16,874 | ¥ 15,819 | \$ 152,416 |
| Plan assets | (12,214) | (11,386) | (110,324) |
| | 4,659 | 4,432 | 42,082 |
| Retirement benefit obligations for unfunded plan | 4,927 | 4,273 | 44,503 |
| Net amount of liabilities (assets) recognized in the consolidated balance sheet | ¥ 9,586 | ¥ 8,705 | \$ 86,586 |
| Net defined benefit liabilities | ¥ 9,586 | ¥ 8,705 | \$ 86,586 |
| Net amount of liabilities and assets recognized in the consolidated balance sheet | ¥ 9,586 | ¥ 8,705 | \$ 86,586 |

D. Components of retirement benefit cost

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|-----------------|-------|---|
| | 2021 | 2020 | 2021 |
| Service cost | ¥ 781 | ¥ 732 | \$ 7,054 |
| Interest cost | 381 | 412 | 3,441 |
| Expected return on plan assets | (363) | (322) | (3,278) |
| Amortization of actuarial differences | 264 | 132 | 2,384 |
| Retirement benefit cost for defined benefit plan | ¥ 1,064 | ¥ 955 | \$ 9,610 |

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)) |
|-----------------------|-----------------|---------|---|
| | 2021 | 2020 | 2021 |
| Actuarial differences | ¥ (1,223) | ¥ (869) | \$ (11,046) |
| Others | 192 | 26 | 1,734 |
| Total | ¥ (1,030) | ¥ (843) | \$ (9,303) |

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)) |
|------------------------------------|-----------------|-----------|---|
| | 2021 | 2020 | 2021 |
| Unrecognized actuarial differences | ¥ (3,924) | ¥ (2,894) | \$ (35,443) |

G. Plan assets

(a) Major Components of plan assets

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

| | 2021 | 2020 |
|------------------|------|------|
| Bonds | 26% | 24% |
| Stocks | 15 | 14 |
| General accounts | 56 | 58 |
| Others | 3 | 4 |
| Total | 100% | 100% |

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

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

H. Actuarial assumptions

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

| | 2021 | 2020 |
|-----------------------------------|-------------|-------------|
| Discount rate | Mainly 0.6% | Mainly 0.6% |
| Long-term expected rate of return | Mainly 1.3% | Mainly 1.3% |

16. Deferred Tax Accounting

(1) Major Components of Net Deferred Tax Assets

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|---|-----------------|----------|---|
| | 2021 | 2020 | 2021 |
| Deferred tax assets | | | |
| Underwriting reserves | ¥ 34,831 | ¥ 33,791 | \$ 314,614 |
| Outstanding claims | 11,768 | 10,245 | 106,295 |
| Tax loss carryforwards ** | 5,750 | 10,137 | 51,937 |
| Reserve for price fluctuation | 3,068 | 2,992 | 27,712 |
| Net defined benefit liabilities | 2,214 | 2,027 | 19,998 |
| Others | 2,011 | 1,928 | 18,164 |
| Subtotal of deferred tax assets | 59,645 | 61,122 | 538,749 |
| Valuation allowance on tax loss carryforwards ** | (2,298) | (4,913) | (20,756) |
| Valuation allowance on deductible temporary differences | (261) | (299) | (2,357) |
| Subtotal of Valuation allowance * | (2,559) | (5,213) | (23,114) |
| Total deferred tax assets | 57,085 | 55,909 | 515,626 |
| Deferred tax liabilities | | | |
| Net unrealized gains on available-for-sale securities | (21,710) | (16,285) | (196,097) |
| Others | (2,480) | (2,462) | (22,400) |
| Total deferred tax liabilities | (24,190) | (18,747) | (218,498) |
| Net deferred tax assets | ¥ 32,894 | ¥ 37,161 | \$ 297,118 |

(Notes)

* Valuation allowance decreased by ¥ 2,653 million (\$ 23,963 thousand). The main reason of this decrease is due to the decrease in the valuation allowance related to the Company's tax loss carryforwards

** Schedule by expiration of tax loss carryforwards and the corresponding deferred tax assets

As of 31st March 2021

| | Millions of yen | | | | | | Total |
|------------------------|-----------------------------|--|--|---|--|-------------------------|---------|
| | 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 | |
| Tax loss carryforwards | ¥ 3,104 | - | - | - | 1,371 | 1,274 | ¥ 5,750 |
| Valuation allowance | ¥ 2,298 | - | - | - | - | - | ¥ 2,298 |
| Deferred tax assets | ¥ 806 | - | - | - | 1,371 | 1,274 | ¥ 3,451 |

| | Thousands of U.S. dollars (Note 1(2)) | | | | | | Total |
|------------------------|---------------------------------------|--|--|---|--|-------------------------|-----------|
| | 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 | |
| Tax loss carryforwards | \$ 28,037 | - | - | - | 12,383 | 11,507 | \$ 51,937 |
| Valuation allowance | \$ 20,756 | - | - | - | - | - | \$ 20,756 |
| Deferred tax assets | \$ 7,280 | - | - | - | 12,383 | 11,507 | \$ 31,171 |

(Notes)

(a) Figures for tax loss carryforwards were the amounts multiplied by effective statutory tax rate.

- (b) For the tax loss carryforward of ¥ 5,750 million (\$ 51,937 thousand) (amounts multiplied by effective statutory tax rate), deferred tax assets of ¥ 3,451 million (\$ 31,171 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.

As of 31st March 2020

| | | 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 | Total |
| Tax loss carryforwards | ¥ | 4,263 | 3,104 | - | - | - | 2,768 | ¥ 10,137 |
| Valuation allowance | ¥ | 3,286 | 1,626 | - | - | - | - | ¥ 4,913 |
| Deferred tax assets | ¥ | 976 | 1,477 | - | - | - | 2,768 | ¥ 5,223 |

(Notes)

- (a) Figures for tax loss carryforwards were the amounts multiplied by effective statutory tax rate.
- (b) For the tax loss carryforward of ¥ 10,137 million (amounts multiplied by effective statutory tax rate), deferred tax assets of ¥ 5,223 million 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) The reconciliation of the statutory income tax rate to the effective income tax rate for the years ended 31st March 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|----------------|-----------------|
| Effective statutory income tax rate of the Company | 28.0% | 28.0% |
| (Adjustments) | | |
| Expiration of term of tax loss carryforwards | 141.0 | - |
| Tax rate applied to consolidated subsidiaries | 6.7 | 422.7 |
| Non-taxable revenue such as dividends received | (20.4) | (334.7) |
| Impact of the U.S. tax reform | (64.6) | - |
| Valuation allowance | (140.8) | 1,227.8 |
| Others | 4.4 | 99.8 |
| Effective income tax rate of the Company | <u>(45.7)%</u> | <u>1,443.6%</u> |

17. Segment Information

(1) Outline of Reportable Segments

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

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

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

(Change in Reportable Segments)

Since Toa Re Corporate Member Limited (hereinafter TRCM) has been excluded from the scope of consolidation from the fiscal year ended 31st March 2021, the "TRCM" segment has been abolished.

(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 or loss of each reportable segment shown in the following table represents “Net loss 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 2021

(Millions of yen)

| | Reportable segments | | | |
|---|---------------------|----------|----------|-----------|
| | Toa | TRA | TRE | Total |
| Sales | | | | |
| Sales to external customers | ¥ 211,310 | ¥ 63,513 | ¥ 12,723 | ¥ 287,547 |
| Inter-segment sales or transfers | (1,488) | (1,563) | 2,505 | (547) |
| Total | 209,821 | 61,949 | 15,228 | 287,000 |
| Profit or loss by reportable segments | 3,253 | (992) | (257) | 2,003 |
| Assets by reportable segments | 543,280 | 229,759 | 76,320 | 849,359 |
| Liabilities by reportable segments | 413,506 | 156,432 | 26,475 | 596,414 |
| Other items | | | | |
| Depreciation | 848 | 55 | 11 | 915 |
| Interest and dividends income | 6,066 | 5,181 | 78 | 11,326 |
| Interest expenses | 0 | - | - | 0 |
| Extraordinary loss | 279 | - | - | 279 |
| Provision for reserve under the special law | 269 | - | - | 269 |
| Income tax expense | 398 | (1,786) | 24 | (1,364) |

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

| | Reportable segments | | | |
|---|---------------------|------------|------------|--------------|
| | Toa | TRA | TRE | Total |
| Sales | | | | |
| Sales to external customers | \$ 1,908,680 | \$ 573,688 | \$ 114,921 | \$ 2,597,299 |
| Inter-segment sales or transfers | (13,440) | (14,117) | 22,626 | (4,940) |
| Total | 1,895,230 | 559,561 | 137,548 | 2,592,358 |
| Profit or loss by reportable segments | 29,383 | (8,960) | (2,321) | 18,092 |
| Assets by reportable segments | 4,907,235 | 2,075,322 | 689,368 | 7,671,926 |
| Liabilities by reportable segments | 3,735,037 | 1,412,988 | 239,138 | 5,387,173 |
| Other items | | | | |
| Depreciation | 7,659 | 496 | 99 | 8,264 |
| Interest and dividends income | 54,791 | 46,797 | 704 | 102,303 |
| Interest expenses | 0 | - | - | 0 |
| Extraordinary loss | 2,520 | - | - | 2,520 |
| Provision for reserve under the special law | 2,429 | - | - | 2,429 |
| Income tax expense | 3,594 | (16,132) | 216 | (12,320) |

* Sales represent “Net premiums written”.

For the year ended 31st March 2020

(Millions of yen)

| | Reportable segments | | | | |
|---|---------------------|----------|---------|-------|-----------|
| | Toa | TRA | TRE | TRCM | Total |
| Sales | | | | | |
| Sales to external customers | ¥ 208,306 | ¥ 55,831 | ¥ 6,114 | ¥ - | ¥ 270,252 |
| Inter-segment sales or transfers | (276) | (3,694) | 5,701 | - | 1,730 |
| Total | 208,029 | 52,137 | 11,815 | - | 271,982 |
| Profit or loss by reportable segments | 1,466 | 2,593 | (5,107) | (0) | (1,047) |
| Assets by reportable segments | 492,360 | 227,827 | 56,298 | 4,599 | 781,086 |
| Liabilities by reportable segments | 377,898 | 153,004 | 25,002 | 4,583 | 560,488 |
| Other items | | | | | |
| Depreciation | 832 | 68 | 11 | - | 913 |
| Interest and dividends income | 6,651 | 5,115 | 394 | - | 12,162 |
| Interest expenses | 0 | - | - | - | 0 |
| Extraordinary profit | 1 | - | 339 | - | 341 |
| Gain on disposal of fixed assets | 1 | - | - | - | 1 |
| Gain on negative goodwill | - | - | 339 | - | 339 |
| Extraordinary loss | 270 | - | - | - | 270 |
| Provision for reserve under the special law | 264 | - | - | - | 264 |
| Income tax expense | 2,751 | 1,050 | (1,215) | 0 | 2,586 |

* 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)) |
|--|------------------|------------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Total of reportable segments | ¥ 287,000 | ¥ 271,982 | \$ 2,592,358 |
| Elimination of inter-segment transactions | 547 | (1,730) | 4,940 |
| Sales in consolidated financial statements | <u>¥ 287,547</u> | <u>¥ 270,252</u> | <u>\$ 2,597,299</u> |

* Sales represent “Net premiums written”.

B. Profit or loss

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|---|-----------------|------------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Total of reportable segments | ¥ 2,003 | ¥ (1,047) | \$ 18,092 |
| Elimination of inter-segment transactions | 742 | (1,093) | 6,702 |
| Others | (0) | - | (0) |
| Net income (loss) attributable to owners of the parent in consolidated financial statements | <u>¥ 2,745</u> | <u>¥ (2,141)</u> | <u>\$ 24,794</u> |

C. Assets

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|---|------------------|------------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Total of reportable segments | ¥ 849,359 | ¥ 781,086 | \$ 7,671,926 |
| Elimination of inter-segment transactions | (77,250) | (69,396) | (697,768) |
| Total assets in consolidated financial statements | <u>¥ 772,108</u> | <u>¥ 711,690</u> | <u>\$ 6,974,148</u> |

D. Liabilities

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|-----------------|-----------|---|
| | 2021 | 2020 | 2021 |
| Total of reportable segments | ¥ 596,414 | ¥ 560,488 | \$ 5,387,173 |
| Elimination of inter-segment transactions | (6,563) | (15,940) | (59,281) |
| Total liabilities in consolidated financial statements | ¥ 589,851 | ¥ 544,548 | \$ 5,327,892 |

E. Other items

| | Millions of yen | | Thousands of U.S. dollars (Note 1(2)) |
|--|-----------------|---------|---|
| | 2021 | 2020 | 2021 |
| Income tax expense | | | |
| Total of reportable segments | ¥ (1,364) | ¥ 2,586 | \$ (12,320) |
| Elimination of inter-segment transactions | 503 | (285) | 4,543 |
| Others | 0 | - | 0 |
| Amounts in consolidated financial statements | ¥ (860) | ¥ 2,300 | \$ (7,768) |

(5) Related Information

For the year ended 31st March 2021

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 | ¥79,168 | ¥10,643 | ¥2,763 | ¥36,010 | ¥43,251 | ¥85,767 | ¥29,943 | ¥287,547 |

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

| | Fire | Marine | Personal Accident | Motor | General Liabilities | Life | Others | Total |
|-----------------------------|-----------|----------|----------------------|-----------|------------------------|-----------|-----------|-------------|
| Sales to external customers | \$715,093 | \$96,134 | \$24,957 | \$325,264 | \$390,669 | \$774,699 | \$270,463 | \$2,597,299 |

* Sales represent "Net premiums written".

B. Information by geographic area

(a) Sales

(Millions of yen)

| Japan | United States | Others | Total |
|-----------|---------------|----------|-----------|
| ¥ 172,943 | ¥ 68,983 | ¥ 45,620 | ¥ 287,547 |

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

| Japan | United States | Others | Total |
|-------------|---------------|------------|-------------|
| \$1,562,126 | \$ 623,096 | \$ 412,067 | \$2,597,299 |

* 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 |
|---------|--------|---------|
| ¥ 9,066 | ¥ 907 | ¥ 9,974 |

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

| Japan | Others | Total |
|-----------|----------|-----------|
| \$ 81,889 | \$ 8,192 | \$ 90,091 |

C. Information about major customers

None.

For the year ended 31st March 2020

A. Information about revenue derived from its products or services

(Millions of yen)

| | Fire | Marine | Personal Accident | Motor | General Liabilities | Life | Others | Total |
|-----------------------------|---------|---------|-------------------|---------|---------------------|---------|---------|----------|
| Sales to external customers | ¥69,009 | ¥11,205 | ¥2,641 | ¥35,167 | ¥38,585 | ¥90,692 | ¥22,950 | ¥270,252 |

* Sales represent "Net premiums written".

B. Information by geographic area

(a) Sales

(Millions of yen)

| Japan | United States | Others | Total |
|-----------|---------------|----------|-----------|
| ¥ 136,357 | ¥ 69,512 | ¥ 64,382 | ¥ 270,252 |

* 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 |
|---------|--------|---------|
| ¥ 9,085 | ¥ 888 | ¥ 9,973 |

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

For the year ended 31st March 2021

None

For the year ended 31st March 2020

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.

As a result, the Company recognized ¥ 339 million of negative goodwill in “TRE” segment.

18. Related Party Transactions

There are no material transactions with related parties to report for the years ended 31st March 2021 and 2020.

19. Per Share Information

| | Yen | | U.S. dollars (Note 1(2)) |
|-----------------------------|------------|------------|-----------------------------|
| | 2021 | 2020 | 2021 |
| Net assets per share | ¥ 1,955.36 | ¥ 1,826.00 | \$ 17.66 |
| Net income (loss) per share | 29.80 | (23.57) | 0.26 |

* There are no potential common shares, therefore diluted net income per share is not described for the fiscal year ended 31st March 2021.

** 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 2020.

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

| | For the year ended 31st March 2021 | For the year ended 31st March 2020 |
|---|--|--|
| Net income (loss) attributable to owners of the parent (Millions of yen) | ¥ 2,745 | ¥ (2,141) |
| 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) | ¥ 2,745 | ¥ (2,141) |
| Average number of common shares outstanding for the year (Thousand shares) | 92,127 | 90,848 |
| Major Components of Average number of common shares outstanding and equivalent for the year (Thousand shares) | Common Stock 90,197 Class A Stock 1,930 | Common Stock 88,918 Class A Stock 1,930 |

20. Significant Subsequent Events after Balance Sheet Date

The Company has resolved to transfer the treasury stock by third party allotment for the purpose of the capital adequacy at the general shareholders' meeting held on 29th June 2021.

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

¥ 795 per share (minimum)

\$ 7.18 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 2020 | As of 31st March 2021 | Average interest rate (%) | The term of repayment |
|--|-------------------------|-----------------------------|---------------------------------|--|
| Lease liabilities due in 1 year or less | ¥ 93 | ¥ 132 | - | - |
| Lease liabilities (except for those due in 1 year or less) | 192 | 285 | - | From 19th April 2022 to 28th February 2027 |
| Total | ¥ 286 | ¥ 418 | - | - |

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

| | As of 1st April 2020 | As of 31st March 2021 | Average interest rate (%) | The term of repayment |
|--|-------------------------|-----------------------------|---------------------------------|--|
| Lease liabilities due in 1 year or less | \$ 840 | \$ 1,192 | - | - |
| Lease liabilities (except for those due in 1 year or less) | 1,734 | 2,574 | - | From 19th April 2022 to 28th February 2027 |
| Total | \$ 2,583 | \$ 3,775 | - | - |

(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 | ¥ 118 | ¥ 102 | ¥ 51 | ¥ 10 |

(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 | \$ 1,065 | \$ 921 | \$ 460 | \$ 90 |

3. Detailed Information for Asset Retirement Obligations

None.