



# 2019

## REPORT AND ACCOUNTS

For the year ended 31st March 2019

Toa Re's advanced capabilities are founded on the accumulated skills and experience of its professional staff.



## **ToaRe Mission Statement**

### ***Providing Peace of Mind***

***Toa Re aims to realize its mission by***

***working with society and applying the principles of fairness and integrity to all aspects of our business***

***offering long-term, solid support to our clients by supplying reinsurance products and services that enable them to maintain stable operations***

***striving to further the interests of our shareholders and keeping them fully informed at all times***

***respecting the creativity of our employees and valuing their contributions***

***conserving the environment and contributing to the community***

# Profile

The Toa Reinsurance Company, Limited (Toa Re), was established in 1940. With the reinsurance market evolving and clients' needs expanding, we have recognized the importance of being able to provide a diverse line of life and non-life reinsurance products to lead the market as Japan's primary professional reinsurer. Toa Re is based in Tokyo with subsidiaries in New Jersey (U.S.A.), Zürich (Switzerland) and London (U.K.). Increasing demand for reinsurance products in Asian countries prompted us to expand our operations in those regions and establish branch offices in Singapore, Kuala Lumpur and Hong Kong.

In acknowledgment of Toa Re's outstanding financial profile, credit rating agencies, Standard & Poor's Financial Services LLC, A.M. Best Company, Inc. and Japan Credit Rating Agency, Ltd., have assigned Toa Re ratings of A+, A and AA+, respectively. As of 31st March 2019, the Toa Re Group boasted total assets of ¥694.0 billion. Net premiums written during the fiscal year ended 31st March 2019, totaled ¥248.2 billion.

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## Notes:

All U.S. dollar figures in this report have been converted from yen, for convenience only, at the rate of ¥110.99=US\$1, which prevailed on 31st March 2019.

When truncating figures and rounding off percentages, no attempt was made to reconcile totals and breakdowns. Minor discrepancies may therefore be found when individual numbers are added together and compared with the totals shown.

All premiums shown are net of profit commissions.



# Message from the President

## Operating Environment

During fiscal 2018, the year ended 31st March, 2019, the world economy generally remained on a moderate recovery track, as the U.S. economy grew steadily while China and other emerging economies continued to experience stable growth. However, in the second half of fiscal 2018, concerns about the economic outlook became widespread against the backdrop of the intensifying U.S.-China trade friction and political issues in Europe.

Overall, the moderate recovery of the Japanese economy continued. Despite the impact of a series of large-scale natural disasters such as earthquakes and typhoons, capital investment continued trending upward while corporate earnings improved, and personal consumption picked up too, reflecting an improvement in the employment and income environment.

In the reinsurance industry, the trend toward softening of reinsurance premium rates and conditions, which has been evident in recent years, halted to some extent, reflecting the frequent occurrence of large-scale natural disasters. Nonetheless, market conditions remained competitive, given the abundant capacity of the reinsurance market.

Going forward, the business environment is expected to remain challenging in view of fierce competition to win contracts in the reinsurance market, frequent occurrence of natural disasters, and the need to respond to climate change, the increasing complexity of risks, and strengthened international regulations and frameworks.



## Strategic Vision for Future Growth of the Toa Re Group “Mission 2020”

In accordance with the “Mission 2020” medium-term management plan, the Group will provide clients with higher quality reinsurance solutions and value-added services while further strengthening the management foundation to deal with future issues, in order to achieve sustainable growth.

Everyone at the Toa Re Group will do their utmost so that the Group can fulfill its mission as a reinsurance company “Providing Peace of Mind”, as articulated in the Toa Re Mission Statement.

A handwritten signature in black ink, appearing to read 'Tomoatsu Noguchi'. The signature is stylized and fluid, written over a white background.

Tomoatsu Noguchi  
President and Chief Executive



## Medium-Term Management Plan “Mission 2020”

The Toa Re Group launched the “Mission 2020” medium-term management plan in April 2018, which covers three years from fiscal 2018. In “Mission 2020”, we articulated our medium- to long-term vision and set clear

numerical targets and goals for enhancement of the management foundation for the Group as a whole. We will implement various measures to realize the vision and achieve the targets.

### Overview of Mission 2020

#### Mission 2020 - Embracing the new era with an ingenious spirit

##### Medium- to Long-term Vision

###### Corporate Vision

A reinsurance group that keeps being selected by clients across the world and that is developing together with them by providing optimal solutions

###### Strategic Policies

- Stabilize profit and realize further growth
- Enhance management foundation for sustainable growth

##### Group Numerical Targets

**Soundness:** Secure capital level consistent with a rating of “AA” or higher

**Profitability:** 5.5% adjusted ROE (3-year average)

**Growth:** 2.5% annual increase for net premiums written (3-year average)

##### Targets for Enhancement of Management Foundation

- Promote enhancement measures in ERM, Human Resources/E&I, ICT/Operational Processes, and CSR based on the business environment, medium-to long-term tasks, etc.

Adjusted ROE (after-tax basis) :  $(\text{Net income} + \text{Provision for catastrophe loss reserves} + \text{Provision for contingency reserves} + \text{Provision for price fluctuation reserves} - \text{Gains on sale of securities} + \text{Losses on sale of securities}) / (\text{Net assets} + \text{Catastrophe loss reserves} + \text{Contingency reserves} + \text{Price fluctuation reserves})$

ERM : Enterprise Risk Management  
 E&I : Expertise and Intelligence  
 ICT : Information and Communication Technology  
 CSR : Corporate Social Responsibility

### Medium- to Long-term Vision

Toa Re’s corporate vision is to become “A reinsurance group that keeps being selected by clients across the world and that is developing together with them by providing optimal solutions”. In the changing business environment, placing greater emphasis than ever on meeting clients’ reinsurance needs by adopting the clients’ viewpoint, we intend to promote business from a global perspective, in order to achieve sustainable growth in a challenging business environment.

### Group Numerical Targets

With “Mission 2020”, the priority is to secure superior financial soundness as a basis for stable profit and we seek growth on that structure. According to this policy, we have set cumulative targets for the Group as a whole

for three years in terms of soundness, profitability, and growth. The numerical targets are indicated in the figure titled “Overview of Mission 2020”. Specific strategies and measures will be formulated and implemented for each business category.

### Targets for Enhancement of Management Foundation

In view of the business environment and medium- to long-term tasks, we selected four priority areas—“ERM”, “Human Resources/E&I”, “ICT/Operational Processes”, and “CSR”—and intend to enhance the foundation of each of them. In order to thoroughly promote the initiatives, we will formulate and implement concrete action plans in each category based on the enhancement policies described below.

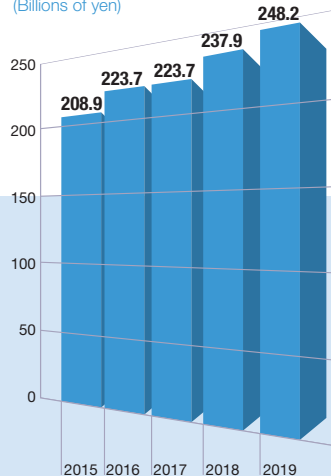
Foundation	Enhancement Policy
ERM	Further evolution of ERM management from both profitability and soundness perspectives
Human Resources/E&I	Development and securement of human resources for steady achievement of sustainable growth
ICT/Operational Processes	Greater operation sophistication through ICT foundation building, etc.
CSR	Further nurturing and spreading of a corporate culture which will enable sustainable growth

# Consolidated Financial Highlights

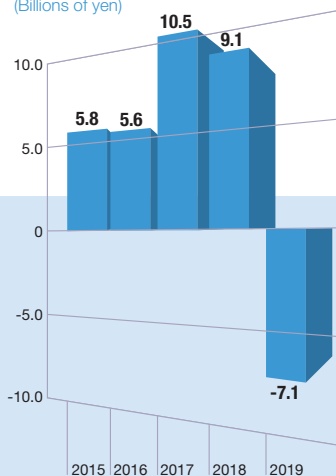
The Toa Reinsurance Company, Limited and Subsidiaries  
For the years ended 31st March

	Millions of yen					Thousands of U.S. dollars
	2019	2018	2017	2016	2015	2019
<b>For the fiscal year</b>						
Ordinary income	¥ 266,625	¥ 254,934	¥ 251,462	¥ 245,114	¥ 246,264	\$2,402,243
Net premiums written	248,288	237,911	223,749	223,786	208,962	2,237,030
Ordinary profit (loss)	(7,390)	9,857	14,022	9,655	19,112	(66,582)
Net income (loss) attributable to owners of the parent	(7,150)	9,191	10,512	5,674	5,805	(64,420)
<b>At fiscal year-end</b>						
Total net assets	179,944	200,550	191,907	180,826	199,334	1,621,263
Total assets	694,088	687,950	698,418	688,242	689,631	6,253,608
<b>Per share data</b>						
	Yen					U.S. dollars
Net assets	¥1,990.80	¥2,231.40	¥2,023.57	¥1,943.90	¥2,146.33	\$ 17.937
Net income (loss)	(79.45)	99.86	112.42	61.07	62.94	(0.716)
<b>Key ratios</b>						
	Percent					
Capital ratio	25.93%	29.15%	27.48%	26.27%	28.90%	
Return on equity (ROE) ratio	-3.76	4.68	5.64	2.99	3.23	

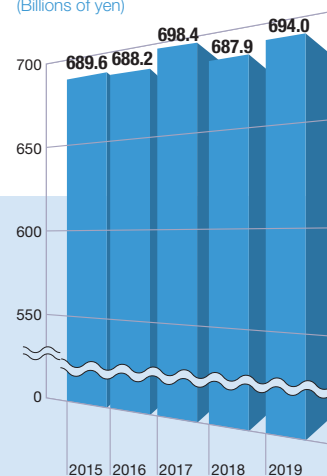
**Net Premiums Written**  
(Billions of yen)



**Net Income Attributable to Owners of the Parent**  
(Billions of yen)



**Total Assets**  
(Billions of yen)



# Non-Consolidated Financial Highlights

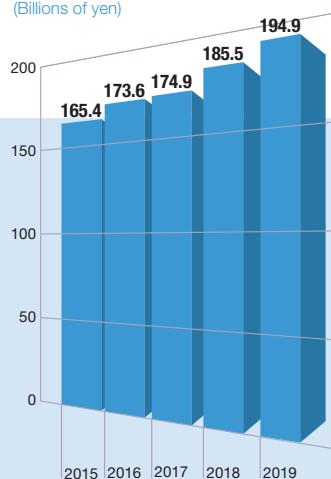
The Toa Reinsurance Company, Limited  
For the years ended 31st March

	Millions of yen					Thousands of U.S. dollars
	2019	2018	2017	2016	2015	2019
<b>For the fiscal year</b>						
Net premiums written	¥ 194,952	¥ 185,570	¥ 174,970	¥ 173,632	¥ 165,497	\$1,756,482
Underwriting profit (loss)	(1,215)	(1,372)	3,770	(8,246)	(2,231)	(10,946)
Interest and dividends income	6,475	7,065	11,662	13,722	13,557	58,338
Ordinary profit	4,088	5,115	13,115	3,275	11,569	36,832
Net income	1,686	4,987	11,066	2,191	2,634	15,190
<b>At fiscal year-end</b>						
Invested assets	394,844	409,575	432,692	417,201	419,704	3,557,473
Total assets	505,486	490,545	507,469	491,993	489,561	4,554,338
Underwriting reserves	214,616	215,553	202,024	192,376	180,979	1,933,651
Capital stock	5,000	5,000	5,000	5,000	5,000	45,049
Total net assets	127,584	128,929	127,127	109,673	125,359	1,149,508

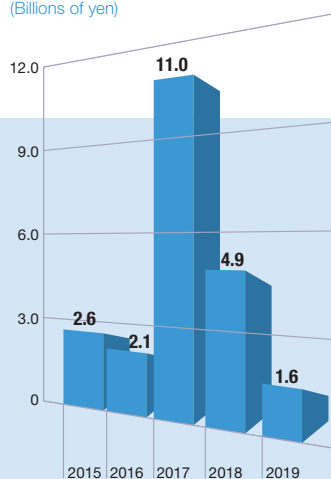
	Yen					U.S. dollars
	2019	2018	2017	2016	2015	2019
<b>Per share data</b>						
Net assets	¥1,411.52	¥1,434.52	¥1,340.50	¥1,179.01	¥1,349.80	\$ 12.718
Declared dividends	12.50	12.50	11.00	10.00	7.00	0.113
Net income	18.74	54.19	118.34	23.59	28.56	0.169

	Percent				
	2019	2018	2017	2016	2015
<b>Key ratios</b>					
Net loss ratio	73.77%	70.64%	74.05%	70.60%	79.38%
Net expense ratio	25.22	24.76	24.86	23.71	22.78
Return on investment	1.88	2.05	3.26	4.01	4.12
Capital ratio	25.24	26.28	25.05	22.29	25.61
Return on equity (ROE) ratio	1.32	3.90	9.35	1.87	2.31
Payout ratio	66.70	23.07	9.30	42.39	24.51

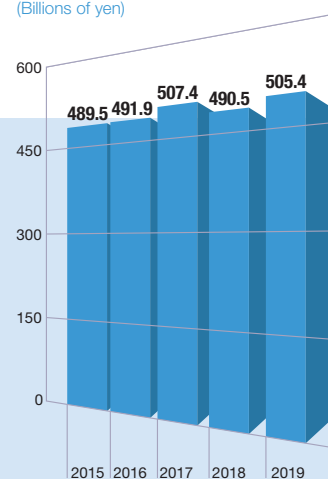
**Net Premiums Written**  
(Billions of yen)



**Net Income**  
(Billions of yen)



**Total Assets**  
(Billions of yen)





# Corporate History

1940	10	Established as The Toa Fire and Marine Reinsurance Company, Limited. (Head office at 6-1, Marunouchi 1-chome, Kojimachi-ku, Tokyo-shi, capitalized at ¥50 million)	
1945	4	Ceased business as a reinsurance company due to the establishment of a government reinsurance agency.	
	5	Became a direct insurance company, changing name to The Toa Fire and Marine Insurance Company, Limited.	
	6	Started direct insurance business at branches in Tianjin and Shanghai.	
1947	4	Re-established as a reinsurance company.	
1948	2	Changed name back to The Toa Fire and Marine Reinsurance Company, Limited.	
1952	4	Started to transact overseas reinsurance business.	
1962	10	Completed construction of the head office building at Surugadai. (6-5, Kanda-Surugadai 3-chome, Chiyoda-ku, Tokyo (present location))	
			1941: Head office
1975	4	Opened representative office in London.	
1979	4	Opened representative office in Hong Kong.	
	7	Held the 1st Reinsurance Seminar of Toa for Asian non-life insurance clients (RST).	
	12	Established The Toa-Re Insurance Company (U.K.) Limited. (Started operation on January 1, 1980.)	
1982	4	Opened representative office in New York.	
	10	Established The Toa-Re Insurance Company of America. (Consolidated subsidiary, Started operation on January 1, 1983.)	
			1962: New head office opened (at the site of the present head office)
1989	7	Held the 1st Seminar of Toa Elementary Program for direct non-life insurance clients in Japan (STEP).	
1997	2	Obtained approval to begin offering life reinsurance products.	
	4	Announced ToaRe Mission Statement.	
	9	Opened branch office in Singapore.	
	10	Received the 1st Asia Insurance Industry Awards "Reinsurance Company of the Year."	
	12	Acquired all outstanding stock in M&G Re America and merged it with The Toa-Re Insurance Company of America and changed name to The Toa Reinsurance Company of America (TRA).	
			The Toa Reinsurance Co. of America
1998	3	Obtained additional approval to offer a complete range of life reinsurance products.	
1999	1	Opened branch office in Kuala Lumpur.	
	4	Changed name to The Toa Reinsurance Company, Limited.	
	6	Opened branch office in Hong Kong.	
2000	7	Obtained approval to handle non-life co-operative reinsurance.	
	11	Opened representative office in Taipei.	
2002	1	Established The Toa 21st Century Reinsurance Company Ltd (TRE). (Consolidated subsidiary, Started operation on April 1, 2002.)	
	4	Obtained approval to handle life co-operative reinsurance.	
2003	3	Sold The Toa-Re Insurance Company (U.K.) Ltd.	
2008	8	Entered into a basic agreement for business cooperation with Korean Re.	
	8	Held the 1st Seminar of Toa Elementary Program for direct life insurance clients in Japan (STEP LIFE).	
	9	Entered into a basic agreement for business cooperation with Secura of Belgium.	
	10	Held the 1st Reinsurance Seminar of Toa for Asian life insurance clients (RST LIFE).	
2009	9	Became a member of the Global Reinsurance Forum.	
	10	Entered into a basic agreement for business cooperation with China Reinsurance Group.	
2013	6	Entered into a basic agreement for business cooperation with Marein of Indonesia.	
2017	11	Obtained approval from Lloyd's to establish a SPA (Toa Re Special Purpose Arrangement 6132).	
2018	7	Acquired Barbican Corporate Member (No.4) Limited which accepts insurance business through SPA, from Barbican Holdings (UK) Limited, and changed name to Toa Re Corporate Member Limited (TRCM) (Consolidated subsidiary).	
			The present head office

# Worldwide Network



## Branches

### Singapore

50 Raffles Place #26-01, Singapore Land Tower, Singapore 048623  
Telephone: +65-6220-0123  
Facsimile: +65-6222-5383

### Kuala Lumpur

28th Floor, UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia  
Telephone: +60-3-2732-5911  
Facsimile: +60-3-2732-5915

### Hong Kong

Room 801, 8th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong  
Telephone: +852-2865-7581  
Facsimile: +852-2865-2252

## Subsidiaries

### U.S.A.

The Toa Reinsurance Co. of America  
177 Madison Avenue, P.O. Box 1930, Morristown, NJ 07962-1930, U.S.A.  
Telephone: +1-973-898-9480  
Facsimile: +1-973-898-9495

The Toa Reinsurance Co. of America (Agricultural Office)  
18301 Von Karman Avenue, Suite 400, Irvine, CA 92612, U.S.A.  
Telephone: +1-949-474-1420  
Facsimile: +1-949-474-1612

### Canada

The Toa Reinsurance Co. of America (Toronto branch)  
55 University Avenue, Suite 1700, P.O. Box 53 Toronto, Ontario, M5J 2H7, Canada  
Telephone: +1-416-366-5888  
Facsimile: +1-416-366-7444

### Switzerland

The Toa 21st Century Reinsurance Co. Ltd. (Toa Re Europe)  
Seefeldstrasse 5a, 8008 Zürich, Zürich, Schweiz

### U.K.

Toa Re Corporate Member Limited  
33 Gracechurch Street, London, EC3V 0BT, U.K.  
Telephone: +44-20-7082-2591

## Representative Offices

### U.K.

4th Floor of 33 Gracechurch Street, London, EC3V 0BT, U.K.  
Telephone: +44-20-7082-2591

### U.S.A.

177 Madison Avenue, P.O. Box 1930, Morristown, NJ 07962-1930, U.S.A.  
Telephone: +1-973-898-9816  
Facsimile: +1-973-539-2483

### Taiwan

4F-2, No.128, Section 3, Min Sheng East Road, Taipei 10596, Taiwan, R.O.C.  
Telephone: +886-2-2715-1015  
Facsimile: +886-2-2715-1628



## 2018 Results and 2019 Forecast

The U.S. economy is growing at a healthy pace. Real GDP grew 2.9% in 2018 and at an annualized rate of 3.1% in the first quarter of 2019. The U.S. unemployment rate was 3.6% in May 2019 and the under employment rate was 7.1%. As of May 2019 the Consumer Price Index (for all items including food and energy) increased 1.8% over the last twelve months, driven lower by a 0.5% decrease in energy prices.

A.M. Best Co. estimates that net written premium for the U.S. property and casualty industry increased 11.1% in 2018, the ninth consecutive year of growth for the industry. During 2018 policyholders' surplus decreased 0.6% (8.2% increase from net income less 5.5% from unrealized capital gains plus 1.1% from contributed capital less 4.6% from shareholder dividends and plus 0.1% from other changes). The estimated combined ratio was 99.3%, and current accident year catastrophe losses contributed 5.9 points to the combined ratio, about 0.3 points worse than the previous six year average. After adjusting for favorable loss development from prior years, the 2018 accident year combined ratio was 101.3%.

Non-life reinsurance renewal activity in North America has been very competitive since January 1, 2014 because of abundant reinsurance capacity. Merger activity continues as companies seek to reduce overhead and assume business on a larger diversified balance sheet. Standard & Poor's and A.M. Best have stable outlooks for the global reinsurance industry.

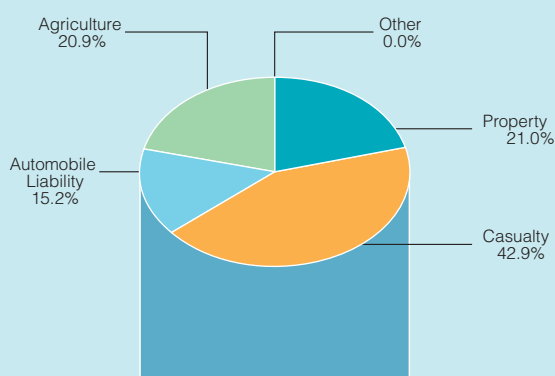
Toa Re America's 2018 gross premiums written decreased 2.1% from 2017; down 2.0% excluding the impact of

foreign exchange. Toa Re America had a GAAP combined ratio of 123.8% for 2018. The GAAP combined ratio excluding the impact of foreign exchange was 124.1%. Non-catastrophe loss development from accident years 2017 and prior contributed 24.7 points to the combined ratio. Property catastrophe activity had no impact on the combined ratio, as prior year event loss reserve reductions offset 2018 event losses. U.S. GAAP net loss was (\$24.2) million and net cash flow from operations was \$13.1 million for 2018. For the year, the market value of Toa Re America's cash and invested assets decreased by \$57.6 million or 3.6%. Toa Re America's bond portfolio (80.0% of invested assets) had an overall gross return of 0.20% while equities had a gross return of (3.51%) for 2018. Shareholders' equity decreased \$94.6 million (13.3%) to \$618.6 million during 2018, as the net loss and unrealized losses combined with the impact of the \$6.0 million dividend paid to Toa Re (Japan) in March, 2018.

Toa Re America's strategy is to support regional and specialty clients. The Company's Agricultural Reinsurance division is prudently exploring opportunities in Asia, South America and Europe. Conservative risk management will continue to limit the Company's exposure to natural catastrophes thereby reducing the volatility of underwriting results.

Toa Re America's forecast for 2019 anticipates that gross written premium will increase about 0.1% in a very competitive market. Underwriting is expected to be profitable. The Toa Re America team has built an exceptional franchise in North America and is firmly positioned to offer significant and stable capacity and mutually beneficial reinsurance solutions to our clients.

## Gross Premiums by Class



## Financial Highlights

Years ended 31st December	U.S. GAAP Thousands of U.S. dollars		Percentage Change
	2018	2017	
<b>Summary of Operations</b>			
Gross Premiums Written	\$ 478,911	\$ 488,957	(2.1%)
Net Premiums Written	440,231	423,728	3.9
Pre-Tax Net Income (Loss)	(35,106)	26,178	(234.1)
After-Tax Net Income (Loss)	(24,202)	23,327	(203.8)
<b>Balance Sheets</b>			
Total Assets	1,904,050	1,966,695	(3.2)
Total Liabilities	1,285,421	1,253,443	2.6
Total Stockholders' Equity	618,629	713,252	(13.3)
<b>Cash Flows</b>			
Net Cash from Operations	13,168	53,454	(75.4)



# Basic Policy on Internal Controls

The Company shall establish systems to ensure appropriateness of the operations (“internal control”) of the Company and its subsidiaries (“the Group”), as described below, in accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act.

## 1. System for ensuring compliance of execution of duties by directors and employees with laws and regulations and the Company’s Articles of Incorporation

- (1) The Company shall establish basic compliance policies, action guidelines and compliance rules through the board of directors as the basis for systems ensuring legal compliance in accordance with Toa Re’s mission of “Providing Peace of Mind.”
- (2) The Company shall establish the Compliance Committee chaired by the president and composed of committee members, including an external lawyer. In addition, the Company shall appoint department managers as compliance officers and establish the Compliance Steering Committee composed of such officers. The Compliance Committee shall be responsible for corporate-wide promotion of compliance and formulation of measures for ensuring effectiveness of compliance systems, and the Compliance Steering Committee shall be responsible for promotion and implementation of compliance.
- (3) The Company shall establish the Internal Audit Department independent of organizations subject to internal audit and shall establish the Compliance Department as an organization responsible for supervising compliance.
- (4) In the event that officer or employee of the Company detects inappropriate conduct, he/she shall follow the prescribed reporting procedures based on the compliance rules. Moreover, the Company shall establish a contact to consult and report any breach of laws and regulations in accordance with the Whistleblowing Rules.
- (5) The Company shall, through the board of directors, formulate a compliance program, which is an annual action program concerning compliance, and shall execute compliance education and other compliance activities in accordance with such program.
- (6) In the event that any breach of laws and regulations and/or the Articles of Incorporation, significant unjustifiable conduct, or any matter that may cause significant damage to the Company is detected concerning the Group’s operations, the directors and the chief audit executive of the Company shall report such fact to the Audit & Supervisory Board Members. When an Audit & Supervisory Board Member receives a report of such fact or detects such fact by himself/ herself, he/she shall report to the Audit & Supervisory Board, and, after consultation, report to the board of directors or provide proposals, advice or recommendations to directors for remediation, as necessary. The board of directors or the director in question shall report back to the Audit & Supervisory Board Members on progress in addressing the matter cited by the Audit & Supervisory Board Members.

- (7) The Company shall firmly and systematically deal with antisocial forces that are a threat to public order and security in cooperation with lawyers, law enforcement agencies, and other relevant institutions. The Company shall have no relationship and no transactions (including those through affiliates) with any antisocial force and shall not engage in any surreptitious deal therewith or provision of funds thereto.

## 2. System governing the storage and management of information relating to the execution of duties by directors

The Company shall retain and store the information relating to the execution of duties by directors, either in writing or in electromagnetic record, in accordance with the document management rules determined by the board of directors. Directors and the Audit & Supervisory Board Members shall have access to these documents whenever they so desire.

## 3. Rules and other systems governing management of risk of losses

- (1) The Company shall establish ERM Rules in order to appropriately manage risk associated with the Group’s business operation.
- (2) In accordance with the rules mentioned in the preceding paragraph, the Company shall put in place a structure for implementation of appropriate risk management of the entire Group, including establishment of a department for integrated risk management and departments responsible for individual risk categories and determining of necessary procedures. The Management Planning Department shall report the situation regarding risk and risk management of the entire Group to the board of directors.
- (3) The Internal Audit Department of the Company shall formulate the internal audit plan in accordance with the internal audit charter and perform internal audits concerning the situation of risk management in each risk control department. An officer responsible for the Internal Audit Department shall report the results of internal audits to the executive management committee and to the board of directors.

## 4. System for ensuring efficient execution of duties by directors

- (1) As the basis for the system for ensuring efficient execution of duties by directors, the Company shall hold meetings of the board of directors periodically in accordance with the regulations of the board of directors and, as necessary, extraordinarily.
- (2) Regarding significant matters concerning management policies and management strategies, the

Company shall discuss them at the executive management committee, which meets periodically in accordance with the executive management committee rules, and a decision on such matters shall be made by the board of directors, reflecting the deliberation at the executive management committee.

- (3) The Company shall, through the board of directors, decide persons in charge of execution of operations and their responsibilities to be specified in the internal rules.
- (4) The Company shall formulate a corporate business plan to be shared by directors and employees in accordance with the above-mentioned decision-making structure and communicate it to all officers and employees by means of internal management meetings held semiannually, etc.
- (5) The Company shall, through the board of directors, periodically review the results of each department's activities for achievement of targets in accordance with the business plan described in the preceding paragraph and shall establish a system that contributes to enhancement of operating efficiency throughout the Company by promoting continuous improvement, including utilization of IT contributing to enhancement of operating efficiency, and removal or reduction of factors impeding efficiency enhancement.

#### **5. System for ensuring the appropriateness of operations throughout the Group**

- (1) The Company shall appoint officers responsible for business segments of the Group, who will have authority and responsibility for establishing systems for ensuring the appropriateness of operations, including the compliance structure. Such officers shall report to the board of directors periodically concerning the situation regarding operation of each segment and the status of risk management.
- (2) The Company shall have its subsidiaries report their business result, financial conditions, and other important information to the Company periodically, depending on the size and the importance of the subsidiary to the Group, in accordance with the internal rules and guidelines, etc.
- (3) The Company shall have its subsidiaries report matters discussed at their important meetings to the Company, depending on the size and the importance of the subsidiary to the Group.
- (4) The Company shall formulate the entire Group's mid-term business plan based on the size and the importance of the subsidiaries to the Group. In addition, the Company shall determine the Group's priority management objectives and business plans, etc. for each business year and share them with the subsidiaries. The Company shall, through the board of directors, periodically review the results of activities for achievement of those objectives and plans, etc.
- (5) In case of a compliance violation at any of its subsidiaries, the Company shall have such subsidiary report on such violation to the Company.

- (6) To ensure the appropriateness of operations of the subsidiaries, the Company shall have the relevant organizations at the head office execute ongoing management concerning operations of the subsidiaries and shall conduct internal audits of the subsidiaries depending on the size and the importance of the subsidiary to the Group.

#### **6. System for ensuring the reliability of the financial reporting**

The Company shall establish a system necessary for ensuring the appropriateness and reliability of the financial reporting of the entire Group in accordance with the rule of internal control over financial reporting.

#### **7. Matters concerning employees who provide assistance to the Audit & Supervisory Board Members and the independence of such employees from directors**

- (1) In the case where an Audit & Supervisory Board Member requests to appoint employees which provide assistance to them, the Company shall appoint such employees and obtain consent from the Audit & Supervisory Board Member. When such employees perform operations of the Audit & Supervisory Board, they shall follow instructions and orders from the Audit & Supervisory Board Members. Regarding such instructions and orders, the employees shall not be subject to instructions and orders from the board of directors or directors, etc.
- (2) In making decisions on personnel transfers and evaluations, and disciplinary action, etc. concerning such employees, the Company shall obtain consent from the full-time Audit & Supervisory Board Members.

#### **8. System for reporting to the Audit & Supervisory Board Members applicable to directors**

- (1) System for reporting to the Audit & Supervisory Board Members applicable to directors and employees of the Company
  - a. In the event that any breach of laws or regulations and/or the Articles of Incorporation, significant unjustifiable conduct, or any matter that may cause significant damage to the Company is detected concerning the Group's operations, our directors shall report such fact to the Audit & Supervisory Board Members.
  - b. The Audit & Supervisory Board Members of the Company shall have access to major managerial decision documents, reports and other significant documents concerning execution of operations and shall have the right to request directors or other personnel to provide a report and/or explanation, as necessary.
  - c. The Internal Audit Department of the Company shall refer the internal audit plan, reports on the

results of internal audits, and other documentation to the Audit & Supervisory Board Members in accordance with the internal audit charter. In addition, the Internal Audit Department shall cooperate with the Audit & Supervisory Board Members through those activities.

- (2) System for reporting to the Company's Audit & Supervisory Board Members applicable to directors, auditors, and employees who execute operations of the subsidiaries, and those who received report from them
  - a. The Group's officers and employees shall make a report in a prompt and appropriate manner when they are required by the Audit & Supervisory Board Members of the Company to report on matters concerning the execution of operations.
  - b. In the event that an officer or an employee of the Group detects any matter that may cause significant damage to the Company or its subsidiaries, such as breach of laws and regulations, he/she shall promptly perform the prescribed reporting procedures in accordance with the related rules and shall report to the Audit & Supervisory Board Members of the Company under the prescribed system.
  - c. The Internal Audit Department, the Compliance Department, and the department for risk management of the subsidiaries, etc. of the Company shall report the status of internal audits, compliance, and risk management, etc. of the Group to the Audit & Supervisory Board Members of the Company in a timely manner.
  - d. The department for management of whistle-blowing shall report the status of whistle-blowing from officers and employees of the Group to the Audit & Supervisory Board Members of the Company in a timely manner.
- (3) The rules of the Group specify that officers and employees of the Group may blow the whistle to the Audit & Supervisory Board Members of the Company. In addition, dismissal or other unfavorable treatment due to such whistle-blowing shall be prohibited.

#### **9. Matters concerning policies on the handling of expenses or debts resulting from the execution of the duties by the Audit & Supervisory Board Members, including procedures for the advance payment or indemnification of expenses, etc.**

- (1) If the Audit & Supervisory Board Members make requests to the Company for the advance payment of expenses, etc. with respect to the execution of their duties in accordance with the Companies Act, the Company shall have the relevant departments discuss such request, and except in cases where it proves that the expense or debt relating to such request is not necessary for the execution of the duties by such Audit & Supervisory Board Members, it shall pay such expense or debt promptly.

- (2) If the Audit & Supervisory Board requests the hiring of its own outside experts (lawyer, certified public accountant, etc.) who will serve as advisors to the Audit & Supervisory Board Members, the Company shall bear the expenses except in cases where it proves that such hiring is not necessary for the execution of the duties by such Audit & Supervisory Board Members.
- (3) In order to pay expenses, etc. resulting from the execution of the duties by the Audit & Supervisory Board Members, the Company shall set a certain amount of budget every year.

#### **10. Other systems for ensuring effective audits by the Audit & Supervisory Board Members**

The Audit & Supervisory Board Members shall attend meetings of the board of directors and have the right to attend Executive Management Committee and the other important meetings and committees, and express their opinions.



# Corporate Governance Structure

To ensure swift decision-making and risk management in response to the fast-evolving business environment, the Company implements the corporate governance described below.

## 1. Management structure and outside officers

As of 28th June 2019, the Company has eleven directors (whose terms of office are one year), of whom three are “outside directors” as defined in Article 2 Paragraph 15 of the Companies Act, and four Audit & Supervisory Board Members, of whom two are “outside auditors” as defined in Article 2 Paragraph 16 of the Companies Act.

## 2. Structures for execution and supervision

The Company holds a meeting of the board of directors once every month as a rule, and an extraordinary meeting of the board of directors, whenever necessary. At a meeting of the board of directors significant matters are reported and resolutions are made on such matters. Audit & Supervisory Board Members attend each meeting of the board of directors, too. This enables Audit & Supervisory Board Members to continually monitor the performance of directors’ concerning execution.

The Chief actuary appointed by the board of directors is involved in actuarial matters, and submits written opinions to the board of directors in each fiscal term, verifying matters specified in the Insurance Business Law.

## 3. Structure of Audit by Audit & Supervisory Board Members

The Company is a company with an Audit & Supervisory Board. At the Company, audits by Audit & Supervisory Board Members are performed in accordance with the audit policy, audit plan, etc. determined by the Audit & Supervisory Board. At meetings of the Audit & Supervisory Board, which are held once a month in principle, significant matters concerning audits reported by Audit & Supervisory Board Members, directors, the Internal Audit Department, and the accounting auditors are discussed and resolutions are made on such matters.

## 4. Internal audit structure

With regard to internal audits, the Internal Audit Department performs internal audits under the authorization of the board of directors and reports the results of internal audits periodically to the board of directors and other relevant organizations. The Internal Audit Department provides recommendations and, based on the results of internal audits, makes proposals to audited organizations. The progress of improvement is monitored, as necessary, with the aim of ensuring an effective internal audit structure.

## 5. Cooperation between Audit & Supervisory Board Members and the Internal Audit Department

Audit & Supervisory Board Members and the Internal Audit Department exchange information on the situation regarding each audit and cooperate to facilitate audits.

All the results of internal audits performed by the Internal Audit Department are reported to Audit & Supervisory Board Members.

## 6. Compliance structure

The Company has established the Compliance Committee, which is chaired by the president and consists of four members, including an external lawyer, and the Compliance Steering Committee composed of department managers. Based on the Compliance Program drawn up by the board of directors for each fiscal year, the Company is enhancing the Group-wide compliance structure.

The Company has also set up and runs an in-house help desk and an in-house whistle-blower system for the reporting of inappropriate conduct in the Group.

## 7. Risk management structure

Using quantitative and qualitative approaches, the Company executes integrated risk management by classifying risks to be managed and by specifying the departments in charge in accordance with the risk management policy and risk management rules established by the board of directors.

The board of directors deliberates and makes decisions on material matters concerning risk management and receives reports from risk management departments periodically and, additionally, whenever necessary concerning the situation regarding risk. Thus, systems and structures are put in place that enable the Company’s directors to grasp the situation regarding risk throughout the Company.

The Company continues to upgrade its risk management structure in response to changes in the business environment and the situation regarding risk.

## 8. Involvement of third parties (lawyers, accounting auditors, etc.)

The Company consults external lawyers concerning significant legal matters and compliance issues whenever necessary. Also, the Company consults the accounting auditors about significant accounting issues, in addition to the usual accounting audits, whenever necessary.

# Risk Management

The Company conducts management based on the enterprise risk management (ERM) framework established with the aim of continuously enhancing enterprise value through the integrated management of risks associated with strategic objectives.

## Risk Management Policy

Positioning risk management as a critically important task for management, the Company has put in place the policy and rules concerning risk management established by the board of directors. Based on such policy and rules, we select, clarify, and assess risks and control them in an appropriate manner with the objective of enhancing profitability while maintaining financial soundness. Prompted by the recognition that risk management is a key to enhancing enterprise value, we are continually implementing measures to upgrade our risk management.

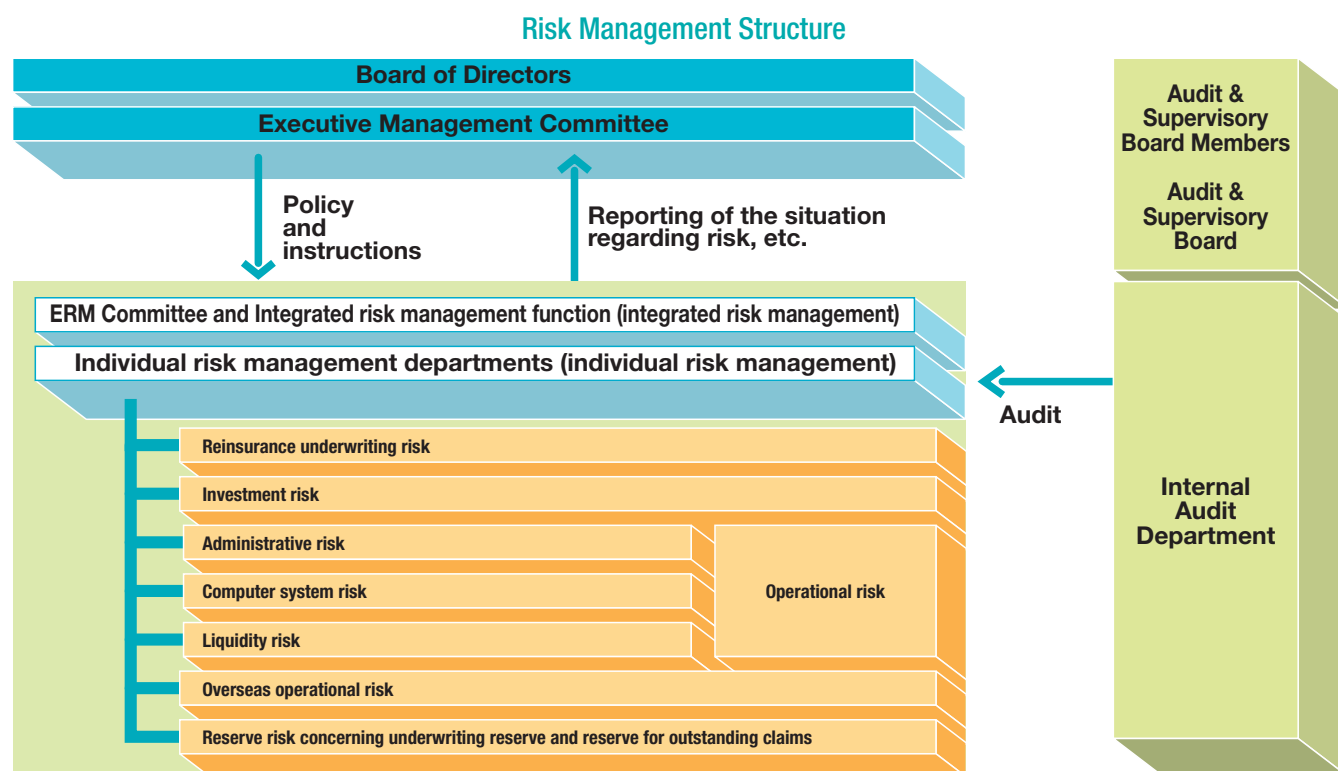
## Risk Management Structure and Procedures

### 1. Risk Management Structure

In accordance with the risk management policy established by the board of directors, the board of directors has also established rules on ERM, which is a process

involving the continuous enhancement of enterprise value, and management rules for individual risks. Moreover, the board of directors deliberates and makes decisions on material matters concerning risk management and receives reports from risk management departments periodically and, additionally, whenever necessary on the situation regarding risk. Thus, systems and structures are put in place that enable the Company's board of directors to precisely grasp enterprise risks and individual risks.

Furthermore, the Company has the ERM Committee for the purpose of risk management from a perspective crosscutting organizations and risk categories, and systems are in place to ensure that matters concerning material risk management are reviewed by the ERM Committee and then submitted to the board of directors. The Internal Audit Department, from an independent standpoint, assesses and validates the effectiveness of the risk management structure described above.



### 2. Integrated Risk Management

Integrated risk management function spearheads integrated and comprehensive risk management (including comprehensive management of assets and liabilities). The Integrated risk management function measures the integrated risk amount of reinsurance underwriting risk, investment risk, etc., using a stochastic approach and

assesses and checks capital adequacy and risk-returns, also taking into consideration the medium- to long-term perspective. Moreover, based on scenarios, such as the occurrence of a major earthquake or a great decline in the stock market, that would have significant impacts on operations of a reinsurance company, the Integrated risk management function assesses and analyzes by means

of stress tests the extent and the degree of impact of such risks that exceed any normal projection and utilizes the results of the tests for verification of capital adequacy and business continuity.

In addition, with regard to qualitative management, in order to grasp the risk profile of the entire Group, the Company periodically performs exhaustive risk identification, including emerging risks, classifies the risks according to the frequency and the severity, and assesses their materiality.

### 3. Individual Risk Management

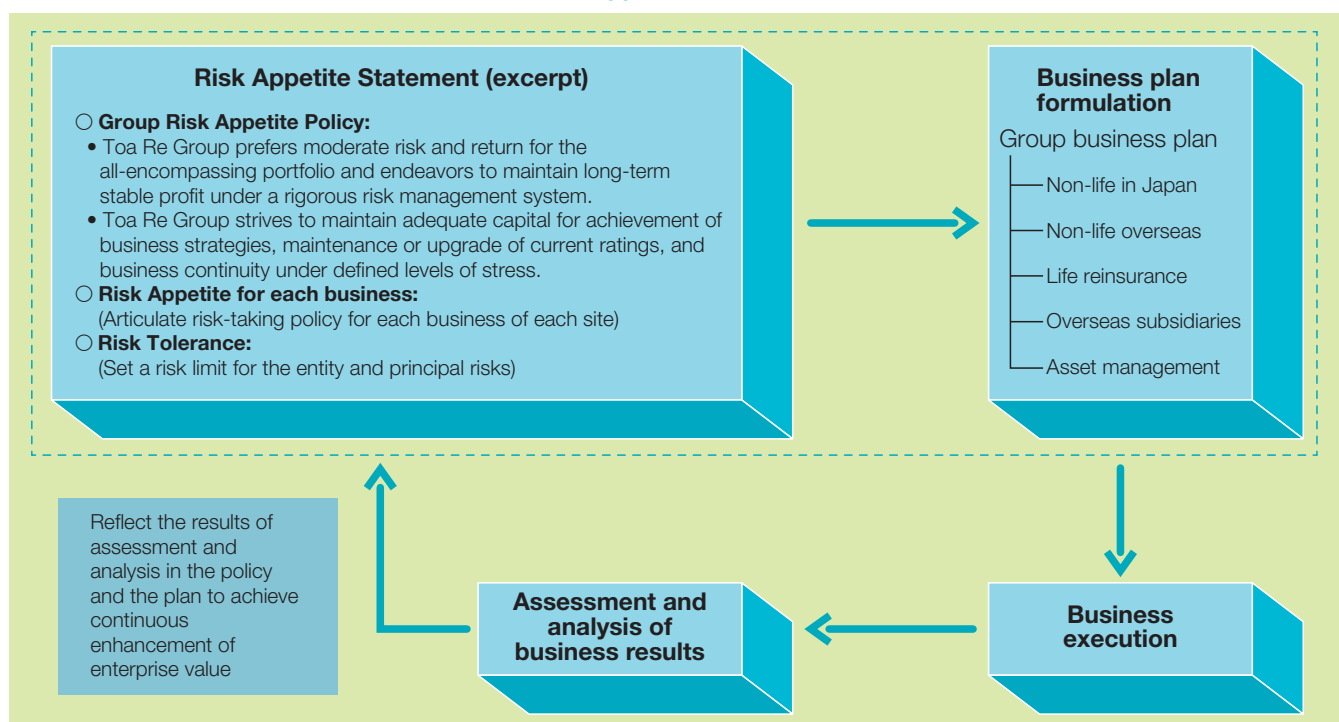
Risks that should be managed individually are classified into reinsurance underwriting risk, investment risk, operational risk, overseas operational risk, and reserve risk concerning underwriting reserve and reserve for outstanding claims. Each of these risks is handled by an individual risk management department in order to respond to them appropriately. Individual risk management departments collaborate with the departments

concerned, including business departments, and implement management according to the characteristics of each risk through the basic processes of risk identification, assessment, monitoring, and control.

### ERM-based Business Operation (Risk Appetite Framework)

The business environment surrounding the Company remains challenging as fierce competition to win contracts is continuing in the reinsurance market while low interest rates are persisting in the financial market. In addition, retained risks associated with business development are becoming increasingly diverse and complex. In these circumstances, the Company has put in place a risk appetite framework as part of ERM to improve profitability while maintaining financial soundness through appropriate management of the Group's capital, returns, and risks.

#### Risk Appetite Framework



In the risk appetite framework, the policies on risk-taking of the entire Group and of each business are articulated as the risk appetite statement, and based on these policies the business plan (including the risk-return plan based on capital allocation) of the entire Group and of each site and each business is formulated. Business is executed based on the plan, and business results, the outcome of the business execution, are assessed and analyzed periodically (including risk-return assessment

and analysis based on capital allocation). The results of the assessment and analysis of business results are reflected in subsequent formulation of policies and plans. By repeating this cycle, the Company aims to continuously enhance profitability while maintaining strong financial soundness.



# Compliance Structure

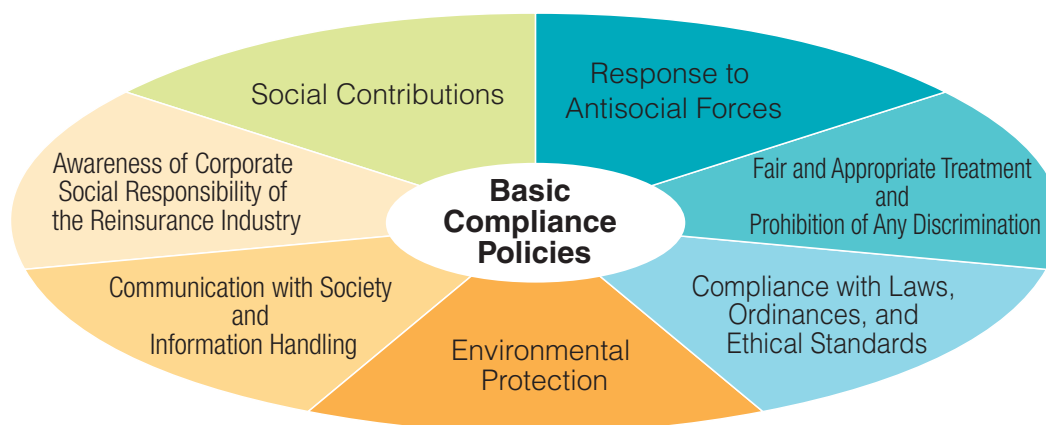
## Basic Compliance Policies and Compliance Structure

In the non-life insurance industry, which is an important element of public infrastructure, companies are required to comply with laws and regulations and demonstrate high ethical standards in every aspect of their professional conduct. The business of Toa Re, the only full-line comprehensive reinsurance company headquartered in Japan, is based on globally accepted, free and fair business practices, and moreover, on strict compliance with the laws and regulations and the high ethical standards that constitute the essential foundation for those practices.

Our company has never received any administrative order.

## 1. Basic Compliance Policies and Code of Conduct

Toa Re has established the Basic Compliance Policies, which articulate the Company's mission expressed by its motto "Providing Peace of Mind," and the Code of Conduct to ensure that the policies are put into practice.



## 2. Compliance Structure

(1) History of Toa Re's promotion of compliance

AUG. 2000 The Basic Compliance Policies is established.

SEP. 2000 The Compliance Department is established.

APR. 2001 Code of Conduct, the Compliance Program and the Rules of Compliance are established. The Compliance Manual is formulated and distributed to all officers and employees.

AUG. 2002 The Compliance Manual for the three overseas branches is formulated.

APR. 2003 The Information Security Policy is established.

MAR. 2004 The Compliance Handbook is prepared and distributed to all officers and employees.

APR. 2005 The Privacy Policy and the Personal Information Handling Rules are established.

MAR. 2009 The Rules concerning the Act on Prevention of Transfer of Criminal Proceeds are established.

JUN. 2009 The Conflict of Interest Management Policy and the Conflict of Interest Management Rules are established. The Basic Policy for the Antisocial Forces is established.

APR. 2011 The Compliance Manual is published on the intranet.

JUN. 2012 The Handling of Antisocial Forces Rules are established.

DEC. 2014 The Outsourcing Management Rules are established.

MAY 2015 The Whistle-blowing Rules are established.

OCT. 2015 The Specific Personal Information Handling Rules are established.

(2) Compliance Structure and Activities

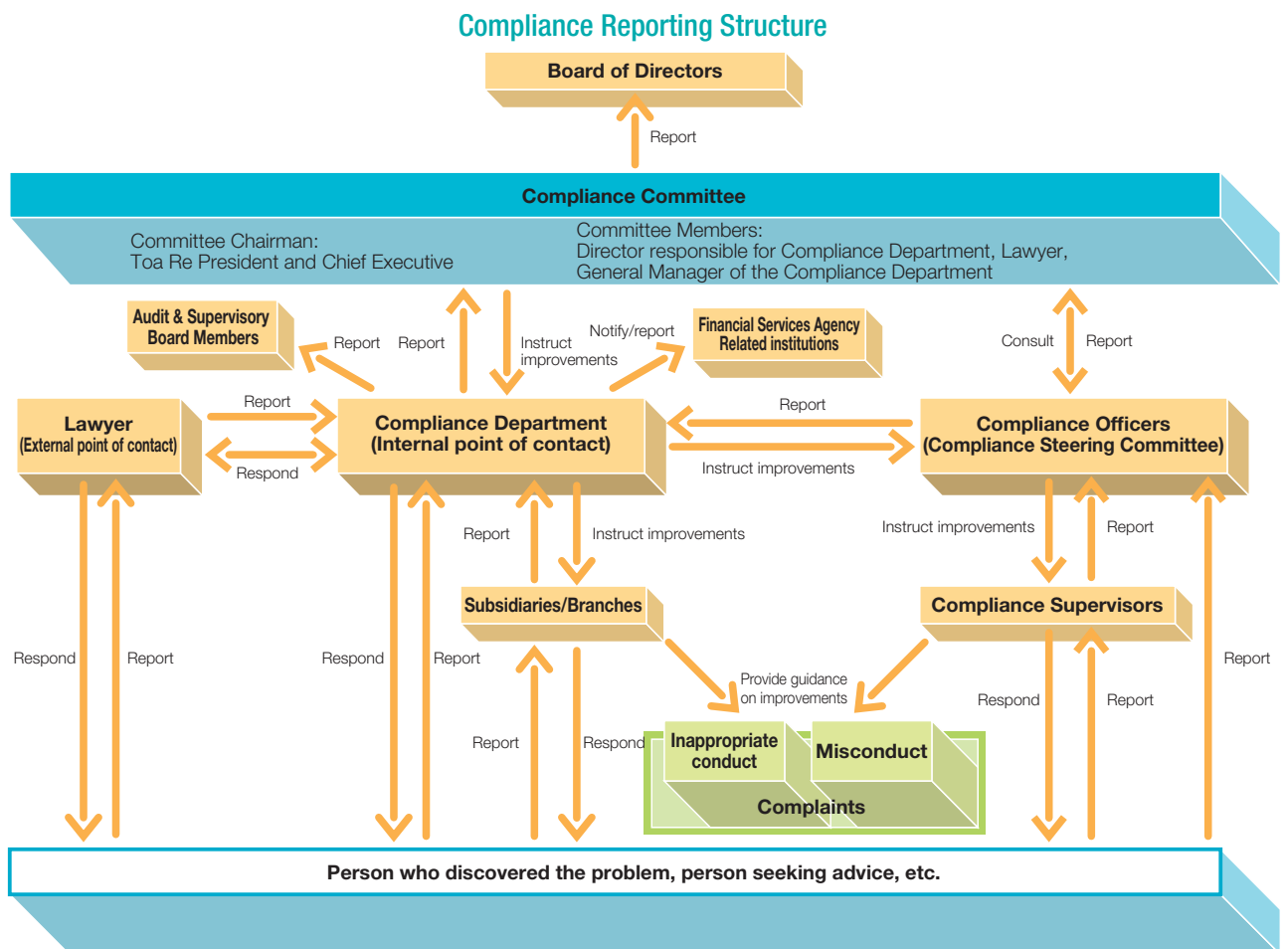
The Company has established the Compliance Committee, which is chaired by the president and whose members include an external lawyer. In addition, the Company has established the Compliance Steering Committee comprising department managers who are appointed as compliance officers. Each department assigns a person to serve as a compliance supervisor, in order to promote compliance activities as a whole organization.

Each fiscal year, the Board of Directors establishes the Compliance Program, a concrete compliance implementation plan, and on the basis of the program the Company conducts education and training and engages in other compliance activities.

Putting in place similar systems at overseas branches and subsidiaries, the Company is striving to strengthen compliance throughout the Group.

(3) Whistle-blower system

The Company has established points of contact for employees etc. to report or seek consultation and advice about any unlawful conduct in the Toa Re Group. The Company has put in place a system for reporting to the Compliance Committee, the Board of Directors, and Audit & Supervisory Board Members to enable swift implementation of corrective measures. The Company has also put in place a system to ensure reporting to the supervisory agency if a matter reported is deemed unlawful.



## Inspection and Audit Structure

Toa Re is required to undergo inspection by the Financial Services Agency pursuant to the Insurance Business Law. As for external audits, the Company receives accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act as well as internal control audits in accordance with the Financial Instruments and Exchange Act by Ernst & Young ShinNihon LLC. There are two types of in-house audits: audits defined by the Companies Act conducted by Audit & Supervisory Board Members and internal audits conducted by the Internal Audit Department in accordance with the internal rules.

## Declaration of Protection of Personal Data

### Compliance with the Act on the Protection of Personal Information

The Company considers the management of information assets such as customer information, company information, and information systems to be an important management task.

Furthermore, in light of the importance of personal information protection, the Company has established the Privacy Policy presented below. The Company has also put in place internal regulations, including the Personal Information Handling Rules, and is working to ensure the proper use and secure management of personal information.

### Privacy Policy

#### The Toa Reinsurance Company's Handling of the Protection of Personal Information

In light of the importance of protecting private information and to increase public trust in the non-life insurance industry, we, Toa Re, shall comply with the "Act on the Protection of Personal Information (Personal Information Protection Act)," the "Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure (Numbers Act)," and other relevant laws, ordinances and guidelines, and the "Guidelines Concerning the Protection of Personal Information in General Insurance Companies" regulated by The General Insurance Association of Japan. The Company ensures that personal information obtained from other insurance companies and other sources is properly used and managed, and implement appropriate measures for the secure management of personal information in accordance with the business guidelines of the Financial Services Agency and The General Insurance Association of Japan.

The Company will conduct education and training for its employees so as to ensure that personal information is handled properly. The Company will also continuously work to improve the handling of personal information by, from time to time, reviewing and improving the handling of personal information, and implement appropriate measures to ensure that personal information is securely handled.

- \* Please refer to "Section 1 Handling of Personal Information" listed below for details regarding the handling of personal information other than the specific personal information.
- \* Please refer to "Section 2 Handling of Specific Personal Information" listed below for details regarding the handling of specific personal information.

## Section 1 Handling of Personal Information

### 1. Acquisition of Personal Information

The Company collects personal information through individuals' contract data, accounts, schedules and other documentation provided by other insurance companies in a lawful and proper manner to the extent necessary for the conduct of business.

### 2. Purposes of Use of Personal Information

The Company receives personal information from other insurance companies to the extent necessary for the purposes of use described below in order to contribute to the management stability and the expansion of the scope of underwriting of other insurance companies through reinsurance. The Company may modify a purpose of use described below only to the extent reasonably deemed to have relevance to the original purpose of use. In such cases, the Company will officially announce the details of the modification on its website or by other means. The Company will not use personal information for any other purpose.

- Reinsurance contract underwriting examinations
- The execution of reinsurance contracts or the provision of incidental services
- Payment of reinsurance claims
- The maintenance or management of reinsurance contracts
- Other matters incidental to the Company's business

### 3. Items of Personal Information Collected

The personal information collected is information necessary for the conclusion of reinsurance contracts or the payment of reinsurance claims, which includes name, date of birth, gender, address, phone number and the details of insurance contracts.

### 4. Provision of Personal Information to Third Parties and Collection of Personal Information from Third Parties

(1) The Company shall not provide personal data it has collected to any third party (including any party in a foreign country) except in accordance with laws or ordinances.

The Company shall not collect personal information from third parties for any reason other than those stated in 2. Purposes of Use of Personal Information above.

(2) Unless otherwise stipulated by laws and ordinances, in the case of providing personal information to a third party, the Company shall record matters concerning such provision (date, the identity of the third party receiving the personal information from the Company, the type of personal information provided, etc.), and in the case of collecting personal information from a third party, the Company shall check and record matters concerning such collection (date, the identity of the third party providing the personal information to the Company, the type of personal information collected, how the third party providing the personal information to the Company collected such information, etc.).

### 5. Outsourcing of Handling of Personal Data

When outsourcing the handling of personal data to external institutions within the scope necessary for achievement of the purposes of use, the Company applies criteria for selection of institutions to which the handling is to be outsourced, checks in advance the information management systems of the institutions, and carries out necessary supervision of the institutions, including monitoring of the institutions' business execution after outsourcing of handling of personal data.

### 6. Handling of Credit Information

In accordance with Article 53-9 of the Ordinance for Enforcement of the Insurance Business Act, the Company will not use information provided by any credit information organization (which means any organization that collects



information regarding individuals' ability to repay debts and provides such information to the Company) regarding individuals' ability to repay debts for any purposes other than investigating the individuals' ability to repay debts.

### **7. Handling of Sensitive Information**

The Company shall not collect, use, or provide to any third party any personal information whose handling requires special consideration specified by the Act on the Protection of Personal Information or any personal information regarding membership in a labor union, ancestry, domicile by birth, healthcare or sexual life (excluding information that is made open to the public by the individual, a government organization, a local government, a person described in each item of Article 76, Paragraph 1 of the Act on the Protection of Personal Information or a person described in each item of Article 6 of the Enforcement Regulations, or obvious information from an external form obtained by observation of the individual or capturing the image of the individual; hereinafter "sensitive information") unless the party falls under the following conditions.

- With the consent of the person, when sensitive information is acquired, used or provided to third parties to the extent necessary for the purpose of ensuring proper business execution or operation of the insurance business
- When sensitive information is acquired, used or provided to third parties to the extent necessary for the purpose of execution of business including payment of insurance claims where inheritance procedures are involved
- When sensitive information of the employee who is affiliated or associated with organizations including political or religious organizations or labor union is acquired, used or provided to third parties to the extent necessary for the purpose of execution of receipt of insurance premiums, etc.
- Cases in accordance with laws and ordinances
- When it is necessary for the protection of the life, body, or property of an individual
- Cases in which the handling of personal information is specially necessary for improving public health or promoting the sound growth of children
- When it is necessary for the execution of affairs in accordance with laws and ordinances by the national government or local government, or any parties entrusted by the above units

### **8. Notification, Disclosure, Correction, or Cessation of Use of Personal Data in Accordance with the Personal Information Protection Act**

The Company responds appropriately and promptly when it receives requests for notification, disclosure, correction, or cessation of use of personal data. Please refer to the contact information below. We appreciate your understanding that costs for handling charges may be incurred in case of the notification and disclosure of the use of the retained personal data.

### **9. Summary of Measures to Ensure the Secure Management of Personal Data**

The Company has established the Personal Information Handling Regulations and other rules to prevent any divulgence or loss of or damage to personal data handled by the Company and to ensure that personal data is otherwise securely managed and has implemented security measures, including the establishment of a structure for enforcing security management measures based on those rules and regulations. When handling personal information, the Company always implements appropriate measures to ensure personal information is accurate and current.

## **Section 2 Handling of Specific Personal Information**

Specific personal information refers to the personal information including "Individual Number."

### **1. Acquisition of Specific Personal Information**

The Company collects specific personal information in a lawful and proper manner. Unless otherwise stated by laws and ordinances, the request for the provision of specific personal information is prohibited.

## 2. Extent of Use of Specific Personal Information

The Company uses specific personal information to the extent of use described below in accordance with laws and ordinances. The Company shall not acquire, use or provide to third parties the specific personal information other than the purposes listed below.

- (1) Execution of affairs in accordance with laws and ordinances concerning “Individual Number”
  - ①Affairs concerning the preparation of report of payment for remuneration or rewards, distribution of dividends or surplus, interest on funds, real estate charges, acquisition of real estate, etc.
  - ②Affairs including the preparation of withholding record of the income of the employee (including the dependents) and the notification for the unemployment insurance, health insurance and pension insurance
- (2) Under the following conditions in accordance with laws and ordinances
  - ①When payment of money occurs during severe disasters
  - ②Cases in which the handling of personal information is necessary for the protection of the life, body, or property of an individual and in which the consent of the person is obtained or it is difficult to obtain the consent of the person

## 3. Outsourcing of Handling of Specific Personal Information

The Company may outsource part of the affairs concerning “Individual Number” to another business body. When outsourcing the handling of specific personal information, the Company applies criteria for selection of institutions to which the handling is to be outsourced, checks in advance the information management systems of the institutions, and carries out necessary supervision of the institutions.

## 4. Summary of Measures to Ensure the Secure Management of Specific Personal Information

The Company has implemented sufficient security measures, including the establishment of the handling regulations and the structure for enforcing security management measures to prevent any divulgence or loss of or damage to specific personal information handled by the Company and to ensure that specific personal information is otherwise securely managed.

## Section 3 General Inquiry

Please contact us by using the following information for the inquiries, counseling and complaints concerning the handling of personal information (including specific personal information described above) as well as for the notification of the purpose of use, etc.

<Contacts>

The Toa Reinsurance Company, Limited  
Compliance Department  
Contact for Personal Information  
Tel: 03-3253-3309

(Operation hours: 9:30a.m. - 5:00p.m. Closed on Sat., Sun., Public Holidays, the Year-end and New Year Holidays)

The Company is a member of The General Insurance Association of Japan, an authorized personal information protection organization. The Association handles inquiries and complaints concerning the handling of personal information of the affiliated companies.

<Contacts>

The General Insurance Association of Japan  
General Insurance ADR Center (General Insurance Counseling and ADR Center Tokyo)  
Address: 7/F WATERRAS ANNEX, 2-105 Kanda-awajicho, Chiyoda-ku, Tokyo, 101-0063  
Tel: 03-3255-1470

(Operation hours: 9:00a.m. - 5:00p.m. Closed on Sat., Sun., Public Holidays, the Year-end and New Year Holidays)

Website: <http://www.sonpo.or.jp>

# Corporate Social Responsibility (CSR)

Positioning environmental protection and contribution to the community as essential elements of the Toa Re Mission Statement, we are striving to promote initiatives to fulfill our Corporate Social Responsibility (CSR). In accordance with “Mission 2020”, our medium-term management plan launched in April 2018, the entire Group will implement various measures concerning CSR to realize our corporate vision.

## Initiatives for Clients

Toa Re holds various reinsurance seminars and workshops in Japan and overseas to improve communication and share knowledge with our clients.

### STEP

Every year, Toa Re holds STEP, a seminar for junior staff working in direct non-life insurance companies in Japan (generally, with less than one year of experience). The STEP curriculum incorporates numerous case studies involving trainee participation and straightforward explanations of fundamental principles of reinsurance and practices. The seminar is appreciated by participating companies as valuable training of practical benefit in business.



STEP (June 2018)

### STEP LIFE

Every year, Toa Re holds STEP LIFE, a training program on medical underwriting for employees of direct life insurance companies, small amount and short term insurers and co-operatives in Japan who are engaged in underwriting. In previous fiscal years, we held this program twice a year, but having received more applications than the number of seats available, we held it three times in fiscal 2018 for a total of 59 participants, the highest number ever.



STEP LIFE (August, September 2018)

We consider it important that our medical doctors and underwriters share their knowledge concerning medical underwriting with our clients not only as a client service but also as an initiative that will raise the level of underwriting in Japan. We intend to continue to offer STEP LIFE while progressively enriching its content.

### RST

The objective of Reinsurance Seminar of Toa (RST) is to deepen the relationships with clients by enhancing mutual understanding. Toa Re invites major clients, mainly from Asian countries, and presents lectures on Japan's insurance market, while also providing opportunities to experience Japanese culture and others, to get to know Toa Re.



RST (August 2018)

The non-life program consisted of lectures on the non-life insurance market, various insurance products, major risks and reinsurance arrangements in Japan, a workshop on reinsurance, virtual disaster experience with an earthquake simulation vehicle, etc.

The life program consisted of lectures on an overview of the life insurance market in Japan, medical underwriting, the introduction of cancer insurance products and presentations by the participants on their products and markets. The seminar helped deepen mutual understanding.

These programs were highly appreciated by the participants because of the quality of the expertise offered.

## *Non-life Insurance and Reinsurance Seminars*

In July 2018, Toa Re held a seminar for clients in Thailand. Subjects covered included the background to liberalization of automobile insurance in Japan, change in automobile insurance products, trends of premium volume and the loss ratio, and current issues concerning automobile insurance in Japan. The seminars were well received by our clients.

For clients in Asia, we intend to continue holding various seminars corresponding to local needs in order to deepen our fruitful relationships with them and contribute to the sound development of the reinsurance industry in the Asia region.



**Seminar in Thailand (July 2018)**

## *Life Insurance and Reinsurance Seminars*

In 2018, Toa Re held seminars on medical underwriting in the Kansai area and Tokyo. Also, in overseas, we dispatched instructors to seminars in Indonesia and China and introduced Japan's advanced initiatives. These seminars were well received by our clients.

We intend to continue holding various seminars and making presentations in order to offer clients insights and information on life insurance and reinsurance, which will help them accomplish their objectives, while also contributing to the development of the market.



**Seminar in China (October 2018)**

## *Seminars for Co-operative Insurers (regulated Kyosai) and Small Amount and Short Term Insurers*

Toa Re is vigorously promoting the co-operative reinsurance business as well as holding various seminars for co-operative insurers and small amount and short term insurers in order to enhance client services and cultivate new clients.

In addition to seminars on reinsurance, seminars on product development, and seminars on regulations, we hold various seminars in response to clients' requests. Our seminars are highly appreciated by the participants. We intend to continue providing such seminars to contribute clients' business development.



**Reinsurance seminar**

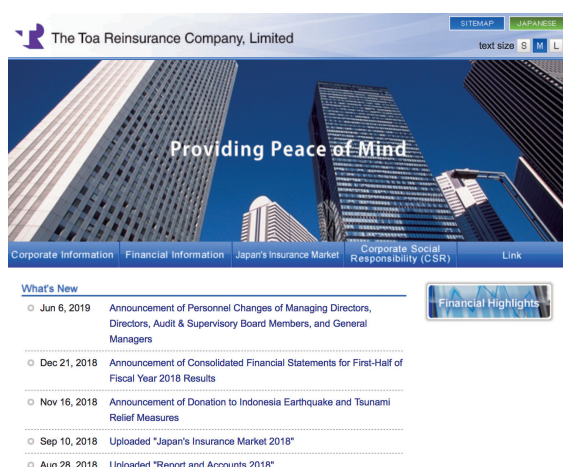


## Initiatives for Shareholders

Toa Re continues to build a stable management-base as a strategic objective. A major part of this effort focuses on reinforcing the solid relationships we have with our shareholders.

We are stepping up our investor relations activities. For example, we meet with our shareholders before and/or after our Ordinary General Meeting of Shareholders to report on the closing of our financial accounts. Furthermore, we make every effort to respond quickly to inquiries from our shareholders. In this way, we hope to build on the long-term relationships of trust we enjoy with our shareholders. (The latest Consolidated Financial Statements are available on our corporate website. <https://www.toare.co.jp/english/index.htm>)

### WEB SITE <https://www.toare.co.jp/english/index.htm>



### REPORT AND ACCOUNTS



## Initiatives for Employees

It is our belief that a strong framework encourages employees both in their work and in achieving their personal self-development goals. We have in place performance appraisal and salary systems which provide a fair evaluation of employees' abilities and performance.

To help employees achieve a healthy work-life balance, we have introduced child and nursing care leave systems together with shorter working hours for employees with young children. We aim to create a workplace environment where employees are encouraged to make full use of these systems. We also provide welfare programs and various other programs for our employees.

Toa Re's greatest asset is its human resources. The personal growth of our employees underpins our ability as a reinsurance service provider to enhance the value of the products and services that we provide to clients and for the benefit all our stakeholders.

We strive to develop employees who are not only equipped with professional expertise but also with a sense of humanity and responsibility. Our employees are committed to making use of their experiences and knowledge for the benefit of society and clients. Toa Re puts in place various systems to foster excellent human resources while striving to cultivate a vigorous corporate culture that encourages employees to embrace challenges.

## Environmental Protection and Social Contribution Activities

Our environmental protection activities are focused on the mitigation of global warming, an issue with profound implications for the insurance business.

We also engage in social contribution activities to support the realization and continuation of "peace of mind" and development of communities and society in Japan and around the world as a good corporate citizen.

Hereafter, we continue to improve such activities to contribute to lower environmental burden for preservation our environment. Toa Re also facilitates employees to understand and to get interested in social contribution activities.

## *ECONOSAURUS Eco-Calendar*

To raise the environmental awareness of as many people as possible, we distribute the Eco-Calendar to children at public elementary schools in Chiyoda-ku, where Toa Re's head office is located, as well as to our clients.

The ECONOSAURUS Eco-Calendar is a fun way to learn about the environmental impact of activities of our daily lives. By keeping a record on the Eco-Calendar of the amounts of electricity, gas and water consumed, one can calculate the corresponding amounts of emissions of carbon dioxide, a substance said to lead to global warming. The Eco-Calendar shows the environmental friendliness of one's household based on self-assessment and encourages one to do better.



**ECONOSAURUS  
Eco-Calendar**

## *Lectures on Environmental Issues*

To contribute to protection of the global environment, Toa Re and the General Insurance Institute of Japan have been jointly holding a series of lectures on environmental issues.

In fiscal 2018, Associate Professor U Hiroi of the Department of Urban Engineering, School of Engineering, the University of Tokyo gave a lecture titled "Disaster Prevention of Megacities."



**2018 Lecture (November 9, 2018)  
"Disaster Prevention of Megacities"**

## *Book Donations*

Wishing to inspire children to take an informed interest in environmental issues, Toa Re donates books on environmental themes to the eight public elementary schools in Chiyoda-ku every year on Earth Day (April 22).

## *Participation in TABLE FOR TWO*

We participate in TABLE FOR TWO (TFT), a program simultaneously addressing issues concerning hunger in developing countries and obesity and lifestyle-related diseases in developed countries.

If TFT lunches are purchased at our cafeteria, by setting aside a certain amount as donation, a portion of the total amount will be used to provide school lunches for children in developing countries.

Vending machines at Toa Re Head Office support a TFT donation program. A portion of sales from these vending machines is donated to TFT.

## *Event to Support Recovery of Disaster-affected Areas*

Toa Re held following events to support Hiroshima, Okayama, and Ehime prefectures, which were affected by the torrential rains in western Japan from late June to early July in 2018, and the Tohoku region affected by the Great East Japan Earthquake of 2011, where many people still remain in temporary accommodation although more than seven years has passed since the disaster.

### *Lunch to Support West Japan Torrential Rain Recovery*

For four days in late October and early November, the cafeteria at Toa Re Head Office offered lunch menus consisting of dishes made using ingredients from Hiroshima, Okayama, and Ehime prefectures in order to further promote vitalization of the disaster-affected areas.

### *Miyagi Recovery Support Marché*

A Miyagi fair selling specialties from Miyagi Prefecture, including snacks and sake, was held on October 24, 2018, in the lobby on the first floor of Toa Re Head Office.



**Miyagi Recovery Support Marché**

# Review of Operations

The Toa Reinsurance Company, Limited, and Subsidiaries  
For the years ended 31st March 2019 and 2018

## Underwriting Income and Expenses

Underwriting income for the consolidated fiscal year increased ¥11,234 million year on year to ¥249,383 million, mainly owing to an increase in net premiums written. Meanwhile, underwriting expenses for the consolidated fiscal year increased ¥28,291 million year on year to ¥258,026 million, mainly because provision for outstanding claims and net claims paid increased. As a result, underwriting income after deducting underwriting expenses amounted to a negative figure of ¥8,643 million for the year under review, a decrease of ¥17,057 million year on year.

## Investment Income and Expenses

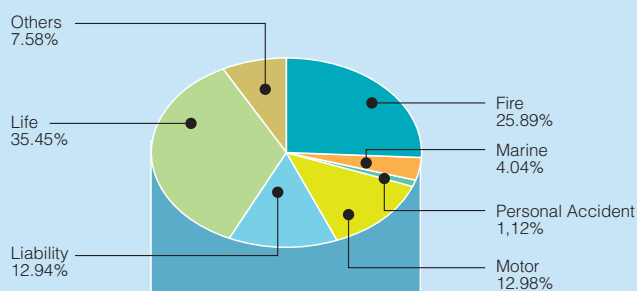
Investment income for the consolidated fiscal year increased ¥423 million year on year to ¥16,991 million, mainly owing to an increase in interest and dividends income. Meanwhile, investment expenses increased ¥236 million year on year to ¥3,139 million, mainly owing to an increase in loss on money held in trust. As a result,

investment income after deducting investment expenses amounted to ¥13,851 million for the year under review, an increase of ¥186 million year on year. The return on investment (income yield) increased 0.12 percentage points to 2.56%.

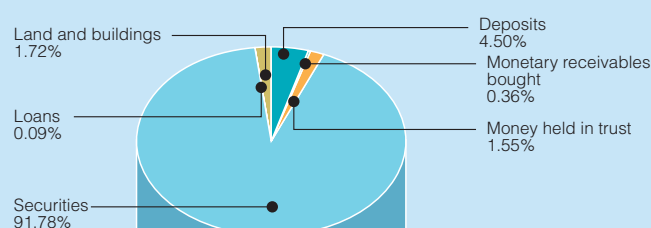
## Ordinary Profit/Loss

Ordinary profit/loss is calculated by deducting underwriting, investment, operating and general administrative expenses, and other ordinary expenses from underwriting, investment, and other ordinary income. For the consolidated fiscal year, ordinary loss amounted to ¥7,390 million, a decrease of ¥17,247 million year on year. After accounting for extraordinary income, extraordinary loss and current and deferred income taxes, net loss attributable to owners of the parent for the consolidated fiscal year amounted to ¥7,150 million, a decrease of ¥16,341 million year on year.

### Net Premiums Written by Class as of the end of March, 2019



### Invested Assets as of the end of March, 2019



# Consolidated Summary of Underwriting

The Toa Reinsurance Company, Limited and Subsidiaries  
For the years ended 31st March 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Fire</b>			
Net premiums written	¥ 64,270	¥ 65,912	\$ 579,061
Net claims paid	50,575	42,405	455,671
Net loss ratio	78.69%	64.34%	
<b>Marine</b>			
Net premiums written	10,035	8,508	90,413
Net claims paid	6,380	6,388	57,482
Net loss ratio	63.58%	75.09%	
<b>Personal Accident</b>			
Net premiums written	2,787	2,247	25,110
Net claims Paid	1,047	863	9,433
Net loss ratio	37.59%	38.42%	
<b>Motor</b>			
Net premiums written	32,229	32,001	290,377
Net claims paid	24,569	18,981	221,362
Net loss ratio	76.24%	59.31%	
<b>Liability</b>			
Net premiums written	32,121	32,791	289,404
Net claims paid	17,907	18,736	161,338
Net loss ratio	55.75%	57.14%	
<b>Life</b>			
Net premiums written	88,027	78,360	793,107
Net claims paid	72,406	66,893	652,365
Net loss ratio	82.25%	85.37%	
<b>Others</b>			
Net premiums written	18,816	18,088	169,528
Net claims paid	11,033	11,584	99,405
Net loss ratio	58.64%	64.04%	
<b>Total</b>			
Net premiums written	¥248,288	¥237,911	\$2,237,030
Net claims paid	183,922	165,854	1,657,104
Net loss ratio	74.08%	69.71%	



# Consolidated Summary of Investments

The Toa Reinsurance Company, Limited and Subsidiaries  
For the years ended 31st March 2019 and 2018

## • Invested Assets

	Millions of yen		Percentage of total		Thousands of U.S. dollars
	2019	2018	2019	2018	2019
Deposits	¥ 25,288	¥ 24,059	3.64%	3.50%	\$ 227,840
Monetary receivables bought	1,999	10,999	0.29	1.60	18,010
Money held in trust	8,684	8,187	1.25	1.19	78,241
Securities	515,874	532,344	74.32	77.38	4,647,932
Loans	517	564	0.08	0.08	4,658
Land and buildings	9,691	9,782	1.40	1.42	87,314
Total	562,056	585,938	80.98	85.17	5,064,023
Total assets	¥694,088	¥687,950	100.00%	100.00%	\$6,253,608

## • Securities

	Millions of yen		Percentage of total		Thousands of U.S. dollars
	2019	2018	2019	2018	2019
Government bonds	¥ 16,161	¥ 21,399	3.13%	4.02%	\$ 145,607
Municipal bonds	1,350	1,951	0.26	0.37	12,163
Corporate bonds	98,921	102,460	19.18	19.25	891,260
Stocks	96,042	99,563	18.62	18.70	865,321
Foreign securities	295,930	301,113	57.36	56.56	2,666,276
Other securities	7,469	5,856	1.45	1.10	67,294
Total	¥515,874	¥532,344	100.00%	100.00%	\$4,647,932

## • Interest and Dividend Income

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Cash in Bank	¥ 87	¥ 45	\$ 783	
Monetary receivables bought	1	1	9	
Money held in trust	58	65	522	
Securities	12,458	11,862	112,244	
Loans	5	5	45	
Land and buildings	77	72	693	
Subtotal	12,689	12,052	114,325	
Others	227	224	2,045	
Total	¥12,916	¥12,276	\$116,370	

## • Overseas Investment

	Millions of yen		Percentage of total		Thousands of U.S. dollars
	2019	2018	2019	2018	2019
Foreign currency					
Foreign bonds	¥238,043	¥240,046	75.19%	75.33%	\$2,144,724
Foreign stocks	21,386	26,782	6.75	8.40	192,684
Others	25,946	25,701	8.19	8.07	233,768
Subtotal	285,375	292,529	90.13	91.80	2,571,177
Yen					
Foreign bonds	19,654	19,183	6.21	6.02	177,079
Others	11,586	6,941	3.66	2.18	104,387
Subtotal	31,240	26,125	9.87	8.20	281,466
Total	¥316,616	¥318,655	100.00%	100.00%	\$2,852,653

# Consolidated Financial Statements

## Consolidated Balance Sheet

The Toa Reinsurance Company, Limited and Subsidiaries  
As of 31st March 2019 and 2018

• ASSETS	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
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
	10,021	10,181	90,287
Intangible fixed assets			
Software	2,504	220	22,560
Software in progress	—	2,300	—
Other intangible fixed assets	2	2	18
	2,507	2,524	22,587
Other assets			
Foreign reinsurance accounts receivable	64,597	42,429	582,007
Rest of other assets	29,766	23,108	268,186
	94,364	65,537	850,202
Deferred tax assets	34,896	33,619	314,406
Less: Allowance for doubtful accounts	(66)	(67)	(594)
Total assets	¥694,088	¥687,950	\$6,253,608

• LIABILITIES AND NET ASSETS	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.

# Consolidated Statement of Income

The Toa Reinsurance Company, Limited and Subsidiaries  
For the years ended 31st March 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
<b>Ordinary income and expenses:</b>			
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
	<b>249,383</b>	238,149	<b>2,246,896</b>
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)
	<b>16,991</b>	16,567	<b>153,085</b>
Other ordinary income	250	217	2,252
	<b>266,625</b>	254,934	<b>2,402,243</b>
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
	<b>258,026</b>	229,735	<b>2,324,767</b>
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
	<b>3,139</b>	2,902	<b>28,281</b>
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
	<b>29</b>	537	<b>261</b>
	<b>274,015</b>	245,077	<b>2,468,826</b>
Ordinary profit (loss)	¥ (7,390)	¥ 9,857	\$ (66,582)

The accompanying notes are an integral part of the statements.

	Millions of yen		Thousands of U.S. dollars (Note 1(2))
	2019	2018	2019
<b>Extraordinary income and loss:</b>			
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
	<b>488</b>	<b>—</b>	<b>4,396</b>
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	—
	<b>13</b>	<b>241</b>	<b>117</b>
<b>Income (loss) before income taxes</b>	<b>(6,915)</b>	<b>9,616</b>	<b>(62,302)</b>
<b>Income taxes:</b>			
Current	(366)	2,411	(3,297)
Deferred	601	(1,986)	5,414
	<b>235</b>	<b>425</b>	<b>2,117</b>
<b>Net income (loss)</b>	<b>(7,150)</b>	<b>9,191</b>	<b>(64,420)</b>
<b>Net income (loss) attributable to owners of the parent</b>	<b>¥(7,150)</b>	<b>¥9,191</b>	<b>\$ (64,420)</b>

The accompanying notes are an integral part of the statements.



# Consolidated Statement of Comprehensive Income

The Toa Reinsurance Company, Limited and Subsidiaries  
For the year ended 31st March 2019 and 2018

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

The accompanying notes are an integral part of the statements.

## Consolidated Statement of Changes in Shareholders' Equity

The Toa Reinsurance Company, Limited and Subsidiaries  
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	<b>¥5,000</b>	<b>¥124</b>	<b>¥129,496</b>	<b>¥(6,931)</b>	<b>¥127,688</b>
Changes during the period					
Dividends from retained earnings			<b>(1,123)</b>		<b>(1,123)</b>
Net income (loss) attributable to owners of the parent			<b>(7,150)</b>		<b>(7,150)</b>
Purchase of treasury stock					—
Disposal of treasury stock		<b>95</b>		<b>350</b>	<b>445</b>
Changes based on generally accepted accounting standards adopted by overseas subsidiaries					—
Others			<b>(216)</b>		<b>(216)</b>
Net changes in items other than shareholders' equity					
Total changes during the period	<b>—</b>	<b>95</b>	<b>(8,490)</b>	<b>350</b>	<b>(8,044)</b>
Balance at the end of the period	<b>¥5,000</b>	<b>¥219</b>	<b>¥121,005</b>	<b>¥(6,581)</b>	<b>¥119,644</b>
	Accumulated other comprehensive income				
	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	Total net assets
Balance at the beginning of the period	<b>¥ 68,411</b>	<b>¥ 6,390</b>	<b>¥(1,940)</b>	<b>¥ 72,861</b>	<b>¥200,550</b>
Changes during the period					
Dividends from retained earnings					<b>(1,123)</b>
Net income (loss) attributable to owners of the parent					<b>(7,150)</b>
Purchase of treasury stock					—
Disposal of treasury stock					<b>445</b>
Changes based on generally accepted accounting standards adopted by overseas subsidiaries				—	—
Others					<b>(216)</b>
Net changes in items other than shareholders' equity	<b>(10,315)</b>	<b>(2,560)</b>	<b>315</b>	<b>(12,560)</b>	<b>(12,560)</b>
Total changes during the period	<b>(10,315)</b>	<b>(2,560)</b>	<b>315</b>	<b>(12,560)</b>	<b>(20,605)</b>
Balance at the end of the period	<b>¥ 58,095</b>	<b>¥ 3,829</b>	<b>¥(1,624)</b>	<b>¥ 60,300</b>	<b>¥179,944</b>

The accompanying notes are an integral part of the statements.

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

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

The accompanying notes are an integral part of the statements.

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				
	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	Total net assets
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.



# Consolidated Statement of Cash Flows

The Toa Reinsurance Company, Limited and Subsidiaries  
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)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(575)	(5)	(5,180)
<b>Net increase (decrease) in cash and cash equivalents</b>	(7,800)	16,476	(70,276)
<b>Cash and cash equivalents at the beginning of the period</b>	41,087	24,611	370,186
<b>Cash and cash equivalents at the end of the period (Note 7(1))</b>	¥ 33,287	¥ 41,087	\$299,909

The accompanying notes are an integral part of the statements.

# 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	<b>¥9,673</b>	¥9,498	<b>\$87,151</b>
Advanced depreciation	<b>29</b>	29	<b>261</b>

- (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	<b>¥10</b>	¥10	<b>\$90</b>

#### (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	<b>¥25,627</b>	¥28,561	<b>\$230,894</b>

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
	<b>¥4,436</b>	¥14,409	<b>\$39,967</b>

#### 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	<b>¥52,731</b>	¥49,913	<b>\$475,096</b>

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

#### 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	¥1,099 million \$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	¥24 million \$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	28th 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	¥1,043 million	¥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	¥ 33,287	¥ 41,087	\$ 299,909

(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	¥ 16		\$ 144

(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:

	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	¥ 1,078	¥ 915	\$ 9,712

### 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	¥ 410	¥ (504)	\$ 3,694

### 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	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:

	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))						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	\$ —	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 segments 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
<b>Sales</b>					
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
<b>Profit or loss by reportable segments</b>	1,686	(2,727)	(6,050)	—	(7,091)
<b>Assets by reportable segments</b>	505,486	203,735	50,796	3,096	763,115
<b>Liabilities by reportable segments</b>	377,901	135,067	14,434	3,080	530,484
<b>Other items</b>					
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
<b>Sales</b>					
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
<b>Profit or loss by reportable segments</b>	15,190	(24,569)	(54,509)	—	(63,888)
<b>Assets by reportable segments</b>	4,554,338	1,835,615	457,662	27,894	6,875,529
<b>Liabilities by reportable segments</b>	3,404,820	1,216,929	130,047	27,750	4,779,565
<b>Other items</b>					
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				Total
	Toa	TRA	TRE	TRCM	
<b>Sales</b>					
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
<b>Profit by reportable segments</b>	4,987	2,621	2,525	—	10,134
<b>Assets by reportable segments</b>	490,545	212,215	50,250	—	753,011
<b>Liabilities by reportable segments</b>	361,616	131,617	6,203	—	499,437
<b>Other items</b>					
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	\$(63,888)	
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	\$6,875,529	
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	\$4,779,565	
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	<b>¥12,858</b>	¥13,060	<b>\$115,848</b>	
Adjustments*	—	(848)	—	
Amounts in consolidated financial statements	<b>¥12,858</b>	¥12,211	<b>\$115,848</b>	
Income tax expense				
Total of reportable segments	<b>¥ 280</b>	¥ 121	<b>\$ 2,522</b>	
Adjustments*	<b>(45)</b>	303	<b>(405)</b>	
Amounts in consolidated financial statements	<b>¥ 235</b>	¥ 425	<b>\$ 2,117</b>	

\* 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	<b>¥64,270</b>	<b>¥10,035</b>	<b>¥2,787</b>	<b>¥32,229</b>	<b>¥32,121</b>	<b>¥88,027</b>	<b>¥18,816</b>	<b>¥248,288</b>

	Thousands of U.S. dollars (Note 1(2))							
	Fire	Marine	Personal Accident	Motor	General Liabilities	Life	Others	Total
Sales to external customers	<b>\$579,061</b>	<b>\$90,413</b>	<b>\$25,110</b>	<b>\$290,377</b>	<b>\$289,404</b>	<b>\$793,107</b>	<b>\$169,528</b>	<b>\$2,237,030</b>

\* Sales represent "Net premiums written".

B. Information by geographic area

(a) Sales

Millions of yen			
Japan	United States	Others	Total
<b>¥136,008</b>	<b>¥67,555</b>	<b>¥44,724</b>	<b>¥248,288</b>

Thousands of U.S. dollars (Note 1(2))			
Japan	United States	Others	Total
<b>\$1,225,407</b>	<b>\$608,658</b>	<b>\$402,955</b>	<b>\$2,237,030</b>

\* 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
<b>¥9,090</b>	<b>¥930</b>	<b>¥10,021</b>

Thousands of U.S. dollars (Note 1(2))		
Japan	Others	Total
<b>\$81,899</b>	<b>\$8,379</b>	<b>\$90,287</b>

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)	<b>Common Stock</b>	<b>88,065</b>	Common Stock	90,577
	<b>Class A Stock</b>	<b>1,930</b>	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

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

- C. Description and amount of major acquisition-related costs  
Advisory fee and others CHF 0 million

- 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.

## 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.

About Independent Auditor

Independent auditor for the year ended 31st March 2019 was Ernst & Young ShinNihon LLC.

## Independent Auditor's Report

The Board of Directors  
The Toa Reinsurance Company, Limited

We have audited the accompanying consolidated financial statements of The Toa Reinsurance Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheet as of 31st March 2019 and the consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Toa Reinsurance Company, Limited and its consolidated subsidiaries as of 31st March 2019 and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

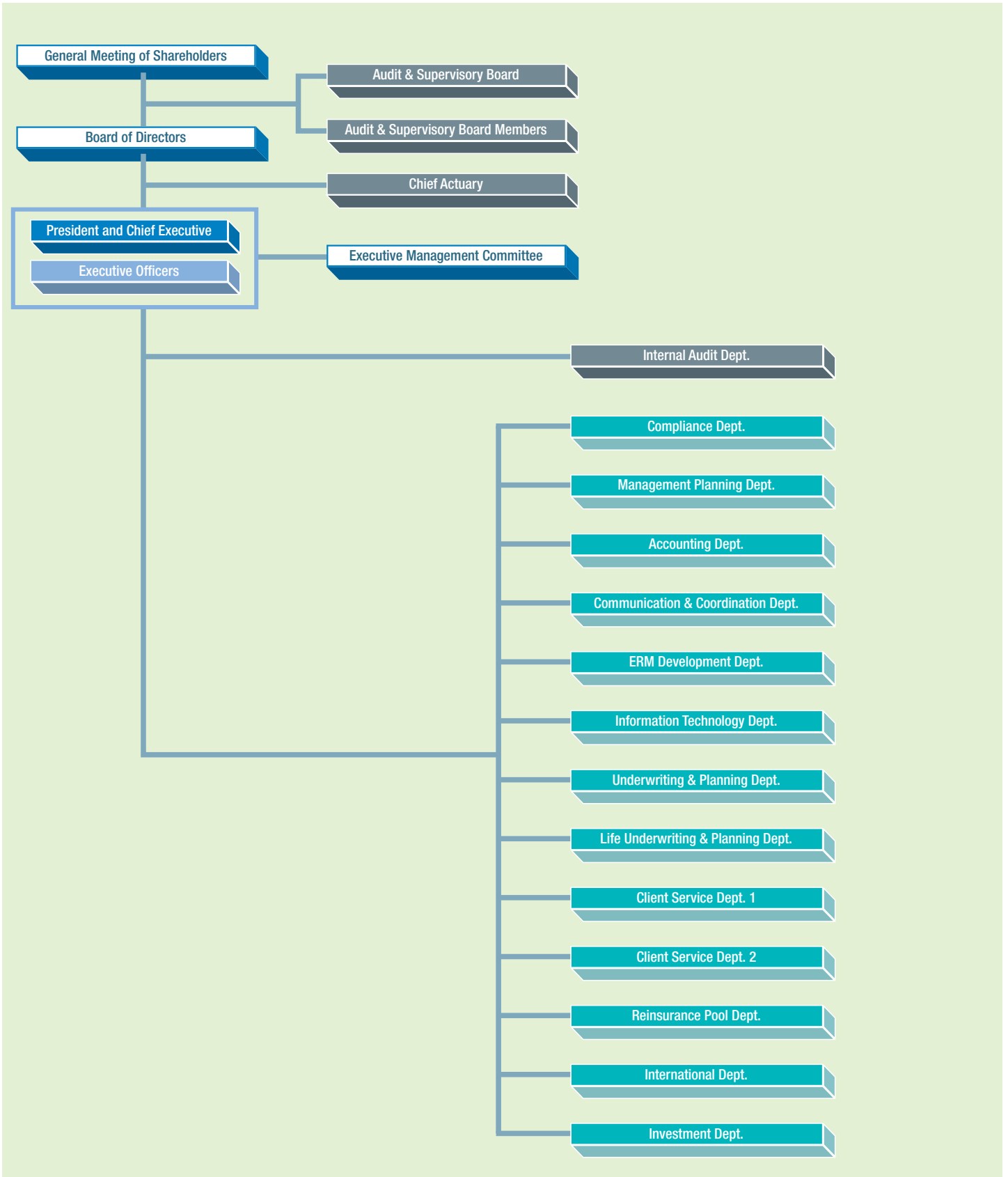
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(2).

*Ernst & Young ShinNihon LLC*

27th June 2019  
Tokyo, Japan

# Organization

The Toa Reinsurance Company, Limited  
As of 27th June 2019



## Board of Directors

The Toa Reinsurance Company, Limited  
As of 27th June 2019

### PRESIDENT AND CHIEF EXECUTIVE

Tomoatsu Noguchi

### MANAGING DIRECTORS

Toshiyuki Sugawara  
Masaaki Matsunaga  
Hironori Mishina

### DIRECTORS

Yukihiro Hirahara  
Hiroshi Nagashima  
Koji Watanabe  
Kazuhito Oura  
Tadashi Noguchi  
Akihiko Daigo  
Makoto Murato

### AUDIT & SUPERVISORY BOARD MEMBERS

Yutaka Okazaki  
Tsuneyuki Takahashi  
Kazutaka Muto  
Shoichi Kobayashi

## Corporate Data

The Toa Reinsurance Company, Limited  
As of 31st March 2019

### HEAD OFFICE

6-5, Kanda-Surugadai 3-chome,  
Chiyoda-ku, Tokyo 101-8703, Japan  
Telephone: +81-3-3253-3171  
Facsimile: +81-3-3253-1208  
URL: <https://www.toare.co.jp>

### DATE ESTABLISHED

15th October 1940

### NUMBER OF SHARES BY TYPE

	(COMMON)	(CLASS A)
Authorized:	370,000,000	30,000,000
Issued:	98,070,000	1,930,000

### PAID-IN CAPITAL

¥ 5,000 million

### TOTAL ASSETS

¥ 505,486 million

### NUMBER OF EMPLOYEES

331

### LINES OF BUSINESS

Reinsurance of the following:

- Fire Insurance
- Marine Insurance
- Transit Insurance
- Personal Accident Insurance
- Voluntary Automobile Insurance
- Compulsory Automobile Liability Insurance
- General Liability Insurance
- Shipowners' Liability Insurance for Passengers' Personal Accident
- Workers' Accident Compensation Liability Insurance
- Aviation Insurance
- Credit Insurance
- Guarantee Insurance (including Surety Bond)
- Glass Insurance
- Machinery Insurance
- Contractors' All Risks Insurance
- Atomic Energy Insurance
- Movables Comprehensive Insurance
- Theft Insurance
- Windstorm and Flood Insurance
- Boiler and Turbo-Set Insurance
- Livestock Insurance
- Miscellaneous Pecuniary Loss Insurance
- Life Insurance
- Pet Insurance





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