

Income and Expenditure Account

(for the year ended 31 March 2016)

(Unit : JPY)

| Accounts | Amount |
|---|-----------------------|
| Ordinary income and expenses | |
| Ordinary income | 19,690,184,631 |
| Underwriting income | 18,735,082,685 |
| Net premiums written | 18,523,873,119 |
| Other underwriting profits | 211,209,566 |
| Investment income | 831,009,969 |
| Interest and dividends | 827,170,769 |
| Profit on sales of securities | 3,839,200 |
| Other ordinary profit | 124,091,977 |
| Reversal of reserve for bad debts | 67,933,385 |
| Other ordinary profit | 56,158,592 |
| Ordinary expenses | 19,867,294,331 |
| Underwriting expenses | 14,617,858,588 |
| Net claims paid | 13,510,557,820 |
| Provision for outstanding claims | 621,315,245 |
| Provision for underwriting reserve | 258,103,767 |
| Exchange losses | 227,881,756 |
| Investment expenses | 2,158,598,298 |
| Loss on money trusts | 48,388,742 |
| Exchange losses | 2,110,209,556 |
| Operating expenses | 2,838,320,829 |
| Other ordinary expenses | 252,516,616 |
| Tax | 12,874,183 |
| Depreciation | 109,916,170 |
| Provision for bonuses | 5,980,860 |
| Provision for retirement benefit | 91,232,612 |
| Provision for directors' retirement benefit | 32,400,000 |
| Other ordinary expenses | 112,791 |
| Ordinary deficit | 177,109,700 |
| Special loss | 29,152 |
| Loss on disposal of fixed assets | 29,152 |
| Deficit before income taxes | 177,138,852 |
| Current income taxes | 233,065,447 |
| Deferred income taxes | △277,107,932 |
| Total income taxes | △44,042,485 |
| Deficit after income taxes | 133,096,367 |

(Notes)

(1) For foreign currency bonds, the Association charges unrealized foreign exchange gains and losses with respect to the amortized cost denominated in foreign currency to the income and expenditure account each period.

(2) The aggregate revenue of business transacted with subsidiary companies amounts to ¥37 million and the aggregate expenses amounts to ¥45 million.

(3) ① Net premiums written consist of the following;

| | | |
|----------------------------|---------|---------|
| Calls and premiums written | ¥25,197 | Million |
| Reinsurance premiums ceded | ¥6,673 | Million |
| Net premiums written | ¥18,523 | Million |

Supplementary Calls for 2014 Policy Year (20%, ¥3,668 Million) are included in the above ¥25,197 Million.

② Net claims paid consist of the following;

| | | |
|------------------------------|---------|---------|
| Claims paid | ¥18,450 | Million |
| Reinsurance claims recovered | ¥4,939 | Million |
| Net claims paid | ¥13,510 | Million |

③ The provision for outstanding claims amounts to ¥621 million after the addition of the reversal for outstanding claims ceded in the amount of ¥497 million.

④ There are no provision for ceded underwriting reserves deducted for the purpose of calculating the provision for underwriting reserves in the amount of ¥258 million.

⑤ Interest and dividends consist of the following;

| | | |
|--------------------------------|------|---------|
| Interest on deposits & savings | ¥72 | Million |
| Interest on securities | ¥754 | Million |
| Total | ¥827 | Million |

⑥ Valuation loss of ¥47 million is included in "Losses from money held in trust".

(4) A reconciliation between the effective statutory tax rate and the actual effective tax rate after application of deferred tax accounting is as follows:

| | |
|---|--------|
| Effective statutory tax rate | 27.92% |
| Increase of deferred tax assets at the balance sheet date caused by change in income taxes rate | 0.56% |
| Entertainment and other expenses not deductible for tax purposes | △2.72% |
| Tax on per capita basis | △0.84% |
| Others | △0.05% |
| Actual effective tax rate | 24.86% |

(5) Pursuant to the "Act on Partial Amendment to the Local Tax Act, etc." (Act No.13, 2016) enacted in the Diet session on 29 March 2016, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will change from 27.92% to 27.93% for temporary difference expected to be reversed in the fiscal year beginning on or after 1 April 2017. The effect of this change in applicable tax rate on deferred tax assets (net of deferred tax liabilities), net unrealized gain on

securities, deferred income taxes and surplus after income taxes are immaterial.

(6) Provision for underwriting reserve consists of the following:

| | | |
|---|-------------|----------------|
| Reversal of ordinary underwriting reserve | ¥299 | Million |
| <u>Provision for catastrophe reserve</u> | <u>¥557</u> | <u>Million</u> |
| Total | ¥258 | Million |

(7) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.